

# A PLEDGE TO SERVE



Lanka **IOC**



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# A PLEDGE TO SERVE

Here at Lanka IOC, we passionately pursue a single goal: to serve the Nation. This promise is deeply ingrained in every fibre of our being and drives our every action. During the year under review, your Company went above and beyond the call of duty to be of service to our valued stakeholders, a testament to our true Sri Lankan spirit.

Even as we continue to uphold our commitment to the people, we are journeying forward, facing our challenges head on. Our prospects remain promising, and we are confident in our future. We are relentlessly pursuing of unparalleled value creation, in an enduring pledge to serve the people.

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# OUR VISION

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

## MISSION

- To achieve international standards of excellence in all aspect of petroleum with focus on customer delight through value of products and services and cost reduction.
- To maximize creation of wealth, value and satisfaction for the stakeholders.
- To attain leadership in developing, adopting and assimilating state-of-the art technology competitive advantage.
- To provide technology and services through sustained Research and Development.
- To foster a culture of participation and innovation for employee growth and contribution.
- To cultivate high standards of business ethics and Total Quality Management for a strong corporate identity and brand equity.
- To help enrich the quality of the life of the community and preserve ecological balance and heritage through a strong environment conscience

# HISTORICAL MILESTONES

**2002-03**

Agreements signed with Board of Investment of Sri Lanka (BOI)

Commenced product sales from Lanka IOC Retail Outlet

**2004-05**

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



**2007-08**

Commissioned the Lube Blending Plant at Trincomalee

Started Bunker Operations in Colombo Port



**2009-10**

The Turnover of the Company reached 50 Billion

Started Sales of Bitumen

**2010-11**

Commissioned the First Grassroot Retail Outlet

Operations and Accounting shifted to ERP [SAP] system

Commissioned the 150th Retail Outlet

**2011-12**

Commissioned Lube Distributorship in Maldives

Launch of Euro III Grade Petrol

**2012-13**

Maiden Dividend of LKR 1/ equity share for FY 2012-13 declared

Commissioned the 150th Servo Shop



**2013-14**

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

**2014 -15**

Highest ever share price LKR 68.30 per share traded in CSE

## 2015 -16

Prestigious ISO 9001-2015 accredited to Lube Blending Plant at Trincomalee



## 2016-17

Commissioned the 200th Retail Outlet

Commissioned Bunker sales from Trincomalee Terminal

Ventured into Petrochemical business segment

LIOC was awarded long term rating of "AA" by Fitch Rating Agency.

Launching of E-Banking Platform



## 2017-18

Crossed one million KL/MT throughput of petroleum products.

"ISO 9001-2015 CERTIFICATION for terminal operations was received from M/s. SLSI.

Received prestigious "Business Today Top 30 award 2017" from Hon'ble Prime Minister of Sri Lanka and Secured 23rd rank.

The Annual report for the year 2016-17 of Lanka IOC PLC awarded the "Best first time integrated report" in Sri Lanka under "CMA Excellence in Integrated Reporting Awards-2017".

Started Lubricant Export to Qatar

"Overall Gold Award Winner" of National Business of Excellence Awards 2017 which is held by the National Chamber of Commerce of Sri Lanka and seven other category awards.

"Sri Lanka Best Employer Brand Award" was conferred to Lanka IOC PLC by World HRD Congress.

Ranked 9th largest listed Company in Sri Lanka for 2016-17 by prestigious LMD magazine.

Annual report of Lanka IOC got the prestigious Bronze award from "the Institute of Chartered Accountants of Sri Lanka".

The Ceylon National Chamber of Industries of Sri Lanka declared "Winner of Bronze award for CNCI National Achievers Award 2017 under Extra Large Category in Service Sector". Awarded by Hon'ble President of Sri Lanka.

# ABOUT THIS REPORT

GRI 102-1, 102-12, 102-50, 102-51, 102-52, 102-54, 102-56

**“ We present our 3rd Integrated Annual Report which aims to provide our stakeholders with a concise and balanced evaluation of our financial, social and environmental performance. ”**

## Navigation icons



## About this Report

This year, we present our 3rd Integrated Annual Report which aims to provide our stakeholders with a concise and balanced evaluation of our financial, social and environmental performance. The Report formulation and structure takes into consideration the legitimate interests of our stakeholders and demonstrates our commitment to driving the strategy in a manner that balances their competing interests. The Report also includes material information relating to our operating environment, strategy, risk profile and governance.

## Scope and Boundary

This Report covers the operations of Lanka IOC PLC (“LIOC” or “the Company”) for the period from 1st April 2017 to 31st March 2018. We follow an annual reporting cycle and the Company’s most recent previous report for the financial year ending 31st March 2017 is available on its website, [www.lankaio.com](http://www.lankaio.com). The financial and non-financial information presented in this Report includes that of the Company’s operations in Trincomalee and its retail outlets and other segments. The Report is

anchored by our material topics (listed on page 02) which represent the issues that are most critical to stakeholders and the Company’s ability to create value.

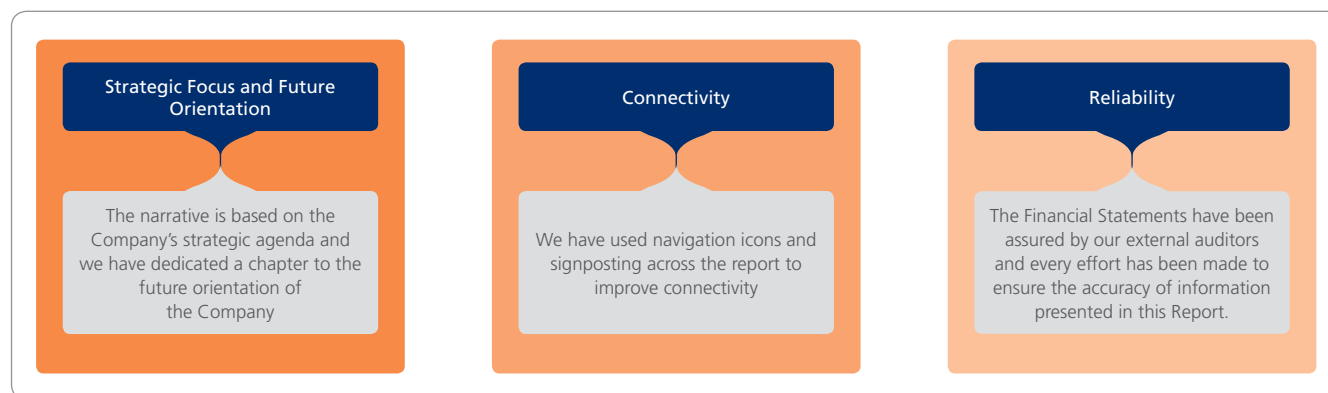
## Reporting Principles

The Financial Statements presented from pages 134 to 171 of this Report and discussed throughout the narrative have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS). For sustainability reporting we have transitioned to the latest GRI Standards published by the Global Reporting Initiative and have reported ‘in accordance’ with the ‘core’ option. The Integrated Report is based on the <IR> Framework published by the International Integrated Reporting Council (IIRC). The Corporate Governance narrative and disclosures comply with the continuing listing requirements of the CSE, the Companies Act No. 7 of 2007 and the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. We have not sought external assurance on our Sustainability Reporting.



## Key Concepts

The focus of the Report is to provide relevant financial and non-financial information on material developments to our financial capital providers and other stakeholders, to represent fairly the events that shaped our performance during the reporting period. In doing so, we have complied with the following reporting principles;



## Reporting Enhancements

- Improved the connectivity of information by using navigation icons and signposts throughout the Report
- Adoption of the latest GRI Standards for sustainability reporting
- Demonstrate our contribution to the Sustainable Development Goals where ever applicable

## Feedback

We understand that integrated reporting is an evolving process requiring continuous refinement, and welcome your suggestions, feedback and queries. To provide feedback, please contact [companysecretary@lankaio.com](mailto:companysecretary@lankaio.com)

# PERFORMANCE HIGHLIGHTS

GRI 102-7, 201-1

		2017/18	2016/17	2015/16	
FINANCIAL CAPITAL	STRATEGIC PRIORITY: FINANCIAL GROWTH				
	Revenue	LKR Mn	91,343	81,039	71,307
	Operating profit	LKR Mn	(1,385)	3,148	2,550
	Profit / (Loss) before tax	LKR Mn	(776)	3,601	2,675
	Profit / (Loss) after tax	LKR Mn	(744)	3,065	2,239
	Return on equity	%	(4)	15	12
	Financial Stability				
	Total assets	LKR Mn	32,959	25,494	25,068
	Total liabilities	LKR Mn	13,590	4,704	6,683
	Shareholders' funds	LKR Mn	19,369	20,790	18,385
	Cash and cash equivalent	LKR Mn	8,407	6,975	7,113
	Shareholder information				
	Earnings per share	LKR	(1.40)	5.76	4.21
	Dividends per share (Paid)	LKR	1.25	1.25	1.00
	Net asset value per share	LKR	36	39	35
	Market price per share	LKR	30.1	29.0	32.5
	Market capitalization	LKR Mn	16,027	15,442	17,305
	P/E ratio	Times	-	5	7.7
	Economic value added	LKR Mn	(1,422)	2,404	1,702
MANUFACTURED CAPITAL	STRATEGIC PRIORITY: OPERATIONAL EXCELLENCE				
	Property, plant and equipment				
	Retail outlets	Nos.	207	202	199
	Capital expenditure	LKR Mn	522	418	630
	Investments in capacity augmentation	LKR Mn	245	284	310

			2017/18	2016/17	2015/16
HUMAN CAPITAL	STRATEGIC PRIORITY: INVESTING IN PEOPLE				
	Total employees	Nos.	172	171	172
	Female representation	Nos.	23	24	23
	Payments to employees	LKR Mn	431	448	386
	Employee attrition rate	%	3.07	4.32	4.88
	No. of promotions	Nos.	07	16	38
	Investment in training	LKR Mn	> 1	> 3	> 1
	Total training hours	Hours	927	5147	448
	Average training hours/employee	Hours	5.4	30	2.7
	Workplace injuries	Nos.	Nil	Nil	Nil
	Revenue per employee	LKR Mn	531	474	415
	Net profit (Loss) per employee	LKR Mn	(4.32)	17.92	13.02
SOCIAL AND RELATIONSHIP CAPITAL	Indirect employees (approx.)	Nos.	5,000	5,000	5,000
	Customer touch points	Nos.	582	497	409
	Investment in providing life insurance cover to indirect employees	LKR	495,000	-	-
	Investment in CSR	LKR Mn	6.0	10.4	8.5
	No. of beneficiaries (approx.)	Nos.	6,000	18,000	9,000
	Contribution to exchequer	LKR Mn	29,045	29,651	24,322
NATURAL CAPITAL	STRATEGIC PRIORITY: SUSTAINABILITY				
	Energy consumption	Kwh	480,605	420,398	358,625
	Water consumption	KL	43,165	57,328	46,559
	Sludge Disposal	KL	10.8	22	6.4

