



*Fueling the*  
**SRILANKAN  
SPIRIT**



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# *Fueling the* **SRI LANKAN SPIRIT**

Fifteen years ago we set forth on a journey to transform the energy sector of Sri Lanka. We at Lanka IOC have passionately fueled the transformation of the social landscape of Sri Lanka with expansive customer touch points, empowered communities by partnering to develop infrastructure across the island. Our fuel network has created a myriad of opportunities for employment together with enhanced avenues for revenue, thus building a sustainable platform for social and community development.

Our focus on quality remains paramount as we remain committed on sourcing the optimum quality globally. We continue on our journey of transformation as we strive to redefine the paradigms of customer service with innovative service features. As we spread our wings we have passionately fueled beyond the cannons of commuter conveyance.

Today, we are recognized as an enduring brand intrinsically linked with the hearts and minds of the Sri Lankan spirit fueling them to reach greater heights.

## Our 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.

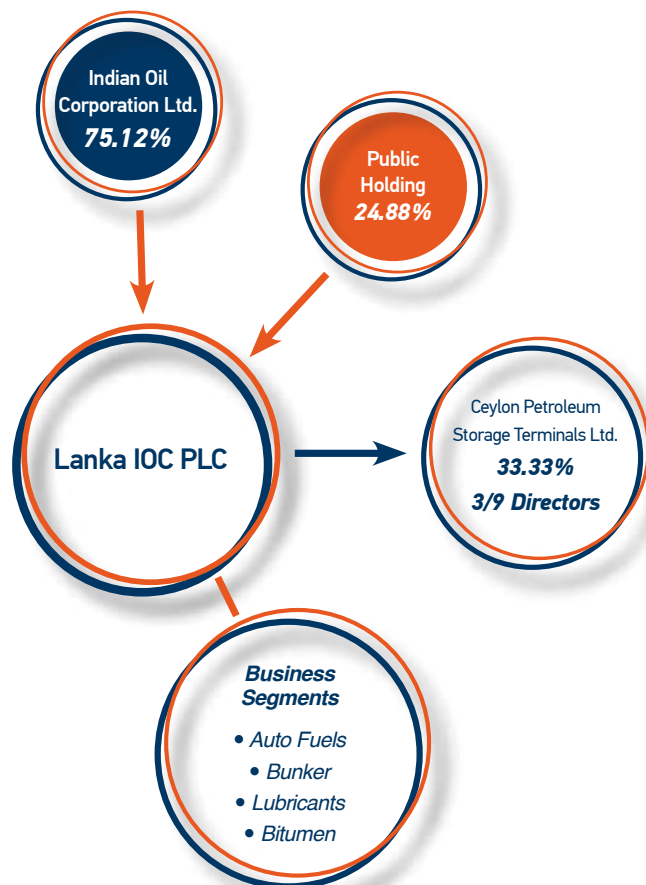
## About the Company

**G4-4 | G4-6 | G4-8 | G4-9**

Lanka IOC PLC is Sri Lanka's only private sector organisation retailing auto fuels with an island wide distribution network of 202 retail outlets. The Company also retails a range of lubricants complementing the auto fuels business. As a provider of an essential service, Lanka IOC employs a dynamic team of 171 employees based at the Head Office in Colombo and at the Trincomalee Terminal to ensure high standards of service and quality products. The Company is focused on building a healthy and competitive fuel network that will boost the nation's economy, while simultaneously caring for its natural environment.

Listed on the Colombo Stock Exchange with 10,504 shareholders, Lanka IOC is firmly committed to creating long term value for all our stakeholders including employees, franchisees, vendors, contractors, dealers and the government using the considerable expertise and networks of the parent company - Indian Oil Corporation Ltd., which is considered India's flagship automotive fuel supplier with operations in eight countries.

Lanka IOC provides an essential service to the Sri Lankan people as a retailer of auto fuels, facilitating transportation of goods and people, while contributing to the socio-economic development of Sri Lanka.







*Over the years, we have led the way with strategic foresight and certainty, which has positioned us within the top largest listed companies in Sri Lanka.*

*Today, we are poised to energize performance levels further transcending beyond growth and profitability to a wide spectrum of areas such as governance, environmental responsibility and sustainability fuelling the years to come.*

## Key Business Lines of **Lanka IOC PLC**

G4-4 | G4-6 | G4-8 | G4-9



### **Automotive Fuels**

#### **Branded Fuels**

**XTRAPREMIUM 95**  
XTRAORDINARY PERFORMANCE, FIRST TIME EVERY TIME

**XTRAPREMIUM EURO3**  
HI OCTANE PETROL WITH FRICTION BUSTERS

**XTRAMILE**  
DIESEL

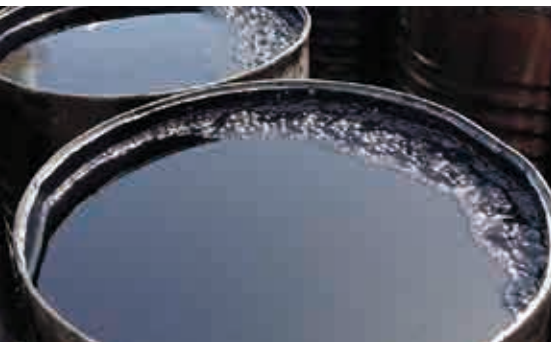
Our main forte is Automotive Fuels, both petrol and diesel, imported and distributed through 202 retail outlets in Sri Lanka. Besides our regular auto fuels, we offer three Branded Autofuels, of highest quality standards to our valued customers.



### **Lubricants**

**IOC**  
Lanka IOC  
**SERVO**  
100% PERFORMANCE. EVERYTIME.

We offer a wide range of world class Servo brand of Lubricants for automotive, industrial and marine applications. Majority of high performance lubricants are blended at our Trincomalee plant and distributed across the Island through a wide spread network of distributors, petrol sheds and Servo shops.



### **Bitumen**

We are a leading supplier of bitumen in Sri Lanka and supply two variants of Bitumen - Bitumen 60/70 and Bitumen 80/100 for use in roadworks and other industrial usage.

## BUNKERING AT TRINCOMALEE PORT



## Bunkering

LIOC is a leading bunker supplier for IFO 180cst, IFO 380cst & MGO to local and foreign going vessels at port of Colombo & Trincomalee. Bunkering fuel meets International Standard ISO 8217: 2005 specifications.



## Petrochemicals

As part of strategy for business diversification, LIOC ventured into Petrochemical segment during the year 2016-17, where it visualizes lot of potential for growth.



## Export Sales

We are strategically located to export Bunker Fuels and Servo Lubricants to neighbouring countries in South Asia.



## About the Report

G4-6 | G4-13 | G4-15 | G4-17 | G4-31



Lanka IOC PLC (LIOC) is a firm believer in implementing sustainable business practices, a belief that is integral to our way of doing business. Aligned to this, we have continuously strived to be accountable and transparent in our operations and reporting. We took up the challenge of producing our first Integrated Annual Report last year, prepared in accordance with the guidelines of the Integrated Reporting (IR) Framework published by the International Integrated Reporting Council. We continue this process again this year with further additions and enhancements.

To report on and be comparable with other companies with regards to our sustainable business practices, we work towards reporting on the sustainability guidelines as set-out by the Global Reporting Initiative (GRI).



### **Feedback and Contact**

*We value your feedback to improve our reporting standards and welcome your comments and suggestions in improving the readability of; and disclosures in our Annual Report. Please fill in the attached Feed Back Form and direct your feedback with name & contact number to Company Secretary:*

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



[G4-15](#) | [G4-18](#) | [G4-28](#) | [G4-29](#) | [G4-30](#) | [G4-32](#)

### **Reporting Scope and Boundary**



The Report covers the operations of Lanka IOC PLC including its Trincomalee Terminal operations and the retail outlets operated by the Company. LIOC adopts an annual reporting cycle, and this Report covers the period from 1st April 2016 to 31st March 2017. The Company's previous GRI compliant sustainability report was for the period ending 31st March 2016.

Material events post this reporting period, up to the sign off date by the Board of Directors on 9th May 2017, have been included in this Report, ensuring a more relevant and up to date.



### **Materiality and Material Aspects**

Material aspects that are included in this Report have been selected through a comprehensive and structured process which involved robust stakeholder engagement, critical evaluation of our value creating model and emerging risks and opportunities present in the industry.



### **Compliance for Financial Reporting**

The Report conforms to the requirements of the Companies Act No. 07 of 2007 and the Financial Statements presented herein have been prepared in accordance with the Sri Lanka Financial Reporting Standards and comply with the Listing Requirements of the Colombo Stock Exchange. External Assurance on the Financial Statements has been provided by Messrs Ernst and Young, Chartered Accountants.



### **Compliance for Sustainability Reporting**

Our Annual Report 2016/17 for the third consecutive year reports on the GRI-G4 guidelines and is compliant with the 'Core' criteria. The Report covers the period from 1st April 2016 to 31st March 2017. The Company has not obtained external assurance for our sustainability reporting aspects.



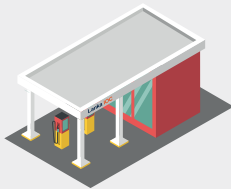
### **Compliance for Corporate Governance**

The Company complies with external standards such as Continued Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission and the Institute of Chartered Accountants of Sri Lanka, Shop & Office Employees Act of 1954, and Inland Revenue Act No.10 of 2006 when setting out our Corporate Governance principles and regulations. Further, the Company also adheres to internal standards and principles such as Articles of Association, Code of Ethics for Employees as well as Board Approved Policies, Terms of reference of Board sub-committees.

## A Glimpse of Historical Milestones

2002-03

- **Lanka IOC (Pvt) Limited incorporated**
- Agreements signed with Board of Investment of Sri Lanka (BOI)
- Commenced product sales from Lanka IOC Petrol Sheds



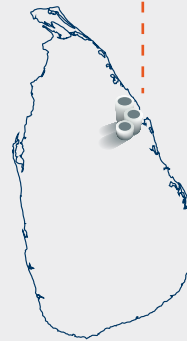
2004-05

- Obtained the listing status in the Colombo Stock Exchange and became Lanka IOC PLC



2007-08

- Commissioned the Lube Blending Plant at Trincomalee
- Started Bunker Operations in Colombo Port



2016-17

- Commissioned the **200<sup>th</sup>** Retail Outlet.
- Winner of 'National Business Excellence Award 2016' in Trading Category.
- Awarded 'Top 30 Best Companies' 2015-16 by "Business Today"
- Awarded '8th largest company' in Sri Lanka for 2015-16 by LMD magazine.
- 'Best Enterprise Extra Ordinary Award' for Trincomalee Terminal by Chamber of Commerce, Eastern Province.
- Commissioned Bunker sales from Trincomalee Terminal
- Ventured into Petrochemical business segment.



2015-16

- Commenced bunkering operations from June 2015 at Trincomalee Port
- Prestigious ISO 9001-2015 accredited to Lube Blending Plant at Trincomalee





2009-10



2010-11

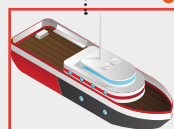


2011-12

- The Turnover of the Company reached **50 bn**
- Started Sales of Bitumen



- Commissioned the First grassroots Retail Outlet
- Operations & Accounting shifted to ERP [SAP] system
- Commissioned the **150<sup>th</sup>** Retail Outlet



- Commissioned Lube Distributorship in Maldives
- Launch of Euro III Grade Petrol



2014-15



2013-14



2012-13

- **Highest ever share price** LKR 68.30 per share traded in CSE.
- Bronze award Winner in the 50th Annual Report awards of the Institute of Chartered Accountants of Sri Lanka
- Lanka IOC assigned Highest Credit Rating – AAA rating by Lanka Rating Agency



- **65% increase** in Net Profit from LKR 2.91 Billion in FY 2012-13 to LKR 4.81 Billion in FY 2013-14

- Maiden Final Dividend of LKR 1/ equity share for FY 2012-13 declared
- Commissioned of **150<sup>th</sup>** Servo Shop

## Year at a Glance

During the year, 2016/17, LIOC achieved many milestones and achievements encompassing financial, infrastructure, expansion of product range and awards.

### Achieving Greater Heights

Achieved total turnover of LKR 81,039 million with

**14%**

impressive growth over the previous year.

In Auto fuels, LIOC reported a growth of

**17.7%**

over the previous year with all time high sales of 644,038 KL



The sales of Premium auto fuels recorded impressive growth of

**25%**

as compared to the previous year, Sales 90,988 KL

Premium Fuels

The Company has crossed total net worth of LKR 20 Billion as at 31st March 2017

LKR  
**20.8 Billion**  
Network

In Lubes segment, Company achieved all time high sales of 11,500 KL, 15% higher than last year.

All time high production of 9,600 KL at Trincomalee Lube Blending Plant, **20%** higher than last year.

In Bitumen segment, Company achieved sales volume of 47,678 MT,

**22.7% higher than**

previous year inspite of stiff competition and entry of new players.



### Expanding Reach and Capacity

With commissioning of new Retail Outlets (ROs), LIOC has crossed 200 ROs network in the island which is a major landmark and now operates

**202 ROs**

under its fold.



With commencement of bunker business from **Trincomalee Terminal**, additional Tanks for IFO 380 CST were commissioned during the year.

**Barge** - Loading rate enhanced from 85 KL/hr to 220 KL/hr resulting in considerable savings to the company and better service to bunker buyers.

**Tanker** - Unloading rate enhanced from 700 KL/hr to 2,000 KL/hr for Gasoil resulting into recurring savings due to decreased tanker detention time by over 36 hours.

**64**  
new

servo shops were commissioned during the year taking the total to 235.





## **Commitment to Expand our Product Lines**

*LIOC ventured into a new business segment of 'Petrochemicals' during the year. This segment is having strong growth potential*

*LIOC commenced bunkering operations from its Trincomalee Terminal during the year*

## **Commitment to Excel - Awards and Accolades Won by LIOC**

- Winner of National Business of Excellence Awards 2016 in "Trading Category" which is held by the National Chamber of Commerce of Sri Lanka.
- Ranked amongst the 'Top 30 Best Companies' in Sri Lanka for 2015-16 by Business Today.
- LIOC was ranked '8th largest listed Company' in Sri Lanka for 2015-16 by prestigious LMD magazine
- Fitch, a global leader in credit ratings, awarded LIOC an impressive Long Term Rating of "AA" which further testifies the strong position of LIOC in Sri Lanka.
- Our first attempt to prepare an Annual report based on 'Integrated Reporting' concept was recognized with a 'Certificate of Compliance' from the Institute of Chartered Accountants of Sri Lanka - 52nd Annual Report Awards.
- Trinco Terminal & LBP Unit received the Prestigious Chamber of Commerce, Eastern Province Award under the Category "Best Enterprise Extra Ordinary".



## 15 Years of Energizing Transformation



Felix Pereira & Sons, Colombo

## Before

Before 2002-03, auto fuel retailing in the country was at the rudimentary level, limited to mere sales of auto fuel only. Absence of uniform standards, mostly mechanical machines, manual billing systems and a monopoly situation left customers without any choice. Even though basic auto fuels were available but these fuel stations were far away from the concept of modern retailing and were devoid of international customer service standards.

## After

With entry in the country during the year 2002-03, Lanka IOC PLC brought in 50 years of rich experience of auto fuel retailing and a willingness to perform for this being first major auto fuel retail venture outside India, it transformed the fuel retailing in Sri Lanka. Country saw a dramatic change in the way auto fuels were marketed. Fully equipped LIOC retail outlets entered Sri Lanka's landscape. With relentless focus on evincing customer delight in all our endeavours through pioneering initiatives and offerings, LIOC created new benchmarks in auto fuel retailing. It was only after arrival of Lanka IOC, situation at petrol sheds changed from 'No Choice' to 'Customer is King'. Soon existing player also followed us benefiting customers & general public.



Felix Pereira & Sons, Colombo

These modern retail outlets with fully paved access/drive ways, well illuminated canopies, electronic dispensing units with many equipped with computerized receipts, digital air gauges, nitrogen tyre inflators, clean toilets, vehicle servicing bays, mini super markets, ATMs and even food outlets to name few facilities, Customers for the very first time were able to experience an fueling experience at par with international standards. With its unique visual signage, LED powered canopies, trained customer attendants in uniforms, environment friendly fuels, LIOC pioneered in introducing the concept of branding in auto fuel retailing to the country. Also with the introduction of corporate fuel cards, LIOC added a new dimension towards cashless transactions in customer facilities. LIOC also introduced electric car charge facility at the retail outlet.

## Beyond

Lanka IOC is marching to the Future with confident strides and fully geared to serve the customer's needs in a rapidly changing technology domain. As cashless transactions become the global norm, the Company plans to go one step ahead by automating the Retail Outlet that would not only provide the facility of cashless monetary transaction but also a comprehensive technology for vehicle cum customer identification, SMS alerts, customized billing, reports and a plethora of other value additions.

The world is moving in a direction where the dominance of the liquid fuel driven automotive sector will reduce and alternative fuel will take prominence. In the near future, you may find the forecourt of the Company's Retail Outlet transformed into an area where electric recharging of automobiles would be possible alongside conventional fuel. The canopy being made with solar panels shall be providing the energy for the charging points and also for the other energy requirements of the Retail Outlet.

As we celebrate a significant corporate milestone of 15 years of energizing transformation of Sri Lanka, we firmly believe in augmenting value for our customers. We are set to embark on the next dimension of transformation in the fast evolving global trends.



A futuristic fully automated fuel station with electric car charging points through solar power

# Fueling the SRI LANKAN SPIRIT

*Before*



*After*





# Financial Highlights

G4-9

Revenue (LKR)

**81Bn**

PAT (LKR)

**3Bn**

Profit Before Tax (LKR Mn)

**3,601**

Shareholders Fund (LKR Mn)

**20,790**

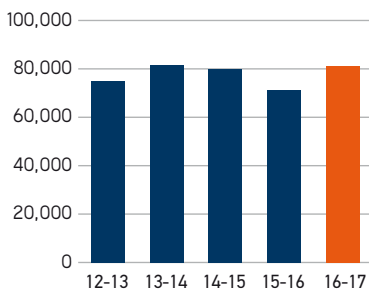
Return on Equity (%)

**15%**

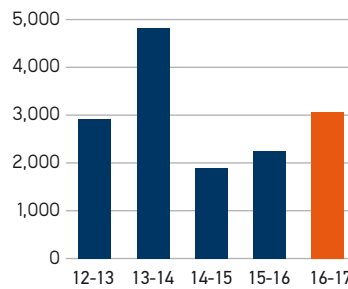
Dividend per share (LKR)

**1.25**

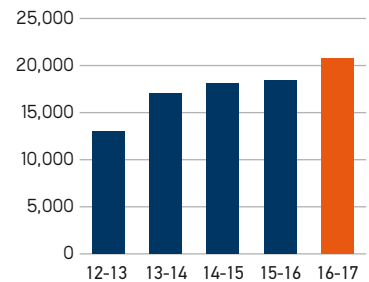
Revenue (LKR Mn)



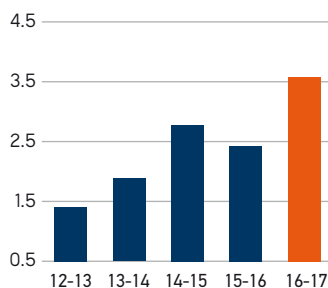
Net Profit After Taxation (LKR Mn)



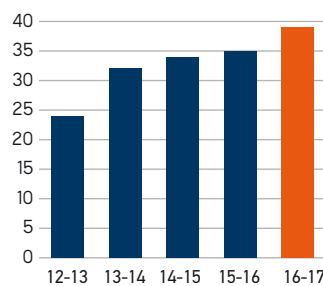
Shareholders' Funds (LKR Mn)



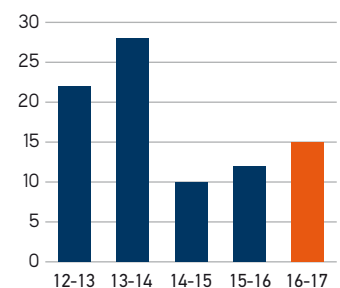
Current Ratio (Times)



Net Assets Value Per Share (LKR)



Return on Equity (%)



## Performance Highlights

		2012-13	2013-14	2014-15	2015-16	2016-17
<b>Operating Results</b>						
Revenue	LKR million	75,111	81,793	79,901	71,307	81,039
Gross Profit	LKR million	5,389	8,312	4,733	5,817	7,058
Operating Profit	LKR million	2,862	5,719	2,090	2,550	3,148
Profit Before Tax	LKR million	2,991	5,761	2,251	2,675	3,601
Income Tax	LKR million	(82)	(948)	(365)	(436)	(535)
Profit After Tax	LKR million	2,909	4,813	1,886	2,239	3,065
Dividends	LKR million	-	799	799	532	666
<b>Capital Employed</b>						
Stated Capital	LKR million	7,576	7,576	7,576	7,576	7,576
Retained Earnings	LKR million	5,452	9,467	10,549	10,809	13,214
Shareholders' Funds	LKR million	13,028	17,043	18,125	18,385	20,790
Total Borrowings	LKR million	4,367	6,122	3,998	2,203	886
<b>Assets Employed</b>						
Non Current Assets	LKR million	8,337	8,485	8,827	9,225	9,290
Current Assets	LKR million	16,363	18,499	14,714	15,843	16,204
Total Assets	LKR million	24,700	26,984	23,541	25,068	25,494
<b>Key Ratios</b>						
Gross Profit	%	7	10	6	8	9
Operating Profit	%	4	7	3	4	4
Net Profit	%	4	6	2	3	4
Return on Equity	%	22	28	10	12	15
Annual Sales Growth	%	24	9	-2	-11	14
Equity to Total Assets Ratio	%	53	63	77	73	82
Earning Per Share	LKR	5.46	9.04	3.54	4.21	5.76
Net Assets Value Per Share	LKR	24	32	34	35	39
Dividend per share	LKR	-	1.50	1.50	1.00	1.25
Price Earning Ratio	Times	3.7	4.3	11.4	7.7	5.0
Current Ratio	Times	1.4	1.9	2.8	2.4	3.6
Quick Assets Ratio	Times	0.5	1.1	1.7	1.3	2.5
<b>Price Movement LKR</b>						
Market Value Per Share (Highest)	LKR	23.00	40.50	68.30	44.20	42.90
Market Value Per Share (Lowest)	LKR	15.00	19.00	37.30	29.00	27.70
Last Traded Price Record	LKR	20.40	38.50	40.30	32.50	29.00
Market Capitalization	LKR million	10,862	20,500	21,458	17,305	15,442

# Sustainability Highlights

G4-EC3 | G4-EC7 | G4-EN8 | G4-EN29 | G4-LA1 | G4-LA6 | G4-LA11 | G4-HR5 | G4-HR6 | G4-SO1 | G4-SO8 | G4-PR3

	GRI Reference	2015/16	2016/17
<b>Economic</b>			
Economic Value Added (LKR Mn)	EC-1	1,702	<b>2,404</b>
Payments to Government (LKR Mn)	EC-1	24,322	<b>29,651</b>
Employee benefit liability as of 31st March (LKR Mn)	EC-3	65	<b>66</b>
Community services and infrastructure projects (LKR Mn)	EC-7	8.5	<b>10.4</b>

	GRI Reference	2015/16	2016/17
<b>Environment</b>			
Total purchases of materials during the year (TMT)	EN-1	742	<b>707</b>
Direct energy consumption (GJ)	EN-3	358,625	<b>420,398</b>
Total Water Withdrawal (KL)	EN-8	46,559	<b>57,328</b>
Significant environmental fines	EN-29	Nil	<b>Nil</b>
Complaints on environmental grievances from stakeholders	EN-34	Nil	<b>Nil</b>

	GRI Reference	2015/16	2016/17
<b>Social</b>			
<b>Labour Practices and Decent Work</b>			
Total workforce	LA-1	172	<b>171</b>
Number of injuries	LA-6	Nil	<b>Nil</b>
Injury rate (number of injuries per 100 employees)	LA-6	Nil	<b>Nil</b>
Lost day rate (lost days as a % of total person days)	LA-6	Nil	<b>Nil</b>
No. of employees receiving performance reviews (%)	LA-11	100%	<b>100%</b>

<i><b>Social Contd.</b></i>	GRI Reference	2015/16	2016/17
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### ***Human Rights***

Incidences of child labour (< age 18) and young workers (16-18)	HR-5	Nil	<b>Nil</b>
Incidents of forced labour during the year	HR-6	Nil	<b>Nil</b>

	GRI Reference	2015/16	2016/17
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### ***Society***

Community engagement (no. of persons impacted)	SO-1	9,000	<b>18,000</b>
Significant fines for violation of laws/regulations	SO-8	Nil	<b>Nil</b>

	GRI Reference	2015/16	2016/17
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### ***Product Responsibility***

Proportion of labels carrying ingredients used (%)	PR-3	100% in Lubricants products	<b>100% in Lubricants products</b>
Complaints regarding breaches in Customer Privacy during the year	PR-8	Nil	<b>Nil</b>



## Chairman's Review

Dear Shareholder,

I am pleased to present the integrated Annual Report and the Financial Statements for the year ended 31st March 2017. As I look back on 2016/17, I take great pride in the fact that we continued to be successful doing what we do best – *fueling the nation to make people's lives more livable and inspiring*. This is the purpose that drives us. It sparks our vision, gives us energy, enables us to deliver for our customers and, ultimately, generates value for our business.

Although conditions were demanding during the year with crude oil and petroleum products experiencing a great degree of volatility, we could manage uncertainty and delivered desired performance. Your Company has established a strong track record of value creation, and your Board remains confident that all the building blocks are in place for sustained growth and continued improvement in shareholder returns. Your company's products provide the energy that is critical for economic progress. We are well positioned to meet growing demand of the country in a safe and responsible manner.

It is a pleasure to inform you about the Company's future in a spirit of confidence and hope.

### International Outlook

Considering the global economies, particularly in the West, which are amidst turbulent changes as a result of factors such as new inward-looking nationalist governments, impending elections in many countries and the most influential, Brexit agenda, have caused a rippling effect in the rest of the world. These tensions and stresses also indirectly affect the energy scenario world over. While growth will likely be lower than expected in developed economies, there are opportunities in manufacturing and software development opening up in fast growing economies such as China, India, Sri Lanka and Bangladesh. These opportunities must be taken advantage of by Sri Lanka to drive future growth and development in the country.

### Sri Lankan Economy

Over the years, Sri Lanka has transformed from a low-income country to middle-income, although the speed of transformation could have been much faster. Now, sustaining growth, to power the transition into high income, will depend on much greater improvement to Productivity.

'Innovation', 'human capital', and 'infrastructure' are the three pillars of productivity growth. Supportive institutions and policies, underpinned by macroeconomic stability, can strengthen all three pillars. With current government's commitment to economic progress, it suggests that the journey to high income, while challenging, is achievable.

International Monetary Fund (IMF) is assisting GOSL in this endeavour. As per the Broad understanding with IMF, Government of Sri Lanka is committed to a programme of fiscal consolidation, revenue mobilization, state enterprise reform, a transition to flexible inflation targeting, and reform to the trade and investment regime.







## Chairman's *Review*

The Company has achieved a total turnover of LKR 81,039 million with 14% impressive growth over the previous year. With commissioning of new ROs, LIOC has crossed a network of 200 ROs in the island which is a major landmark and now operates 202 ROs under its fold.

## Chairman's Review

### Crude behaviour

The price of Brent Crude tumbled below USD 30 per barrel for the first time in 13 years at the start of January 2016 as worries over a supply glut intensified. The lifting of sanctions on Iran in Jan'16 meant the Oil producer could ramp up Crude exports into a market already awash with supplies thanks to high production from US Shale Oil and the Organization of the Petroleum Exporting Countries (OPEC). But prices recovered as the year progressed on signs diminishing stocks and on growing expectations that OPEC would limit output. An Agreement to cut supplies was reached at the end of the year between OPEC and a number of non-members, sending Oil to a 17-month high above USD 57.

### Performance

The 2016/17 financial year has been another successful period for your Company. The company reported a net profit of LKR 3 billion as compared to LKR 2.2 billion previous year. Despite a challenging environment with regard to fluctuating petroleum prices, the Company has delivered outstanding growth in earnings & value for shareholders.

The Company has achieved a total turnover of LKR 81,039 million with 14% impressive growth over the previous year. With commissioning of new ROs, LIOC has crossed a network of 200 ROs in the island which is a major landmark and now operates 202 ROs under its fold.

In Auto fuels, LIOC reported a growth of 17.7% over the previous year with all time high sales of 644,038 KL during 2016-17. The sales of premium fuels recorded impressive growth of 25% as compared to the previous year. In lubes segment, LIOC achieved all time high sales of 11,500 KL, 15% higher than last year. Even the production at its Trincomalee Lube blending plant was all time high with a growth of 20% vis-a-vis previous year. 64 new servo shops were commissioned during the year taking the total to 235.

**Your Company has taken several initiatives on digitalization for the convenience of its valuable customers, vendors & dealers. The company has launched "Fuel Me" Mobile Application that can be used to track nearby Lanka IOC's retail outlets while travelling across the country.**

In Bitumen, LIOC achieved sales volume of 47,678 MT, 22.7% higher than last year inspite of stiff competition and entry of new players. LIOC ventured into new business segment of 'Petrochemicals' during the year. This is a niche market with a lot of potential. LIOC commenced bunkering operations from its Trincomalee Terminal during the year and achieved all time high sales of 12,070 MT in the month of March'17 from its Trincomalee Terminal.

Your Company has taken several initiatives on digitalization for the convenience of its valuable customers, vendors & dealers. The company has launched "Fuel Me" Mobile Application that can be used



Chairman LIOC launching 'Fuel Me' mobile application in Sri Lanka for LIOC Customers



*Chairman LIOC launching  
'Online Banking' platform  
partnering with Standard  
Chartered Bank*

to track nearby Lanka IOC's retail outlets while travelling across the country. Further, your company has moved from traditional banking to advanced E-banking platform for its dealers and vendors where the money can be remitted/transferred on real time. Effective steps have been initiated for automation of LIOC's retail outlets that will further enhance customer satisfaction.

The result reflects the resilience and defensiveness of a broad and diversified portfolio of businesses. Customers are always at the heart of our thinking. Their needs are constantly evolving and it is critical that we are responsive and agile in adapting our own organization to ensure we remain best positioned to meet those needs.

## Dividend

Your Board has proposed a dividend of LKR 1.25 per share for the year 2016-17 for approval of the shareholders at its forthcoming Annual General Meeting on 29th June 2017.

## Key Areas of Concern

As the retail price of auto fuels in Sri Lanka is driven by government, your Company is susceptible towards wide profit fluctuations from quarter to quarter as the prices of petroleum products we import are based on global market prices.

Single most critical factor that affects your company's performance, is the absence of pricing formulae for auto fuels. LIOC has been incurring losses on sale of Petrol since Jan'2015, but LIOC could manage the situation due to cross subsidization of positive margins on Diesel with negative margins on Petrol. But with recent increase in taxes on Diesel, this cross subsidization is not possible now. Oil companies could not pass through these incremental taxes in their selling prices to consumers. Apart from taxes, due to substantial depreciation of Sri Lankan currency and increase in international prices of both Petrol & Diesel, the margins on both of these products have become negative as of date.

While government takes steps to implement pricing formulae for Auto fuels, in the meantime, immediate steps need to be taken to either increase the retail selling prices of auto fuels or reduce the taxes so that the operations of Oil Companies remain sustainable.

Most of the developed economies, along with many developing economies have already implemented pricing formula for Petroleum Products and it is working very fine in these countries. Due to frequent changes in oil prices, consumers have become habitual of increase/decrease in Petroleum prices. It may be noted that in case, increase/decrease is done after a gap of many months, it becomes an issue with the public.

The prices in Sri Lanka are very low as compared to the retail selling prices prevailing in the neighbouring countries or any oil importing nation. Whatever taxes Governments in these countries have imposed, it has been passed on to the consumers. The retail selling prices prevailing in Sri Lanka are not only the lowest amongst its neighbouring Asian countries, but also very low if selling prices, net of taxes, are compared with the major economies in the world.

The pricing mechanism will not only be beneficial for all the stake holders such as GOSL, shareholders, oil companies, general public etc but also be good for the overall Sri Lankan economy. The Energy sector of the country, whether it is refinery, pipelines, tankages, new filling stations etc., require huge investments and unless & until Oil Companies make some investible income, they will not be in a position to invest in new Oil and Gas infrastructure. Lower petroleum prices result into higher consumption and Sri Lanka being an import dependent economy, above normal demand is detrimental to the economy and to the general public of the developing country. Higher imports also lead to depreciation of currency which is also not beneficial to the country.

## Chairman's Review



*LIOC Chairman meeting with  
the then Hon'ble Minister of  
Finance*

### Engagement with Community

While we continue to face various business challenges, our focus & commitment to community service remained steadfast and unwavering. Corporate social responsibility is an integral part of our business and permeates throughout the organization. We recognized our responsibilities to make positive difference in the communities in which we operate. Our long-standing mission of serving the society creates a solid pathway to Corporate Social Responsibility. We adopt a long-term vision in generating positive impact and lasting value to the society.

In the year under review your Company's CSR programmes concentrated on the themes of education, health and environmental protection. Your Company gave donations to renovate primary schools and a maternity hospital in Jaffna, donated wheelchairs and conducted medical camps in association with Helpage Sri Lanka every 3-4 months to benefit nearly 3,000 people in the towns of Peliyagoda, Ambalanthota, Weligama and Chinabay. Along with the company, employees too enthusiastically participated in several programmes such as beach & coastal cleaning events, blood donation camps and contributed to National Disaster Relief Fund.

In alignment with our parent Company's focus on nurturing the sport of cricket, LIOC too partnered with Sri Lanka Cricket as their Official Lubricant Partner and sponsor of the Sri Lanka 'A' Team for the year 2017.

### Future Outlook

LIOC has successfully weathered cycles in the past. We have remarkable assets in unique and prime locations, a seasoned management team, and dedicated and professional staff. I have every confidence that the company will continue to rise to the various challenges it face.

**The pricing mechanism will not only be beneficial for all the stakeholders such as GOSL, shareholders, oil companies, general public etc but also be good for the overall Sri Lankan economy.**

Our proven management and execution track record has earned trust and confidence of customers and investors with unique showcase effects and productivity. LIOC will continue to increase its focus on providing consumers a great experience.

### Accolades

Over the past 15 years, LIOC has established a strong Fuel & other business segments network that has served the people of the country with value, better services, generated employment and brought social development to communities and people across the island. In recognition of that, LIOC was awarded with many awards by most reputed organizations in Sri Lanka. The year under review brought with it following noteworthy accomplishments for your Company:

- Awarded Winner of National Business of Excellence Awards 2016 in "Trading Category" which is held by the National Chamber of Commerce of Sri Lanka.





*LIOC awarded with Winner of National Business of Excellence Awards 2016 in "Trading Category"*

- Ranked amongst the 'Top 30 Best Companies' in Sri Lanka in 2015-16 by Business Today.
- Ranked '8th Largest Listed Company' in Sri Lanka for 2015-16 by prestigious LMD magazine
- Received 'Certificate of Compliance' at the Annual Rewards awards ceremony conducted by the Institute of Chartered Accountants of Sri Lanka for its 2015/16 Annual Report which was prepared in compliance with the 'Integrated Reporting' framework for the very first time.
- Trincomalee Terminal & LBP Unit was accorded the prestigious Chamber of Commerce, Eastern Province award under the category "Best Enterprise Extra Ordinary".

These awards are a testament to the strong financial position of LIOC in the Sri Lankan business community and to the spirit of LIOC's values and teamwork encouraged by the Company, as well as a proud achievement for all our stakeholders, especially employees who work tirelessly towards meeting our goals and vision.

## Acknowledgements

Lanka IOC has 171 employees who bring valuable experience, new ideas and new opportunities to the business. Every day at LIOC, I am inspired by the hard work, passion, professionalism and dedication displayed by our employees to ensure the long-term success of your company.

All our achievements were made possible by our customers, suppliers, Government of Sri Lanka and business partners. On behalf of all shareholders and my fellow directors, I wish to express my sincere gratitude to each & everyone for their unwavering support and association with LIOC throughout the year.

Lanka IOC has a highly engaged Senior Management Team in place and this team will continue to lead and drive LIOC. I would like to take this opportunity to express my sincere appreciation to the senior management team for their focus on ensuring we do the right things and do them well. I wish to applaud their efforts to serve the community and express my heartfelt gratitude.

Last but certainly not least I wish to sincerely thank our shareholders for their confidence and unfailing support over the years and I invite them to continue to do so.

Lanka IOC has weathered plenty of seasons over the past 15 years and I, together with my esteemed fellow Directors, have full confidence that we shall continue to effectively create desired value for all our stakeholders.

**B S Canth**  
Chairman

## Managing Director's Review

Dear Stakeholders,

With great pleasure, I would like to present to you the success story of your company and the Audited Financial Statements for the year ending 31st March' 2017 for your review. Lanka IOC has successfully navigated its voyage in the turbulent waters of hugely volatile global petroleum market and which would be amply proven by the Annual Report.

The vision of the company being '*A major, integrated energy company, with a strong environment conscience, playing a national role in oil security*', we continue to produce an integrated report, with enhanced focus on reporting your Company's operations from a sustainability perspective.

I am elated to convey to you that the Company outperformed itself in comparison to the previous year recording a sales growth of 14%. During this period, the profit after tax increased to LKR 3,065 million, a 37% increase in comparison to last year. This growth momentum of your Company has been maintained over Lanka IOC's journey of 15 years, by turning opportunities into profitable and sustainable business operations and thriving on overcoming challenges that exist in the market place.

Lanka IOC has always been a Company that cares about the long-term implications of increasing energy consumption in the Island; by our Sri Lankan people. Accordingly, your Company continued to focus on improving the operational efficiencies of its products, acquire, adopt and integrate business processes which are environmentally friendly. The company has also taken initiatives towards contributing to community activities and events. This reaffirms the commitment Lanka IOC has to Sri Lanka and the Sri Lankan people, while continuing to create and enhance the stakeholder value proposition of Lanka IOC.

As Lanka IOC pursues success and achievement, IndianOil, its major shareholder and parent company, contributes by sharing knowledge and also the critical inputs of R&D while providing guidance and direction on technological innovations and advancements as required. The backing received from IndianOil has given your Company the required confidence to move forward with our strategic plans while continuing to contribute to the Sri Lankan economy through direct and indirect means.

### Economic Environment

The Sri Lankan economy continues its growth momentum with a 4.4% GDP growth in 2016. The growth realized in the transportation sector 4.1% and the industry sector of 6.7% is encouraging to the country's overall GDP growth and the growth potential for Lanka IOC's products and services. The stabilization of the political environment and the government's focus on improving and enhancing infrastructure in the country is encouraging not only for the country's potential development agendas and increase of tourism, but also for industrial and business growth.

It is important to note that the increased demand for transportation fuel, particularly arising out of the increasing personal vehicle ownership of Sri Lankans, has led to the increased fuel consumption. While this attests to an improved quality of life of the nation's citizens, Sri Lanka as an importer of petroleum products/ raw materials spends 25% of the country's annual total imports cost on petroleum products to meet the local demand and therefore, the economic conditions of the country demands judicious consumption of this precious commodity.





## Managing Director's *Review*

Lanka IOC is also in the process of the implementation of the card based technology which will allow consumers to track their fuel spend and consumption, while allowing your Company to analyse the fuel requirements of its customers and align its product availability to enable a more focused and personalized customer service.

## Managing Director's **Review**

**The year under review recorded a total revenue of LKR 81,039 million, compared to LKR 71,307 million in the previous year. Your Company's profitability also increased by 37% in the year under review compared to the previous year.**

### Operating Environment

The biggest challenge in the longer term that your Company faces in sustaining profitability in business operations is the fluctuating global oil prices but which does not get reflected in the retail price mechanism adopted for auto fuel products in Sri Lanka. The local retail price of auto fuels i.e. petrol and diesel is completely delinked from fluctuating global prices at which it is being procured. Hence, your Company is grappling with a situation of having to sell auto fuels at a price lower than the purchased costs during the financial year under review.

Your Company also therefore, continues to advocate the advantages of implementing a pricing formula that takes into consideration the global crude oil price fluctuations, to ensure long term sustainable operations for Lanka IOC and the petroleum industry in Sri Lanka. This view is further strengthened based on observation of the long term benefits realized in neighboring countries and other leading world economies by implementing a pricing formula for auto fuels.

### Company Performance

#### Overview

Your Company was successful in driving business growth and profitability amidst the challenging operating environment mainly a result of the focused efforts on managing price fluctuations through strategic procurement practices, and the strategic decision to diversify the product portfolio such as branded fuels, lubricants and bitumen. Conscious and dedicated efforts have been made by the management team to optimize all activities related to operations, wherever possible. Your company took effective steps to manage the currency risk and also invested its funds in better yielding instruments thereby generating better net interest income during the year.

These continuous efficiency improvements, coupled with some new products introduced to the Sri Lankan market, have enabled your Company to maintain a year-on-year growth of 12% to 14% over the



*MD, LIOC receiving the award from "Business Today" for being ranked in 'Top 30 best companies 2015-16'*





*Celebrating 14th Anniversary of the Company on 29th August 2016 at Head Office, Colombo*

last few years. The year under review recorded a total revenue of LKR 81,039 million, compared to LKR 71,307 million in the previous year. Your Company's profitability also increased by 37% in the year under review compared to the previous year.

The overall increase in the profitability can be attributed to the profits derived from all the business segments of your Company, except on petrol, where we continued to sell the product on negative margins. While Company borne the impact of negative margins on Auto fuels, we continued to optimize supply chain management, reduce costs, increase efficiencies, implement procurement and pricing strategies etc to remain resilient in the short to medium term, while continuing to build on the goodwill of the country and its people to become a strong player in the market place.

## Segments

Auto fuel, which is imported from international markets to Sri Lanka, reflected a volume growth of 17.7%. Your Company's commitment to enhance the petroleum industry in Sri Lanka continues with major investments made in year under review to enhance the overall look and branding of dealer-operated retail outlets.

The Bitumen segment is doing well with sales volume increasing by almost 22.7% during the year under review. The market is a replete with a number of new entrants to whom licenses were issued recently. As an importer of Bitumen, your Company is currently having 55% market share. The Company is further exploring the possibilities in reducing procurement cost derived from economies of scale, international reach and market reputation, which is surely lacking in the new entrants.

In the Lubricants segment, the Company concentrated on expanding the island wide reach of products, by making available the 'Servo' brand in dealer retail outlets and other B2B businesses also in a big way. The new products introduced in the year together with the

new packaging resulted in a segmental growth by 1.5% which is satisfactory when viewed in conjunction with the segmented market space for Lubricants in the country. Lanka IOC has initiated plans to further improve the topline and bottomline in the coming year through market penetration and new product introduction strategies.

Bunkering facilities in Trincomalee has given Lanka IOC an edge over competitors with its competitively priced product, timely and better service. We foresee this segment growing exponentially in the coming years. Investment around LKR 100 million was also made to improve/upgrade the Lower Tank Farm at the Trincomalee Terminal to align the facilities with the additional capacities required to store additional product quantities of furnace oil.

The net finance income of your company for the current year is LKR 453 million as compared to LKR 125 million previous year. Due to effective management of Treasury Function, inspite of substantial currency devaluation with respect to the US dollars, your the company has reduced exchange loss to LKR 99 million as compared to LKR 356 million previous year.

While meeting all the challenges, the company got several recognitions/awards for its strong achievements which have been enumerated by Chairman in his review.

## Staff Training and Development to Increase Service Levels

Lanka IOC also invested in improving service standards offered by the franchisee owned retail outlets. Regular training programmes were conducted in the year under review for retail outlet attendants to allow them to offer higher levels of service standard to customers. The quarterly dealer training programmes that Lanka IOC has been conducting over the last few years also continued with greater emphasis being made on safety and proper working condition for retail outlet attendants, customer safety, best ethical business

## Managing Director's **Review**



MD, LIOC handing over the contribution cheque for 'Trail as One'

operations and customer service. Training programmes were also conducted by Lanka IOC for its employees and channel partners both locally and also in India to help them understand the current trends and future developments of the petroleum industry.

