



Lanka IOC



# Driving a *revolution*

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## Our Vision

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



Read this Annual Report  
online at [www.lankaiooc.com](http://www.lankaiooc.com)

## 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 of 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 of 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.

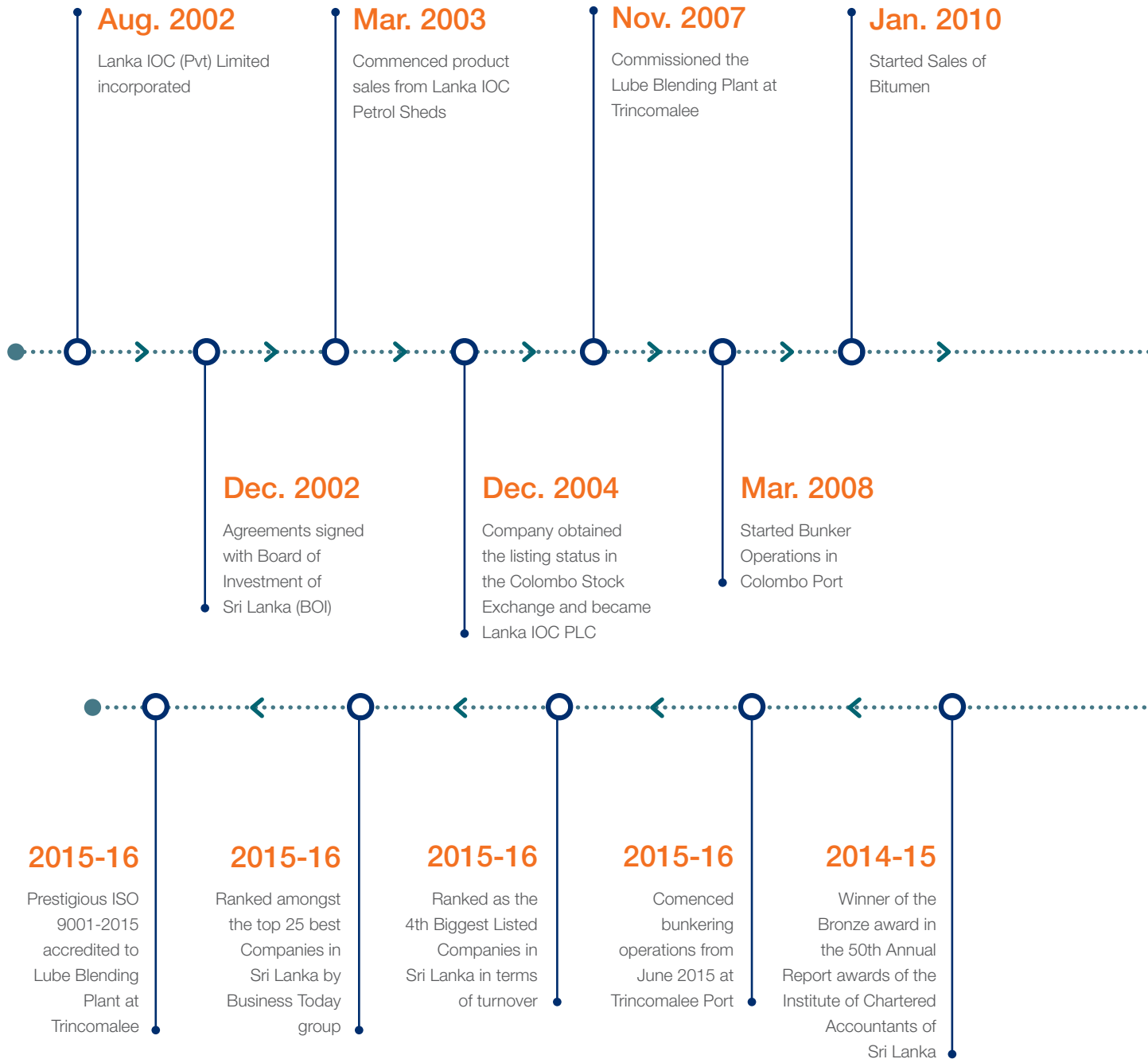


# Driving a *revolution*

It's not easy to revolutionise an entire industry, yet at Lanka IOC, that's what we have done. Growing from small beginnings to the place we are today took 14 years, during which time we established a 'fuel network' that has served motorists with value, generated employment, created revenue streams and brought social development to communities and people across the island.

That's why we are proud to present this annual report to you today, describing a year that was profitable and productive, as governance, sustainability and environmental responsibility continues to energise your Company, reinforcing our position as a driver of positive change.

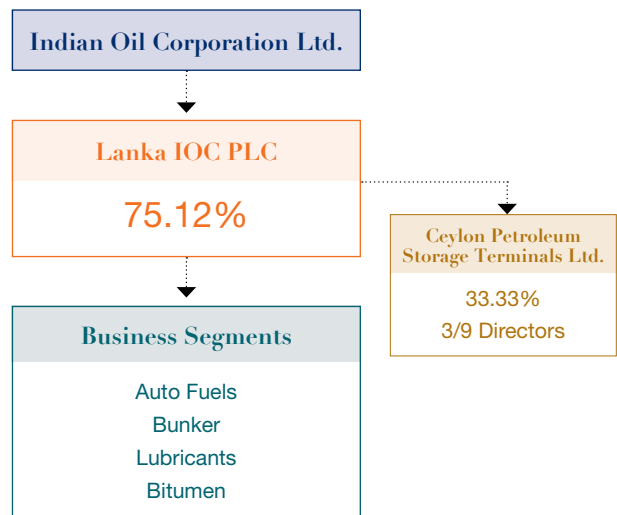
# Historical Milestones
















# About Us

Lanka IOC PLC is Sri Lanka's only private sector organization retailing auto fuels with an islandwide network of 199 customer touchpoints which also retail a range of lubricants complementing the auto fuels business. Providing an essential service, a dynamic team of 172 employees located at Head Office and Trincomalee to ensure high standards of service, contributing to the socio economic progress of the country. Listed on the Colombo Stock Exchange with 10,427 shareholders, we are firmly committed to creating long term value for all our stakeholders which include franchisees, indirect employees and the government using the considerable expertise and networks of our parent company, Indian Oil Corporation Ltd., India's flagship automotive fuel supplier with operations in 6 countries.



LIOC provides an essential service in the country as a retailer of auto fuels, facilitating transportation of goods and people. Our key business lines are as follows:

Key Business Lines	Description	Significance as a % of Revenue
Automotive Fuels   	Import and distribution of 6 grades of auto fuels which are distributed through 199 outlets of which 106 are company owned while the remaining 93 are owned by the franchisees  <b>Petrol</b> <ul style="list-style-type: none"> <li>Lanka Petrol 92 octane</li> <li>Xtra Premium Euro 3</li> <li>Xtra Premium 95 octane</li> </ul> <b>Diesel</b> <ul style="list-style-type: none"> <li>Lanka Auto Diesel</li> <li>Xtra Mile</li> <li>Lanka Super Diesel</li> </ul>	 80%   Petrol 42%   Diesel 38%
Lubricants 	We distribute Servo lubricants which are blended in our state of the art facility to enhance the performance of a range of vehicles and other machinery through our network of franchisees, specialised Servo shops and distributors.	 3.6% (includes exports)
Bitumen	We are a leading supplier of bitumen and supply two varieties - Bitumen 60/70 and Bitumen 80/100	 3.4%

Key Business Lines	Description	Significance as a % of Revenue
Bunkering	We supply high quality marine fuels supporting Sri Lanka develop potential as a maritime hub at the Colombo and Trincomalee ports and in nearby international waters.	 13% (includes exports)
Total Export Sales	We export bunker fuels and Servo lubricants to countries in South Asia	 13% (lubricants and bunkering)

# About the Report

Lanka IOC PLC continuously strives to improve the scope and readability of our Annual Report, and in doing so, this year we proudly present our first Integrated Annual Report, prepared in accordance with the guidelines of the Integrated Reporting (IR) Framework published by the International Integrated Reporting Council. Through this Report, we aim to present a balanced and comprehensive review of our strategy, performance and value creation in relation to our financial, social and environmental goals. For the second consecutive year, our Report also complies with the requirements of the Global Reporting Initiative (GRI)-G4 criteria for sustainability reporting.

## Scope and Boundary

This Report covers the operations of Lanka IOC PLC for the period from 1st April 2015 to 31st March 2016. We follow an annual reporting cycle and the Company's most recent GRI compliant sustainability report is for the period ending 31st March 2015. 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 presented by the industry.

## Standards and Principles

The financial statements presented herein have been prepared in accordance with the Sri Lanka Financial Reporting Standards and comply with the requirements of the Companies Act No. 7 of 2007 and the Listing Requirements of the Colombo Stock Exchange. For sustainability reporting, we have adopted the Core criteria of the GRI-G4 guidelines. External assurance on the Company's financial statements has been provided by Messrs. Ernst and Young, Chartered Accountants. We have not obtained external assurance for our sustainability reporting.

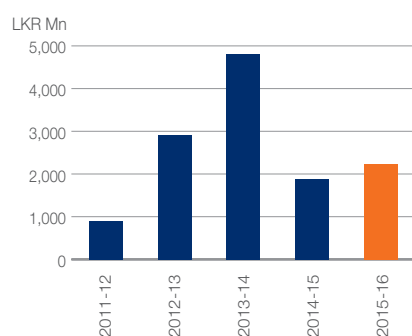
## Feedback

This is our first attempt at Integrated Reporting; we understand that integrated reporting is an evolving discipline and welcome your comments and feedback in improving the readability of our Report. Please direct your feedback to, [companysecretary@lankaiooc.com](mailto:companysecretary@lankaiooc.com)

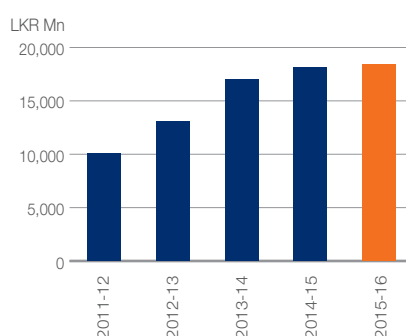
# Financial & Performance Highlights

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Performance Parameters (All amounts in LKR million)</b>					
Sales	60,436	75,111	81,793	79,901	<b>71,307</b>
Gross Profit	2,954	5,389	8,312	4,733	<b>5,817</b>
Net Profit/(Loss) Before Tax	930	2,991	5,762	2,251	<b>2,675</b>
As a % of Sales	2%	4%	7%	3%	<b>3.75%</b>
Net Profit / (Loss) After Taxation	907	2,909	4813	1,886	<b>2,239</b>
Return on Capital Employed	9%	22%	28%	10%	<b>12%</b>
Shareholders' Funds	10,117	13,028	17,043	18,125	<b>18,385</b>
<b>Key Ratios</b>					
Earning Per Share (LKR)	1.70	5.46	9.04	3.54	<b>4.21</b>
Price Earning Ratio (P/E)	11.40	3.74	4.26	11.38	<b>7.72</b>
Net Assets Per Share	19.00	24.47	32.00	34.00	<b>34.53</b>
Current Ratio	1.15	1.41	1.88	2.78	<b>2.43</b>
Quick Assets Ratio	0.41	0.53	1.08	1.71	<b>1.31</b>
<b>Price Movement LKR</b>					
Market Value Per Share (Highest)	21.50	23.00	40.50	68.30	<b>37.50</b>
Market Value Per Share (Lowest)	15.00	15.00	19.00	37.30	<b>30.00</b>
Last Traded Price Record	19.40	20.40	38.50	40.30	<b>32.50</b>
<b>Other Information</b>					
No. of Employees	171	175	177	174	<b>172</b>

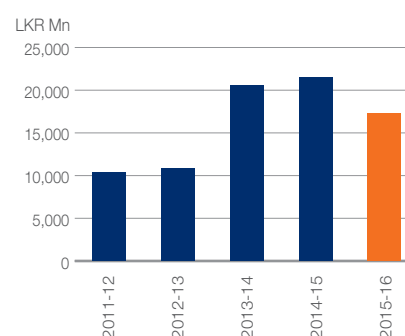
**Net Profit After Tax**



**Shareholders' Funds**



**Market Capitalisation**





## Market Capitalisation

**LKR 17.31 Bn**

Lanka IOC PLC is now one of the valuable listed companies on the Colombo Stock Exchange

## Gross Profit

**LKR 5.82 Bn**

## Profit Before Tax

**LKR 2.67 Bn**

## Financial & Performance Highlights

Earnings Highlights and Ratios		2015	2016
Group revenue	LKR Mn	79,901	<b>71,307</b>
Results from Operating Activities	LKR Mn	2,090	<b>2,569</b>
Profit before tax	LKR Mn	2,251	<b>2,675</b>
Profit after tax	LKR Mn	1,886	<b>2,239</b>
Dividends	LKR Mn	799	<b>532</b>
Earnings per share	LKR	3.54	<b>4.21</b>
Cash earnings per share	LKR	3.79	<b>3.21</b>
Return on equity (ROE)	%	10	<b>12</b>
Pre-tax return on capital employed (ROCE)	%	12	<b>15</b>
<b>Balance Sheet Highlights and Ratios</b>			
Total assets	LKR Mn	23,541	<b>25,068</b>
Total debt	LKR Mn	5,417	<b>6,682</b>
Net debt (cash)	LKR Mn	(2,336)	<b>(430)</b>
Total shareholders' funds	LKR Mn	18,125	<b>18,385</b>
No. of shares in issue	Millions	532	<b>532</b>
Net assets per share	LKR	34	<b>35</b>
Debt / equity	%	30	<b>36</b>
Debt / total assets	%	23	<b>27</b>
<b>Market / Shareholder Information</b>			
Market price of share as at 31st March (actual)	LKR	40.30	<b>32.50</b>
Market capitalisation	LKR Mn	21,458	<b>17,305</b>
Enterprise value	LKR Mn	13,706	<b>10,192</b>
Total shareholder return	%	7.27	<b>(16.25)</b>
Price earnings ratio (PER)	No. of times	11.4	<b>7.7</b>
Dividend payout	%	28	<b>30</b>
Dividend per share (proposed)	Rs	1	<b>1.25</b>

# Non-Financial Highlights

		GRI Ref.	2015	2016	
ECONOMIC		Economic value added (LKR Mn)	EC1	1,348	1,702
		Payments to Government	EC1	16,039	24,322
		Employee benefit liability as of 31st March (LKR Mn)	EC3	61	65
		Community services and infrastructure projects (LKR Mn)	EC7	17	8
ENVIRONMENT	Inputs	Direct energy consumption (GJ) unit	EN3	364,521	358,625
		Total Water Withdrawal (KL)	EN8	45,927	46,559
	Compliance	Significant environmental fines	EN29	Nil	Nil
SOCIAL	Labour Practices & Decent Work	Total workforce	LA1	174	172
		Number of injuries and diseases	LA6	Nil	Nil
		Injury rate (number of injuries per 100 employees)		Nil	Nil
		Lost day rate (lost days as a % of total person days)		Nil	Nil
		No. of employees receiving performance reviews (%)	LA11	100%	100%
	Human Rights	Incidences of child labour (< age 16) and young workers (16-18)	HR5	Nil	Nil
		Incidents of forced labour during the year	HR6	Nil	Nil
	Society	Community engagement (no. of persons impacted)	SO1	6,000	9,000
		Significant fines for violation of laws/regulations	SO8	Nil	Nil
	Product Responsibility	Proportion of labels carrying ingredients used (%)	PR3	100% in lubricants products	100% in lubricants products



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# Chairman's Review



**“Overall profitability was strengthened by strategic petroleum products sourcing initiatives, inventory management and stronger cash flow management. Strategic focus on broadening our product portfolio and diversifying into other petroleum based products such as petrochemicals, renewable energy and exports have positioned your Company for strong growth.”**

#### **Dear Shareholders,**

My heartiest greetings to you on behalf of Lanka IOC,

It is an honour and a privilege to share my thoughts with our valued shareholders through the Company's Integrated Annual Report and Financial Statements for the financial year ending 31st March 2016. I trust that our Report will provide you with an in-depth understanding of the Company's stakeholder centric strategies and actions which are based on the principles of compliance, good governance and sustainable growth. From a portfolio perspective, the focus on non-government controlled areas such as Lubricants, Bitumen, Bunkering etc., have borne fruit, contributing towards a more balanced portfolio and a diverse stream of cash flows. Overall, I am pleased to report that your Company generated revenue for an amount of LKR 71 billion and profit growth of 19% during the year, despite multiple challenges.

#### **Economic Environment**

Almost all major economies witnessed a slowdown in 2015, although the growth rates in emerging economies were higher than those of advanced economies. The drastic fall in crude oil and product prices in the international market, driven by over-supply and weak demand, was a major highlight of the year.

Generally, a reduction in petroleum product prices is a boon to developing countries like Sri Lanka who are net importers as it helps in lowering inflation rates, facilitating an improved fiscal position as well as savings in foreign exchange.

The global economy grew by 3.1% in 2015 slowing down from the 3.4 % growth recorded in 2014. Global growth continued to be driven by emerging markets which accounted for 70% of the growth, although the rate of growth in these markets declined for the fifth consecutive year. The beginning of 2016 was marked by heightened financial market volatility, concerns regarding the future, weakening of the Chinese economy and increase in oil supply following the relaxation of Iranian sanctions. Commodity prices declined significantly, led by the crash in oil prices which saw prices dipping to sub-\$30/barrel levels. As the quarter progressed, increase in monetary accommodation by the Bank of Japan, European Central Bank's stimulus package and US Federal Reserve's dovish stance provided support to commodity and equity markets. Besides, Saudi Arabia and Russia's talks on output freeze gave support to oil prices. As such, sustaining of oil prices at sub \$ 30/barrel levels was probably not feasible. As per World Bank projections, the crude oil prices are expected to record a gradual growth over the medium term. We also expect that the growing population and per capita incomes will continue to drive the growing demand for petroleum products.

#### **Challenges and Opportunities**

As you are aware, since January 2015, your company has been incurring significant under recoveries on the sale of Auto fuels due to the sharp increase in duties by Government of Sri Lanka coupled with the steep reduction in the retail prices. In 2015-16, we continued to adapt to this challenging scenario through focusing on supply chain management, operational efficiencies and implementing strategic procurement and pricing strategies.

A further challenge presented by external factors was the steep depreciation of LKR vis-à-vis the US Dollar. The LKR depreciated almost 9%, significantly affecting our import costs and offsetting the benefit of the drop in global oil prices to a large extent. The Company effectively managed this challenge through proactively reducing its forex exposure. Given Sri Lanka's significant external debt, the depreciation of the Rupee is also anticipated to push up the cost of debt repayment.

Lanka IOC's experience in Sri Lanka for over 14 years has sharpened our industry insights and enabled us to create a business model that continues to evolve and adapt to challenging market conditions. Accordingly, we continued to deliver sustainable value to all our stakeholder groups. Your company

## Chairman's Review

was ranked the 4th largest listed Company in Sri Lanka for 2014-15 by prestigious LMD magazine. Your company was also ranked amongst the top 25 best Companies in Sri Lanka by the Business Today group.

### 2015-16 Milestones

Key achievements during the year included the commissioning of 20 new retail outlets, the highest ever outlet openings in a single year. Performance of the new outlets has been above expectations. Demonstrating our commitment to enhancing the distribution infrastructure, the Company refurbished twenty retail outlets in 2015-16. Meanwhile, an aggressive sales and marketing campaign undertaken towards the latter part of the year enabled auto fuel sales in March 2016 to grow by around 10% compared to the previous year to touch 55,000 KL per month.

All this culminated in an overall increase of 1.15% in the diesel market share in a single financial year, a commendable achievement given the market dominance by the state owned enterprise and that new commissioning of RO's by LIOC is significantly less than that warranted by our due market share.



*Chairman LIOC inaugurating the new retail outlet at Kottawa*

Growth in diesel sales was 13% as compared to the industry growth of 5%. Given our environment consciousness and our commitment to enhance customer experience LIOC continued to place emphasis on sales of better quality fuels mainly XtraPremium 95 Octane and Euro V compliant-Lanka Super Diesel. LIOC achieved a 38.3% increase in sale of Xtra Premium 95 Octane and 56.9% in Lanka Super Diesel during the year.

Meanwhile, we witnessed an increase in the enrolment of corporate customers from 112 to 190 during the FY through a tie-up with M/s Dialog.

LIOC's performance in lubricants was also impressive. Market share increased from 16% to 17%. At its lube blending plant, the Company achieved an all-time high production over 8085 KL which is 11% higher than the last year. Due to aggressive brand awareness campaigns and flexible pricing strategies, Lanka IOC achieved an all-time high sales of 10000 KL which is 12% higher than last year. We continued to enhance our product portfolio with the addition of 4 new grades of SERVO. With commissioning of 2 new lube distributors, total number of distributors increased to 20 while the number of SERVO shops also reached 171 with the commissioning of 26 new SERVO shops. In Bitumen, our market share increased from 36% to 58% while profitability was improved by better inventory management policies and flexible procurement strategies.

LIOC commenced exclusive bunkering operations at Trincomalee Port from June 2015. Trincomalee is the world's 5th best natural harbour and provides an excellent opportunity to LIOC to meet the bunker need of the vessels operating on the Bay of Bengal – Western Countries shipping route. To optimise the storage & operating costs and to bring valuable foreign exchange to the country, LIOC commissioned storage of bunker fuels at its Trincomalee Terminal in February 2016. Bunker Sales recorded an unprecedented growth of 20% during the year despite intense competitive pressures. We sustained our position by maintaining operational excellence and financial prudence as also by continuously improving our procurement & distribution strategies.

In line with our mutual value creation strategy, we continued to invest in developing the capabilities of our business partners and pump attendants. Accordingly, we collaborated with the University of Sri Jayawardhanapura and Sri Lanka Institute of Marketing and developed structured training modules for our business partners.

Despite under recoveries on auto fuels, we generated a net profit growth of 19% amounting to LKR 2,239 million for the year, upheld by strong top line growth in all product segments. Overall profitability was strengthened by strategic petroleum products sourcing initiatives, inventory management and stronger cash flow management. Strategic focus on broadening our product portfolio and diversifying into other petroleum based products such as petrochemicals, renewable energy and exports have positioned your Company for strong growth.



We remain committed to sustainable shareholder distributions over the long term. Your Company declared payment of dividend of LKR 1.00 per share for FY 2014-15, amounting to a total dividend of LKR 532 million due to higher profits in FY 2015-16, we propose a final dividend of LKR 1.25 per share subject to shareholder's approval at the AGM.

The government of Sri Lanka imposed 'Super Gains Tax' during the financial year with retrospective effect. This resulted in a cash outflow of LKR 1.44 billion. However, in order to regain investor confidence, Government of Sri Lanka has stated that this would be a once-off tax and would not be imposed again.

### Safety for All

Risk management is fundamental to driving sustainable growth in our earnings and the Board and Senior Management keep abreast of the emerging risks faced by the Company. A relentless focus on safety remains the top priority for all of us at Lanka IOC and I am happy to report that we achieved yet another accident-free year. We are committed to upholding the highest standards of corporate governance and continue to comply with Code of Best Practice on Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka & The Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. We have also fulfilled all the statutory and mandatory compliance criteria and reporting standards.

### Sustainable operations

LIOC remains committed to nurture a sustainable business model which would accurately reflect corporate goals and long term business aspirations. Accordingly, LIOC would look to systematically strengthen its environmental management and preservation initiatives through enhancing resource efficiency and effective waste management. Moreover, highly focused CSR efforts are expected to continuously add value to communities while fostering broader socio-economic change for the future. Our strategic areas of CSR focus remain the four key areas, namely, Education, Health, Environment and Disaster Relief under the broad themes of WE CARE and GO GREEN.

### Acknowledgements

Our people are our greatest assets and, given their zeal, hard work and passion, I am sure, Lanka IOC would continue to outperform its peers in the industry. The contribution of Mr. Bohra, the Senior Management team and all our employees is greatly appreciated.



Health Screening Camp for the LIOC staff

As a policy, the Company's board representation is refreshed regularly to bring in diverse perspectives. Accordingly, I succeed the previous Chairman Mr. Indrajit Bose and Mr. Shyam Bohra has joined us as Managing Director in place of Mr. Subodh Dakwale. I wish to place on record my deep appreciation for the contribution made by both of them and their vision and hard work. I will also like to thank my colleagues on the IOC Board for their guidance and support during the year.

Finally, on behalf of the Company, I would like to extend my sincere gratitude to the Government of Sri Lanka for its continuous support to the Company. I would like to thank in particular, the Ministry of Petroleum Industries, the Board of Investment of Sri Lanka, the Ministry of Finance and Planning, the Ministry of Investment Promotion, Sri Lanka Customs, the Central Bank of Sri Lanka, the Department of Inland Revenue, the Ministry of Transport and Highways, Sri Lanka Transport Board and Sri Lanka Ports Authority.

I also extend my gratitude to the Board of Directors for their insights and deliberations during the year and all our valued shareholders for their confidence placed in the Company. I thank all our channel partners, customers, suppliers and other stakeholders for their cooperation during the year.

Best Wishes,

B S Canth  
Chairman

# Managing Director's Review



**“I am pleased to report that your Company has delivered a profit of LKR 2.24 billion for the financial year under review, recording a profit growth of 19%.”**

It's my great pleasure to present to our valuable shareholders, the audited financial statements for the year ending 31st March 2016. I'm also pleased to share our first 'Integrated' Annual Report of the Company which will also demonstrate how proficiently the challenges were managed, action plan for expanding your Company's footprints and the performance of the capable men & women who make up Lanka IOC.

Over the years, we at LIOC, have demonstrated our commitment to create shareholder value and consequently, we have added another year of growth and market outperformance to our record, while taking steps to position the Company for future growth opportunities. I am pleased to report that your Company has delivered a profit of LKR 2.24 billion for the financial year under review, recording a profit growth of 19%. There is no doubt that 2015-16 was a turbulent year, with fluctuating oil & gas prices, having a far-reaching impact on the energy industry world over. Despite a volatile and challenging business landscape, LIOC delivered commendable performance.