# ABOUT LANKA IOC PLC

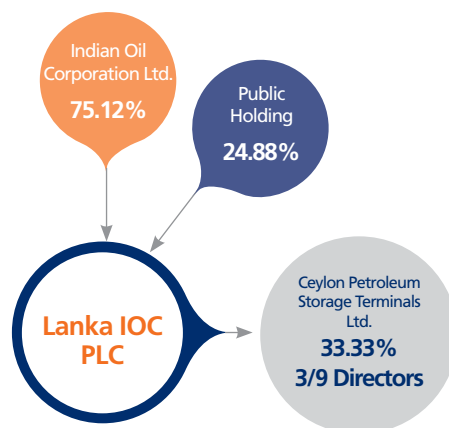
GRI 102-4, 102-6



Since its entrance to the Sri Lankan market in 2002, LIOC has directly contributed to the country's socio-economic development by facilitating economic activity, mobility and infrastructure development. As the country's only private sector auto fuel retailer, LIOC distributes high-quality auto fuels and lubricants across the island through a network of 207 outlets, fulfilling nearly 17% of the country's automotive retail fuel demand. We are also the largest provider of bunkering facilities in Sri Lanka. Despite extremely challenging industry conditions, we have continued to consistently enhance our stakeholder value propositions, demonstrating our commitment to support Sri Lanka's development journey through building a healthy and competitive fuel network.

Our value creation efforts are supported by a talented team of 80 direct employees located in Colombo, Trincomalee and field staff across the island. In addition, we support the livelihoods of over 5000 indirect employees who serve in reseller network across the island, facilitating our customer experience.

The Company is a subsidiary of Indian Oil Corporation Ltd, India's state-owned energy company which is the country's largest commercial enterprise with operations in 08 countries. LIOC benefits from the parent entity's six-decades of experience and expertise and has much to offer Sri Lanka in developing sensible policies, driving innovation and ensuring environmental sustainability in the energy sector.



LIOC's Contribution

**17%**

of the country's auto-fuel demand

**100%**

Growth in Export Revenue

**02**

New Lubricant grades introduced in Sri Lanka

**29 bn**

LKR Contribution to Exchequer

**207**

Retail Outlets across the country

Lubricants Exported to

**02**



Countries

**522 mn**

LKR Further investment in manufactured capital

GRI 102-2,102-6

## Key Product Lines

Business vertical	Positioning	
<b>Automotive Fuels</b>	<p>We currently hold a market share of 17% in the country's automotive fuel market, retailing both petrol and diesel which are imported and distributed through an extensive retail network. We also offer branded and premium fuels which provide better engine performance.</p>	
<b>Lubricants</b>	<p>LIOC offers a range of high quality lubricants for automotive, industrial and marine applications under the Servo brand. We are currently the 2nd largest player in the market, with a share of nearly 20%.</p>	
<b>Bitumen</b>	<p>Leading supplier of Bitumen in Sri Lanka, offering two product variants for road-works and industrial usage.</p>	
<b>Bunkering</b>	<p>Market leader in bunkering services, supplying IFO 180cst, IFO 380cst and MGO to local and foreign vessels at Port of Colombo and Trincomalee.</p>	
<b>Petrochemicals</b>	<p>A new vertical for LIOC, we see significant potential for growth and diversification in this segment.</p>	

# AWARDS AND RECOGNITION



During the year Lanka IOC received several accolades at many forums out of which following recognitions were received for the first time since the incorporation of the company:

- "Overall Gold Award Winner" of National Business of Excellence Awards 2017 which is held by the National Chamber of Commerce of Sri Lanka along with seven other category awards.
- The Ceylon National Chamber of Industries of Sri Lanka declared "Winner of Bronze award for CNCI National Achievers Award 2017".
- Ranked 23rd at the Business Today Top 30 Awards 2017
- The Annual report for the year 2016-17 of Lanka IOC PLC awarded the "Best first time integrated report" in Sri Lanka under "CMA Excellence in Integrated Reporting Awards-2017".
- "Sri Lanka Best Employer Brand Award" was conferred to Lanka IOC PLC by World HRD Congress.



The Ceylon National Chamber of Industries of Sri Lanka declared "Winner of Bronze award for CNCI National Achievers Award 2017. Awarded by Hon'ble President of Sri Lanka.





Received prestigious "Business Today Top 30 award 2017" from Hon'ble Prime Minister of Sri Lanka and Secured 23rd rank.



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Annual report of Lanka IOC got the prestigious Bronze award from "the Institute of Chartered Accountants of Sri Lanka".



"Overall Gold Award Winner" of National Business of Excellence Awards 2017 which is held by the National Chamber of Commerce of Sri Lanka along with seven other category awards.

# A PLEDGE TO SERVE

Since our entry into Sri Lanka in 2002, we have developed strong and meaningful bonds with all communities. Despite extremely challenging operating conditions, we have been steadfast in our commitment to serve the masses through supply of superior products, excellent customer service and shared value creation. This is evinced by our decision to maintain the retail selling prices of automotive fuels till March 18 despite of increase of over 33% in cost of auto fuel imported from international market

In numerous instances, when the disruption in supplies of other fuel retailers crippled the country's economic activity, LIOC continued to deliver on its pledge to serve Sri Lanka and her people. The team of LIOC, infact, worked tirelessly round the clock & ensured the uninterrupted supplies of product from Trincomalee terminal despite negative margins on sales.

## LANKA IOC ENSURES A ROUND-THE-CLOCK SUPPLY OF FUEL DURING STRIKE



Ceylon Today, Thursday, 27th July, 2017

THURSDAY, JULY 27, 2017 03

### Lanka IOC puts extra efforts to maintain fuel supplies

Lanka IOC PLC has made extraordinary efforts for ensuring round the clock supply of petrol and

## LIOC supplies double

Lanka IOC PLC says it has made an extraordinary effort to ensure a round the clock supply of petrol and diesel in the country during the strike by the state petroleum workers.

The LIOC says it operates just one depot in the country as opposed to the Ceylon Petroleum

Corporation's 12. "Our depot being situated in Trincomalee, it takes considerable time for supplies to reach different parts of the country, the LIOC has said in a media statement. "Our supplies have almost doubled from our Trincomalee depot on July 25."

## Lanka IOC Plc works to ensure continuous petrol, diesel supply

LANKA IOC Plc has made major efforts to ensure a round-the-clock supply of petrol and diesel in the country during the strike called by Ceyfpetco. Due to strike called by Ceyfpetco, there could not be any supply of

operates just one depot in the country while another 12 depots are operated by CP&SL.

"Our depot being situated in Trincomalee, it takes considerable time for supplies to reach different parts of the country. However, employees

countries," the company said.

"A special effort was made to give priority to ambulances, SLTB buses, vehicles involved in public transport and three-wheelers so as to make the general public comfortable. Our supplies have

been from our Trincomalee depot on 25 July and similar efforts are on today also. Lanka IOC is committed towards the cause of the nation and we will always make our best efforts in such situations to help the general public to the best of our

Daily FT, Thursday, 27th July, 2017



LIOC has been instrumental in positioning the Port of Trincomalee as a hub for bunker supplies in the East Coast of Sri Lanka. The Company's superior service, uninterrupted supply and high quality products has encouraged many vessels to dock at the port. In 2017-18 marine bunker sales at Trincomalee was 200 TMT against sales of 82 TMT during the previous year. It is noteworthy that the incremental volume of bunker sales in Trincomalee was not at the cost of volumes at the Colombo port or at the cost of other Sri Lankan bunker suppliers. The increase solely reflects shifting of volumes from other ports of neighbouring countries to Trincomalee. In addition to increasing our profitability, this has strengthened the country's foreign exchange reserves as the payments are remitted in USD.



Our pledge to serve the country was also demonstrated during May-17 devastation caused by floods and landslides, particularly in the Sabaragamuwa and Southern Provinces. Many LIOC retail outlets were damaged, with several even being submerged in water resulting in significant damage to the machines and equipment installed. Having understood the vital importance of an uninterrupted supply, we took immediate measures to restore operations with several teams being deployed to the outlets in flood affected areas. Within 48 hours we had restored supply to the affected areas, facilitating mobility of affected people and flood relief efforts.

## Lanka IOC restores operations in flood affected petrol stations



The recent rains which caused devastating floods and landslides in many parts of Sabaragamuwa and the Southern Province, also damaged many Lanka IOC petrol stations. Many of these retail outlets were submerged in 4 ft to 12 ft of water causing huge damage to costly machines installed in these sheds.

As always Lanka IOC acting as a responsible corporate citizen gave priority to restoration of the petrol stations irrespective of the cost involved which will run into several millions. Restoration of auto fuels availability is the first priority after a natural disaster.

Once water levels receded and it was possible to work in the flood affected areas, several teams of Lanka IOC swung into action

working day and night and within 48 hours restored sales of petrol and diesel from the flood affected petrol stations. LIOC teams are still working in flood affected areas and are committed to restore all affected retail outlets at the earliest.

Lanka IOC is also thankful to government officials who extended their full support at this difficult hour. Recently Lanka IOC also contributed LKR 5 million to the Disaster Relief Fund, GoSL for relief measures in the wake of the floods. Lanka IOC is also organizing medical camps for the local population in flood affected areas in which free medicine and spectacles will also be provided. The first such medical camp is planned in Akurassa from 6 June onwards.



We also contributed Rs.5.0 million to the Government's Disaster Relief Fund and supported the communities through free medical camps and distribution of free medicines.