Lanka IOC undertakes Corporate Social Responsibility programmes to benefit the nation as well as communities surrounding our business operations. In the year under review your Company's CSR programmes concentrated on the themes of education, health and environmental protection, the details of which are covered in Social & relationship capital report.

### Future Plans

#### Retail Outlets

Lanka IOC has received permits from the government to set-up new additional retail outlets in the coming year. Your company with its commitment to improve the petroleum industry in Sri Lanka, is also in the process of providing automation of petrol pumps leading to improved customer confidence in Lanka IOC retail outlets and also in creating enhanced value every single time a customer visits the retail outlet by providing a customized records of fuel and monetary transaction while simultaneously improving the overall brand image of the Company.

Lanka IOC is also in the process of implementation of the card based technology which will allow consumers to track their fuel spend and consumption, while allowing your Company to analyse the fuel requirements of its customers and align its product availability to enable a more focused and personalized customer service.

#### Investing in New Product Segments

A new segment that your Company ventured into in the last year was Petrochemicals. Lanka IOC has further progressed in this strategy by drawing up comprehensive plans to appoint a dedicated channel

partner, develop a B2B market in the country and pursuing a strategy of competitive procurement practices in the international market.

### Sustainable Energy Sources

In the longer term, Lanka IOC foresees shifting from conventional energy to unconventional energy sources for auto fuels that are environmentally friendly. Your Company is also slowly moving towards exploring the possibilities of investing in renewable energy sources such as solar energy to promote an eco-friendly lifestyle to consumers, while safeguarding natural and scarce resources. As a pilot case, Lanka IOC has also facilitated charging of electric cars at one of its Retail Outlet. This is a positive step to care for customers who are using eco-friendly modes of conveyance.

### Future Outlook for the Industry and the Company

In Sri Lanka, the trend for consumer fascination with vehicles is only growing. This bodes well for the Company's auto fuel segment, and plans to expand the branded fuel products. Other segments like lubricants will also benefit from the expected growth in vehicle ownership in the country. Further, the continued development of highways in Sri Lanka is aligned to your Company's plans to benefit from the sales of Bitumen in the coming few years. However, your Company does recognise that there is a requirement for the Government of Sri Lanka to put in place a pricing mechanism that reflects global crude oil prices, or reduce the taxation on fuels while simultaneously increasing the price of auto fuels.

Further, your Company also realises the need for the Sri Lankan consumer to switch to better quality fuels to conserve the environment, given the substantial number of vehicles in use in the country. As the world standard is Euro 6, and many countries have also moved from Euro 4/5 to Euro 6, Lanka IOC is fully geared towards introducing these higher grades of fuels in the medium term aligned to the introduction of premium fuels by the government of Sri Lanka.



*LIOG launched New Global  
Container packaging for  
SERVO Lubricants*

Crude Oil prices are expected to range between USD 45 to USD 65 in 2017/18, mainly a result of OPEC reducing its production. However, with the developments in Gas as a source of fuelling vehicles, and with the US exported Shale Gas now a major player in this category, this form of fuel will only rise in popularity. Impact will also be seen from the use of solar/electricity to power vehicles, with car manufactures adopting this technology due to the greater influence from environmentally conscientious consumers. Countries like Norway and Netherlands are pushing to adopt such technology and have set a target to phase out all fossil fuel-powered automobiles by 2025.

Lanka IOC sees these developments in the global market as opportunities to be explored and captured to gain the best possible advantage not only for the Company but also for the consumers of Sri Lanka. Customers are always at the core of our plans and ideas and our partnership approach to working collaboratively builds trust and strengthens our value proposition. Their needs are constantly evolving and it is critical we are responsive and agile in adapting our own organization, to ensure we remain best positioned to meet those needs.

### Acknowledgements

I would like to take this opportunity to convey my appreciation to the Chairman and Board of Directors for their unwavering support to myself and my senior management team, as we navigated and overcame the challenges faced by your Company during the year. I would also like to thank my senior management team for their tireless efforts to ensure that Lanka IOC outperformed the successes realised last year, despite the business challenges and difficulties that hampered their goals. The management team's continued commitment and dedication to Lanka IOC enables me to perform better in my role in your Company.

I thank our dealers, franchisees and all other business partners, for your support and enthusiasm in adopting new technology, changes in business operations, and willingly adopting other enhancements/ upgrades to take our industry to new heights in Sri Lanka. Let us continue to work together to bring success to all our businesses while benefiting the Sri Lankan consumers with high quality products; and service standards.

I offer all employees of Lanka IOC my congratulations and sincere appreciation as it is your work ethic and dedication to implement the corporate strategies that have enabled Lanka IOC to maintain its growth momentum and its reputation as a quality service provider.

The senior management team and I would also like to extend our gratitude and appreciation to the Government of Sri Lanka and related Ministries and in particular, the Ministry of Petroleum Resources Development and Ministry of Finance for their continued cooperation and support in enabling Lanka IOC to enhance and advance the products and services brought to the Sri Lankan consumers.

Last, but equally important; all our shareholders and customers, your faith in the Company ensures that we remain focused on bringing you the best possible products and services available to us.

**Shyam Bohra**  
Managing Director



## Board of Directors



1. **Mr. B S Canth** *Chairman*
2. **Mr. Shyam Bohra** *Managing Director*
3. **Mr. D K Sharma** *Non-Executive Director*
4. **Prof. Lakshman R Watawala** *Independent Non-Executive Director*
5. **Mr. Amitha Gooneratne** *Independent Non-Executive Director*
6. **Mr. N V N Ramsai** *Non-Executive Director*



### Mr. B S Canth

*Chairman*

Mr. Balwinder Singh Canth, Director (Marketing) of the oil major Indian Oil Corporation Limited is the Chairman of Lanka IOC PLC with effect from 02.11.2015.

Mr. Canth holds a Master's degree in Personnel Management & Industrial Relations from Punjab University, Chandigarh and a Bachelor degree in Law from Delhi University, New Delhi.

Since joining IndianOil Corporation Limited, India in 1983 he has handled varied assignments in Human Resources, Retail, Operations, Consumer Sales and Information Systems. He brings to the Board his expertise as a business head of three major geographically and culturally diverse and complex Indian states – viz. Uttar Pradesh, Andhra Pradesh and Telangana and as a country head for Consumer Sales.

As State-in-Charge of IndianOil's two largest State Offices, he was responsible for overseeing all Petroleum business including Retail & Direct sales, LPG, Lube Sales, Operations, Project Management, Planning, HRD, and Information Technology. He has also spearheaded the commissioning of India's first state of art Smart Terminal with 100% automated operations at Chittoor, in the state of Andhra Pradesh. He also headed IndianOil's restructuring programme in close coordination with McKinsey.

A proponent of the open-minded management style, known for his people-oriented approach and networking skills with all stakeholders, he has a drive to learn and constantly re-invent himself. As the head of the organisation, he is focused on creating a more enabling and inspiring workplace, leveraging technology and infrastructure augmentation. He believes that collaboration is the mantra for success.

An avid golfer and a prolific reader, Mr. Canth is widely travelled. He has presented several papers in both domestic and international forums on diverse topics related to downstream business, HR and Management.



### Mr. Shyam Bohra

*Managing Director*

With over 28 years' expertise in the Petroleum Sector, Mr. Bohra has wide experience in various roles in the Indian Oil Corporation Ltd (IOC), India's flagship company and a Fortune 500 Global Company, encompassing retail, institutional sales, operation and logistics. He also has considerable exposure and prior to assuming office as Managing Director of Lanka IOC PLC, he played a lead role by heading IndianOil's Retail Department of Maharashtra and Goa State.

In addition to his main role as the Managing Director of Lanka IOC PLC, he serves on the Board of Ceylon Petroleum Storage Terminals Limited [CPSTL], which is a government owned company, as a Board of Director by contributing his expertise to the Petroleum Sector in Sri Lanka. Mr. Bohra is also a member of The Sri Lanka Institute of Directors, Indian CEO Forum, Ceylon Chamber of Commerce, National Chamber of Commerce, Sri Lanka India Society.

He is a Civil Engineer from the Bangalore University, with a Post-Graduate Management Diploma from the prestigious 'National Management Programme' of Management Development Institute, Gurgaon & Post Graduate in Marketing from Rajasthan University, he held several key management positions at IOC and has been a Divisional Head for three different Sales Divisions. Furthermore, he has had long and successful stints at the field level and also gained exposure in the Operations Department overseeing logistics.

He has travelled extensively across India and abroad and is a sport enthusiastic and also has keen interest in music.

## Board of Directors



**Mr. D K Sharma**

*Non-Executive Director*

Mr. Deepak Kumar Sharma is an MBA with specialization in Marketing Management. He has over 32 years experience in downstream Petroleum sector in India. He presently heads Retail Function of IndianOil as Executive Director (Retail Sales).

Under Mr. DK Sharma's leadership as Executive Director (Retail Sales), Retail Sales has undertaken major Retail Transformation program with International Consultants. IndianOil has launched Retail Brands including "Xtrapower Sarai" as lounge for drivers on the highways and "KSK Haat" for standardizing Social Engagement and Non-Fuel Services in rural areas. Further, Indianoil has improved Market Share in all product categories in 2016-17.

Prior to this assignment, he worked as State Head of Gujarat State Office. Apart from looking after the overall marketing activities of petroleum products in the state of Gujarat, Mr. Sharma's responsibility as State Level Coordinator covered maintaining close co-ordination with other Oil Marketing Companies & State Government to maintain uninterrupted supply of petroleum products in the State.

In his career span in IndianOil, he has handled several key portfolios and has had a good mix of exposure in Field and Back-office operations in Core Business functions such as Retail and Institutional Sales, Human Resource, and field assignments for approximately 12 years.

He has had wide exposure in Planning & formulating / executing Marketing strategies, during his tenure as Chief Executive Assistant to Director (M), IndianOil, for almost 8 years.



**Prof. Lakshman Ravendra 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 served as a Qualified Assistant at Turquand Youngs (Ernst & Young); Group Accountant and Finance Director Rowlands Ltd; Chairman & Managing Director of the Ceylon Leather Products Corporation; Chairman & Managing Director of the State Mining and Mineral Development Corporation; Chairman of People's Bank; Chairman of People's Merchant Bank; Chairman & Director General of the Board of Investment of Sri Lanka; Advisor of the Ministry of Finance; Chairman of the Pan Asia Bank Ltd; Director of South West Asia Informatics Holdings Ltd., Singapore; Deputy Chairman and Executive Director of the Singapore Informatics Computer Institute (Pvt) Ltd; and the Chairman of the National Insurance Trust Fund.

He currently serves on the company Directorates of Gestetner Ceylon PLC., Lake House Printers & Publishers PLC., Abans Electricals PLC. and SLT Campus. 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 Institute of Certified Professional Managers (CPM) and the Immediate Past President of the Association of Management Development Institutions of South Asia (AMDISA).

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

He was appointed by the Supreme Court of Sri Lanka to the Committee of Chartered Accountants to assist the Supreme Court in the repayment of depositors of certain specified failed deposit taking companies. He was inducted to the Hall of Fame of CA Sri Lanka in November 2013.



### **Mr. Amitha Gooneratne**

*Independent Non-Executive Director*

Mr. Amitha Gooneratne is an experienced Chartered Accountant, a Fellow member of the Institute of Chartered Accountants, England & 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 has trained and qualified in the UK. He is a Senior Banker having over 27 years experience in the Banking and Finance Industry. A strategic thinker with a proven talent for business expansion and exploitation of business opportunities.

Amitha Gooneratne has held several senior positions at one of the largest private Bank's in Sri Lanka, Commercial Bank of Ceylon PLC and held office as the Managing Director/ Chief Executive Officer from 1996 to April 2012, he held this position for 14 years. 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 (Pvt) Limited. He was also nominated to the Board of Sri Lankan Air Lines during 2002–2004 by the Government of Sri Lanka.

On his retirement Mr. Gooneratne assumed duties as Managing Director of Melstacorp Ltd which was the strategic investment arm of Distilleries Company of Sri Lanka PLC, which subsequent to a restructure of the Group is now the holding company and is listed on the Colombo Stock Exchange. He is also on the boards of several subsidiary companies of Melstacorp PLC., and holds office as Chairman for Melsta Regal Finance, Melsta Logistics (Pvt) Ltd, Bellvantage (Pvt) Limited, a Board Member of Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt) Ltd., Bell Solutions Pvt Limited, Texpro Industries Limited, Bogo Power Limited, Continental Insurance Limited and Browns Beach Hotel, which are subsidiary companies of Melstacorp PLC.

He is an independent Director of Lanka IOC PLC, Textured Jersey and Commercial Development Company Limited.

He is also the Alternate Director to Mr N. de S. Deva Aditiya on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.



### **Mr. N V N Ramsai**

*Non-Executive Director*

Mr. N V N Ramsai is a Chartered Accountant with 35 Years of experience in various fields of finance which includes 21 years of experience in Domestic and International Taxation. He also possesses a degree in Masters of Commerce and a Bachelor of Laws.

He is having vast knowledge of Capital structuring, fund raising, Investment management & law, Forex & Treasury management, Corporate Law, Capital & Financial Management, Valuations, mergers & restructuring, Risk Management & Business Strategies, Laws relating to International commercial transactions etc.

He has been working with IndianOil for the last 34 years and has held various responsible positions in the Corporation. Currently, He is Executive Director (Finance), with IndianOil at Head office, Mumbai. The Marketing Division of IndianOil is handling accounts of almost 65 Billion US dollars in terms of sales revenue, 2 billion US dollars of debtors and inventory of 4 billion US Dollars. While in-charge of Taxation function of the Corporation, Mr. Ramsai handled several litigations cases of Excise & Customs, Sales Tax and Income Tax at various appellate levels. He has resolved over the US dollar 2 billion of Tax Litigations in favor of IOC.

Mr. Ramsai has been actively involved with the Indian Tax Authorities and the Ministry of Petroleum for formulation of various policy matters and schemes. Presently, he is also serving as a Board Member of Delhi Aviation Fuel Facility Private Limited.

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### **Ms. Mihiri S Senaratne**

*Company Secretary*

Mihiri S Senaratne –Company Secretary is an Associate Member of the Institute of Chartered Secretaries and Administrators (ICSA) London, UK and has a Masters in Professional Accounting, from University of Ballarat (Australia). Possessing over 20 years of experience in the field of company secretarial practice she has wide exposure having worked at several private sector as well as public sector government organizations. She was appointed as Company Secretary of Lanka IOC PLC with effect from 02nd January, 2017.



# Senior Management Team



**1. Shyam Bohra** *Managing Director*

**2. Anuj Jain** *Senior Vice President (Finance)*

**3. Bankim B Patra** *Senior Vice President (Lubes and Bitumen)*

**6. Faizan Ahmad** *Senior Vice President (Engineering)*

**7. Siddharth Agarwal** *Senior VP (Retail Sales & HR)*





**4. Randhir Singh** Senior Vice President (Operations & Bunkering)  
**5. Chittem Raju** Senior VP (Operations & LBP), Trincomalee

**8. Chiranjeevi Thallapally** VP (Operations), Trincomalee  
**9. Gourav Jain** Assistant Vice President (Finance)

"At LIOC we have access to a wide variety of world standard auto fuels such as **XTRAPREMIUM Euro 3** and **XTRAPREMIUM 95** branded fuels, which are environmentally friendly and maximize the protection for the vehicles. At LIOC retail outlets quality and quantity is guaranteed along with superior customer service. As I travel widely, I can be rest assured that LIOC will be there in every part of the country serving me with quality fuels. Further the wide "Servo" range of lubricants caters to a wide variety of vehicles which power superior engine performance. I am happy to say that I have been a loyal customer of LIOC for many years"

*Uditha Suranga,*  
Lanka IOC customer

*Fueling the*  
**SRI LANKAN**  
**SPIRIT**



# Management Discussion & Analysis

## **Introduction**

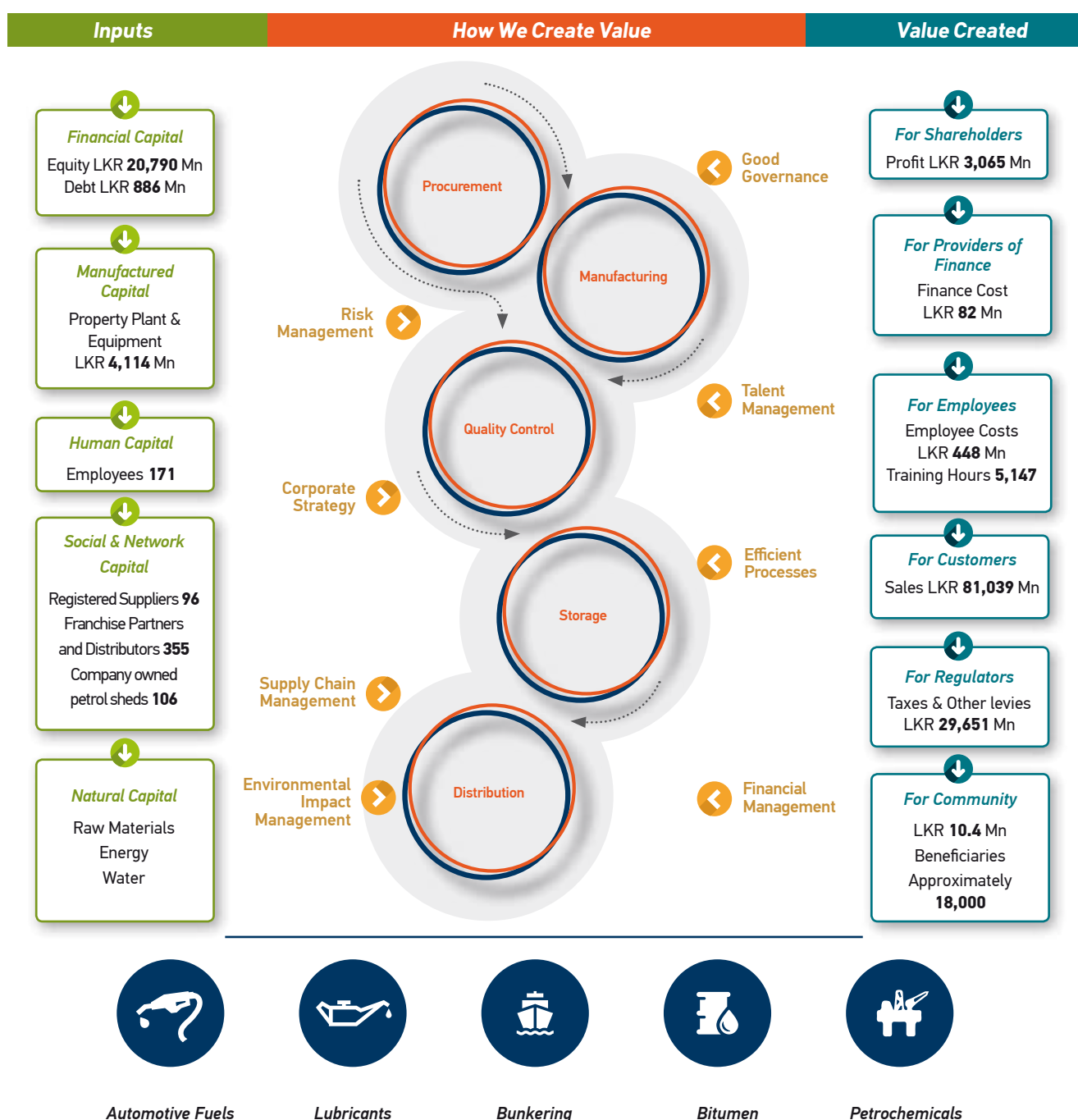
Since the publication of the Company's first Integrated Report (IR) last year, we continue to build on the approach adopted last year, for this second IR and reflect how LIOC creates value and strives to enhance value for all its stakeholders. We reviewed the key stakeholders of the Group and material topics which the Directors and Management believe will enable the Company to sustain growth into the future.

As an integrated report, this Management Discussion looks at the quality, availability and effective management of all the capitals including nature and society at large and strives to evaluate our performance in a wider context by including social and environmental dimensions to economic value creation.



# Creating Value for *Our Stakeholders*

We create value for all our stakeholders using inputs or contributions from our six capitals which include **Financial Capital, Social & Relationship Capital, Natural Capital, Intellectual Capital, Manufactured Capital and Human Capital**. The efficient management of capitals is integrated with the Company's Corporate Governance and Risk Management frameworks and sustainable practices to create value that sustained for the long term for every stakeholder which is our prime objective. This process is illustrated below :



# Stakeholder Engagement

LIOC engages with a number of stakeholders in the normal course of business and seeks to identify their needs in a proactive manner, enhancing our ability to create value for the long term. We define key stakeholders as those whose operations or lives are directly impacted by the Company or they directly impact our activities. The table below lists the key stakeholders and our methods of engagement with them. Our responses to the concerns thus identified are discussed throughout this report.

[G4-24](#) | [G4-25](#) | [G4-26](#) | [G4-27](#)

Stakeholder	Identified Key Concerns
<b>Consumers</b> Purchasers of the Company's products for their vehicles and other various requirements/products	<ul style="list-style-type: none"> <li>Product availability</li> <li>Product quality</li> <li>Good customer experience</li> <li>Environmentally friendly products</li> </ul>
<b>Franchise holders</b> Responsible for safe storage and disposal of our products in line with agreements and international standards	<ul style="list-style-type: none"> <li>Business growth</li> <li>Reliable supply</li> <li>Rewards and recognition</li> </ul>
<b>Employees</b> Enable us to create sustainable value for other stakeholders	<ul style="list-style-type: none"> <li>A conducive working environment</li> <li>Rewards and recognition</li> <li>Training and development</li> <li>Career progression</li> <li>Employees Union</li> </ul>
<b>Parent Company</b> Providers of equity and guidance, and driving performance to achieve corporate goals	<ul style="list-style-type: none"> <li>Uphold IOC standards</li> <li>Business growth</li> <li>Enhance brand reputation</li> <li>Profits and dividends</li> </ul>
<b>Other Shareholders</b> Providers of equity	<ul style="list-style-type: none"> <li>Profits and dividends</li> <li>Business growth</li> <li>Increase share value</li> </ul>
<b>Government of Sri Lanka</b> Regulator	<ul style="list-style-type: none"> <li>Development of the Petroleum Industry</li> <li>Compliance with regulations</li> <li>Revenue in the form of taxes</li> <li>New technology</li> <li>Protection to environment</li> </ul>
<b>CPSTL</b> Joint venture Company	<ul style="list-style-type: none"> <li>Cost effective operations</li> <li>Following GoSL guidelines for 'Good Governance'</li> <li>Arm's length transactions with the joint venture</li> </ul>
<b>Suppliers</b> International oil and gas companies who provides refined petroleum products to LIOC and other local companies	<ul style="list-style-type: none"> <li>Consistent application of procurement policies</li> <li>Receipt of payment as per tender</li> <li>Business growth</li> <li>Proper information about local tax policies and other regulations</li> </ul>
<b>Community</b> People residing in communities where we have a presence	<ul style="list-style-type: none"> <li>Support the socio-economic progress of the community</li> <li>Improve Company-community relationships</li> </ul>
<b>Transporters/ Crew</b> The driver and helper who operate the vehicle which transports fuels from the Trincomalee Terminal/ CPSTL Terminals to the LIOC storage locations	<ul style="list-style-type: none"> <li>Safety concerns</li> <li>Timely Payments</li> <li>Handling of emergency situations</li> <li>Timely Delivery</li> <li>Prevention of theft</li> </ul>
<b>Vendors and Contractors</b> Companies/Contractors/Vendors selected for execution of work and for providing goods & services.	<ul style="list-style-type: none"> <li>Transparency</li> <li>Timely Payment</li> <li>Fairness in Dealings</li> <li>Timely Delivery</li> <li>Quality</li> <li>Partnering with them</li> </ul>



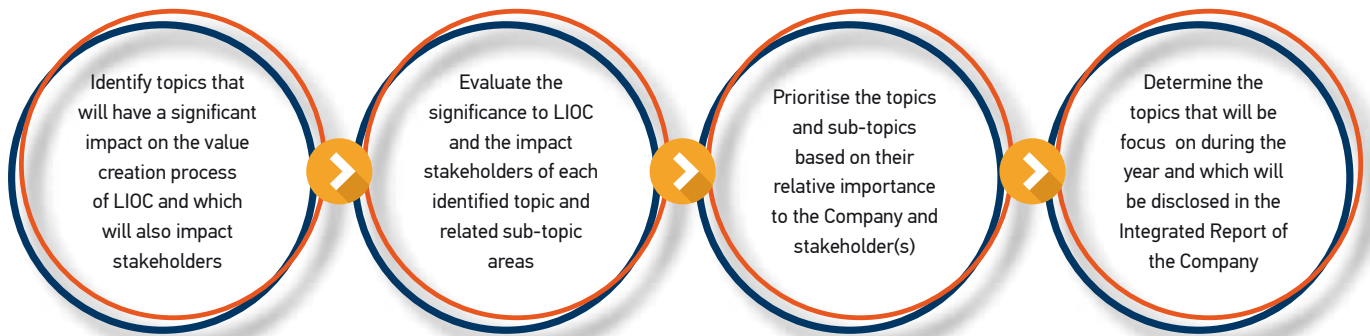
Engagement Mechanisms	Engagement Objectives
<ul style="list-style-type: none"> <li>Complaints and suggestions books at franchise outlets</li> <li>Mobile numbers of key officials of the Company available on the website</li> </ul>	<ul style="list-style-type: none"> <li>Ensure availability of products</li> <li>Introduce new and enhanced products to the market</li> <li>Increase loyalty of Consumers</li> <li>Increase sales volumes</li> </ul>
<ul style="list-style-type: none"> <li>Regular structured engagement at multiple levels</li> <li>Conferences</li> <li>Annual reviews</li> </ul>	<ul style="list-style-type: none"> <li>Partner for a mutually beneficial business relationship</li> <li>To enhance the Company's image</li> </ul>
<ul style="list-style-type: none"> <li>Annual performance appraisal</li> <li>Open door policy</li> <li>Regular structured dialogs/meetings with employees and union representatives</li> <li>Employee surveys</li> <li>Employee Relationship Committee</li> <li>Sports Club</li> <li>Company events</li> </ul>	<ul style="list-style-type: none"> <li>Ensure motivation and engagement of employees</li> <li>Develop a culture suited to business growth and prosperity</li> <li>Partner for a mutually beneficial relationship</li> </ul>
<ul style="list-style-type: none"> <li>Board meetings</li> <li>Secondment of representatives to key positions</li> <li>Strategy meetings</li> <li>Periodic performance reviews</li> <li>Sharing knowledge and expertise</li> </ul>	<ul style="list-style-type: none"> <li>To be considered a successful subsidiary</li> <li>Meet the agreed performance goals</li> </ul>
<ul style="list-style-type: none"> <li>Quarterly publication of financial result</li> <li>Timely communication of material price sensitive information via CSE</li> <li>Comprehensive Annual Report</li> <li>Annual General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Satisfy shareholder expectations by improving returns</li> </ul>
<ul style="list-style-type: none"> <li>Regular discussions with officials of the Ministry of Petroleum Resources Development, Ministry of Finance, BOI, and other concerned Ministries.</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the petroleum sector of the country</li> <li>Contribute to the GDP</li> <li>Improve long term relationships</li> </ul>
<ul style="list-style-type: none"> <li>Effective participation in Board Meetings</li> <li>Sharing our expertise/ experience</li> <li>Participation in other Board committees such as Audit Committee, Procurement Committee etc.</li> <li>Other guidance on day-to-day basis</li> </ul>	<ul style="list-style-type: none"> <li>Growth of the Company</li> <li>Contribution to the energy sector of the country</li> <li>Receiving satisfactory returns</li> </ul>
<ul style="list-style-type: none"> <li>Transparent tender procedure</li> <li>Registration of suppliers who are screened annually</li> <li>Structured relationship management</li> <li>Timely settlement</li> </ul>	<ul style="list-style-type: none"> <li>Develop mutually beneficial long term relationships</li> <li>Gain advantages from economies of scale</li> <li>Procurement of best quality products at the least price</li> </ul>
<ul style="list-style-type: none"> <li>Development of retail outlets in remote locations</li> <li>Targeted CSR projects</li> <li>Sponsorship of sporting and other national events</li> <li>Other donations and sponsorships</li> </ul>	<ul style="list-style-type: none"> <li>Upliftment of towns and communities</li> <li>Assist in community events</li> <li>Assist in education enhancement programmes</li> <li>Contribute to greater awareness of being environmentally conscientious</li> <li>Advocate health care</li> </ul>
<ul style="list-style-type: none"> <li>Annual Transporters' Meeting</li> <li>Regular discussions and training to transporters</li> <li>Guidelines for Transport</li> <li>Timely payment</li> <li>Insisting on proper insurance coverage</li> <li>Conduct regular awareness programs.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the safe transport of products to end destination</li> <li>Training on product handling and safety measures</li> <li>Health and safety of the transporter and the public</li> </ul>
<ul style="list-style-type: none"> <li>Meetings</li> <li>Transparent tender procedure</li> <li>Prompt Payments</li> </ul>	<ul style="list-style-type: none"> <li>Building long term mutually beneficial relationships that meet the standards set by LIOC</li> </ul>

## Determining Materiality

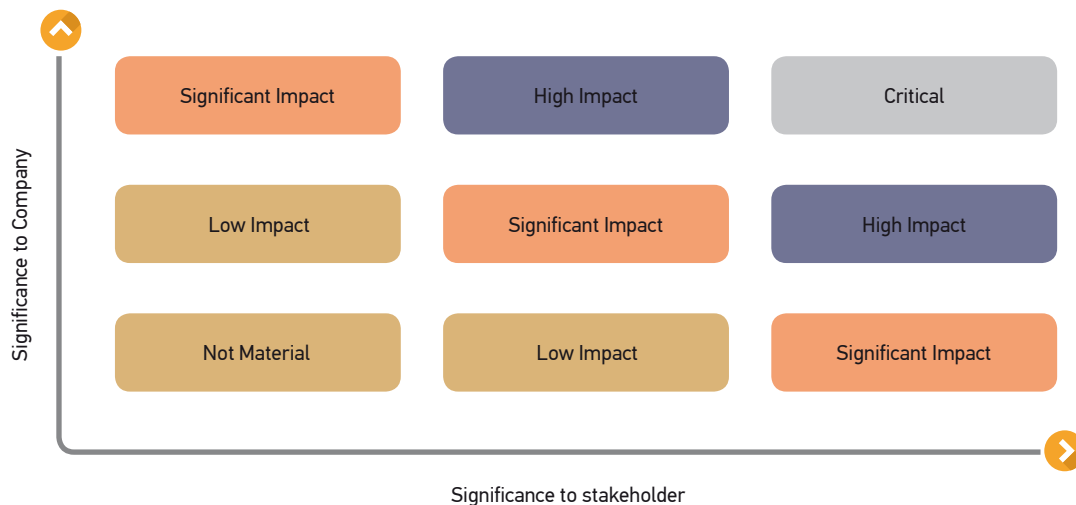
G4-18 | G4-19 | G4-20 | G4-21

Material issues impacting Lanka IOC's operations are identified by the Senior Management Team including the Managing Director in alignment with the GRI-G4 guidelines. The senior management is responsible for the measurement, monitoring, rectification and reporting of material issues to facilitate progress towards meeting strategic goals. Progress made on the material issues identified are monitored on an organisational basis.

*The process adopted for identifying the material issues is given below:*



The material aspects identified, were evaluated and prioritised as summarised in the heat map and table below considering their significance to stakeholders and the Company together with factors that mitigate their impact such as the regulatory environment of the country.



G4-18 | G4-19 | G4-20 | G4-21

Critical Impact	High Impact	Significant Impact
Financial Performance	Product Responsibility	Training & Development
Price Fluctuations of Crude Oil & Petroleum Products	Accessibility to products and retail outlets	Local Community Relations
Sufficient Storage Capacity	Service Standards	Anti-Corruption
Maintenance of Facilities	Effluents & Waste	HR Policies and Procedures
Indirect Economic Impact	Employee Grievance Mechanism	Rewards
Procurement Practices	Market Presence	Supplier Environmental Assessment
Quality Control	Competition	Biodiversity
Occupational Health & Safety	Labour Relations	Climate Change
Government Policy		

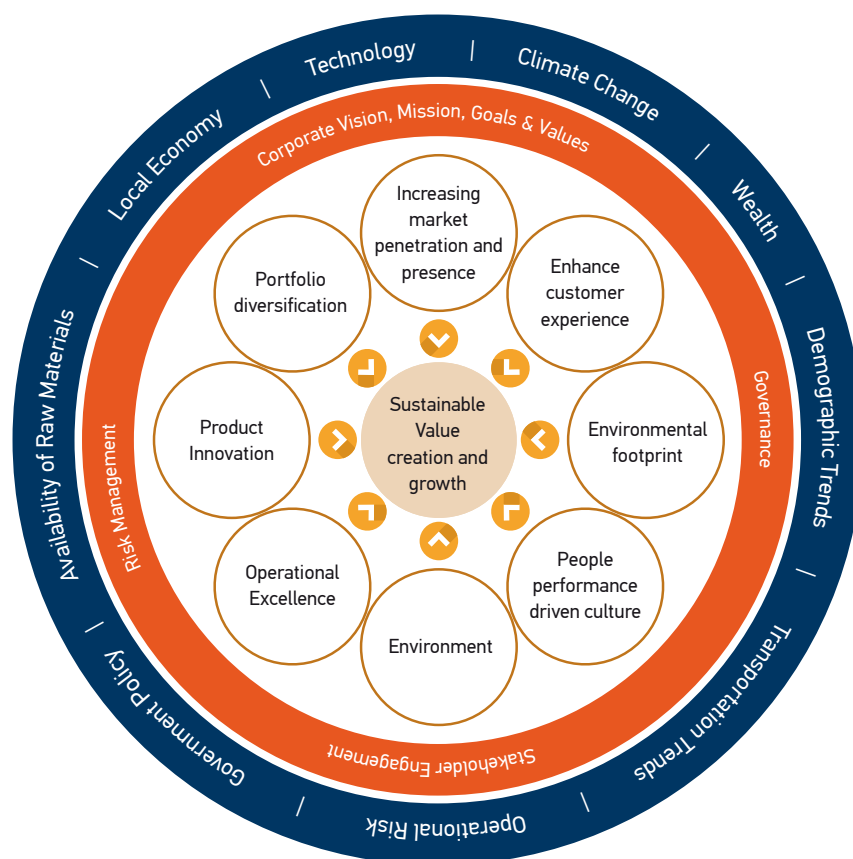
## Triple Bottom Line Strategy

LIOC's achievement of its strategic intent over the last 15 years have been driven by strategies and initiatives implemented over the course of its strategic journey of 15 years. These strategic initiatives have created sustainable value creation to its stakeholders.

The Company's Triple Bottom Line approach to business has created an overall impact not only on the financial capital but Human, Social, Natural, Manufactured and Intellectual Capital. This is detailed in the Capital Reports within the Management Discussion & Analysis.

The strategic imperatives are influenced by the market externalities, which have a direct impact on the implementation and the achievement of these strategies. The Company maintains a proactive approach in monitoring this externalities and adjusting their strategies accordingly to minimize any adverse impacts and the potentiality to create value.

The Company is guided by the Vision, Mission & Values along with its level of stakeholder engagement. Corporate governance and risk management principles form the strong framework on which the Company's activities are conducted.



# Petroleum and Energy Sector Overview

## Global Economic Performance & Outlook :

The global political environment sprung two significant surprises during the year, in the form of Brexit and the United States' election of new President. Both these events, in a general sense, appear to imply a worldwide trend of rising nationalism and protectionism. The uncertainty over Brexit also caused a decline in world oil prices. However, whilst the global markets were in turmoil in the immediate aftermath of these events, they soon reverted to their previous status quo. Economic activity is picking up with a long-awaited cyclical recovery in investment, manufacturing, and trade. Robust demand, reduced deflationary pressures and optimistic financial markets all augur well for higher growth.

According to the IMF's (International Monetary Fund) latest estimates, World growth is expected to rise from 3.1 % in 2016 to 3.5 % in 2017 and 3.6 % in 2018. But structural impediments which could hold back a stronger recovery and a balance of risks that remains tilted to the downside, especially over the medium term, remain important challenges. Structural problems such as low productivity growth and high income inequality have begun to exert pressures for inward-looking policies in advanced economies thus threatening economic integration and a cooperative global economic order that has served the world economy, emerging markets and developing economies well.

Oil prices increased by some 20 % between August 2016 and February 2017, in part due to the agreement by the Organization of the Petroleum Exporting Countries (OPEC) and other producers to restrict oil production. Stronger activity and expectations of more robust future global demand also contributed to strengthening oil prices since their troughs in early 2016. Following some weakening in recent weeks, oil prices stood at about \$50 a barrel as of end-March, still some 12 % stronger than in August 2016.

Since the U.S. election, expectations of looser fiscal policy in the United States have contributed to a stronger Dollar and higher U.S. Treasury interest rates, pushing up yields elsewhere as well. Market sentiment has generally been strong, with notable gains in equity markets in both advanced and emerging market economies. Fiscal policy as per the IMF is expected to be more expansionary in the USA in 2017.

For the first time since the onset of the great recession, the first quarter of 2017 has seen a synchronized upturn in the USA, Europe and Japan and some key emerging markets. Such growth is expected to be propelled by the effects of broad accommodative monetary policy and expansionary fiscal policy measures of advanced

economies that are expected to spill over to emerging market and developing economies. Growth is also projected to remain strong in China and India. Growth rates in economies that are dependent on oil incomes, particularly those in the Middle East, are expected to slowdown due to lower levels of oil production, in spite of the expected increase in oil prices.

World Growth Percentage Change			
		Projections	
	2016	2017	2018
World output	3.1	3.5	3.6
Advanced economies	1.7	2.0	2.0
USA	1.6	2.3	2.5
Euro	1.7	1.7	1.6
UK	1.8	2.0	1.5
Japan	1.0	1.2	0.6
CIS	0.3	1.7	2.1
Russia	-0.2	1.4	1.4
China	6.7	6.6	6.2
India	6.8	7.2	7.7
ASEAN	4.9	5.0	5.2
Emerging & Developing Asia	6.4	6.4	6.4
Emerging & Developing economies	4.1	4.5	4.8
World Trade Volumes (goods & services)	2.2	3.8	3.9
Imports by Advanced economies	2.4	4.0	4.0
Imports by Emerging & Developing economies	1.9	4.5	4.3
Oil Prices (U.S. Dollar) (average price of intermediate crude oil)	-15.7	28.9	-0.3
London Interbank Offer Rate (LIBOR) (on US Dollar deposits)	1.1	1.7	2.8

Source: IMF, World Economic Outlook April 2017

## Sri Lankan Economy :

Sri Lanka's economic activity began to gather momentum and showed signs of stabilization as the year 2016 left behind some of the policy uncertainties that characterized the preceding year of elections and transitions. June 2016 saw Sri Lanka reach an agreement with the IMF for an Extended Fund Facility (EFF), which was an important milestone during the year, not only to boost the Country's foreign reserves but also to boost investor confidence and provide a sustainable fiscal and monetary policy framework.

Unfavourable weather conditions and a sluggish global economic recovery however, caused the economy to grow at a slower 4.4% in real terms in comparison to 4.8% in the previous year although a steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. As per the expenditure approach estimates of the Central Bank, economic growth in 2016 was primarily driven by the expansion in investment expenditure.

Although domestic demand grew by 8.2 % in nominal terms during the year, net external demand declined by 9.6 % in nominal terms in 2016 reflecting both weakness in Sri Lanka's export markets and a decline in the competitiveness of the economy as evidenced by the continued fall in the country's share of global exports.

## Inflation:

Consumer price inflation moved upwards during the first half of 2016, although it stabilised somewhat during the remainder of the year.

## Interest Rates:

Stabilising inflation at mid single digits over the medium term, without compromising growth prospects of the economy, remained the primary focus of the Central Bank 's monetary policy in 2016.

## Exchange Rate:

The Rupee depreciated against all major currencies except the Pound Sterling in 2016; with depreciation pressure resulting from increased imports, continued foreign debt service payments and outflows on account of reversal of foreign investments from the government securities market amidst monetary policy normalisation in the USA. The rupee, which remained broadly stable due to intervention by the Central Bank in the first four months of the year, was allowed to reflect market demand and supply conditions to a great extent in the second half of the year, resulting in an overall depreciation of the rupee against the US dollar by 3.83 % in 2016.

1999-2008 avg	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2022
5.1	3.5	8.0	8.4	9.1	3.4	4.9	4.8	4.4	4.5*	4.8 *	5.3 *

Source, Central Bank of Sri Lanka; \*IMF forecasts

The Agriculture sector contracted by 4.2% (compared to a growth of 4.8% in the previous year) due to the adverse weather conditions. The Services related activities which constitute 56.5% of real GDP grew by 4.2% in 2016 on an year on year basis supported by the expansion in financial services, insurance telecommunications, as well as transportation and wholesale and retail trade. The value addition in the Industry sector recorded a significant growth of 6.7% in 2016 compared with a growth of 2.1% recorded in 2015. The construction, mining and quarrying activities which recovered from the contraction recorded in 2015 were the main contributors to the growth in the Industries sector.

## Outlook:

### Real GDP Growth -Projections

#### by the Central Bank % Change

2017	2018	2019	2020
5.0	6.0	6.5	7.0

*The Central Bank of Sri Lanka (CBSL) projects Sri Lanka's economy to grow at a moderate rate of around 5% in 2017 amidst the adverse impact of unfavourable weather conditions, As per the CBSL estimates economy is expected to improve gradually thereafter to record an annual growth rate of 7 % by 2020.*



## Petroleum and Energy Sector Overview

### The Energy Sector

#### International Oil Prices:

Despite the rising trend seen in international prices since the beginning of 2016, the annual average price of international crude oil (Brent) was lower than the previous year, as global crude oil prices were higher in the first half of 2015 in comparison to 2016. The annual average price of Brent crude per barrel in the international market declined by 16.2 % to US Dollars 45.03 in 2016 from US Dollars 53.75 in 2015, with prices falling to a record 12-year low in January 2016 amidst concerns of a glut in global supply due to an expected increase in oil exports, with the lifting of sanctions on Iran. Accordingly, the monthly average international Brent price fell to US Dollars 32.23 per barrel in January 2016. During the second half of the year, the average Brent crude oil price fluctuated around US Dollars 48.95 per barrel due to the excess supply, a stronger Dollar and the market expectations of supply cuts by the oil producers.

Following a decision by the OPEC in December 2016, to reduce production for six months starting from January 2017 by around 1.2 million barrels per day (bpd) to 32.5 million bpd and non-OPEC member Russia agreeing to curtail output by 0.3 million bpd; prices

began to rise. Although there were doubts about the production cut being sufficient to end a supply overhang, the average Brent crude oil price increased up to US dollars 54.74 per barrel in December 2016. This was the first coordinated action by the OPEC and non-OPEC countries to jointly reduce output since 2001.

While the cost of imported petroleum products went down and then went up, Sri Lanka's retail prices of petroleum products remained unchanged since 2015 due to various political factors.

#### Global Energy Oil & Gas:

Source: BP Statistical Review of the World Energy 2016

Fossil Fuels still continues to dominate the primary commercial energy basket. Share of Fossil Fuels in global primary energy demand is over 85.9% (Oil -32.9%, Gas-23.8%, and Coal-29.2%, Nuclear at 4.4%, Hydro at 6.8% and renewable constituting the balance). The table below indicates that the dependency on Coal is very high in countries like China and India and less in countries like US and Russia. The energy mix clearly depicts that developed economies have moved to Gas very quickly and countries like China and India are yet to realize the potential of Gas to the maximum.