We had a number of notable accomplishments during 2015-16. To mention a few, I am happy to share that we have grown our footprint with the establishment of 20 new franchise outlets in 08 provinces in the country, facilitating transportation of people & goods and supporting economic growth in the country, reflecting our long term commitment to the country. Your company's products provide the energy that is critical for the economic progress and we are well positioned to meet the growing demand in a safe and responsible manner. We have evolved over the last 14 years and in 2015-16 also, we have delivered sustainable value to our shareholders, further optimised our operations and increased our market share in all the business segments.

Our ability to create value is enhanced by the strength of our parent company, the Indian Oil Corporation Ltd (IOC) which is India's largest commercial enterprise and flagship national oil company. The strategic leadership and continued support of IOC

has been a driving force behind Lanka IOC's success.

A reputed brand image built on transparent procurement process & timely payments and quality & consistency of our dealings has earned us good confidence amongst leading international petroleum producers, traders and shipping companies, which enables us to procure our products at the best possible terms and prices. LIOC's financial performance in fiscal 2015-16 clearly demonstrates that we are executing very well our strategies despite various challenges. We believe LIOC is on a dynamic trajectory that will make 2016-17 even more successful.

### **A Conducive Environment**

Transportation of goods and services sub-sector accounted for 10.7% of the country's GDP in 2015 recording 5.5% growth during 2015 exceeding the economic growth rate of 4.8%. From a consumption perspective, transport accounted for 22% of total consumption expenditure, evincing strong growth of 10%. These trends highlight the demand for transport in Sri Lanka, driving growth in our core business such as retailing of auto fuels. Sri Lanka's fuel imports declined from US\$ 4.5 Bn in 2014 to US\$ 2.7 Bn in 2015 as international prices declined and overall import volumes also declined due to lower dependency on thermal power. However, the increased number of vehicle imports and strong demand for transport services served to drive overall demand for auto fuels in the country.

As availability of auto fuels is an essential service, retail prices are driven by the decisions of Ministry of Petroleum and considering various factors, prices were decreased by LKR 33 for Petrol and LKR 16 for Diesel in January 2015. This resulted in huge under-recoveries to the Oil Marketing Companies. To withstand these conditions, we undertook special studies to further optimise our supply chain management, reduce costs, implemented strategic procurement & pricing strategies and all this significantly helped us to make our business more resilient in the short term and battle ready to invest for long-term growth. So, while the oil prices and RSP of auto fuels were beyond our control, we have performed strongly on the factors that we can control.

### **Performance**

LIOC recorded strong growth during the year as sales volumes increased by 16% driven by growth in vehicle numbers and demand for transport services which was well supported by growth of our customer touch-points from 179 to 199. The new retail outlets which we opened also created indirect employment opportunities for approximately 30 people at each franchisee. We upgraded the facilities of a further 20 outlets to reflect the LIOC brand which has served to enhance customer convenience

## Managing Director's Review

**“The Company was ranked the 4th biggest listed company in Sri Lanka in terms of Turnover by LMD and also ranked amongst the Top 25 best companies in Sri Lanka conducted by Business Today Group in December 2015.”**

with easier access and faster service. Service standards were also enhanced as we continued our programmes to train franchise holders and their employees in developing our network. Partnering with the University of Sri Jayawardenapura, we trained the dealers and pump attendants who are our frontliners to ensure that our customers receive a high standard of service throughout our network. All these initiatives contributed to drive increased sales volumes surpassing national trends described above, affirming increased market share for LIOC, which is of course a commendable achievement. We believe that our presence in the country has enhanced the customer experience significantly, providing impetus for growth.

Growth of the Bunkering operation was encouraging as we achieved over 20% volume growth although revenue declined due to lower prices. Operating from Colombo and Trincomalee harbour, LIOC is the 2nd largest operator for bunkering, which accounted for 13% of revenue.

LIOC became the market leader for Bitumen increasing market share from 36% to 58% despite a contraction in the market stemming from a decline in construction sector activity. Accounting for 3.4% of revenue, this segment is expected to grow in the near term as activity in road construction is expected to increase in the next few years.

Our lubricants which are sold under the Servo brand commands an estimates market share of 17% and contributes appreciably to our profitability. The lube blending plant at Trincomalee became the first lubricant plant to obtain the prestigious ISO 9001-2015 from the SLSI which is expected to further enhance market acceptance of the wide range of products.

The various factors enumerated above resulted in increase in gross margins from 6% to 8% which finally culminated in increase in Gross profit to 5.8 Bn as compared to LKR 4.7 Bn in the previous year. Adaptive strategies with regard to inventory, pricing and procurement allow us to quickly respond to volatile external economic conditions and position ourselves to our advantage.

Capital expenditure amounted to LKR 630 million driving asset growth of 6% as we expanded our footprint in Sri Lanka and enhanced our facilities. We are committed to investing for long term sustainable growth in the country, working in partnership with the Government of Sri Lanka to develop the country's growing energy sector, drawing on the expertise, experience and networks of IOC Ltd., which has operations in 6 countries.

Our financial results over the year demonstrated the benefit from the focusing into non- price controlled segments such as lubricants, Bitumen and Bunkers. We have a strong, refocused and rebalanced portfolio which we believe will enable us to withstand under recoveries on sale of auto fuels. In the current business environment, competitiveness depends on minimizing our costs and I am very happy to share that the senior management of Lanka IOC has given special impetus to cost reduction in all spheres of activity. Rigorous financial risk management processes enabled us to minimise exchange rate impacts arising from trading activities and dollar denominated borrowings.

Lanka IOC owns 1/3rd share in Ceylon Petroleum Storage Terminals Limited (CPSTL), a JV company of Lanka IOC and Ceylon Petroleum Corporation (CEYPETCO). By active participation at Board Level and other meetings, we are committed to improve productivity, efficiency and to manage costs in a prudent manner at CPSTL.

Lanka IOC decided to become the principal sponsor of 'A' cricket team of Sri Lanka for 3 years. Lanka IOC has always supported cricket in the country and this tie-up with Sri Lankan Cricket Board is another effort towards it.

I can proudly announce the awards the Company has received during this financial year due to its quest for sustainable growth. The Company was ranked the 4th biggest listed company in Sri Lanka in terms of Turnover by LMD and also ranked amongst the Top 25 best companies in Sri Lanka conducted by Business Today Group in December 2015, based on corporate excellence and good corporate governance demonstrated by these companies. These accolades are key to measure success beyond financial performance and therefore, are indicative of our long term positioning in the market.



Managing Director LIOC Receiving the award from LMD for being ranked as the 4th Biggest Listed Company in Sri Lanka

## Focussing on People

As a service sector organisation, our success is reliant on having a dedicated, trained and inspired team in place to implement strategy and provide feedback on the ground situation. This includes our own employees, our franchisees and their employees as they are the frontliners who interact with the customers, building or destroying brand value with each encounter.

It makes sense to start by ensuring that our talent management processes were sufficiently robust to deliver our corporate goals. Consequently, we commenced with enhancing retention of staff to facilitate talent development and then set in place leadership and other talent development initiatives to energise and motivate the team. Salaries were increased following a benchmarking exercise to ensure that we pay in accordance with the top 10 Corporates in the country, reflecting our positioning in the market as an employer of choice. Talent development programmes included secondments to the parent company and external courses to enable our employees to realise their own potential. We have been rewarded with increased retention rates of 95% and higher levels of motivation as reflected in the performance delivered. Our people are our most important asset, and we are deeply committed to their ongoing development.

Franchise holders are true partners in growth with a high degree of interdependency. Our Franchise holders executed our strategies very effectively. We have initiated programmes to align their vision to that of your company, working on long term goals together with

them. Support offered includes training in management practices and driving high levels of service standards.

Our presence in prime locations within local communities fuelling the transportation of goods and people ensures that we remain connected to the local communities. Besides ensuring that our presence uplifts the look and feel of the community, while ensuring its safety, we engage in a number of philanthropic activities to give back to the societies that drive our success. These initiatives vary from health camps to our flagship initiative to provide English Education to children and youth which has been identified as a pre-requisite to drive higher levels of employment.

As a responsible corporate citizen, your company, while sharing the grief that the country went through due to large scale devastation due to floods, contributed a sum of LKR 5.0 Million to the "Disaster Relief Fund" in order to help the affected people. The Hon'ble President of Sri Lanka greatly appreciated the kind gesture of the Company and expressed his sincere thanks and gratitude to the Company as well as LIOC employees for helping the government at this critical juncture. We remain dedicated to serving the communities in which we live and work through our programs. Our commitment starts by integrating our corporate goals, with the general public expectations, into our business model.

## Technology & Diversification

Technology is a key factor in development of the energy sector. From product innovation to service innovation and operating

## Managing Director's Review

systems, technology is a key enabler and a differentiator. Our access to the latest technology in all spheres of activity through our parent company has ensured that we remain ahead of the industry in the country and drive necessary change to facilitate a thriving energy sector. We know that understanding the world's future energy needs will help us improve our competitiveness. Over the years Lanka IOC has responded to changing circumstances many times.

The global economy continues to experience weaker growth in the main developing economies and slower than expected recovery in the developed world. However, our strategy to diversify into other petroleum products besides auto fuels helped us and we were prepared and well positioned to respond to this volatile environment. The company has decided to diversify in new related areas such as petrochemicals, renewable energy and exports of petroleum products in nearby countries. Discussions are underway and we expect positive results soon.

We also welcome the government's renewed interest in using Sri Lanka's strategic positioning along the Silk Route to drive economic growth in the country as it will create new opportunities for growth for your company as a partner in the country's economic growth.

### Way Forward

We are eager to expand our role in the country's energy sector and believe that we are well positioned to drive success through harnessing our considerable presence in the region. The Government's plans to develop Sri Lanka's potential as a maritime hub are welcome in this regard and we look forward to a more varied role in consultation with the Ministry of Petroleum. The Company's cash reserves are sufficient to support expansion and a strong balance sheet ensures that we are able to raise funds if required. I am confident that our company and our employees have what it takes to meet the challenges of the current business environment, partner with Ministry of Petroleum and achieve our vision of being one of the most well-admired company of Sri Lanka, respected for its people, partnership and performance.

### Acknowledgements

The Chairman and the Board of Directors have been a source of enormous strength to myself and my management team, as we navigate the Company through the many challenges to seize the right opportunities. I thank them for their vision and professional advice, so generously imparted. I will also like to thank the tireless efforts of all the previous Managing Directors of Lanka IOC, including my predecessor Mr. Subodh Dakwale that today, we can take pride in the strengths of our management practices and culture.



Managing Director and Senior Vice President (Finance) of LIOC handing over the cheque for LKR 5.0 Mn for National Disaster Relief Fund to H.E The President of Sri Lanka

To my hard working team, I offer my congratulations and sincere appreciation of their efforts as their enthusiasm made a good year better and for their continued commitment & dedication to serve our valued stakeholders. I also thank our franchisees for their continued support and enthusiasm and look forward to our mutual growth in the coming year. In closing, my Corporate Team joins me in thanking the Government of Sri Lanka for their continued support and the officials of the Ministry of Petroleum for their assistance, guidance and clarification whenever it was required. To our growing number of loyal consumers I promise that we will continue to uphold the high standards you expect, respecting both your time and your environment.

In 2015-16, we have achieved excellent momentum in the marketplace, and our investments are positioning us to be even more differentiated and competitive. I am confident that we will continue driving profitable growth and delivering value for our customers and shareholders in 2016-17. I look forward to engaging more with all our stakeholders in driving LIOC's growth in 2016-17 as we reach for higher goals. I am optimistic that the year ahead will be one of accomplishment and triumph for LIOC.

Best Wishes,

**Shyam Bohra**  
Managing Director



Best Performers of 'English for Young Learners' receiving their certificates from Hon. Minister of Petroleum Resources Development



Visit to the historical 'burnt tank no. 91' at Trincomalee by Chairman LIOC and others



Managing Director LIOC with Sri Lankan Cricket Board Officials and Captain Angelo Mathews at the signing of the agreement, sponsoring 'A' Team



Best performers of Lubricants Department felicitated by Managing Director LIOC

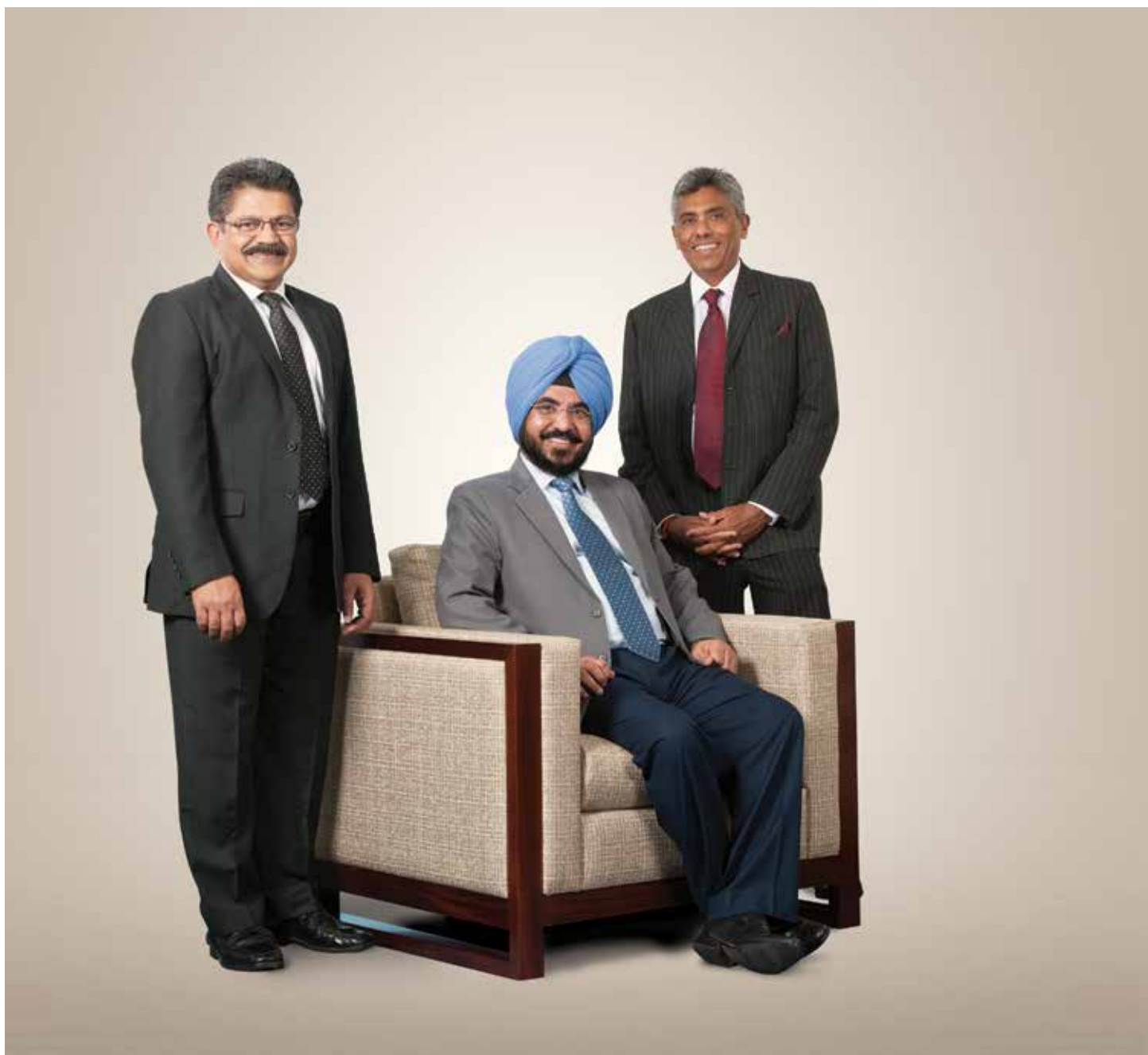


Managing Director LIOC addressing the dealers at the dealer work shop



Managing Director & Senior Officials of LIOC at the Annual Company outing in Kandalama

# Board of Directors



*Left to Right*

**Mr. P.M. Mohan** - Non-Executive Director

**Mr. Balwinder Singh Canth** - Chairman

**Mr. Amitha Gooneratne** - Independent Non-Executive Director





*Left to Right*

**Prof. Lakshman Ravendra Watawala - Independent Non-Executive Director**

**Mr. Shyam Bohra - Managing Director**

**Mr. D.K. Sharma - Non-Executive Director**

## Board of Directors



### 1. Mr. Indrajit Bose Chairman [ceased office on 01.11.2015]

Mr. Indrajit Bose, Executive Director, Corporate Communications and Branding, has taken over management of corporate communications for the Marketing Division of Indian Oil since June 1, 2015. Besides internal and external communications, his area of responsibility also includes brand management for the Company. Mr. Indrajit Bose is a Chemical Engineer from Jadavpur University, Kolkata.

Mr. Bose started his career with Indian Oil in 1981 as a sales engineer after having a brief stint as Project Engineer in UHDE GmbH, a Caustic Soda Plant Specialist. During his first eighteen years, he took on increasing responsibilities, mainly in the Lube retail area, and served the eastern markets of Raipur, Guwahati, Dhandbad and Kolkatta. As a key member of the initial days of Indian Oil's lubricant business, he has made significant contribution to the imposing growth of SERVO brand of lubricants which is rated as a highly valued super brand today.

In 1998, he was transferred to petroleum fuels retail sales area and mainly handled the markets of Bihar and West Bengal. From 2008 onwards, Mr. Bose led the Uttar Pradesh and subsequently West Bengal teams. His role as Head of State was to lead the entire handling of petroleum product movements as well as to spearhead various retail programmes, customer activities, engineering initiatives, LPG sales and various community initiatives in semi urban and rural areas. His tenure saw emergence of Indian Oil's popular rural retail initiative of "Kisan Seve Kendras" (KSKs) which have now become major rural retail strength for Indian Oil's retail network.

He was appointed as Executive Director, West Bengal State Office in 2012 and took over charge of all India head of Retail Sale in 2014. As Head of all India retail business which accounts for



almost 50% of Indian Oil's total business, Mr. Bose was in charge of a large growing retail network of about 24,000 retail outlets which included over 6,000 KSKs.

As the all India head of Corporate Communications and Branding, his rich and exhaustive experience in retail sales area will enable strategic positioning of ten brands under the Indian Oil umbrella. He leads pan India team of executives who handle all internal and external communications, brand management and social media initiatives, through 16 State offices and 70 Divisional offices.

### 2. Mr. Balwinder Singh Canth Chairman [w.e.f 02.11.2015]

Mr. Balwinder Singh Canth, Director (Marketing) of the oil major Indian Oil Corporation Limited has been appointed as the Chairman of Lanka IOC PLC (LIOC) with effect from 02.11.2015, replacing Mr Indrajit Bose.

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

Since joining Indian Oil 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 Indian Oil'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 Indian Oil'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.

### **3. Mr. Subodh Dakwale**

**Managing Director [ceased office on 28.09.2015]**

Having worked for over three decades in Indian Oil Corporation Ltd., Mr. Subodh Dakwale has a rich and extensive experience in the oil & gas industry. His long stints in diverse fields such as engineering, lubes, LPG, sales, and marketing have equipped him with a holistic outlook towards the entire gamut of the petroleum sector.

Prior to his assuming office as the Managing Director, Lanka IOC, Mr. Dakwale was in charge of the Retail Sales department in Indian Oil's Madhya Pradesh State Office. He has been actively involved in various social and employee welfare issues in India, and has carried forward the same passion through several CSR initiatives in Sri Lanka.

A result-oriented leader, Mr. Dakwale, with his out-of-the-box thinking and strategic initiatives, has steered Lanka IOC to a path of progress, creating value for each stakeholder. His



networking abilities and inter-personal skills ensured excellent relations with the Sri Lankan government, which eased teething troubles for Lanka IOC. Under his able guidance, the Company recorded its highest ever sales turnover and PAT. The outstanding performance of Lanka IOC with Mr. Dakwale at the helm of affairs, won for the Company innumerable awards during his three-year tenure as Managing Director, Lanka IOC.

An engineer by profession, Mr. Dakwale, is an avid sportsman. He has excelled in sports such as Badminton and Tennis and is now making his mark as a keen golfer. Widely travelled, he is also an avid reader and a music lover.

### **4. Mr. Shyam Bohra**

**Managing Director [with effect from 29.09.2015]**

With over 27 years' expertise in the Petroleum Sector, Mr. Bohra has wide experience in various roles in the Indian Oil Corporation Ltd., India's flagship company and a Fortune 500 Global Company, in different departments such as Retail, Institutional Sales, Operation and Logistics. He also has considerable exposure and prior to assuming office as Managing Director of Lanka IOC PLC, he headed Indian Oil's Retail Department of Maharashtra and Goa State.

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, Mr. Bohra has served in many key positions at Indian Oil. He has been a Divisional Head for three different Sales Divisions with long and successful stints at the field level and also worked in the Operations Department looking after logistics.

Mr Bohra is also a Director of Ceylon Petroleum Storage Terminals Limited [CPSTL].

## Board of Directors



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

### **5. 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 Richard Peiris PLC, Gestetner Ceylon PLC, Lake House Printers & Publishers PLC, and Aban's Electricals PLC. He is also the Chairman of the Audit Committee of these companies.

He also served as a Committee Member of the Ceylon Chamber of Commerce; President Institute of Certified Management Accountants of Sri Lanka and its Founder; was the Past President of the Institute of Chartered Accountants of Sri Lanka; Past President of the South Asian Federation of Accountants (SAFA);



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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 companies. He was inducted to the Hall of Fame of CA Sri Lanka in November 2013.

### **6. Mr. Amitha Gooneratne** **Independent Non-Executive Director**

Mr Amitha Gooneratne is a fellow member of the Institute of Chartered Accountants, England & Wales and a Fellow of the Institute of Chartered Accountants, Sri Lanka.

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

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which is the strategic investment arm of the Distilleries Company of Sri Lanka PLC. He also joined the boards of several subsidiary companies of Melstacorp Limited namely, Melsta Regal Finance Limited, Melsta Logistics (Pvt) Limited, Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka



Bell Limited, Bellvantage (Pvt) Limited, Texpro Industries Limited, Bogo Power Limited and Continental Insurance Limited.

He is also an Independent Director of Textured Jersey and Commercial Development Company Limited, and serves as an Alternate Director on the Boards of Distilleries Company of Sri Lanka and Aitken Spence PLC.

### **7. Mr. P.M. Mohan** **Non-Executive Director**

Mr. P.M. Mohan is a CA and Gold Medalist in MBA from IIPM, affiliated to University of Ljubljana, Slovenia. He has 31 years experience at Indian Oil Corporation and has worked in various fields, including Management Accounting, Product Accounting, Planning & Economic Studies, International Trade, as well as Optimisation where he was actively involved in the building of the Optimization Models and was in-charge of the marketing side of the Supply Chain as well as evaluation of long-term infrastructure requirements.

He is currently posted as Executive Director (Pricing) at the Head Office of Indian Oil Corporation Ltd., Marketing Division in Mumbai, where he handles issues connected with the pricing of petroleum products and interactions with the Government and other Industry players on various matters.

### **8. Mr. D K Sharma** **Non-Executive Director**

Mr. Deepak Kumar Sharma is an MBA with specialization in Marketing Management. He has over 33 years' experience in the downstream Petroleum sector in India. He presently heads the Retail Function of Indian Oil as Executive Director (Retail Sales).



As ED (Retail Sales), he is responsible for retail POL business of Indian Oil in India. He is spearheading Retail Transformation in Indian Oil, following deregulation.

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 Indian Oil, 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), Indian Oil, for almost 8 years.

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### **Ms. Rajanie Balakrishnan** **Company Secretary**

Ms Rajanie Balakrishnan is a Fellow Member of the Institute of Chartered Secretaries and Administrators, United Kingdom and a Fellow Member of the Institute of Chartered Corporate Secretaries [Sri Lanka]. She was appointed as the Company Secretary of Lanka IOC PLC in the year 2009.

# Senior Management Team



*Left to Right*

**Ms. Rajanie Balakrishnan** - Company Secretary

**Mr. Gourav Jain** - Assistant Vice President [Finance]

**Mr. Faizan Ahmad** - Senior Vice President [Engineering]

**Mr. Chittem Raju** - Senior Vice President [Operations & LBP] Trincomalee

**Mr. Siddharth Agarwal** - Senior Vice President [Retail Sales & HR]



*Left to Right*

**Mr. Chiranjeevi Thallapally** - Assistant Vice President [Operations] Trincomalee

**Mr. B.B. Patra** - Senior Vice President [Lubes, Marketing & Production]

**Mr. Shyam Bohra** - Managing Director

**Mr. Anuj Jain** - Senior Vice President [Finance]

**Mr. Randhir Singh** - Senior Vice President [Operations & Bunkering]

# Growing with LIOC



“I am proud to be a part of a strong establishment that provides continuous challenges, experienced leadership, entrepreneurial passion and paves the way for excellent advancement opportunities.

In my view Lanka IOC PLC is a workplace, which contributes for the betterment of the society, growth and development of my country, driven by virtue of being one of the largest contributor to the state revenue...”

**Carol George** – *Manager Sales*



“Today’s world, “great company culture” is no longer an option. In fact, workers are almost expecting fabulous company culture along with other traditional benefits. Lanka IOC PLC is the Company with remarkable values i.e. Trust, Innovation, Passion and Care. As Lanka IOC PLC stands in these strong four pillars and excel in growing in line with its values, there are no doubts of having an excellent cooperate culture within and around of Lanka IOC PLC. You can’t beat a team of being pleasant and friendly to each other and both excellent and love of what they do. As an employee of Lanka IOC PLC I witness the excellent corporate culture and am proud to be member in the team. My best wishes to Lanka IOC PLC and its family.”