Ceylon Today, Wednesday, 07th June, 2017

# FINANCIAL HIGHLIGHTS

GRI 102-7

		2017/18	2016/17	2015/16	2014/15	2013/14
<b>Operating Results</b>						
Revenue	LKR Mn	91,343	81,039	71,307	79,901	81,793
Gross Profit	LKR Mn	1,800	6,968	5,817	4,733	8,312
Operating Profit	LKR Mn	(1,385)	3,148	2,550	2,090	5,719
Profit/(Loss) Before Tax	LKR Mn	(776)	3,601	2,675	2,251	5,761
Income Tax	LKR Mn	32	(535)	(436)	(365)	(948)
Profit / (Loss) After Taxation	LKR Mn	(744)	3,065	2,239	1,886	4,813
Dividend paid	LKR Mn	666	666	532	799	799
<b>Capital Employed</b>						
Stated Capital	LKR Mn	7,576	7,576	7,576	7,576	7,576
Revenue reserves	LKR Mn	11,793	13,214	10,809	10,549	9,467
Shareholders' Funds	LKR Mn	19,369	20,790	18,385	18,125	17,043
Borrowings	LKR Mn	5,018	886	2,203	3,998	6,122
Current Liabilities	LKR Mn	13,570	4,526	6,528	5,301	9,864
<b>Asset Employed</b>						
Non-current assets	LKR Mn	9,445	9,290	9,225	8,827	8,485
Current assets	LKR Mn	23,514	16,204	15,843	14,714	18,499
Total Assets	LKR Mn	32,959	25,494	25,068	23,541	26,984
<b>Key Ratios</b>						
GP Ratio	%	2	9	8	6	10
Operating profit	%	-2	4	4	3	7
Net Profit	%	-1	4	3	2	6
ROE	%	-4	15	12	10	28
Earning Per Share	LKR	-1.40	5.76	4.21	3.54	9.04
Net Asset Value Per Share	LKR	36	39	35	34	32
Dividend per share (Paid)	LKR	1.25	1.25	1.00	1.50	1.50
Annual sales growth	%	13	14	-11	-2	9
Equity to total assets ratio	%	59	82	73	77	63
Dividend cover	Times	-	4.6	4.2	2.4	6.0
Price Earning Ratio (P/E)	Times	-	5.0	7.7	11.4	4.3
Current Ratio	Times	1.7	3.6	2.4	2.8	1.9
Quick Assets Ratio	Times	1.0	2.5	1.3	1.7	1.1
<b>Price Movement LKR</b>						
Market Value Per Share (Highest)	LKR	35.4	42.9	44.2	68.3	40.5
Market Value Per Share (Lowest)	LKR	25.8	27.7	29.0	37.3	19.0
Last Traded Price Record	LKR	30.1	29.0	32.5	40.3	38.5
Market Capitalisation	LKR Mn	16,027	15,442	17,305	21,458	20,500
Enterprise Value	LKR Mn	12,638	9,353	12,395	17,793	17,865

# YEAR AT A GLANCE

## Financial / Operating Performance

### 580+

Total customer touch points

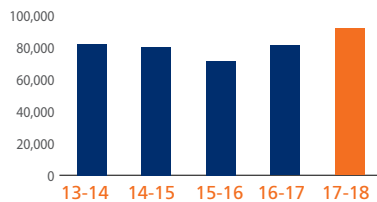
### 90bn+

Highest ever revenue (LKR)

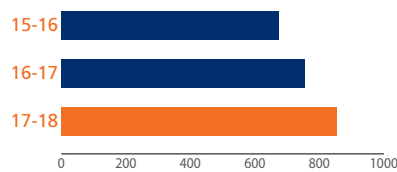
### \$120mn

Highest ever foreign exchange revenue (LKR 18.2bn)

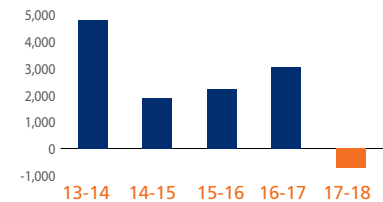
**Revenue**  
(LKR Million)



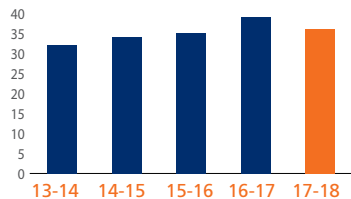
**Sales Volume**  
(TMT)



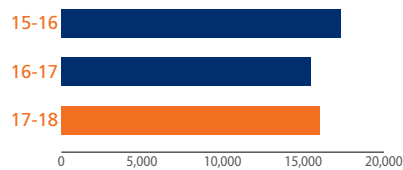
**Net Profit**  
(LKR Million)



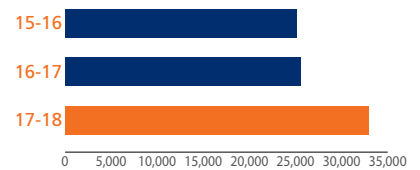
**Net Asset Value Per Share**  
(LKR)



**Market Capitalisation**  
(LKR Million)



**Total Asset**  
(LKR Million)



# CHAIRMAN'S STATEMENT



Mr. Ranjan Kumar Mohapatra | Chairman

GRI 102-14

*Dear Shareholder,*

It is with great pleasure that I present before you our third Integrated Annual Report and the Audited Financial Statements for the year ended 31st March 2018.

"A Pledge to Serve", the theme of this year's integrated report, appropriately sums up what we at LIOC are driven to deliver.

LIOC is a long term player in the country, with extensive knowledge and experience of managing the petroleum sector dynamics in a democratic setup and we fully understand the need for a fine balancing act between economic and social compulsions.

However at LIOC, we always take a long term perspective, fully accepting the fact that there will always be ups & downs and progress need not be always measured on year-on-year or quarter-by-quarter approach.

A major concern during the year 2017-18 was the losses suffered by your Company on account of under recoveries on sale of Petrol and Diesel owing to non-revision of selling prices in the country in line with international prices. Notwithstanding such a turbulent situation, LIOC has achieved many milestones in the fiscal 2017-18.

### The Global Context

In 2017, the global economy continued to grow strongly while concerns around the geo-political environment escalated. The Global economic growth in 2017, estimated at 3.7%, indicated an improvement over initial projections. Following this trend, growth forecast for 2018 remains strong with an upward revision to the earlier forecast in countries

**"We always take a long term perspective, fully accepting the fact that there will always be ups & downs and progress need not be always measured on year-on-year or quarter-by-quarter approach."**

such as the USA, several European countries as well as in advanced Asian economies.

Developing and emerging Asia is expected to grow more or less at the same impressive rates of around 6.5% in 2018. However, several downside risks, including faster than expected unwinding of accommodative monetary policy in developed economies, significant increase in oil prices, inward looking policies and other factors such as geopolitical tensions and vagaries of extreme weather worldwide, may create a negative impact to this outlook.

The world is changing at an unprecedented pace. The global energy market too is witnessing significant shift. Technological developments are enabling emergence of alternative energy sources that has potential to dramatically increase the energy supply and therefore has a potential to reshape economies and industries. Falling wind and solar costs are set to spur even greater investment in renewable technologies. What started as a decarbonization process thanks to better technologies is about to become a process driven by costs and the economies.

Crude volatility is another major cause of concern for both oil producing and oil consuming countries. The 'new oil order' created by the U.S. shale revolution is reshaping global energy markets and now is a key determinant the way the oil and gas industry balances supply and demand. There is a lot of uncertainty about the future and we have to live in this scenario. There is no one solution and no one right way ahead. Strategies however need to be responsive and management approach needs to be flexible so as to survive in this competitive environment and ever changing world.

### Sri Lankan Economy

A complex macro environment coupled with the impact of natural disaster of floods in May17, made 2017 a very challenging year for the country. As a result, Sri Lanka's macroeconomic performance slowed down. The growth rate declined to 3.1 percent in 2017. With support of World Bank, the Government is now carrying out fiscal reforms, addressing infrastructure constraints and increasing public and private investments. The country has made significant progress in its socio-economic and human development indicators and the outlook remains



## CHAIRMAN'S STATEMENT



A. W. Ranasinghe RO inauguration after re-furbishment in June 2017

quite favorable as the Government carries on its reform agenda to improve competitiveness, governance and public financial management. Thus the economy, with improved external conditions, is expected to depict a better performance in 2018.

Against this backdrop, I will like to share the performance of your Company.

### Performance

During the year 2017-18, revenue grew by 13% and crossed the LKR 91 Billion revenue milestone. Your Company's performance in Lubricants & Bunkering business segments was particularly remarkable and the Company has gained significant market share in both these segments during the year. Bunkering sales have doubled from LKR 9 Billion to LKR 18 Billion. Lubes sales have increased by 19% during the year. However, despite

the volume growth, Company reported a loss of LKR 744 Million for the year on account of under realization on sale of Petrol and Diesel due to administered pricing. During the year 2017-18, increase in domestic selling prices of Petrol & Diesel has not been commensurate with the steep uptrend witnessed in international oil prices, which in-turn led to high cost of procurement of these products. Selling prices of both Petrol and Diesel were last revised by GoSL in January 2015. Since then, crude oil prices have increased from \$52.74/bbl to \$70.22/bbl as at year end but selling prices have remained same resulting into significant losses to the Company.

However, financial losses should not overshadow the achievements of LIOC on many other fronts. The Company has effectively invested its reserves so as to earn an all-time high finance income.

Good performance of our JV Company, also facilitated LIOC to earn higher dividend income. The Company has kept strict control on its administrative, selling and distribution expenditure despite revenue growth. The Company further optimized its supply chain management, imported products at the right time, optimized its inventory at appropriate times, negotiated hard with suppliers & vendors and carried out several other initiatives to cut costs in a difficult year. It required resolute actions on many fronts to see this happening and I sincerely thank all our suppliers, vendors and channel partners. I can surely say that Lanka IOC is a long term player in the country and is dedicated to bring positive change.

### Dividend

Your Board has proposed a dividend of LKR 0.65 per share for the year 2017-18 for approval of the shareholders at its

forthcoming Annual General Meeting on 29th June 2018. This is for the 6th consecutive financial year that the Company shall be distributing dividend to its shareholders.

### Area of Concern

One area which is bothering all the Oil importing countries, including Sri Lanka, is the continuous upward movement in the prices of Petroleum products in the international market. Consequently, the countries are witnessing higher import bills that greatly affect their fiscal deficit as well as the current account balance. It is always difficult to increase the price of Petroleum products in any country and same is true in Sri Lanka where prices are controlled by the Government. As a consequence, Sri Lanka has one of the lowest prices of auto fuels in the world. Inability to revise prices of auto fuels in sync with international prices is having an adverse effect on the fiscal health of the Company.

The Company is regularly taking up with the Government at the highest level for introduction of a market linked pricing

formula for auto fuels in order to reduce uncertainty on this account. Similar pricing formulae have been introduced in several neighboring countries.

It is a well known fact that fuel subsidies are indirectly collected by way of higher taxes and also have other side effects such as higher fuel consumption that ultimately affect the quality of life of all the people; traffic congestion and air pollution are two most striking.