#### Primary Commercial Energy Basket - Select Countries: 2015

Rank	Country / Region	Rank	Oil		Gas		Coal		Nuclear		Hydro		Renewables		Total
			MTOE	% of Total	MTOE	% of Total	MTOE	% of Total	MTOE	% of Total	MTOE	% of Total	MTOE	% of Total	
1	China	1	560	18.6%	178	5.9%	1,920	63.7%	39	1.3%	255	8.5%	62.7	2.1%	3,014
2	US	2	852	37.3%	714	31.3%	396	17.4%	190	8.3%	57	2.5%	71.7	3.1%	2,281
3	India	3	196	27.9%	46	6.5%	407	58.1%	9	1.2%	28	4.0%	15.5	2.2%	701
4	Russian Fed	4	143	21.4%	352	52.8%	89	13.3%	44	6.6%	38	5.8%	0.1	0.0%	667
5	Japan	5	190	42.3%	102	22.8%	119	26.6%	1	0.2%	22	4.9%	14.5	3.2%	448
6	Canada	6	100	30.4%	92	27.9%	20	6.0%	24	7.1%	87	26.3%	7.3	2.2%	330
7	Germany	7	110	34.4%	67	20.9%	78	24.4%	21	6.5%	4	1.4%	40.0	12.5%	321
8	Brazil	8	137	46.9%	37	12.6%	17	5.9%	3	1.1%	82	27.9%	16.3	5.6%	293
9	South Korea	9	114	41.0%	39	14.2%	84	30.5%	37	13.5%	1	0.2%	1.6	0.6%	277
10	Iran	10	89	33.3%	172	64.4%	1	0.5%	1	0.3%	4	1.5%	0.1	0.0%	267
OECD			2,056	37.4%	1,459	26.5%	979	17.8%	448	8.1%	315	5.7%	246.3	4.5%	5,503
Non-OECD			2,275	29.8%	1,676	21.9%	2,861	37.4%	135	1.8%	578	7.6%	118.5	1.6%	7,644
Total World			4,331	32.9%	3,135	23.8%	3,840	29.2%	583	4.4%	893	6.8%	364.9	2.8%	13,147

MTOE: Metric Tonne Oil Equivalent

Global Oil production recorded a 3.2% growth in 2015 to reach 4361.3 MMT. Major Oil producers countries are Saudi Arabia-568.5 MMT (13.1% share of the total), Russia Fed- 540.7 MMT (11.9%), USD- 567.2 MMT (13.8%) and China- 214.6 MMT (4.7%). Global Oil consumption grew by 1.9% in 2015 to reach 4331.3 MMT. Major Oil consuming countries are US- 851.6 MMT, (20.4% share of the total) China -559.7 MMT (12.6%) Japan -189.6 MMT (4.3%) and India 195.5 MMT (4.3%).

Crude Oil witnesses wide fluctuations in its prices, mainly due to vast difference in the energy mix in the world. Some of the countries have very high production but consumption is low and vice-a-versa. Countries like Saudi Arabia, Iran, Iraq, etc have surplus Crude Oil, whereas, countries like China, India, Japan, etc. are highly energy deficient. This is quite evident from the table below:

### Top Oil Producing and Consuming Countries and their Global Rank

Oil Production at End 2015			
Country	Rank	Thousand Barrels per Day	Share of Total
US	1	12,703.6	13.8%
Saudi Arabia	2	12,013.9	13.1%
Russian Federation	3	10,980.1	11.9%
Canada	4	4,385.1	4.7%
China	5	4,308.8	4.7%
Iraq	6	4,030.7	4.4%
Iran	7	3,920.0	4.2%
United Arab Emirates	8	3,901.8	4.2%
Kuwait	9	3,095.9	3.3%
Venezuela	10	2,626.4	2.8%
Mexico	11	2,587.7	2.8%
Brazil	12	2,527.0	2.7%
Nigeria	13	2,352.1	2.5%
Norway	14	1,947.9	2.1%
Qatar	15	1,898.1	2.0%
Angola	16	1,826.0	1.9%
Kazakhstan	17	1,668.8	1.8%
Algeria	18	1,585.6	1.7%
Colombia	19	1,007.6	1.1%
United Kingdom	20	965.1	1.0%
Oman	21	952.2	1.0%
India	22	876.1	0.9%
Others		9,509.8	10.4%
Total World		91,670.3	100.0%

Oil Consumption at End 2015			
Country	Rank	Thousand Barrels per Day	Share of Total
US	1	19,395.9	20.4%
China	2	11,967.8	12.6%
India	3	4,158.8	4.3%
Japan	4	4,150.3	4.3%
Saudi Arabia	5	3,894.7	4.1%
Brazil	6	3,156.8	3.3%
Russian Federation	7	3,113.2	3.2%
South Korea	8	2,574.7	2.7%
Germany	9	2,338.4	2.4%
Canada	10	2,321.6	2.4%
Iran	11	1,947.0	2.0%
Mexico	12	1,926.1	2.0%
Indonesia	13	1,628.1	1.7%
France	14	1,605.6	1.6%
United Kingdom	15	1,559.3	1.6%
Thailand	16	1,343.7	1.4%
Singapore	17	1,339.3	1.4%
Italy	18	1,261.9	1.3%
Spain	19	1,225.8	1.2%
Taiwan	20	1,031.2	1.0%
Australia	21	1,005.5	1.0%
United Arab Emirates	22	901.0	0.9%
Others		21,161.4	22.3%
Total World		95,008.1	100.0%

Source: BP Statistical Review of the World Energy 2016

## Petroleum and Energy Sector Overview

Global Refining capacity expanded by 0.5% in 2015. Asia Pacific Region has the highest share of Global Refining capacity (33.5%) Vs least proved resources share (2.5%). Global Refining Capacity share is led by US (18.8%), China (14.7%), Russia Fed (6.6%), India (4.4%).

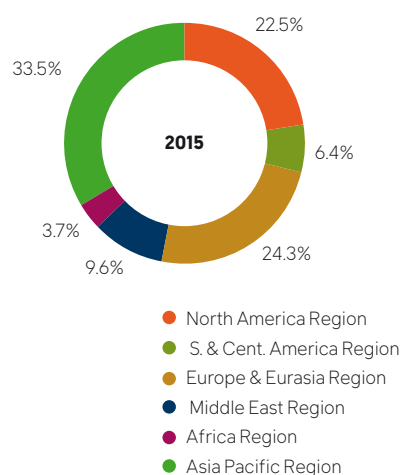
Source: BP Statistical Review of the World Energy 2016

### Global Refinery Capacities - Select Countries / Region

Country/ Region	Top Ten Rank	2015 Thousand Barrels per Day	Share of Total in 2015
US	1	18,315	18.8%
Canada		1,966	2.0%
<b>Total North America</b>		<b>21,883</b>	<b>22.5%</b>
Brazil	8	2,278	2.3%
Venezuela		1,303	1.3%
<b>Total S. &amp; Cent. America</b>		<b>6,222</b>	<b>6.4%</b>
France		1,375	1.4%
Germany	9	2,032	2.1%
Italy		1,915	2.0%
Russian Federation	3	6,428	6.6%
United Kingdom		1,337	1.4%
<b>Total Europe &amp; Eurasia</b>		<b>23,635</b>	<b>24.3%</b>
Iran	10	1,985	2.0%
Kuwait		936	1.0%
Saudi Arabia	7	2,899	3.0%
United Arab Emirates		1,143	1.2%
<b>Total Middle East</b>		<b>9,344</b>	<b>9.6%</b>
<b>Total Africa</b>		<b>3,589</b>	<b>3.7%</b>
Australia		443	0.5%
China	2	14,262	14.7%
India	4	4,307	4.4%
Japan	5	3,721	3.8%
Singapore		1,514	1.6%
South Korea	6	3,110	3.2%
<b>Total Asia Pacific</b>		<b>32,554</b>	<b>33.5%</b>
<b>Total World</b>		<b>97,227</b>	<b>100.0%</b>
<b>OECD</b>		<b>44,120</b>	<b>45.4%</b>
<b>Non-OECD</b>		<b>53,107</b>	<b>54.6%</b>

The combination of mismatch between Oil producing vs. Oil consuming countries coupled with mismatch in the Refining capacities vs. Fuel consumption leads to huge movement of crude oil and petroleum products between the countries. This is the reason, why it is sometimes said that oil determines the politics of the world.

### Global Refinery Capacities-Select Regions



### Oil Imports and Exports - Select Countries / Regions: 2015

Country/ Region	Import		Export	
	Crude	Product	Crude	Product
US	7,351	2,050	491	4,145
Canada	657	613	3,200	627
Mexico	<.5	774	1,201	171
S. & Cent. America	404	1,908	3,462	605
Europe	9,801	3,847	204	2,701
Russia	57	41	5,115	3,139
Other CIS	465	269	1,626	249
Middle East	158	776	17,665	2,954
North Africa	162	683	1,235	397
West Africa	9	588	4,327	130
East & S. Africa	134	467	170	32
Australasia	491	540	184	63
China	6,743	1,453	57	767
India	3,919	488	3	1,150
Japan	3,370	976	6	363
Singapore	918	2,628	1	1,855
Other Asia Pacific	5,067	3,415	759	2,166
<b>Total World</b>	<b>39,707</b>	<b>21,516</b>	<b>39,707</b>	<b>21,516</b>

Source: BP Statistical Review of the World Energy 2016

## Other Macroeconomic Parameters and Demographic Facts – World:

Source: IMF's World Economic Outlook Database, Oct2016)

- Of the world total population 7.349 billion in 2015, most populous nations are China with population of 1.37 billion (18.7%), India with 1.29 billion (17.6%) and United States with 0.322 billion (4.4%)
- World GDP at current prices (US\$) is 75.2 trillion. GDP at current prices (US\$) of China, US and India are 11.2; 18.0 and 2 trillion respectively.
- World GDP grew at 3.2% in 2015 (3.4% in 2014). India grew at 7.6% in 2015 (7.2% in 2014), China grew at 6.9% in 2015 (7.3% in 2014) and US grew at 2.5% (2.3% in 2014)

## The Petroleum Market in Sri Lanka:

The demand for petroleum products for energy generation and transportation sectors in Sri Lanka increased substantially during the year, mainly due to the increased demand for transport services as well as the higher thermal-based power generation caused by erratic weather patterns during the latter part of 2016. Petroleum sales for energy generation in Sri Lanka grew by 103.9 % in 2016 in comparison to the previous year. Petroleum sales to the transportation and aviation sectors in 2016 grew by 8.7 % and 11.3% respectively. Domestic sales of diesel increased by 19.9 % in 2016 in comparison to the previous year. Further, the domestic sales of petrol products increased by 16 % during 2016 over the preceding year, reflecting the higher demand for petroleum products from the transport sector. The furnace oil sales also increased by 29.8 % in 2016 in comparison to 2015 due to the higher dependency on thermal power for power generation.

## Retail Selling Prices of Auto Fuels in Sri Lanka:

The retail selling prices of Auto fuels in Sri Lanka are considerably lower than the retail selling prices prevailing in the neighboring countries. Whatever the taxes, the Governments of these countries have imposed, have been passed on to the consumers. The retail selling prices prevailing in the neighboring countries are as under:

Country	Petrol (LKR/Ltr)	Diesel (LKR/Ltr)
Sri Lanka	117	95
India	169	142
Bangladesh	159	120
Nepal	149	114

respective currencies converted to LKR

The selling prices, Net of Taxes, is also amongst the least if it is compared to the major economies.

Country	Petrol (USD/Ltr)			Diesel (USD/Ltr)		
	RSP	Taxes	Ex - Tax Price	RSP	Taxes	Ex - Tax Price
India	1.11	0.60	0.51	0.93	0.44	0.49
France	1.49	0.95	0.54	1.33	0.80	0.53
Germany	1.47	0.94	0.53	1.26	0.71	0.55
Italy	1.65	1.08	0.57	1.49	0.93	0.56
Spain	1.31	0.72	0.59	1.19	0.60	0.59
UK	1.47	0.96	0.51	1.51	0.97	0.54
Japan	1.18	0.59	0.59	0.99	0.36	0.63
Canada	0.82	0.29	0.53	0.81	0.22	0.59
USA	0.61	0.12	0.49	0.68	0.14	0.54
Sri Lanka	0.77	0.37	0.39	0.62	0.19	0.43

respective currencies converted to USD

## Strategic Overview

Presented in table on the next page, are the key pillars of LIOC's holistic strategy, which we consider as most important to deliver value and sustain growth into the future. The strategy formulation has been influenced by the Company's vision and its values; the parent Company's (IOC's) strategies, the opportunities and risks in the operating environment; the strengths and weaknesses of LIOC as well as our parent company and the views and interests of the six key stakeholders; namely, customers, shareholders, our employees, the regulators, society and the natural environment.

## Petroleum and Energy Sector Overview

LIOC operates in a price regulatory environment which poses a significant constraint to profitability in its key product segment of auto fuels; despite the market environment of Sri Lanka, which continues to experience a sharp growth in demand for auto fuels. The demand for petroleum products by Sri Lanka's transportation sector, as per the Central Bank's statistics, grew by 11% in 2016 well above the world average of 5% whilst domestic sales of Diesel increased by 19.9%; underscoring the tremendous opportunity for

enhanced profitability in auto fuels. However, Sri Lanka's price control policy, rather than a pricing formula based on global market prices, continues to exert significant pressure on margins from this product. Your Company's profitability is hence subject to steep fluctuations in line with fluctuations in world oil prices. Thus, is the imperative to enhance the diversification of our portfolio of products in order to diversify our risks and offset the decline in the auto fuels segment to sustain overall profitability.

### Key Strategic Imperatives, for 2017-2020 :

Strategy	Relevance to LIOC
Increase the diversity of our portfolio for other products (other than auto fuels) to account for 30% of turnover	<ul style="list-style-type: none"> <li>In absence of Pricing Formulae for autofuels linked to International prices, the company has huge exposure to negative margins</li> </ul>
Further expand LIOC's retail Network	<ul style="list-style-type: none"> <li>Meet the growing demand in the country and increase market share</li> </ul>
Promote premium fuels which are environment friendly and enable higher margins as a key competitive advantage	<ul style="list-style-type: none"> <li>To harness the growth potential of premium fuels identified in the Sri Lankan market</li> <li>To offset losses in the regular auto fuels market</li> </ul>
Continue to grow our market share in the Lubricants market to reach 25% by 2020	<ul style="list-style-type: none"> <li>Because of parent company support, company is able to offer better quality products and therefore has potential to gain further market share</li> </ul>
Retain our leadership position in the Bitumen market	<ul style="list-style-type: none"> <li>Higher revenue from growth opportunities</li> </ul>
Promote the port of Trincomalee in the bunkering business	<ul style="list-style-type: none"> <li>Growth opportunities due to its competitive advantages</li> </ul>
Continue to develop and launch new products	<ul style="list-style-type: none"> <li>For portfolio diversification and enhanced revenue</li> </ul>
Penetrate Petrochemical market with strategic alliances for supply sourcing	<ul style="list-style-type: none"> <li>Portfolio Diversification</li> </ul>
Enhance the performance of JV company CPSTL	<ul style="list-style-type: none"> <li>Performance of CPSTL directly affects LIOC's operations and profitability</li> <li>Contribution to Sri Lankan Economy</li> </ul>
Venture into Renewable energy Segment	<ul style="list-style-type: none"> <li>As Triple Bottom Line initiative for sustained profitability into the future</li> </ul>
Continue to develop products, practices and processes to reduce our Carbon footprint	<ul style="list-style-type: none"> <li>A win-win and long term approach in business</li> </ul>

LIOC was able to achieve a commendable performance despite several environmental constraints during the year, driven by a strategy of diversified portfolio and optimisation of its operations and supply chain. Although the key products of Auto Fuels which make 54.5% of our portfolio experienced two quarters of losses, the profitability in the initial two quarters of the year helped to offset these losses to record profitability. The Lubricants segment performed well through greater market penetration, supported by greater brand visibility and marketing communication, product innovation, channel partnering and sales incentives during the year.

The Company made significant progress in its strategic imperatives which yielded considerable dividends during the year. We were able to harness significant cost savings and operational efficiencies through the development of the bunkering facilities in Trincomalee

and the refurbishment of two tanks and the pipeline at the oil farm in Trincomalee. The launch of bunkering facilities in Trincomalee has also created a new revenue growth stream and a launch pad to harness Sri Lanka's comparative advantages in the bunkering business. The ability to offer an enhanced and speedier service at Trincomalee combined with the port's geographic placement on key marine routes, augur well for future growth of this business.

The augmentation of our lubricant storage tankages in Trincomalee yielded significant benefits such as facilitating shorter blending times, better rates due to the opportunity to purchase in bulk, and the capacity to blend more varieties of grades in Lubes, thus enabling us to enhance volumes as well market share during the year. The Company also strengthened its leadership position in the Bitumen market despite entry of many new players in the industry.



# Capitals Reports

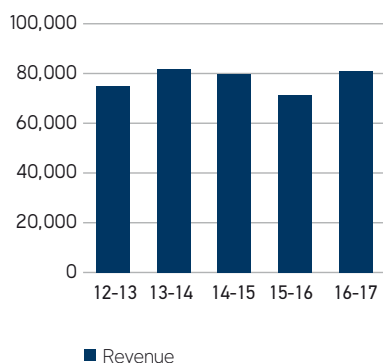
## Financial Capital Review

64-9

During the year under review, the company's revenue increased by 14% to LKR 81 billion (2015/16: LKR 71 billion) with primary contribution from auto fuel sector which contributed 83% of the revenue. Revenue growth was somewhat muted due to the decline in revenue in the Bunkering business on account of international oil prices.

LIOC has produced a profit of LKR 3.07 billion for reviewing year (2015/16 :LKR 2.24 billion) which is 37% increase over preceding year. Despite increase in import duties, LIOC could manage positive results due to lesser oil prices in the first half of the financial year coupled with effective supply chain management and operational efficiencies. Increase in finance income by 16% and reduction in finance cost by 57% also contributed to the bottom line of the company.

Revenue (LKR Mn)



### 1.1 Revenue

The Auto Fuel and Lube segments have shown 17% and 7% of increase in revenue over previous year respectively while 2% and 6% revenue drop in Bunker and Bitumen segments. The revenue increase in auto fuel segment is mainly driven by higher diesel sales. 'Pull and Push' strategy of Lube, generated highest ever lube revenue of LKR 2.7 billion during the year with wider retail dealer outlets and new product penetration.

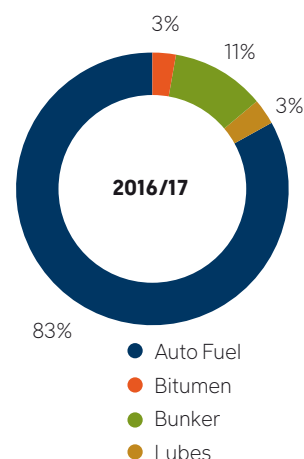
Marginal drop in sales revenue of Bunkers is due to the effect of decline in international crude oil prices. The Bitumen segment is very price sensitive and revenue declined due to intense completion, as bitumen industry was replete with a number of new entrants to whom licences were issued recently. The details of revenue break up is given in Note 3 appearing from page 138.



## LKR 67 Billion

**17%** growth in  
Auto fuel sales

Revenue Composition



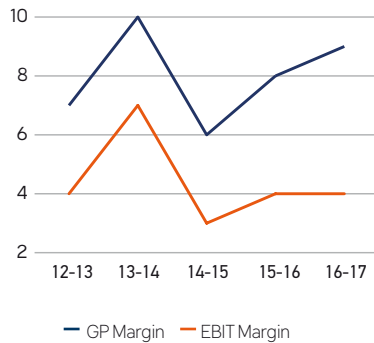
### 1.2 Operating Performance

During the year under review, the Operating Profit (EBIT) increased by 23 % to LKR 3.15 billion [2015/16: LKR 2.55 billion] driven mainly by increases in contributions from Auto fuel and Lubes except petrol. The company's gross profit grew up by 21% to LKR 7.06 billion [2015/16: LKR 5.82 billion] due to effect of lesser global oil prices in first half of the financial year coupled with strategic procurement planning and effective supply chain management.

Total operating expenses increased by 20% to LKR 4.05 billion [2015/16: LKR 3.37 billion] to maintain existing physical infrastructure and higher staff & other administrative expenses. Other operating income increased by 42% supplemented by dividend income received from CPSTL, in which LIOC holds 33.33% shareholding.

## Financial Capital Review

### Operating Performance (%)



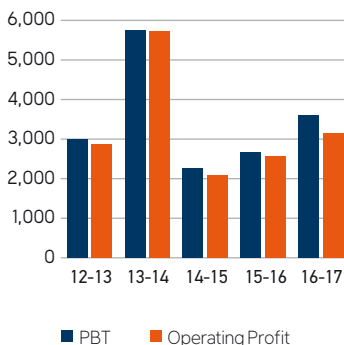
### 1.3 Operating Profit

During the period under review, the finance income of the company increased by 16% to LKR 0.63 billion (2015/16: LKR 0.55 billion), of which major composition is income generated from short term investment in Unit Trusts.

The year under review, finance expenses are less by 57% to LKR 0.18 billion (2015/16: LKR 0.42 billion) mainly due to reduction in foreign currency loan exposure. The exposure has been brought down in order to insulate the company from the substantial depreciation of the Sri Lankan Rupee vs the US Dollar.

Overall LIOC's Net pre and post tax profit for the year under review increased by 35% to LKR 3.6 billion and 37% to LKR 3.07 billion respectively.

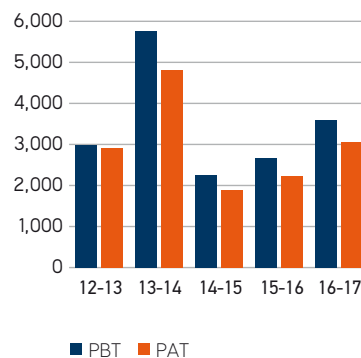
### PBT vs Operating Profit (LKR Mn)



### 1.4 Net Profit

During the year under review, income tax expense increased by 23% to LKR 0.54 billion [2015/16: LKR 0.44 billion] in line with pre-tax profit increase by 35%.

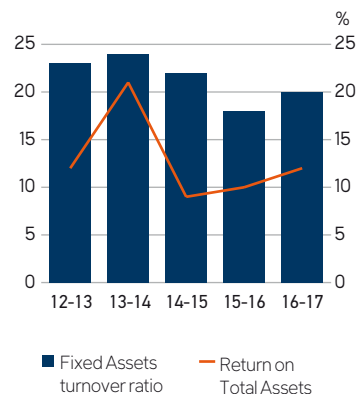
### Pre and Post tax Income (LKR Mn)



## 2. Efficiency

During the period under review, company's return on Total assets has increased to 12% year from preceding year 10% while Fixed assets turnover ratio increased to 20 times from 18 times in the preceding year which depicts how efficiently company has utilized its fixed assets. The industry needs significant capital investments each year to generate revenue and more infrastructure plays a pivotal role for the Company in increasing customer touch points.

### Efficiency (Times / %)



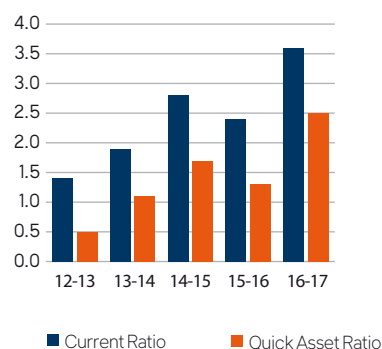
### 3. Shareholders Value Creation

The Earning per share has been increased to 5.76 times from preceding year 4.21 times while Net Assets per share increased by 15% to LKR 39/-. The return on capital employed (ROCE) increased significantly to 15% in comparison to the previous year due to the positive margin generated from auto fuel sector in first half of the year. However, the margin got eroded later due to increase in Government duties coupled with increase in international oil prices.

#### Shareholders wealth

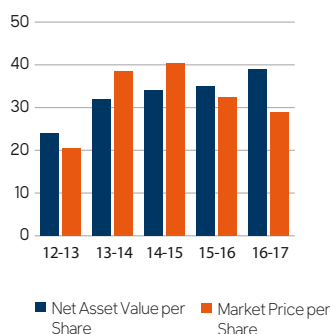
		FY 2016-17	FY 2015-16	Var %
EPS	LKR	5.76	4.21	37%
NAV PER SHARE	LKR	39	35	15%
DPS	LKR	1.25	1.25	-
SHARE PRICE	LKR	29	32.5	-11%
MARKET CAPITALISATION	LKR Mn	15,442	17,305	-11%
P/E RATIO	No of times	5.0	7.7	-35%

#### Current /Quick Asset Ratio (Times)



The current ratio of the company strengthened to 3.58 times as on 31st March 2017 despite reduction in inventories by LKR 2.44 billion. This depicts how efficiently company managed its debt from its revenue sources. However, company's assets composition remained relatively unchanged with current assets accounting for 64% of the total assets. Considering its strong financial position, the company is confident to expand its investment opportunities.

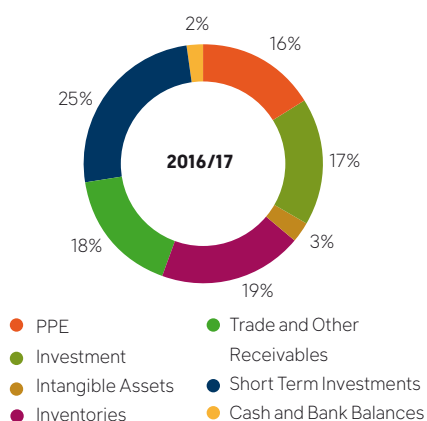
#### NAV vs MPS (LKR)



### 4. Financial Position

For the period under review, LIOC's total asset's increased by LKR 0.42 billion to LKR 25.49 billion [2015/16: LKR 25.07 billion] mainly on account of increases in short term investments and additions to property, plant and equipment of the company. The property, plant and equipment consisted 16% of total assets which generated revenue for the company and liquid profile continued to be strong, with cash & cash equivalents of LKR 6.98 billion which is 27% of total assets.

#### Assets Composition



## LKR 0.89 Billion

**60%** reduction in borrowings

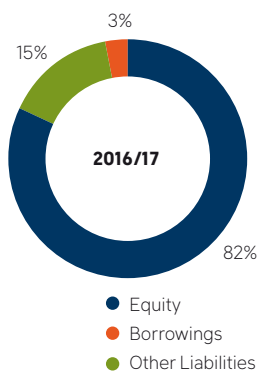
## Financial Capital Review

### 5. Leverage and capital structure

#### 5.1 Capital Structure

Company's assets continued to be funded through equity and only 18% were funded by way of Short term & Long term liabilities.

##### Funding Structure

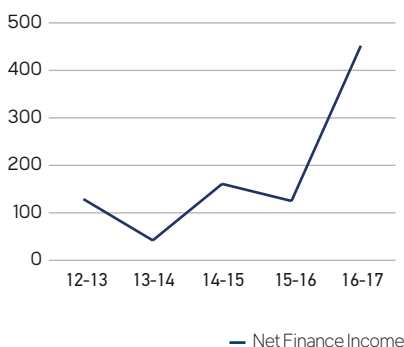


#### 5.2 Debt

The total debt and current liabilities of the company, year under review, decreased by 30% to LKR 4.7 billion (2015/16: 6.68 billion) which measures the LIOC's use of financial leverage and ability to avoid financial distress in the long run due to high volatility in oil & currency market. During the year, Debt Ratio of the company reduced in comparison with the previous year to 23% from 36%.

The interest coverage ratio remained solid as it was 38 times, which shows ability of the company to take more debt and service it too comfortably if need arises in future. The net finance income of the company is LKR 453 Mn as compared to LKR 125 Mn in previous year resulted due to effective treasury management, inspite of substantial currency devaluation against US dollar.

##### Net Finance Income (LKR Mn)



### 6. Cash Flow

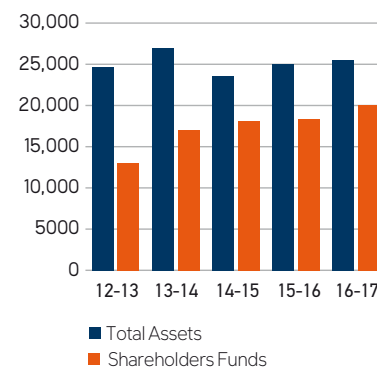
The company generated net positive cash flow of LKR 1.52 billion from its operating activities which depicts better management over its stocks, debtors & creditors. Net cash used in financing activities was negative LKR 1.98 billion in the current year compared to negative LKR 2.33 billion, in the previous year. The negative cash flow was mainly due to repayment of short term dollar borrowings.

### 7. Changes in Equity

During the year, company's Equity increased by LKR 2.4 billion to 20.79 billion (2015/16: 18.39 billion) on account of current year profit and dividend paid during the year.

Retained earnings as on 31st March 2017 is LKR 13.21 billion.

##### Shareholders Funds vs Total Assets (LKR Mn)



## Our Social & Relationship Capital

G4-8 | G4-13

Since Lanka IOC's entry into Sri Lanka 15 years ago, it has become a truly Sri Lankan entity which is well integrated with communities across the country, we have made it our quest to fuel the spirit of the Sri Lankan people. In addition to creating livelihoods for 171 people directly, and for over another 4,000 indirectly, LIOC has also been a catalyst for economic activity in small towns and rural locations; as a retail outlet opened for the first time often also gives rise to a corner store or a boutique or an outsourced service to begin new economic activities. We are also humbly proud that our entry into Sri Lanka has contributed to introducing new benchmarks in auto fuel retailing, in safety standards and customer service levels in the country.

The illustration on Pages 12 & 13 exemplifies the value addition by LIOC in giving leadership to the transformation of Retail Outlets – over the years

*We identify our Social Capital to comprise of the following:*



### Customers:

We reach very diverse groups of customers across the length and breadth of the country via our network of 461 retail points and constantly seek ways in which we can enhance the value we create for them through new products, new delivery channels and fine tuning of processes and service levels. Some of the ways in which LIOC enhanced its customer value proposition is as follows :

Utilising the access to R&D and innovation, we introduced a new grade of auto fuel which not only enhances the performance of the vehicle engine but also reduces the Carbon footprint by engines.

- ◆ Utilizing IOC's access to R&D, we introduced a higher Octane auto fuel – branded as Euro 3 which enhances the fuel efficiency of an engine whilst also enhances the life time of the vehicle. In addition to Energy boosters, the product also contains additives which reduces the environmental impact.
- ◆ In addition, LIOC also launched 4 new types of lubricants to enhance the performance of customers' vehicles :
  - ◆ **SERVO MARUTI GENUINE OIL 5W 30:** high performance engine oil for new generation petrol vehicles. These oils are blended from high viscosity index base stocks and contain additives to meet the stated performance standards
  - ◆ **SERVO FUTURA 0W 20:** a resource conserving high performance synthetic engine oil developed for modern high performance petrol powered vehicles including hybrid models where ILSAC GF-5, API SN or earlier ILSAC, API 'S' performance categories are specified.
  - ◆ **SERVO FUTURA P PLUS 15W 40:** premium commercial diesel engine oil. The oil is designed for the most severe performance requirements of new generation diesel engines for on and off highway operations. It assures outstanding protection against high temperature engine deposits, oil degradation, oil thickening and corrosion resistance.
  - ◆ **SERVO PRIDE TM PLUS 15W 40:** an API certified, premium commercial multipurpose diesel engine oil. The oil is designed for the most severe performance requirements of new generation diesel engines for on and off highway operations. It assures outstanding protection against high temperature engine deposits, oil degradation, oil thickening and corrosion resistance.

*Other initiatives through which we strengthened our customer offering include the following:*



**Launch of a mobile application** to locate the nearest petrol station – the first of its kind in Sri Lanka as described in the box story.



**Customer Service training** for retail staff employed by our franchise partners at LIOC's costs.



**Better signage**



**Expanded reach through new retail points**





## Lanka IOC launches **FuelMe** Mobile App



Lanka IOC launched the mobile application FuelMe, a first of its kind in Sri Lanka, to enable the public locate the nearest Lanka IOC retail outlet. The App's first version which is available on the Google Play store and soon to be on Apple's iTunes, features a rich set of functions and focuses on user experience.

The primary version of FuelMe app functions as a retail outlet locator. It begins with a display of Lanka IOC's island wide retail map and upon activation of the app, automatically detects the user's location and informs them of the closest outlets for their fuel preference.

The advanced system also filters the outlets by ones that are currently open in the vicinity of the user's detected locations. Users can zoom in or out of the map to reveal more choices, as well as toggle the "List mode" to show the entries as a list. More importantly, once an outlet is selected the app would provide directions and the approximate time it would take to reach the outlet, as well as basic information about the outlet such as the list of services available. It also provides the facility to call an outlet.

Users can also narrow their search for outlets in a particular location and also make specialized searches such as to find an outlet with a supermarket facility or one which has Nitrogen Air facility. The App will save the last three searches on the system for easy retrieval.

FuelMe also has built in messaging capability, enabling Lanka IOC head office to send in periodic promotional messages or announcements to end users.

The Company plans to further strengthen its marketing efforts for improving public awareness of this technology initiative.



### Engaging our Customers :

LIOC invested LKR 51 million during the year on product promotional and marketing communication activities.



## LIOC becomes "Official Sponsor" of the Sri Lanka 'A' Cricket team



One of the Company's biggest brand visibility enhancing initiatives during the year for its Lubricants business was taking on the sponsorship of Sri Lanka's 'A' Cricket Team. This initiative is a win win as it supports the future of Sri Lanka Cricket whilst our product and Company brand reaches key target markets of sports lovers and the media in large numbers.

The players are also our brand ambassadors as they wear the Servo branded T shirt on the field and carry a Servo and Lanka IOC branded sports bag. In addition the Company enjoys brand visibility at the grand stand of the Premadasa Stadium and at the pavilion of the Saravanamuttu stadium.

## Our Social & Relationship Capital



LIOC dealers at capability building training programme

### Business Partners:

64-12 | 64-13

Our business partners are a critical element in our Value Creation model. Our local business partners primarily comprise of the franchise partners of our auto fuels retail outlets and the Lubricant Distributors spread across the island, as well as one distributor in the Maldives.

In keeping with our strategy of volume growth and following an aggressive marketing campaign during the year, LIOC increased the number of retail auto fuel outlets increasing the total number of outlets 202.

Progressing with our strategy of product diversification, the Company increased the number of Servo Shops by a significant 64 and the number of Lubricant distributors by 5 during the year, bringing the total number of Lubricant sales outlets to 259 as at year end.

	2015/16	2016/17
<b>Auto Fuel</b>		
Company Owned	106	106
Dealer Owned	93	96
<b>Sub Total(A)</b>	<b>199</b>	<b>202</b>
<b>Lubricant</b>		
Distributor	19	24
Servo Shops	171	235
<b>Sub Total(B)</b>	<b>190</b>	<b>259</b>
<b>Total</b>	<b>389</b>	<b>461</b>



LIOC organised foreign SAP training programme for the employees of Ceylon Petroleum Corporation and Ceylon Petroleum Storage Terminals Limited

### CPC, CPSTL & LIOC Employees gets Training on SAP at IndianOil's Training Centre at Gurgaon

With the assistance of Indian Oil Corporation Ltd., SAP (ERP) system was implemented in the year 2010 for entire Petroleum Sector in Sri Lanka involving all the three oil companies viz CPC, CPSTL and LIOC.

Accordingly, during the bilateral meeting held between Hon. Minister of Petroleum Resources Development, GoSL and Minister of Petroleum and Natural Gas, GoI, it was decided that employees of CPC and CPSTL will be given fresh training by Indian Oil Corporation Ltd, as an efficient ERP system is an utmost necessity to take any company to newer heights.

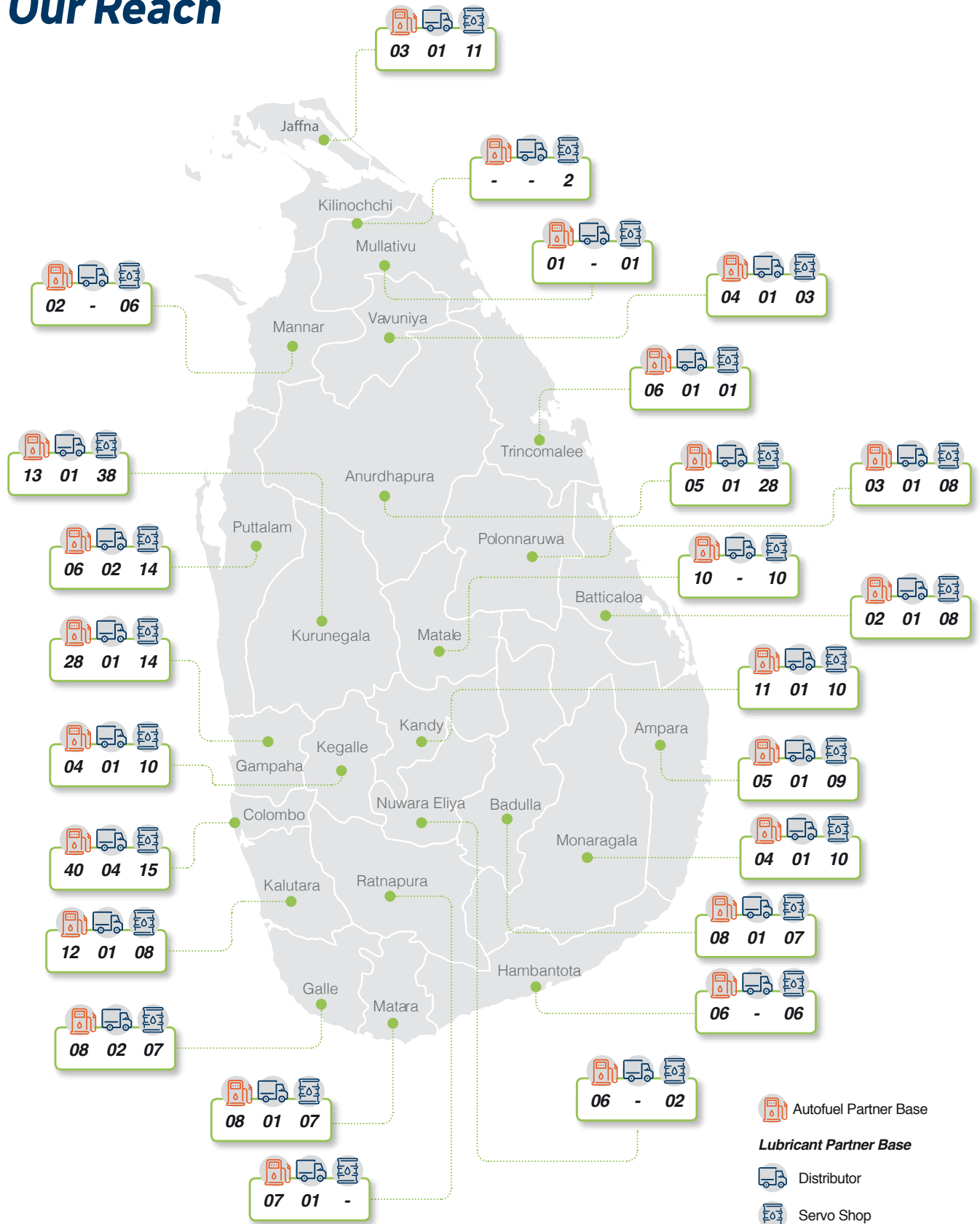
The first batch of 28 employees went to India to get training on SAP (ERP) system at IndianOil Institute of Petroleum Management (IIPM), India. IIPM is the apex learning centre of IndianOil at Gurgaon. All the participants visited state of art 'Corporate Business Technology Centre' that provides SAP & other IS support across India which is also located within the premises of IIPM.

The Participants also had an opportunity to meet Chairman IOC during their visit.

The training programme was customized to the requirement of participants and various SAP modules were extensively covered by the faculty members. While giving their feedback, participants stated that this training programme will not only improve their day-to-day efficiency but will also help them to enhance their knowledge for future technological upgradation of SAP (ERP) system.

## Our Social & Relationship Capital

# Our Reach



### Vehicle Clinics -another win-win branding initiative:

Another branding initiative was in the form of a joint campaign with the retailers of TATA vehicles. LIOC, in partnership with Dima - the importers of TATA vehicles held free vehicle check clinics across the country where any owner of a TATA vehicle could bring their vehicle along for a free check up. Adequate publicity in respective areas informed the public of the clinics. Eleven such workshops were held during the year where customers were provided useful technical advice and tips by qualified technicians with regard to their vehicle and how best to harness the benefits of the Lubricant products.

### Launch of Online Banking:

The year under review saw LIOC launch an online banking platform with Standard Chartered Bank's global Internet banking platform; enabling automated payment and collections which would benefit all of the Company's stakeholders. Automatic payment transfer not only saves valuable time but also keeps accounts transparent and reconciled.

This automation has played a pivotal role in streamlining processes and mitigating operational risks in LIOC's parent organisation -IOC, who transacts over 99% of payments and receivables electronically through online banking platforms. Now, LIOC which deals with large volumes of transactions on a daily basis, with multiple locations spread across the island will be able to reap significant improvements to efficiency, customer convenience, speed as well as transparency through this global internet banking platform. The Company has implemented paper less transactions not only for collection from customers but also for payment to vendors and suppliers which ensures prompt collection and payments.



Lanka IOC Chairman Mr. B.S. Canth graced the occasion of launching Online Banking platform.

### Sadbhavana Scheme – LIOC's branded initiative to strengthen the Lubricants dealer and retailer relationships:

As denoted by its Hindi name "Sadbhavana", this scheme is aimed at building trust and mutual confidence between the Company, the

Distributors and the Retailers of Lubricants, to work in unison based on the premise that "if we maintain good relationships business will automatically follow". Under this scheme, the company sets aside LKR 1 per litre of Lubricants sold by each Distributor to build a 'reward fund' for the distributor. This 'reward fund' of each distributor is utilized each year to hold an event where all the people in distributor's network are invited. At the event, highest achieving retailers are recognized and the forum is also used for sharing market information & knowledge and motivating the channel partners for the future.



An event of Servo 'Sadbhavana' Scheme

### Community:

**G4-S01 | G4-S02 | G4-S07**

Uplifting communities and lives of Sri Lankan people is close to the hearts of Lanka IOC team. It also makes business sense by paving the way for long term sustainability whilst enhancing the Company's image.

Our social upliftment initiative focus on key pillars of education, healthcare and others based on need.

### English Education to Alleviate Poverty:

Driven by our belief that "Education Alleviates Poverty", two English education programs were conducted during the year at Trincomalee and Dehiyattakandiya.

At Trincomalee, a project "English for Young Learners" was launched to afford an opportunity for children from under privileged families to learn English. Following a final examination held upon completion of the course, the best performers of the programme are felicitated and awarded certificates. The project was a great success producing district level achievers.

Similarly, a project was conducted in Dehiyattakandiya commencing in March 2016 offering 75 class hours. This was the 3rd programme in the series. The main focus of the course was to improve students' overall ability to use English in everyday situations as well as for them to be successful at the English Language paper in the O/L.



## Our Social & Relationship Capital

examinations. The project was quite successful in teaching English to the under served people of Jaffna, where facilities including schools/ health centres/hospital were destroyed by the 30 year civil war. Fourteen years of past exam papers were revised during the course with a total of 268 students from 14 schools completing the final exam of the course held in November 2016.



Student's placement test under the programme 'English for Young Learners'

### LIOC Restores Another Maternity Home for Jaffna:

Following Lanka IOC's first renovation of a maternity & child care home in Jaffna, which was handed over in April 2015; the Company under its Healthcare CSR agenda, pledged support to renovate another maternity home in Jaffna.

The 'Paasaiyur Maternity Home', which was in dire need of restoration since the destruction during the civil war was thus renovated at an estimated cost of LKR 5.9 million to provide a maternity and child care facility for a large number of women from a neighbouring fishing community of atleast 7,000 people. This second project was undertaken in response to an appeal by the Health officials made at the handing over ceremony of the first project so as to benefit a region that was severely hampered by the war's destruction of basic facilities including health/medical facilities.



Primary Health Care Centre & Maternity Home Passaiyoor, Jaffna, renovated by LIOC & inaugurated by Hon'ble Chief Minister of Northern Province

### Renovating a Primary School in the Habaraduwa Area:

Combining our CSR agenda to uplift education and infrastructure for rural communities, LIOC joined hands with Chandima Weerakkody Foundation to renovate 25 pre-schools in the Habaraduwa Electorate in the Galle District; at a cost of LKR 2.9 million during the Financial year. Presently 50% of the project has been completed benefitting a large number of children in the Southern province thus far.