**Ariyanayagam Manmathan** – *Assistant Manager Finance*



“It is a great work place where we align people with organizational objectives; employees are empowered to provide their personal best and work together as a Lanka IOC team”

**Arafath Ismail** – *Assistant Manager - Lubes Retail*



“For Me Lanka IOC is the Second home. The Working atmosphere here is great and all the work mates are like one big family with helpful attitudes to the work. I am proud to be a part of the Lanka IOC family”

**Ninuka Karunanayaka** – *Executive Systems*





“This is the place where, when I get a problem, I can propose a solution and work it out towards a conclusion, with a great team and visionary guidance. That’s my Lanka IOC”

**Harry Wilson** – Assistant manager - Administration



“Being a part of the Lanka IOC family for the past One year has immensely helped me in my career development. I have learnt a lot through on the Job experiences. I’m very happy to be a part of the Company which is expanding it’s market in the Indian Ocean for the betterment of Our Mother land Sri Lanka & taking up initiatives to grow the Bunkering Industry of Sri Lanka.

I’m delighted to work with such a team who are always ready to take up challenges & conquer them with unity and team work. Proud to be a part of a wonderful family.”

**Sameera Cooray** – Assistant manager - Bunkering



“I always place the interest of the Lanka IOC PLC above my personal interest as I believe Lanka IOC PLC cares for me and my personal interest. I always find fun, working with employees and colleagues at Lanka IOC PLC and is proud to be a member of a great team at Lanka IOC PLC.”

**Sanjeewa Gunasekara** – Executive Lube Production



“Lanka IOC PLC, is a place like no other, leading the way to success day by day. It’s all about the hard work and unity, and it is the only secret behind the great accomplishments”

**Rasara Kodikara** – Executive - Engineering





Safety is as simple as ABC.  
Always Be Careful!

EXIT

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# Corporate Governance

Robust corporate governance practices ensure that stakeholder interests are balanced in the Company's value creation process. LIOC strives to uphold the trust all our stakeholders have placed in us, by being transparent, accountable and ethical in the pursuit of our corporate goals. The Board of Directors hold apex responsibility for implementing robust governance structures which ensure sufficient balance of authority, comprehensive policy frameworks and compliance with external and internal regulations.

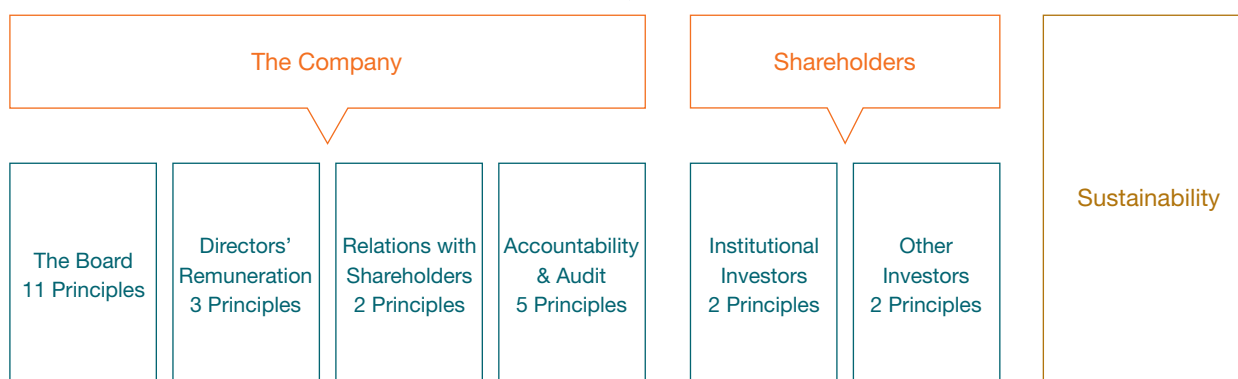
## Governance Framework

LIOC's corporate governance framework has been formulated to comply with all relevant regulatory requirements while embracing industry best practices and several voluntary codes as depicted below;

Internal Standards and Principles	External Standards
Articles of Association	Companies Act No.7 of 2007
Board Charter	Continued Listing Rules of the Colombo Stock Exchange
Terms of Reference and Charters of Board and Management Committees	Shop & Office Employees Act of 1954
Comprehensive framework of board approved policies	Inland Revenue Act No.10 of 2006
Code of Ethics for employees	Code of Best Practice on Corporate Governance issued jointly by the Securities & Exchange Commission and the Institute of Chartered Accountants of Sri Lanka
	<IR> Framework of the International Integrated Reporting Council
	Global Reporting Initiative (GRI): G4-Criteria

In the following sections of this Report, we have used the structure of the Code of Best Practice in Corporate Governance to communicate in a comprehensive but concise manner, the governance structures and processes of the Company.

## Code of Best Practice on Corporate Governance

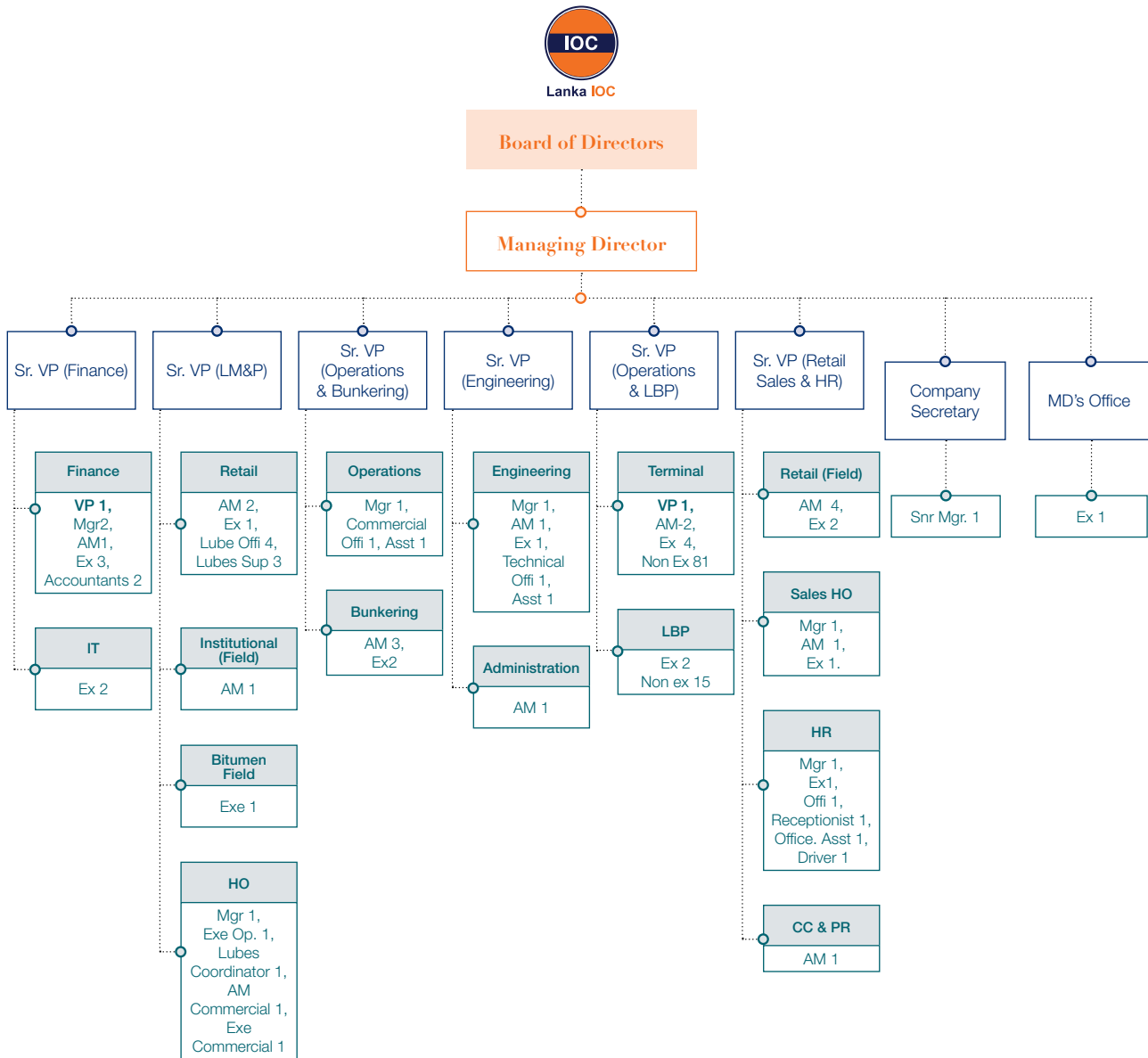


### An Effective Board (Principle A.1)

The Board of Lanka IOC PLC comprises 6 eminent professionals with extensive experience in the Petroleum Industry whose profiles are given on page 24 to 27. Four Directors are nominated by the Parent Company Indian Oil Corporation Limited, India and

2 Independent Non-Executive Directors are appointed by the Board of Lanka IOC, and 1/3 of the Directors who have served for longest period are re-elected at the AGM by the shareholders by rotation. The Board is assisted in the discharge of its duties by the Company Secretary, Ms. Rajanie Balakrishnan whose profile is given on page 27.

## Organisation Structure



- Sr. VP – Senior Vice President
- VP – Vice President
- Mgr – Manager
- AM – Assistant Manager
- Ex – Executive
- Offi – Officer
- Sup – Supervisor
- Asst – Assistant
- Sr. Mgr – Senior Manager

## Corporate Governance

### Board Committees

Board Committee	Areas of Oversight	Composition & Executive Support
<b>Mandatory Committees</b>		
<b>Board 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 page 80 for more information.</p>	<ul style="list-style-type: none"> <li>Comprises of 1 Non-Executive Director and 2 independent Non-Executive Directors</li> <li>04 scheduled meetings for the year.</li> <li>The MD and the CFO are invited to the meetings as observers together with other relevant key management personnel.</li> <li>The committee is supported by the Internal Auditors and the Company Secretary acts as the Secretary to the Committee.</li> </ul>
<b>HR &amp; Remuneration Committee</b>	<ul style="list-style-type: none"> <li>Remuneration of Employees and Key Management Personnel</li> <li>HR Policies including Remuneration Policy</li> <li>Organisation structure</li> <li>HR Systems including Performance Evaluation</li> <li>Refer the Report of the HR &amp; Remuneration Committee on page 79 for more information.</li> </ul>	<ul style="list-style-type: none"> <li>Comprises                             <ul style="list-style-type: none"> <li>03 Non-Executive Directors of which 02 are independent.</li> </ul> </li> <li>The Company Secretary acts as the Secretary to this Committee.</li> <li>Executive support is provided by the Human Resources Department whenever required.</li> </ul>
<b>Related Party Transactions Committee</b>	<ul style="list-style-type: none"> <li>Related Party Transaction Policy and processes</li> <li>Market disclosures on related party transactions</li> <li>Quarterly and annual disclosures of related party transactions</li> </ul>	<ul style="list-style-type: none"> <li>Comprises                             <ul style="list-style-type: none"> <li>03 Non-Executive Directors of whom 2 are independent and 1 executive Director</li> </ul> </li> <li>1 meeting for the year.</li> <li>Company Secretary functions as the Secretary to this committee</li> </ul>

### Regular Meetings (Principle A 1.1)

The Board held 05 meetings which included one meeting devoted to strategy. The Board Committees also met regularly as summarised below.

Directors	Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Related Party Transactions Committee
Indrajith Bose	3/ 3	-	-	-
B.S. Canth	1/2	-	-	-
Subodh Dakwale	3/ 3	-	-	-
Shyam Bohra	2/2	-	-	01
Prof. Lakshman R Watawala	4/5	03/04	01	01
Amitha Gooneratne	5/5	04	01	01
P.M. Mohan	5/5	04	01	Excused
D.K. Sharma	5/5	-	-	-
Total No. of Meetings in 2015-16	05	04	01	01

## Areas of Focus

**35%**  
Strategy

**15%**  
Governance

**10%**  
Risk  
Management

**20%**  
Performance  
Management

**10%**  
IT Strategy &  
Security

**10%**  
Internal Controls

Executive Committees also have been established by the Board to strengthen the governance structure as described below.

Management Committees	Purpose and Tasks	Composition
Risk Management Committee	Implementation of Board approved risk management policy frameworks to ensure that the Company's risk indicators are monitored within pre-defined parameters	All Head of Departments chaired by the Managing Director

### Key Board Responsibilities

- Evaluating the performance of the Senior Management.
- Setting strategic direction and monitoring its effective implementation.
- Establishing systems of risk management, internal control and compliance.
- Integrity of financial reporting processes.
- Developing a suitable corporate governance framework and policies.

### Board Responsibilities (Principle A 1.2.)

Responsibilities of the Board are set out in the Board Charter which includes a schedule of Powers Reserved for the Board.

#### Role of the Board

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

#### Powers Reserved for the Board

- Responsibility for the overall management of the Company.
- Approval of the Company's long term objectives and 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 provides guidance in formulating the Company's strategic plan which is prepared and presented by the Corporate Management to the Board who review and approve the same at a meeting convened for the purpose. Performance is monitored at Board meetings whilst specialised areas identified for oversight by Board Committees are reviewed by the respective Committees who report on progress to the Board.

## Corporate Governance

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

The Board has an approved compliance checklist in place to facilitate compliance with the relevant laws and best practice with regards to its operations, which is evaluated by the Audit Committee on a quarterly basis. This includes provision to obtain independent professional advice as and when necessary co-ordinated through the Company secretary. Independent professional services were sought on matters in accordance with the above provision in 2015-16 on few occasions for which the expenses were borne by the Company.

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

All Directors are able to obtain the advice and services of the Company Secretary. The Company Secretary's responsibilities are summarised below:

- Matters pertaining to the conduct of Board Meetings and General Meetings;
- Conduct of proceedings in accordance with the Articles of Association and relevant legislation;
- 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
- Adoption of best practice on corporate governance including facilitating assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice
- Acting as a channel of communication and information for non-Executive Directors and shareholders
- Disclosures on related parties and related party transactions required by laws and regulations
- Monitoring and ensuring compliance with the listing rules and managing relations with the Stock Exchange
- Assisting the Board in implementing and administering Directors' and employees' share participation schemes;
- 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)

All Directors bring independent judgement to the discussion of issues on strategy, performance, resources and business conduct. The composition of the Board ensures that power is appropriately balanced and that one or few members of the Board are unable to dominate the processes or decision making.

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

Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.

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

Independent Directors undergo training conducted by Sri Lanka Institute of Directors.

Directors nominated to the Board by the parent company, Indian Oil Corporation Limited (IOC), India are trained by IOC.

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

The positions of the Chairman and the Chief Executive Officer have been separated in line with best practice in order to maintain a balance of power and authority. The Chairman is a Non-Executive Director whilst the Chief Executive Officer is an executive officer appointed by the parent company, Indian Oil Corporation Limited. The roles of the Chairman and the Chief Executive Officer are clearly defined in the Board Charter.

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

The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of the duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with key management personnel, acting as a sounding board on strategic and operational matters. The agenda for Board Meetings are determined by the Managing Director in consultation with the Senior Management Team and Directors wishing to include items on the agenda may request the Managing Director to discuss the same.



### **Financial Acumen (Principle A.4)**

Collectively, the Board has sufficient financial acumen with 02 Directors holding membership in a professional accounting body.

- Prof. Lakshman Watawala
- Mr Amitha Gooneratne

### **Board Balance (Principle A.5)**

The Board comprises 05 Non-Executive Directors and 01 Executive Director facilitating an appropriate balance within the Board. All Non-executive Directors are independent of management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. They submit annual declarations to this effect which is evaluated to ensure compliance with the criteria for determining independence which are based on the requirements of the Code.

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

Board members receive information regarding matters set before the Board 7 days prior to the meetings, and the Managing Director ensures that all Directors are properly briefed on same by requiring the presence of Key Management Personnel when deemed necessary. Management also makes presentations on regular agenda items to the Board and its committees. Additionally, the Directors have access to Key Management Personnel to seek clarifications or additional information on matters presented to the Board. Directors who are unable to attend a meeting is updated on proceedings through formally documented minutes which are also discussed at the next meeting to ensure follow up and proper recording.

### **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 a 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)**

All Directors submit themselves for re-election at regular intervals, except the Managing Director at least once in every three years. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment / re-appointment.

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

Information specified in the Code with regards to Directors are disclosed within this Annual Report as follows:

- Name, qualifications, expertise, material business interests, key appointments and brief profiles on pages 24 to 27
- Attendance at meetings on page 36
- Membership of committees and attendance at Board Meetings and Committee meetings on page 36.

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

The Chairman agree the criteria for assessing performance with the Managing Director at the beginning of the year and assess performance based on same at the close of the financial year. The evaluation is formally approved within 03 months of the close of the financial year. This takes in to account performance vis a vis the targets, the operating environment and considers explanations provided for areas where performance has been below agreed targets.

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

The HR & Remuneration Committee of the Board is responsible for making recommendations to the Board regarding the remuneration structure and benefits to the employees. This 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. Remuneration for Independent Non-Executive Directors is set by the Board as a whole. Remuneration for Executive Directors is set with reference to the HR Policy of the Parent Company. The above processes ensure that no individual Director is involved in determining his own remuneration. The Board and the HR & Remuneration committee engage the services of HR professionals on a regular basis to assist in the discharge of their duties in this regard.

## Corporate Governance

### 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.

The remuneration for independent Non-Executive Directors is fixed by the Board as a whole, based on the recommendations of the HR & Remuneration Committee at a level in line with rates prevailing in the market, taking in to account the time commitments and responsibilities of their roles. Independent Non-Executive Directors are not eligible for share ownership plans of the Company.

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

Remuneration Committee Report conforms to Schedule D – Specimen Remuneration Committee Report. The names of the Remuneration Committee members are set out on page 79 and the aggregate remuneration paid to Executive and Independent Non-Executive Directors is given on page 96 Note 6 to the Financial Statements.

### Constructive Use of the AGM (Principle C.1)

The Company had approximately 10118 shareholders of whom 592 exercised their rights to vote by attending the Annual General Meeting or by proxy at the 2014-15 AGM. The AGM provides a forum for all shareholders to participate in decision making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, re-appointment of Directors and auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No.7 of 2007. The Chairman ensures the presence of the Chairmen of the Audit and Remuneration Committees to respond to any questions that may be directed to them by the shareholders. Notice of the AGM are circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM 15 working days in advance.

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

The company has multiple channels of communication with its shareholders which include a dedicated investor relations website at <http://www.lankaio.com>, press releases and notices in

English, Sinhala and Tamil newspapers and required disclosures to the CSE which are published on the CSE website. It is also the intention of the Board to ensure that the Annual Report provides a balanced review of the Company's performance which is comprehensive but concise.

### Major & 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 74 and Note 20 to the Financial Statements on page 106.

### Financial Reporting (Principles D.1)

The Annual Report presents a balanced review of the Company's financial position, performance and prospects which have been presented combining both narrative and visual elements to ensure that the content is understandable. Care has been exercised to ensure that all statutory requirements are complied with in the Annual Report and in the issue of interim communications on financial performance which are reviewed by the Audit Committee and approved 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 74 to 76 includes the disclosures required as per Principle 1.3 of the Code
- Statement of Directors' Responsibility on page 77 contains a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements
- Independent Auditors Report on page 82 includes a statement of their responsibilities
- Directors' Statement on Internal Control on page 76
- Management Discussion & Analysis (The Capital Reports) on pages 53 to 71
- Statement of going concern of the Company is set out on page 77 in the Statement of Directors' Responsibility on page 76 of the Annual Report of the Directors.
- Related Party Transactions disclosed on page 106 of the Directors' Report and in Note 20 in the Financial Statements.

In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting to notify the shareholders of the position and to explain the remedial action being taken. The Annual Report clearly explains how net assets have increased during the year in the Financial Review on page 6.

## **Internal Control and Audit Committee (Principle D.2 & D.3)**

The Board is responsible for formulating and implementing appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company. The Audit Committee assists the Board in discharge of its duties in relation to risk management and internal control.

The Audit Committee of the Board comprises 02 Independent Non-Executive Directors and a Non-Executive Director; summary of its responsibilities and activities are given in the Report of the Audit Committee on page 80. It is supported by M/s PWC, the Internal Auditors, who report directly to the Audit Committee. The Chairman of the Audit Committee is Prof. Lakshman R. Watawala, a senior member of the Institute of Chartered Accountants.

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

The company has an internally developed Code of Conduct & Business Ethics which is applicable to all employees and Directors which is compliant with Schedule I of the Code of Best Practice on Corporate Governance 2013. The HR & Remuneration Committee reviews the Code of Ethics on an yearly basis to ensure that it is sufficient and relevant with reference to the current operations of the Company.

This Corporate Governance Report from page 34 to 43 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 & F)**

The company has 10,427 shareholders of which 4.11% 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 website has key information required by shareholders and analysts.

## **Sustainability Reporting (Principle G)**

Sustainability principles are embedded in our business operations and considered in formulating our business strategy and reported in a holistic manner throughout this report. Information required by the Code is located as follows:

- Principle 1 - Economic Sustainability – Financial Review on page 53
- Principle 2 - Reporting on the Environment – Environment Report on page 70
- Principle 3 - Reporting on Labour Practices – Employee Report on page 64
- Principle 4 - Reporting on Society - Community Engagement Report on page 62
- Principle 5 - Reporting on Product Responsibility – Customer Report on page 60
- Principle 6 - Reporting on Stakeholder identification, engagement and effective communication – Stakeholder Engagement on page 45
- Principle 7 - Sustainable reporting to be formalised as part of the reporting process and to take place regularly – About the report on page 5

## Corporate Governance

### Compliance with CSE Continuing Listing Requirements

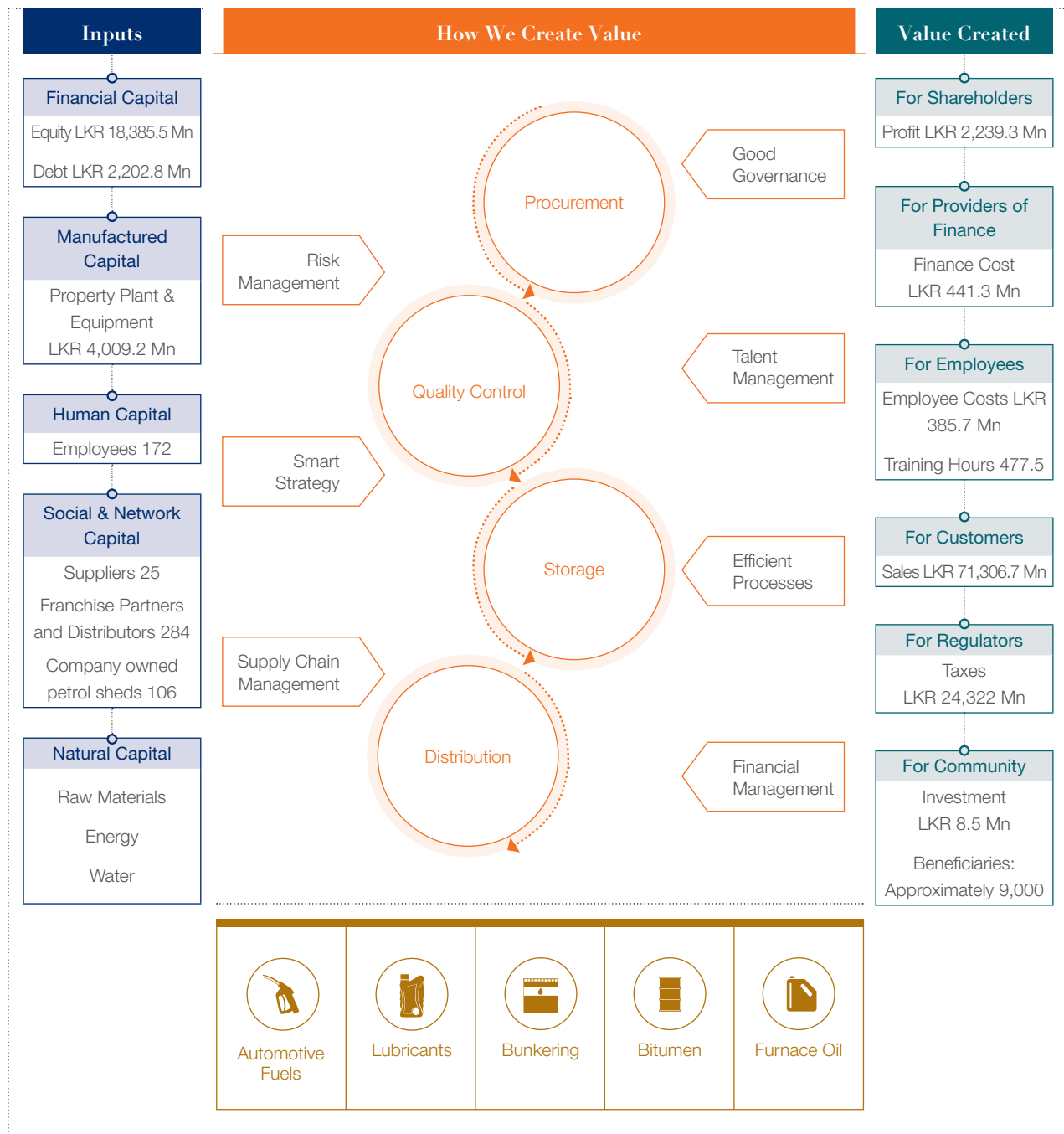
Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.1(a)	Non Executive Directors (NED)	2 or at least 1/3 of the total number of Directors should be NEDs	Complied	Corporate Governance
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Complied	Corporate Governance
7.10.2(b)	Independent Directors (ID)	Each NED should submit a declaration of independence	Complied	Available with the Secretary for review
7.10.3(a)	Disclosure relating to Directors	<ul style="list-style-type: none"> <li>The Board shall annually determine the independence or otherwise of the NEDs</li> <li>Names of IDs should be disclosed in the Annual Report (AR)</li> </ul>	Complied Complied	Corporate Governance
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 (RC)	A listed Company shall have a Remuneration Committee	Complied	Corporate Governance
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of NEDs, a majority of whom will be independent	Complied	Corporate Governance
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of the NEDs	Complied	Corporate Governance
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> <li>Names of Directors comprising the RC</li> <li>Statement of Remuneration Policy</li> <li>Aggregated remuneration paid to NED/NIDs and NED/IDs</li> </ul>	Complied Complied Complied	Corporate Governance and the Board Committee Reports
7.10.6	Audit Committee (AC)	The Company shall have an AC	Complied	Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6(a)	Composition of Audit Committee	• Shall comprise of NEDs a majority of whom will be Independent	Complied	Corporate Governance and the Board Committee Reports
		• A NED shall be appointed as the Chairman of the Committee	Complied	
		• CEO and Chief Financial Officer (CFO) should attend AC meetings	Complied	
		• The Chairman of the AC or one member should be a member of a professional accounting body	Complied	
7.10.6(b)	Audit Committee Functions	Overseeing of the –		Corporate Governance and the Board Committee Reports
		• Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards	Complied	
		• Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements	Complied	
		• Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards	Complied	
		• Assessment of the independence and performance of the external auditors	Complied	
		• 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	Complied	
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	• Names of Directors comprising the AC	Complied	Corporate Governance and the Board Committee Reports
		• The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	
		• The AR shall contain a Report of the AC setting out the manner of compliance with their functions	Complied	
	Related party transactions review committee	<ul style="list-style-type: none"> <li>• Names of Directors comprising the Committee.</li> <li>• Will monitor and approve recurrent and non-recurrent related party transactions as set out in the Group policy guidelines.</li> </ul>	Voluntarily complied	Corporate Governance Report

# Creating Value for Our Stakeholders

## Value Creation Model

We create value for a number of stakeholders by efficient management of our capitals as depicted in the diagram 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 over the long term. We define key stakeholders as those whose operations or lives are directly impacted by or those who directly impact our activities. Our response to identified concerns are addressed throughout this Report.