I share with you the oil prices prevailing (in Apr/May'18) in the neighboring countries as well as in the major oil importing countries. It can be seen that retail selling prices in Sri Lanka are considerably lower than the prices prevailing in these countries. Whatever the taxes, the Government of these countries have imposed, have been passed on to the consumers.

### Future Outlook

After a challenging year, the Board has, in-principal, decided that the Company shall not bear losses on Petrol & Diesel

in a major way. The Company will focus, first and foremost, on convincing the Government of Sri Lanka to bring in a market linked pricing formula for Auto Fuels at the earliest. To take this resolve further, the Company has increased the prices of Petrol & Diesel for its Retail Outlets with effect from 24th March 2018. This was followed by an increase in prices by the Government on 11th May 2018. We hold great faith in potential of the national economy to surge ahead and the recent price increase by Government is a clear indication in that direction.

It took a considerable effort from the oil companies to convince the government to align the domestic prices with International prices and to have some sort of mechanism to adjust the prices on regular intervals. This long awaited step is definitely a right step in the interest of the economy and long term development of the country.

The true ethos of your Company and its people is its indefatigable spirit which inspires us to exceed expectations. We plan to continuously expand our retail network by commissioning more petrol pumps at key locations and also adding more distributors, servo shops etc to our lubricants network. With continued zest we shall continue promoting our Trincomalee terminal as a bunkering hub in order to increase bunker sales and also earn valuable foreign exchange for the country. Expanding our horizon and extending our reach to neighboring countries also remains a persistent part of our growth strategy and we feel that the lubricants segment gives us an opportunity to achieve it in a minimum time frame.

### Price and Tax in US \$ / Litre (respective currencies converted to USD)

Country	Petrol			Diesel		
	RSP	Taxes	Ex - Tax Price	RSP	Taxes	Ex - Tax Price
France	1.82	1.15	0.67	1.72	1.03	0.68
Germany	1.69	1.07	0.62	1.48	0.81	0.67
Italy	1.92	1.24	0.68	1.77	1.08	0.69
Spain	1.55	0.83	0.71	1.43	0.70	0.73
UK	1.70	1.10	0.60	1.75	1.11	0.65
Japan	1.33	0.62	0.71	1.12	0.38	0.75
Canada	1.06	0.32	0.75	1.00	0.25	0.75
USA	0.73	0.12	0.60	0.82	0.14	0.68
India (Mumbai)	1.25	0.64	0.61	1.07	0.44	0.63
Bangladesh	1.01	0.31	0.70	0.76	0.24	0.53
Nepal	0.98	0.34	0.64	0.81	0.25	0.55
Sri Lanka (upto 10.5.18)	0.75	0.28	0.47	0.61	0.14	0.47
Sri Lanka (w.e.f 11.5.18)	0.87	0.30	0.57	0.69	0.14	0.56

## CHAIRMAN'S STATEMENT

Our vision to play a catalytic role in the energy security of the country is bearing fruit. We are passionate on out-of-the box thinking which will create greater value addition to all our stakeholders. I commend the hard work and commitment of the employees and the Senior Management Team at LIOC who have collectively delivered on numerous strategic goals despite significant challenges in the operating environment. As done in 2017, this year too, the Company will focus to improve performance in all other business segments so as to de-risk our business from the losses incurred on petrol and diesel.

We exist to serve each and every one of our customers and are fully conscious of the obligations towards them. We therefore pledge to serve them by upholding the highest standards of service and will constantly seek ways to improve our interactions and value.

### Engagement with Community

Striving to build social and relationship capital through engagement with communities, we contributed to community growth through a number of impactful CSR initiatives that have been mentioned separately in the annual report. Partnering with several social organizations and local authorities, LIOC conducted various CSR activities such as free medical camps, blood donation camps, yoga camp, tree planting campaigns, beach cleaning programmes etc. Our motto 'A Pledge to Serve' is aptly reflected in our culture and mindset and we do CSR activities with devotion and enthusiasm. Our public welfare projects target the under-privileged and deserving. We have also contributed to the development of the local communities by

creating jobs, boosting skills, developing local contractors, vendors and helping to improve industry standards, as well as paying taxes and duties.

In demonstrating our commitment to the Sri Lankan communities, we contributed Rs.5.0 million to the Government's Disaster Relief Fund for the second consecutive year for relief work in wake of the floods and landslides of May 2017.

I am also pleased to note that we had zero health and safety incidents which I attribute to the stringent standards in place to secure the same. We aim to continuously improve the way we operate to prevent incidents and to identify, avoid where possible and minimise adverse environmental and social impacts.

Our parent company, IndianOil is always ready to share and guide us with their vast knowledge and expertise in progressing towards a more sustainable future. We have also imbibed their principle to run a safe, efficient and responsible business. We

are also keenly watching the developments at IndianOil so as to achieve a more sustainable energy future that allows society to reduce its emissions, tackle climate change, while also extending the economic and social benefits of energy to everyone. LIOC remains fully abreast of the changes happening in the world to replicate them in the country.

### Accolades

I am pleased and proud that LIOC was recognized, once again, for its outstanding achievements by many prestigious institutions in the country.

- H.E The President of Sri Lanka conferred "Winner of Bronze medal for CNCI national achievers award 2017" instituted by the Ceylon National Chamber of Industries of Sri Lanka;
- Hon'ble Prime Minister of Sri Lanka conferred the prestigious "Business Today Top 30 award 2017"



Chairman LIOC interacting with a shareholder during 15th Annual General Meeting held on 29th June 2017





LIOC being awarded overall 'Gold Award' at National Business Excellence Awards 2017

- Awarded "Overall Gold Award Winner" of National Business of Excellence Awards 2017 which is held by the National Chamber of Commerce of Sri Lanka. Apart from Gold awards, LIOC was also winner in seven other categories;
- Ranked '9th largest listed Company' for 2016-17 by the prestigious LMD magazine;
- 'Sri Lanka Best Employer Brand Award' was conferred by the World HRD Congress;
- Annual report of LIOC got the prestigious 'Bronze award' from the Institute of Chartered Accountants of Sri Lanka;
- Annual report of LIOC was Awarded 'Best first time integrated report in Sri Lanka' under CMA Excellence in Integrated Reporting Awards 2017;
- 'ISO 9001-2015 CERTIFICATION' for terminal operations was received from M/s. SLSI.

I dedicate all these awards to our devoted employees, motivated channel partners and our esteemed customers who have made these possible. I sincerely salute them for their hard work and dedication.

### Acknowledgements

The Board strives to ensure that LIOC is governed effectively, with integrity, and in accordance with sound corporate governance practices. Our belief in ethics and transparency, and our dedication towards the Company's Vision and Values have stood us in good stead.

Your Company proudly acknowledges that its people are its most valuable and vital assets as they are the ultimate differentiator to ensure continued success in terms of performance and profitability. Thanks again to the entire LIOC family, the industrial relations climate in the company continues to remain healthy and cordial, and committed towards high performance, customer benefit and enhancing stakeholder value.

At LIOC, we are of the firm belief that our long term success is inextricably linked to the success of our stakeholders – our employees, shareholders, customers, partners, suppliers, bankers and communities.

It is indeed heartening to see that despite the challenging backdrop, the Board and the Management team of LIOC remains steadfast in its commitment to our stakeholders.

On behalf of the LIOC Board, I extend my sincere gratitude to the Government of Sri Lanka, particularly the Ministry of Petroleum, Ministry of Finance, Sri Lanka Ports Authority, Board of Investment, Central Bank of Sri Lanka, Inland Revenue Department, Customs authorities, the Provincial Councils and the various other regulatory and statutory authorities of the Government, for their constant guidance and support.

In conclusion, I will like to say that although this has been a challenging year for the Company, I am confident that the Company's strong fundamentals and the resolute people of LIOC are geared for a great performance in the coming years.

**Ranjan Kumar Mohapatra**  
Chairman

# MANAGING DIRECTOR'S REVIEW



Mr. Shyam Bohra | Managing Director

*Dear Shareholders,*

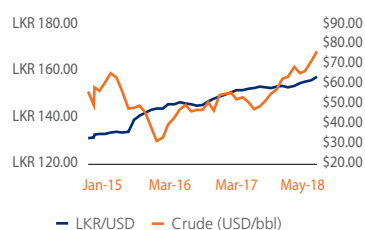
It is my pleasant duty to present the 3rd Integrated Annual Report and Financial Statements of Lanka IOC PLC for the financial year ended 31st March 2018. Your company continues to navigate turbulent waters in an extremely volatile petroleum market to restore balance in stakeholder interests to a sustainable equilibrium. Our objective remains steadfast to maximize long-term growth potential and create value for you, our shareholders.

LIOC geared up for growth in Sri Lanka in all operations covering automotive fuels, lubricants, bunkering & bitumen and delivered growth recording the highest revenue in the history of the company in all segments, supporting the burgeoning needs of the country's shipping and transport sector.

### Economy, Market Volatility and the Pricing Conundrum

Sri Lanka's economic growth moderated to 3.1% as adverse weather conditions resulted in poor performance of the agriculture sector with knock on effects on the industry sector despite the strong performance of the Services sector. Inflation increased by 6.5% during the

### Movement in Crude Oil & Exchange Rate



year due to food supply disruptions in the wake of a prolonged drought alternated with heavy floods. The currency depreciated with the US\$ moving from Rs.151.94 at the beginning of the financial year to Rs.155.92 at the close and now touching Rs. 159 levels.

Sri Lanka's demand for petroleum is mainly driven by the transportation sector which accounts for over 60% of consumption. Demand for automotive fuels increased by around 5% during the year with the demand for petrol and diesel increasing by 10% and 2% respectively.

Benchmark Brent crude oil prices increased by 33% during the year ended 31st March 2018 from US\$ 52.74 to US\$ 70.22 in sharp contrast to the declining trend observed during few years as supply

disruptions stemming from extended OPEC agreements to curtail production, unfavourable weather in the US and geopolitical tensions in the Middle East. Gasoline prices which commenced its upward trend in 2016 with an increase of 26%, maintained its momentum increasing a further 22% during the current financial year. Gasoil followed a similar trend increasing by 30% during the financial year atop the increase of 40% experienced in the previous financial year.