### Offering Training and Development for Sri Lankan Army Personnel from the Neighboring Camp:

One of the LIOC's community initiatives during the year which is also aimed at strengthening relationships with an important stakeholder was the organization of a Training and Development programme for Sri Lanka army's personnel based at the Trincomalee army base which is located in close proximity to the terminal. The Company hosted a training for 32 SL Army personnel in December 2016 offering training for capacity building, team building, industrial training on logistics, general safety and fire fighting.



Army officials at Trincomalee Terminal during a training programme conducted by LIOC

### CSR and Philanthropy:

In addition to the social sustainability initiatives, LIOC also engages in philanthropy and has prioritized Healthcare, education and support of orphanages and elders homes during the year. The Company also reaches out at times of need such as natural disasters.



A Healthcare event to support orphanages and elders homes

One of our healthcare initiatives under the theme "WE CARE" is the sponsorship and organization of free Health Screening Camps in collaboration with "HelpAge Sri Lanka". In association with Help Age, LIOC conducts free medical camps for people in the localities of its retail outlets across the country. The camps are held regularly and also serve as an important means of community engagement for the retail outlets, as they play a key role in facilitating the health camps and establishing the necessary links for those who need to improve their eye sight or obtain spectacles and are often unaware of how to or whom to approach. The Camps offer health checks for Cataract surgery, Diabetes, non communicable diseases, and other ailments and also provide spectacles and medicines, free of charge and refer to specialized hospitals when there is a need. About 600 participants benefited at each of the 3 health screening camps held last year in Pepiliyana, Ambalanthota and Weligama. LIOC's sponsorship of the medical camps amounted to approx LKR 2.5 million during the year.

#### Natural Disaster Relief Fund:

Reaching out at a time of natural disasters, the Company contributed LKR 5 Million to the National Disaster Relief Fund to help victims of the floods that caused destruction during May 2016. LIOC employees also contributed one day's salary for this cause.

#### Blood Donation Campaign:

LIOC employees at Head Office and the terminal at Trincomalee, each year mark the Company Day which falls on 29th August, with a blood donation campaign. The programmes this year had the participation of LIOC employees, defence personnel and donors of general public who donated a total of more than 300 litres of blood at each site to the National Blood Bank.

LIOC also donated wheel chairs during the year to 30 individuals who were recommended by the Ministry of Social Empowerment & Welfare.



Blood Donation camp to mark the Company Day on 29.08.2016



A LIOC's Retail outlet operated by all female customer attendants at Pelwehara, Matale

#### Retail Outlet Operated by all Female Staff:

M/s DA Damika, a retail outlet commissioned in March 2015 is situated on A6, Trincomalee Road, in Pelwehara in Matale district. Day to day operations of this retail outlet is looked after by Ms. Chamila Sudarshani, sister of dealer-proprietor. Ms. Chamila Sudarshani herself being a young lady & first time entrepreneur decided to operate the dealership with all female staff. Thus history was created, the first all women customer attendant retail outlet of LIOC and probably the first in the country. A job which traditionally is considered a domain reserved for males only, females entered, that too in a highly successful manner. Today Ms. Chamila Sudarshani is very proud of her decision & shares this success story with lot of pride. This has created a new employment opportunity for females in the area. Many dealers are now planning to employ women customer attendants. Many of these customer attendants have become role models in their villages & have given confidence to girls and their parents to take up similar employment.

This retail outlet truly reflects the spirit of HR policy of LIOC of an equal opportunity employer.



A Female customer attendant dispensing fuel at LIOC's Retail Outlet



## Our Social & Relationship Capital

### Dealers, Distributors & Vendors sharing their journey with LIOC



*I faced many challenges when I took over the retail outlet after my dad's sudden demise. LIOC, was always with me at this hour of need and renovated and refurbished my retail outlet in the most modern way. This not only transformed my business but also my life. With my modern retail outlet, I am delighted to see customers walk away not only full tank of fuel but also a broad smile across their faces.*

*LIOC has been behind me right through out like a pillar of strength and gave me the support to make it what it is Today.*

**Dilruk Leanage**, Leanfirm (Pvt.) Ltd, Negombo Road, Peliyagoda.



*I've been dealing with LIOC for the last fifteen years. I experienced LIOC as consistently aggressive and always competitive. I have found LIOC always focusing on improving the service standards to its customers. They have consistently maintained a sense of professionalism. Simultaneously providing me with the required skills and knowledge to conduct my business in a proficient manner.*

*My journey with LIOC has been filled with many memorable moments!*

**D. V. Shantha Silva**, Slipto Agencies (Pvt.) Ltd, Pradeepa Mawatha, Colombo 10.



*I have been with LIOC for nearly seven years and with their support we have grown considerably.*

*It is also reassuring to know that LIOC management is only a phone call away. In fact, they keep a close relationship with us and monitor the progress of the business outlet whilst providing advice/ support on how we can take the business to the next level".*

*I am proud to be the first LIOC appointed dealer in Sri Lanka!*

**Ms. Sunethra Lightowler**, Araliya Filling Station, Chilaw Road, Marawila



*In the several years of dealing with Servo Lubricants, I firmly believe that Servo has carved a niche market for its brand in the country. I feel motivated to further increase the 'Servo' imprints in the market.*

**Reggie Wijesinghe**, Auto Touch Service Station, Mount Lavinia



*The 'Servo' brand has earned a reputation of excellence in business, demonstrating a rapid growth in the lubricants market. As a distributor, we also gained many benefits and elevated our revenue through this business engagement. It has been a pleasure to partner with LIOC over the years.*

**Nalindra Silva**, Mineral Springs Servo Distributors

## Fueling the SRI LANKAN SPIRIT



*LIOC is a dynamic Company. I have been associated to all the sectors of the Company namely fuel distribution, fuel transport and 'Servo' lubricant distribution for the last 10 years. The LIOC staff mainly the top Indian management and the marketing team is dynamic and has adjusted to the market conditions of Sri Lanka. It is very easy to work with them. The 'Servo' brand is a recognized product in the market.*

**T. S. Jayalath**, Rathkarawwa Servo Lube Distributors



*We have been marketing 'Servo' Lubricants as a distributor for more than 10 years. When we initially started, we didn't believe that we would be as successful as we are today. This brand gained wide popularity of the customers at a rate that we couldn't even comprehend. The goals that we have achieved so far wouldn't have been possible without the constructive criticism, support and motivation of the LIOC management. We are proud to be a part of the 'Servo' family.*

**Priyanka Samaranayake**, Samaranayake & Samaranayake Pvt Ltd



*I am running an exclusive 'Servo' shop for the last seven years. The Marketing Team supports us with desired advice and guidance, to meet the challenges of the market. I feel motivated to further increase the 'Servo' imprints in the market.*

**Samantha Kumara**, RMS Servo Shop



*It has been an immense pleasure being associated with LIOC. I feel proud to be associated with the LIOC family for the past 15 years. LIOC has been a significant part of our story of growth. It has been a rewarding and satisfying experience with Lanka IOC.*

*We value doing business with LIOC which is poised to grow. We thank Lanka IOC for illuminating our lives with success.*

**Ms. H. W.B. Priyangani De Silva**, Galle Road, Beruwala.



*In 2008, the Building and Engineering Services Private Limited (Today Steps Construction (Pvt) Ltd) undertook the first construction with Lanka IOC PLC. Little did we realize then that this partnership will help us shape our company. Every communication we did helped us learn the stringent standards maintained by Lanka IOC. This made us realize the importance of health and safety, customer satisfaction, quality construction confirming to environmentally friendly standards go hand in hand. This association was rewarding as it moulded and redefined our building designs, protocols and standards.*

**Bernard Stephen**, CEO, Steps Construction (Pvt) Ltd.

## Natural Capital

Our products help fulfil an essential need of an economy i.e. 'fueling transportation'. We are mindful that our products are also intrinsically linked to nature- being a natural resource (fossil fuels) which is extracted and added value to, on the one hand and which in the process of being used as an essential commodity, adds Carbon to the environment. With threats of global warming, which once loomed in the distance, now an immediate challenge across the world, the need for reducing the Carbon footprint is that much more urgent. Thus, our environmental initiatives are three pronged; to reduce the Carbon footprint of our products on the one hand, secondly to reduce the energy consumed by our operations and to proactively seek and contribute to greening our neighborhoods.

### G4-EN27

Our quest to develop products that are more environmentally friendly and ecologically sustainable is continuous. Accordingly, in the past, we have introduced XtraPremium Euro 3 and XtraPremium 95 Octane, two products which are above the national emission standards, with their respective carbon footprints estimated to be lower than Lanka Petrol 92. Moreover, the Company is fully geared to introduce higher quality fuel products such as Euro 4/5 and Euro 6, considered to be more environmentally friendly and currently used in developed countries, as and when GoSL decides to introduce such premium fuels. Considering its environment friendliness vis-a-vis other auto fuels in the market, we have made plans for the XtraPremium Euro 3 to be branded in green color in the year ahead.

### G4-EN29 | G4-EN31

The Company has been successful in adhering to the relevant environmental laws and regulations of the country in the last 15 years and have not faced any sanctions or been fined for non-compliance with environmental laws and regulations.

## Materials:

### G4-EN1

The primary raw material used in our business is petroleum based fuels that are entirely sourced from international suppliers; as Sri Lanka does not have fossil fuel deposits. In the year under review our total purchases of materials amounted to 707 TMT.

As per Company policy, procurement of these raw materials is conducted through global tender procedures and follows a stringent supplier evaluation process which ensures quality and the application of sustainable practices when sourcing these materials.

The primary material can be classified as non-renewable.

## Reducing our Energy Consumption

### Energy:

#### G4-EN3 | G4-EN6

Energy is an important aspect of the Company's business operations. Energy is used by the Head Office premises, the Company's owned retail outlets and the Trincomalee Terminal. The most amount of energy is used in our Trincomalee Terminal in the form of diesel and furnace oil for production/manufacturing operations; as well as for lighting and heating/cooling purposes. Comparatively the use of energy at the Head Office and the retail outlets is relatively less.

During the year under review the total energy consumed by the Company is as below:

#### Electricity Consumed for the Year 2016-17

Source	Energy Consumption (KW)	
Period	2015/16	2016/17
Terminal LBP	251,842	346,204
CV-Upper tank farm	42,634	20,455
LIOC Quarters	10,459	22,016
Maingate Quarters and Pump House	54,050	31,723
TOTAL	358,625	420,398

In the year under review the Company's energy consumption increased by 61,773 KW due to its increased manufacturing operations.

The Company consistently tracks energy consumption at each operating unit and introduces measures to reduce consumption. To conserve energy on day-to-day operations, LIOC has in place the following procedures:

- Reducing the consumption of furnace oil for lubricant production at the Trincomalee Terminal plant by synchronising boiler operations with the lube blending kettle.
- Retail outlets are encouraged to switch to use of renewable energy and energy efficient lighting and cooling systems.
- The Head Office uses energy efficient lighting systems and encourages employees to switch off lights and computers when not in use.

## Increasing the Environment Friendliness of Our Fuels through Product Innovation:

Lanka IOC sells 95 Octane petrol as a value addition to the customer as well to reduce the carbon footprint. The 95 Octane auto fuel enhances the performance of the engine & life for the engine through energy boosters and also contains environment friendly additives. Accordingly, the company plans to change the branding colors for this grade of fuel to green in the year ahead.

### Encouraging Retail Outlets to Switch to Renewable Energy :

Three of LIOC's petrol stations in Hambantota & Pannipitiya were partially converted to solar energy, with solar power fulfilling the energy requirements for the signage and lighting; thus reducing our Carbon footprint whilst also benefitting the dealer through reduced costs of electricity.



LIOC's retail outlet converted to solar energy

### A Triple Bottom Initiative - with Electric Car Charging stations:

A key initiative during the year which encompassed all three aspects of the wider Community, Customer and Environmental impacts, was the launch of an electric vehicle charging point at our retail outlet in Hambantota. This is intended to be the first of many to be opened in the next year, reflecting Lanka IOC's commitment to contribute to reducing the Carbon footprint as well as its future orientation.



Electric car charging station at LIOC Retail Outlet, Ambalanthota.

### Beach Cleaning Drive:

The Trincomalee terminal employees joined hands to lend their time and effort to clean up the beach of China bay and the Trinco beach in June and September respectively, with the Company sponsoring these two environmental projects. A beach clean up serves a purpose of eliminating an eye sore of a littered beach but more importantly, they also prevent polythene and other non bio degradable litter which harm marine life, from being washed into the sea.



LIOC Campaign for beach cleaning on the World Ocean Day at Trincomalee

### Water:

#### G4-EN8

The Company uses water only for the needs of its employees and for external purposes such as the maintenance of gardens, and no water is used in the manufacturing process. The total water used by the Company in the year under review was sourced from the Municipal Water Board of Sri Lanka and amounted to 57,328 KL.

### Biodiversity:

#### G4-EN11 | G4-EN24

The Company's Head Office premises is located in the city, while the retail outlets are located in towns across the island. The Company, when sourcing land to build retail outlets, ensures that such land is not located in close proximity to areas with high biodiversity value.

The Trincomalee Terminal by its very nature is located in close proximity to the ocean. The biggest impact on biodiversity would arise mainly in the event of oil spills from storage or ships which could adversely affect marine life. The Company has in place stringent internal controls and operational guidelines to ensure that our business operations are conducted with care for such life forms. Lanka IOC is proud to report that our operations have not caused any oil spills to date, either at the Trincomalee Terminal or through any of our retail outlets.

To further ensure safety of operations, the Company has the following procedures in place.



## Natural Capital

- Utmost care is taken to prevent oil leaks at the jetty during tanker discharge - the receiving pipelines and tanker unloading hoses are pressure tested before receipt of tanker to ensure that the pipelines are not damaged to cause any leaks.
- In the event of any spillages, oil dispersant chemicals and oil absorbent pads are available to mitigate minor oil spills.
- Third party insurance policy has also been taken by the company for any insurance relevant to public liabilities, product liability and pollution liability.

### Emissions:

#### G4-EN21

There are emissions in the form of vapours at the retail auto fuel outlets. These vapours are non-toxic and does not cause harm to the environment. The Company has in place safety measures adopted from our parent company - Indian Oil Corporation Limited, to ensure that the discharge of these vapours is done according to pre-set guidelines to enable the evaporation of these vapours as they reach the atmosphere, without causing any sparks.

### Effluents and Waste:

#### G4-EN22 | G4-EN23 | G4-EN25

The primary effluent of the Company is the oil water discharge accumulated from the use of water to flush the tanker receipt pipelines at the Trincomalee Terminal and at the retail auto fuel outlets.

The Company uses pit systems, known as Oil Water Separators (OWS) to ensure that the water discharged is cleaned before being released to the sea and other waterways. Each retail outlet with a service station is outfitted with an OWS while the Trincomalee Terminal has seven OWS's. All water discharged goes through the OWS and the water is tested both by Company personnel and also by external third parties before being discharged.

The Trincomalee Terminal also has some minimal oil discharge which is first checked for quality before being returned to the tank or disposed of through licensed organisations according to the MEPA/CEA guidelines. Sludge is a type of solid waste that is generated as a result of cleaning the black oil tanks which only take place approximately once every five years. Disposal of sludge, which is considered a hazardous waste, is done according to the MEPA/CEA guidelines. Sludge is also stored in isolation using concealed containers.

Additional, safety measures adopted by the Company to ensure that water discharge meets with approved environmental authority levels include the following:

- water from the terminal tank is processed through the OWS and released from the final chamber of the OWS after ascertaining the quality of the effluents.

- water from the outer chamber of the OWS is tested for conformity every three months at a CEA-licensed laboratory.
- sludge disposal increased by 15.6 KL in 2016/17 as 4 tanks were cleaned during the year while 1 tank was cleaned in 2015/16

#### Effluent Disposal

	2015/16	2016/17
Sludge disposal	6.4 KL	22 KL *

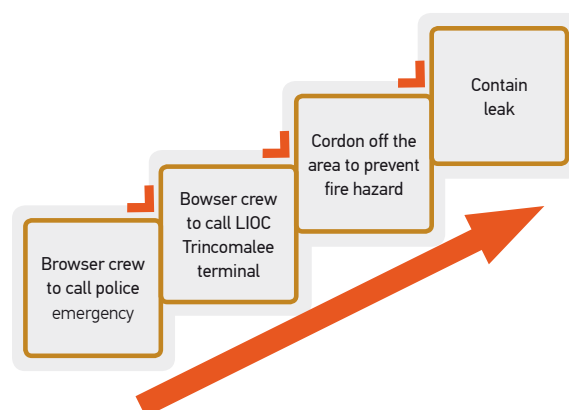
\* Sludge disposal is more during 2016-17 as 4 tanks were cleaned as compared to 1 tank last year.

### Transportation of Products:

#### G4-EN30

Environmental risks could also arise during the transportation of petroleum products due to accidents/spillages/leakages during transit which could result in contaminating land and water resources. In order to mitigate such risk exposures, the following procedures are adopted by the Company.

- Transportation crews are trained in Emergency Response methods in the event of leaks/spills en route to destination.
- Regular demonstration programmes on oil spill contingencies are conducted for transportation crews.
- Standard response procedure in liaising with authorities such as the Fire Brigade, Police, Oil Terminal etc., is clearly defined and the transportation crew trained on these procedures.
- Formalised and standardised emergency procedures are in place. The key steps of which are illustrated below

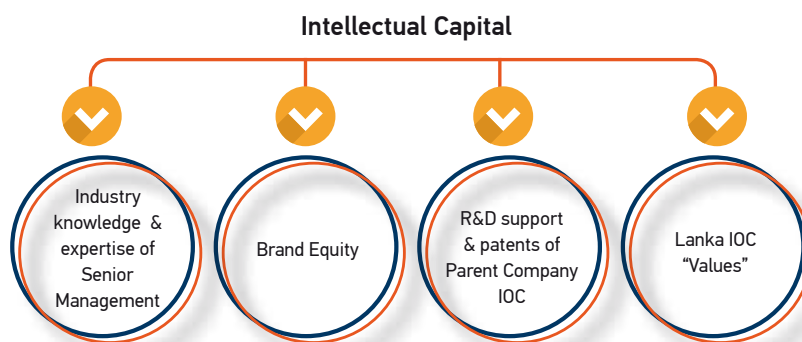


### Environmental Grievance Mechanisms

#### G4-EN34

The Company has a policy in place whereby every concern or complaint received regarding the environment is treated as a priority. These concerns or complaints are immediately escalated to the Senior Vice President in charge at the Company for review and prompt action taken as required. In the year under review the Company did not receive any complaints regarding environmental grievances from any stakeholders.

## Intellectual Capital



Lanka IOC's Intellectual Capital includes its brand equity, the industry expertise & experience of its Senior Management, its access to the R&D, technology, industry knowledge and the patents of its parent Company -Indian Oil Corporation Limited (IndianOil).

### Industry Expertise, Experience and Tacit Knowledge:

IndianOil, with over 60 years in the energy sector, is India's largest commercial enterprise and currently stands at the top amongst the Indian Companies ranked in 'Global Fortune 500' listing. Director (Marketing), who sits in the Board of IndianOil, is presently the Chairman of Lanka IOC and brings with him immense knowledge & experience to the table.

The Senior Management Team at Lanka IOC are those who have progressed through the ranks, having gained a wealth of cross functional & cross departmental exposure, industry knowledge & experience and is hence a key capital in your Company's value creation model as they translate their industry expertise & experience into better planning, better price projections and better logistics & procurement strategies, better risk mitigation, increase in market share, higher revenue growth & better profitability.

## Brand Equity:



SERVO brand is originally from IndianOil, the parent company of Lanka IOC PLC, brand leader among lubricants and greases in India,

recording the second largest player in Sri Lanka. SERVO has conferred the “Consumer Super brand” status by the Super brands Council of India. Recognized for its brand leadership by the World Brand Congress and as a Master Brand by CMO, Asia, and SERVO has now carved a significant niche in over 20 countries across the globe. With over 1000 commercial grades and over 1,500 formulations encompassing literally every conceivable application, SERVO serves as a one-stop shop for complete lubrication solutions in the automotive, industrial and marine segments. Recognized for cutting-edge technology and high-quality products, SERVO is backed by IndianOil’s world-class R&D and an extensive blending and distribution network.

## Senior Management **Team**



## Bankim B Patra

Senior Vice President (Lubes and Bitumen)  
[w.e.f May 2015]

**Qualification:** Bachelor in Chemical Engineering from Calcutta University.

During his stint at IOC over the past 25 years, he has experience in sales & marketing, strategic planning, key account management, customer servicing, technical services for the supply of lubricants and also rich experience in Operations department. Presently, he serves as LIOC's Head for Lubes, Bitumen and Petrochemicals in Sri Lanka & Maldives. He is responsible for procurement of Base oils, Bitumen, Additives and Petrochemicals from International Markets. He also manages costing & pricing finish products, Production of Automotive and Industrial Lubricants & Branding of Servo Lubricants, Supply chain management, marketing of lubricants, Bitumen & Petrochemicals and export of lubricants.



Anuj Jain

Senior Vice President (Finance)  
[w.e.f May 2015]

**Qualification:** B.Com (Hons), Associate Member of Institute of Chartered Accountants of India (ICAI), Masters in Business Finance from ICAI. Member of the Institute of Certified

Managements Accountants of Sri Lanka.

During his stint at IOC over the past 21 years, he has handled varied financial, taxation & commercial aspects of the oil & gas sector such as Corporate Finance, Treasury, Supply Chain Optimization, Pricing, Shipping, Direct & Indirect Taxation, Refinery and Marketing Finance, Insurance, SAP ERP system etc. He has also handled special assignments such as IFRS implementation, fair valuation of assets, enterprise risk management, fraud prevention & internal controls etc. As SVP(F) of LIOC, he overlooks the entire financial matters of the Company. Mr. Jain is also a Director of the Ceylon Petroleum Storage Terminals Limited (CPSTL).



## Intellectual Capital

LIOC, being a subsidiary of the IndianOil enjoys high brand equity which is a significant capital in its ability to attract investments and engage stakeholders. During the year, Lanka IOC launched several initiatives to enhance its brand value as well as brand visibility. These include the high visibility sponsorship as official sponsors of Sri Lanka 'A' cricket team and the enhancements to branding at our retail outlets and various roads/ highways across the island.

BRAND FINANCE up LIOC ranking to 27th in 2017 from 31 in 2016, among "Most Valuable Brands" of Sri Lanka with a brand value of LKR 3,617 million & enterprise value of LKR 13,846 million, findings published in 'BRANDS ANNUAL 2017' Edition from LMD/Media Services Publication.



A Bus Shelter with Servo branding

## Research & Development of IOC:

The state of the art research facilities at Indian Oil Company is a key competitive advantage and contribute to value creation by Lanka IOC. It is the access to this globally renowned and pioneering leadership in the industry that gives us the ability to introduce new products and the confidence to strategically plan the introduction of new products which are Triple Bottom Line in nature and contribute to the sustainability of our profitability as well as the environment. Indian Oil Company's R&D includes the formulation of lubricants, refinery & pipeline processes and alternative fuels.

## External Endorsements (certification) and Parent Company's Patents:

Lanka IOC has obtained ISO 9001 -2015 for its Lubricant plant in Trincomalee becoming one of the first to be accredited in South Asia. Indian Oil Company's patents as at 31st March 2016 number 450 of which 270 are international. Highlights of 2015/16 are given below:

- Filed for 74 patents and earned 19
- Over 4, 000 lubricant formulations, during the year 125 formulations have been added
- 104 endorsements for original equipment and manufacture, out of which 15 were obtained during the year.

## Senior Management Team



### Chittem Raju

Senior VP (Operations & LBP), Trincomalee  
[w.e.f August 2015]

Qualification: Civil Eng. Degree from Sri Venkateswara University College of Engineering.

He brings with him 29 years of experience in IOC at various Terminals and LPG Plant operations. He also has the distinction of serving as an empanelled Safety auditor for OISD inspections of Oil Terminals in India. LIOC Trincomalee Oil Terminal & Lube Blending Plant, which he currently heads has been recently awarded the Best Enterprise Extra Ordinary Award from Chamber of Commerce, Eastern Province where he has implemented various ideas to improve productivity and reduce cost in tanker, bunker and operation chain logistics. He has also implemented innovative good HR Practices at location level.



### Siddharth Agarwal

SVP (Retail Sales & Human Resources)  
[w.e.f May 2016]

Qualification: B. Tech. in Chemical Engineering from HBTI, Kanpur & Gold Medallist in MBA with specialization in Marketing Management.

Mr Agarwal possesses a wide experience of over 22 years in IOC with exposure in LPG operations and Sales. He has headed Divisional sales offices at Shimla & Amritsar where he was overall responsible for retail business of Auto fuels. While serving in State of Uttar Pradesh, he took various new initiatives to expand branded fuel network, augmentation of visual identity of retail network, capacity building of dealers and retail outlet staff etc. of a vast network of more than 2500 retail outlets. He heads the Sales & Human Resource function of LIOC.



### Randhir Singh

Senior Vice President (Operations & Bunkering) [w.e.f May 2016]

Qualification: B.Tech in Mechanical Engineering from National Institute of Technology, Kurukshetra & Diploma in Multi-Modal Logistics from Institute of Rail

Transport, New Delhi.

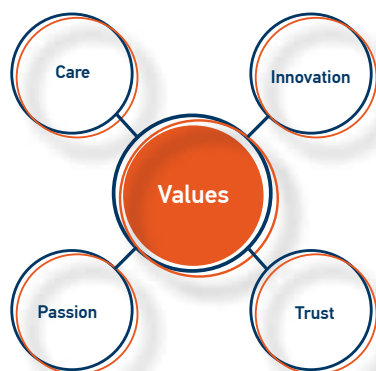
During his stint at IOC over the past 22 years, he has handled various aspects of Operations department at various IOC locations & Head Office such as storage, handling, distribution, Rail co-ordination for bulk movement, supply chain management of Petroleum products. Presently heading operations and bunkering function at LIOC, he is responsible for import of gasoil, gasoline for retail business and MGO & FO for bunkering at Colombo & Trincomalee ports and for trading & execution of bunkering supplies to foreign vessels calling at Colombo & Trincomalee ports.

### “Values” of Lanka IOC:

Lanka IOC follows the values of the parent company, the Indian Oil's “Vision with Values” encompasses the Corporations’ new aspirations to broaden its horizons, to expand across new vistas, and to infuse new-age dynamism among its employee.

More importantly, the Vision if infused with the core values, which embody the collective conscience of the company and its people, and have helped it to grow and achieve new heights of success year after year.

Company nurtures the core values of **Care, Innovation, Passion and Trust**, across the organization in order to deliver value to its stakeholders.



#### ♦ Care Stands For:

- Concern
- Empathy
- Understanding
- Co-operation
- Empowerment

#### ♦ Innovation Stands For:

- Creativity
- Ability to Learn
- Flexibility
- Change

#### ♦ Passion Stands For:

- Commitment
- Dedication
- Pride
- Inspiration
- Ownership
- Zeal & Zest

#### ♦ Trust Stands For:

- Delivered promises
- Reliability
- Dependability
- Integrity
- Truthfulness
- Transparency



### Faizan Ahmad

Senior Vice President (Engineering)  
[w.e.f May 2015]

Qualification: B. Tech (Hons)- Civil Engineering from IIT, Kharagpur

During his stint at IOC over the past 20 years, he has handled various assignments in engineering and operations. He has rich experience in retail engineering, accommodation and warehousing projects so as to strategize techniques for reducing project cost and time. His areas of speciality include selection of the most suitable contracting methodology as per the situational requirement and his expertise to handle multi-site projects across different cultures. As head of engineering at LIOC, Mr. Ahmad is responsible for ensuring provision of all infra-structure related requirements viz. retail outlets, bulk storage and handling facility for petroleum fuel, lube blending plant etc.



### Chiranjeevi Thallapally

VP (Operations), Trincomalee  
[w.e.f April 2016]

Qualification: Mechanical Engineer from Osmania University, Hyderabad.

He possesses 11 years of extensive experience in oil terminal operations including tanker & bunker operations, safety and maintenance of tanks, pipelines, & pumps. During his stint at terminals, he has supervised & commissioned Engineering projects. He possesses expertise in finalizing contracts including e-tenders. Further, he has implemented several innovative methods of training personnel in safety and SAP.



### Gourav Jain

Assistant Vice President (Finance)  
[w.e.f May 2016]

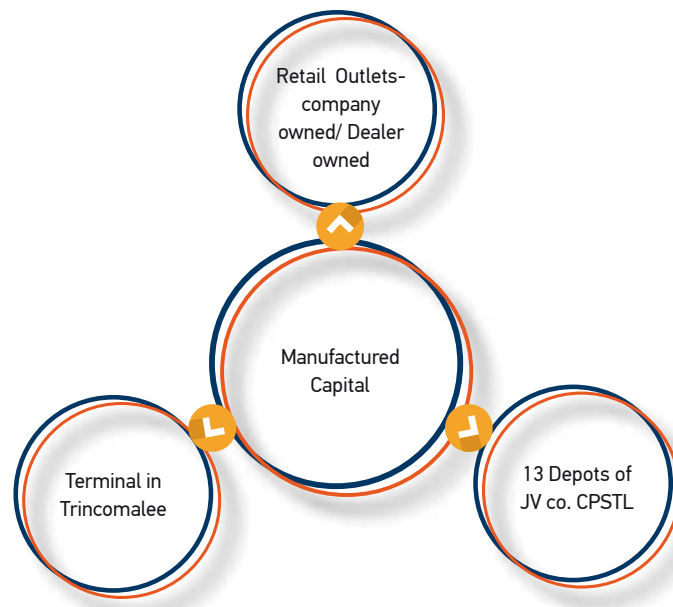
Qualification: Associate Member of the Institute of Cost Accountants of India (ICAI), Master's Degree in Commerce (M.Com) and Bachelor Degree in Law (LLB)

from the University of Rajasthan.

He presently oversees finance and accounting functions of the Company. He has had a wide exposure of over 13 years' experience in Gujarat and Rajasthan Marketing State Offices of IndianOil and other corporates overlooking the functions of finance, costing and taxation activities. Apart from finance activities, he is also responsible for IT activities of the company, including development of SAP-ERP.

## Manufactured Capital G4-13

### Categories of Lanka IOC's Manufactured Capital



Given the nature of the industry, our physical infrastructure spread across the length and breadth of the country is vital to our value creation process. This manufactured capital of ours has helped raise the bar for the industry in Sri Lanka whilst also increasing the value for the economy.

Whilst harnessing assets in the country to add value to the national economy since 2002, LIOC has continuously strived to further enhance the value of the manufactured capital to energize the economy and fuel the spirit of the people in this essential sector of fuel.

The manufactured Capital at LIOC can be categorized into three broad areas; namely, retail infrastructure, terminal operations where the receiving, storage, blending of Autofuels & lubricants and bunkering operations take place; and the storage & distribution points which are held through our JV company Ceylon Petroleum Storage Terminals Limited. A brief of Manufactured Capital is given below:

**1. Retail Outlets:** The Company operates 202 Company owned/ Dealer owned retail Outlets. All these outlets strictly adhere to company's rules, procedures & policies and serve the people of the country. The company has made major investments over the years in refurbishment of these retail outlets and the look & feel of these outlets have undergone a total change since operated under LIOC. The company has created various facilities at these outlets to serve the valued customers. During the year under review, company continued to make investments to refurbish the Retail Outlets. Many of these customer points are located in

rural areas and have proved to be catalysts for economic activity in these areas and therefore these outlets are a vital capital in our value creation process.

**2. Trincomalee Oil Terminal:** Facilities is one of company's key operational facility consisting of 100 Storage Tanks, Pipelines, Pumping units and other allied infrastructure. The company has made significant investments in the refurbishment of some of the Tanks and discussions are being held to give further momentum to developed the other Tanks as well, which are currently lying unused. Company has also made investments in the refurbishment of Oil Jetty at Trincomalee Terminal. The year under review also saw significant value addition to our manufactured capital at Trincomalee Terminal. The Terminal also have a state of the art laboratory capable of carrying out tests for all types of Oil and Lubricants.

LIOC also constructed a state-of-the-art Lube Blending Plant at Trincomalee with an investment of approx. USD 5.0 Million in 2007 with a capacity of 18,000 KLPA and Base Oil Storage facility to hold four months requirements. Blending plant consists of sufficient number of Blending Kettle and allied facilities for all kinds of lubricants.

LBP has the capacity to blend the entire range of 'Servo' brand of lubricants. LBP blends over 350 various grades in Automotive, Industrial and Marine applications. LBP also have small pack filling plant which can fill all kinds of lubricants in small pack varying from 250 ml to 210 ltr Bbl. Blending plant is equipment with a robust utility system for an efficient and effective blending process. LBP is SLS 9001:2015 accredited.



Lube Blending Plant at Trincomalee

During 2016-17, the company has upgraded additive handling facility by commissioning four bulk additive handling facilities with an investment over LKR 34 million. This has improved the Company's blending schedule and reduces down time by over 20%.

**3. Storage & Terminalling Infrastructure:** One of the major manufactured capital available to the Company is the infrastructure at our JV Company Ceylon Petroleum Storage Terminals Limited (CPSTL). CPSTL is jointly held by LIOC (1/3rd) and Ceylon Petroleum Corporation (2/3rd). CPSTL plays a valuable role in our value creation process and its efficiency directly affects our Company's operations. CPSTL have Oil



storage & distribution facilities across the island, including two Terminals at Colombo, i.e. Kolonnawa and Muthurajawela.

Three of the nine Directors of CPSTL are nominated by LIOC and these Directors contribute to the business and operations of CPSTL through their active participation at the Board meetings and other committees of the Board. Major developments of various facilities at CPSTL Terminals are underway presently, as approved by the Board in the recent times.

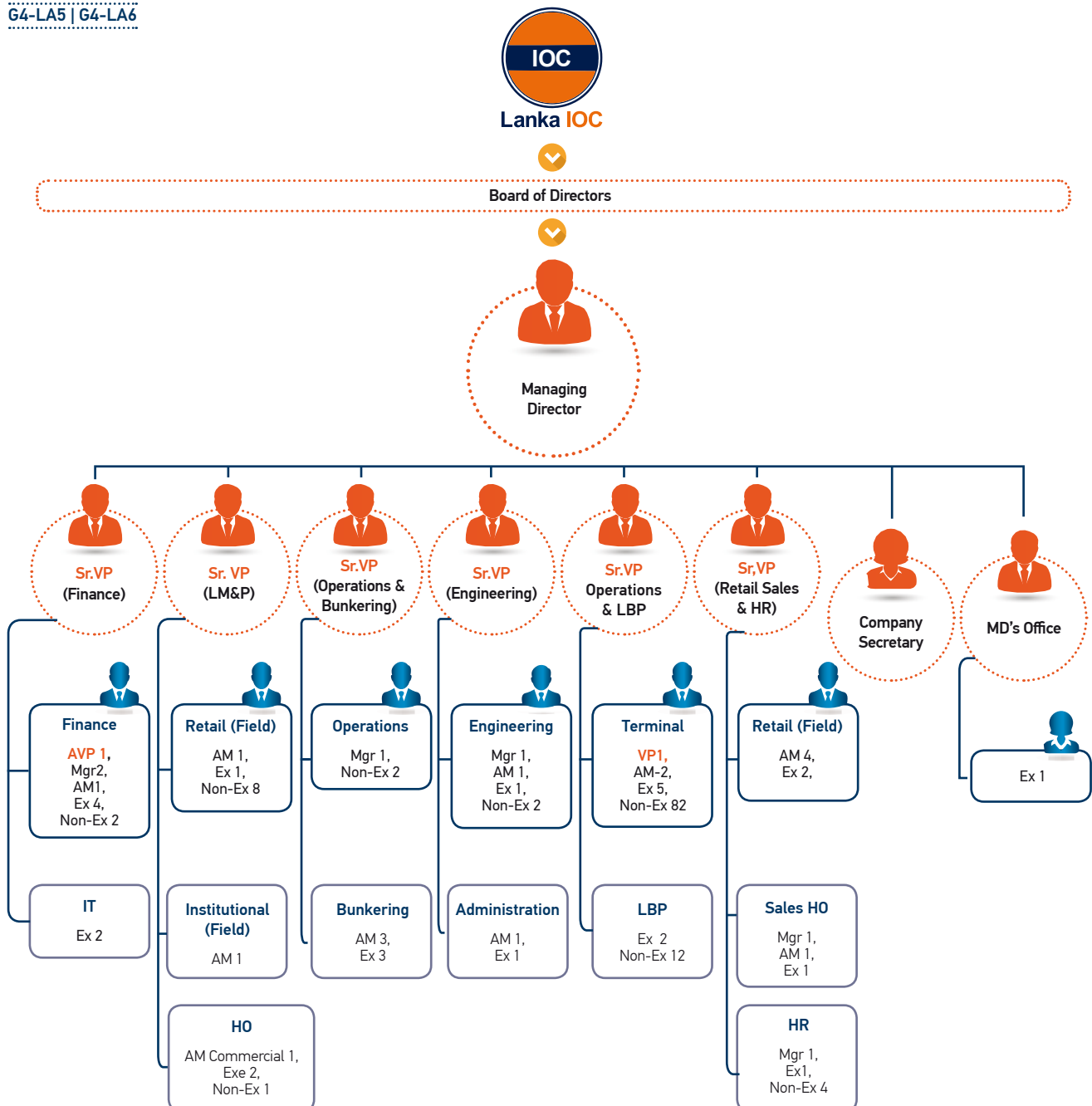
**4. The summary of manufactured capital is as under:**

Category	Gross Carrying Value (LKR Mn)		Net Carrying Value (LKR Mn)	
	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17
Building and Fixtures	1,886	1,946	925	914
Plant and Equipment	2,482	2,760	855	965
Office Equipment	36	36	8	11
Furniture and Fittings	69	101	41	53
Motor Vehicles	46	40	10	11
	4,519	4,883	1,839	1,954

## Human Capital

### Organisation Structure

G4-LA5 | G4-LA6



Sr. VP - Senior Vice President  
VP - Vice President  
AVP - Assistant Vice President  
Mgr - Manager

AM - Assistant Manager  
Ex - Executive  
Non-Ex - Non Executive

### Turnover per Employee LKR

# 474Mn

LIOC ranked No.1 in the prestigious magazine 'LMD 100' 2015/16 in terms of highest turnover per employee LKR 415 Mn.

### Profit per Employee LKR

# 17.92Mn

LIOC ranked No.2 in the prestigious magazine 'LMD 100' 2015/16 in terms of highest profit per employee LKR 13.02 Mn.

### Attrition

# 4.32%

## Employees 171

 **147**

 **24**



**09** Senior Management



**40** Managers & Executives



**98** Non Executives



Senior Management



**10** Managers & Executives



**14** Non Executives

Province		
Central	5	1
Eastern	92	9
Southern	2	1
Western	32	11
Others incl. Expatriates	16	2



## Human Capital

### Delivering and Deriving Value with our Human Capital:

The talent, passion and industry expertise of a team of 171 employees, spread across the island, have been the driver of Lanka IOC's performance, enabling in turn for the Company to fuel economic activity and the spirit of the Sri Lankan people. Lanka IOC's success in the dynamics of deriving value from and enhancing the value, of a vital capital, is also well founded on the Company culture, best practices, systems and processes of its parent company -IOC, a global giant and the largest enterprise in India in terms of revenue. IOC is ranked 161st among the world's largest corporates (and first among Indian enterprises) in the prestigious Fortune 'Global 500' listing for the year 2016. It is recognized as India's flagship national oil company, with a 33,000-strong work-force. However, we appreciate and understand the differences in country and culture between Sri Lanka and India and have not replicated the HR management approach and systems in their entirety but have adopted practices, processes and systems to suit and benefit Sri Lanka's working environment and culture.

At Lanka IOC, the Human Resources Department is guided by, Lanka IOC management Vision which considers the Company's employees to be their internal customers and believe that service excellence must begin at home. The efforts to enhance employee convenience, workplace environment, employee remuneration and ultimately employee satisfaction and productivity are ongoing. Amongst the steps taken during the year are:

Revised the leave policy with the request made by the employees to suit their needs. Which is an ongoing process. Bonus policy was revised to strengthen performance driven culture

16/17 cultural audit by "Great Place to Work" to get employee feedback for further improve the HR activities & policies.

*Revision of monetary allowances based on the requirement  
Key plans for the year ahead :*

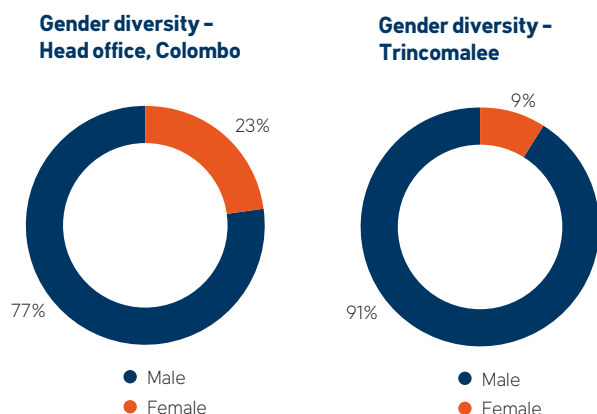
- ♦ Complete the career succession planning model to facilitate all employees to reach position of Assistant Vice President.
- ♦ Introduce Competency mapping and make a paradigm shift in Training & Development which is currently need based.
- ♦ Enhance the HRIS to facilitate more automative functions, such as the online application for leave next year.
- ♦ Build a more performance driven culture by linking pay for performance
- ♦ Exit interviews have been conducted and feedback received, has been taken into account when developing new policies and procedures. In instances where instant remedial action is needed this has been implemented immediately.



LIOC family during annual company picnic at Bentota.

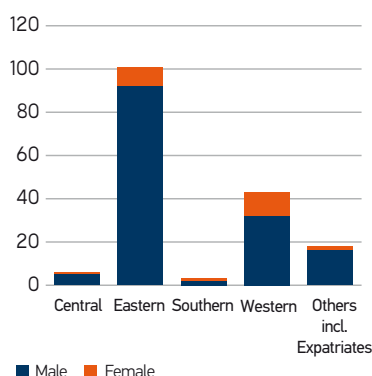
## Diversity and Inclusion:

The diversity of our people brings richness in perspective, skills and experience that we leverage as an advantage in serving an equally diverse client base. LIOC hence strives to ensure an inclusive environment which respects and nurtures different people. We provide equal opportunity in recruitment, career development, promotion, training and reward for all employees, regardless of gender, ethnicity, sexual orientation or physical ability. Presently, Lanka IOC's entire team consists male to female ratio of 77:23% at HO and the Company targets it to be 50:50% over the next few years.



Lanka IOC's diverse workforce is spread across the island and also in the terminal in Trincomalee, with only 30% working in Colombo. The workforce comprises 95% of local nationals whilst 5% are Indian nationals who have been employees of IOC. Table below provides an analysis of the geographic spread of our team which also reflects the value we add to the local economies and the importance of community engagement for LIOC.

**Province wise Gender (%)**



**Shalini Sureshkumar**

Executive (Supply & Distribution)

*"The secret to a happy work place is creating the environment that permits its employees to perform at their optimum level. I am happy to say that LIOC has a work culture, which promotes learning, recognition and development. As a Company associated with a Fortune 500 Company, I have gained vast knowledge and exposure and I am proud to be a part of the LIOC Team"*



**Surein Gomez**

Manager – Sales

*"I have been working in this Company for the past 10 years. Over the years, I have worked with professionals from diverse backgrounds who have been seconded from the Parent Company. Through this I had the opportunity to enhance my career. I have enjoyed working at a multi-cultural work environment. My superiors have also encouraged me to advance in my professional qualifications. I recently completed my Master's Degree while working at LIOC and this is one of the main reasons why I think this is a great company."*

## Human Capital

### G4-LA12

LIOC takes a zero tolerance approach to sexual harassment and discrimination on any grounds and this philosophy is made abundantly clear to new employees and reiterated at regular intervals to the rest of the staff. In fact, the organization champions the role of women in the workplace by organizing seminars for them on leadership and management on 'International Women's Day' every year. This year, Ms. Deshika Rodrigo - Head of Human Resources, Standard Chartered Bank, Sri Lanka conducted a seminar on "Be Bold for Change" for all female employees of LIOC. The company acknowledges their contribution to the company's success. LIOC is also an equal opportunity employer and ensures that no discriminatory practices are practiced by our employees and management in any way whether with internal or external stakeholders. In our years of operations, we have a zero discrimination and sexual harassment track record and we are sustaining this through continuous feedback and monitoring, along with engendering a culture of equality and a humane outlook

Gender by age	Male	Female
<b>Head office, Colombo</b>		
Under 30 Years old	8	2
30-50 years old	42	13
Over 50 years old	1	0
<b>Trincomalee</b>		
Under 30 Years old	1	0
30-50 years old	55	8
Over 50 years old	40	1

### Career Paths:

Lanka IOC, just as its parent Company, has a policy of promoting from within the Company; it grooms and creates career opportunities for its people. Recruitment mainly takes place at entry levels, giving current employees greater confidence in their careers and the opportunities for progression. The clear cut path for promotions consist of a 'Green' channel as well as a Regular channel with the Green channel being for identified high flyers whilst the regular channel is for all other employees. The transparency with regard to the career progression and promotions channels has meant that there never are any surprises to employees with regard to promotions.