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## Consumers

Our products are purchased by consumers as fuel for their vehicles	<ul style="list-style-type: none"> <li>• Complaints and suggestions books at franchise outlets</li> </ul>	<ul style="list-style-type: none"> <li>• Product availability</li> <li>• Product quality</li> <li>• Good customer experience</li> </ul>
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## Franchise holders

Franchise holders are responsible for safe storage and disposal of our products in line with agreements	<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>• Business growth</li> <li>• Reliable supply</li> <li>• Rewards and recognition</li> </ul>
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## Employees

Employees enable us to create sustainable value for other stakeholders	<ul style="list-style-type: none"> <li>• Open door policy</li> <li>• Regular structured meetings with union representatives</li> <li>• Annual performance appraisal</li> <li>• Employee surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Rewards and recognition</li> <li>• Talent development</li> <li>• A conducive environment</li> <li>• Career progression</li> </ul>
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## Parent Company

Providers of equity and driving performance to achieve corporate goals	<ul style="list-style-type: none"> <li>• Board meetings</li> <li>• Secondment of representatives to key positions</li> </ul>	<ul style="list-style-type: none"> <li>• Profits and dividends</li> <li>• Business growth</li> <li>• Uphold IOC standards</li> <li>• Enhance brand reputation</li> <li>• Increase share price</li> </ul>
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## Other Shareholders

Providers of equity	<ul style="list-style-type: none"> <li>• Quarterly publication of financials</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>• Profits and dividends</li> <li>• Business growth</li> <li>• Increase share value</li> </ul>
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## Government of Sri Lanka

Regulator, main shareholder of associate company CPSTL and sole competitor	<ul style="list-style-type: none"> <li>• Regular discussions with officials of the Ministry of Petroleum Resources Development</li> </ul>	<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> </ul>
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## Suppliers

International oil and gas companies who provides refined petroleum products to LIOC and other local suppliers	<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> </ul>	<ul style="list-style-type: none"> <li>• Consistent application of procurement policies</li> <li>• Timely settlement</li> <li>• Business growth</li> </ul>
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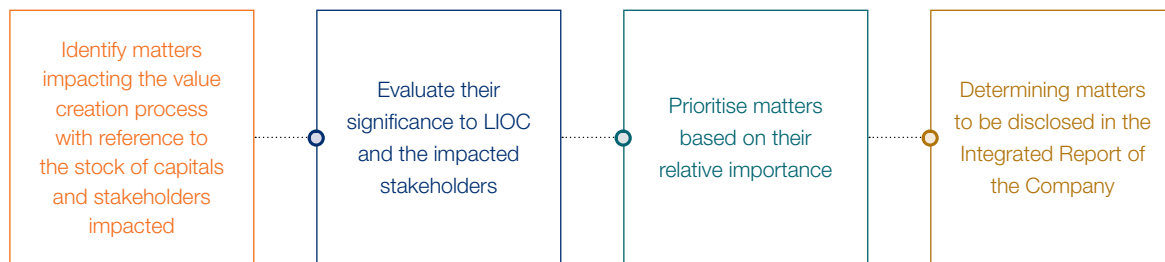
## Community

People of the communities where we have a presence	<ul style="list-style-type: none"> <li>• Through structured programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Support the socio-economic progress of the community</li> </ul>
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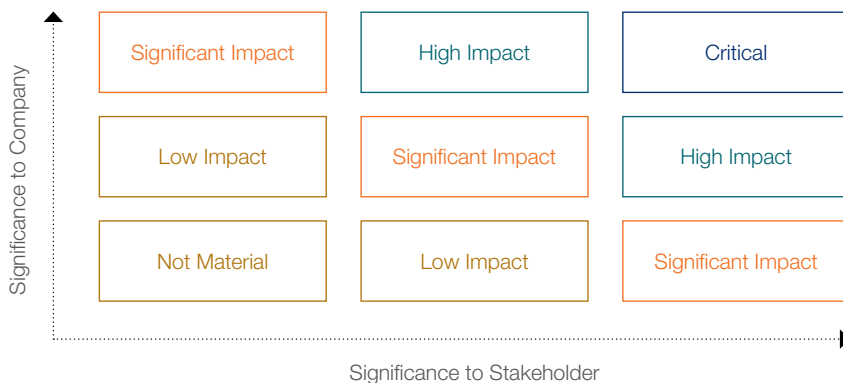
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# Determining Materiality

Material issues impacting our operations are identified by the Corporate Management Team including the MD using the GRI G4 Guidelines as a framework for guidance. Measurement, monitoring and reporting activities have been assigned to the relevant Heads of Department to facilitate progress towards strategic goals. Progress made on the material issues identified are monitored on an organisational basis by the Corporate Management Team and is included in this report. The process adopted for identifying the material issues is given below:



The material aspects were identified, 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.

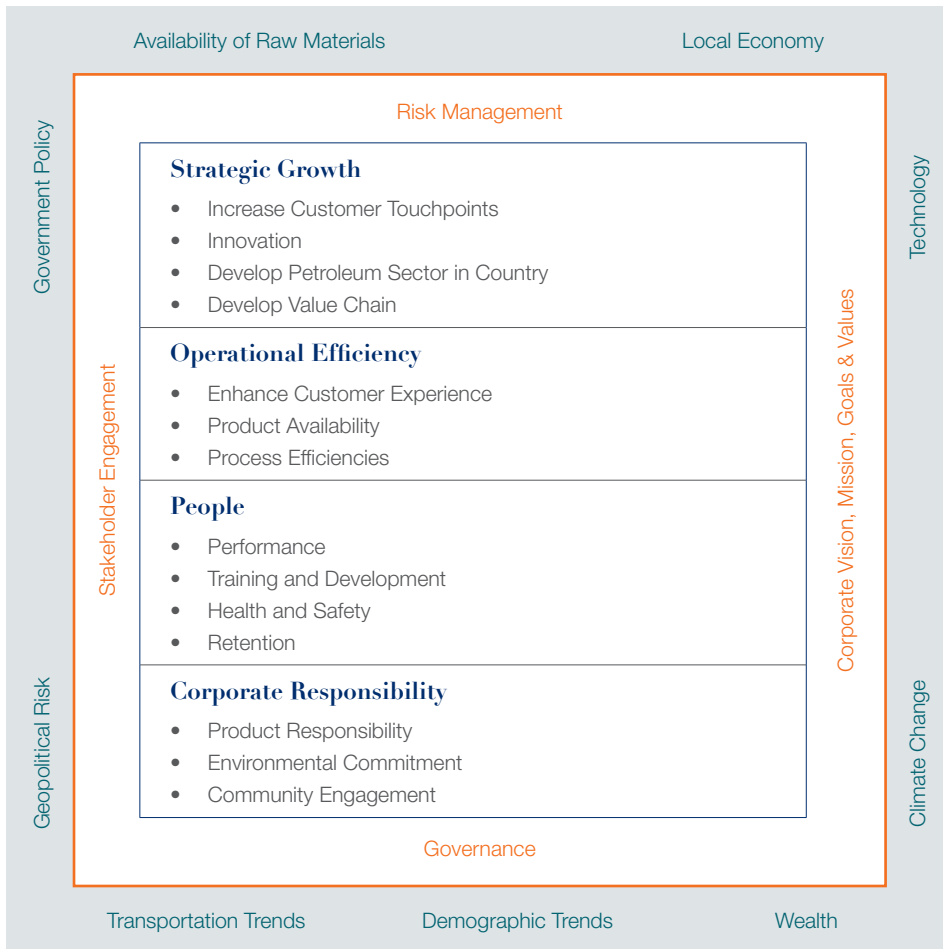


Critical	Significant Impact	High Impact
Financial Performance	Product Responsibility	Training & Development
Price Fluctuations of Crude & Petroleum Products	Accessibility	Local Community Relations
Sufficient Storage Capacity	Service Standards	Anti-Corruption
Health of Facilities/Maintenance	Effluents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



# A Holistic Strategy

The diagram below depicts the key pillars of the Company's holistic strategy, which has been carefully formulated based on the needs of our stakeholders and the issues that matter to them. The material aspects that are outside the control of the organisation are depicted in the periphery of the diagram while the factors in the center are those that are largely in the sphere of the Company's control.



Our operating environment is shaped by the external factors demonstrated above and we persistently monitor these aspects as they can potentially impact our ability to create value. The Corporate Governance and Risk Management frameworks identify the boundaries within which we operate and provide a solid foundation for managing our business. The center reflects our core strategic priorities and is discussed in detail in the subsequent sections of this Report.

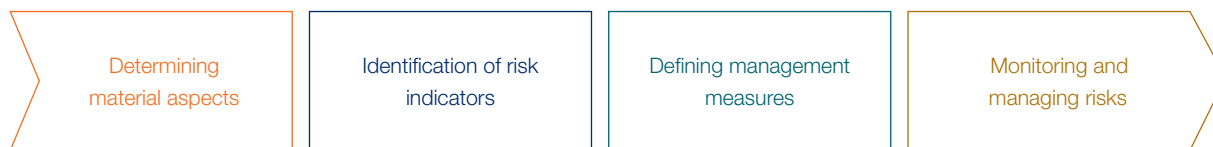
# Managing Risk

“Proactive and effective risk management underpins our ability to deliver sustainable stakeholder value. As an organisation that is exposed to a wide array of global and domestic socio-economic factors, LIOC has continued to strengthen its capability to anticipate and effectively respond to these risks.”

## Risk Governance

The Board holds apex responsibility for effectively managing the Company’s risk exposures. The Board is assisted in the discharge of its duties by the Audit Committee and Risk Management Committee which have oversight responsibility for risk and internal control. Each division is responsible for identifying and managing risk in their respective areas of operation which are reviewed regularly by the Corporate Management Team. When evaluating risks, due consideration is given to LIOC’s corporate strategy, emerging industry trends as well as feedback obtained from the Company’s stakeholder engagement activities.

Identified risks are mapped in terms of impact and probability enabling the prioritization of risk exposures. This enables risk management measures such as acceptance, mitigation, control and transfer to be defined, and responsibilities assigned. Formalised reporting structures and monitoring mechanisms are in place to consistently track the Company’s risk profile and ensure that internal controls and risk management techniques are adequate in design and implementation.



## Principal Risks & Uncertainties

The Company’s performance on its key risk exposures are summarised below.

Risk	Impact	Mitigating Activities	Net Risk Assessment
<b>Critical Aspects</b>			
Price fluctuations of crude oil and related products	Price fluctuations have a direct impact on our profitability margins and cash flows	<ul style="list-style-type: none"> <li>Monitor global crude oil prices on a consistent basis</li> <li>Effective working capital management</li> </ul>	●
Health and safety	The flammability of our key products exposes our staff to a wide range of health and safety risks that can result in regulatory action, legal liability and reputational losses	<ul style="list-style-type: none"> <li>Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same</li> <li>Retail Outlet Safety handbook is distributed to all retail outlets</li> <li>Establishment of worker management health and safety committees to ensure their views are understood and addressed</li> </ul>	●

Risk	Impact	Mitigating Activities	Net Risk Assessment
Product Quality	Failure to meet product quality standards can cause harm to our employees and customers, damage our reputation and result in regulatory/legal action	<ul style="list-style-type: none"> <li>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 requirements</li> </ul>	●
Credit Risks	The Company's bunkering operations are exposed to credit risk and can result in loss of earnings and cash flow	<ul style="list-style-type: none"> <li>Credit ratings from independent third parties</li> <li>Consistently monitoring the debtor aging profile</li> </ul>	●
Government Policy	<ul style="list-style-type: none"> <li>Government policies on exchange rates, interest rates, inflation, energy prices and wages have a direct impact on our margins and cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Exchange rates, interest rates and wages are monitored and strategies adjusted to minimise impact where possible.</li> <li>Regular engagement with policy makers to strengthen and enhance the industry frameworks in place</li> </ul>	●
	<ul style="list-style-type: none"> <li>Government taxes and obtaining government licenses, permissions and approvals</li> </ul>	<ul style="list-style-type: none"> <li>Continued engagement with policy makers</li> </ul>	●
<b>Significant Aspects</b>			
Product Responsibility	Given the flammable nature of the product, customer health and safety impacts are critical	<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>	●
Employee Retention	Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry and high labour migration	<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>	●
Waste and Effluents	Effluents from our processes comprise of oil sludge and discharges from the Trincomalee Terminal	<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	Around 60% of our employees are unionised as we recognise the right to freedom of association	<ul style="list-style-type: none"> <li>Open door policy for employees to discuss areas of concern</li> <li>Regular structured dialogue with union representatives to identify areas of concern</li> <li>Balanced HR policies applied in a consistent manner building trust with employees</li> </ul>	●

● High   ● Moderate   ● Low

## Managing Risk

Risk	Impact	Mitigating Activities	Net Risk Assessment
Energy	Energy is critical to the Company's day to day operations at retail outlets, head office and the LIOC Terminal in Trincomalee	<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	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	<ul style="list-style-type: none"> <li>Introduction of low carbon emitting auto fuel products.</li> <li>Investments in energy efficient technology</li> <li>Managing energy mix</li> <li>Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications</li> </ul>	●
<b>High Impact</b>			
Local Community Relations	Empowering and contributing towards the socio-economic progress of the communities we operate in is crucial in retaining our social license to operate	<ul style="list-style-type: none"> <li>High levels of community engagement</li> <li>Investments in ongoing community development projects</li> </ul>	●
Training & Development	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	<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> <li>Refer Human Capital Report on pages 64 to 69 for further information.</li> </ul>	●

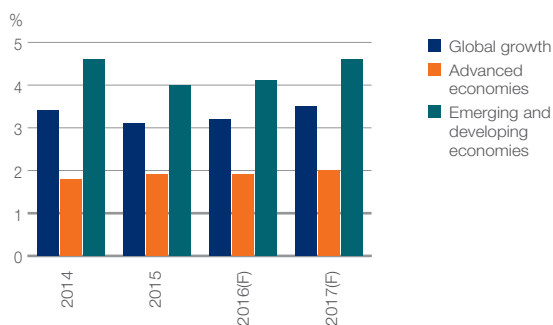
● High   ● Moderate   ● Low

# Operating Environment

## Global Economic Environment

Global economic growth moderated further, declining from 3.4% in 2014 to 3.1% in 2015 reflecting softening of economic activity in advanced economies, stresses in several large emerging market economies, falling commodity prices, geopolitical tensions and the impacts from rebalancing of China's economy. Advanced economies expanded by 1.9% against the backdrop of a recovering US economy while the growth of developing and emerging markets slowed to 4.0% from 4.6% the year before, reflecting the decline in trade in India and China due to lower investments and a contraction in commodity export markets. Spillovers from the recession in Russia together with adverse impacts of the sharp drop in oil prices impacted growth in the Commonwealth of Independent States which saw output contracting by 2.1% in 2015. Meanwhile, geopolitical tensions coupled with the decline in oil and other commodity prices impacted economic activity in the Middle Eastern region. Overall, global activity is anticipated to remain subdued over the short term, with the International Monetary Fund projecting growth to be modest at 3.2% in 2016, before increasing slightly to 3.5% in 2017.

### Global Economic Growth



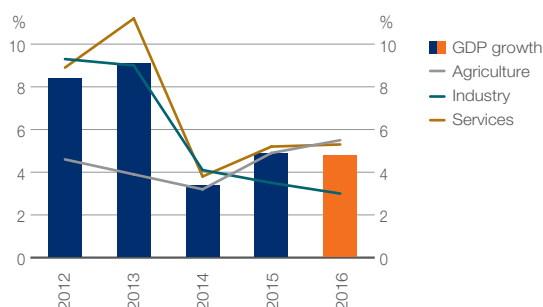
Source: World Economic Outlook, IMF

## The Sri Lankan Economy

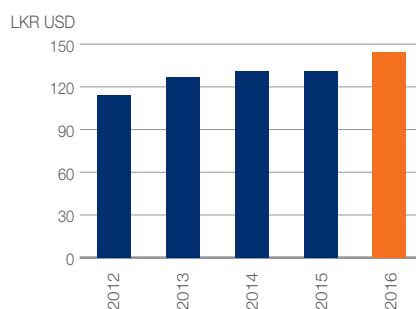
Sri Lanka's GDP grew by 4.8% in 2015, marginally lower than the growth of 4.9% in 2014 supported by broad-based growth in all economic sub-sectors. Accordingly, Agriculture, Industry and Service sectors grew by 5.5%, 3% and 5.3% respectively during the year with the Service sector continuing to dominate economic activity with a share of 57% during the year. Interest rates remained low for most part of the year, as the Central Bank of Sri Lanka maintained its accommodative monetary policy stance. In February 2016, however, the Standing Deposit Facility

Rate (SDFR) and the Standing Lending Facility Rate (SLFR) was increased by 50 bps, indicative of the Central Bank's intentions of tightening monetary policy, as a pre-emptive measure of containing inflationary pressures. On the exchange rate front, the Sri Lankan Rupee depreciated by 9% against the US Dollar during 2015, attributed to the sharp increase in vehicle imports and capital outflows from rupee denominated securities. Inflation was benign for most part of the year, attributed to the budget mandated reduction in fuel costs and several essential items, together with the decline in commodity prices. However, domestic demand pressure drove up inflation towards the latter part of the year reaching 2.8% by end-2015.

### GDP Growth (Sri Lanka)



### Exchange Rate Movements



Source: Central Bank of Sri Lanka

## The Energy Sector

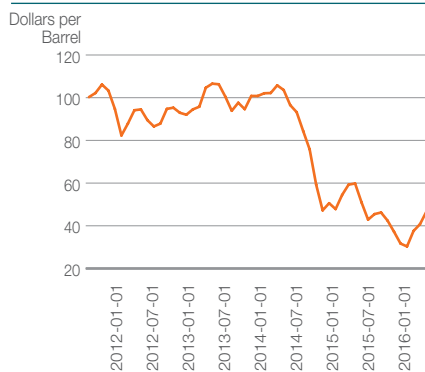
### Global Oil Prices

Oil prices, which were largely stable between 2010 to mid-2014 began its downward spiral in the second half of 2014 reflecting expansion in supply levels. Prices fell further by 47% to an average of USD 54 per barrel in 2015, as OPEC production increased and supply outstripped demand given the weak

## Operating Environment

expectations of medium term growth prospects. That said, there are increasing signs that markets are adjusting to the lower prices and the IMF projects prices to increase gradually.

### Movement of Crude Oil Prices



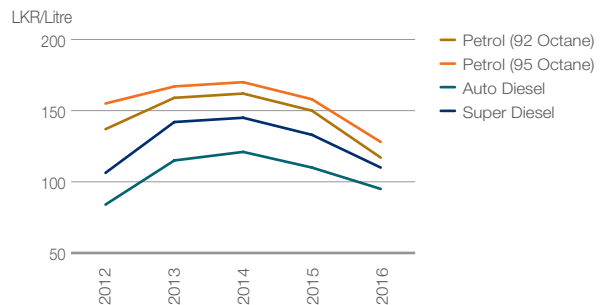
### Government Policy

Sri Lanka's Petroleum sector which was a state monopoly for over four decades was duopolised in 2003 with the LIOC being allowed to import and engage in retail distribution of key petroleum products of diesel and petrol. Accordingly, the storage units in Kolonnawa and 12 other depots were converted to a common usage facility by establishing a separate company - the Ceylon Petroleum Storage Terminals Limited (CPSTL) with the joint participation of government (through Ceylon Petroleum Corporation) and LIOC. The country's only refinery was commissioned in 1969 and fulfilled the country's total petroleum requirement for about a decade. However, rapid increases in consumer demand, particularly since the 1990s has compelled the Government to import refined petroleum which now accounts for approximately two thirds of the country's total consumption.

### Retail Pricing

Pricing decisions of products sold by LIOC have remained independent, although the Company has limited flexibility in the market given the dominance of state owned enterprise. In January 2015, the government reduced the domestic retail prices of petroleum products in response to the decline in global prices but the decline was much more than the reduction in product prices in the international market. This resulted in under recoveries to Oil Marketing Companies. Meanwhile industry stakeholders are urging the Government to introduce a pricing formula for determining retail prices, ensuring transparency and providing a market based solution for a long-standing issue.

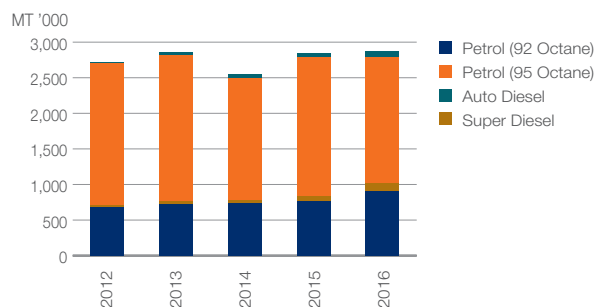
### Retail Petroleum Prices



Source: Central Bank of Sri Lanka

### Consumption Trends

Reflecting the sharp drop in global oil prices, crude oil imports into the country reduced by 46.4% while importation of refined products dipped by 38%. Overall, oil imports accounted for 14.3% of the country's import bill during the year, compared to 24% recorded the previous year. In terms of consumption, the increase in the number of vehicles in the country, together with the reduction in domestic fuel prices resulted in the country's petrol sales growing by 20.9% during the year.



Source: Central Bank of Sri Lanka

# The Capitals Report

<p><b>Financial Capital</b></p> <ul style="list-style-type: none"> <li>Financial and business line reviews</li> </ul>	<p><b>Intellectual Capital</b></p> <ul style="list-style-type: none"> <li>This is our competitive advantage, the tacit knowledge, systems and processes of the Company which is enriched by the experience gathered by the IOC</li> </ul>	<p><b>Manufactured Capital</b></p> <ul style="list-style-type: none"> <li>Our distribution infrastructure</li> </ul>
<p><b>Social &amp; Network Capital</b></p> <ul style="list-style-type: none"> <li>Our value proposition to suppliers, customers and the communities we operate in</li> </ul>	<p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>Delivering value to employees</li> </ul>	<p><b>Natural Capital</b></p> <ul style="list-style-type: none"> <li>How natural capital is used in our value creation process and our environmental impacts</li> </ul>

## Financial Capital

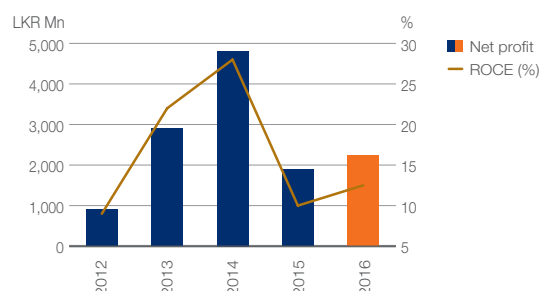
### Creating Value for Shareholders

LIOC has delivered a Profit after Tax of LKR 2.24 billion for the financial year 2015-16, an increase of 18.8% over the previous year as margins increased due to operational efficiencies and sourcing efficiencies. The results reflect our commitment to growth in Sri Lanka and the sourcing capabilities of the Company stemming from the parent company's expertise. The highlights of 2015-16 are given below.

Strategy	Performance
----------	-------------

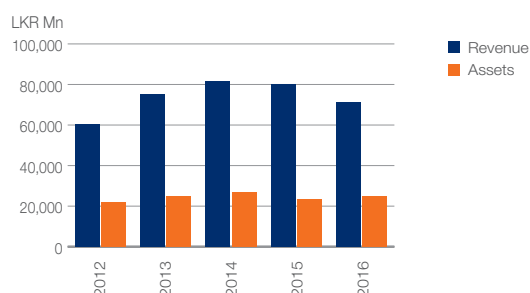
#### Profitability

LIOC achieved a net profit growth of 18.8% during the year, with Return on Capital Employed widening to 12% from 10% in 2014-15



#### Growth

The Company's asset base grew by 6% during the year mainly due to investments in its physical infrastructure

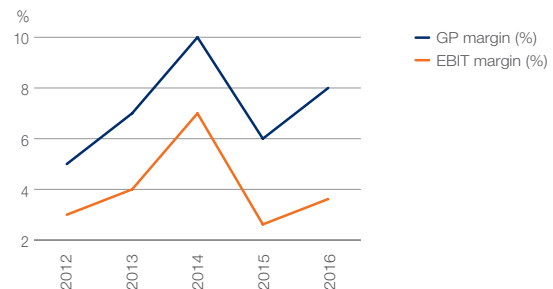


# The Capitals Report

## Strategy | Performance

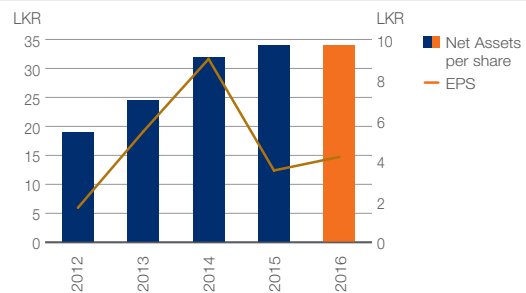
### Efficiency

We placed focus on achieving procurement and operational efficiencies, supported by which profitability margins improved; EBIT margin widened to 3.6% (from 2.6% the previous year)



### Shareholder Value Creation

Value created for shareholders increased during the year as Earnings Per Share increased by 18.9% to LKR 4.21.