Sustained upward movement in gasoline and gasoil prices underlines the need for a fuel price mechanism in the country which has now become a pivotal factor in the IMF US\$1.5 billion stabilization programme with Sri Lanka due to its widespread impact on the economy. From the company perspective, it is indeed a dilemma to balance varying stakeholder interests as a complex combination of global market volatility and domestic fiscal and monetary policy disrupt the interaction of market forces necessary for sustainable equilibrium. The graph at the left serve to highlight the fact that while petroleum prices escalated sharply, coupled with depreciating rupee, the retail selling prices were not revised in the country. If LIOC increases prices to mitigate some losses,

“ Our objective remains steadfast to maximize long-term growth potential and create value for you, our shareholders. ”

### Revenue Growth

**12.71** %

### Revenue

**91.34** bn

## MANAGING DIRECTOR'S REVIEW

GRI 201-3

demand shifts to the state owned entity, increasing their losses as customers shift to cheaper commodity provider, which is also not good for the Sri Lankan economy.

Our commitment to the market is evident in the increase in petrol and diesel volumes sold during the year despite the daily losses incurred in doing so. I spoke about the need to implement a fuel pricing mechanism in my message last year. This year I reiterate the urgency with which this needs to be implemented as increasing prices unilaterally, while well within LIOC's mandate, will not resolve the underlying need of a transparent and flexible pricing formula that will support economic growth of this wonderful country. Consequently, it was after much deliberation and discussion that we increased prices on the 24th of March 2018 by the bare minimum of Rs.9 for petrol and Rs.5 for diesel after a period of 3 years, giving due consideration to stakeholder interests in doing so in the sincere belief that it is in the long term interests of all stakeholders. Even after the partial price hike w.e.f 24th March 2018,

LIOC was still incurring losses but in the interest of all stakeholders we decided to take this bite. I am happy to note that we retained over 65% of our customers despite the price increase affirming the high standards implemented across our retail outlets.

Implementing the fuel pricing mechanism will serve to resolve the current disequilibrium and pass on the costs to consumers who can determine their appetite for consumption, mitigate losses incurred by the state-owned enterprises and divert resources to productive needs. The present status quo cannot be maintained further without severe economic consequences necessitating even more stringent fiscal and monetary policy measures and increasing inequalities.

### Overall Performance

Your company has earned highest ever turnover of Rs. 91.343 billion with 13% increase over the previous year. The increase in the turnover is mainly due to expansion of Bunker segment. Despite

of net loss, the positive gross margin is upheld by LIOC's diversification in to lubricants, bunkering and branded automotive fuels. All segments lived up to our expectations except generic auto fuel where the company incurred losses due to non revision of selling prices in line with international prices.

Despite the challenging industry landscape, we achieved commendable volume growth of around 23.02% in the branded fuels segment. This 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, company added 5 new outlets to our network during the year, bringing the total to 207 as on 31st March 2018. In driving our premium fuel proposition, we also invested in facility augmentation by installing additional storage tanks and dispensing units in about 40 more Retail Outlets, primarily for branded and premium fuels.

Lube Sales is an important segment in the growth of the company with major contribution to the bottom line of the company. Thanks to competitive pricing, strong dealers with dense service networks and increasingly product range offerings over the years, Lanka IOC has improved its lube market share continuously. During the year, we have expanded our customer reach by commissioning of 65 Servo Shops and 16 Servo Xpert station.

Bunkering registered a growth of 56% in terms of volume, in comparison to last year despite increasing competition from other bunker suppliers. LIOC maintained its strong hold in bunkering segment & improved its profitability



Signing of Agreement with Mahindra Distributor, Ideal Motors (Pvt) Ltd.

**“Implementation of the fuel pricing mechanism will be the key determinant of not just LIOC’s sustainable growth but also of the country as a number of variables hinge on this key decision.”**



New Year celebration at Head Office on 2nd January 2018

Lanka IOC remains as market leader in bitumen segment. Due to stiff competition, margin retention is very challenging. We are expecting new road projects in the year 2018-19.

Despite these measures and an increased dividend from our JV company, LIOC incurred an operating loss of Rs.1.385 bn for the reporting year. Total assets growth of 29% was largely attributable to growth in inventory which doubled as part of our strategy to mitigate market volatility and

consequent losses. Inventory was mainly funded from increased borrowings and this is likely to either increase interest costs in the year that has commenced or reduce the interest income that accrues to the company from its investments. This is an example of the complexity involved in pricing as the solutions increase the risk variables while mitigating current losses and agile financial management and sourcing strategy need to move in tandem to manage the financial performance. In the current scenario, the choices are

inevitably between a rock and a hard place. Regrettably, Equity declined by 7% to Rs.19.3 bn as retained earnings declined due to loss of LKR 744 million suffered during the year 2017-18.

### Strengthening Supply Chains

LIOC continued to strengthen distribution networks in the country while leveraging the vast expertise of the parent company to optimise sourcing strategies.

We continue to invest in supporting the growth of our dealers through capacity building and ensuring that their return is sufficiently attractive. Accordingly, we increased the dealer commission payable to the owners of the fuel pumping stations as their commission had remained static for the last 3 years. We also provide sales & service training to their staff and customer attendants. We introduced a customer attendant's insurance scheme which provides a life cover Rs. 0.5 million and Rs.1.0 million in case of accidental death. In the first phase 450 customer attendants were covered during the year and this surely serves as testimony to our commitment to uplift the livelihoods of the pump attendants. The highlight of the year for the dealers was the excursion trip abroad for training and to imbibe in them a spirit of collaboration and fellowship which was highly appreciated by them and enabled us to strengthen relationships.

We are reviewing our supply arrangements for bunkering and are introducing long term agreements with supplier to optimise cost of bunker fuels. This was a key strategy implemented this year which was well executed and contributed to cushioning of losses. In lubricants, we tied up with original equipment manufacturers of commercial vehicles like Tata, Ashok



## MANAGING DIRECTOR'S REVIEW



"SERVO Jeevitha Suraksha" Life Insurance Awarding Ceremony

Leyland and Mahindra supporting volume growth and market share. We will also commence exports from Sri Lanka to Asian countries following our success in Maldives and our new market, Qatar. Petrochemicals is a new vertical for us and we are scouting for suppliers, with term commitments, in this segment.

### Operational Excellence & Accolades

As the going was tough this year, we were pushed to innovate on shoestring budgets and I commend the dedication and determination shown by our employees to enhance capacity & reduce costs. Staff at Trincomalee terminal also fully contributed into this endeavor and brought out many innovations to drive savings in varying aspects of our operations.

In order to support sports in the country, Lanka IOC has been actively associated with Sri Lankan cricket team and during the year, sponsored three major tournaments in Sri Lanka - Zimbabwe tour of Sri Lanka during June/July 2017, India tour of Sri Lanka during August-September 2017 and thereafter coveted

"Nidahas Trophy" in March 2018. Nidahas Trophy tournament was a tri-nation series between Bangladesh, India and Sri Lanka which was played to celebrate Sri Lanka's 70th year of independence strengthening the bonds between the three countries. This provided us great branding opportunity, not only in Sri Lanka, but across globe.

This year, we won plethora of awards from most reputed institutions and few awards were personally conferred by H/E the President of Sri Lanka, Hon'ble Prime Minister of Sri Lanka and other senior dignitaries. These acknowledgements have further motivated us to give our best to the society. These awards validates our commitment to company's vision & mission and also towards our sovereign pledge to serve this beautiful country & our stakeholders to the best of our ability.

### Outlook

2018-19 will be an important and exciting year. We will continue our diversification strategy to broaden our sources of revenue and minimize the impact of petrol

and diesel. Bunkering will be a key area of growth and we are optimistic about our pace of growth.

In continuation with our policy of promoting Trincomalee as a major bunkering port of Sri Lanka, in Nov'17, we have introduced LS MGO bunker i.e. MGO with less than 0.5% Sulphur. We plan to aggressively promote this product at Trincomalee port since as on date, this eco-friendly grade of Bunker fuel is not available in any other Sri Lankan port.

We are excited by the pilot study done on digitisation of Retail Outlets and look forward to rolling it out. LIOC is also ready to move to the Euro 4 standards from the current Euro 3 which will be implemented on the decision of the regulator.

Presently electric vehicles are largely being used as city vehicles due to limitations of distance travelled on a single charge. However we want to change this. With the strength of our network, we plan to develop 'Green Corridors' on highways where Electric Car charging facility will be available at every 50 Km, thus making electric cars highway cars & thus creating 'Green Highways'. LIOC remain committed to offer better services to our customers and create facilities that they need.

Implementation of the fuel pricing mechanism will be the key determinant of not just LIOC's sustainable growth but also of the country as a number of variables hinge on this key decision. We continue to work with the government to reach agreement on the same and commit to a process that is fair and equitable in the long-term interest of all stakeholders. However, we are prepared to take necessary action to increase prices to adjust for taxation on petroleum and



Sponsorship of "Nidahas Trophy" Cricket Tournament

further increases in the price of petroleum. Coming year also, we will continue our focus on continuous improvement to drive operational efficiency and the value chain.

### Acknowledgements

I take this opportunity to convey my appreciation of the support and guidance extended by Board of Directors as we together navigated a difficult year. I will also like to place my sincere admiration & gratitude to Mr. BS Canth, ex-Chairman LIOC, whose visionary leadership and expertise has been invaluable in guiding the company to its present state. I commend the perseverance and tireless efforts of the senior management team to cushion losses to every possible extent and inspiring their teams to follow suit. The expertise and passion of our employees will, of course, continue to be crucial to our success, and I would like to thank all our employees for their important contributions throughout the year which was indeed very challenging.

I thank our dealers, franchisees and all other business partners for their continued support amidst challenging times and their ready co-operation in implementing changes that uplift our service standards, driving mutual growth. The Board and senior management team join me in extending our gratitude and appreciation to the Government of Sri Lanka and related Ministries and in particular, the Ministry of Petroleum Resources Development and Ministry of Finance for their continued cooperation and support. I conclude by thanking our loyal shareholders and customers for your continued confidence in LIOC.

**Shyam Bohra**  
*Managing Director*

# BOARD OF DIRECTORS



*Left to Right*

**1. Mr. Sanjeev K. Jain**  
Non-Executive Director

**2. Mr. N. V. N. Ramsai**  
Non-Executive Director

**3. Mr. Shyam Bohra**  
Managing Director

**4. Mr. Ranjan Kumar Mohapatra**  
Chairman

**5. Prof. Lakshman R. Watawala**  
Independent Non-Executive Director

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





### **Mr. Ranjan Kumar Mohapatra**

*Chairman*

*(Appointed w.e.f 14.05.2018)*

Mr. Ranjan Kumar Mohapatra is Director (Human Resources) on the Board of Indian Oil Corporation (IndianOil) with effect from 19.2.2018. Prior to this, he was IndianOil's Executive Director in charge of West Bengal State Office.