### Performance Management:

Performance Management is vital in achieving the strategic objectives of the Company and ensuring employee motivation, enabling them to reach their potential and the Company to expand its potential. Lanka IOC evaluates individual performance based on the goals and targets that are agreed on between supervisor and employee. These goals and targets are cascaded down from the strategic business plan of the Company. The Key Performance Areas (KRA) are further segmented into Key Performance Indicators (KPI's). Attributes and aspects that



**Manjula Priyangani**  
Assistant – Engineering

*"LIOC over the years has introduced creativity and loyalty and has grown through the dedication and hard work of the people. The Company is a place for career development and great achievements with motivation. The employees of the Company are one big family with strong relationships that make the foundation for a future of success."*



**Amalka Ranasinghe**  
Executive HR

*"Lanka IOC has allowed me to grow and develop my career in a way that has provided me with endless opportunities. Relentless effort by the management to cultivate team work, with strong HR practices, openness in encouraging budding graduates to be a part of a stronger establishment."*

are evaluated at each appraisal include job knowledge, quality of work, output, dependability, organizational ability, analytical decision making skills, leadership, resource utilization and integrity. The progress on key result areas are monitored throughout the year, the Performance Reviews are conducted once an year with face to face discussions and interviews. Whilst the high performers are recognized and rewarded those who have not achieved their goals or are lagging behind in certain aspects are mentored to improve those areas and corrective action recommended. The targets may also be reassessed and Key Result areas revised if necessary.

Some of the steps taken during the year such as revision of the bonus payment guidelines aimed to encourage performance.

#### G4-LA11

Career development reviews received	Male	Female
	Percentage	
Senior management	100%	NA
Executives & Managers	100%	100%
Non Executives	100%	100%

## Remuneration & Benefits:

#### G4-LA13

According to the findings of a salary survey, Lanka IOC has become a benchmark and a Preferred Employer for its remuneration. We also follow a policy of transparency in pay structures, ensuring that there is no difference in the pay scales within the same grade category, regardless of gender.

Amongst the other benefits offered for LIOC employees are:

- ◆ Housing and vehicle loans at concessionary interest rates of 4-7% and financial support for educational purposes and insurance..
- ◆ As per the policy unlimited medical benefits to employees and their dependence.
- ◆ In order to promote work life balance of employees –each employee is entitled to a 3 day stay with family at any choice of hotel sponsored by the Company.
- ◆ Our Trincomalee plant also extends its employees benefits to their families, such as uniforms, to and from transportation facility while coming to the terminal. Furthermore, a bus is also provided for school going children of our employees.
- ◆ Recognizing the fact that Customer Service Attendants are the first point of contact with the ultimate customer, LIOC provides uniforms to Customer Service Attendants, which bear the LIOC signage.
- ◆ These are a natural extension of the Company's approach to employee relations, and they have also probably been a contributing factor to the excellent industrial relations we have been able to maintain over the years.



**Aliyar Basheer**

Assistant Manager Operations

*"My experience over the last decade at LIOC has enriched my career with the opportunity to work in several functional portfolios. This has certainly enlarged my horizons of knowledge and exposure in my professional life. Over the years I witnessed the transformation and impact LIOC made in Sri Lanka. Innovative changes and best practices make LIOC a benchmark in the energy sector. The Company's strong work ethic and futuristic thinking will make way for many ground breaking innovations to be introduced in the future. It is with much pride that I say am a part of this team which made this transformation possible."*



**Sheran Henarathgoda**

Manager – HR

*"LIOC promotes an open and free culture and this is a positive aspect that I greatly value. Company gives an opportunity to create a perfect work-life balance. The "open door" policy of the senior management and the environment, which encourages new ideas is a major impetus for all staff. As Manager HR I get the unique opportunity to work with employees from diverse cultures. This opportunity is definitely one of the most rewarding experiences in my professional life. I am proud to be associated with LIOC."*



## Human Capital

### G4-LA2

Employee benefits	Permanent cadre	Probationers
Life insurance	N	N
Health care	Y	Y
Disability and invalidity coverage	Y	Y
Maternity leave	Y	Y
Retirement provision	Y	Y
Stock ownership	N	N
Housing loans	Y	N
Distress loan	Y	N
Car Loan	Y	Y
Medical leave	Y	N

### G4-LA3

Maternity leave information	2016/17
Total number of employees entitled to maternity leave	24
Total number of employees that took maternity leave	2
Total number of employees who returned to work after maternity leave ended	1
Total number of employees who returned to work after maternity leave ended who were still employed 12 months after their return to work	1
The return to work rates of employees who took maternity leave	100%
The retention rate of employees who took maternity leave	100%

Note: 01 Employee still under maternity leave.

### Challenges :

One of the challenges that Lanka IOC is faced with, due to the nature of the industry, in the realm of enhancing its HR Capital and value addition is the lack of another entity to benchmark with, in Sri Lanka. The Petroleum industry requires certain specialised skills which is limited in Sri Lanka due to the lack of another player, with the state being the only other player. The Company thus offers overseas training to employees engaged in the technical realm with 20 employees given exposure in 2017. We also have streamlined our training and development.

We identified retention as a challenge in our last report but do not consider it as having been a challenge in 2016 .



**Nalin Wijesekara**  
Assistant Manager - Finance

*"I recall my first day at LIOC. I was provided with a familiarization of the Company and its processes and procedures. The support and guidance given to me by my seniors has truly encouraged and given me lot of confidence. The experience I got from LIOC, I believe nobody can get from anywhere. At the end of the day after working, we can leave from our office proudly as Fortune 500 Company family members".*



**Sajeewa Priyadarshani**  
Chemist

*"I wish to congratulate LIOC for completing a journey of 15 years. As employees, we are all on a journey with our Company. Our experiences on this journey strongly influences our attitude and our attitude in turn forms our behavior which ultimately drives outcomes.*

*In my 3 years employment LIOC has fulfilled my aspirations through experiences in specialized domains, overseas training and real life learning via interaction with industry leaders. I look forward to an exciting future that promises more opportunities for innovation, growth, and most importantly making differences in our lives."*

## Training & Development:

We invested more than Rs 3 million in developing our people in 2016 and also assisted employees for further studies.

Our T&D investment is also a key value addition to the Sri Lankan economy and it extends beyond our direct employees at Head office and terminal, to include indirect employees. The Company training of pump staff at its retail outlets have helped to enhance their employability whilst raising the bar for customer service.

In the process of elevating the role of retail outlet staff as Customer Service Attendants, training and development of this segment has been identified as a core area. During the year the Sales Staff were provided with a "Train the Trainer" program through which they disseminated their knowledge to the retail outlet staff by way of trainings conducted at the retail outlets itself. In addition retail outlets staff were further trained on several aspects such as grooming, customer service, handling of safety equipment etc. at specialized trainings conducted in batches. This created a sense of affinity and belonging towards the LIOC brand and further enhanced the employability of the retail outlet staff.



*Ms. Deshika Rodrigo, Head of Human Resources of Standard Chartered Bank, addressing the female staff of LIOC on the International Women's Day 2017*

With the objective of building the capacity of the dealers, several trainings programs were conducted to increase their managerial skills and business management. This was conducted in association with the University of Sri Jayawardenapura. This program enhanced their professional expertise and entrepreneurial skills.

Training during the year also included overseas training for 24 employees- from across categories of executive and non executives at IOC in India.



*Training of LIOC HO team*

The Company took steps to change its Training & Development to bring it to a whole new paradigm in the year ahead. The T&D will now be based on a skills mapping of each employee rather than a need based assignment model followed until now. The new model will also help in our drive towards a performance based and results oriented culture where the good performers will be identified and rewarded accordingly.

We provide training for both male and female employees at all levels; senior, managerial, executive and non-executive levels.



*LIOC sales team at Overseas training programme, IMCL, Mumbai*



## Human Capital

### G4-LA10

Programme Name	No of Participants	Duration (Hrs)	Total Training Hours
Procurement Management and Tender Process	1	15	15
National HR conference 2016	2	12	24
Seminar on Taxation of Foreign Exchange Remittances	2	3.5	7
Workshop on safety of life at sea- SOLAS regulation in Sri Lanka	5	2	10
India Dry Bulk Cargo Summit	1	8	8
Awareness workshop on Registration of Tax Agents Under RAMIS	2	3	6
Seminar on Cyber Security	1	2	2
Workshop on Customs and Clearing Procedure	1	6	6
Seminar on Classifications of Hotels	1	3	3
Important Discussion on the Proposed New Customs Law & the change in the Current Customs Ordinance	6	8	48
Voice of Honorees	4	8	32
Custom Procedures & policies	17	8	136
International Bunkering Conference and Exhibition	1	16	16
E-Filing of Corporate Income Tax Returns	3	8	24
6th Annual Conference on Bunkering and Marine Lubricants in India	1	8	8
Sales Training Programme - India	20	36	720
Export Procedures & Documentation	2	8	16
Adoption of IMO Conventions on Prevention of Marine Pollution	1	16	16
Seminar – How to collect your overdue debts	1	8	8
Workshop on Tender Processing	1	8	8
Seminar on EPF and ETF, Rules, Process, Payment System and Benefits	1	8	8
ISO 9001:2015 QC Management for Officers/Staff	14	9	126
Video training on Fire & Safety - LBP & TLF Gantry employees	25	3	75
Fire Fighting training for All Employees	100	12	1,200
Safe Transportation Of Hazardous Goods.	56	45	2,520
The Technique of Self Management	30	3	90
International Leadership Conference	3	5	15

## Health & Safety at Work:

### G4-LA5 | G4-LA6

Given the nature of our industry with a high degree of susceptibility to risks such as fires and oil spills, Health & Safety across the value chain is of critical importance for Lanka IOC. The Company, being a subsidiary of a global giant is keen to maintain international health and safety standards for all employees, customers and other stakeholders at all its locations which include retail outlets, the terminal at Trincomalee. The Company invests significantly in ensuring its safety equipment and systems are in peak operating condition whilst also training its people as well as all outsourced employees such as bowser drivers and assistants in health and safety aspects for themselves as well as all stakeholders. Safety training and assessments are held continuously.

Health and Safety at Work	2016/17
Injury rate (IR)	0
Occupational diseases rate (ODR)	0
Lost day rate (LDR)	0
Absentee rate	0
Work-related fatalities	0
Work-related injuries/fatalities for independent contractors	No
Whether there are workers who are have a high risk of specific diseases.	None
Whether formal agreements (either local or global) with trade unions cover health and safety. If yes, report the extent, as a percentage, to which various health and safety topics are covered by these agreements.	N/A



A Cricket event of LIOC's Sports Club

### Lanka IOC's Sports Club:

Lanka IOC's Sports Club was formed in 2010 to provide a platform for employees to engage in and pursue a sport they love, to energize themselves physically and mentally.

The Sports Club's cricket team is registered at Mercantile Cricket Association and has been a participant of the Mercantile Cricket Tournament for the past 3 years.

The Club members also enjoy Table Tennis and carom for which the facilities are provided at Head office whilst ensuring a calendar of social events and sporting activities to build camaraderie, such as the Avurudu celebration for the April New year amongst others.

### Managing Labour Relations:

Uninterrupted and affordable supplies of petrol and diesel are vital for daily operations of the entire country. Therefore, as a supplier of an essential product, directly linked with the energy security of the nation, the management of industrial relations is vital not only for the company but for the entire country. In addition to this there is no instances or grievances of human risk violations have been reported. Our Company is proud to note that there has been no industrial unrest, work stoppages or work to rules and has evidences smooth and cordial operation over the years.

In the corporate context, maintaining amicable industrial relations with employees and unions of Lanka IOC is essential for uninterrupted operations, productivity, business continuity and for sustainable bottom line growth. The impact of industrial relations also extends beyond the organisation to external stakeholders such as customers, through quality and timeliness of service delivery. Therefore, management of labour relations is considered a high priority at Lanka IOC.

#### G4-LA4

As a general rule the company provides one month's notice with regard to any policy or operational changes. We infact such changes with union representatives before finalisation. The company has no restrictions on employees rights & freedom of Association & collective Bargaining.

#### G4-11

Currently about 60% of the total workforce, comprising of employees of the Lanka IOC terminal in Trincomalee, is unionised through membership in three unions. An Employee Council has been established to facilitate direct and regular communications between union representatives and management, to ensure harmonious cooperation.

Lanka IOC adopts a two pronged approach towards managing employee relations. The primary approach is the encouragement of a culture of openness and cooperation. In addition, a formal mechanism has been established to engage with the three existing trade unions of the Lanka IOC facility in Trincomalee.

### Formal Employee Council:

A culture of cooperation and interaction is encouraged at all levels among all employees to promote mutual understanding and satisfaction. The Company uses both formal and informal mechanisms to do so. Informal employee events are organised annually to promote employee camaraderie and team spirit. The Company Facebook page also serves as a staff news letter and all employees are encouraged to be active participants and share their thoughts, ideas and suggestions.

During the year, the Company organised a cricket match and an annual family picnic for all the employees & their families at the Bentota Beach Resort. The event was thoroughly enjoyed by the employees and all took active participation in the programmes. Festivals and other events such as New Year celebrations, Company day etc are always celebrated jointly like a family. These employee events contribute towards team building and cooperation amongst all levels of employees.

#### G4-HR5 | G4-HR6 | G4-LA14

### Commitments to the Highest Standards in Labour & Human Rights:

None of our operations or suppliers engage in forced labour or employs anyone under the edge of 18 years. We also strive to ensure that our suppliers are committed to fair & decent labour practices.

# Glimpse 2016/17



Board members with LIOC team during 14th Annual General Meeting



Board members with Senior Management team during 14th Annual General Meeting



A Servo Distributor Meet at Colombo



Signing of Servo Lubricants Blending & Marketing agreement with Government of Sri Lanka



MD, LIOC inaugurating the newly refurbished retail outlet at Matara



Celebrating International Women's day 2017



# Fueling the SRI LANKAN SPIRIT



LIOC Senior Management team during annual company picnic



LIOC received 'Certificate of Compliance' from the Institute of Chartered Accountants of Sri Lanka for 52nd Annual Report Awards.



LIOC family during annual company picnic at Bentota.



LIOC family during annual company picnic at Bentota.



Trincomalee Terminal & LBP Unit gets the 'Best Enterprise Extra Ordinary Award' by Chamber of Commerce, Eastern Province



LIOC Campaign for port cleaning on the World Ocean Day

# Sustainability Supplement

## Economic Sustainably

Economic sustainability plays a critical role in ensuring that LIOC is in position to create value to our stakeholders in the longer term. Accordingly, efforts are made to ensure that the business operations of the Company are aligned towards creating economic benefit to the country while ensuring long term financial viability of LIOC.

Being a part of the Indian Oil Corporation Limited (IOC), LIOC aims to enhance the country's petroleum industry and bring to the people of Sri Lanka unparalleled service and innovative and eco-friendly products to cater to their needs.

### Direct Economic Value Generated and Distributed:

G4-EC1

LIOC creates direct economic value to its stakeholders in the course of carrying out its business operations. The overall direct value created to stakeholders can be found in the section – Creating Value for Our Stakeholders on page 39 of this Annual Report.

### Defined Benefit Plan Obligations:

G4-EC3

The details of the Company's defined benefit plan obligations can be found in the Financial Statement section on page 140 and 141 of this Annual Report.

### Market Presence:

G4-EC5 | G4-EC6

For LIOC's ex-CPC employees, based in the Trincomalee Terminal, now a part of the LIOC workforce, the Company follows the CPC Salary and benefits structure as per the MoU at the time of takeover. The CPC reviews salary structures every three years, and finalises same after negotiations with their unions. This finalised salary structure is also followed by LIOC. However, over and above these terms set by the CPC, LIOC provides many other benefits to ex-CPC employees which are aligned to the Company's compensation and benefits policy, which invariably puts the ex-CPC employees of LIOC in a better position than their CPC counterparts.

For employees directly employed by LIOC, salaries are revised based on benchmark industry standards and wage rates in the country. Accordingly, salary structures are reviewed periodically to ensure LIOC remains a competitive employer of choice among the top corporates of Sri Lanka.

As Indian Oil Corporation Ltd is the majority shareholder, as per their terms and conditions agreed with the Board of Investment (BOI) of Sri Lanka, senior level management are ex-pats seconded from the parent company.

### Indirect Economic Impacts:

G4-EC7 | G4-EC8

LIOC started operations in Sri Lanka 15 years ago on invitation by the Government of Sri Lanka as a means of expanding and enhancing the petroleum sector of the nation.

## SUCCESS STORIES

The opening of the LIOC retail outlet in February 2014 in the town of Muthur which lies about 25 km South of Trincomalee, has assisted in LIOC contributing towards the upliftment of the community in this town. Prior to LIOC's retail outlet, residents of the town had to travel to Trincomalee for their fuel requirement due to the existing petrol shed in Muthur being an unreliable source of fuels due to the damage incurred during the civil war.

Over the last three years, not only have residents been provided by a convenient service, but the availability of a fueling station has increased commuter traffic leading to the economic growth of Muthur.

On 26th November 2015, LIOC commenced operations of a retail outlet in a small town in the Kalutara district. A small step by LIOC in starting the first retail outlet of the town put this small town on the path of development. Slowly this small sleepy town connecting the highway to important nearby tourist places like Bentota, started buzzing with business activity. Easy availability of auto fuels brought many businesses to the town and today this small town has transformed into a modern town. This has generated lot of employment opportunities to the local population and a sense of pride and achievement to Mr. AJM Farry, proprietor of this retail outlet.

Lanka IOC is very proud of being part of such developmental initiatives.





The Company has worked tirelessly to contribute to the enhancement of the Petroleum sector of the economy by modernising and upgrading retail outlets and setting up retail outlets in far-flung towns of the nation that in turn has led to the development of the surrounding areas while helping the economies of these towns to prosper and by introducing new petroleum based products to consumers that are more environmental friendly.

The Company also focuses on giving our customers an enhanced experience during their visit to LIOC's retail outlets by offering them better quality lubricants at competitive rates. In addition, the Company's focus on increasing bunker volume sales will ultimately result in increased foreign exchange inflows to the country.

In the year under review, the Company modernised five Company owned and dealer operated retail outlets, and re-furbished six retail outlets owned and operated by our dealers. We have also conducted training programmes to enhance the knowledge and know-how of the Company's employees and dealer staff regarding the petroleum industry. During the year under review, LIOC sent 24 local staff members on a special training program to India to understand and develop knowledge and skills in the petroleum industry.

An important impact of LIOC's sustainable business operations is the indirect employment generated in the country through new opportunities that arise from the Company's business operations in the country. Examples include; the increased demand for local expertise and labour due to local construction opportunities and the employment created through the continuous additions of retail outlets in the country.

### Procurement Practices:

**G4-EC9**

As the availability of petroleum products is not sufficient in Sri Lanka, LIOC imports all its petroleum products including base oil from international suppliers. However, Servo Lubricants are blended in Sri Lanka, enabling the Company to supply competitively priced products in the local market. In addition, purchases related to some packaging materials such as containers and caps, corrugated cartons, and adhesive labels are done locally in Sri Lanka.

LIOC undertakes the procurement of petroleum products through a tender process which is floated to internationally registered suppliers. All suppliers must be registered by LIOC before being eligible to bid for a tender. For a supplier to be registered by the Company, they must provide comprehensive credentials which go through a vigorous verification process before entering the supplier to the 'registered supplier list' maintained by LIOC. This list is renewed from time-to-time with consideration given to suppliers' past performance and current standing in the industry.

The petroleum product replenishment is decided by the Stock Review Committee consisting of representatives from LIOC, CPC and CPSTL, and headed by the Ministry of Petroleum. Purchases are normally done based on Delivery at Port (DAP) in line with the nomenclature of INCOTERM 2010 to minimise the risk and cost to the Company. The petroleum product is checked at both the loading and unloading port to ascertain quantity and to ensure quality standards are aligned with LIOC's standard requirements.

For procurements related to construction activities, local suppliers and contractors are selected by adopting a transparent tendering procedure. However, some specialised products due to non-availability in local market like pumps and dispensing units are imported.

As per Company policy, all suppliers are treated as equal with no special treatment or concession given to any entity world over, including the parent company IOC. The supplier who provides LIOC with the most competitive quotation based on the tender terms and conditions, is awarded the contract without bias. The Company is also very prompt in making payments to suppliers as per agreed terms. No agents are involved in the entire tender process and agreements are concluded on a Principle to Principle basis.

Being a part of IOC, which is a Global Fortune 500 Company, best practice, knowledge, and expertise with regards procurement practices is cascaded to the Company from IOC and implemented at LIOC.

### Commitment to External Initiatives:

**G4-16**

The Company supports external business initiatives as a means of contributing to the expansion and growth of the industry and towards long term economic development of Sri Lanka. Accordingly, LIOC holds membership in the following associations.

- The Ceylon Chamber of Commerce
- The Sri Lanka Greater Mekong Sub Region Business Council
- The Indo - Lanka Chamber of Commerce & Industry
- International Chamber of Commerce of Sri Lanka
- Sri Lanka India Society

Our Managing Director meanwhile, is a member of the Sri Lanka Institute of Directors and the Indian CEO Forum which enables him to meet and exchange ideas with other directors and leading industry leaders to benefit both the Company and the Nation.

## Sustainability Supplement

### Product Responsibility

Given the nature of LIOC's business operations, the Company takes product responsibility aspect very seriously. Accordingly, we have in place procedures and systems to ensure our products are clearly labelled on usage and safe handling and all staff are trained on these aspects as well. We also ensure that our customers health and safety is at the forefront of our operations and act accordingly to safeguard them.

### Customer Health and Safety:

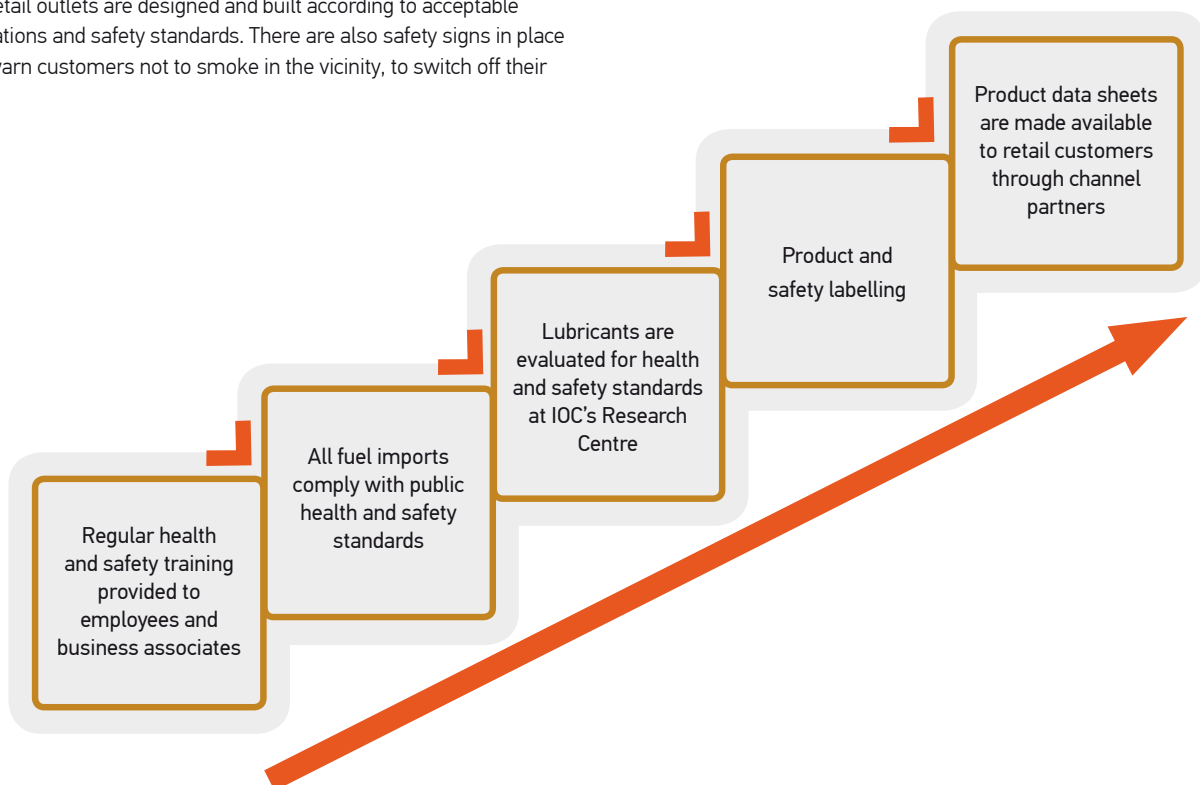
G4-PR1 | G4-PR2

Our customers are mainly exposed to our products in retail outlets and to ensure that their safety is always a priority, LIOC regularly undertakes safety checks of the pumping machines and ensures that retail outlets are designed and built according to acceptable regulations and safety standards. There are also safety signs in place that warn customers not to smoke in the vicinity, to switch off their

engines, and not use mobile phones when pumping fuel. Further, the retail outlets also

- Have in place Safety Earthing Systems to safeguard against any fire hazards caused by excess heat;
- Provide prominently located fire extinguishers for use in case of a fire emergency;
- Ensure that the underground fuel tanks are free from naturally absorbed water that could cause harm to our products/ customers' vehicles.

The following procedures ensure that the Company complies with all internal and regulatory health and safety standards:



LIOC's Auto Fuel, Lubricants, Petrochemicals and Bitumen product categories are assessed for health and safety impacts and improvements on a regular basis. The results of these assessments contribute to enhanced benefits by using these innovative products. Over the years, the Company has developed product innovations that allow for energy efficiency, better vehicle performance, and high temperature engine protection.



## Automotive Fuels

PRODUCT	DESCRIPTION	APPLICATIONS
<b>LANKA PETROL 92</b>  	Basic Commodity product in petrol variant	Auto Fuel used in Petrol Engines
<b>XTRAPREMIUM EURO 3</b>  	High Octane Petrol with Friction Busters	XtraPremium conforms to international Euro 3 standards, recommended by vehicle manufacturers. It will help to get the most out of petrol engine.
<b>XTRAPREMIUM 95</b>  	95 Octane Petrol with Super Cleansers	High End Petrol Engine. Best quality petrol available in the country.
<b>LANKA AUTO DIESEL</b>  	Basic commodity product in Diesel variant	Auto Fuel used in Diesel engines
<b>XTRAMILE DIESEL</b>  	Basic commodity product in Diesel variant with additives, XtraMile Diesel conforms to the toughest international standards, and is the highest quality diesel available in Sri Lanka, with unbeatable fuel efficiency.	A superior fuel for diesel automobiles both in 'lifestyle' & 'passenger' category.
<b>LANKA SUPER DIESEL</b>  	High end cleanest diesel fuel with sulphur content of 10 PPM or less.	High End Diesel engine. Most suited for modern day diesel vehicles.

## Sustainability Supplement




### Lubricants

MAJOR LUBRICANTS	DESCRIPTION	VEHICLE CATEGORY
 <p><b>SERVO MARUTI GENUINE OIL 5W 30</b></p>	<p>Maruti Genuine Oil is high performance engine oil for new generation petrol vehicles. These oils are blended from high viscosity index base stocks and contain additives to meet the stated performance standards. This oil has guarantees superior performance and excellent sludge control.</p>	<p>Entire Maruti range of petrol vehicles. It is also suitable for other Indian cars.</p>
 <p><b>SERVO FUTURA 0W 20</b></p>	<p>Servo Futura Synth 0W-20 is a resource conserving high performance synthetic engine oil developed for modern high performance petrol powered vehicles including hybrid models. Possesses enhanced frictional properties for fuel economy.</p>	<p>Entire range of hybrid vehicles.</p>
 <p><b>SERVO FUTURA P PLUS 15W 40</b></p>	<p>Servo Pride ALT Plus 15W-40 is premium commercial diesel engine oil. The oil is designed for the most severe performance requirements of new generation diesel engines for on and off highway operations. It assures outstanding protection against high temperature engine deposits, oil degradation, oil thickening and corrosion resistance. The oil is having excellent shear stability to maintain viscosity under severe, high temperature operations. It exhibits outstanding control on soot induced thickening and soot induced wear.</p>	<p>Servo Futura P plus 15W40 is recommended for new generation gasoline cars and SUVs meeting the latest emission standards</p>
 <p><b>SERVO PRIDE TM PLUS 15W 40</b></p>	<p>Servo Pride TM Plus 15W-40 is API certified, premium commercial multipurpose diesel engine oil. The oil is designed for the most severe performance requirements of new generation diesel engines for on and off highway operations. It assures outstanding protection against high temperature engine deposits, oil degradation, oil thickening and corrosion resistance.</p>	<p>Recommended for BS III engines for 40,000 km/500 Hrs. It is particularly suited for engines with Exhaust Gas Recirculation (EGR).</p>
 <p><b>SERVO 2T XL</b></p>	<p>Servo 2T XL is high performance two stroke Marine outboard engine oil formulated with specially developed ashless additive system. It is pre-diluted with a high flash point solvent to ensure proper mixing with gasoline at the operating temperature of the engine. This oil is formulated for meeting the requirements of National Marine Manufacturers Association (NMMA) TC W3 certified engines.</p>	<p>Recommended for use in watercooled two stroke marine outboard engines operated in petrol systems.</p>



## Lubricants



MAJOR LUBRICANTS	DESCRIPTION	VEHICLE CATEGORY
	<b>SERVO TRANSDEX III</b> Servo Transdex III is a high performance Automatic Transmission Fluid (ATF). This oil is blended from selected base stocks and additive system to meet the stringent performance requirement. The fluid is compatible with seal materials used in transmission systems.	Automatic transmission and power steering units of automobiles like car and light trucks fitted with GM or Ford automatic transmissions.
	<b>SERVO PRIDE ALT PLUS 15W 40</b> Servo Pride ALT Plus 15W-40 is premium commercial diesel engine oil. The oil is designed for the most severe performance requirements of new generation diesel engines for on and off highway operations. It assures outstanding protection against high temperature engine deposits, oil degradation, oil thickening and corrosion resistance.	For new generation commercial diesel vehicles of Ashok Leyland complying to Bharat Stage III Emission Norms. It is especially compounded for use with diesel fuel ranging in sulphur content upto 0.5% by wt.
	<b>SERVO 4T ZOOM 20W 50</b> Servo 4T Zoom is high performance engine oil for 4 stroke 2/3 wheelers. This oil is a high viscosity index, 4 stroke engine oil.	Servo 4T Zoom is recommended for new generation 4 stroke motorcycles, scooters and auto rickshaws.
	<b>SERVO GEAR SUPER 80W-90</b> Servo Gear Super 80W-90 is automotive extreme pressure multi-gear oil blended from specially selected high viscosity index base stocks and contain additives which impart extreme pressure, anti-rust, anti-corrosion and anti oxidation characteristics. This is multi-purpose type gear lubricants is specifically formulated to meet the rigorous service demand of commercial fleet mechanical transmissions, axles and gear boxes.	This is special multigrade heavy duty hypoid gear oil. It is ideal for vehicles operating in areas where ambient temperature vary widely.



## Sustainability Supplement



### Bitumen

PRODUCT	DESCRIPTION	PERFORMANCE STANDARDS	APPLICATIONS
	<p>Bitumen penetration grade 60/70 is the most common grade of bitumen. Penetration grade bitumen 60/70 has penetration between 60~70 desi-millimeter and softening point between 48 ~ 52 c. The penetration grade bitumen 60/70 has a thermoplastic property, which is like as synthetic resin material which gets softer with heating and hardens when cooled. This grade of bitumen 60/70 has very strong viscosity compare to other grades.</p>	<p>The quality of Bitumen 60/70 to meet with ASTM/EN 12591.</p>	<p>It is used in world wide Bitumen market as an adhesive, sealant, waterproofing agent, damp proof, construction and maintenance of road, airfields along with many other applications.</p>
	<p>Bitumen Penetration Grade 80/100 is a standard penetration grade Bitumen. The penetration grade bitumen have a thermoplastic property, which causes the material to soften at high temperatures and to harden at lower temperatures. This unique temperature/ viscosity relationship is important when determining the performance parameters such as the adhesion, rheology, durability and application temperatures of bitumen.</p>	<p>AASTHO M20-70 &amp; ASTM D946/946M NORMS</p>	<p>80/100 bitumen used as a Paving Grade Bitumen suitable for road construction and for the production of asphalt pavements with superior properties. This grade of Bitumen is mainly used in the manufacture of hot mix asphalt for bases and wearing courses.</p>



### Bunkering

PRODUCT	DESCRIPTION	PERFORMANCE STANDARDS	APPLICATIONS
<b>MGO</b>	Marine Gas Oil	MGO is used in boilers & generators, specially while discharging/delivery of on board cargo using pumps and other auxiliary units. Product meets ISO 8217: 2005 Specs for DMA Marine Distillate Fuels	Marine vessel , Barge, Tug & Fishing Boats operating in coastal and international water use MGO.
<b>IFO 380 CST</b>	Marine Fuel Oil	IFO 380cst is mainly used for running ship engine for streaming purpose. Most of the new ships are using IFO 380 cst with standard specs. The product viscosity is maximum 380cst and water 0.5%, sulphur 4.5% flash point minimum 60 degree cel. Product meets ISO 8217:2005 Specs for RMG 380.	Most of marine vessels operating in international water uses IFO 380cst for streaming purpose. The product is kept in heated condition to ensure maximum efficiency. Demand of this product is very high. The specifications have been revised to meet new MARPOL guidelines to reduce impact on environment.
<b>IFO 180 CST</b>	Marine Fuel Oil	Fuel with maximum Viscosity 180cst, sulphur 4.5%, water 0.5% and flash point minimum 60 Degree Cel is mainly used for running ship engine for streaming purpose, while on long haul /Voyage. Most of the old ships are using IFO 180cst and new ships have already switched to IFO 380cst/LNG because of which demand of IFO 180cst is limited. Product meets ISO 8217:2005 Specs for RME 180.	Marine vessels operating in coastal and international water for cargo movements use 180cst. Demand of this product is declining now, as limited vessels are using this product.

As part of our stated safety measures, the Company and our dealers obtain environmental certificates issued by the CEA and trade licences from government authorities, and undergo regular assessment to ensure the retail outlets are operated at optimal safety levels.




In the year under review, the Company faced no incidents of non-compliance with regulations and voluntary codes concerning customer health and safety impacts of products and services.

### Product and Service Labelling:

**G4-PR3 | G4-PR4**

Product labelling is vital to safeguard the health and safety of employees, customers and the general public. Accordingly, for Lubricant products sold by the Company, products are labelled with appropriate warnings and proper usage information. More information in the form of materials used to make the products, as well as Material Safety Data and OEMs' health and safety information is also included.

For Bitumen, health and safety specifications are provided in booklet form when the product is sold. Auto fuel tankers are also fitted with warning signs, while fuel pumps also have instructions on the safe dispensation of fuel.

<b>Automotive Fuels</b>		<ul style="list-style-type: none"> <li>• Signage at petrol pumps</li> <li>• Hazard warnings</li> <li>• Health and safety labelling</li> </ul>
<b>Lubricants</b>		<ul style="list-style-type: none"> <li>• Material Safety Data set including the correct usage, health and safety information</li> <li>• Manufacturers information</li> </ul>
<b>Bitumen</b>		<ul style="list-style-type: none"> <li>• Health and safety specifications are provided in booklet form</li> </ul>



Safety signs at LIOC retail outlets

A comprehensive Health, Safety and Environment (HSE) Policy is in place to govern the Company's environmental management framework and rigorous processes are in place to monitor, report and review performance. During the year under review, the Company had no incidents of non-compliance with environmental regulations concerning product and service information; and labelling for its products.

### Marketing and Communications:

**G4-PR6 | G4-PR7**

The Company does not sell any banned and disputed products. To the best of the Company's knowledge Sri Lanka has no regulations in place for the marketing & communications of the Company's products. LIOC has faced no non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorships.

### Customer Privacy:

**G4-PR8**

LIOC has had no complaints with regards breach of customer privacy in the year under review.

### Compliance

**G4-PR9**

The Company has also not been subject to the payment of any monetary fines for non-compliance with laws and regulations concerning the provision and use of products and services.



Safety signs at LIOC retail outlets

"I have been working in a retail outlet since the late 1970's. I have seen remarkable changes after LIOC entered the Sri Lankan market. Today, the retail outlets are modernized with new automated machines. We have been given LIOC uniforms and better facilities. Our job role has been elevated and we receive several trainings on customer care, managing traffic flow at a retail outlet and use of fire extinguishers to continuously update our knowledge and skills. It is with much pride that I say I am a Lanka IOC customer service attendant"

*Anthony M Basil*

Customer Attendant, Felix Perera & Sons, Colombo 7

*Fueling the*  
**SRI LANKAN**  
**SPIRIT**





# Corporate Governance

Lanka IOC PLC (referred to as “Company” or “LIOC”) considers the application of effective corporate governance practices as the support that ensures the platform on which the Company can balance shareholder interests with the interest of other stakeholders including the natural environment. LIOC believes that good corporate governance practices strengthen and enhance the transparency of the value creation process, while sustaining the trust of all our stakeholders. Thus, the Company places special emphasis on being transparent, accountable and ethical in the pursuit of our corporate

objectives, leading to a solid governance foundation on which to build the future sustainable growth of the Company.

The Board of Directors hold ultimate responsibility for the implementation of a robust corporate governance regime for the Company. Accordingly, the Board allocates time on deliberating matters pertaining to different subjects based on the importance, meeting Company objectives and ultimately creating value to stakeholders.



**This Corporate Governance Report follows the structure of the Code of Best Practice in Corporate Governance to communicate in a comprehensive yet concise manner, the governance structures and processes of, and compliance by the Company.**



## Governance Framework G4-15

LIOC's corporate governance framework is based on good governance practices that consider the Company's Policies & Codes, the Board Structure & Responsibilities and internal & external regulations and standards applicable to the Company.



## Corporate Governance



### An Effective Board (Principle A.1)

The Board of Lanka IOC PLC consists of 06 Directors with 05 Non-Executive Directors and one is an Executive Director. The Parent Company (IOC) nominates four Directors to the Board - the Chairman, two other Directors as ex-officio Non-Executive Directors and the Managing Director as an ex-officio Executive Director.

The said nominated Directors with their vast knowledge and experience in the petroleum industry and in the business arena in general, steers the operations of the Company successfully. The two Independent Non-Executive Directors appointed are Sri Lankan

professionals having both public and private sector experience bringing objectivity and independent oversight. Their independent perspective helps the Company adapt to the Sri Lankan business environment.

At the Annual General Meeting 1/3rd of the Directors who have served for the longest period other than the Executive Director, retire by rotation and offer themselves for re-election.

The Board is assisted in the discharge of its duties by the Company Secretary, Ms. Mihiri S Senaratne, whose profile is given on page 33.

### Composition of Board of Directors on the Board and Board Sub-Committees

Name of Director	Independent/ Non-Independent Executive/ Non-Executive	Board Member	Audit Committee member	Remuneration Committee Member	Related Party Transactions Review Committee Member
		<i>Member Since</i>	<i>Member Since</i>	<i>Member Since</i>	<i>Member Since</i>
Mr. B S Canth	Non- Executive Director	Chairman	02.11.2015	n/a	n/a
Mr. Shyam Bohra	Executive Director	Managing Director	29.09.2015	n/a	n/a
Mr. Lakshman R Watawala	Independent Non- Executive Director	Director	27.07.2007	Chairman	14.05.2008
Mr. Amitha Gooneratne	Independent Non- Executive Director	Director	10.05.2012	Member	07.08.2012
Mr. D K Sharma	Non- Executive Director	Director	01.04.2015	n/a	n/a
Mr. N V N Ramsai	Non- Executive Director	Director	02.01.2017	Member	14.02.2017
Mr. P M Mohan (Resigned w.e.f 31.12.2016)	Non- Executive Director	Past Director	10.06.2014- 31.12.2016	Member	08.08.2014- 31.12.2016

A Directors Interests Register is maintained by the Company Secretary in which a yearly declaration by the Directors are obtained.

To assist the Board in the discharge of their duties, the Board has appointed three (03) Board Sub-Committees. The responsibilities allocated to each of these Sub-Committees are shown below.

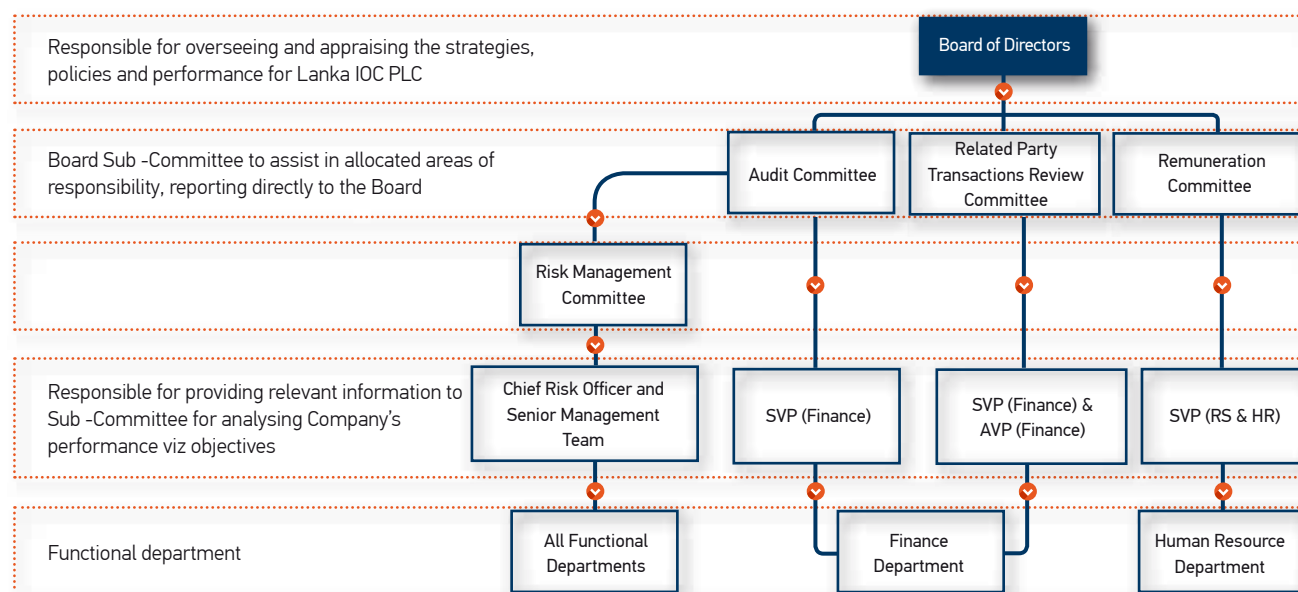
Board Sub-Committee	Areas of Oversight	Executive Support
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>Financial Reporting</li> <li>Internal Controls</li> <li>Internal Audit</li> <li>External Audit</li> </ul> <p>Refer the Report of the Audit Committee on pages 121 &amp; 122 for more information.</p>	<ul style="list-style-type: none"> <li>Four meetings are scheduled for the year</li> <li>The Managing Director and the Senior Vice President [Finance] are invited to the meetings as observers together with other relevant key management personnel</li> <li>The committee is supported by the Internal Auditors</li> <li>Company Secretary functions as the Secretary</li> </ul>
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>The Committee lays down guidelines and parameters for the compensation structures of directly recruited Executive &amp; Staff of the Company.</li> </ul> <p>Refer the Report of the Remuneration Committee on page 120 for more information.</p>	<ul style="list-style-type: none"> <li>One scheduled meeting for the year</li> <li>Executive support is provided by the Human Resources Department whenever required</li> <li>Company Secretary functions as the Secretary</li> </ul>
<b>Related Party Transactions Review Committee</b>	<ul style="list-style-type: none"> <li>Related Party Transactions Policy and processes</li> <li>Market disclosures on related party transactions</li> <li>Quarterly and annual disclosures of related party transactions</li> </ul> <p>Refer the Report of the Related Party Transactions Review Committee on page 123 for more information.</p>	<ul style="list-style-type: none"> <li>Four scheduled meeting for the year</li> <li>Other meetings scheduled as and when required</li> <li>Senior Vice President [Finance] and Assistant Vice President [Finance] attend the Committee meetings on invitation</li> <li>Company Secretary functions as the Secretary</li> </ul>

In addition, to assist the Board in matters related to risk management of the Company, the Board has entrusted the Audit Committee with the responsibility of overseeing the Risk Management Committee and policy.