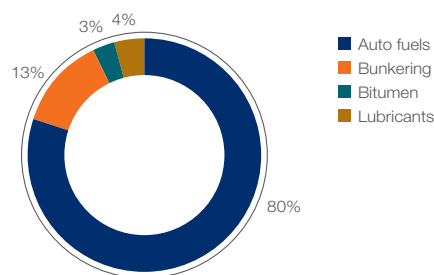
Hon. Prime Minister handing over the Award to LIOC for being amongst the top 25 Best Companies in Sri Lanka ranked by 'Business Today'

### Revenue

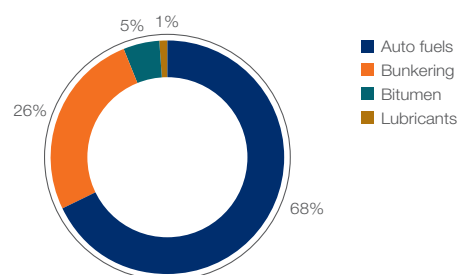
The company's revenue for the F/Y 2015-16 was LKR 71.31 billion. However, due to Government's decision to downward price revision for petrol & diesel in January 2015, the revenue dropped by 10.8%. Auto fuel sales continue to be the largest contributor to the Company's revenue, accounting for 80% of total sales during the year. The auto fuels segment achieved a volume growth of 17% during the year supported by continued investments in widening the Company's geographical reach; although sales value generated from the segment dipped by 5% in view of the price reduction. Bunkering, which is the second largest contributor to revenue, turned in a year of good growth with volumes increasing by 20% although sales value from this segment also declined by 31% due to the steep fall in global fuel prices. Company's lubricants business generating sales value of LKR 2.56 billion during the year under review with the launching of 4

new lubricant products. Meanwhile, the performance of the Bitumen business generated a revenue of LKR 2.49 Bn. The company registered 10% volume drop against industry drop of 44%, which was mainly due to slowing down in infrastructure project.

### Breakdown by Sales Value

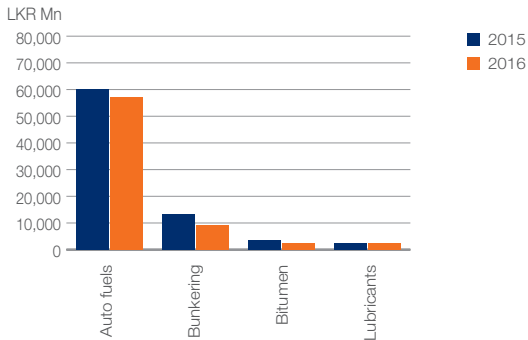


### Breakdown by Sales Volume





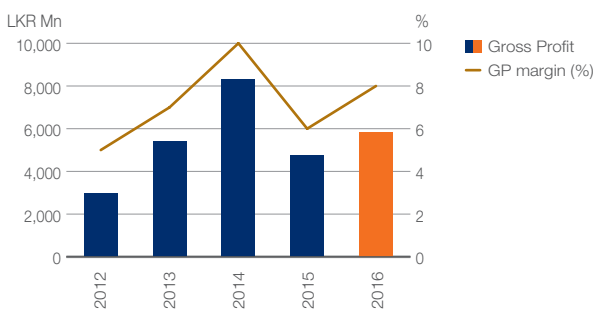
### Sales Value by Segment



### Operating Performance

The Company's gross profit margin improved to 8% in 2015-16 (2014-15: 6%) reflecting the Company's sourcing efficiencies as well as the decline in global oil prices during the year. Resultantly the Company's gross profit increased by 23% to LKR 5.82 billion during the reviewed period. Total operating expenses grew by 25% to LKR 3.35 billion, due to increased operational activity, higher staff expenses and the Company's wider physical infrastructure. Meanwhile, other operating income more than doubled to LKR 97.22 million supported by dividend income generated from the Ceylon Petroleum Storage Terminal Limited (CPSTL), in which LIOC holds a 33.3% shareholding. Operating profit growth was strong at 23% upheld by wider profitability margins in several of the Company's products inspite of under recoveries on sales of petrol. Operating profit margin thus improved to 3.6% during the year, from 2.6% in 2014-15.

### Gross Profit Trends

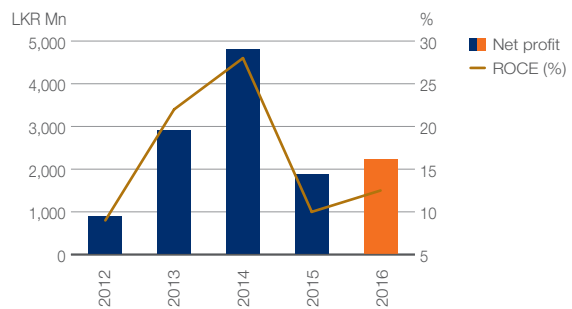


### Pre and Post Tax Profits

LIOC's net finance income for the year declined by 34% to LKR 106.32 million, primarily due to a 35% increase in finance expenses reflecting the impact of the sharp depreciation of the Sri Lankan

Rupee on the Company's dollar denominated borrowings. Despite the prevalent low interest rate scenario, finance income increased by 12% as the Company proactively managed an increased investment portfolio. Overall, LIOC's pre-tax and post-tax profits for the year increased by 18.8% to a respective LKR 2.67 billion and LKR 2.24 billion in 2015-16. Return on assets resultantly widened to 10.7%, from 9.6% the year before while return on capital employed also improved to 12% (2014-15: 10%)

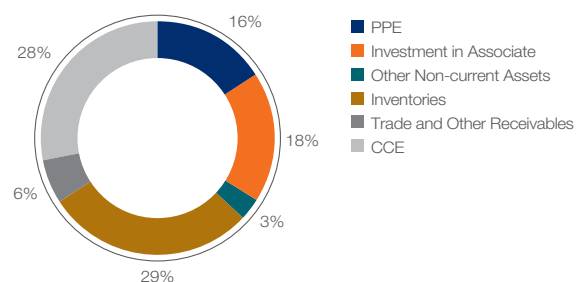
### Net Profit Trends



### Financial Position

Assets grew by 6% to LKR 25.07 billion during the year, supported by increased investments in expanding and upgrading the Company's retail outlets as well as higher working capital investments. The Company's liquidity profile continues to be strong, with cash and cash equivalents of LKR 7.11 billion (or 28% of total assets) as at end-March 2016. Resultantly, the current ratio clocked in at 2.43 times by end-March 2016. Inventory and trade receivables increased by 30% and 35% respectively during the year, reflective of the higher operational activity, particularly in the auto fuels segment. The asset composition remained relatively unchanged with current assets accounting for 63% of the total asset base.

### Asset Composition

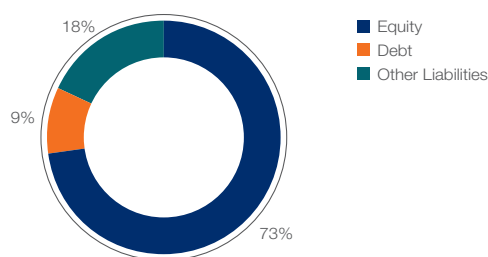


## The Capitals Report

### Capital Management

The Company's balance sheet structure remains strong with shareholders' funds accounting for 73% of the total funding profile. Shareholders' funds increased marginally to LKR 18.39 billion during the year supported by profit retention. Total borrowings declined by 45% to LKR 2.20 billion as short term debts were settled during the year; accordingly the Company's gearing ratio improved further.

#### Funding Profile



### Cash Flow and Debt Coverage

Net cash flows from operating activities declined by 15% y-o-y, mainly due to increased investments in working capital and payment of super gain tax amounting to LKR 1.44 billion during the year. However, the Company's debt coverage levels improved during the year with operating cash flow to debt cover widening to 0.78 times from 0.51 times the previous year. Cash flows from investing and financing activities were negative during the year, reflecting investments in property, plant and equipment and settlement of borrowings respectively. Overall, the net change in CCE during the year amounted to a negative LKR 639.42 million.

### Creating Shareholder Value in 2015-16

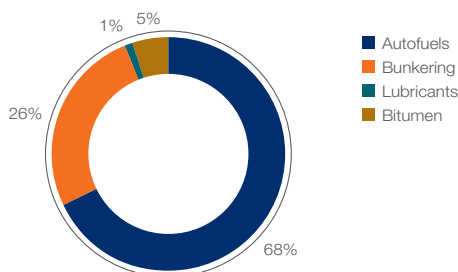
Persistent focus on sourcing and operational efficiencies together with investments in the commissioning and upgrading of the Company's retail outlets enabled us to generate sustainable value to our shareholders during the year under review. Earnings per share increased by 18.8% whilst net assets per share also widened by 1.4% during the year.

	2015-16	2014-15	y-o-y %
Earnings per share	4.21	3.54	18.8%
Net Assets per share	34.5	34.0	1.4%
Dividends per share	1.25	1.0	25%
Share Price	32.50	40.30	-19.4%
Market Capitalization (LKR Mn)	17,305	21,458	-19%
P/E Ratio (times)	7.7	11.4	-32%
Dividend payout	30%	28%	2%

### Business Line Review

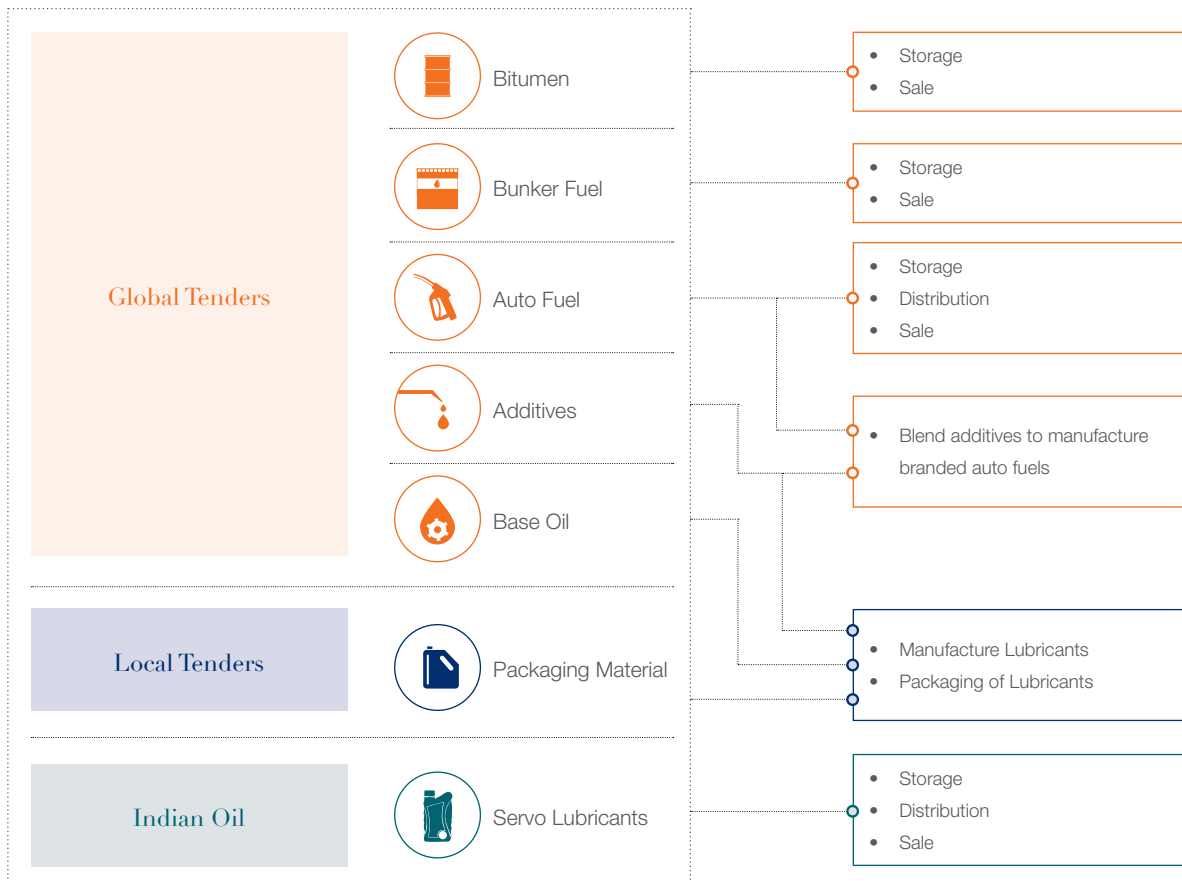
The Company engages in four principal businesses, namely auto fuels, lubricants, bunkering and bitumen. The subsequent section will briefly discuss the strategy, performance and outlook of each of these business lines.

#### Contribution by Sales Volume



**“Earnings per share increased by 18.8% whilst net assets per share also widened by 1.4% during the year.”**

## LIOC's Supply Chain



### Autofuels

LIOC is the only private sector entity engaged in the supply of auto fuels in Sri Lanka, currently holding a market share of around 17%. LIOC supplies multiple varieties of petrol and diesel to the domestic market through 199 franchisee retail outlets dispersed across the island. During the year under review, the Company placed strategic emphasis on strengthening its distribution network, adding 20 retail outlets to its network, the largest expansion in a single year. We also focused on upgrading the infrastructure of our existing outlets with investments in renovating canopies, driveways and dispensing equipment among others. We continued to enhance our value proposition to the franchise holders through facilitating opportunities for skill development in collaboration with the University of Sri Jayewardenepura and the Sri Lanka Institute of Marketing (refer to page 61 for further details)

The Autofuels business line turned in a year of good performance, achieving an overall volume growth of 17%. Performance was

upheld by increased profitability from diesel products particularly in the 3rd and 4th quarters of the year, as international oil prices declined substantially. Meanwhile increased taxation on petrol sales together with the reduction in retail prices adversely affected the performance of petrol products. The LIOC corporate loyalty card continues to attract new business, with around 200 companies on board and over 6,000 cards in circulation.

Over the short to medium term we will focus on further strengthening our distribution infrastructure through continued investments in upgrading franchisee retail outlets. Enhancing customer service is a key strategic priority and we will continue to expand the scope and coverage of the training we provide to field and pumping staff.

### Bunkering

LIOC is the 2nd largest player in the bunkering market, supplying fuel oil and diesel for vessels at berth and anchorage at the

## The Capitals Report

**“Over the short to medium term we will focus on further strengthening our distribution infrastructure through continued investments in upgrading franchisee retail outlets.”**



**10,000**  
**Kilo litres**

of lubricant sales for the first time



**20%**

volume growth in Bunkering

Colombo and Trincomalee ports. Bunkering operations in Trincomalee commenced in June 2015, and the Company currently operates one bunker barge with capacity for 400 MT of 380cst fuel and 400 MT of MGO. In addition to providing diversity to the Company’s earnings profile, the forex income generated from this business line enables LIOC to hedge against its foreign currency payments in the purchase of oil imports.

During the year under review, bunkering achieved a volume growth of 20% although revenue declined by 31% due to the reduction in international prices. Overall profitability, however, was impacted by provisions on bad debts of a delinquent customer.

Prospects for this business line are promising, particularly given the strategic positioning of the Trincomalee port and its significant potential for growth.

### Lubricants

The Company is a leading supplier of lubricants to the retail and industrial segments, commanding an estimated market share of around 17% and a portfolio of over 100 differentiated product offerings. Automotive Lubricants, which contribute around 80% to the segment’s total revenue, are marketed under the SERVO brand, through an islandwide network of 171 SERVO shops, 199 retail outlets and 20 lubricant distributors. The remainder comprises of lubricant sales for industrial purposes which are sold directly to corporates and other institutions.

In the year under review, the segment achieved a major milestone surpassing 10,000 kilo litres of lubricant sales for the first time, despite intensified competitive pressures. Accordingly, the lubricants business achieved a volume growth of 12% whilst segmental revenue amounted to LKR 2.56 billion, contributing 4% to the top line. During the year, we focused on growing our market share by further widening our product portfolio and distribution network. Accordingly we added 4 new products of automotive lubricants and launched incentive schemes for distributors and sales executives. We also added 27 new SERVO shops to our network during the year and also partnered with 30 service stations to distribute our lubricant products. We also successfully obtained ISO 9001-2015 certification for the lube blending plant in Trincomalee, the first unit to have this kind of certification by SLSI.

### Bitumen

The Bitumen industry contracted by 44% as road construction activity was subdued during the year. Against this backdrop, LIOC performed commendably with volumes falling at a just 10%, significantly lower than the industry’s overall drop. This enabled us to grow our market share from 36% last year to 58% in 2015-16. We focused on streamlining the inventory management which enabled us to generate operational efficiencies, supporting profitability. We are optimistic regarding the growth potential of this segment with demand anticipated to increase with the commencement of large scale road development projects. In order to effectively cater to this demand we are currently in the process of strengthening our procurement and supply chain frameworks to ensure a sustainable supply of high quality material.

## Intellectual Capital

LIOC's intellectual capital comprises primarily of the patents and tacit knowledge within the Company, which is underpinned by Indian Oil Corporation's research and development excellence.

### Research and Development

Indian Oil Corporation's state of the art research facility plays a vital role in facilitating the development of economical and ecologically sustainable technology solutions. Globally renowned for over four decades of pioneering work in the formulation of lubricants, refinery processes, pipeline transportation and alternative fuels IOC holds 384 active patents, of which 233 are international. The Group's key innovations over the past few decades include over 2,500 lubricant and grease formulations of the SERVO product range, alternative energy programmes including bio-energy, solar and hydrogen energy and also cutting edge research in the areas of nanotechnology, petrochemicals and polymers among others.

### IOC's Research Excellence in 2015

Filed for 92 patents and earned 14

125 lubricant formulations

60 endorsements from original equipment manufacturers

IOC's research capabilities and innovations are readily accessible to LIOC, which has continued to widen its product portfolio in auto fuels and lubricants with the support of the parent's innovative product formulations. In recent years, LIOC has also sought to introduce more environmentally sustainable products including the Euro-5 compliant 10ppm Diesel (marketed as Super Diesel).



Chemists at the laboratory in Trincomalee

## Manufactured Capital

LIOC's Manufactured Capital consists of its storage facilities, lubrication plant and distribution infrastructure which facilitates its value creation activities and ensures continuity of operations.

At cost (LKR Mn)	Gross Carrying Value		Net Carrying Value	
	31.03.2015	31.03.2016	31.03.2015	31.03.2016
Buildings and Fixtures	1710	1886	873	925
Plant and Equipment	1751	2061	689	855
Office Equipment	33	36	9	8
Lube Plant	420	420	3	-
Furniture and Fittings	36	69	12	41
Motor Vehicles	46	46	15	10
	3996	4518	1601	1839
Capital Work in Progress	102	200	102	200
<b>Total Value of Depreciable Assets</b>	<b>4098</b>	<b>4718</b>	<b>1703</b>	<b>2039</b>

Over the next five years, the Company will invest around LKR 1.0 billion per annum further strengthening the Manufacturing Capital of all its business segments, subject to government approval.

# The Capitals Report

## Social & Network Capital

### Creating Value for Customers

We persistently strive to enhance our value proposition to our islandwide customers through product innovation, effective marketing communications and reliable product labelling information

### Customer Health and Safety




LIOC's key products have high customer health and safety implications due to its flammable nature and the Company consistently ensures that all safety precautions are observed during transportation, storage and customer touchpoints including all retail outlets. The following mechanisms ensure that we comply with all internal and regulatory health and safety guidelines;



During the year under review, there were no incidences of non-compliance pertaining to any customer health and safety regulations and guidelines.

### Product and Service Labelling

Given the nature of our products, accurate and reliable product labelling is vital to safeguard the health and safety of employees, customers and the public. Effective labelling is also used as a means of differentiating our products from competition and enhancing brand recognition. The key aspects of our product labelling is as follows;

	<b>Auto Fuel</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>

During the year under review, there were no instances of non-compliance of regulations or voluntary codes pertaining to product and service labelling information

### Product Innovation

LIOC has direct access to the research capabilities of its parent company IOC India, which operates a state-of-the-art R&D facility in India (refer to page 59 for further details). LIOC has therefore continued to widen its product portfolio in auto fuels and lubricants with new product formulations and environmentally more sustainable products. The most recent product innovations are given below,

- (1) Servo 2T XL
- (2) Servo Futura P Plus 0W20
- (3) Servo Futura P Plus 15W40
- (4) Servo Transdex III

### Creating Value to Our Business Partners

Our business partners are a critical element of our value creation process and we persistently endeavour to nurture collaborative relationships with our partners to ensure the creation of sustainable and shared value.

## Profile of Business Partners

Our local business partners are primarily the franchise partners of our retail outlets who are dispersed across the island. As at end- March 2016, we had a total autofuels partner base of 199, lubricants partner base of 171 and 19 lubricant distributors spread across the island and 1 distributor in Maldives.

### Autofuel Partner Base

District	Company Owned	Dealer Owned
Colombo	26	14
Gampaha	14	13
Kegalle	2	2
Kandy	8	3
Matale	3	7
Ampara	-	4
Anuradhapura	2	3
Badulla	6	2
Batticaloa	1	1
Galle	3	5
Hambantota	4	2
Jaffna	1	2
Kalutara	8	4
Kurunegala	6	7
Mannar	-	2
Matara	5	3
Monaragala	1	3
Mullativu	-	1
Nuwara Eliya	3	3
Polonnaruwa	-	3
Puttalam	4	2
Ratnapura	5	2
Trincomalee	2	4
Vavuniya	2	1
<b>Total</b>	<b>106</b>	<b>93</b>

### Lubricant Partner Base

	Distributor	Servo Shops
Colombo	3	12
Gampaha	1	13
Kalutara	1	7
Kurunegala	1	24
Kandy, Matale	1	13
Polonnaruwa	1	8
Kilinochchi, Mannar, Vavuniya, Mullativu	1	10

	Distributor	Servo Shops
Galle	1	7
Batticaloa	1	4
Matara/Hambantota	1	11
Jaffna	1	8
Ampara	1	7
Monaragala	1	5
Anuradhapura	1	17
Puttalam	2	10
Kegalle	1	10
Badulla and Nuwara Eliya	-	4
Trincomalee	-	1
<b>Total</b>	<b>19</b>	<b>171</b>

## Training and Education

We place strategic emphasis on enhancing our value proposition to our franchise partners through continued investment in training and development. These initiatives are targeted towards improving the outlet's service quality, product, health and safety knowledge of employees.

Key training initiatives carried out during the year are as follows;

Training Initiative	No. of participants
Developed a training module in collaboration with the University of Sri jayawardenapura and the Sri Lanka Institute of Marketing aimed at training the pumping staff of the outlets and dealers.	189
Training the pumping staff of the outlets and the dealers	725



Dealer Training in collaboration with University of Sri jayawardenapura

## The Capitals Report

### Physical Infrastructure

We also support our franchise partners through investments in enhancing the physical infrastructure of the retail outlets, such as renovating the canopies and driveways. During the year under review, we renovated 20 outlets at a total investment of LKR 240 million and intend to continue this as an ongoing program over the next few years.

### Creating Value to Our Communities

Access to a secure and affordable supply of fuel is a vital element of any community's infrastructure and plays a critical role in facilitating mobility, economic growth and uplifting socio economic standards. These indirect economic benefits are a critical aspect of our community value proposition, in addition to numerous philanthropic activities that are carried out on an ongoing basis.

### Indirect Economic Impacts

Via our network of 199 island-wide retail outlets, LIOC indirectly uplifts economic activity, mobility and community wealth in 24 districts. Availability of fuel is a prerequisite in promoting economic activity as it facilitates the transportation of goods and services, agricultural activities and the growth of businesses. Essentially, access to a secure supply of fuel is critical to the smooth functioning of any economy and community, and since our entry into the Sri Lankan market we have substantially widened the accessibility of our products through continued investments in enhancing our geographical reach.

In addition to the above, we empower communities by providing opportunities for aspiring entrepreneurs to partner our growth through the LIOC retail outlet franchisee program. As discussed on page 61 of this Report we also continuously engage our franchise partners in skill development and focused training programmes and since our entry into Sri Lanka in 2003, have supported the growth of such entrepreneurs across the island.

### Corporate Philanthropy

LIOC adopts a strategic and focused approach towards corporate philanthropy and the Company's CSR policy highlights the importance of recognizing CSR as an enabler of business and social growth in enriching communities. The Company allocates 1% of the previous year's retained profit or LKR 20.0 million (whichever is lower) as its contribution towards CSR activities.

Accordingly, the Company's key CSR objectives are as follows;

- An initiative to enrich quality of life in the communities, around Lanka IOC's operating locations.
- Efforts towards sustainability of CSR Projects.
- To positively impact economic conditions and livelihood
- Foster a culture of 'CSR' amongst employees, business associates and stakeholders.
- Create community goodwill for Lanka IOC through CSR initiatives and help establish/retain image of Lanka IOC as a Responsible Corporate Citizen.