A Mechanical Engineering graduate from BITS, Pilani, with a Post-Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar, Mr. Mohapatra joined IndianOil in 1987 and has since worked on varied assignments, including Terminal Operations, Supply Chain Management & Logistics. With in-depth knowledge and acumen in Supply Chain & Logistics, he had been associated with evacuation of finished products from IndianOil's domestic refineries, and product upliftment agreements with stand-alone refiners as well as other oil marketing companies (OMCs).

Mr. Mohapatra was also one of the chief architects of the auto fuel quality (BS-III/BS-IV) upgradation programmes of OMCs in India. Between April 2010 and Jan. 2012, he headed the Operations function of IndianOil's Maharashtra State Office, which oversees the largest number of bulk storage terminals & depots in a State.

As Managing Director of IndianOil (Mauritius) Ltd., the Company's overseas subsidiary, during 2012-2015, Mr. Mohapatra led a team of young professionals, registering sizeable growth in market share and profitability. He was also on the Board of Mer Rouge Oil Storage Terminal, a joint venture formed by four MNCs to set up modern oil storage facilities in Mauritius.

Under his inspiring leadership as head of IndianOil's West Bengal State Office, the OMCs released a record 10.5 lakh PMUY (Pradhan Mantri Ujjwala Yojana) connections in the first 116 days of the scheme, that is, over 9,000 new connections a day.



### **Mr. B. S. Canth**

*Chairman*

*(ceased on 31.01.2018)*

Mr. Balwinder Singh Canth, Ex Director (Marketing) of the oil major Indian Oil Corporation Limited held the position of Chairman of Lanka IOC PLC with effect from 02.11.2015 to 31.01.2018. Mr. Canth holds a Master's degree in Personnel Management & Industrial Relations from Punjab University, Chandigarh and a Bachelor degree in Law from Delhi University, New Delhi.

Since joining 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.

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.

## BOARD OF DIRECTORS



**Mr. Shyam Bohra**

*Managing Director*

With over 29 years' expertise in the Petroleum Sector, Mr. Bohra has wide experience in various roles in the Indian Oil Corporation Ltd (IOC), India's flagship company and a Fortune 500 Global Company, encompassing retail, institutional sales, operation and logistics. He also has considerable exposure and prior to assuming office as Managing Director of Lanka IOC PLC, he played a lead role by heading Indian Oil's Retail Department of Maharashtra and Goa State.

In addition to his main role as the Managing Director of Lanka IOC PLC, he serves on the Board of Ceylon Petroleum Storage Terminals Limited [CPSTL], which is a government owned company, as a Board of Director by contributing his expertise to the Petroleum Sector in Sri Lanka.

Mr. Bohra is president of Indian CEO Forum and also a member of The Sri Lanka Institute of Directors, Ceylon Chamber of Commerce, National Chamber of Commerce, Sri Lanka India Society. He is a Civil Engineer from the Bangalore University, with a Post- Graduate Management Diploma from the prestigious 'National Management Programme' of Management Development Institute, Gurgaon & Post Graduate in Marketing from Rajasthan University, he held several key management positions at IOC and has been a Divisional Head for three different Sales Divisions. Furthermore, he has had long and successful stints at the field level and also gained exposure in the Operations Department overseeing logistics. He has travelled extensively across India and abroad and is a sport enthusiastic and also has keen interest in music.



**Mr. D. K. Sharma**

*Non-Executive Director  
(ceased on 20.02.2018)*

Mr. Deepak Kumar Sharma is an MBA with specialization in Marketing Management. He has over 33 years experience in downstream Petroleum sector in India. He was heading Retail Function of IndianOil as Executive Director (Retail Sales).

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

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

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

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



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

*Non-Executive Director*

Mr. N V N Ramsai is a Chartered Accountant with 36 Years of experience in various fields of finance which includes 21 years of experience in Domestic and International Taxation. He also possesses a degree in Masters of Commerce and a Bachelor of Laws.

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

He has been working with IndianOil for the last 35 years and has held various responsible positions in the Corporation. Currently, He is Executive Director (Finance), with IndianOil at Head office, Mumbai. The Marketing Division of IndianOil is handling accounts of almost 65 Billion US dollars in terms of sales revenue, 2 billion US dollars of debtors and inventory of 4 billion US Dollars. While in-charge of Taxation function of the Corporation, Mr. Ramsai handled several litigations cases of Excise & Customs, Sales Tax and Income Tax at various appellate levels. He has resolved over the US dollar 2 billion of Tax Litigations in favor of IOC.

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



**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; 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 of the National Insurance Trust Fund. He currently serves Directorates and chairman of Audit Committee of Gestetner Ceylon PLC., Lake House Printers & Publishers PLC., Abans Electricals PLC. and SLT Campus. He is currently the President of the Institute of Certified Management Accountants of Sri Lanka (CMA) and its Founder, President of Institute of Certified Professional Managers (CPM) and the Immediate Past President of the Association of Management Development Institutions of South Asia (AMDISA).

He also served as a Committee Member of the Ceylon Chamber of Commerce and was Founder Chairman of the Sri Lanka Economic Summit and Ten Best Corporate Citizens Awards Committees; was the Past President of the Institute of Chartered Accountants of Sri Lanka; Past President of the South Asian Federation of Accountants (SAFA); Founder President of the Association of Accounting Technicians of Sri Lanka (AAT) and Past President of the Organization of Professional Associations of Sri Lanka (OPA). He was inducted to the Hall of Fame of CA Sri Lanka in November 2013.

## BOARD OF DIRECTORS



**Mr. Amitha Gooneratne**

*Independent Non-Executive Director*

Mr. Amitha Gooneratne is an Experienced Chartered Accountant, a Fellow member of the Institute of Chartered Accountants, England & Wales, a Fellow member of The Institute of Chartered Accountants, Sri Lanka.

He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He has trained and qualified in the UK. He is a Senior Banker having over 27 years experience in the Banking and Finance Industry. A strategic thinker with a proven talent for business expansion and exploitation of business opportunities.

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

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

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

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



**Mr. Sanjeev Kumar Jain**

*Non-Executive Director  
(Appointed w.e.f 20.02.2018)*

Mr Sanjeev Kumar Jain, a Civil Engineer from Jodhpur University and subsequently a Management Graduate, joined Indian Oil on 11.03.1986. He had major share of his tenure in Northern and Central part of the country and successfully traversed the journey of Indian Oil starting from Aviation Officer Jaipur AFS to Executive Director (Retail Sales) and heads Retail Sales function on All India basis. Retail Sales comprise of almost 55% of All India sales volumes of all products of company.

With almost 32 years of experience spanning the cross section of various disciplines of Marketing Division like Aviation, Engineering, Human Resource and Retail Sales, Mr Jain also has successful stint at Business Development group and an overseas exposure of 4 years in Mauritius where he was instrumental in developing green field downstream marketing organizational set up in that country. The success of

Mauritius project added another cap in his feather as an astute manager and marketer who could overcome all the hurdles posed by an unknown market. Before taking over as All India Head of Retail sales, Mr Jain was heading the Marketing operations of the most vibrant state of Gujarat for 3 years wherein he was able to lift the organizational performance by his team work, managerial and inter personal skills.

Mr Sanjeev K Jain has also attended several prestigious Leadership and Advance Management Programs from IIMs and overseas institutes. Having a passion for travelling Mr.Jain has travelled across the globe, covering all major continents of the world. Mr.Jain is also a sports lover with badminton and cricket being the major sports he followed. Currently Golf is his main area of interest in sport and he is actively into it, whenever time and place permit. He keeps himself abreast through reading in varied areas like literature, fiction, contemporary article and books.

**Ms. Mihiri S. Senaratne**

*Company Secretary*

Mihiri S. Senaratne - Company Secretary is an Associate Member of the Institute of Chartered Secretaries and Administrators (ACIS) London, UK and has a Master in Professional Accounting, from University of Ballarat (Australia). She has over 20 years of experience in the field of company secretarial practice gained by working in the Private Sector as well as Public Sector Government Organizations.