Management Committee	Areas of Oversight	Executive Support
<b>Risk Management Committee</b>	Audit Committee of the Board approved Risk Management Policy Framework to ensure that the Company's risk indicators are monitored within predefined parameters	The Senior Management team , Chief Risk Officer reporting to Managing Director. Company Secretary functions as the Secretary.

## Corporate Governance

### Structure of the Board Sub-Committees of Lanka IOC PLC



### Regular Meetings (Principle A.1.1)

The Board of Directors meet periodically to discuss matters related to Company's strategies and business operations. For the year ended 31st March 2017, a total of six (06) Board Meetings were held. In addition, a special meeting of the Board was held devoted to strategy.

The Board has also appointed Board Sub-Committees to assist in the discharge of their duties. These Sub-Committees also meet quarterly to discuss matters pertaining to each Committee as per their delegated responsibilities and Terms of Reference by the Board.

Board of Directors' attendance at Board and Sub-Committee meetings is summarised below.

Name of Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Related Party Transactions Review Committee Meeting
Mr. B S Canth	4(6)	n/a	n/a	n/a
Mr. Shyam Bohra	6(6)	n/a	n/a	4(4)
Prof. Lakshman R Watawala	6(6)	3(4)	1(1)	4(4)
Mr. Amitha Gooneratne	6(6)	4(4)	1(1)	4(4)
Mr. P M Mohan (Resigned on 31.12.2016)	4(5)	3(3)	1(1)	0(2)
Mr. D K Sharma	6(6)	n/a	n/a	n/a
Mr. N V N Ramsai (Appointed on 02.01.2017)	1(1)	1(1)	n/a	2(2)

## Board Responsibilities (Principle A.1.2)

The Board of Directors are responsible for ensuring that the Company's strategies and operation are conducted in a sound, transparent and ethical manner ensuring sustainable business operations. The Board's oversight responsibilities in key areas include;

## Ensuring Sound Business Strategy

### Role of the Board

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

### Powers Reserved for the Board

- ◆ Responsibility for the overall management of the Company.
- ◆ Approval of the Company's long term objectives commercial strategy.
- ◆ Approval of the annual operating and capital expenditure budgets.
- ◆ Oversight of the Company's operations ensuring;
  1. Competent and prudent management
  2. Sound planning
  3. An adequate system of internal controls
  4. Compliance with statutory and regulatory obligations
  5. Changes in the structure and capital
  6. Financial reporting and controls
  7. Delegation of authority

The Board with their extensive experience in the petroleum industry in India provides guidance on strategic direction of the Company by setting overall corporate policy, goals and targets, whilst safeguarding the investments of shareholders and other stakeholders. The Board also provides guidance in formulating the Company's strategic plan which is prepared and presented by the Senior Management to the Board who review and approve the same at a meeting convened for the purpose. The overall performance is monitored at Board meetings, whilst identified areas of oversight are reviewed by the respective Board Sub-Committees and progress reported to the Board accordingly.

## Ensuring that the CEO and Management possess the right skills, experience and knowledge to implement strategy

The Board of Directors ensure that the CEO referred to as Managing Director and the Senior Management Team are able to undertake the day-to-day operations of the Company by ensuring that their qualifications and experience is on par with the Company's requirements, and they have a sound background in the petroleum industry. The Board allocates responsibilities in a manner best suited to their skills and knowledge, and ensures that ample opportunity exists for interaction by the Managing Director and the Senior Management Team. Accordingly,

- ◆ The Managing Director is entrusted with the day-to-day operations of the Company.
- ◆ All Senior Management are allocated two key areas of business operations under their purview, thus providing support to the Managing Director.
- ◆ The Managing Director and the Senior Management meet regularly by way of formal Executive Committee Meetings and also have informal discussions as and when the need arises.
- ◆ Senior Management extensively participates in the decision making process of the Company and present strategic recommendations on material matters of the Company's operations to the Board of Directors for a final decision.
- ◆ The Company's annual plan which addresses the requirements of all business units and departments is the basis on which the primary objectives of achievement by the Senior Management are allocated.
- ◆ The Board also ensures that Senior Management is given appropriate authority and autonomy to translate these objectives to specific and achievable business goals.



## Corporate Governance

### Ensure effective systems to secure integrity of information, internal control and risk management.

The Board appointed Audit Committee reviews and monitors financial reporting process, internal & external audit issues, providing assurance on the reliability of Financial Statements to the Board. Audit Committee also oversee the Risk Management Committee and through this sub-committee, regulate and monitors all forms of risks that the Company may be exposed to. Chairman Audit Committee bring to the knowledge of the Board regarding any significant issue that requires discussion at Board level.

Audit Committee framework, composition, responsibilities and duties are given in the Audit Committee Report on pages 121 & 122.

Risk Management framework is given in the Risk Management Report from page 107 to page 111.

### All stakeholder interests are considered in setting corporate strategy and making corporate decisions

The Board ensures that all stakeholder interests are considered in key corporate direction and takes into account the interests of major stakeholders such as the Parent Company, Government of Sri Lanka, Dealers, Consumers, Employees, Suppliers, and Community, among others when making decisions.

The Board also ensures that the Company's core values and approach for creating value to stakeholders is communicated to all employees of the Company.

### Ensuring compliance with laws, regulation and ethical standards

The Board has complete and full responsibility to ensure strict compliance with laws and regulatory affairs. As the day-to-day business affairs of the Company are carried out by the Managing Director and the Senior Management as allocated by the Board, they too share a responsibility in ensuring laws and regulation are adhered to, while preserving the ethical standards, labour and human rights and fair play policies of the Company. Accordingly,

- ◆ The Board of Directors and Senior Management annually sign and agree to comply with the Code of Conduct issued by the Company.
- ◆ The Managing Director and Senior Management must also comply with the Conduct, Discipline and Appeal Rules (CDA Rules) of LIOC.
- ◆ All employees of the Company are also expected to follow the CDA Rules.

The Board of Directors also meet with the key management personnel on a quarterly basis and as and when necessary to

- ◆ review policies, establish lines of communication and monitor progress towards meeting corporate objectives;
- ◆ ensure the proper resource allocation for value creation; and
- ◆ ensure that appropriate oversight of the affairs of the Company by key management personnel is being practiced consistently and in line with the Company policy.

In instances where urgent approvals are required on matters of compliance, a Board Resolution by circulation is taken on an immediate basis.

### Fulfilling other Functions as Relevant to the Organisation

The ex-officio Board of Directors having extensive knowledge in the petroleum industry including marketing, retail sales, finance, taxation, pricing, refinery operations, bunkering, etc., cascade knowledge to Senior Management as and when required to ensure optimal operation effectiveness of the Company.

The Independent, Non-Executive Directors of the Company, who are members of professional accounting bodies in Sri Lanka ensure financial and economic acumen is brought to the Board and is cascaded to the Senior Management.

### Act in Accordance with Laws (Principle A.1.3)

The Board of Directors ensure that the Company complies with the laws and regulations through a compliance checklist presented at the Audit Committee Meeting. The Company has complied with all applicable laws and regulations during the year. The Company seeks independent professional advice from third parties co-ordinated through the Company Secretary whenever deemed necessary, at Company's expense. During the financial year 2016/17, there were few occasions such as applicability of provisions of National Building Tax etc for which the Company sought independent professional services.

### Access to Advice and Services of the Company Secretary (Principle A.1.4)

All Directors have access to the advice and services of the Company Secretary, who provides the Directors with timely and accurate information needed for meetings, advice on matters relating to corporate governance; economic and social sustainability, follows up on the Company's compliance with statutory rules and regulations, maintains records of Minutes of the General Meetings, Board Meetings, Board Sub-Committee Meetings and other relevant documents relating to statutory compliances and shareholders. The Company Secretary's responsibilities are summarised below:

- ◆ Convening and Conducting of Board Meetings, Board Committee Meetings with proper recording of Minutes;
- ◆ Conduct of proceedings at General Meetings of Shareholders in accordance with the Articles of Association and Companies Act No.2007;
- ◆ Co-ordinating 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
- ◆ Co-ordinating and communicating with the shareholders;
- ◆ Disclosures on related parties and related party transactions required by laws and regulations;
- ◆ Monitoring and ensuring compliance with the listing rules and managing relations with the Stock Exchange; and
- ◆ Obtaining legal advice in consultation with the Board on company law, SEC, CSE, BOI and other relevant legislations in ensuring that the Company complies with all applicable laws and regulations.

### **Independent Judgement (Principle A.1.5)**

Non- Executive Directors bring independent & objective judgment and scrutinise the recommendations/proposals made by the Senior Management led by the Managing Director on matters of strategy, performance, resource utilisation and business conduct. The Chairman ensures that power is appropriately balanced and that one or few members of the Board are unable to dominate the processes of decision making.

Prof. Lakshman R Watawala completed nine years as an Independent Non-Executive Director on 26th July 2016, and the Board at its meeting held on 18th May 2016 resolved as follows.

"The Board having considered the circumstances and the criterion of independence in relation to Prof. Lakshman R Watawala, has construed him to be independent as he refrains from any involvement in the day- to- day management of the company and consented to extend his services for a further period of one year".

However, Prof. Lakshman R Watawala retired at the Annual General Meeting held on 23rd September 2016, where he was re-elected as a Director of the Company by the shareholders.

### **Dedicate Adequate Time and Effort to Matters of the Board and the Company (Principle A.1.6)**

The Chairman and the Board are dedicated to their duties as Directors of the Company. All Directors are presented with notice, agenda and board papers in advance of each meeting, and the Directors call for additional information and clarifications by the Senior Management Team whenever necessary. During the financial year 2016/17, the Directors met for six (06) Board Meetings which were either held in Colombo or in Mumbai. In addition, Board decisions were also taken by Circular Resolutions in between the Board Meetings.

### **Training for Directors (Principle A.1.7)**

All the Directors are members of professional bodies either in India or Sri Lanka, and conform to continuous professional development requirements of their respective professional bodies. In addition to that, Directors appointed ex-officio by the Parent Company, Indian Oil Corporation Limited (IOC), India, attend training programs organised by the IOC.

The Managing Director and Independent Non-Executive Directors residing locally are very enthusiastic in participating at forums/ discussions conducted by the Sri Lanka Institute of Directors and other Corporate/Professional Bodies to enhance their knowledge and skills, wherever economic, social and environmental topics of importance and relevance are discussed, as sponsored by the Company.

### **Division of Responsibilities between the Chairman and CEO (Principle A.2)**

The office of Chairman and Chief Executive Officer designated as the Managing Director by the Company are clearly segregated. The Chairman also being the Director Marketing of IOC, is a Non-Executive Director, with a clear division of responsibility at the most senior level of the Company. The Chairman is responsible for leading and the effective functioning of the Board and is also the link between the Board and the Board of the Parent Company.

The Managing Director is also appointed ex-officio by IOC, as the Executive Director. The Managing Director is at the apex in executive capacity, being in charge of managing the business and implementing the strategies of the Company within the policy framework formulated by the Board while continuously monitoring the progress of the Company. The Managing Director is the link between the Board and Senior Management who act as the Heads of respective department/segments of the Company.

### **The Chairman's Role (Principle A.3)**

The Chairman ensures that Board Meetings are conducted effectively with optimum contribution of all the Non-Executive Directors in relation to the petroleum industry. The independent oversight of Independent, Non-Executive Directors are also encouraged,

## Corporate Governance

especially to understand the Sri Lankan perspective. The Chairman ensures that proper guidance and support is extended by the Board to the Managing Director for the day-to-day operations of the Company in order to keep the Company on the right track.

The Managing Director in consultation with the Senior Management Team determines the Agenda for the Board Meetings and Board Committee Meetings. The Chairman ensures that all the information necessary for decision making by the Board of Directors are presented, and requests for further information provided as and when necessary.

### Financial Acumen (Principle A.4)

The Board of Directors collectively possesses financial acumen gained through ample experience in handling the matters of finance by serving in different industry sectors and organisations. Prof. Lakshman R Watawala and Mr. Amitha Gooneratne who are Independent, Non-Executive Directors, are members of the Institute of Chartered Accountants of Sri Lanka and have held apex positions in public and private sector financial organisation. Mr. N V N Ramsai is the Executive Director (Finance) of the Parent Company and is a Chartered Accountant by profession. His expertise in Finance and Taxation matters while discharging duties at the Parent Company has helped in revenue generation of IOC. All three of these Directors possess the necessary knowledge and competence to offer the Board guidance on matters of finance. They also serve as members of the Audit Committee.

### Board Balance (Principle A.5)

The Board consists of six (06) Directors, out of whom five (05) including the Chairman hold office in the Non-Executive capacity. Two of the Non-Executive Directors are Independent Directors. The Non-Executive Directors and Independent Non-Executive Directors are independent of Management and are free from any dealings that may interfere with their independent judgement. Annual declarations are obtained by the Non-Executive Directors to ensure compliance with the criteria for determining independence as specified by the Code.

### Supply of Relevant Information (Principle A.6)

The Managing Director and Senior Management make every effort to provide the Board with appropriate and timely information with regard to economic, social and environmental topics as relevant. In the event where Chairman and the Board need additional information MD ensures such information is promptly provided by the management. Additionally, the Directors have access to Key Management Personnel to seek clarifications or additional information on matters presented to the Board.

The Company Secretary ensures that the Board papers are circulated in advance prior to the Board Meeting, facilitating Directors to have sufficient time to study the papers presented.

### Appointments to the Board and Re-Election (Principles A.7)

The Parent Company is responsible for the appointment of new Directors, other than INED. The Board receive resumes of the potential candidates recommended by the Managing Director, in the event of a vacancy of an Independent Non-Executive Director and review same in order to make appointment, which may include an interview with the candidates. The process for appointment of Executive Directors is made by Parent Company IOC and are selected from amongst the Key Management Personnel of the Parent Company. Appointments of new Directors are disclosed to the Colombo Stock Exchange immediately, Registrar of Companies within 20 working days of the appointment and shareholders through the Annual Report. The communications typically includes a brief resume of the Director, relevant expertise, key appointments, shareholding and whether he is independent.

### Re-Election (Principle A.8)

According to the Company's Articles of Association, at every Annual General Meeting, one third of Non-Executive Directors excluding the Managing Director shall retire from office each year. The directors who shall seek re-election at this year's Annual General Meeting have been indicated in the Notice of the Meeting on page 172.

### Disclosure of Information in Respect of Directors (Principle A.10)

In compliance with the Code brief profiles of the Directors are given on pages 31 to 33, Directors' attendance at Board Meetings is disclosed on page 98, and Directors' Membership and attendance in Committee Meetings is set out in page 96 & 98.

### Appraisal of Chief Executive Officer (Principle A.11)

The Board assesses the performance of the Chief Executive Officer designated as the Managing Director by the Company, based on the short and medium term targets and his contribution towards the way forward of the Company. At the commencement of the financial year a detailed Budget is presented to the Board for approval. Any specific deviation from the approved budget on expenses such as capital expenditure needs to be approved by the Board. The Board takes into account performance vis-a-vis the targets, the operating environment and considers explanations provided for areas where performance has been low. The evaluation of the performance of the Managing Director is based on the final performance of the Company.

### Directors and Executive Remuneration (Principle B.1)

Directors nominated by parent company are governed by remuneration structure as decided by parent company and do not get any sitting fees for attending the Board Meetings. Independent Non-Executive Director's sitting fees is decided by Board. This Remuneration Committee comprises entirely of two independent

Non-Executive Directors and one Non-Executive Director who also meet the criteria for independence as set out in the Code. They consult the Chairman and the Managing Director regarding the same and also seek professional advice whenever deemed necessary.

### **The Level and Make Up of Remuneration (Principle B2)**

It is the responsibility of the HR & Remuneration Committee to ensure that the remuneration structure and benefits are determined in accordance with the remuneration policies of the Company which are designed to be attractive, motivating and capable of retaining high performing, qualified and experienced employees in the Company.

Remuneration for Independent Non-Executive Directors is set by the Board as a whole. Remuneration for Executive Directors is set with reference to the Human Resource Policy of the Parent Company. The above processes ensure that no individual Director is involved in determining his own remuneration. The Board and the Remuneration Sub-Committee engage the services of Human Resource professionals on a regular basis to assist in the discharge of their duties in this regard.

### **Disclosure of Remuneration (Principle B.3)**

The Remuneration Sub-Committee Report conforms to Schedule D- Specimen Remuneration Committee Report. The names of the Remuneration Sub-Committee members are set out on page 120 and the aggregate remuneration paid to Executive and Independent Non-Executive Directors is given on page 139 in Note 6 to the Financial Statements.

### **Constructive Use of the Annual General Meeting (Principle C.1)**

The Company has 10,504 shareholders as at 31st March 2017, and Company Secretary ensures that Annual Report along with the Notice of Annual General Meeting and Proxy Form is dispatched to the shareholders 15 working days prior to the meeting as required by Section 135(1) of the Companies Act No. 7 of 2007. The shareholders are given the right to participate in decision making matters reserved for the shareholders which includes proposals to adopt the Annual Report and Accounts, re-election of Directors, appointment of Auditors and other matters requiring shareholders' resolutions as specified in the Articles of Association or the Companies Act No.7 of 2007.

### **Communication with Shareholders (Principle C.2)**

The Company disseminates information pertaining to the performance of the Company through multiple channels which include the website at <http://www.lankaio.com>, press releases and notices in English, Sinhala and Tamil newspapers, through the publication of the Annual Report, Interim Financial Statements and Immediate announcements to the Colombo Stock Exchange on any information which is considered price sensitive.

The Company Secretary could be contacted on +94-11-2475702, by sending a letter by post, or via email on [companysecretary@lankaio.com](mailto:companysecretary@lankaio.com) in relation to any matters pertaining to the shares of the Company and with regards any queries by the shareholders.

### **Major and Material Transactions (Principle C.3)**

There were no transactions, which would materially alter the Company's net asset base nor any major related party transactions apart from those disclosed in the Directors Report on page 123 and in Note 20 to the Financial Statements on page 149.

### **Financial Reporting (Principles D.1)**

The management ensures that the Annual Report presents the proper financial position, performance and prospects of the Company using both narrative and visual elements to ensure that the content is understandable. It is also ensured that statutory requirements specified in the Companies Act No.07 of 2007, Listing Rules and Sri Lanka Accounting Standards are also adhered when publishing the Annual Report, Financial Statements and Interim Financial Statements. The Audit Committee reviews the Financial Statements and recommend to the Board for approval prior to publication. The following disclosures as required by the Code are included in this report:

- ◆ Annual Report of the Board of Directors presented on pages 121 to 122 includes the disclosures required as per Principle 1.3 of the Code
- ◆ Statement of Directors' Responsibility on page 118 contains a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements
- ◆ Independent Auditors' Report on page 124 includes a statement of their responsibilities
- ◆ Directors' Statement on Internal Control on page 116.
- ◆ Management Discussion and Analysis (The Capitals Report) on page 39 to 50.
- ◆ Statement of going concern of the Company is set out on page 116 in the Annual Report of the Board of Directors on the affairs of the Company.
- ◆ The Related Party Transactions Review Committee has been constituted in compliance with the Section 9.2 of Listing Rules of the Colombo Stock Exchange. The Report of the Related Party Transactions Review Committee is set out on page 123 Further, the Related Party Transactions are disclosed on page 115 of the Directors' Report and in Note 20 in the Financial Statements.

The net assets of the Company have not fallen below 50% of Shareholders' Funds. Procedures are in place to convene an

## Corporate Governance

Extraordinary General Meeting notifying the shareholders of the position and on what remedial action is being taken, in the event such a situation arises. The Annual Report on page 127 under the Financial Review depicts the way in which the net assets have increased during the year.

### Internal Control (Principle D.2)

The Board with the assistance of the Audit Committee, and other Sub-Committees such as Risk Management Committee, Related Party Transactions Review Committee ensures that internal control systems and risk management framework are in place within the Company to safeguard the shareholder investments and assets. The internal audit function is carried out by an independent professional accounting firm M/s. PWC, and they submit the internal audit reports to the Audit Committee directly.

### Audit Committee (Principle D.3)

The Audit Committee comprised of two (02) Independent Non-Executive Directors and is Chaired by Prof. Lakshman R Watawala, a senior member of the Institute of Chartered Accountants in Sri Lanka.

The summary of the oversight responsibilities is given above in the section 'An Effective Board (Principle A.1)', and detailed responsibilities and activities undertaken during the financial year 2016/17 is given in the Report of the Audit Committee on page 121 & 122.

Responsibilities and activities of the Audit Committee is supported by M/s PWC, the Internal Auditors, who report directly to the Audit Committee.

### Code of Ethics and Corporate Governance Report (Principles D.4 and D.5)

The Company has an internally developed Code of Conduct and Business Ethics which is applicable to all employees, the Senior Management and Board of Directors. The Code of Conduct and Business Ethics, is compliant with Schedule I of the Code of Best Practice on Corporate Governance 2013, and also takes into considerations labour and human rights and other aspects related to social and environmental sustainability matters. The Remuneration Committee reviews the Code of Ethics on need basis to ensure that it is sufficient and relevant with reference to the current operations of the Company.

This Corporate Governance Report from pages 94 to 106 complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as specified in Principle D5.

### Shareholder Relations (Principles E and F)

The Company has 10,504 shareholders of which 4.25% are Institutional shareholders. We have a regular structured dialogue with the large institutional shareholders and any concerns of these institutional shareholders expressed at the meetings are communicated to the Board as a whole. All shareholders are encouraged to exercise their voting powers at the Annual General Meeting. We also facilitate the analysis of the securities of the Company by encouraging both foreign and local analysts covering the Company with structured meetings where they are able to obtain information and explanations required for evaluating the current and future performance of the Company, sector and country. Additionally, the investor relations page on the Company web site has key information required by shareholders and analysts.

### Sustainability Reporting (Principle G)

Sustainability principles are embedded in the Company's business operations and considered when formulating business strategies, and reported in a holistic manner throughout the Annual Report. Information required by the Code is located in areas as mentioned below.

- Principle 1 - Economic Sustainability – Economic Sustainability on page 84 & 85 and Financial Review on pages 51 to 54.
- Principle 2 - Reporting on the Environment – Natural Capital Report on page 64 to 66 and Environmental Sustainability
- Principle 3 - Reporting on Labour Practices – Human Capital Report on page 72 to 81.
- Principle 4 - Reporting on Society - Relationship Capital Report on pages 55 to 63.
- Principle 5 - Reporting on Product Responsibility – Product Responsibility Review on pages 86 to 91.
- Principle 6 - Reporting on Stakeholder Identification, Engagement and Effective Communication – Stakeholder Engagement on pages 39 to 43.
- Principle 7 - Sustainable Reporting to be Formalised as part of the Reporting Process and to take place regularly – About the Report on page 7.



**Compliance with CSE Continuing Listing Requirements**

Rule No	Subject	Applicable requirement	Compliance Status	Details
7.10.1(a)	Non Executive Directors on the Board	Two non-executive Directors or one third of the total number of Directors should be Non Executive Directors	Complied	Five out of Six Directors are Non Executive Directors
7.10.2(a)	Independent Directors	Two or one third of Non Executive Directors (whichever is higher) should be independent	Complied	Two of the Five Non Executive Directors are Independent
7.10.2(b)	Independent Directors	Each Non Executive Director should submit a declaration of independence / non independence in the prescribed format	Complied	A declaration of independence have been given by the Independent Directors in compliance with the CSE rules
7.10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report. The Board shall annually assess the independence of INED's	Complied	Please Refer pages 114 & 121
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	Complied	Corporate Governance
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Complied	Board of Directors (profile) section in the Annual Report
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Complied	Corporate Governance and Board of Directors (profile) section in the Annual Report
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria	Complied	Corporate Governance
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Names of members of Remuneration Committee are available on page 120.
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non Executive Directors, a majority of whom shall be independent	Complied	Remuneration Committee consists of three Non Executive Directors of which two are independent. Chairman of the Remuneration Committee is an Independent Non Executive Director
7.10.5(b)	Functions of Remuneration Committee	Functions of the Remuneration Committee	Complied	Please refer Remuneration Committee Report on page 120.

## Corporate Governance

Rule No	Subject	Applicable requirement	Compliance Status	Details
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	<p>The Annual Report should set out;</p> <p>i) Names of Directors comprising the Remuneration Committee</p> <p>ii) Statements of Remuneration policy &amp; Committee Report</p> <p>iii) Aggregate remuneration paid to Executive and Non Executive Directors</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer page 120</p> <p>Please refer Remuneration Committee report for a brief statement of policy</p> <p>Please refer page 114</p>
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied	Names of members of Audit Committee are available on page 121
7.10.6(a)	Composition of the Audit Committee	<p>Shall comprise of Non Executive Directors, a majority of whom shall be independent</p> <p>Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings</p> <p>The Chairman of the Audit Committee or one member should be a Member of a recognized professional accounting body</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Audit Committee consists of three Non Executive Directors, two of whom are independent. Chairman of the Audit Committee is an Independent Non Executive Director</p> <p>MD and SVP- Finance attend meetings by invitation</p> <p>Chairman of Audit Committee is a member of a professional accounting body i.e CA Sri Lanka.</p>
7.10.6(b)	Functions of the Audit Committee	The terms of reference of the Audit Committee adopted by the Board cover the areas described in the listing rules	Complied	Separately reported under the Audit Committee report on pages 121 to 122
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	<p>Names of Directors comprising the Audit Committee</p> <p>The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination</p> <p>The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance of the functions</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer pages 121 to 122</p> <p>Please refer Audit Committee report on page 121 to 122</p> <p>Please refer Audit Committee report</p>
9.2.2	Related Party Transaction Review Committee	Composition should include a combination of non-executive directors and independent non-executive directors	Complied	Names of members of Related Party Transaction Review Committee are available on page 123
9.3.2(c)		The Annual Report shall contain a Report of the Related Party Transaction Review Committee	Complied	Please refer the Related Party Transaction Committee Report on page 123

# Risk Management

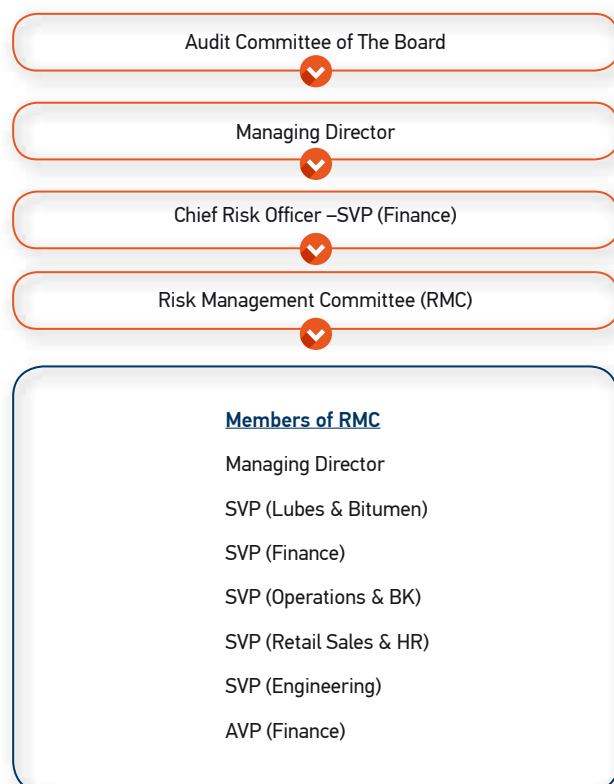
LIOC has a well-defined Risk Management Policy in place with proper monitoring as well as reporting mechanism to manage its business risks. The Policy provides the required Risk Management Framework for implementation of the policy by all concerned, effective monitoring and performance appraisal through periodic reporting to the management. Also the policy provides an overview of the principles of risk management, explain the approach to be adopted by the company for management of the identified risks and define the organizational structure for effective risk management.



## Risk Management Framework

### 1. Risk Structure:

The Risk Organization Structure of LIOC is as follows.



### 2. Risk Portfolio:

Risk Portfolio Management process include risk identification, risk assessment, risk categorization on the basis of risk appetite decided by the Management.

### 3. Risk Measuring and Monitoring:

All identified risks are reviewed / re-examined periodically to re-validate their existence, appetite level, current assessments, progress of risk reduction actions.

### 4. Risk Optimizing:

The Risk Optimization involves managing the exposure of various risks and bringing them in line with the risk appetite of the company. For example, by Risk Avoidance, Risk Reduction/Mitigation, and Risk Transfer etc.

## Risk Categorization

Risk categorization in different categories facilitate in prioritizing risks within the entity. Risk categorization has been considered under following broad heads: Strategic Risks, Operational Risks, Reputation Risk, Compliance Risk, Financial Risk, Information Risk & New/Other Risk.

## Risk Management

### Risk Appetite

The Risk Management Policy sets out LIOC's risk appetite and rating criteria with acceptable risk tolerance levels.

#### Risk Appetite

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	< LKR 5 mill.	LKR 5 – LKR 50 mill.	LKR 50 – LKR 100 mill.	LKR 100 – LKR 300 mill.	> Rs 300 mill.
	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 effecting operations in the short term	Exit of several key individuals affecting operations in short term in various departments	Exit of several key individuals at senior management level adversely affecting operations
	New business development activities undertaken	Variance in Actual vs Budget Less than 10%	Variance in Actual vs Budget Less than 25%	Variance - Actual vs Budget upto Less than 50%	Variance in Actual vs Budget More than 25%	Cash losses on a continuous basis (EBDTA)
	Reputation	Localized Complaints	Repetitive public complaints	Negative media coverage	Short term negative media coverage and disruption to customer / investor confidence	Long term negative media coverage and long term disruption of customer / investor confidence
	Level of Management effort required	Staff Level	Junior Management	Functional Head	Managing Director	Board of Directors

### Risk Rating

The Risk Management Policy sets out the Risk Rating Criteria, which is set out below.

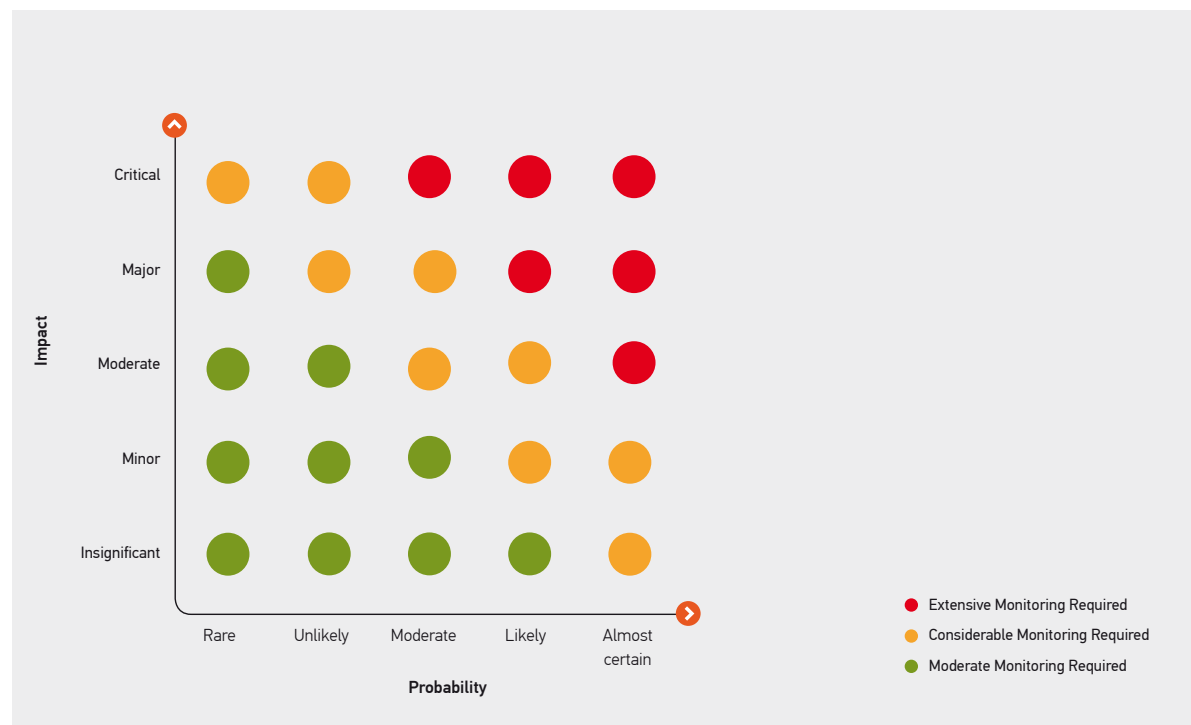
#### Rating Criteria – Likelihood

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

**All the risks are categorized in 'A' and 'B' category risks. Both 'A' & 'B' category risks are put up before Risk Management Committee in each quarter. 'A' category risks are put upto Audit Committee for its' review.**

## Risk Mapping

The Risk map is developed based on the results of the Risk Appetite & Risk Rating.



## Principal Risks & Uncertainties

The Company's performance on its key risk exposures are summarized below.

Risk	Impact	Mitigating Activities	Net Risk Assessment
<b>'A' Category Risk</b>			
Inability to revise Retail Selling prices of Petrol & Diesel in line with import cost	<ul style="list-style-type: none"> <li>LIOC generally follows the Retail Selling Prices of Auto Fuels as determined by GoSL. Due to non revision of RSPs in line with international prices, company has to suffer negative margins on Auto Fuels.</li> </ul>	<ul style="list-style-type: none"> <li>Constant discussions are held with Ministry of Petroleum and Ministry of Finance to align the RSPs of Auto Fuels with international prices.</li> <li>Efforts are made to increase the sale of branded Auto Fuels.</li> <li>Company is following up with GoSL for implementation of Pricing formula for Auto Fuels.</li> </ul>	●
Price fluctuations of crude oil and related Products	<ul style="list-style-type: none"> <li>Price fluctuations have a direct impact on our profitability margins and cash flows.</li> <li>Adverse price movements affect the stock in hand.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor global crude oil prices on a consistent basis.</li> <li>Optimization of supply chain management is carried out in line with the prices of Petroleum Products in the international market.</li> </ul>	●
Depreciation of Sri Lanka Rupee	<ul style="list-style-type: none"> <li>For Auto Fuels, Lubricants &amp; Bitumen, imports are done in USD and sales are carried out in LKR and hence company is exposed to exchange loss.</li> <li>Exchange losses, particularly on Auto Fuels, is not possible to pass on to the customers.</li> </ul>	<ul style="list-style-type: none"> <li>Import loans are generally not taken for a period more than one month.</li> <li>Company follows a well planned strategy to manage exchange fluctuation risk.</li> </ul>	●



## Risk Management

Risk	Impact	Mitigating Activities	Net Risk Assessment
Health and safety	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same.</li> <li>Retail Outlet Safety handbook is distributed to all the retail outlets.</li> <li>At Trincomalee terminal, regular safety drills are conducted with employees, transporters and contractors to create awareness amongst them. Further, company has positioned adequate safety equipments to deal with emergency situations.</li> </ul>	●
Entry of new players in Lubricants and Bitumen	<ul style="list-style-type: none"> <li>In a already crowded market, entry of new players greatly affects the margins/market share.</li> <li>New small players may not strictly adhere to the best international practices.</li> </ul>	<ul style="list-style-type: none"> <li>LIOC has implemented various marketing and pricing strategies to protect its market share.</li> <li>More innovative Products are being introduced to the market.</li> <li>Optimization of supply chain management.</li> </ul>	●
Product Quality	<ul style="list-style-type: none"> <li>Failure to meet product quality.</li> <li>Standards can cause harm to our employees and customers, damage our reputation and result in regulatory/ legal action.</li> </ul>	<ul style="list-style-type: none"> <li>Quality control mechanisms.</li> <li>All fuels and lubricants are evaluated for health and safety standards by the parent company's Research Centre.</li> <li>Compliance with regulatory and certification</li> </ul>	●
Risk to stocks, property and equipments	<ul style="list-style-type: none"> <li>As company deals with highly inflammable Products, any inadequacy/ambiguity in insurance cover may result in dishonor of insurance claims by the insurance companies.</li> </ul>	<ul style="list-style-type: none"> <li>Insurance is taken only from reputed insurance companies with adequate re-insurance support.</li> <li>Company has taken adequate insurance policies like Fire &amp; Commercial Insurance, General Liability Insurance Policy, Marine Insurance Policy, In transit Insurance Policy etc.</li> </ul>	●
Incurrence of Demurrage	<ul style="list-style-type: none"> <li>Due to inadequate infrastructure at Port, and non availability of required pipelines, most of the ships coming to Colombo Port have to wait for berthing and take more than normal discharge time leading to exposure to the company for demurrage.</li> </ul>	<ul style="list-style-type: none"> <li>Proper planning is done for import of Petroleum goods.</li> <li>Discussions are carried out with Port Authorities and CPSTL to create desired infrastructure at Port.</li> <li>Lay time allocation is planned after due consideration to the operational constraints.</li> </ul>	●
Credit Risks	<ul style="list-style-type: none"> <li>The Company's Bunkering, Lubes &amp; Bitumen segments are exposed to credit risk and can result in loss of earnings and cash flow.</li> </ul>	<ul style="list-style-type: none"> <li>Efforts are made to give secured credit only.</li> <li>Credit ratings from independent third agencies.</li> <li>Constant monitoring of Debtor's aging profile with timely follow up with customers.</li> </ul>	●
Government Policy	<ul style="list-style-type: none"> <li>Government policies on duties/taxes, interest rates, exchange rates, inflation, energy prices and wages have a direct impact on our margins and cash flow.</li> <li>Non receipt of timely approvals for various government licenses, permissions and approvals, will have direct bearing on the operations of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Duties &amp; taxes, interest rates, exchange rates and wages are monitored and strategies adjusted to minimize impact where possible.</li> <li>Regular engagement with policy makers to strengthen and enhance the industry frameworks in place.</li> <li>Timely action is taken to renew various licenses, permissions &amp; approvals.</li> </ul>	●
Operating Environment	<ul style="list-style-type: none"> <li>Company's image and operations may be affected due to adverse publicity/ misinformation campaigns by vested interests.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous engagement is done with Policy makers and our legal counsels.</li> </ul>	●

Risk	Impact	Mitigating Activities	Net Risk Assessment
<b>'B' Category Risk</b>			
Product Responsibility	<ul style="list-style-type: none"> <li>Given the flammable nature of the product, customer health and safety impacts are critical.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance to all national health and safety standards at customer touch points.</li> <li>Regular training provided to business associates in the handling, transportation and storage of products.</li> </ul>	●
Waste and Effluents	<ul style="list-style-type: none"> <li>Effluents from our processes comprise of oil sludge and discharges from the Trincomalee Terminal.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance to the regulations of the Central Environmental Authority and the Marine Environmental Protection Authority.</li> <li>Oil sludge is disposed to third parties licensed by the CEA.</li> </ul>	●
Employee relations	<ul style="list-style-type: none"> <li>Around 60% of our employees are unionized as we recognize the right to freedom of association</li> </ul>	<ul style="list-style-type: none"> <li>Open door policy for employees to discuss areas of concern.</li> <li>Regular structured dialogue with union representatives to identify areas of concern.</li> <li>Balanced HR policies applied in a consistent manner building trust with employees.</li> </ul>	●
Employee Retention	<ul style="list-style-type: none"> <li>Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry.</li> </ul>	<ul style="list-style-type: none"> <li>Attractive remuneration packages.</li> <li>Continued investment in training and development</li> <li>Opportunities for career progression.</li> </ul>	●
Non availability/ limited availability of Contractors for specialized works related to Oil Terminalling/Lube Plant	<ul style="list-style-type: none"> <li>Speed of execution of works gets affected.</li> <li>Higher cost of works</li> </ul>	<ul style="list-style-type: none"> <li>Continuous efforts being made for vendor development.</li> <li>Enabled competency development by facilitating participation of foreign companies as consortium partners with local parties for specialised work.</li> </ul>	●
Energy Consumption	<ul style="list-style-type: none"> <li>Energy is critical to the Company's day to day operations at Retail Outlets, head office and the LIOC Terminal at Trincomalee.</li> </ul>	<ul style="list-style-type: none"> <li>Encouraging retail outlets to adapt energy efficient lighting systems.</li> <li>Investing in energy efficient machinery and equipment.</li> <li>Continuous monitoring of energy intensity ratio to drive required action.</li> </ul>	●
Climate Change	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of low carbon emitting auto fuel products.</li> <li>Investments in energy efficient technology.</li> <li>Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications.</li> </ul>	●
Local Community Relations	<ul style="list-style-type: none"> <li>Empowering and contributing towards the socio-economic progress of the communities we operate-in is crucial for the image of the company.</li> </ul>	<ul style="list-style-type: none"> <li>High levels of community engagement.</li> <li>Investments in ongoing community development projects.</li> </ul>	●
Training & Development	<ul style="list-style-type: none"> <li>Training and development is a key aspect at all levels to drive employee productivity, safety and enhance the tacit knowledge of our team which gives us our competitive edge.</li> </ul>	<ul style="list-style-type: none"> <li>Structured training programmes in place for all employees.</li> <li>Training needs identified through a robust performance management system.</li> </ul>	●
● Extensive Monitoring Required    ● Considerable Monitoring Required    ● Moderate Monitoring Required			



“W A Perera & Company was started by my grandfather. We have been a LIOC dealer since March 2003. Since then our business has been continuously evolving with many expansions and improvements. I am happy to say that LIOC has been a partner in our progress who has been with us every step of the way, helping us with our expansion, guiding us to realize our full potential. This is partly due to LIOC’s constant engagement with us. We have been exposed to several workshops and trainings, which have immensely helped us to manage our business in a professional manner taking our entrepreneurial skills to the next level.”

*Amila Perera,*

W A Perera & Company,  
LIOC Dealer

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

## To the Shareholders

The Board of Directors has pleasure in presenting the 15th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2017. The Directors confirm that the financial statements have been prepared in accordance with the Sri Lanka Accounting Standards, 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 09th May 2017.

## 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 2017, 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 125 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.

## Auditors' Report

The Auditors' Report on the financial statements is set out on page No 124.

## 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 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 on the retail selling prices of Petroleum Products. However, the company indirectly gets affected by the retail selling prices of petrol & 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.21.2 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 2016-17 amounts to LKR.23.2 Million /- (2015/16 -LKR 22.9 Million)



## Directors

The Directors of the Company for the F/Y 2016-17 were;

Mr B S Canth	(Chairman
Mr Shyam Bohra	(Managing Director)
Prof. Lakshman R Watawala	(Independent Non-Executive Director)
Mr Amitha Gooneratne	(Independent Non-Executive Director)
Mr D K Sharma	(Non-Executive Director)
Mr N V N Ramsai	(Non-Executive Director appointed w.e.f 02.01.2017)
Mr P M Mohan	(Non-Executive Director resigned on 31.12.2016)

## Related Party Transactions

The Board of Directors declares as follows:

The related party transactions during the FY 2016-17 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2016-17 are recurrent and exempted as per terms of Rule 9.5 of section 9 of CSE listing rules.

## Compliance on Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No 10 of 2016

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No 10 of 2016. The information pursuant to these Regulations is given in the approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. We believe that the record of transactions entered into the associated undertakings during the period from April 1, 2015 to March 31, 2016 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 Ernst & Young, Chartered Accountants as the Auditors of the company will be proposed at the Annual General Meeting.