Health authorities of Medirigiriya Base Hospital after receiving the key to the Ambulance from the Managing Director LIOC in the presence of H.E the President of Sri Lanka



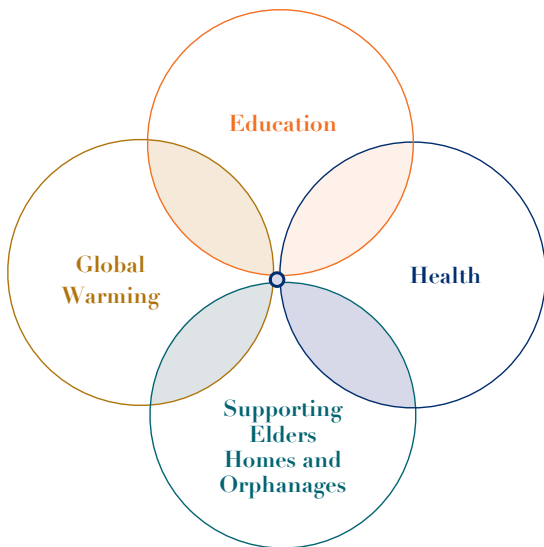
Donation of ambulance to Medirigiriya Base Hospital





Students sitting for the placement test under the programme 'English for Young Learners' at Dehiattakandiya

LIOC's CSR activities can broadly be categorised into the following thrust areas;



### Education

- The English for Young Learners program was first launched in Colombo, engaging 1500 underprivileged students from 15 locations with the objective of developing their English language skills. LIOC funds this program through sponsoring the course material and facilitating the 6-month long course. Upon successful completion, a final examination is conducted and best performers are felicitated. During the year under review, we further extended the scope of this program by launching it in Dehiattakandiya.

### Health

- During the year LIOC donated an ambulance to Lihiniyagama Hospital in the Ampara District, directly benefiting over 300 patients. With the increasing prevalence of the Chronic Kidney Disease (CKD) in the area, the ambulance is expected to improve patients' mobility significantly, for urgent medical care.
- In celebration of the Company's 13th Anniversary in Sri Lanka, LIOC in collaboration with the National Blood Bank organised a blood donation campaign at its Head Office in Colombo and at Trincomalee Terminal in August 2015. Over 260 pints of blood were donated by employees, other stakeholders and military personnel.
- Renovation of Jubilee Primary Health & Maternity Home in Jaffna- The Company renovated the Jubilee Primary Health and Maternity Home in Jaffna, which was in a dilapidated and non-operational condition.



Blood Donation Campaign to mark the Company Day on 28.08.2015



Primary Health Care Centre in Gurunagar – Jaffna renovated by LIOC & opened by Chief Minister of Northern Province

# The Capitals Report

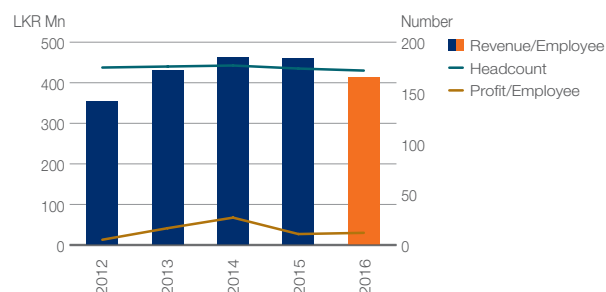
## Human Capital

LIOC's performance depends on the industry insights and skills of its 172-strong workforce, who drive the Company's strategy and facilitate its value creation process. We in turn, strive to create a conducive and challenging work environment in which our employees can thrive while providing opportunities for skills development and career progression.

**Strategy** **Performance**

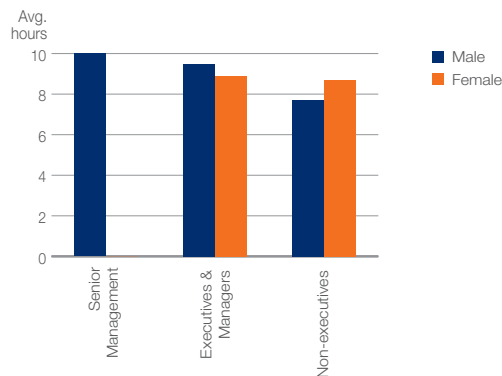
### Productivity

Employee productivity is a key focus area and is enhanced by employee engagement, competitive remuneration and investment in training



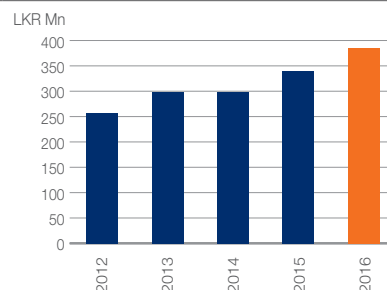
### Training And Development

We engage employees in numerous structured and on-the-job training opportunities



### Rewards and Recognition

Structured mechanisms are in place to ensure that rewards are competitive and in line with the market



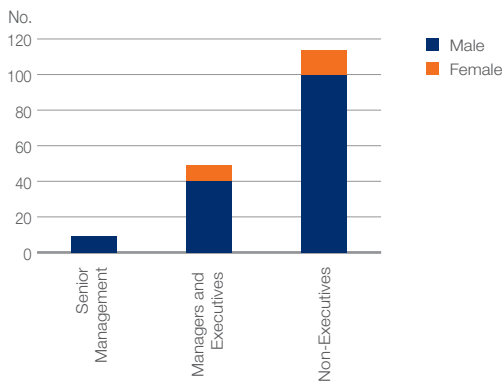
### Health and Safety

Comprehensive policy frameworks, safety procedures and tracking mechanisms are in place to ensure our work environment is injury-free

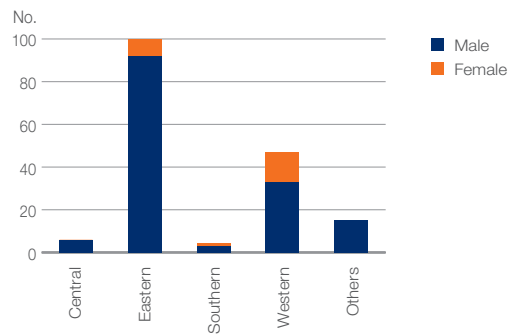
Zero Accidents since entry into Sri Lanka

## Our Team Profile

Employees by Gender and Category



Employees by Region and Gender



	Permanent	Probation
Male	141	8
Female	23	0
<b>Total</b>	<b>164</b>	<b>8</b>

## HR Governance

The Company's human resource related processes are governed by formal policy frameworks which cover all HR aspects such as recruitment, training and development, industrial relations, succession planning and performance management among others. The Board formulates strategy and policy on these aspects and the Remuneration Committee has oversight responsibility for setting out guidelines for the compensation structures of all LIOC employees.



## HR Policy Framework



## Talent Attraction

The Company's recruitment process is governed by a formalised policy framework aimed at recruiting individuals with the requisite attitude and skills to thrive in this industry. We follow a transparent

selection process which involves multiple levels of screening and assessment. Recruits undergo 11 months of probation which includes formal orientation programmes and on-the-job training. LIOC is an equal opportunity employer and we do not

## The Capitals Report

discriminate based on age, gender, ethnicity or any other measure of diversity. We do not engage persons below the age of 18 in employment and do not tolerate any form of forced or compulsory labour practices. LIOC has continued to generate employment opportunities, as our expansion into new industry verticals has necessitated an increase in capacity. Accordingly, during the year under review, we added 10 new employees to our team and their profile is detailed below.

Age Group	Gender	Region	Number of Employees
>30 Yrs	Male	Western	2
30 to 40 Yrs	Male	Western	7
41 < Yrs	Male	Western	1
<b>Total Employees Hired</b>			<b>10</b>



### Employee Engagement

The Company maintains a high level of engagement with its employees, facilitated by several formal and informal mechanisms. An open dialogue is maintained between all employees and the management. In the Trincomalee operation, each department is represented in the Company’s Employee Relations Committee which conducts regular meetings with all employees, facilitating continued two-way communication. Meanwhile, employee satisfaction is measured through the “Great Place to Work” survey which is administered to all employees on a regular basis and the feedback of which is used to formulate our HR strategy. In addition



Annual staff trip at Kandalama



LIOC Sports Club – winners of the cricket match

to the above, year-round work-life balance initiatives are organised by the Employees’ Sports Club to encourage employee motivation and nurture a sense of camaraderie between employees.

### Performance Management and Rewards

LIOC’s reward structures have been designed to stimulate a performance driven culture and defined mechanisms are in place to ensure that employees develop key competencies required to meet the organization’s corporate goals. All employees undergo annual performance appraisals, based on a defined competency framework. During the year, the Company strengthened its rewards framework based on findings obtained by a salary survey conducted by an independent third party. Accordingly employee bonus schemes now comprise of both fixed and variable aspects which are linked to performance. We adopt an equal remuneration policy and the ratio of basic salary and remuneration of women to men for each employee category is 1:1.



Other benefits provided to employees are as follows;

	Permanent Cadre	Probation
Healthcare	✓	✓
Disability and invalidity coverage	✓	✓
Maternity leave	✓	✓
Retirement provision	✓	✓
Housing loans	✓	✗
Distress loans	✓	✗
Car loans	✓	✓
Medical leave	✓	✗



New Year Celebrations 01.01.2016

## Training and Development

Our employees are offered an array of opportunities for skills development, ranging from comprehensive on-the-job training to structured programmes facilitated by in-house resource personnel and external parties. Training needs are identified primarily through the annual appraisals and employee engagement mechanisms, and also aim to support the lifelong learning of our employees. During the year under review, our employees underwent 477.5 hours of training at a total investment of LKR 1.7 million. Key training initiatives carried out during the year are as below.

Programme Name	No of Participants	Total Training Hours
Elementary First Aid (Sri Lanka Red Cross) Internal	22	176
Industrial Training on Lubes, IOC Chennai	2	18
Awareness Programme ISO 9001: 2015	2	12
Operational Procedures, Chennai	1	4
Operational Procedures, CPSTL	1	6
Awareness Programme ISO 9001: 2015	1	10
Seminar on Writing Effective e-mails	3	24
Workshop on Bunker Quality and Claims Management in Singapore	2	48
The Conference for Women	4	32
How to Bargain and Negotiate with Vendors and Suppliers	1	8
Practical Law Series	1	3
National HR Conference 2015	1	18
Beyond basics of Corporate Governance Practice	1	4
Organizational restructuring and employment issues	1	4
Governance – The Audit Committee's role	1	2.5
Transfer Pricing Regulations	3	10.5
The Voice of Women in Leadership	1	5.5
The Strategic CFO	1	8
Future of Tourism summit 2015	1	8
The Balancing Act – Compensation and Benefits.	1	8
Seminar on Getting Listed on the Colombo Stock Exchange	1	4
Conference - Global Altitude through Local Aptitude	1	8
Empowering Field Officers	7	56

## The Capitals Report



Training on Product Knowledge and Sales/Marketing

### Health & Safety Records

Injury Rate	Nil
Occupational disease rate	Nil
Lost Day Rate	Nil
Absentee Rate	Nil
Work-related fatalities	Nil
Work-related injuries	Nil

### Average Training hours

	Male	Female	Total
Senior Management	10 hrs	-	10 hrs
Executives and Managers	9.5 hrs	8.9 hrs	18.4 hrs
Non-executives	7.7 hrs	8.7 hrs	16.4 hrs

### Employee Health & Safety

International health and safety standards are maintained at all our retail fuel stations and the LIOC terminal in Trincomalee to ensure the safety of our employees, customers and the general public. A comprehensive health and safety policy framework ensures uniformity in the implementation of health and safety guidelines. The Company's Retail Outlet Safety Handbook is distributed to all retail outlets and includes information on fire safety, equipment and electrical safety, procedures to be followed when unloading from bowzers, correct methods of filling fuel to vehicles and fire safety procedures among others.

LIOC has also put in place a Joint Manager-Worker Health and Safety Committee which represents 50% of its total workforce. The Committee consists of equal representation of executives and workmen from multiple departments including a Senior Vice President/Vice President. The Safety Committee convenes regularly to discuss issues pertaining to occupational health and safety and review monthly H&S compliance issues. Health records are maintained and all employees undergo regular health checks funded by the Company.

The Company continued to demonstrate an impressive health and safety record, with zero accidents, injuries and lost days recorded during the year under review.



Training of Sales Field Officers of Lanka IOC

### Grievance Mechanism

The Company maintains an open door policy and all employees have direct access to the Heads of Departments/ Managing Director. Employee grievances are addressed by the Employee Relations Committee in a structured manner. During the year under review, there was only 1 grievance filed and it was addressed and resolved during the year.

### Industrial Relations

We uphold our employees' rights to freedom of association and around 60% of our total workforce (primarily former CPC employees of the LIOC terminal in Trincomalee) is represented



*Pump Attendant's Training conducted by LIOC Officials*

through three trade unions. The Company maintains a harmonious and cordial relationship with these unions aided by an Employee Council which facilitates regular communication between union representatives and the management. The Employee Council comprises of permanent employees who are selected from multiple divisions and levels; council representatives are rotated on an annual basis. In addition to facilitating communication the Council represents staff concerns, promotes community engagement initiatives and supports staff welfare requirements.

### Profile of exit employees

Age Group	Gender	Region	Number of employees	Remarks
>30 Yrs	Female	Western	1	Resignation
30 to 40 Yrs	Male	Western	1	Resignation
	Male	Southern	2	Resignation
41 < Yrs	Male	Western	1	Resignation
	Male	Eastern	2	Retirement
	Male	Eastern	1	Demised
<b>Total Employees</b>			<b>8</b>	

During the year under review, there were no interruptions to work due to industrial action. Operational changes are generally carried out after a two week notice period as discussed at the Employee Relations Committee. We do not have collective agreements in place.

### Retention

Our efforts to enhance the performance management systems and reward structures in line with industry best practice have resulted in a significant improvement in our employee retention numbers. During the year, total labour turnover thus improved to 4.88%, from 5.10% the year before.



*Ms. Archana Law, Business Consultant addressing the female staff of LIOC on the International Women's Day 2015*

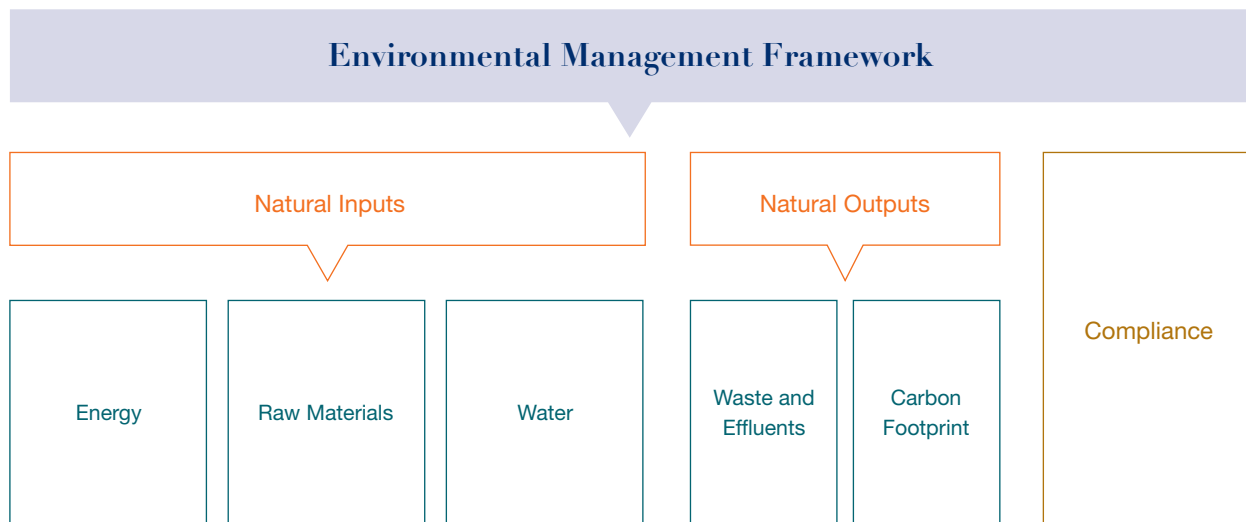
# The Capitals Report

## Natural Capital

LIOC is committed to conducting its business in an environmentally sustainable manner and continue to invest in strengthening our monitoring mechanisms and to ensure that our green impacts are measured and managed accurately.

### Environmental Management Framework

The Company's Environmental management framework has been formulated to effectively manage its natural inputs, outputs and impacts.



### Compliance

A Health, Safety and Environment (HSE) policy is in place to govern the Company's environmental management framework and rigorous processes are in place for monitoring, reporting and reviewing performance facilitating compliance with regulatory and internal requirements. During the year under review, there were no fines/penalties imposed on the Company for non-compliance of any guidelines/regulations pertaining to environmental compliance.

- Reducing the consumption of furnace oil for lubricant production at the Trincomalee plant by synchronizing boiler operations with the lube blending kettle.
- Consistently track energy consumption at each operating unit and introduce measures to reduce consumption
- Retail outlets are encouraged to switch to renewable energy and energy efficient lighting and cooling systems

### Energy

Energy is an essential element in the Company's value creation process and critical for the operations of the LIOC Trincomalee terminal, retail outlets and head office in Colombo. The Trincomalee terminal is the most significant energy consumer, utilising diesel and furnace oil for production activities as well as lighting and other requirements. The Company's energy management is underpinned by the dual objectives of reducing dependence on fossil fuels and enhancing energy efficiency as a measure of cost rationalization. Key initiatives for energy consumption are as follows;

### Energy Consumption

Source	Energy consumption (No. of units)
Terminal LBP	251,482
CV-Upper tank farm	42,634
LIOC Quarters	10,459
Maingate Quarters and Pump House	54,050

### Raw Materials

The primary raw material is petroleum based fuels which are sourced entirely from international parties. As Sri Lanka does



not produce fossil fuels, local purchases amount to less than 5% of total procurement. Procurement is conducted primarily through global tender procedures and follows a stringent supplier evaluation process to ensure credibility and quality of product.

### Waste and Effluents

The Company's effluent discharge comprises primarily of water that is used to flush the tanker receipt pipelines. These effluents are discharged to the sea subsequent to being processed through an Oil Water Separator (OWS). Mechanisms are in place to ensure that the quality of the effluents is maintained within the permissible limits. Meanwhile, solid waste comprises primarily of oil sludge generated as a result of cleaning the oil tanks. This is a hazardous waste and is stored in isolated, concealed sheds as per the MEPA stipulations and disposed to CEA approved third party recyclers.

### Biodiversity

LIOC's biodiversity impacts could arise mainly from oil spills from ships and storage that could adversely impact marine life in the China Bay. Stringent internal controls and operational guidelines have ensured that LIOC's operations have not caused any oil spills to date, either at the Trincomalee terminal or through any LIOC retail outlet. The safety measures adopted by the Company include,

- Water from the terminal tank is processed through the oil water separator 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
- Utmost care is taken to prevent oil leaks at the jetty during tanker discharge - the receipt pipelines and tanker unloading hoses are pressure tested before receipt of tanker to ensure that the pipelines are healthy
- Further, in the event of any spillages, oil dispersant chemicals are available to mitigate minor oil spills

### Products and Services

Our product development efforts are aimed at introducing environmentally friendly and ecologically sustainable products to the Sri Lankan market. Accordingly, XtraPremium Euro 3 and XtraPremium 95 Octane are above the national emission standard with their respective carbon footprints estimated to be lower than Lanka Petrol 92.

Environmental risks may also arise during the transportation of petroleum products on account of 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;

- Transport crews are trained in Emergency Response methods in the event of leaks/spills en route
- Standard response procedure in liaising with authorities such as the Fire Brigade, Police, Oil Terminal etc., is defined
- Formalised standardised emergency procedures are in place





Lanka IOC

Lanka

PETROL 95 OCTANE

XTRA PREMIUM SUNO 3

PETROL 95 OCTANE

SUPER DIESEL

AUTO DIESEL

XTRA MILE DIESEL

PETROL 95 OCTANE

SUPER DIESEL



Lanka IOC

IOC  
Lanka IOC

XTRAPREMIUM 95  
XTRAPREMIUM EURO 5  
Lanka Super Diesel  
XTRAMILE  
SERVO

AUTO DIESEL  
XTRA MILE DIESEL  
SERVO 4T  
s engine. lutch & ear superfit.



Lanka IOC



# 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 14th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2016. 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 18th May 2016.

## 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 2016, 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 83 onwards.

## Principal Activities of the Company

The main activities of the Company are importing, blending, distributing, selling of petroleum products including Auto Fuel, 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 82.

## 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 2015-16 amounts to LKR.22,948,767/- (2014-15-LKR. 20,379,932/-)

## Directors

The Directors of the Company for the F/Y 2015-16 were;

Mr Indrajit Bose	(Chairman – ceased office on 01.11.2015)
Mr B S Canth	(Chairman w.e.f. 02.11.2015)
Mr Subodh Dakwale	(Managing Director – ceased office on 28.09.2015)
Mr Shyam Bohra	(Managing Director w.e.f 29.09.2015)

Prof. Lakshman R Watawala	(Independent Non-Executive Director)
Mr Amitha Gooneratne	(Independent Non-Executive Director)
Mr P M Mohan	(Non-Executive Director)
Mr D K Sharma	(Non-Executive Director)

### 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 2015-16 was fixed at LKR 1.3 Million and a sum of LKR 1,636,885/- was paid which includes the reimbursement of out of pocket expenses. (2014-15 LKR.1,576, 005/-) as disclosed in note 6 to the financial statements on page 96 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 590,872 [2014-15 LKR 640,786/-].

PricewaterhouseCoopers were engaged as Internal Auditors and a remuneration of LKR.3,722,432/- 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 2016 and 31st March 2015 are set out in Note.11 to the financial statements.

### Land

In line with the UITF ruling [Case No.68] of Institute of Chartered Accountants of Sri Lanka, the revaluation done by independent chartered valuer on 01st May 2004 has been considered as cost of the assets at the time of acquisition on 30th December 2003.

The Company's lands were valued on 31st March 2011 by an independent Chartered Valuation Surveyor [UK] based on the open market value of lands for their existing use as lands approved for the establishment of petrol retail outlets amounting to LKR 3,985,105,000. However, this has not been adjusted in the financial statements to confirm with the existing cost material.

The Company will carry out the land valuation every 6 years as per its policy. LIOC has already commenced the exercise of land valuation

for the F/Y 2016-17 and will carry the revised valuation in the Annual Report 2016-17.

### 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 2016 amounted to LKR 10,808,897,557/- (2014-15 – LKR 10,548,095,650/-).

### 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 24,322.033 million (2014-15 LKR 16,039.339 million) was paid to the exchequer in the form of various duties, taxes and other statutory levies to the relevant authorities. We have also paid Super Gain Tax amounting to LKR 1,440.44 million which is a onetime payment and included in the above.

### Stated Capital and Control

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

### Turnover

The Turnover decreased from LKR 79.901 billion in FY 2014-15 to LKR 71.306 billion in FY 2015-16 showing a decline of 11%. The decrease in the turnover is mainly due to reduction in selling price of auto fuels compared to the previous year.

### Earning of Foreign Exchange

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to approximately US Dollar 66.71 million through its operations.

### Retail Sales

Retail Sales continued to make major contribution in the growth of the Company with 80% contribution to the top line of the Company. On overall net basis, the Retail Sales was the major contributor to the profits of the Company.

During the year, diesel sales grew by about 13% and petrol by about 21% in retail Auto Fuel segment. Also during the period Lanka Super Diesel grew by about 57% & XtraPremium 95 by about 39%. This

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

indicates our success in marketing of premium fuels & developing a connect with customers on its advantages of better performance.

For ensuring better service & convenience to the customers, the Company set up 20 nos. new retail outlets with complete facilities in the new markets to better serve the customers. This is the highest number of new retail outlets commissioning in one financial year in the history of company. Also for better customer convenience and with an aim for better facilities, 20 old retail outlets were razed & were reconstructed with modern layout and full facilities during the current financial year.

With focus on customer service and for ensuring customer delight, company continued with improvement in facilities eg. Upgradation of Canopy Lights, Driveway, ATMs, Food Stores, Nitrogen filling facilities etc.

With an aim on long term improvement in quality of services at our retail outlets, company focused on improvement in soft skills of retail outlet employees and dealers. Company partnered with University of Sri Jayewardenepura and Sri Lanka Institute of Marketing (SLIM) for training of Retail Outlet dealers & their employees. Company expects this to have long term positive impact on 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 2015-16 as per the agreement with BOI.

### Other Income

In continuous efforts to optimise its income from various sources, your company earned LKR 36.46 million during the year, through rents from lease of hoardings, space and amenities at the various retail outlets and from other resources.

### Funding Operations

In order to have funding and other credit facilities with banks at most competitive rates and terms, the Company renewed Facility Agreements with different banks based in Colombo and Singapore 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, Govt policies etc., and regularly initiate appropriate actions to mitigate the risks and reorient business strategies.

The Management holds Risk Management Meeting comprising of Managing Director and all its Heads of Departments 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 recognises 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 Network Capital in the annual report.

### Going Concern

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

### Post Balance Sheet Events

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

Signed on behalf of the Board



**Shyam Bohra**  
Managing Director



**Prof. Lakshman R Watawala**  
Director



**Rajanie Balakrishnan**  
Company Secretary

01st August 2016

# Statement of Director's 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 83 to 111 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*

Colombo  
01st August 2016

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

The financial statements of Lanka IOC PLC as at March 31, 2016 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 issued but not effective for the F/Y 2014-15 had not been early adopted.

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 recognised 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.

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



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

18th May 2016



# Remuneration Committee Report

The Remuneration Committee consists of three Non-Executive Directors, namely Prof. Lakshman R Watawala, Mr Amitha Gooneratne and Mr P M Mohan of which the first two are Independent Directors. The Committee is chaired by Prof. Lakshman R Watawala, an Independent Non Executive Director. The Chairman and the other Members of the Committee are appointed by the Board. The Managing Director and the Senior Vice President [HR] also participate in the Remuneration Committee meetings as and when required and assist by providing relevant information during the deliberations.

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.

The Committee meets periodically 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.