# SENIOR MANAGEMENT



**Mr. Shyam Bohra** | Managing Director



**Mr. B B Patra** | SVP (LM&P)



**Mr. Anuj Jain** | SVP (Finance)



**Mr. Chittem Raju** | SVP (Operations & LBP)



**Mr. Siddharth Agarwal** | SVP (Retail Sales & HR)



**Mr. Randhir Singh** | SVP (Operations & Bunkering)



**Mr. Faizan Ahmad** | SVP (Engineering & Admin)

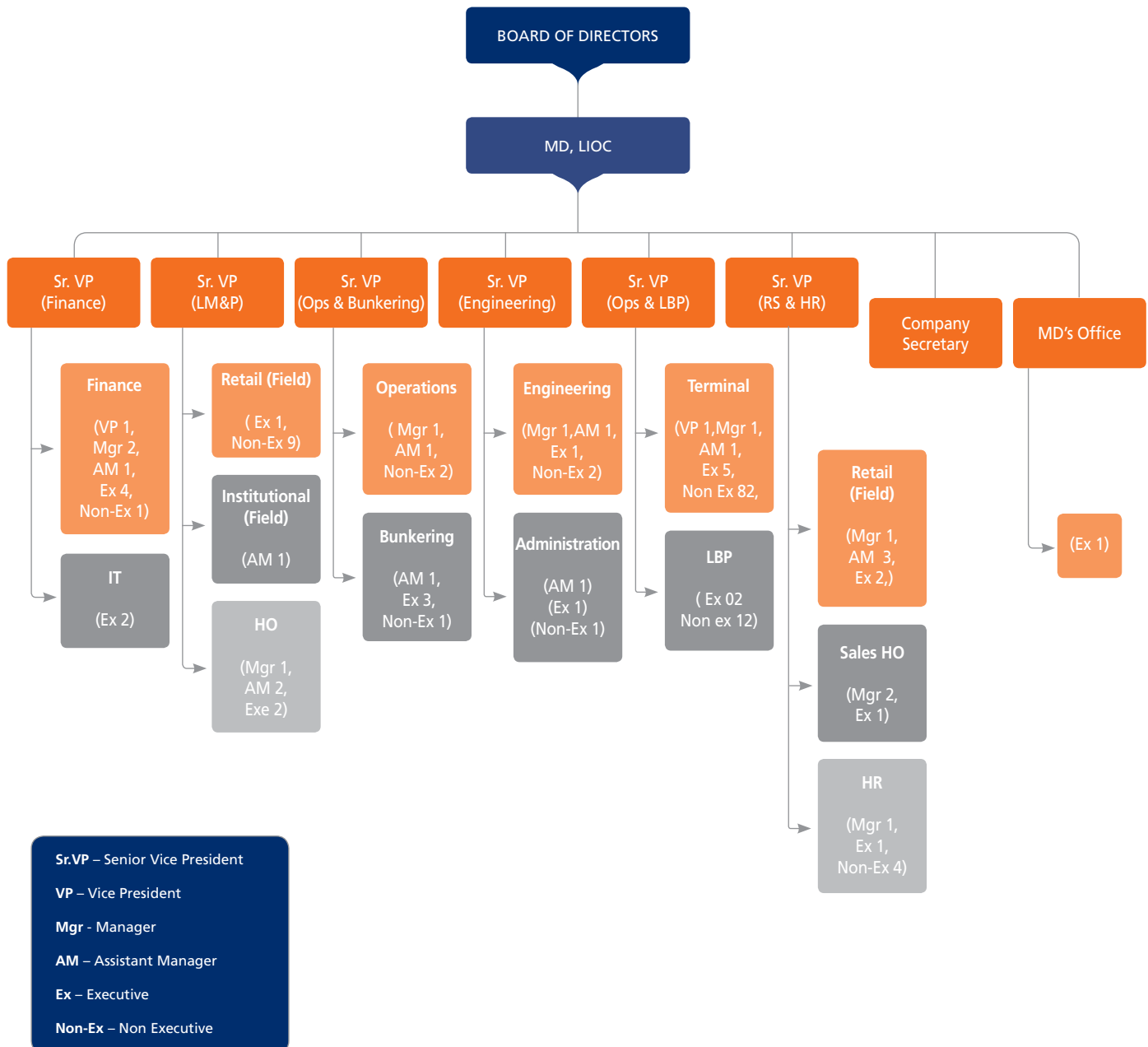


**Mr. T Chiranjeevi** | VP (Operations), Trincomalee

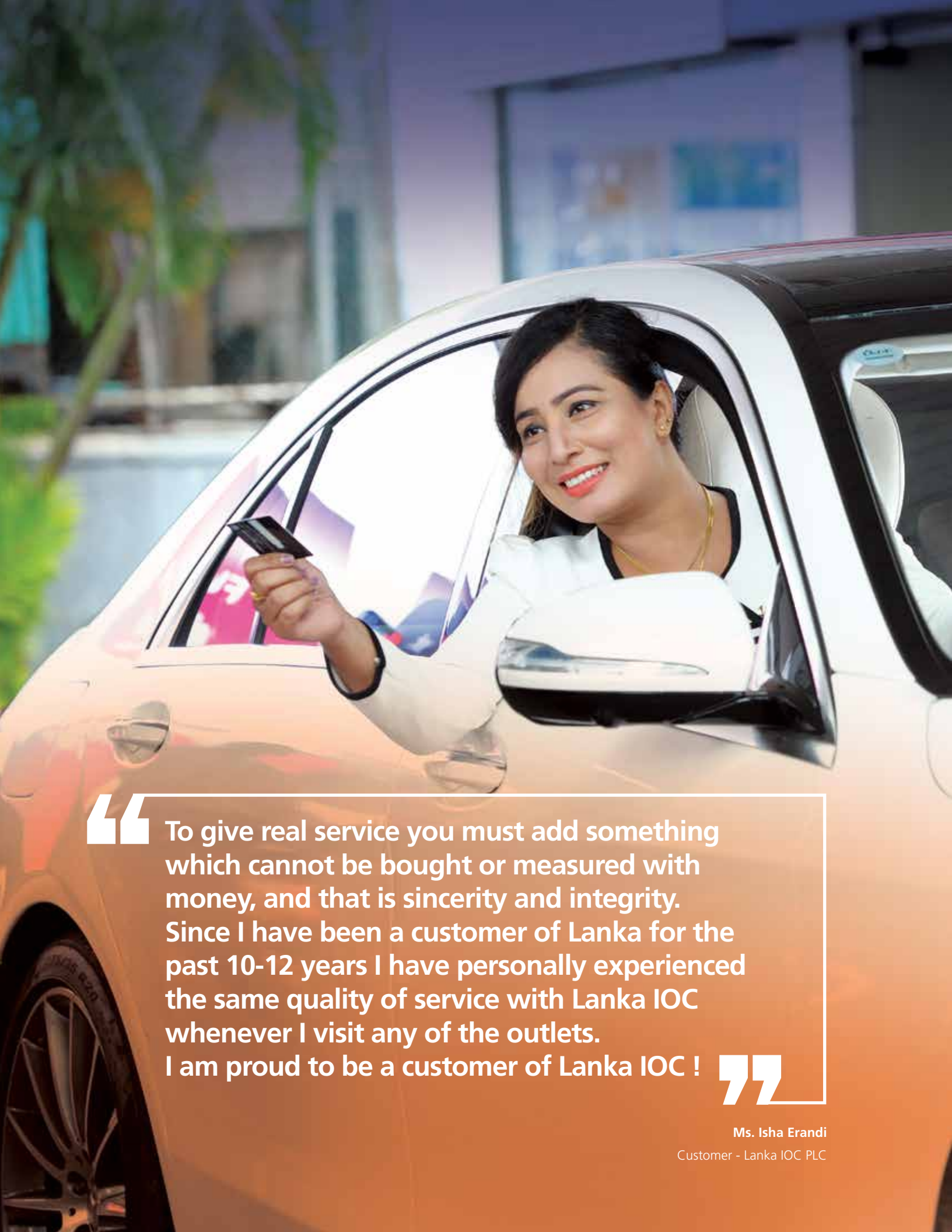


**Mr. Gourav Jain** | VP (Finance)

# ORGANIZATIONAL CHART - LANKA IOC PLC







“ To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity. Since I have been a customer of Lanka for the past 10-12 years I have personally experienced the same quality of service with Lanka IOC whenever I visit any of the outlets. I am proud to be a customer of Lanka IOC ! ”