The Auditors' fee for the year 2016-17 was fixed at LKR 1.5 Million and a sum of LKR 1.6 Million was paid which includes the reimbursement of out of pocket expenses. (2015/16- LKR.1.64 Million as disclosed in note 6 to the financial statements on page 139 thereof.

## Auditors Relationship or any Interest with the Company

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence. Ernst & Young were also engaged as Tax Consultants for the additional consultancy services for which the company incurred a sum of LKR.0.67 Million [2015/16- LKR 0.59 Million)

PricewaterhouseCoopers were engaged as Internal Auditors and a remuneration of LKR.3.55 Million /- 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 2017 and 31st March 2016 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 2017 amounted to LKR 13,214 Million (2015/16 – LKR 10,809 Million)

## 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, LKR 29,651 million (2015/16 LKR 24,322 million) 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.

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

## Turnover

The Turnover increased from LKR 71,307 Million in FY 2015/16 to LKR 81,039 Million in FY 2016-17 showing an increase of 14%.

## Earning of Foreign Exchange

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to approximately US Dollar 61.92 million through its operations.

## Retail Sales

Retail Sales continued to make major contribution in the growth of the company with 83% contribution to the top line of the company. Similarly in line with its contribution to top line, on overall net basis, the Retail Sales was the biggest contributor to the profits of the company.

During the year, diesel sales grew by about 19.3% and petrol by about 15.3%. Also during the period Lanka Super Diesel grew by about 52.2% & XtraPremium 95 by about 34.8. This indicates our success in marketing of premium fuels & developing a connection with customers on its advantages of better performance.

In our pursuit to expand our network throughout the country & for ensuring convenience to the customers in the far flung areas, the company set up three new retail outlets with complete facilities in the new markets to better serve the customers. This also helped us to cross the two hundred retail outlet milestone. Further to improve our services & facilities, eleven old retail outlets were refurbished with modern layout and full facilities during the current financial year.

With our continued focus on services & offerings at retail outlet and for ensuring customer delight, company continued with improvement in facilities example: upgradation of canopy lights, driveway, electronic dispensing units, nitrogen tyre inflators, car charge station, etc.

We also focused on our most important link with the customers, staff at our retail outlets. With an aim on improvement in quality of services at our retail outlets, company focused on improvement in skills of retail outlet employees and dealers. Company partnered with University of Sri Jayewardenepura for training of Retail Outlet dealers & their employees. Lanka IOC believes this to make a long lasting impact on the quality of customer service at retail outlets.

## 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 2016/17 as per the agreement with BOI.

## Other Operating Income

In continuous efforts to optimize its income from various sources, your company earned LKR 40.49 million during the year, through rents from lease of hoardings, space and amenities at the various retail outlets and from other resources. The Company also received a dividend of LKR 100 million from its JV company CPSTL during the year.

## 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 rates of interest. This has helped to reduce the interest cost considerably during the financial year under review.

## 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 PricewaterhouseCoopers, 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, government 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 every Quarter to analyse 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.

Numerous projects covering education, 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 this annual report.

**Going Concern**

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

**Post Balance Sheet Events**

No events have occurred since the balance sheet date which would require adjustments to, or disclosure, in the financial statements except disclosed in Note 25.

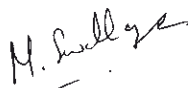
Signed on behalf of the Board



Shyam Bohra  
Managing Director



Prof. Lakshman R Watawala  
Director



Mihiri S. Senaratne  
Company Secretary

09th May 2017  
Colombo

## 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 confirm that in preparing the financial statements exhibited on pages 125 to 155 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 are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy, the financial position of the Company and enable them to ensure that financial statements comply with the Companies Act No.07 of 2007.

The Directors are generally responsible for taking such steps that are reasonably open to them to safeguard the assets of the Company and to prevent & detect frauds/other irregularities.

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

By Order of the Board



Shyam Bohra  
Managing Director

09th May 2017  
Colombo

## Chief Executive Officer's & Chief Financial Officer's Responsibility Statement

The financial statements of Lanka IOC PLC as at March 31, 2017 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 were changed during the F/Y 2012-13, to conform with the new Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, which became effective from January 01, 2012 and all the processes are in place to address the requirements of the new Sri Lanka Accounting Standards.

The Significant Accounting Policies applied in the preparation of the Financial Statements are appropriate and are consistently applied. There are no material departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. New accounting standards SLFRS 9 and SLFRS 15 are effective for the F/Y 2018-19 had not been early adopted by the company.

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

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

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

We confirm to the best of our knowledge;

- The Company has complied with all applicable laws, regulations and prudential requirements and there are no material litigations that are pending against the Company other than disclose in note 22 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.



Shyam Bohra  
Managing Director

09th May 2017  
Colombo



Anuj Jain  
Senior Vice President (Finance)



# Remuneration Committee Report

## Composition of the Remuneration Committee

The Remuneration Committee ("the Committee") appointed by the Board of Directors comprise of 3 Non-Executive Directors appointed by the Board of Directors of LIOC.

The following Directors serve / served on the Remuneration Committee during the year under reference.

**Prof. Lakshman R Watawala**, (INED)

**Mr. Amitha Gooneratne** (INED)

**Mr. P M Mohan** (NED) (functioned as a Committee Member until his resignation from Board of Directors on 31.12.2016)

**Mr. N V N Ramsai** (NED) Appointed on 02.01.2017.

(INED - Independent Non-Executive Director and NED – Non Executive Director)

Board profiles of the Committee members are detailed in the page 32 & 33 of this Annual Report.

The Committee is chaired by Prof. Lakshman R Watawala, an Independent Non Executive Director. The Managing Director who is responsible for the overall operations of the Company and the Senior Vice President [HR] attend meetings and participate in the Committee meetings by invitation. The Managing Director takes part in all deliberations except when his own performance and remuneration is discussed.

The Secretary of the Committee is the Company Secretary.

## Terms of Reference & Scope of Operations

The Committee is vested with power to examine, evaluate and recommend to the Board of Directors the remuneration packages, annual increments and bonuses of the employees.

The Committee lays down guidelines and parameters for the compensation structures of directly recruited Executive & Staff of the company. The primary objective of the compensation packages is to attract and retain highly qualified and experienced work force and reward performance. The remuneration package attempts to provide appropriate compensation commensurate with the employees' qualification and experience, bearing in mind the business performance and long term stakeholder returns.

## Professional Advice

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

## Meetings

The Committee meets on a periodical basis to review the Company's compensation structure and reviews the appropriateness of the compensation package keeping in view the pay structure amongst comparative companies, etc. to ensure its alignment with the compensation offered in the industry and the Company's short term & long term strategies.

Attendance of the meetings is detailed on page 98 of the Annual Report



Prof. Lakshman R Watawala  
Chairman,  
Remuneration Committee

09th May 2017  
Colombo

## Audit Committee Report

### Composition of the Audit Committee

The Audit Committee, is appointed by and is responsible to the Board of Directors and comprises of three Non-Executive Directors of which two are Independent Directors.

The Committee is chaired by Prof. Lakshman R Watawala, an Independent Non-Executive Director.

The other two committee members comprise of the following:

**Prof. Lakshman R Watawala** (IND/NED)

**Mr. Amitha Gooneratne**, (IND/NED)

**Mr. P M Mohan** (NED) until 31.12.2016 and **Mr. N V N Ramsai** (NED) with effective from 02.01.2017.

(IND - Independent Director / NIND - Non Independent Director and NED – Non Executive Director)

Mr Shyam Bohra - Managing Director, Mr Anuj Jain – Senior Vice President (Finance), and Mr Gourav Jain – Assistant Vice President (Finance) attended the Audit Committee Meetings by invitation in the financial year 2016/17.

The Chairman of the Audit Committee is a senior Chartered Accountant, acclaimed for his professional knowledge and expertise in financial / Company matters. The brief profiles of the Audit Committee members are given on page 32 & 33

Their individual as well as collective knowledge on financial & legal matters and their business acumen are brought to bear in the deliberations and judgments on matters that come up in the Committee deliberations.

### Functions of the Audit Committee

The terms of reference specified by the Board of Directors for the Audit Committee include the following functions of the Audit Committee which is also prescribed in the Continuing Listing Rule No. 7.10.6b of the Colombo Stock Exchange.

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

### Meetings

The Committee held 4 meetings during the financial year 2016-17 to discuss the matters within its purview. The Committee members present at the meetings was as follows;

S/No	Date	Strength of the Committee	No. of Members Present	Names of the Members Present	Names of Members - excused
1	18.05.2016	3	2	Mr Amitha Gooneratne Mr P M Mohan	Prof. L R Watawala
2	12.08.2016	3	3	Prof.L R Watawala Mr Amitha Gooneratne Mr P M Mohan	
3	11.11.2016	3	3	Prof.L R Watawala Mr Amitha Gooneratne Mr P M Mohan	
4	14.02.2017	3	3	Prof.L R Watawala Mr Amitha Gooneratne Mr N V N Ramsai	

# Audit Committee Report

## Tasks of the Audit Committee

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies & methods adopted and their compliance with the Sri Lanka Accounting Standards. The Committee also reviews the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. The Committee also reviews the adequacy of the internal controls and assesses the independence & performance of the external auditors. The Committee recommends the financial statements to the Board for its approval and issuance. The Committee also reviews the risks the company is exposed to and approves the actions to be taken by the company so as to manage and mitigate the impact arising from such risks.

## Internal Audits

The Committee reviews the accounting system and the scope & coverage of the internal audit process to assess the effectiveness of financial controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Internal Audit function has been outsourced to a leading audit firm M/s PricewaterhouseCoopers, Colombo. Follow-up reviews are scheduled periodically to ascertain that audit recommendations are being acted upon.

## Statutory Audits

The Committee also deliberates with the Statutory Auditors M/s Ernst & Young, Colombo to review the nature, approach and scope of audit. Actions taken by the Management in response to the issues raised as well as the effectiveness of internal controls in place are also discussed.

## Appointment of Statutory Auditors

The Audit Committee, upon reviewing the independence and performance of the Auditors has recommended to the Board of Directors that M/s Ernst & Young, Colombo be appointed as Auditors for the financial year ending 31st March 2018, subject to the approval of the shareholders at the Annual General Meeting scheduled for 29th June, 2017.

## Conclusion

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

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



Prof. Lakshman R Watawala  
Chairman  
Audit Committee

09th May, 2017  
Colombo

## Related Party Transactions Review Committee Report

### Composition

The Related Party Transactions Review Committee was established by the Board of Directors in February, 2016. This was in accordance with the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

The Committee consists of Four Members with two Non-Executive Independent Directors as follows:

**Mr Amitha Gooneratne** (IND / NED ) - Chairman

**Prof. Lakshman R Watawala** (IND / NED)

**Mr P M Mohan** (NED) - (Replaced by **Mr. N V N Ramsai** from January 2017)

**Mr. Shyam Bohra** Managing Director as Member

(IND - Independent Director / NIND - Non Independent Director and NED – Non Executive Director)

Board profiles of the Committee members are detailed in the page 31 to 33 of this Annual Report.

The composition of the Committee satisfies the criteria as specified in the section 9.2.2 of the Listing Rules of Colombo Stock Exchange.

### Mandate

The purpose of the Committee is to assist the Board in meeting its oversight responsibilities pertaining to the Related Party Transactions. The mandate of the Committee, in keeping with the Rules and Code of Best Practice includes,

- To ensure that the interests of shareholders are taken into account as a whole when entering into related party transactions.
- To ensure that the Company complies with the Listing Rules of Colombo Stock Exchange.
- To update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- To 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.
- To make immediate market disclosures on applicable transactions as required by the Rules.
- To include appropriate disclosures on transactions in the annual report as required by the Rules.

### Meetings

The Committee met four times for the Financial Year 2016/17. Senior Vice President [Finance] and Assistant Vice President [Finance] also attended the Committee meetings on invitation.

The Committee has issued following guidelines pertaining to the Related Party Transactions of the Company.

- MD, LIOC to ensure that all Recurrent and Non-Recurrent transactions are at arm's length basis.
- Prior approval to be taken from the Committee for Non-Recurrent transactions if any, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- The Committee on an annual basis shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

At each quarterly meeting a report of recurrent & non-recurrent transactions were submitted, to be in line with the applicable CSE Rules. The activities and views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee Meetings.



**Mr. Amitha Gooneratne**  
Chairman,  
Related Party Transactions Review Committee

9th May 2017  
Colombo

# Independent Auditor's Report



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

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APAG/KT/MJA/JJ

## TO THE SHAREHOLDERS OF LANKA IOC PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Lanka IOC PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- The basis of opinion, Scope and Limitations of the audit are as stated above.
- In our opinion :
  - 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, and
  - the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 7 of 2007.

09 May 2017  
Colombo

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



# Statement of Comprehensive Income

Year ended 31 March 2017 (In LKR '000s)

	Note	Mar - 17	Mar - 16
Revenue	3	81,039,277	71,306,673
Cost of Sales		(73,981,564)	(65,489,333)
Gross Profit		7,057,713	5,817,340
Other Operating Income	4	140,493	98,963
Administrative Expenses		(1,455,382)	(1,197,357)
Selling and Distribution Expenses		(2,594,773)	(2,168,865)
Operating Profit		3,148,051	2,550,081
Finance Income	5.1	632,910	547,646
Finance Expenses	5.2	(180,362)	(422,832)
Profit/(Loss) Before Tax	6	3,600,599	2,674,895
Income Tax Expense	7.1	(535,316)	(435,552)
Profit/(Loss) for the Year		3,065,283	2,239,343
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.1	5,993	(6,630)
Deferred Tax Effect	9.2	(899)	995
Other Comprehensive Income for the Year, Net of Tax		5,094	(5,635)
Total Comprehensive Income for the Year, Net of Tax		3,070,377	2,233,708
Earnings Per Share	10	5.76	4.21

The accounting policies and notes on pages 129 through 155 form an integral part of the Financial Statements.

# Statement of Financial Position

As at 31 March 2017 (In LKR '000s)

	Note	Mar - 17	Mar - 16
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	11	4,114,443	4,056,485
Investment	12	4,394,000	4,394,000
Intangible Assets	13	674,074	674,538
Other Receivables	15.1	107,382	100,003
		9,289,899	9,225,026
<b>Current Assets</b>			
Inventories	14	4,821,898	7,265,492
Trade and Other Receivables	15	4,406,875	1,464,556
Short Term Investments	19.2	6,407,876	5,795,023
Cash and Bank Balances	16	567,136	1,317,786
		16,203,785	15,842,857
<b>Total Assets</b>		<b>25,493,684</b>	<b>25,067,883</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Stated Capital	17	7,576,574	7,576,574
Retained Earnings		13,213,693	10,808,898
<b>Total Equity</b>		<b>20,790,267</b>	<b>18,385,472</b>
<b>Non Current Liabilities</b>			
Defined Benefit Obligation	8	65,657	65,347
Deferred Tax Liabilities	9.1	111,429	89,109
		177,086	154,456
<b>Current Liabilities</b>			
Trade and Other Payables	18	3,593,667	4,216,680
Income Tax Payable		46,641	108,431
Interest Bearing Borrowings	19.1	886,023	2,202,844
		4,526,331	6,527,955
<b>Total Equity and Liabilities</b>		<b>25,493,684</b>	<b>25,067,883</b>

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



Senior Vice President (Finance)

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



Director



Director

09 May 2017

Colombo

The accounting policies and notes on pages 129 through 155 form an integral part of the Financial Statements.

## Statement of Changes in Equity

Year ended 31 March 2017 (In LKR '000s)

	Stated Capital	Retained Earnings	Total
<b>As at 01 April 2015</b>	7,576,574	10,548,096	18,124,670
Super Gain Tax paid	-	(1,440,440)	(1,440,440)
	7,576,574	9,107,656	16,684,230
Profit for the Year	-	2,239,343	2,239,343
Other Comprehensive Income/(Loss)	-	(5,635)	(5,635)
Total Comprehensive Income	-	2,233,708	2,233,708
Dividends Paid	-	(532,466)	(532,466)
<b>As at 31 March 2016</b>	7,576,574	10,808,898	18,385,472
Profit for the Year	-	3,065,283	3,065,283
Other Comprehensive Income/(Loss)	-	5,094	5,094
Total Comprehensive Income	-	3,070,377	3,070,377
Dividends Paid	-	(665,582)	(665,582)
<b>As at 31 March 2017</b>	7,576,574	13,213,693	20,790,267

The accounting policies and notes on pages 129 through 155 form an integral part of the Financial Statements.

# Statement of Cash Flows

Year ended 31 March 2017 (In LKR '000s)

	Note	Mar - 17	Mar - 16
Cash Flows From/(Used in) Operating Activities			
Profit before Income Tax Expense		3,600,599	2,674,895
<b>Adjustments for</b>			
Finance Income	5.1	(632,910)	(547,646)
Finance Expenses	5.2	180,362	422,832
Dividends Income		(100,000)	(62,500)
Increase/(Decrease) in Allowances for Impairment	15.6	41,053	68,794
Loss/ (Profit) on disposal of property, Plant and Equipment		23,730	1,747
Defined Benefit Plan Cost	8.1	12,038	9,323
Depreciation	11.2	327,172	291,286
Amortisation of Intangible Asset	13.2	464	473
<b>Operating Profit/(Loss) before Working Capital Changes</b>		<b>3,452,508</b>	<b>2,859,204</b>
(Increase)/ Decrease in Inventories		2,443,596	(1,677,733)
(Increase)/ Decrease in Trade and Other Receivables		(2,990,749)	(463,042)
Increase/ (Decrease) in Trade and Other Payables		(623,013)	2,913,748
<b>Cash Generated From/(Used in) Operations</b>		<b>2,282,342</b>	<b>3,632,177</b>
Income Tax Paid		(575,688)	(49,935)
Super Gain Tax Paid		-	(1,440,440)
Finance Expenses Paid		(180,362)	(422,832)
Defined Benefit Paid		(5,735)	(11,694)
<b>Net Cash Flows From/(Used in) Operating Activities</b>		<b>1,520,557</b>	<b>1,707,276</b>
<b>Cash Flows from Investing Activities</b>			
Finance Income	5.1	632,910	547,646
Dividends Income	4	100,000	62,500
Acquisition of Property, Plant and Equipment	11.1	(418,448)	(630,599)
Proceeds from Property, Plant and Equipment		9,586	1,079
<b>Net Cash Flows From/(Used in) Investing Activities</b>		<b>324,048</b>	<b>(19,376)</b>
<b>Cash Flows From Financing Activities</b>			
Repayments of Borrowings		(22,212,107)	(27,373,815)
Proceeds from Borrowings		20,895,287	25,578,888
Dividends Paid		(665,582)	(532,466)
<b>Net Cash Flows From/(Used in) Financing Activities</b>		<b>(1,982,402)</b>	<b>(2,327,393)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(137,797)</b>	<b>(639,493)</b>
Cash and Cash Equivalents at the Beginning of the Year	16	7,112,809	7,752,302
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>16</b>	<b>6,975,012</b>	<b>7,112,809</b>
<b>Analysis of Cash and Cash Equivalents</b>			
Short Term Investments	19.2	6,407,876	5,795,023
Cash in Hand and at Bank	16.1	567,136	1,317,786
		<b>6,975,012</b>	<b>7,112,809</b>

The accounting policies and notes on pages 129 through 155 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 2017 was authorized for issue in accordance with a resolution of the Board of Directors on 09 May 2017.

## 2. BASIS OF PREPARATION

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 (CA Sri Lanka).

The financial statements have been prepared on a historical cost basis, except for defined benefit obligation which is measured at present value of the obligation.

These Financial Statements are presented in Sri Lankan Rupees. All values are rounded to the nearest rupees thousand (LKR '000) except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

### 2.1.1 Changes in Accounting Policies

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

### 2.1.2 Comparative Information

Whenever necessary, comparative figures have been reclassified to maintain comparability of financial statements in order to provide a better presentation.

## 2.2 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.

### 2.2.1 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) Impairment of Trade Receivables

The Company assesses at the date of statement of financial position whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual or anticipated impairments. Further information is disclosed in Note 15.

#### b) 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.



# Notes to the Financial Statements

## 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 goodwill

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 each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. The recoverable amount of cash generating unit have been determined based on value - in - use calculation. These calculations required the use of estimates. Further information is disclosed in Note 13.

## 2.2.2 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 adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements

### a) Estimation of net realizable value for inventory

Inventory disclosed in Note 14 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) 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.

## 2.3 Summary of Significant Accounting Policies

### 2.3.1 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.

### 2.3.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, returns, rebates and sales taxes(value added taxes and Nation Building Tax).

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

#### a) Sale of goods

Sales of goods are recognised on delivery of products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

**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.

**2.3.3 Expenditure Recognition**

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

**2.3.4 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.

# Notes to the Financial Statements

## 2.3.5 Financial Instruments – Initial Recognition and Subsequent Measurement

### 2.3.5.1 Financial Assets

The company's financial assets include cash and short-term deposits, trade and other receivables, and amount due from related parties.

#### Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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

#### Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

#### Derecognition

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

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

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

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

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

#### Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows,

such as changes in arrears or economic conditions that correlate with defaults.

#### **Financial Assets carried at Amortised Cost**

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Asset that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present values of the estimated future cash flows are discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

#### **2.3.5.2 Financial Liabilities**

The Company's financial liabilities include trade and other payables, due to related parties, bank overdrafts and interest bearing loans and borrowings.

##### **Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. Any difference between initial fair value and the nominal amount is included as component of operating lease income and recognised on a straight line basis over the applicable time period.

##### **Subsequent Measurement**

The measurement of financial liabilities depends on their classification as follows:

##### **a) Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

##### **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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

# Notes to the Financial Statements

## 2.3.6 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 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.

## 2.3.7 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

## 2.3.8 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 whthat cost is incurred, if the recognition criteria are met.

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

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from date of availability for use. On disposal of assets, depreciation ceases on the date that the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Income Statement.



### 2.3.9 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, identified according to operating segment.

#### 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.

### 2.3.10 Investment in Ceylon Petroleum Storage Terminal Limited

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

### 2.3.11 Cash and Short-Term Deposits

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

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

### 2.3.12 Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

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

# Notes to the Financial Statements

## 2.3.13 Accounting for leases - where the Company is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

## 2.3.14 Provisions

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

## 2.3.15 Dividend Distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 2.3.16 Employee Benefits

### a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs K. A. Pandit consultant and actuaries who carried out actuarial valuation as at 31 March 2017.

### Recognition of Actuarial Gains and Losses

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

## b) Defined Contribution Plans

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

The Company contributes to the following Schemes:

### Employees' Provident Fund

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

### Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees'

Trust Fund maintained by the Employees Trust Fund Board.

## 2.4 Effect of Sri Lanka Accounting Standards (SLFRS) Issued but not yet Effective:

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Company/ Group has not early adopted the following new or amended standards in preparing these financial statements.

### SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

### SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### **SLFRS 16 Leases**

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Management believes that the SLFRS 9 would not have significant impact to the financial statements of the Company due to their business model. The preliminary evaluation of impact analysis of SLFRS 15 and 16 carried out by the management reveals that there will not be a significant change to the current practice. However, the Management is in the process of evaluating and quantifying the accounting impact.

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate
- LKAS 7 Disclosure Initiative - Amendments to LKAS 7
- LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12
- SLFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to SLFRS 2
- Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts - Amendments to SLFRS 4

# Notes to the Financial Statements

## 3. REVENUE

	Mar - 17	Mar - 16
Lanka auto diesel	28,107,352	23,665,881
Xtramile	2,542,464	2,238,463
Lanka super diesel	1,722,402	1,133,319
Lanka petrol 92 octane	25,669,913	22,847,001
Xtrapremium Euro 3	3,793,119	3,392,762
Xtrapremium 95	5,016,071	3,730,377
Lubricants	2,741,681	2,558,194
Bunkering	9,101,025	9,248,366
Bitumen	2,338,511	2,492,310
Petrochemical	6,739	-
<b>Total Revenue</b>	<b>81,039,277</b>	<b>71,306,673</b>

### 3.1 Segment Information

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

## 4. OTHER OPERATING INCOME

	Mar - 17	Mar - 16
Rental Income	23,531	20,565
Dividend Income	100,000	62,500
Sundry Income	16,962	15,898
	<b>140,493</b>	<b>98,963</b>

## 5. FINANCE INCOME AND EXPENSES

### 5.1 Finance Income

	Mar - 17	Mar - 16
Income from Short term Investment	603,934	499,344
Interest on Others	28,976	48,302
	<b>632,910</b>	<b>547,646</b>

### 5.2 Finance Expenses

	Mar - 17	Mar - 16
Interest on Short Term Loans	81,651	66,987
Exchange (Gain)/Loss	98,711	355,845
	<b>180,362</b>	<b>422,832</b>

**6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

	Mar - 17	Mar - 16
<i>Stated after Charging /Crediting</i>		
Directors' Emoluments	23,187	22,949
Salaries and Wages	448,311	385,665
Increase/(Decrease) in Allowances for Impairment	41,053	68,794
Loss/(Gain) on disposal of Property, Plant and Equipment	23,730	1,747
Exchange (Gain) / Loss	98,711	355,845
Defined Benefit Obligation : Charge for the year	12,038	9,323
Audit Fee - Current year	1,500	1,300
Rent	61,175	63,126
Depreciation Charge for the year	327,172	291,286
Amortisation Charge for the year	464	473

**7. TAX EXPENSES**

The major components of income tax expense for the years ended 31 March 2017 and 31 March 2016 are as follows :

**7.1 Income Statement**

	Mar - 17	Mar - 16
<b>Current Income Tax:</b>		
Current Tax Expense	481,508	449,182
Under/(Over) Provision of Current Taxes in respect of Prior Year	32,387	(48,936)
<b>Deferred Tax:</b>		
Deferred Taxation Charge/ (Credit) (Note 9.2)	21,421	35,306
<b>Income Tax Expense / (Credit) Reported in the Income Statement</b>	<b>535,316</b>	<b>435,552</b>



# Notes to the Financial Statements

## 7. TAX EXPENSES (Contd..)

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 March 2017 and 31 March 2016 are as follows :

	Mar - 17	Mar - 16
Accounting Profit before tax	3,600,599	2,674,895
Tax calculated at a tax rate of 15% (2016 - 15%)	540,090	401,234
Adjustments in respect of prior years	32,387	(48,936)
Tax impact of expenses deductible/not deductible for tax purpose	(9,966)	(13,871)
Tax impact of income not subject to tax	(77,086)	(9,375)
Tax impact of income taxable at different rate	(32,850)	(82,147)
Adjustment due to the estimated deferred tax base in previous year	21,421	35,306
Tax charge on profit from trade or business	473,995	282,211
Interest income	219,003	547,645
Tax calculated at a tax rate of 28% (2016 - 28%)	61,321	153,341
Total tax charge for the year	535,316	435,552

## 8. DEFINED BENEFIT OBLIGATION

	Mar - 17	Mar - 16
Balance as at 01 April	65,347	61,088
Current Service Cost	4,196	4,076
Interest Cost	7,842	5,247
Actuarial (Gain) / Loss (8.2)	(5,993)	6,630
Benefits Paid	(5,735)	(11,694)
Balance as at 31 March	65,657	65,347

### 8.1 Expenses on Defined Benefit Plan

	Mar - 17	Mar - 16
Income Statement		
Current Service Cost for the year	4,196	4,076
Interest Cost for the year	7,842	5,247
	12,038	9,323
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.2)	(5,993)	6,630
	(5,993)	6,630

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

	Mar - 17	Mar - 16
Changes in Financial Assumptions	(3,709)	(6,254)
Changes in Demographic Assumptions	(7,027)	1,792
Experience Adjustments	4,743	11,092
	(5,993)	6,630

**8.3** Actuarial valuation of Retirement Benefit Obligation as at 31 March 2017 was carried out by Messrs. K A Pandit Consultants & Actuaries, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

**8.4 Principle Actuarial Assumptions**

	Mar - 17	Mar - 16
Principle Actuarial Financial Assumptions underlying the valuation are as follows:		
Discount Rate	13.00%	12.00%
Salary Incremental Rate	2-8%	2-8%
Staff Turnover	2-5%	5%
Retirement Age	60 years	60 years

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

**8.5 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 2017. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Increase/(Decrease) in Staff Turnover Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
1%	-	-	3,346	(3,346)
-1%	-	-	(3,709)	3,709
-	1%	-	(4,032)	4,032
-	-1%	-	3,678	(3,678)
-	-	1%	(3,018)	3,018
-	-	-1%	3,258	(3,258)

**8.6 Maturity Profile of the Defined Benefit Obligation Plan**

Maturity Profile of the Defined Benefit Obligation Plan as at the reporting date is given below:

	Years
Weighted Average Duration of the Defined Benefit Obligation	14

# Notes to the Financial Statements

## 9. DEFERRED TAX LIABILITIES

### 9.1 Deferred Tax

	Mar - 17	Mar - 16
Deferred Tax Relates to the Following:		
Deferred Tax Assets Arising on:		
Retirement Benefit Obligation	9,849	9,802
	9,849	9,802
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(121,278)	(98,911)
Net Deferred Tax Asset/(Liability)	(111,429)	(89,109)
9.2 Balance brought forward	89,109	54,798
Deferred Income Tax (Credit)/Charge- Income Statement	21,421	35,306
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	899	(995)
Net Deferred Tax (Asset)/Liability	111,429	89,109

## 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.

	Mar - 17	Mar - 16
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	3,065,283	2,239,343
Number of Ordinary Shares used as the Denominator:		
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705

**11. PROPERTY, PLANT AND EQUIPMENT****11.1 Gross Carrying Amounts**

At Cost	Balance as at 01.04.2016	Additions	Transfers/ Reclassification	Disposals/ Deductions	Balance as at 31.03.2017
Freehold Land	1,970,520	-	-	(2,104)	1,968,416
Building and Fixtures	1,885,934	-	111,951	(51,562)	1,946,323
Plant and Equipment	2,481,522	-	284,057	(5,219)	2,760,360
Office Equipment	36,482	8,144	(53)	(8,218)	36,355
Furniture and Fittings	68,654	24,472	38,084	(29,954)	101,256
Motor Vehicles	45,554	5,869	-	(11,352)	40,071
Capital Work-In- Progress	246,975	379,963	(434,039)	-	192,899
	6,735,641	418,448	-	(108,409)	7,045,680

**11.2 Depreciation**

At Cost	Balance as at 01.04.2016	Charge for the year	Transfers/ Reclassification	Disposals/ Deductions	Balance as at 31.03.2017
Building and Fixtures	960,865	128,885	(14,953)	(42,087)	1,032,710
Plant and Equipment	1,626,510	167,353	6,275	(4,506)	1,795,632
Office Equipment	28,020	5,203	(20)	(8,218)	24,985
Furniture and Fittings	28,048	20,731	8,698	(8,930)	48,547
Motor Vehicles	35,713	5,001	-	(11,351)	29,363
	2,679,156	327,172	-	(75,092)	2,931,237

**11.3 Net Book Value**

	Mar - 17	Mar - 16
Freehold Land	1,968,416	1,970,520
Building and Fixtures	913,613	925,069
Plant and Equipment	964,728	855,012
Office Equipment	11,370	8,462
Furniture and Fittings	52,709	40,606
Motor Vehicles	10,708	9,841
Capital Work-In- Progress	192,899	246,975
<b>Total Carrying Value of Property, Plant &amp; Equipment</b>	<b>4,114,443</b>	<b>4,056,485</b>

**11.4** During the financial year, the company acquired Property, Plant and Equipment to aggregate value of LKR 418 Mn (2016 - LKR 630 Mn).

**11.5** During the financial year the Company has reclassified capital stores amounting to LKR 68 mn (2016 - LKR 47 Mn) in Capital WIP which was previously classified as an inventory.

# Notes to the Financial Statements

## 11. PROPERTY, PLANT AND EQUIPMENT (Contd..)

### 11.6 The Useful Lives of the Assets are Estimated as Follows:

	Mar - 17	Mar - 16
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. LONG TERM INVESTMENT

	Mar - 17	Mar - 16
At the beginning and end of the year	4,394,000	4,394,000

- 12.1 Lanka IOC PLC owns 33 1/3% of the 750,000,000 shares of Ceylon Petroleum Storage Terminal Limited (CPSTL), also known as the "Common User Facility" (CUF). The Company paid US\$ 45 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.

## 13. INTANGIBLE ASSETS

### 13.1 Gross Carrying Amounts

	Goodwill	License fees on computer software	Total
As at 01.04.2016	759,298	11,938	771,236
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2017	759,298	11,938	771,236

### 13.2 Amortisation

	Goodwill	License fees on computer software	Total
As at 01.04.2016	85,421	11,277	96,698
Charge for the year	-	464	464
As at 31.03.2017	85,421	11,741	97,162

13.3	Net Book Value as at 31.03.2017	673,877	197	674,074
13.4	Net Book Value as at 31.03.2016	673,877	661	674,538

- 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 balance sheet date amounting to LKR 85 Mn which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards goodwill is tested annually for impairment and carried at cost less amortisation up to 2007.
- 13.6** The Company has determined recoverable amount of cash generating unit based on value in use by considering following key assumptions, which are most sensitive to the value in use: EBIT to Sales ratio - 4%, Growth rate - 5%, Discount rate of 12%.

#### **14. INVENTORIES**

	Mar - 17	Mar - 16
<b>Summary</b>		
Auto Fuel	3,241,490	5,347,398
Bunker Fuel	498,276	247,079
Bitumen	413,509	305,516
Lubricants	222,982	278,248
Base oil and other raw materials	383,862	570,786
Goods In Transit	61,779	516,465
	<b>4,821,898</b>	<b>7,265,492</b>

#### **15. TRADE AND OTHER RECEIVABLES**

	Mar - 17	Mar - 16
<b>Current Assets</b>		
<b>Summary</b>		
Trade Receivables - Others (net of Allowance for Impairment)	2,072,889	1,268,766
VAT Receivables	11,586	9,943
Other Receivables - Related Party (15.2)	51,547	29,972
- Others	51,278	36,936
Deposits and Advances	2,190,958	84,639
Prepayments	28,617	34,300
	<b>4,406,875</b>	<b>1,464,556</b>



# Notes to the Financial Statements

## 15. TRADE AND OTHER RECEIVABLES (Contd..)

### 15.1 Non Current Assets- Other Receivables

	Mar - 17	Mar - 16
Staff Loan	107,382	100,003
	107,382	100,003

### 15.2 Other Receivables- Related Parties

	Relationship	Mar - 17	Mar - 16
Indian Oil Corporation Limited	Immediate Parent	51,547	29,972
		51,547	29,972

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

	Total	Neither Past due nor Impaired	Past Due but not Impaired					More than 365 days
			Less than 30 days	31-90 days	91-180 days	181-365 days		
2017	2,072,889	1,915,196	106,259	34,845	4,739	6,845		5,005
2016	1,268,766	923,377	235,130	47,693	15,347	2,513		44,706

### 15.4 The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 15.5 below. The Company does not hold any collateral security.

### 15.5 The carrying amounts of trade and other receivables are denominated in following currencies:

	Mar - 17	Mar - 16
US Dollars	1,238,911	492,774
Sri Lankan Rupees	3,167,964	971,782

### 15.6 Allowance for impairment

Receivables of LKR 484 Mn (2016 LKR 443 Mn) were impaired, due to defaults. Movement in the allowance for impairment is as follows:

	Mar - 17	Mar - 16
As at 01 April	443,041	374,247
Charge for the year	41,053	68,794
As at 31 March	484,094	443,041

**16. CASH AND CASH EQUIVALENTS****16.1 Cash & Cash Equivalent balances**

	Mar - 17	Mar - 16
Cash and Bank Balances	567,136	1,317,786
Short Term investments (19.2)	6,407,876	5,795,023
	6,975,012	7,112,809

**16.2 Bank Balances**

	Rating	Mar - 17	Mar - 16
Citibank N.A	AAA	346,042	388,106
Standard Chartered Bank	AAA	88,307	709,363
People's Bank	AA+	4,155	6,001
Bank of Ceylon	AA+	2,087	4,111
Commercial Bank of Ceylon PLC	AA	100,733	27,439
ICICI Bank	AAA	26	414
State Bank of India	BBB-	11,072	171,416
Deutsche Bank A.G	A-	14,343	10,552
Hatton National Bank PLC	AA-	33	27
Axis Bank	BBB-	190	230
		566,988	1,317,659

**17. STATED CAPITAL**

	Mar - 17	Mar - 16
<b>17.1 Stated Capital as at 31 March</b>	7,576,574	7,576,574
<b>17.2 Number of Ordinary Shares</b>	532,465,705	532,465,705

**18. TRADE AND OTHER PAYABLES**

	Mar - 17	Mar - 16
Trade Payables -Related Parties (18.1)	19,783	25,617
-Others	2,708,737	3,565,409
Other Payables - Related Parties (18.2)	320,326	304,738
Sundry Creditors Including Accrued Expenses	544,821	320,916
	3,593,667	4,216,680

# Notes to the Financial Statements

## 18. TRADE AND OTHER PAYABLES (Contd..)

### 18.1 Trade Payables- Related Parties

	Relationship	Mar - 17	Mar - 16
Indian Oil Corporation Limited	Immediate Parent	19,783	25,617
		19,783	25,617

### 18.2 Trade Payables- Related Parties

	Relationship	Mar - 17	Mar - 16
Ceylon Petroleum Storage Terminal Limited	Significant Investee	320,326	304,738
		320,326	304,738

## 19. OTHER FINANCIAL ASSETS AND LIABILITIES

### 19.1 Interest Bearing Loans and Borrowings

	Mar - 17	Mar - 16
Short Term Loans (19.3)	886,023	2,202,844
	886,023	2,202,844

### 19.2 Short Term Investments

	Mar - 17	Mar - 16
Unit Trust Investment (19.2.1)	6,407,876	-
Repurchase Agreements (REPO)	-	5,795,023
	6,407,876	5,795,023

#### 19.2.1 Investments in Money Market Funds

		As At 01.04.2016	Additions/ (Withdrawals)	Fair Value Gain / (Loss)	As At 31.03.2017
Unit Trust Investment	Held for Trading	-	6,406,332	1,544	6,407,876

**19.3** The short term loans USD 5.82 Mn (2016- USD 15.01Mn) are unsecured except for the loans from State Bank of India Colombo branch and Singapore branch amounting to USD 1.83 Mn (2016- USD 4 Mn) . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

**19.4** The interest rates are as follows:

Short term loans LIBOR + Margin

**19.5** One month LIBOR rate at the date of statement of financial position was 0.98278%

**20. RELATED PARTY DISCLOSURES****20.1 Transactions with the Related Entities****20.1.1 Transactions with Parent**

	Mar - 17	Mar - 16
Nature of Transaction		
Amounts Receivable as at 01 April	29,972	-
Amounts Payable as at 01 April	(25,617)	(38,319)
Fund Transfers/Payment Made	424,822	635,239
Purchases of Goods	(622,569)	(691,830)
Sale of Goods	203,893	87,902
Expenses Reimbursed	21,263	11,364
Amounts Receivable as at 31 March	51,547	29,972
Amounts Payable as at 31 March	(19,783)	(25,617)
Net Balance as at 31 March	31,764	4,355

**20.1.2** During the year, the Company paid a gross dividend of LKR 666 Mn with respect to the financial year ended 31 March 2016, out of which LKR 500 Mn was paid to Indian Oil Corporation Limited.

**20.1.3 Transactions with Ceylon Petroleum Storage Terminal Limited**

	Mar - 17	Mar - 16
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(304,738)	(104,932)
Fund Transfers/Payment Made	1,095,560	873,804
Dividend (Net of Tax)	90,000	56,250
Services Rendered	(1,201,148)	(1,129,860)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(320,326)	(304,738)

The above transactions are included in Current Liabilities as Amount due to Related Parties and in Current Assets as Amount due from Related Parties.

# Notes to the Financial Statements

## 20. RELATED PARTY DISCLOSURES (Contd..)

### 20.1.4 Terms and Conditions

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. The intention of the Group is to settle such related party dues within a short term (less than one year)

### 20.2 Transactions with Key Management Personnel of the Company

- 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:

	Mar - 17	Mar - 16
Fees for Directors	2,428	2,378
Emoluments	18,119	17,586
Short Term Employment Benefits	2,640	2,985
	23,187	22,949

## 21. COMMITMENTS

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

### 21.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to LKR104 Mn (2016 - LKR 268 Mn).

### 21.2 Operating lease commitments

The Company has a commitment to pay USD 100,000 per annum to Government of Sri Lanka as lease rental for storage tanks at Trincomalee used by the Company.

The future aggregate minimum lease payments of the operating leases according to the Memorandum of Understanding signed with the Government of Sri Lanka are as follows:

	Mar - 17	Mar - 16
No later than 1 year	15,217	14,673
Later than 1 year and no later than 5 years	60,870	58,690
More than 5 years	258,696	264,105
	334,783	337,468

- 21.3 Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2017 amounted to LKR 4,317 Mn (2016 - LKR 1,693 Mn)

**22. CONTINGENCIES**

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

- 22.1** Guarantees issued by Banks on behalf of the Company as at 31 March 2017 amounted to LKR 424 Mn (2016- LKR 101 Mn)
- 22.2** There is a disagreement on interpretation of NBT Act between Company and Inland Revenue Department. The case is pending before the Tax Appeal Commission for the assessment period Mar-2012 to Sept-2012 amounting to LKR 149 million. For the assessment period Dec-2012 to Jun-2015 amounting to LKR 564 million, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Sept-2015 to Mar-2017 is LKR 384 million for which assessment orders have not yet been issued by Inland Revenue Department. Therefore total Contingent liability as on 31st Mar-2017 is 1,097 million.

**23. ASSETS PLEDGED**

No assets have been pledged as at the reporting date except for those disclosed in Note 19.3.

**24. DIVIDEND**

	Mar - 17	Mar - 16
Equity Dividend on Ordinary shares		
-Final Dividend for 2016 LKR 1.25 (2015 - LKR 1.00) Per Share	665,582	532,466

**25. EVENTS AFTER THE REPORTING DATE****Final dividend**

The Board of Directors of the Company has declared a final dividend of LKR 1.25 per share for the financial year ended 31 March 2017. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as an liability in the financial statements as at 31 March 2017.

**26. 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.



# Notes to the Financial Statements

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### 26.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

An analysis of the carrying amount of financial instruments based on the currency they are denominated are as follows.

	Denominated in LKR	Denominated in USD
Cash at bank and in hand	555,823	11,313
Interest Bearing Loans & Borrowings	-	886,023
Trade and Other Receivables (Current)	3,167,964	1,238,911
Other Receivables (Non Current)	107,382	-

#### 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, REPO investments and Unit Trust investments. The Company manages its interest rate risk by daily monitoring and managing of cash flow, by keeping borrowings to a minimum and negotiating favourable rates on borrowings.

#### 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, Trade Receivables and Trade Payables.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of USD denominated liabilities).

	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
<b>2017</b>				
Interest Bearing Loans and Borrowings (USD)	886,023	152.17	+/- 1%	+/- 8,860
Trade and Other Receivables (USD)	1,238,911	152.17	+/- 1%	+/- 12,389
Trade and Other Payables (USD)	1,452,309	152.17	+/- 1%	+/- 14,523

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.

## 26.2 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.

## 26.3 Liquidity risk

The Company monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and project cash flow requirements as per the project implementation period. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and financing for current operations is already secured.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 1 year	More than 1 year	Total
Interest-bearing loans and borrowings	886,023	-	886,023
Trade and Other Payables	3,593,667	-	3,593,667
	4,479,690	-	4,479,690

## 26.4 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.

## 26.5 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 gearing ratio.

	Mar - 17	Mar - 16
Total borrowings (Note 19)	886,023	2,202,844
Less :- Cash and cash equivalents (Note 16)	(6,975,012)	(7,112,809)
Net debt	-	-
Total equity	20,790,267	18,385,471
<b>Total capital</b>	<b>20,790,267</b>	<b>18,385,471</b>
<b>Gearing ratio</b>	<b>0%</b>	<b>0%</b>

# Notes to the Financial Statements

## 27. FAIR VALUES

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements.