**Prof. Lakshman R Watawala**  
*Chairman*  
Remuneration Committee

01st August 2016

# Audit Committee Report

## Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, 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 Mr Amitha Gooneratne, an Independent Non-Executive Director and Mr P M Mohan a Non-Executive Director. Mr Shyam Bohra - Managing Director, Mr Anuj Jain – Senior Vice President (Finance), and Mr Raj Kumar Chowdhary - Vice President (Finance) attended the Audit Committee Meetings by invitation in the financial year 2015-16.

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 pages 26 and 27. 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 2015-16 to discuss the matters within its purview. The Committee members present at the meetings was as follows;

Date	Strength of the Committee	No. of Members Present	Names of the Members Present	Names of Members - excused
18.05.2015	3	3	Prof. L R Watawala Mr Amitha Gooneratne & Mr P M Mohan	---
04.08.2015	3	3	Prof. L R Watawala Mr Amitha Gooneratne Mr P M Mohan	---
10.11.2015	3	2	Mr Amitha Gooneratne Mr P M Mohan	Prof. L R Watawala
12.02.2016	3	3	Prof. L R Watawala Mr Amitha Gooneratne Mr P M Mohan	---

## 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 2017, subject to the approval of the shareholders at the Annual General Meeting scheduled for 23rd September 2016.

## 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

01st August 2016

# Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
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Sri Lanka

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## INDEPENDENT AUDITOR'S REPORT 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 2016, 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 2016, 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:

- a) The basis of opinion, Scope and Limitations of the audit are as stated above.
- b) 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.

18 May 2016  
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. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

# Statement of Comprehensive Income

Year ended 31 March 2016	Note	2016 LKR	2015 LKR
Sales	3	71,306,672,720	79,901,203,219
Cost of Sales		(65,489,332,635)	(75,168,245,486)
<b>Gross Profit</b>		<b>5,817,340,085</b>	<b>4,732,957,733</b>
Other Operating Income	4	97,216,746	40,124,566
Administrative Expenses		(1,185,594,941)	(841,282,634)
Selling and Distribution Expenses		(2,160,389,563)	(1,841,345,263)
<b>Operating Profit</b>		<b>2,568,572,327</b>	<b>2,090,454,402</b>
Finance Income	5.1	547,644,877	488,331,437
Finance Expenses	5.2	(441,321,732)	(327,881,786)
<b>Profit/(Loss) Before Tax</b>	6	<b>2,674,895,472</b>	<b>2,250,904,053</b>
Income Tax Expense	7.1	(435,551,980)	(365,209,035)
<b>Profit/(Loss) for the Year</b>		<b>2,239,343,492</b>	<b>1,885,695,018</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.1	(6,630,177)	(6,135,658)
Deferred Tax Effect	9.2	994,527	920,349
<b>Other Comprehensive Income for the Year, Net of Tax</b>		<b>(5,635,650)</b>	<b>(5,215,309)</b>
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>2,233,707,842</b>	<b>1,880,479,709</b>
<b>Earnings Per Share</b>	10	<b>4.21</b>	<b>3.54</b>

The accounting policies and notes on pages 87 through 111 form an integral part of the Financial Statements.

# Statement of Financial Position

As at 31 March 2016	Note	2016 LKR	2015 LKR
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	11	4,009,169,774	3,672,928,802
Investment	12	4,394,000,000	4,394,000,000
Intangible Assets	13	674,537,981	674,764,517
Other Receivables	15.1	100,002,587	85,695,579
		<b>9,177,710,342</b>	<b>8,827,388,898</b>
<b>Current Assets</b>			
Inventories	14	7,312,806,764	5,635,073,925
Trade and Other Receivables	15	1,464,555,895	1,084,614,158
Income Tax Receivable		-	241,878,185
Cash and Cash Equivalents	16	7,112,809,157	7,752,301,400
		<b>15,890,171,816</b>	<b>14,713,867,668</b>
<b>Total Assets</b>		<b>25,067,882,158</b>	<b>23,541,256,566</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	17	7,576,573,900	7,576,573,900
Retained Earnings		10,808,897,557	10,548,095,650
<b>Total Equity</b>		<b>18,385,471,457</b>	<b>18,124,669,550</b>
<b>Non Current Liabilities</b>			
Defined Benefit Obligation	8	65,347,060	61,087,735
Deferred Tax Liabilities	9.1	89,108,515	54,796,644
		<b>154,455,575</b>	<b>115,884,379</b>
<b>Current Liabilities</b>			
Trade and Other Payables	18	4,216,680,065	1,302,931,805
Income Tax Payable		108,431,332	-
Interest Bearing Borrowings	19	2,202,843,729	3,997,770,832
		<b>6,527,955,126</b>	<b>5,300,702,637</b>
<b>Total Equity and Liabilities</b>		<b>25,067,882,158</b>	<b>23,541,256,566</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

The accounting policies and notes on pages 87 through 111 form an integral part of the Financial Statements.

18 May 2016

Colombo

# Statement of Changes In Equity

Year ended 31 March 2016	Stated Capital LKR	Retained Earnings LKR	Total LKR
As at 01 April 2014	7,576,573,900	9,466,314,499	17,042,888,399
Profit for the Year	-	1,885,695,018	1,885,695,018
Other Comprehensive Income/(Loss)	-	(5,215,309)	(5,215,309)
Total Comprehensive Income	-	1,880,479,709	1,880,479,709
Dividends Paid	-	(798,698,558)	(798,698,558)
As at 31 March 2015	7,576,573,900	10,548,095,650	18,124,669,550
Super Gain Tax paid	-	(1,440,440,230)	(1,440,440,230)
	7,576,573,900	9,107,655,420	16,684,229,320
Profit for the Year	-	2,239,343,492	2,239,343,492
Other Comprehensive Income/(Loss)	-	(5,635,650)	(5,635,650)
Total Comprehensive Income	-	2,233,707,842	2,233,707,842
Dividends Paid	-	(532,465,705)	(532,465,705)
As at 31 March 2016	7,576,573,900	10,808,897,557	18,385,471,457

The accounting policies and notes on pages 87 through 111 form an integral part of the Financial Statements.

# Statement of Cash Flows

Year ended 31 March 2016	Note	2016 LKR	2015 LKR
<b>Cash Flows from/(Used in) Operating Activities</b>			
Profit before Income Tax Expense		2,674,895,472	2,250,904,053
<b>Adjustments for:</b>			
Finance Income	5.1	(547,644,877)	(488,331,437)
Finance Expenses	5.2	441,321,732	327,881,786
Dividends Income	4	(62,500,000)	-
Increase/(Decrease) in Allowances for Impairment	15.6	68,793,725	(233,163,283)
Loss/ (Profit) on disposal of property, Plant and Equipment	4	1,746,877	(2,772,263)
Defined Benefit Plan Cost	8.1	9,323,086	8,618,805
Depreciation	11.2	291,285,990	258,530,402
Amortisation of Intangible Asset	13.2	472,681	1,807,361
<b>Operating Profit/(Loss) before Working Capital Changes</b>		<b>2,877,694,686</b>	<b>2,123,475,424</b>
(Increase)/ Decrease in Inventories		(1,677,732,839)	2,293,869,506
(Increase)/ Decrease in Trade and Other Receivables		(463,042,470)	949,038,137
Increase/ (Decrease) in Trade and Other Payables		2,913,748,260	(1,910,108,869)
<b>Cash Generated from/(Used in) Operations</b>		<b>3,650,667,637</b>	<b>3,456,274,198</b>
Income Tax Paid		(49,936,066)	(1,110,203,314)
Super Gain Tax Paid		(1,440,440,230)	-
Finance Expenses Paid		(441,321,732)	(324,909,472)
Defined Benefit Paid		(11,693,938)	(852,175)
<b>Net Cash Flows from/(Used in) Operating Activities</b>		<b>1,707,275,671</b>	<b>2,020,309,236</b>
<b>Cash Flows from Investing Activities</b>			
Finance Income	5.1	547,644,877	488,331,437
Dividends Income	4	62,500,000	-
Acquisition of Property, Plant and Equipment	11.1	(630,598,626)	(590,403,820)
Proceeds from Property, Plant and Equipment		1,078,643	2,831,926
<b>Net Cash Flows from/(Used in) Investing Activities</b>		<b>(19,375,106)</b>	<b>(99,240,457)</b>
<b>Cash Flows From Financing Activities</b>			
Repayments of borrowings		(27,373,815,258)	(48,474,605,582)
Proceed from Borrowings		25,578,888,155	46,346,793,453
Dividends Paid		(532,465,705)	(798,698,558)
<b>Net Cash Flows from/(Used in) Financing Activities</b>		<b>(2,327,392,808)</b>	<b>(2,926,510,687)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(639,492,243)</b>	<b>(1,005,441,908)</b>
Cash and Cash Equivalents at the Beginning of the Year	16	7,752,301,400	8,757,743,308
<b>Cash and Cash Equivalents at the End of the Year</b>	16	<b>7,112,809,157</b>	<b>7,752,301,400</b>

The accounting policies and notes on pages 87 through 111 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 parent enterprise is Indian Oil Corporation Limited headquartered in India.

### 1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2016 was authorised for issue in accordance with a resolution of the Board of Directors on 18 May 2016.

## 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. 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 recognised 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 are 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

## Notes to the Financial Statements

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.

### 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 recognised 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 recognised using the effective interest rate method unless collectability is in doubt.

**c) Dividend income**

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

**d) Others**

Other income is recognised on an accrual basis.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

## Notes to the Financial Statements

### Sales Tax (Value Added Tax and Nations Building Tax)

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

### 2.3.5 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

## Notes to the Financial Statements

a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### 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 when that 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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### 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 recognised 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 recognised 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 recognised as an interest expense.

## Notes to the Financial Statements

### 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 Actuarial & Management Consultants (Private) Limited [Formerly Messrs Watson Wyatt Lanka (Private) Limited] who carried out actuarial valuation as at 31 March 2016.

#### Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognised 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.

### 2.3.17 Super Gain Tax (SGT)

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Company is liable for Super Gain tax of LKR. 1,440 Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating

to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015. Accordingly company has adjusted SGT amount against the brought forward retained earnings as at 01 April 2015 in the Statement of changes in equity.

## 2.4 Effect of Sri Lanka Accounting Standards (SLFRS) Issued but not yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

#### a) SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. The Company will quantify the effect in due course.

This standard was originally effective for annual periods commencing on or after 01 January 2018. However effective date has been deferred subsequently.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

#### b) SLFRS 15- Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard is effective for the annual periods beginning on or after 01 January 2018.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonable estimable as at the date of publication of these Financial Statements.



### 3. Revenue

	2016 LKR	2015 LKR
<b>3.1 Domestic Revenue</b>		
Lanka auto diesel	23,665,881,511	24,666,568,039
Xtramile	2,238,462,707	3,153,887,352
Lanka super diesel	1,133,318,670	889,288,537
Lanka petrol 92 octane	22,847,001,493	21,150,145,671
Xtrapremium Euro 3	3,392,761,985	7,102,169,162
Xtrapremium 95	3,730,376,903	3,284,578,219
Lubricants	2,512,612,879	2,520,780,789
Bunkering	10,517,271	10,200,118
Bitumen	2,492,309,649	3,723,193,550
<b>Total Domestic Sales</b>	<b>62,023,243,068</b>	<b>66,500,811,437</b>
<b>3.2 Export Revenue</b>		
Lubricants	45,580,779	37,734,461
Bunkering	9,237,848,873	13,362,657,321
<b>Total Export Sales</b>	<b>9,283,429,652</b>	<b>13,400,391,782</b>
<b>3.3 Total Revenue</b>	<b>71,306,672,720</b>	<b>79,901,203,219</b>

### 3.4 Segment Information

For management purposes, the Company is organised into business units based on its customer location and has two reportable segments, namely, local sales and export sales.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. However, financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

### 4. Other Operating Income

	2016 LKR	2015 LKR
Income from Storage facilities provided	-	1,579,723
Gain/(Loss) on disposal of Property, Plant and Equipment	(1,746,877)	2,772,263
Rental Income	20,565,477	16,600,606
Dividend Income	62,500,000	-
Sundry Income	15,898,146	19,171,974
	<b>97,216,746</b>	<b>40,124,566</b>

## Notes to the Financial Statements

### 5. Finance Income and Expenses

	2016 LKR	2015 LKR
<b>5.1 Finance Income</b>		
Interest on Government Securities (REPO) and Savings Accounts	535,775,413	480,815,346
Interest on Staff Loan and Others	11,869,464	7,516,091
	<b>547,644,877</b>	<b>488,331,437</b>
<b>5.2 Finance Expenses</b>		
Interest on Short Term Loans	66,987,481	109,353,278
Exchange (Gain)/Loss	355,844,503	193,595,768
Letter of Credit and Bank Charges	18,489,748	24,932,740
	<b>441,321,732</b>	<b>327,881,786</b>

### 6. Profit/(Loss) from Operating Activities

	2016 LKR	2015 LKR
<i>Stated after Charging /Crediting</i>		
Directors' Emoluments	22,948,767	20,379,932
Salaries and Wages	385,665,008	339,383,299
Increase/(Decrease) in Allowances for Impairment	68,793,725	(233,163,282)
Gain/(Loss) on disposal of Property, Plant and Equipment	(1,746,877)	2,772,263
Defined Benefit Obligation : Charge for the year	9,323,086	8,618,805
Audit Fee - Current year	1,300,000	1,300,000
Depreciation Charge for the year	291,285,990	258,530,402
Amortisation Charge for the year	472,681	1,807,361

### 7. Tax Expenses

The major components of income tax expense for the years ended 31 March 2016 and 31 March 2015 are as follows :

	2016 LKR	2015 LKR
<b>7.1 Income Statement</b>		
<b>Current Income Tax:</b>		
Current Tax Expense	449,181,744	392,357,178
Under/(Over) Provision of Current Taxes in respect of Prior Year	(48,936,162)	(52,598,476)
<b>Deferred Tax:</b>		
Deferred Taxation Charge/ (Credit) (Note 9.2)	35,306,398	25,450,333
<b>Income Tax Expense / (Credit) Reported in the Income Statement</b>	<b>435,551,980</b>	<b>365,209,035</b>

**7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 March 2016 and 31 March 2015 are as follows :**

	2016 LKR	2015 LKR
Accounting Profit before tax	2,674,895,472	2,250,904,053
Tax calculated at a tax rate of 15% (2015 - 15%)	401,234,321	337,635,608
Adjustments in respect of prior years	(48,936,162)	(52,598,476)
Tax impact of expenses (deductible)/not deductible for tax purpose	(13,871,411)	(8,737,303)
Tax impact of income not subject to tax	(9,375,000)	-
Tax impact of income taxable at different rate	(82,146,732)	(73,273,695)
Adjustment due to the estimated deferred tax base in previous year	35,306,398	25,450,333
Tax charge on profit from trade or business	282,211,414	228,476,467
Interest income	547,644,877	488,330,599
Tax calculated at a tax rate of 28% (2015 - 28%)	153,340,566	136,732,568
<b>Total tax charge for the year</b>	<b>435,551,980</b>	<b>365,209,035</b>

**8. Defined Benefit Obligation**

	2016 LKR	2015 LKR
Balance as at 01 April	61,087,735	47,185,447
Current Service Cost	4,076,378	3,617,148
Interest Cost	5,246,708	5,001,657
Actuarial (Gain) / Loss (8.2)	6,630,177	6,135,658
Benefits Paid	(11,693,938)	(852,175)
<b>Balance as at 31 March</b>	<b>65,347,060</b>	<b>61,087,735</b>

**8.1 Expenses on Defined Benefit Plan**

**Income Statement**

Current Service Cost for the year	4,076,378	3,617,148
Interest Cost for the year	5,246,708	5,001,657
	<b>9,323,086</b>	<b>8,618,805</b>
<b>Other Comprehensive Income</b>		
Actuarial (Gain) / Loss (8.2)	6,630,177	6,135,658
	<b>6,630,177</b>	<b>6,135,658</b>

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

Changes in Financial Assumptions	(6,254,097)	3,369,903
Changes in Demographic Assumptions	1,792,063	(2,590,319)
Experience Adjustments	11,092,211	5,356,074
	<b>6,630,177</b>	<b>6,135,658</b>

## Notes to the Financial Statements

### 8. Defined Benefit Obligation (Contd.)

- 8.3 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2016 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

	2016	2015
<b>8.4 Principle Actuarial Assumptions</b>		
Principle Actuarial Financial Assumptions underlying the valuation are as follows:		
Discount Rate	12.00%	10.09%
Salary Incremental Rate	2-8%	2-7.5%
Staff Turnover	5%	4%
Retirement Age	60 years	60 years

Assumptions regarding future morality 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 2016. 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 LKR	Sensitivity Effect on Defined Benefit Obligation LKR
1%	-	-	3,472,593	(3,472,593)
-1%	-	-	(3,436,792)	3,436,792
-	1%	-	(4,040,869)	4,040,869
-	-1%	-	4,054,862	(4,054,862)
-	-	1%	(1,609,284)	1,609,284
-	-	-1%	2,130,645	(2,130,645)

### 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	7

### 8.7 Distribution of Defined Benefit Obligation over the future Working Life Time

The following table demonstrates the distribution of the future working lifetime of the Defined Benefit Obligation as at the reporting period.

	2016 LKR	2015 LKR
Less than 1 Year	9,410,779	14,030,873
Between 1-2 years	11,579,256	9,642,441
Between 2-5 years	17,213,765	11,901,689
Between 5-10 years	18,174,463	15,472,208
Beyond 10 years	8,968,797	10,040,524
	<b>65,347,060</b>	<b>61,087,735</b>

## 9. Deferred Tax Liabilities

	2016 LKR	2015 LKR
<b>9.1 Deferred Tax</b>		
Deferred Tax Relates to the Following:		
Deferred Tax Assets Arising on:		
Retirement Benefit Obligation	9,802,059	9,163,160
	<b>9,802,059</b>	9,163,160
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(98,910,574)	(63,959,804)
<b>Net Deferred Tax Asset/(Liability)</b>	<b>(89,108,515)</b>	(54,796,644)
<b>9.2 Balance brought forward</b>	<b>54,796,644</b>	30,266,660
Deferred Income Tax (Credit)/Charge - Income Statement	35,306,398	25,450,333
Deferred Income Tax (Credit)/Charge - Statement of Other Comprehensive Income	(994,527)	(920,349)
<b>Net Deferred Tax (Asset)/Liability</b>	<b>89,108,515</b>	54,796,644

## 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.

	2016 LKR	2015 LKR
<b>Amounts Used as the Numerator</b>		
Net Profit/(Loss) for the Year	2,239,343,492	1,885,695,018
<b>Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share</b>	<b>2,239,343,492</b>	1,885,695,018
	2016 Number	2015 Number
<b>Number of Ordinary Shares used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	532,465,705	532,465,705

## Notes to the Financial Statements

### 11. Property, Plant and Equipment

#### 11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2015 LKR	Additions LKR	Transfers LKR	Disposals LKR	Balance as at 31.03.2016 LKR
Freehold Land	1,970,520,423	-	-	-	<b>1,970,520,423</b>
Building and Fixtures	1,709,874,309	-	186,614,050	(10,554,661)	<b>1,885,933,698</b>
Plant and Equipment	1,750,827,588	-	310,414,318	(81,337)	<b>2,061,160,569</b>
Office Equipment	33,347,408	3,365,911	-	(231,750)	<b>36,481,569</b>
Lube Plant	420,361,661	-	-	-	<b>420,361,661</b>
Furniture and Fittings	36,091,297	32,562,255	-	-	<b>68,653,552</b>
Motor Vehicles	45,554,276	-	-	-	<b>45,554,276</b>
Capital Work-In- Progress	102,264,874	594,424,316	(497,028,368)	-	<b>199,660,822</b>
	<b>6,068,841,836</b>	<b>630,352,482</b>	<b>-</b>	<b>(10,867,748)</b>	<b>6,688,326,570</b>

#### 11.2 Depreciation

At Cost	Balance as at 01.04.2015 LKR	Charge for the year LKR	Transfers LKR	Disposals LKR	Balance as at 31.03.2016 LKR
Building and Fixtures	837,355,567	131,332,364	-	(7,822,588)	<b>960,865,343</b>
Plant and Equipment	1,062,106,255	144,105,344	-	(63,517)	<b>1,206,148,082</b>
Office Equipment	24,528,633	3,647,720	-	(156,123)	<b>28,020,230</b>
Lube Plant	417,250,156	3,111,505	-	-	<b>420,361,661</b>
Furniture and Fittings	23,756,553	4,291,735	-	-	<b>28,048,288</b>
Motor Vehicles	30,915,870	4,797,322	-	-	<b>35,713,192</b>
	<b>2,395,913,034</b>	<b>291,285,990</b>	<b>-</b>	<b>(8,042,228)</b>	<b>2,679,156,796</b>

#### 11.3 Net Book Value

	2016 LKR	2015 LKR
Freehold Land	<b>1,970,520,423</b>	1,970,520,423
Building and Fixtures	<b>925,068,355</b>	872,518,742
Plant and Equipment	<b>855,012,487</b>	688,721,333
Office Equipment	<b>8,461,339</b>	8,818,775
Lube Plant	<b>-</b>	3,111,505
Furniture and Fittings	<b>40,605,264</b>	12,334,744
Motor Vehicles	<b>9,841,084</b>	14,638,406
Capital Work-In- Progress	<b>199,660,822</b>	102,264,874
<b>Total Carrying Value of Property, Plant &amp; Equipment</b>	<b>4,009,169,774</b>	3,672,928,802

11.4 During the financial year, the Company acquired Property, Plant and Equipment to aggregate value of LKR.630,352,482/- (2015 - 590,403,820/-).

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

	2016	2015
Building and Fixtures	5-15 Years	5-15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Lube Plant	4-8 Years	4-15 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

12. Long Term Investment

	2016 LKR	2015 LKR
At the beginning and end of the year	4,394,000,000	4,394,000,000

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

At Cost	Goodwill LKR	License fees on computer software LKR	Total LKR
As at 01.04.2015	759,297,552	11,691,993	770,989,545
Additions	-	246,144	246,144
Disposals	-	-	-
As at 31.03.2016	759,297,552	11,938,137	771,235,689

13.2 Amortisation

At Cost	Goodwill LKR	License fees on computer software LKR	Total LKR
As at 01.04.2015	85,420,963	10,804,064	96,225,027
Charge for the year	-	472,681	472,681
As at 31.03.2016	85,420,963	11,276,745	96,697,708

## Notes to the Financial Statements

### 13. Intangible Assets (Contd.)

At Cost	Goodwill LKR	License fees on computer software LKR	Total LKR
<b>13.3 Net Book Value as at 31.03.2016</b>	673,876,589	661,392	674,537,981
<b>13.4 Net Book Value as at 31.03.2015</b>	673,876,589	887,928	674,764,517

**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. 85,420,963 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.

### 14. Inventories

	2016 LKR	2015 LKR
<b>Summary</b>		
Auto Fuel	5,347,398,150	3,854,870,561
Bunker Oil	247,079,028	64,972,267
Bitumen	305,516,236	640,576,921
Lubricants	278,248,354	367,928,132
Base oil and other raw materials	618,100,470	677,806,303
Goods In Transit	516,464,526	28,919,741
	<b>7,312,806,764</b>	<b>5,635,073,925</b>

### 15. Trade and Other Receivables

	2016 LKR	2015 LKR
<b>Current Assets</b>		
<b>Summary</b>		
Trade Receivables - Others (net of Allowance for Impairment)	1,268,766,278	910,319,450
VAT Receivables	9,942,837	11,083,471
Other Receivables - Related Party (15.2)	29,971,784	-
- Others	36,936,469	26,426,956
Deposits and Advances	84,638,877	94,755,081
Prepayments	34,299,650	42,029,200
	<b>1,464,555,895</b>	<b>1,084,614,158</b>



### 15.1 Non Current Assets- Other Receivables

	2016 LKR	2015 LKR
Staff Loan	100,002,587	85,695,579
	<b>100,002,587</b>	<b>85,695,579</b>

### 15.2 Other Receivables- Related Parties

	Relationship	2016 LKR	2015 LKR
Indian Oil Corporation Limited	Immediate Parent	29,971,784	-
		<b>29,971,784</b>	<b>-</b>

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	
2016	1,268,766,278	923,376,625	235,129,933	47,693,080	15,346,639	2,513,655	44,706,346
2015	910,319,450	615,106,605	162,762,491	18,238,100	67,428,780	5,356,453	41,427,021

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:

	2016 LKR	2015 LKR
US Dollars	492,774,430	325,042,874
Sri Lankan Rupees	971,781,465	759,571,284
	<b>1,464,555,895</b>	<b>1,084,614,158</b>

15.6 Receivables of LKR 443,040,477/- (2015 LKR 374,246,752) were impaired, due to defaults. Movement in the allowance for impairment is as follows:

#### Allowance for impairment

	2016 LKR	2015 LKR
As at 01 April	374,246,752	607,410,035
Charge for the year	68,793,725	-
Reversal during the year	-	(233,163,283)
As at 31 March	<b>443,040,477</b>	<b>374,246,752</b>

## Notes to the Financial Statements

### 16. Cash and Cash Equivalents

	2016 LKR	2015 LKR
<b>16.1 Favourable Cash &amp; Cash Equivalent balances</b>		
Cash and Bank Balances	1,317,786,468	1,041,235,883
Repurchase Agreements	5,795,022,689	6,711,065,517
<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>	<b>7,112,809,157</b>	<b>7,752,301,400</b>

### 16.2 Cash at Bank and Cash Equivalents

	Rating	2016 LKR	2015 LKR
Citibank N.A	AAA	405,105,725	422,826,765
Standard Chartered Bank	AAA	709,362,538	579,490,166
People's Bank	AA+	6,000,600	4,782,105
Bank of Ceylon	AA+	4,111,353	2,485,353
Commercial Bank of Ceylon PLC	AA	4,195,438,945	4,652,520,642
ICICI Bank	AAA	413,729	410,672
State Bank of India	BBB-	171,416,211	3,807,306
Deutsche Bank A.G	A-	10,552,330	11,461,651
Hatton National Bank PLC	AA-	1,607,510,904	2,072,942,000
Axis Bank	BBB-	229,595	209,215
		<b>7,110,141,930</b>	<b>7,750,935,875</b>

### 17. Stated Capital

	2016 LKR	2015 LKR
<b>17.1 Stated Capital as at 31 March</b>	<b>7,576,573,900</b>	7,576,573,900
<b>17.2 Number of Ordinary Shares</b>	<b>532,465,705</b>	532,465,705

### 18. Trade and Other Payables

	2016 LKR	2015 LKR
Trade Payables-Related Parties (18.1)	25,616,593	22,242,004
- Others	3,565,408,830	849,173,944
Other Payables- Related Parties (18.2)	304,737,840	121,009,226
Sundry Creditors Including Accrued Expenses	320,916,802	310,506,631
	<b>4,216,680,065</b>	<b>1,302,931,805</b>

### 18.1 Trade Payables- Related Parties

	Relationship	2016 LKR	2015 LKR
Indian Oil Corporation Limited	Immediate Parent	25,616,593	22,242,004
		25,616,593	22,242,004

### 18.2 Other Payables- Related Parties

	Relationship	2016 LKR	2015 LKR
Indian Oil Corporation Limited	Immediate Parent	-	16,077,152
Ceylon Petroleum Storage Terminal Limited	Significant Investee	304,737,840	104,932,074
		304,737,840	121,009,226

## 19. Other Financial Liabilities

### 19.1 Interest Bearing Loans and Borrowings

	2016 LKR	2015 LKR
Short Term Loans (19.2)	2,202,843,729	3,997,770,832
	2,202,843,729	3,997,770,832
Total Current	2,202,843,729	3,997,770,832
Total Non-Current	-	-
	2,202,843,729	3,997,770,832

19.2 The short term loans are unsecured except for the loans from State Bank of India Colombo branch and Singapore branch amounting to USD 4 Mn . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

### 19.3 The interest rates are as follows:

Short term loans LIBOR + Margin

19.4 The LIBOR rate (monthly) at the date of statement of financial position was 0.43725%

## Notes to the Financial Statements

### 20. Related Party Disclosures

#### 20.1 Transactions with the Related Entities

##### 20.1.1 Transactions with Parent

	2016 LKR	2015 LKR
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(38,319,156)	(561,910,184)
Fund Transfers/Payment Made	635,239,093	865,099,542
Purchases of Goods	(691,830,121)	(598,104,910)
Sale of Goods	87,901,574	301,132,820
Expenses Reimbursed	11,363,801	(44,536,424)
Amounts Receivable as at 31 March	29,971,784	-
Amounts Payable as at 31 March	(25,616,593)	(38,319,156)
Net Balance as at 31 March	4,355,191	(38,319,156)

20.1.2 During the year, the Company paid a gross dividend of LKR. 532,465,705/- with respect to the financial year ended 31 March 2015, out of which LKR 400,000,005/- was paid to Indian Oil Corporation Limited.

##### 21.1.3 Transactions with IOC Middle East FZE

	2016 LKR	2015 LKR
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	-	7,822,800
Purchases of Goods	-	(7,822,800)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

##### 21.1.4 Transactions with Ceylon Petroleum Storage Terminal Limited

	2016 LKR	2015 LKR
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(104,932,074)	(95,568,368)
Fund Transfers/Payment Made	867,554,053	753,050,532
Dividend	62,500,000	-
Services Rendered	(1,129,859,819)	(762,414,238)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(304,737,840)	(104,932,074)

The above transactions are included in Current Liabilities as Amount due to Related Parties and in Current Assets as Amount due from Related Parties.

### 21.1.5 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).

## 21.2 Transactions with Key Management Personnel of the Company or its Subsidiaries

a) The Key Management Personnel are the members of the Board of Directors, of the Company.

Payments made to Key Management Personnel during the year were as follows:

	2016 LKR	2015 LKR
Fees for Directors	2,377,500	2,302,500
Emoluments	17,586,126	15,509,100
Short Term Employment Benefits	2,985,141	2,568,332
	<b>22,948,767</b>	<b>20,379,932</b>

## 22. Commitments

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

### 22.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to LKR. 268.24 Mn (2015 - LKR. 375.3 Mn).

### 22.2 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:

	2016 LKR	2015 LKR
No later than 1 year	14,672,500	13,360,020
Later than 1 year and no later than 5 years	73,362,500	66,800,100
More than 5 years	249,432,500	240,480,360
	<b>337,467,500</b>	<b>320,640,480</b>

22.3 Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2016 amounted to LKR. 1,692,526,268/- (2015 - LKR 572,343,043/-).

## Notes to the Financial Statements

### 23. Contingencies

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

- 23.1** Guarantees issued by Banks on behalf of the Company as at 31 March 2016 amounted to LKR. 101,374,020/- (2015- LKR. 83,890,357/-)

### 24. Assets Pledged

No assets have been pledged as at the reporting date except for those disclosed in Note 19.2.

### 25. Events After the Reporting Date

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

### 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.

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	6,940,820,408	171,988,749
Interest Bearing Loans & Borrowings	-	2,202,843,729
Trade and Other Receivables (Current)	971,781,465	492,774,430
Other Receivables (Non Current)	100,002,587	-

#### 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 with floating rates and Repo 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/EURO denominated loans, Trade Receivables and Trade Payables.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate and Euro exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of USD and EURO denominated liabilities).

	Average Value	Year End Exchange Rate in USD	Change in USD/EURO Rate	Effect on Profit Before Tax (LKR)
<b>2016</b>				
Interest Bearing Loans and Borrowings (USD)	2,202,843,729	146.73	+/- 1%	+/- 22,028,437
Trade and Other Receivables (USD)	492,774,430	146.73	+/- 1%	+/- 4,927,744
Trade and Other Payables (USD)	2,174,463,765	146.73	+/- 1%	+/- 21,744,637
Trade and Other Payables (EURO)	176,555,111	168.71	+/- 1%	+/- 1,765,551

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 and Euro, where the functional currency of the entity is a currency other than US dollars and Euro.

## 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 LKR	More than 1 year LKR	Total LKR
Interest-bearing loans and borrowings	2,202,843,729	-	2,202,843,729
Trade and Other Payables	4,216,680,065	-	4,216,680,065
	6,419,523,794	-	6,419,523,794

## Notes to the Financial Statements

### 26. Financial Risk Management Objectives and Policies (Contd.)

#### 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.

	2016 LKR	2015 LKR
Total borrowings (Note 19)	2,202,843,729	3,997,770,832
Less :- cash and cash equivalents (Note 16)	(7,112,809,157)	(7,752,301,400)
Net debt	-	-
Total equity	18,385,471,457	18,124,669,550
<b>Total capital</b>	<b>18,385,471,457</b>	<b>18,124,669,550</b>
Gearing ratio	0%	0%

### 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	
	2016 LKR	2015 LKR	2016 LKR	2015 LKR
<b>Financial Assets</b>				
Other Receivables (Non Current) A	100,002,587	85,695,579	100,002,587	85,695,579
Trade and Other Receivables (Current) A	1,420,313,408	1,031,501,487	1,420,313,408	1,031,501,487
Cash and Cash Equivalents A	7,112,809,157	7,752,301,400	7,112,809,157	7,752,301,400
<b>Total</b>	<b>8,633,125,152</b>	<b>8,869,498,466</b>	<b>8,633,125,152</b>	<b>8,869,498,466</b>
<b>Financial Liabilities</b>				
Trade and Other Payables A	3,895,763,263	919,564,065	3,895,763,263	919,564,065
Interest Bearing Loans and Borrowings (Current) A	2,202,843,729	3,997,770,832	2,202,843,729	3,997,770,832
<b>Total</b>	<b>6,098,606,992</b>	<b>4,917,334,897</b>	<b>6,098,606,992</b>	<b>4,917,334,897</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, 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 2016	Financial Assets and Liabilities at Amortised Cost LKR	Total LKR
<b>Financial Assets</b>		
Other Receivables (Non Current)	100,002,587	100,002,587
Trade and Other Receivables (Current)	1,420,313,408	1,420,313,408
Cash and Cash Equivalents	7,112,809,157	7,112,809,157
<b>Total Financial Assets</b>	<b>8,633,125,152</b>	<b>8,633,125,152</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	3,895,763,263	3,895,763,263
Interest Bearing Loans and Borrowings	2,202,843,729	2,202,843,729
<b>Total Financial Liabilities</b>	<b>6,098,606,992</b>	<b>6,098,606,992</b>
As at 31 March 2015	Financial Assets and Liabilities at Amortised Cost LKR	Total LKR
<b>Financial Assets</b>		
Other Receivables (Non Current)	85,695,579	85,695,579
Trade and Other Receivables (Current)	1,031,501,487	1,031,501,487
Cash and Cash Equivalents	7,752,301,400	7,752,301,400
<b>Total Financial Assets</b>	<b>8,869,498,466</b>	<b>8,869,498,466</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	919,564,065	919,564,065
Interest Bearing Loans and Borrowings	3,997,770,832	3,997,770,832
<b>Total Financial Liabilities</b>	<b>4,917,334,897</b>	<b>4,917,334,897</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 31.03.2016		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.		24.07	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.		16.57	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	2	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.		25.05P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
18	102431	MRS. WIMALA SIRISENA	BROADWAY, MATARA		27.35P	1	1
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.	01R	2.16P	1	1

SR. No	Customer Code	Name of Company Owned Location	Address of Lanka IOC Property	Extent of the Area as on 31.03.2016		No. of Buildings	No. of Canopies
				Roots	Perches		
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.		25.28P	1	1
29	102381	EHELIYAGODA MPCs LTD	RATNAPURA ROAD, EHELIYAGODA.		33.92	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.		23.56P	1	1
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

## 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 31.03.2016		No. of Buildings	No. of Canopies
				Roots	Perches		
43	102426	MRS. K.A.A.H. DE SILVA	TANGALLE ROAD, BELIATTA.		20.10	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.		23.62P	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
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

SR. No	Customer Code	Name of Company Owned Location	Address of Lanka IOC Property	Extent of the Area as on 31.03.2016		No. of Buildings	No. of Canopies
				Roots	Perches		
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.		12.58P	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, NUGEGODA.		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.		11.10P	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)
83	102364	A.V. HINNIAPPUHAMY & COMPANY	NO. 98, NUWARA ELIYA ROAD, TALAWAKELE.		24.12P	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

## 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 31.03.2016		No. of Buildings	No. of Canopies
				Roots	Perches		
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.	15.3P		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	NO. 579, DAMBULLA ROAD, MATALE.	29.25P		1	1
		ACQUIRING A LAND ( 13.75 P @ RS 475,000/-)					
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.	16.06		1	1
97	102333	M/S PERERA & CO & SONS	NO. 84, MUTWAL DOCKLAND, COLOMBO	26.05P		1	1
98	102405	K.W. SUSIRIPALA ASSOCIATES	NO. 116, KANDY ROAD, KURUNAGELA.	17.2P		2 (PORTA CABIN + ELECTRICAL ROOM)	1
99	102344	ATTANAGALLA MPCS LTD	NEGOMBO ROAD, URAPOLA.	22.30P		2 (Sales Room +Store Room)	1
<b>TOTAL</b>							

# Shareholders' Information

## Ordinary Shareholdings as at 31st March 2015

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31st March 2015 : 10,118

Shareholdings	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	Percentage % Shareholders	No. of Shares	No. of Shares	Percentage % Shareholders	No. of Shares	No. of Shares	Percentage %
1 to 1,000 Shares	5,495	2,482,602	0.47	28	14,796	0.00	5,523	2,497,398	0.47
1,001 to 10,000 Shares	3,847	10,745,935	2.02	59	275,700	0.05	3,906	11,021,635	2.07
10,001 to 100,000 Shares	525	16,133,833	3.03	35	1,355,300	0.25	560	17,489,133	3.28
100,001 to 1,000,000 Shares	98	26,282,459	4.94	9	3,851,260	0.72	107	30,133,719	5.66
Over 1,000,000 Shares	15	49,394,925	9.28	7	421,928,895	79.24	22	471,323,820	88.52
<b>Total</b>	<b>9,980</b>	<b>105,039,754</b>	<b>19.74</b>	<b>138</b>	<b>427,425,951</b>	<b>80.26</b>	<b>10,118</b>	<b>532,465,705</b>	<b>100.00</b>

## Categories of Shareholders

Shareholdings	No. of Shareholders	Percentage %	No. of Shares	Percentage %
Individual	9,687	95.74	38,053,784	7.15
Institutional	431	4.26	494,411,921	92.85
<b>Total</b>	<b>10,118</b>	<b>100.00</b>	<b>532,465,705</b>	<b>100.00</b>

## 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 % Shareholders	No. of Shares	No. of Shares	Percentage % Shareholders	No. of Shares	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

Shareholdings	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>

## Shareholders' Information

### 20 Major Shareholders as at 31st March 2015

	Name	No. of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	Bank of Ceylon A/c Ceybank Unit Trust	10,780,364	2.02
3	Trading Partners [Pvt] Ltd	10,728,917	2.01
4	Wasatch Frontier Emerging Small Countries Fund	10,618,772	1.99
5	Acadian Frontier Markets Equity Fund	4,257,230	0.80
6	Deutsche Bank AG -National Equity Fund	3,975,000	0.75
7	Deutsche Bank AG -Trustee for JB Vantage Value Equity Fund	3,533,553	0.66
8	Deutsche Bank AG - Trustee for Namal Acuity Value Fund	3,100,000	0.58
9	Employees Provident Fund	3,000,170	0.56
10	Bank of Ceylon A/c Ceybank Century Growth Fund	2,444,439	0.46
11	GF Capital Global Limited	2,426,980	0.46
12	E W Balasuriya & Co [Pvt] Ltd	2,326,800	0.44
13	Janashakthi General Insurance Limited	2,000,000	0.38
14	CB London S/a Tundra Frontier Opportunities Fund	1,743,740	0.33
15	CB NY S/A Wasatch Frontier Emerging Small Countries Cit Fund	1,601,303	0.30
16	Timex Garments [Pvt] Ltd	1,462,503	0.27
17	Commercial Bank of Ceylon PLC / Mr S A Gulamhusein	1,421,701	0.27
18	Hallsville Trading Group Inc	1,280,865	0.24
19	Deutsche Bank AG - Namal Growth Fund	1,239,250	0.23
20	Cocoshell Activated Carbon Company Limited	1,173,802	0.22
		469,115,394	88.09

Directors' Shareholding - 31st March 2015		No. of Shares
Mr Subodh Dakwale		Nil
Mr Indrajit Bose		Nil
Prof. Lakshman R Watawala		500
Mr P M Mohan		Nil
Mr Amitha Gooneratne		4,800

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%



## 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
	460,243,408	86.42

Directors' Shareholding - 31st March 2016	No. of Shares
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%

# Shareholders' Information

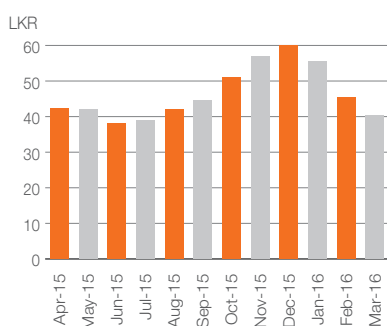
## LIOC Share Performance at Colombo Stock Exchange (CSE) 01.04.2014 - 31.03.2015

No. of Share transactions for the year	43,954
No. of Shares traded	151,912,786
Value of Shares Traded (LKR)	7,290,626,452.00
<b>Price Movements (LKR)</b>	
Highest (Rs)	68.30
Lowest (Rs)	37.30
Closing Price	40.30
Market Capitalization (LKR Mn) (Closing Price * No. of Shares)	21,458

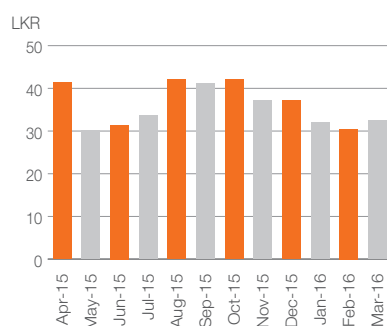
## LIOC Share Performance at Colombo Stock Exchange (CSE) 01.04.2015 - 31.03.2016

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
<b>Price Movements (LKR)</b>	
Highest (Rs)	44.20
Lowest (Rs)	29.00
Closing Price	32.50
Market Capitalization (LKR Mn) (Closing Price * No. of Shares)	17,305

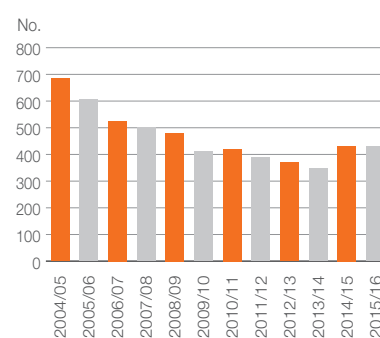
**Share Price Movement**  
01.04.2014 to 31.03.2015



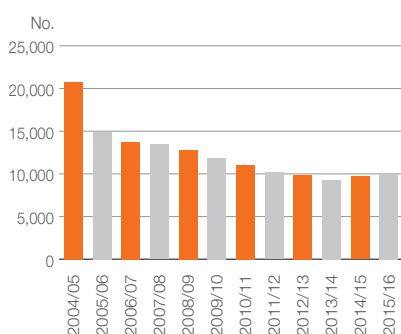
**Share Price Movement**  
01.04.2015 to 31.03.2016



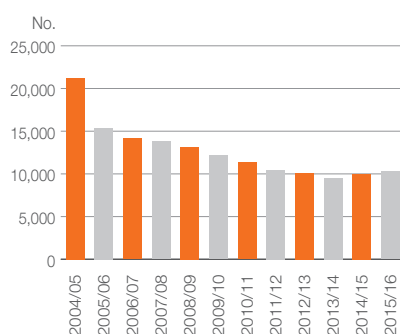
**Institutional Shareholders**



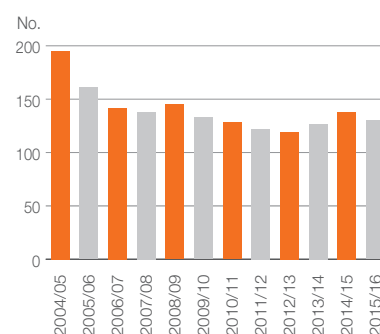
**Individual Shareholders**



**Resident Shareholders**



**Non-Resident Shareholders**



# GRI G4

## Index

### General Standard Disclosures-G4

Number	Description	Reference/Comments	Page Reference
<b>Strategy and Analysis</b>			
G4-1	Statement from the most senior decision maker of the Organisation about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Chairman's Message	12
<b>Organisational Profile</b>			
G4-3	Name of the organization	Lanka IOC PLC	-
G4-4	Primary brands, products, and services	About Us	4
G4-5	The location of the organization's headquarters	Colombo, Sri Lanka	-
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	About Us	4
G4-7	The nature of ownership and legal form	Inner Back Cover	-
G4-8	The markets served (geographic breakdown, sectors served, and types of customers/beneficiaries)	About Us	4
G4-9	The scale of the organization, including: <ul style="list-style-type: none"> <li>Total number of employees</li> <li>Total number of operations</li> <li>Net sales (for private sector organizations) or net revenues (for public sector organizations)</li> <li>Total capitalization broken down in terms of debt and equity (for private sector organizations)</li> <li>Quantity of products or services provided</li> </ul>	About Us Financial Review	4 53
G4-10	a. The total number of employees by employment contract and gender. b. The total number of permanent employees by employment type and gender. c. The total workforce by employees and supervised workers and by gender. d. The total workforce by region and gender. e. Report whether a substantial portion of the organization'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. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	Human Capital	64
G4-11	The percentage of total employees covered by collective bargaining agreements.	Not applicable	
G4-12	Describe the organization's supply chain.	Business Line Reviews	57

## GRI G4 Index

Number	Description	Reference/Comments	Page Reference
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> <li>• Changes in the location of, or changes in, operations, including facility openings, closings, and expansions</li> <li>• Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations)</li> <li>• Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination</li> </ul>	None	
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	Environmental Commitment Risk Management	48,70
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	About the Report	5
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization is a member.	<ul style="list-style-type: none"> <li>• The Ceylon Chamber of Commerce</li> <li>• National Chamber of Commerce of Sri Lanka</li> <li>• The Sri Lanka Greater Mekong Sub region Business Council</li> <li>• The Indo-Lanka Chamber of Commerce and Industry</li> <li>• The Employer's Federation of Ceylon</li> <li>• The Managing Director holds membership in the Sri Lanka Institute of Directors</li> <li>• The Managing Director holds membership in the Indian CEO Forum</li> </ul>	
<b>Identified Material Aspects and Boundaries</b>			
G4-17	<p>a. List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p>	Group Structure Accounting Policies	4
G4-18	<p>a. Explain the process for defining the report content and the Aspect Boundaries.</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p>	Determining Materiality	46
G4-19	List all the material Aspects identified in the process for defining report content.	Determining Materiality	46

Number	Description	Reference/Comments	Page Reference
G4-20	For each material Aspect, the Aspect Boundary within the organization	Determining Materiality	46
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Determining Materiality	46
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	There are no restatements	46
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	None	
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organization.	Stakeholder Engagement	45
G4-25	The basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement	45
G4-26	The organization's approach to stakeholder engagement	Stakeholder Engagement	45
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Stakeholder Engagement	45
<b>Report Profile</b>			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this Report	5
G4-29	Date of most recent previous report (if any).	Financial year ended 31st March 2015	
G4-30	Reporting cycle (such as annual, biennial)	Annual	
G4-31	The contact point for questions regarding the report or its contents.	About this Report	5
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option c. Report the reference to the External Assurance Report, if the report has been externally assured.	Core	
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	The Company has not obtained external assurance on its sustainability reporting.	
<b>Governance</b>			
G4-34	The governance structure of the organization, including committees of the highest governing body.	Corporate Governance	35
<b>Ethics and Integrity</b>			
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Corporate Governance	34

# GRI G4 Index

## Specific Standard Disclosures

Material Aspect	DMA/Indicators	Reference/comments/Reasons for omission	Page
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<b>Economic Performance</b>			
G4-EC1	Direct economic value generated	Financial Highlights	9
G4-EC3	Coverage of defined benefit plan obligations	Financial Statements	88
<b>Environmental Aspects</b>			
<b>Energy</b>			
G4-EN3	Energy consumption within the organization	Natural Capital	70
<b>Effluents and Waste</b>			
G4-EN22	Total water discharge by quality and destination	Partial Disclosure- Natural	71
G4-EN23	Total weight of waste by type and disposal method	Partial Disclosure- Natural	71
<b>Products and Services</b>			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Natural Report	71
<b>Compliance</b>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	There were no violations of environmental laws and regulations during the year due to our strict compliance programme. Consequently there were no fines incurred.	
<b>Social Aspects</b>			
<b>Employment: Labour practices and Decent Work</b>			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Human Capital	66
<b>Employment: Occupational health and safety</b>			
G4-LA6	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	69
<b>Employment: Training and Education</b>			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital	68
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Human Capital	67
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Human Capital	66
<b>Employment: Labour practices grievance mechanism</b>			
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Human Capital	69

Material Aspect	DMA/Indicators	Reference/comments/Reasons for omission	Page
<b>Society: Local Communities</b>			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Social & Network Capital	62
<b>Product Responsibility: Customer Health and Safety</b>			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Product and Service Responsibility	71
<b>Product Responsibility: Compliance</b>			
G4-PR9	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidence of non-compliance	

# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 14th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on **Friday, 23rd September 2016 at 10.30 hours at the "Grand Ball Room" Galle Face Hotel, Colombo 3**, 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 2016 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 2015-16 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 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 Balwinder Singh Canth, 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.
  - 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 Amitha Gooneratne 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.
- 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 authorise the Board of Directors to determine the remuneration of the Auditors for the ensuing year.

By Order of the Board  
Lanka IOC PLC



**[Ms] Rajanie Balakrishnan**  
*Company Secretary*

01st August 2016  
Colombo

**Note:-** Any member 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 member/s of Lanka IOC PLC, hereby appoint Mr/Mrs/Miss  
 ..... [NIC No.....] of .....whom failing:

Mr Balwinder Singh Canth	whom failing
Mr Shyam Bohra	whom failing
Prof. Lakshman R Watawala	whom failing
Mr Amitha Gooneratne	whom failing
Mr P M Mohan	whom failing
Mr D K Sharma	

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 14th Annual General Meeting of the Company to be held on **Friday, 23rd September 2016 at 10.30 hours at the "Grand Ball Room" Galle Face Hotel, Colombo 3**, 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 2016 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 2015-16 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 Balwinder Singh Canth, 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"/>
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 Amitha Gooneratne 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"/>
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 authorise 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 ..... 2016.

.....  
 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 Authorised Officer of the Company, in accordance with its Articles of Association.
- If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

**Please fill in the following details:**

NIC No : .....

Full Name : .....

Address : .....

Jointly with: .....

Tel No : .....

Email ID : .....

# Corporate Information

**Name of Company :**

Lanka IOC PLC

**Company Registration Number :**

PQ 179

**BOI Registration No. :**

2613/05/12/2002

**Legal Form :**

A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th August 2002 under the provisions of the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007

**Stock Exchange Listing :**

The Ordinary Shares of the Company are listed in the Colombo Stock Exchange

**Registered Office :**

Level 20, West Tower, World Trade Center  
Echelon Square, Colombo 01, Sri Lanka  
Telephone: + 94 11 2475720  
Facsimile : + 94 11 2391490

**Website :**

[www.lankaiooc.net](http://www.lankaiooc.net)

**Associates :**

Ceylon Petroleum Storage Terminals Limited

**Board of Directors :**

Mr. Balwinder Singh Canth (Chairman)  
Mr. Shyam Bohra (Managing Director)  
Prof. Lakshman R Watawala  
Mr. Amitha Gooneratne  
Mr. P M Mohan  
Mr. D K Sharma

**Company Secretary :**

(Ms) Rajanie Balakrishnan, FCIS [UK], FCCS [SL]

**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

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Lanka IOC

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