Company	Carrying Amount		Fair Value	
	Mar - 17	Mar - 16	Mar - 17	Mar - 16
<b>Financial Assets</b>				
Other Receivables (Non Current)	107,382	100,003	107,382	100,003
Trade and Other Receivables (Current)	4,366,673	1,420,313	4,366,673	1,420,313
Short Term Investments	6,407,876	5,795,023	6,407,876	5,795,023
Cash and Bank Balance	567,136	1,317,786	567,136	1,317,786
<b>Total</b>	<b>11,449,066</b>	<b>8,633,125</b>	<b>11,449,066</b>	<b>8,633,125</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	3,048,846	3,895,763	3,048,846	3,895,763
Interest Bearing Loans and Borrowings (Current)	886,023	2,202,844	886,023	2,202,844
<b>Total</b>	<b>3,934,869</b>	<b>6,098,607</b>	<b>3,934,869</b>	<b>6,098,607</b>

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- A Cash and short-term deposits, short term investment, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**28. 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 LKAS 39 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

As at 31 March 2017	Financial Assets and Liabilities at Amortised Cost	Total
<b>Financial Assets</b>		
Other Receivables (Non Current)	107,382	107,382
Trade and Other Receivables (Current)	4,366,673	4,366,673
Short Term Investments	6,407,876	6,407,876
Cash and Cash Equivalents	567,136	567,136
<b>Total Financial Assets</b>	<b>10,881,931</b>	<b>10,881,931</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	3,048,846	3,048,846
Interest Bearing Loans and Borrowings	886,023	886,023
<b>Total Financial Liabilities</b>	<b>3,934,869</b>	<b>3,934,869</b>
<b>As at 31 March 2016</b>	<b>Financial Assets and Liabilities at Amortised Cost</b>	<b>Total</b>
Other Receivables (Non Current)	100,003	100,003
Trade and Other Receivables (Current)	1,420,313	1,420,313
Short Term Investments	5,795,023	5,795,023
Cash and Cash Equivalents	1,317,786	1,317,786
<b>Total Financial Assets</b>	<b>8,633,125</b>	<b>7,315,340</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	3,895,763	3,895,763
Interest Bearing Loans and Borrowings (Current)	2,202,844	2,202,844
<b>Total Financial Liabilities</b>	<b>6,098,607</b>	<b>6,098,607</b>

## Extents, Locations & the No. of Buildings of *Lanka IOC's Landholdings (CSE Rules 7.6 (VIII))*

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2017		NO. OF BUILDINGS	NO. OF CANOPIES
				ROOTS	PERCHES		
1	102389	SAMPATH ENTERPRISES,	NO. 239, GALLE ROAD, MOUNT LAVINIA.	01R	00.03P	1	2 (MAIN + 2-3WHEELER CANOPY)
2	102432	CADILLAC IOC FILLING STATION PVT LTD	PALLIMULLA , MATARA.	01R	27.44P	1	1
3	102320	HOMAGAMA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD	NO. 57, HIGH LEVEL ROAD, HOMAGAMA.		32.30P	1	1
4	102313	S.S. KOTALAWALA & CO	NO. 570, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO.		25.29P	1	1
5	102357	A.W. DAVITH APPUHAMY & SONS	NO. 124, KOTUGODELLA VEEDIYA, KANDY.		30.70P	3 (SALES ROOM +SERVICE STATION+GENERATOR ROOM)	NIL
6	102362	PASSARA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD	BADULLA ROAD, PASSARA.		24.32P	3 (SALE ROOM +WASH ROOM+GENERATOR ROOM)	NIL
7	102334	SINHA ASSOCIATES	NO. 02, MANGALA ROAD, GAMPAHA.		12.14P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
8	102402	SINHA AUTO IOC SERVICES (PVT) LTD	NO. 22, PUTTALAM ROAD, CHILAW.		28.70P	1	1
9	102351	GAMPOLA MPCs LTD	NO. 182, NUWARA ELIYA ROAD, GAMPOLA.		26.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
10	102317	LANKA IOC SERVICE MART (PVT) LTD	NO. 650, MARADANA 2ND DIVISION, MARADANA ROAD, COLOMBO 10.	01R	11.83P	1	1
11	102391	S & D ENTERPRISES	NO. 205, GALLE ROAD, PANADURA.		36.94P	1	1
12	102365	MRS. R.P. JAYASINGHE	BADULLA ROAD, WELIMADA.		21.98P	1	1
13	102350	DON DAMINDA JAYAMAL DIAS	NO. 54, BADULLA ROAD, BADULLA.	02R	00.72P	2 (PORTA CABIN + ELECTRICAL ROOM)	2
14	102361	W. PALIHAWADANA & SONS	NO. 14, KANDY ROAD, NUWARA ELIYA.		25.25P	1	1
15	102331	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 562, GEORGE R DE SILVA MAWATHA, COLOMBO - 13.	01R	35.45P	1	1
16	102332	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 502, SRIMAO BHANDRANAYAKA MAWATHA, COLOMBO 14.		24.29P	1	1
17	102380	DERANIYAGALA PANAWELA MPCs LTD	NOORI ROAD, DERANIYAGALA.		27.84P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
18	102431	MRS. WIMALA SIRISENA	BROADWAY, MATARA		34.11P	1	1

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2017		NO. OF BUILDINGS	NO. OF CANOPIES
				ROOTS	PERCHES		
19	102424	DWM FERNANDO & SONS (PVT) LTD	GALLE ROAD, ALUTHGAMA		36.94P	1	1
20	102449	M/S. THILAKA FILLING STATION	NO. 183, BATTICALOW ROAD, KALMUNAI.		38.33P	1	NIL
21	102322	MAHARAGAMA MPCs LTD	NO. 79, HIGHLEVEL ROAD, MAHARAGAMA.		36.67P	1	1
22	102324	KOLONNAWA MPCs LTD	NO. 253, AWISSAWELLA ROAD, WELLAMPITIYA.		29.73P	1	1
23	102383	HEWAGAM KORALE EAST MPCs LTD	HIGHLEVEL ROAD, PAHATHGAMA, HANWELLA.		20.00P	1	1
24	102390	HEWAGAM KORALE EAST MPCs LTD	INGIRIYA ROAD, PADUKKA.		34.76P	1	1
25	102406	MR. HARSHA D. WEERAKOON	OLD TOWN, MADAMPE.		38.56P	2 (SALES ROOM+ SERVICE STN)	1
26	102436	A.H.M. HUSSAIN HADJIAR SONS	MATARA ROAD, WELIGAMA.	01R	10.74P	1	1
27	102318	MRS. SOMA ABEYWARDHANA	169, HIGHLEVEL RD, NEAR MAYA AVENUE, COLOMBO 5		24.00P	1	1
28	102321	KOTTAWA LANKA FILLING STATION	NO. 41, HIGHLEVEL ROAD, KOTTAWA.		21.73P	1	1
29	102381	EHELIYAGODA MPCs LTD	RATNAPURA ROAD, EHELIYAGODA.		34.52	2 (SALES ROOM+ SERVICE STN)	1
30	102410	W. CALISTUS PERERA & SONS	NO 66, GREENS ROAD, NEGOMBO.	01R	19.34P	2 (SALES ROOM+ SERVICE STN)	1
31	102434	TANGALLE MPCs LTD	MAHAWELLA ROAD, TANGALLE.		24.00P	1	1
32	102412	KATANA MPCs LTD	NO.437/439, NEGOMBO ROAD, SEEDUWA.		37.68P	1	1
33	102425	AMBALANGODA MPCs LTD	NEW GALEE ROAD, AMBALANGODA.		19.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
34	102409	MR. K.H. JAYASINGHE	KULIYAPITIYA ROAD, NATTANDIYA.		22.44P	1	1
35	102445	RANGIRI DAMBULLA MPCs LTD	KURUNEGALA JUNCTION, DAMBULLA.		22.23P	1	1
36	102316	SLIPTO AGENCIES (PVT) LTD	1141, PRADEEPA MAWATHA, MALIGAWATTE, COLOMBO 10.	01R	07.23P	2 (SALES ROOM+ SERVICE STN)	2 (MAIN+2-3WHEELER)
37	102394	M/S. LIYANAGE ASSOCIATES	491, GALLE ROAD, RATMALANA.		34.00P	2 (SALES ROOM+ SERVICE STN)	1
38	102450	MRS. C.R. SAMARASINGHE	PUTTALM ROAD, NOCHCHIYAGAMA.	02R	00.05P	2 (SALES ROOM+ SERVICE STN)	1
39	102429	MR. DUDLEY PARANAGAMA	KATUGODA, MAGALLE, GALLE.		23.48P	1	1



## Extents, Locations & the No. of Buildings of *Lanka IOC's Landholdings (CSE Rules 7.6 (VIII))*

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2017		NO. OF BUILDINGS	NO. OF CANOPIES
				ROOTS	PERCHES		
40	102312	MINERAL SPRINGS (PVT) LTD	291. DR.DANISTER DE SILVA MAWATHA, COLOMBO 9.	01R	12.94P	2 (SALES ROOM+ SERVICE STN)	1
41	102314	MR. A.W. RANASINGHE	42, HAVELOCK ROAD, COLOMBO 05.		15.39P	1	1
42	102336	MR. C.J. ABEYRATNE	KANDY ROAD, KADAWATA.		17.20P	1	1
43	102426	MRS. K.A.A.H. DE SILVA	TANGALLE ROAD, BELIATTA.		20.1P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
44	102341	MR. S.N. JAYASINGHE	NO. 107, NEGOMBO ROAD, PELIYAGODA.	01R	06.17P	1	1
45	102310	M/S. FELIX PEREIRA & SON	NO 75, ALEXANDER PLACE (DR. C W W KANNANGARA MAWATHA), COLOMBO 07.	02R	01.15P	2 (SALES ROOM+ SERVICE STN)	1
46	102353	G.K. SAMIE & SONS	NO. 02, MAIN STREET, HATTON.		15.41P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
47	102319	M.G. SAMSON & SONS	94, DS SENANAYAKE MW, COLOMBO 08.		36.78P	2 (SALES ROOM+STORE ROOM)	1
48	102444	MR. M. SELVARAJAH	NO 56, TRINCOMALEE ROAD, BATTICALOW.		33.97P	1	1
49	102411	SANDALANKAWA NEW MPCs LTD	WETAKEWA, GONAWELA, SANDALANKAWA.	01R	08.36P	1	1
50	102433	KOTAPOLA MPCs LTD	DENIYAYA ROAD, MORAWAKA.		13.27P	1	1
51	102385	RAIGAM UDAGAHAPATTU MPCs LTD	RATNAPURA ROAD, INGIRIYA.		22.23P	0	1
52	102384	B.D.P. GUNASEKERA & SON	NO. 53, RATNAPURA ROAD, HORANA.		27.36P	1	1
53	102358	MR. P.G.W. SAMARASEKERA	NO. 718, PERADENIYA ROAD, KANDY	01R	03.66P	2 (SALES ROOM+ SERVICE STN)	1
54	102335	S.R.B. ENTERPRISES	NO. 141, KANUWANA, JA-ELA.		39.44P	1	1
55	102452	MRS. R.M. PULLENDHAN	MANNER JUNCTION, VAUNIYA.		43.62P	1	1
56	102387	KALUTARA MPCs LTD	NO. 326, GALLE ROAD, KALUTARA SOUTH, KALUTARA.		28.15P	2 (SALES ROOM+PANEL ROOM)	1
57	102311	MR. H.K.S. RANASINGHE	NO.762 GALLE ROAD, COLOMBO 04.		38.83P	1	1
58	102395	MR. SARATH COLONNE	NO. 252, GALLE ROAD, RATMALANA.		35.50P	1	1
59	102379	BALANGODA MPCs LTD	BALAGAHAMULLA, BALANGODA.		34.39P	1	1
60	102356	W.A. PERERA & SONS	NO. 362, KATUGASTOTA ROAD, KANDY.	01R	14.84P	3 (SALES ROOMS+ SERVICE STN)	1

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2017		NO. OF BUILDINGS	NO. OF CANOPIES
				ROOTS	PERCHES		
61	102396	RATNAPURA MPCS LTD	NO. 10, BANDARANAYAKE MAWATHA, RATNAPURA.		34.9P	1	1
62	102451	MUTTUR AGA DIVISION MPCS LTD	NO 45, KANDY ROAD, TRINCOMALEE.	01R	29.86P	2 (SALES ROOM + SERVICE STN)	1
63	102340	ATTANAGALLA MPCS LTD	KANDY ROAD, NITTAMBUWA.		12.10P	2 (SALES ROOM+GEN ROOM)	1
64	102342	LIANFIRM (PVT) LTD	NO. 301, NEGOMBO ROAD, PELIYAGODA.		36.89P	1	1
65	102352	HALIELA MPCS LTD	BADULLA ROAD, HALI ELA.		24.50P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
66	102388	MR. S.P. GUNASINGHE	NO. 93, AGALWATTA ROAD, MATUGAMA.	01R	02.02P	1	
67	102354	M/S. HUNNASGIRIYA AGENCIES	MAHIYANKANAYA ROAD, HUNNASGIRIYA.		12.57P	2	NIL
68	102447	GALGAMUWA MPCS LTD	KURUNEGALA ROAD, GALGAMUWA.		13.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
69	102386	KALAWANA MPCS LTD	MANANA, KALAWANA.		12.89P	1	1
70	102343	POLGAHAWELA MPCS LTD	KURUNEGALA ROAD, POLGAHAWELA.		13.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
71	102363	YATINUWARA MEDA PALATA MPCS LTD	NO. 387, COLOMBO ROAD, PILIMATALAWA.		31.04P	1	1
72	102323	WIJERAMA ENTERPRISE	NO. 678, WIJERAMA JUNCTION, GANGODAWILA, NUWEGODA.		24.62P	1	1
73	102339	MAWANELLA HEMMATHAGAMA MPCS LTD	KANDY ROAD, MAWANELLA.		24.24P	2(PORTA CABIN + ELECTRICAL ROOM)	1
74	102423	A.H. WIMALATUNGE & SON (PVT) LTD	MONARAGALA ROAD, WELLAWAYA.		39.63P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
75	102427	MRS H N W PRIYANGANI DE SILVA	GALLE ROAD, BERUWELA.		29.91P	1	1
76	102435	TISSAMAHARAMA MPCS LTD	DEBEREWEWA JUNCTION, TISSAMAHARAMA.	01R	00.00P	1	1
77	102401	BINGIRIYA MPCS LTD	HETTIPOLA ROAD, BINGIRIYA.		10.46P	1	NIL
78	102430	WELDISI (PVT) LTD	TANGALLE ROAD, HAMBANTOTA.	01R	03.58P	1	1
79	102377	SAMARANAYAKA SAHA SAMARANAYAKA	AGALAWATTA.		13.65P	1	1
80	102408	MR. L.P.P. PATHIRATNE	NO. 69, COLOMBO ROAD, MINUWANGODA.	01R	01.94P	1	1
81	102446	GALEWELA MPCS LTD	TRINCO ROAD,GALEWELA.		23.36P	1	1
82	102315	SWASTHIKA MILLS LTD	323, HAVELOCK ROAD, COLOMBO 06.	01R	03.96P	2 (SALES ROOM+ MINIMART)	2 (MAIN+2-3WHEELER)

## Extents, Locations & the No. of Buildings of *Lanka IOC's Landholdings (CSE Rules 7.6 (VIII))*

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2017		NO. OF BUILDINGS	NO. OF CANOPIES
				ROOTS	PERCHES		
83	102364	A.V. HINNIAPPUHAMY & COMPANY	NO. 98, NUWARA ELIYA ROAD, TALAWAKELE.		26.37P	1	1
84	102404	JOE PERERA & SONS	NO. 01, COLOMBO ROAD, KOCHCHIKADE.		14.81P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
85	102355	NOOHU MARIKAR	NO. 02, RAGALA ROAD, KANDAPOLA.		22.20P	2(PORTA CABIN + ELECTRICAL ROOM)	1
86	102403	DIVULAPITIYA MPCs LTD	NO. 45, COLOMBO ROAD, DIVULAPITIYA.		06.68P	1	NIL
87	102392	PELMADULLA MPCs LTD	RATNAPURA ROAD, PELMADULLA.		24.41P	NIL	NIL
88	102407	MAWATHAGAMA MPCs LTD	KANDY ROAD, MAWATHAGAMA.		11.93P	2(PORTA CABIN + ELECTRICAL ROOM)	1
89	102337	KEGALLE MPCs LTD	NO. 96, GOLAHOLA, KEGALLE.		14.44P	2(PORTA CABIN + ELECTRICAL ROOM)	1
90	102448	KAHATAGASDIGILIYA MPCs LTD	TRINCO ROAD, KAHATAGASDEGILIYA.		39.77P	1	1
91	102378	D.H.J. JAYAKODY BROTHERS	NO. 27, COLOMBO ROAD, AWISSAWELLA.		25.62P	1 (SERVICE STATION)	1
92	102393	MR. P.D.H.P. KARUNARATNE	NO. 174, HORANA ROAD, PILIYANDALA.		18.67P	1	NIL
93	102360	SS BANDARA ACQUIRING A LAND ( 13.75 P @ RS 475,000/- )	NO. 579, DAMBULLA ROAD, MATALE.		37.81	1	1
94	102338	E.P.B. DE SOYSA (PVT) LTD	NO. 564, NEGOMBO ROAD, MAHABAGE.		13.00P	1	1
95	102359	MR. R.M. SENEVIRATNE	PASSARA ROAD, LUNUGALA.		24.56P	2(PORTA CABIN + ELECTRICAL ROOM)	1
96	102428	WIPULA DHARMADASA	COLOMBO ROAD, KALUWELLA, GALLE.		15.06P	1	1
97	102333	M/S PERERA & CO & SONS	NO. 84, MUTWAL DOCKLAND, COLOMBO		26.50P	1	1
98	102405	K.W. SUSIRIPALA ASSOCIATES	NO. 116, KANDY ROAD, KURUNAGELA.		14.48P	2(PORTA CABIN + ELECTRICAL ROOM)	1
99	102344	ATTANAGALLA MPCs LTD	NEGOMBO ROAD, URAPOLA.		22.30P	2 (SALES ROOM +STORE ROOM)	1

In compliance with Section 7.6(viii) and (xii) of the CSE Listing Rules, the Company's lands were re-valued 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 LKR 6,766 Million. 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 2.3.8 which is in line with Sri Lanka Accounting Standards LKAS - 16.

# Shareholders' Information

## Ordinary Shareholdings as at 31st March 2016

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31st March 2016 : 10,427

Shareholdings	Resident			Non Resident			Total		
	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %
1 to 1,000 Shares	5,718	2,492,810	0.47	26	14,571	0.00	5,744	2,507,381	0.47
1,001 to 10,000 Shares	3,892	11,131,214	2.09	60	289,900	0.05	3,952	11,421,114	2.14
10,001 to 100,000 Shares	555	16,972,393	3.19	26	923,933	0.17	581	17,896,326	3.36
100,001 to 1,000,000 Shares	113	31,134,274	5.85	13	4,497,482	0.85	126	35,631,756	6.70
Over 1,000,000 Shares	19	55,061,525	10.34	5	409,947,603	76.99	24	465,009,128	87.33
<b>Total</b>	<b>10,297</b>	<b>116,792,216</b>	<b>21.94</b>	<b>130</b>	<b>415,673,489</b>	<b>78.06</b>	<b>10,427</b>	<b>532,465,705</b>	<b>100.00</b>

## Categories of Shareholders

	No.of Shareholders	Percentage %	No.of Shares	Percentage %
Individual	9,998	95.89	45,580,378	8.56
Institutional	429	4.11	486,885,327	91.44
<b>Total</b>	<b>10,427</b>	<b>100.00</b>	<b>532,465,705</b>	<b>100.00</b>

## Ordinary Shareholdings as at 31st March 2017

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31st March 2017 : 10,504

Shareholdings	Resident			Non Resident			Total		
	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %
1 to 1,000 Shares	5,812	2,463,136	0.46	25	14,313	0.00	5,837	2,477,449	0.46
1,001 to 10,000 Shares	3,860	11,009,668	2.07	58	265,239	0.05	3,918	11,274,907	2.12
10,001 to 100,000 Shares	583	17,896,520	3.36	28	991,033	0.19	611	18,887,553	3.55
100,001 to 1,000,000 Shares	103	30,601,291	5.75	11	3,668,084	0.69	114	34,269,375	6.44
Over 1,000,000 Shares	19	55,484,783	10.42	5	410,071,638	77.01	24	465,556,421	87.43
<b>Total</b>	<b>10,377</b>	<b>117,455,398</b>	<b>22.06</b>	<b>127</b>	<b>415,010,307</b>	<b>77.94</b>	<b>10,504</b>	<b>532,465,705</b>	<b>100.00</b>

## Categories of Shareholders

	No.of Shareholders	Percentage %	No.of Shares	Percentage %
Individual	10,058	95.75	45,487,184	8.54
Institutional	446	4.25	486,978,521	91.46
<b>Total</b>	<b>10,504</b>	<b>100.00</b>	<b>532,465,705</b>	<b>100.00</b>

# Shareholders' Information

## Lanka IOC PLC

### 20 Major Shareholders as at 31st March 2016

	Name	No.of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	J B Cocoshell [Pvt] Ltd	11,149,767	2.09
3	Bank of Ceylon A/c Ceybank Unit Trust	5,850,862	1.10
4	Deutsche Bank AG-as Trustee for JB Vantage Value Equity Fund	5,533,553	1.04
5	Mellon Bank N.A-Acadian Frontier Markets Equity Fund	4,257,230	0.80
6	Deutsche Bank AG – National Equity Fund	3,975,000	0.75
7	British American Technologies [Pvt]Ltd	3,268,069	0.61
8	Deutsche Bank AG-as Trustee for Namal Acuity Fund	3,100,000	0.58
9	E W Balasuriya & Co (Pvt) Ltd	2,526,800	0.47
10	Employees Provident Fund	2,453,623	0.46
11	GF Capital Global Limited	2,426,980	0.46
12	Employees Trust Fund Board	2,237,028	0.42
13	Bank of Ceylon A/c Ceybank Century Growth Fund	2,022,884	0.38
14	Janashakthi General Insurance Limited	2,000,000	0.38
15	HSBC INTL NOMLTD –Parametric Emerging Markets Fund	1,982,523	0.37
16	Waldock Mackenzie Ltd/Mr S A Gulamhusein	1,620,305	0.30
17	Commercial Bank of Ceylon PLC/S A Gulamhusein	1,521,217	0.29
18	Mr K S R Nissanka	1,510,230	0.28
19	Timex Garments [Pvt] Limited	1,462,503	0.27
20	Seylan Bank Ltd/Govindasamy Ramanan	1,344,829	0.25
	Total	460,243,408	86.42

Mr B S Canth	Nil
Mr Shyam Bohra	Nil
Prof.Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr P M Mohan	Nil
Mr D K Sharma	Nil

Number of Shares representing the Stated Capital of Lanka IOC PLC is -	532,465,705
Public Holding as a % of issued Share Capital	24.88%

## Lanka IOC PLC

### 20 Major Shareholders as at 31st March 2017

	Name	No.of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	J B Cocoshell [Pvt] Ltd	11,265,490	2.12
3	Bank of Ceylon A/c Ceybank Unit Trust	6,650,354	1.25
4	Deutsche Bank AG-as Trustee for JB Vantage Value Equity Fund	5,533,553	1.04
5	Mellon Bank N. A-Acadian Frontier Markets Equity Fund	4,381,265	0.82
6	Deutsche Bank AG – National Equity Fund	3,975,000	0.75
7	British American Technologies [Pvt]Ltd	3,500,000	0.66
8	Deutsche Bank AG – As Trustee for National Acuity Value Fund	3,100,000	0.58
9	E W Balasuriya & Co (Pvt) Ltd	2,526,800	0.47
10	GF Capital Global Limited	2,426,980	0.46
11	Employees Trust Fund Board	2,346,851	0.44
12	Employees Provident Fund	2,346,558	0.44
13	Bank of Ceylon A/c Ceybank Century Growth Fund	2,023,884	0.38
14	HSBC INTL NOM LTD –Parametric Emerging Markets Fund	1,982,523	0.37
15	Timex Garments [Pvt] Limited	1,712,503	0.32
16	Waldock Mackenzie Ltd/Mr S A Gulamhusein	1,620,805	0.30
17	Commercial Bank of Ceylon PLC/S A Gulamhusein	1,540,517	0.29
18	Mr K S R Nissanka	1,510,230	0.28
19	Mr Runantissa Suresh Anthony De Silva	1,425,000	0.27
20	Hallsville Trading Group Inc	1,280,865	0.24
	Total	461,149,183	86.6

Mr B S Canth	Nil
Mr Shyam Bohra	Nil
Prof.Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr P M Mohan (resigned on 31.12.2016)	Nil
Mr D K Sharma	Nil
Mr N V N Ramsai (appointed with effective from 02.01.2017)	Nil

Number of Shares representing the Stated Capital of Lanka IOC PLC	532,465,705
Public Holding as a % of issued Share Capital	24.88%



# Shareholders' Information

## LIOC Share Performance at Colombo Stock Exchange (CSE)

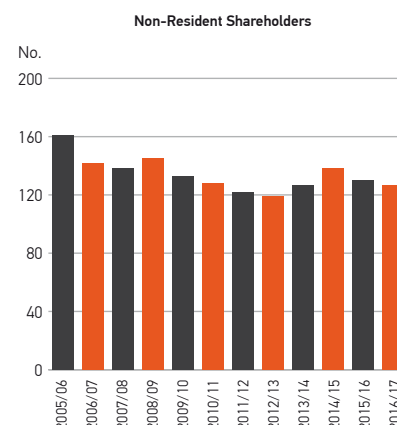
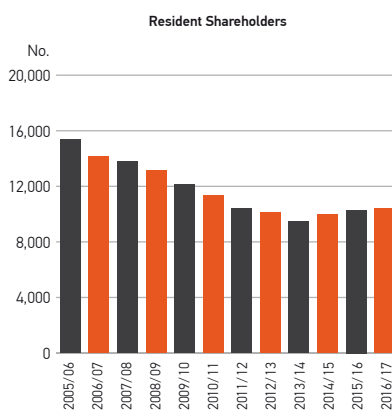
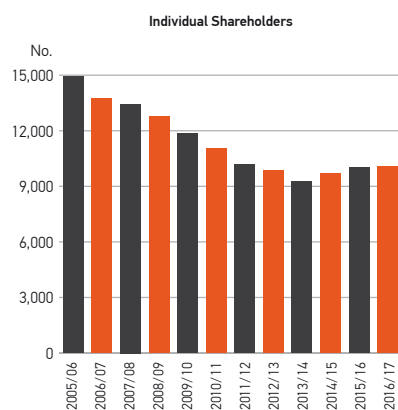
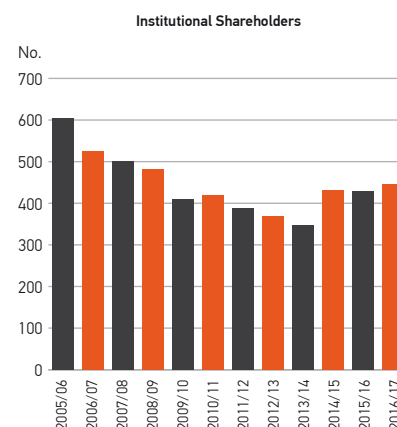
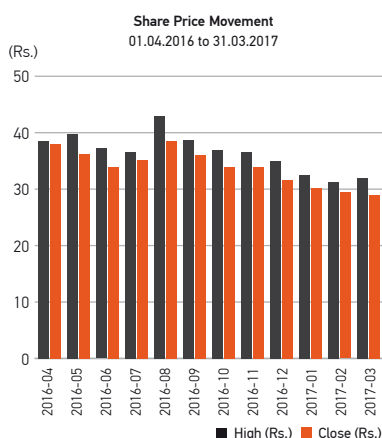
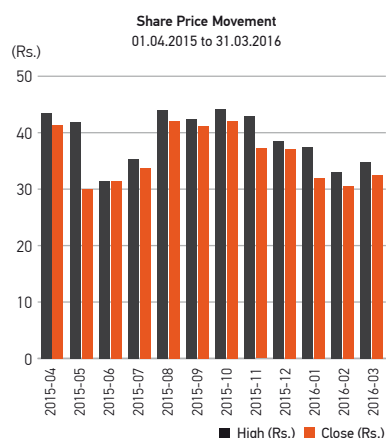
01.04.2015- 31.03.2016

No. of Share transactions for the year	24,783
No. of Shares traded	82,830,053
Value of Shares Traded (LKR)	3,040,661,222.00
Price Movements (LKR)	
Highest (Rs)	44.20
Lowest (Rs)	29.00
Closing Price	32.50
Market Capitalization (LKR Mln) (Closing Price * No.of Shares)	17,305

## LIOC Share Performance at Colombo Stock Exchange (CSE)

01.04.2016 - 31.03.2017

No. of Share transactions for the year	15,531
No. of Shares traded	33,985,632
Value of Shares Traded (LKR)	1,275,320,129.40
Price Movements (LKR)	
Highest (Rs)	42.90
Lowest (Rs)	27.70
Closing Price	29.00
Market Capitalization (LKR Mln) (Closing Price * No.of Shares)	15,442



## GRI G4 Index

No.	Description	Section Reference/Comments	Page
Strategy and Analysis			
G4-1	Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Chairman's Review	22
		Managing Director's Review	24 & 28
Organisational Profile			
G4-3	Name of the organisation	Corporate Information	Inner Back Cover
G4-4	Primary brands, products, and services	About the Company	2
		Key Business Lines of Lanka IOC PLC	4-5
G4-5	The location of the organisation's headquarters	Corporate Information	Inner Back Cover
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	About the Company	2
		Key Business Lines of Lanka IOC PLC	4-5
		About the Report	6
G4-7	The nature of ownership and legal form	Corporate Information	Inner Back Cover
G4-8	The markets served (geographic breakdown, sectors served, and types of customers/beneficiaries)	About the Company	2
		Key Business Lines of Lanka IOC PLC	4-5
		Our Social & Relationship Capital	55-63
G4-9	The scale of the organisation, including: Total number of employees Total number of operations Net sales (for private sector organisations) or net revenues (for public sector organisations) Total capitalisation broken down in terms of debt and equity (for private sector organisations)	About the Company	2
		Key Business Lines of Lanka IOC PLC	4-5
		Financial Highlights	14-15
		Financial Capital Review	51-54
G4-10	The total number of employees by employment contract and gender The total number of permanent employees by employment type and gender The total workforce by employees and supervised workers and by gender The total workforce by region and gender Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	Human Capital	72-81
G4-11	The percentage of total employees covered by collective bargaining agreements	Human Capital	81

## GRI G4 Index

No.	Description	Section Reference/Comments	Page
G4-12	Describe the organisation's supply chain	Economic Sustainability	84-85
		Our Social & Relationship Capital	55-63
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: Changes in the location of, or changes in, operations, including facility openings, closings, and expansions Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations) Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	About the Report	6
		Financial Capital Review	51-54
		Our Social & Relationship Capital	55-63
		Manufactured Capital	70-71
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	Risk Management	107-111
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	About the Report	6
		Corporate Governance Report	94-106
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organization is a member	Economic Sustainability	84-85
<b>Identified Material Aspects and Boundaries</b>			
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	About the Report	2
		Organisation Structure	72
		Financial Statements & Notes to the Accounts	125-164
G4-18	Explain the process for defining the report content and the aspect boundaries Explain how the organisation has implemented the reporting principles for defining report content	About the Report	2
		Determining Materiality	42-43
G4-19	List all the material aspects identified in the process for defining report content	Determining Materiality	42-43
G4-20	For each material aspect, the aspect boundary within the organisation	Determining Materiality	42-43
G4-21	For each material aspect, report the aspect boundary outside the organisation	Determining Materiality	42-43
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	No restatements during the year	N/A
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	No significant changes during the year	N/A
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organisation	Stakeholder Engagement	40-43
G4-25	Basis for identification and selection of stakeholders	Stakeholder Engagement	40-43
G4-26	The organisation's approach to stakeholder engagement	Stakeholder Engagement	40-43
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder Engagement	40-43

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<b>Report Profile</b>			
<b>G4-28</b>	Reporting period	About the Report	<b>2</b>
<b>G4-29</b>	Date of most recent previous report (if any)	About the Report	<b>2</b>
<b>G4-30</b>	Reporting cycle	About the Report	<b>2</b>
<b>G4-31</b>	Contact point for questions regarding the report or its contents	About the Report	<b>2</b>
<b>G4-32</b>	The 'in accordance' option chosen and GRI content index	About the Report GRI Index	<b>2</b> <b>165-171</b>
<b>G4-33</b>	The organisation's policy and current practice with regard to seeking external assurance for the report	The Company has not obtained external assurance on its sustainability reporting	<b>N/A</b>
<b>Governance</b>			
<b>G4-34</b>	Governance structure of the organisation, including committees of the highest governance body	Corporate Governance Report	<b>94-106</b>
<b>G4-38</b>	Report the composition of the highest governance body and its committees	Corporate Governance Report (Partial Disclosure)	<b>94-106</b>
<b>G4-39</b>	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	Corporate Governance Report Profiles of Directors	<b>94-106</b> <b>30-33</b>
<b>G4-40</b>	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Corporate Governance Report	<b>94-96</b>
<b>G4-41</b>	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	Corporate Governance Report	<b>94-96</b>
<b>G4-43</b>	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Corporate Governance Report	<b>94-96</b>
<b>G4-51</b>	Report the remuneration policies for the highest governance body and senior executives	Remuneration Committee Report (Partial Disclosure)	<b>119</b>
<b>G4-52</b>	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation	Remuneration Committee Report	<b>119</b>
<b>Ethics and Integrity</b>			
<b>G4-56</b>	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate Governance Report Human Capital	<b>94-106</b> <b>72-81</b>

# GRI G4

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G4-EC3	Coverage of defined benefit plan obligations	Economic Sustainability	84-85
		Sustainability Highlights	16-17
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum	Economic Sustainability	84-85
G4-EC6	Proportion of senior management hired from local community at significant locations of operations	Economic Sustainability	84-85
G4-EC7	Development and impact of infrastructure investments and services supported	Economic Sustainability	84-85
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G4-EC8	Significant indirect economic impact including the extent of impacts	Economic Sustainability	84-85
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G4-EN6	Reduction of energy consumption (amount of reduction)	Natural Capital	64-66
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<b>Employment</b>			
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<b>G4-LA5</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Human Capital	<b>72-81</b>
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<b>G4-LA6</b>	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Human Capital Sustainability Highlights	<b>72-81</b> <b>16-17</b>
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<b>G4-LA9</b>	Average hours of training per year per employee by gender, and by employee category	Human Capital	<b>72-81</b>
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<b>Equal Remuneration for Women and Men</b>			
<b>G4-LA13</b>	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Human Capital	<b>72-81</b>
<b>Supplier Assessment for Labour Practices</b>			
<b>G4-LA14</b>	Percentage of new suppliers that were screened using labour practices criteria Labour practices criteria may include: Employment practices, health and safety practices, incidents (such as verbal, psychological, physical, or sexual abuse, coercion or harassment), industrial relations, wages and compensation, working hours	Human Capital	<b>72-81</b>
<b>Labour Practices Grievance Mechanisms</b>			
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<b>Human Rights</b>			
<b>Non-Discrimination</b>			
<b>G4-HR3</b>	Total number of incidents of discrimination and corrective actions taken	Human Capital	<b>72-81</b>
<b>Freedom of Association and Collective Bargaining</b>			
<b>G4-HR4</b>	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Human Capital	<b>72-81</b>
<b>Child Labour</b>			
<b>G4-HR5</b>	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Human Capital Sustainability Highlights	<b>72-81</b> <b>16-17</b>
<b>Forced or Compulsory Labour</b>			
<b>G4-HR6</b>	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Human Capital Sustainability Highlights	<b>72-81</b> <b>16-17</b>
<b>Society</b>			
<b>Local Communities</b>			
<b>G4-S01</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Our Social & Relationship Capital Sustainability Highlights	<b>55-63</b> <b>16-17</b>
<b>G4-S02</b>	Operations with significant actual or potential negative impacts on local communities	Our Social & Relationship Capital	<b>55-63</b>

No.	Description	Section Reference/Comments	Page
<b>Anti-Competitive Behaviour</b>			
<b>G4-S07</b>	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Our Social & Relationship Capital	<b>55-63</b>
<b>G4-S08</b>	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	Sustainability Highlights	<b>16-17</b>
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<b>Customer Health and Safety</b>			
<b>G4-PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvements	Product Responsibility	<b>86-91</b>
<b>G4-PR2</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Product Responsibility	<b>86-91</b>
<b>Product and Service Labelling</b>			
<b>G4-PR3</b>	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Product Responsibility Sustainability Highlights	<b>86-91</b> <b>16-17</b>
<b>G4-PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by types of outcomes	Product Responsibility	<b>86-91</b>
<b>Marketing Communications</b>			
<b>G4-PR6</b>	Sale of banned or disputed products	Product Responsibility	<b>86-91</b>
<b>G4-PR7</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	Product Responsibility	<b>86-91</b>
<b>Customer Privacy</b>			
<b>G4-PR8</b>	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Product Responsibility	<b>86-91</b>
<b>Compliance</b>			
<b>G4-PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Product Responsibility	<b>86-91</b>

# Notice of Meeting

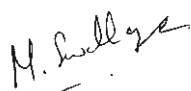
NOTICE IS HEREBY GIVEN THAT the 15th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Thursday, 29th June 2017 at 14.30 hours at the "Liberty Ball Room" Ramada, Colombo, No.30, Sir Mohamed Macan Mawatha, Colombo 03 for the following purposes:-

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance and the Financial Statements of the Company for the financial year ended 31st March 2017 with the Report of the Auditors thereon.
2. To declare the recommended first & final dividend of LKR 1.25 per share for the F/Y 2016-17 and therefore to consider and if thought fit to pass the following resolution by way of an Ordinary Resolution.

"IT IS HEREBY RESOLVED THAT a first & final dividend of LKR 1.25 per share for the F/Y 2016-17 to be distributed to the shareholders amounting to a total payment of a sum of LKR 665,582,131.25".

3.
  - a) To re-elect Mr D K Sharma who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible has offered himself for re-election.
  - b) To re-elect Prof. Lakshman R Watawala, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.
  - c) To re-elect Mr N V N Ramsai, who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.
4.
  - a) To re-appoint Messrs. Ernst & Young, Chartered Accountants, as recommended by the Board of Directors as the Auditors of the Company for the ensuing year; and
  - b) To authorize the Board of Directors to determine the remuneration of the Auditors for the ensuing year.

By Order of the Board  
Lanka IOC PLC



Ms. Mihiri S Senaratne  
Company Secretary

2nd June 2017  
Colombo

**Note:** Any shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. Such Proxy need not be a member of the Company. A form of proxy is enclosed for this purpose.

*Instruments appointing proxies must be lodged with the company not less than 48 hours before the time appointed for the holding of the Annual General Meeting.*

*Shareholders/proxy holders are requested to bring with them their National Identity Cards or any other form of clear/valid identification and present same at the time of registration.*

# Form of Proxy

I/We ..... [Full Name]

..... [NIC No] of .....

.....being a shareholder/s of Lanka IOC PLC, hereby appoint Mr/Mrs/Miss

.....[NIC No.....] of .....whom failing:

Mr B S Canth	whom failing
Mr Shyam Bohra	whom failing
Prof. Lakshman R Watawala	whom failing
Mr Amitha Gooneratne	whom failing
Mr D K Sharma	whom failing
Mr N V N Ramsai	

as my/our Proxy-holder to represent me/us to speak at the meeting and to vote on a show of hands or on a poll for me/us on my/our behalf, as indicated below at the 15th Annual General Meeting of the Company to be held on Thursday, 29th June 2017 at 14.30 hours at the "Liberty Ball Room" Ramada, Colombo, No.30, Sir Mohamed Macan Mawatha, Colombo 03, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance and the Financial Statements of the Company for the financial year ended 31st March 2017 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To declare the recommended first & final dividend of LKR 1.25 per share for the F/Y 2016-17 along with the ordinary resolution set out in the Notice Convening the meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3	a) To re-elect Mr D K Sharma, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
	b) To re-elect Prof.Lakshman R Watawala, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
	c) To re-elect Mr N V N Ramsai who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4.	a) To re-appoint Messrs. Ernst & Young, Chartered Accountants, as recommended by the Board of Directors as the Auditors of the Company for the ensuing year; and	<input type="checkbox"/>	<input type="checkbox"/>
	b) To authorize the Board of Directors to determine the remuneration of the Auditors for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we set my/our hand/Seal hereto on this .....day of ..... 2017.

.....  
NIC Number

.....  
Signature/s

#### **Instructions as to Completion**

- Please perfect the Form of Proxy by filling in legibly your full name, NIC No and address as well as the full name and NIC number of the proxy holder, by signing in the space provided and filling in the date of signature.
- The completed Form of Proxy should be deposited at the Business office of Lanka IOC PLC at Level 20, West Tower, World Trade Center, Colombo 1, not less than 48 hours before the time appointed for the holding of the Meeting.
- If the appointer is a Company or Corporation, this Form must be executed under its Common Seal or the hand of a duly Authorized Officer of the Company, in accordance with its Articles of Association.
- If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

NIC No:.....

Full Name:.....

Address:.....

.....

Jointly with:.....

Tel No:.....

email ID: .....

# Shareholder **Feedback Form**

It is the endeavour of the Lanka IOC PLC to ensure maximum satisfaction of its shareholders. In order to enable us to continually improve upon the quality of services provided, we try to seek your feedback on the level of satisfaction derived by you on the basis of your interaction with us. Your feedback will help us in further improvement of our services to match your expectations.

Please direct all feedback to the Company Secretary by filling this form:

Company Secretary,  
Lanka IOC PLC,  
Level 20, West Tower,  
World Trade Centre,  
Colombo 1.

companysecretary@lankaio.com

Kindly rate our services on various parameters by ticking any one box in each row:

**Timely receipt of:**

Annual Reports	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Dividend	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Other documents / correspondence	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>

**Quality and Contents of Annual report:**

Management Discussion and Analysis	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Capital Reports	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Governance Reports	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Financial Statements	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>

**Dissemination of information about the Company:**

Through shareholder communication	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Through Annual Reports	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Through Newspapers/ Press	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Through our website (www.lankaio.com)	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>
Through e-mails (if we have your e-mail ID)	Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Poor <input type="checkbox"/>

**Overall quality :**

Outstanding ☐    Very Good ☐    Good ☐    Needs Improvement ☐

Comments / Suggestions / Remarks





# Corporate *Information*

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**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 Center  
Echelon Square, Colombo 01, Sri Lanka  
Telephone: + 94 11 2475720  
Facsimile: + 94 11 2391490

**Website:**

[www.lankaio.com](http://www.lankaio.com)

**Associates:**

Ceylon Petroleum Storage Terminals Limited

**Board of Directors:**

Mr B S Canth (Chairman)  
Mr Shyam Bohra (Managing Director)  
Prof.Lakshman R Watawala  
Mr Amitha Gooneratne  
Mr D K Sharma  
Mr N V N Ramsai

**Company Secretary:**

(Ms) Mihiri S Senaratne, ACIS [UK], MPA [Aust.]

**Registrars:**

SSP Corporate Services (Private) Limited  
# 101, Inner Flower Road, Colombo 03

**Auditors - External:**

Ernst & Young  
No. 201, De Saram Place, Colombo 10

**Auditors - Internal:**

PricewaterhouseCoopers  
P O Box-918, 100 Braybrooke Place, Colombo 02

**Lawyers:**

F J & G de Saram, Attorneys-at-Law  
# 216, de Saram Place, Colombo 10

**Bankers:**

Citibank N.A.  
Deutsche Bank  
Standard Chartered Bank  
State Bank of India, Colombo  
State Bank of India, Singapore  
ICICI Bank  
Axis Bank  
Bank of Ceylon  
People's Bank  
Commercial Bank of Ceylon  
Hatton National Bank PLC



**Lanka IOC PLC**

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Echelon Square, Colombo 01, Sri Lanka  
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Email : lankaioe@lankaioe.com



Read this Annual Report  
online at [www.lankaioe.com](http://www.lankaioe.com)