Ms. Isha Erandi

Customer - Lanka IOC PLC





**A  
PLEDGE  
TO  
SERVE**

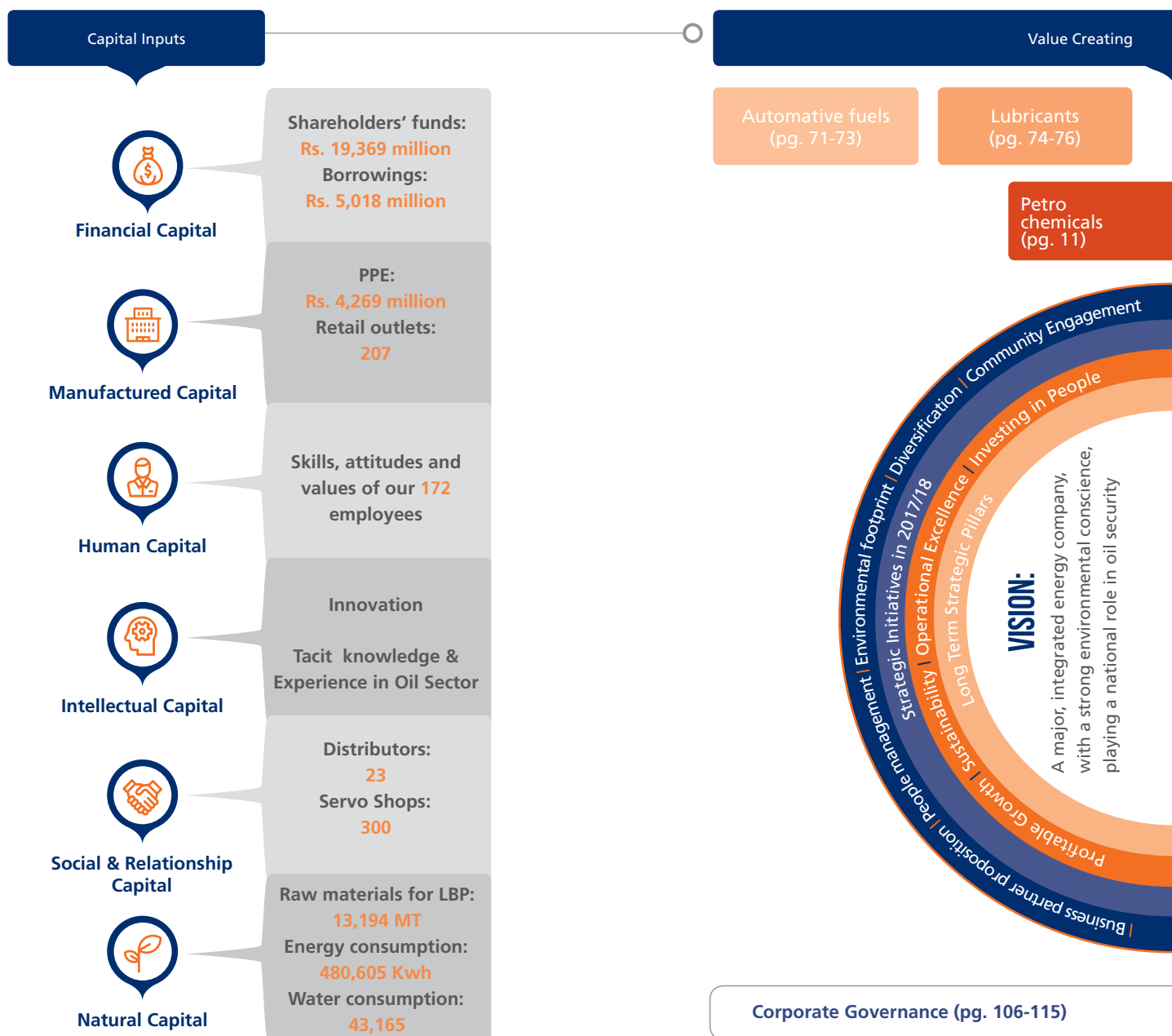


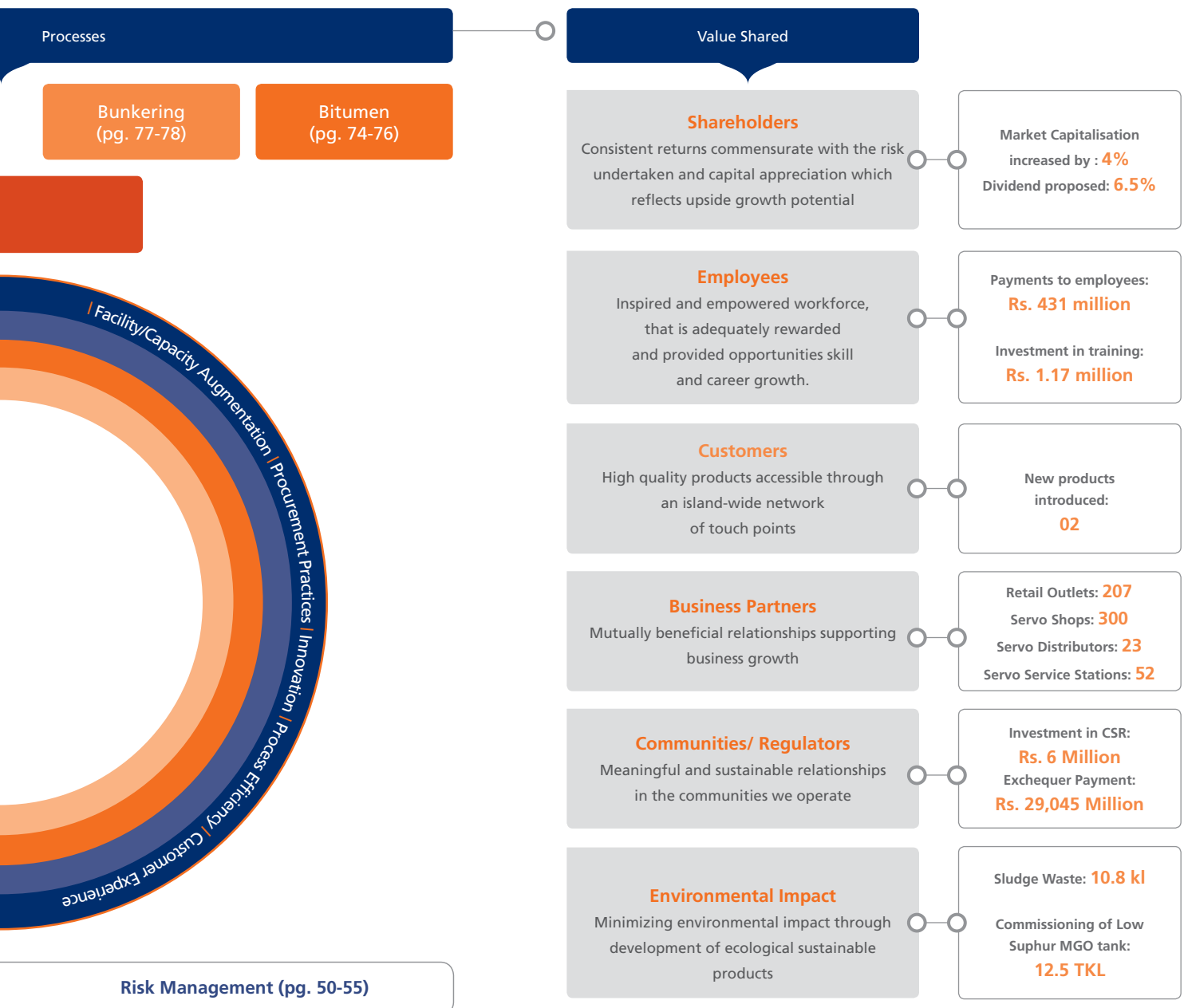
# POSITIONED FOR VALUE CREATION

GRI 102-9

## VALUE CREATION MODEL

Our value creation model depicts how we use the resources and expertise at our disposal to create value for our stakeholders. The key resources we use are classified into several types of capital. The output results in the value we create and share with our stakeholders.





## POSITIONED FOR VALUE CREATION

GRI 102-40, 102-42, 102-43, 102-44

### KEY RELATIONSHIPS

Understanding and effectively responding to the legitimate concerns of our stakeholders is critical in ensuring the creation of sustainable value. We maintain proactive and effective engagement with our stakeholders, facilitated by numerous formal and informal platforms. In selecting stakeholders to engage with, we place emphasis on parties which potentially have the most significant impact on our value creation process and those who are affected most by our activities. Our approach to engaging with our stakeholders is graphically illustrated below;



Our stakeholder engagement mechanisms, key concerns raised during the year and how we are responding to these concerns are listed below;

Stakeholder Group	Engagement mechanism	Topics and concerns raised in 2017/18	Our response and link to strategy
<b>Shareholders</b> The Company's principal shareholder is Indian Oil Corporation, which owns 75.12% of the total shareholding; the remainder is held by the public	<ul style="list-style-type: none"> <li>Annual General Meeting and publication of Annual Report</li> <li>Interim financial statements (quarterly)</li> <li>Announcements to the Colombo Stock Exchange (continuous basis)</li> <li>Corporate website (continuous basis)</li> <li>Press releases (continuous basis)</li> <li>One-to-one engagement (when required)</li> </ul>	<ul style="list-style-type: none"> <li>Adequate return on investment</li> <li>Sustainable business growth</li> <li>Robust corporate governance and risk management practices</li> <li>Corporate conduct</li> </ul>	We are committed to providing timely, transparent and relevant information to our shareholders. Our strategic agenda for the year was formulated following intense evaluation of the industry landscape and emerging risks, to ensure the creation of sustainable shareholder value.
<b>Employees</b> Our team comprises 172 individuals who drive our value creation efforts.	<ul style="list-style-type: none"> <li>Performance appraisals (annual)</li> <li>Employee satisfaction surveys (once in two years)</li> <li>Multi-level staff meetings (ongoing)</li> <li>Open door communication policy (continuous)</li> <li>Employee Relationship Committee (continuous)</li> <li>Recreational activities (continuous)</li> </ul>	<ul style="list-style-type: none"> <li>Competitive remuneration structures</li> <li>Job security</li> <li>Conducive work environment</li> <li>Skill and knowledge development</li> <li>A safe workplace</li> <li>Career progression and succession</li> </ul>	Our people strategy was directed towards developing an empowered and inspired workforce through attractive remuneration and providing opportunities for skill and career development

GRI 102-4, 102-6

Stakeholder Group	Engagement mechanism	Topics and concerns raised in 2017/18	Our response and link to strategy
<b>Customers</b> Individuals and enterprises who consume our products.	<ul style="list-style-type: none"> <li>• Customer satisfaction surveys</li> <li>• One-to-one engagement through retail outlets(continuous)</li> <li>• Customer hotline (continuous)</li> <li>• Website</li> <li>• Marketing communications (continuous)</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Accessibility</li> <li>• Value for money</li> <li>• Good customer service</li> </ul>	We offer innovative product choice, convenience and superior service to suit changing customer preferences
<b>Franchise partners</b> We distribute our products through 582 Channel Partners.	<ul style="list-style-type: none"> <li>• Annual Reviews</li> <li>• Conferences</li> <li>• Regular structured engagement at multiple levels</li> </ul>	<ul style="list-style-type: none"> <li>• Business growth and profitability</li> <li>• Reliable supply</li> <li>• Ease of transacting</li> <li>• Rewards and recognition</li> </ul>	Mutually beneficial relationships with continued guidance on safe product storage and disposal in line with international standards.
<b>Suppliers</b> International oil and gas companies who provides refined petroleum products to LIOC and other local companies	<ul style="list-style-type: none"> <li>• Supplier registration process</li> <li>• Transparent tender procedure</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>• Ease of transacting</li> <li>• Business growth</li> <li>• Guidance on local tax policies and other regulations</li> </ul>	We have nurtured mutually beneficial relationships to ensure a sustainable and secure supply of products
<b>Government/Regulators</b> We are regulated by the Ministry of Petroleum Resources Development, the Ministry of Finance, BOI and other ministries.	<ul style="list-style-type: none"> <li>• Regular discussions with Ministry officials</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> <li>• New technology</li> <li>• Protection to environment</li> </ul>	We engage in a productive and constructive dialogue with our regulators and the government to ensure a conducive industry environment.
<b>Community</b> We engage directly with the communities who reside in localities close to our operations	<ul style="list-style-type: none"> <li>• Ongoing CSR projects</li> <li>• Sponsorships</li> </ul>	<ul style="list-style-type: none"> <li>• Providing access to products in remote locations</li> <li>• Employment generation</li> <li>• CSR activities and sponsorships</li> </ul>	Having a cordial and mutually respectful relationship with the communities we operate in are critical to our success.



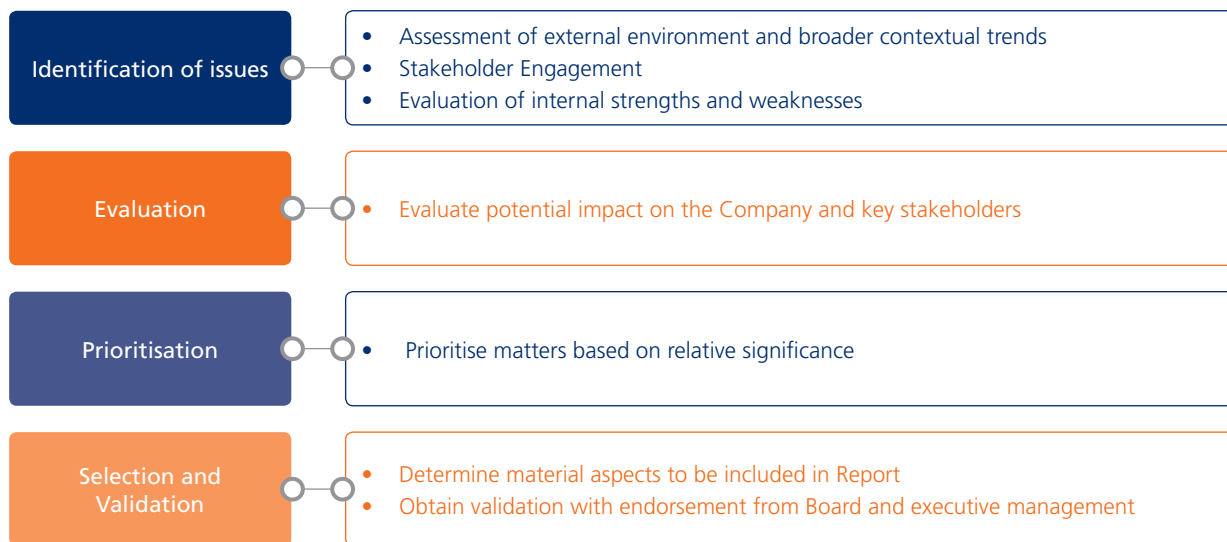
## POSITIONED FOR VALUE CREATION

### OPERATING LANDSCAPE

“Material issues are regularly reviewed based on emerging risks and opportunities in the operating landscape and stakeholder feedback.”

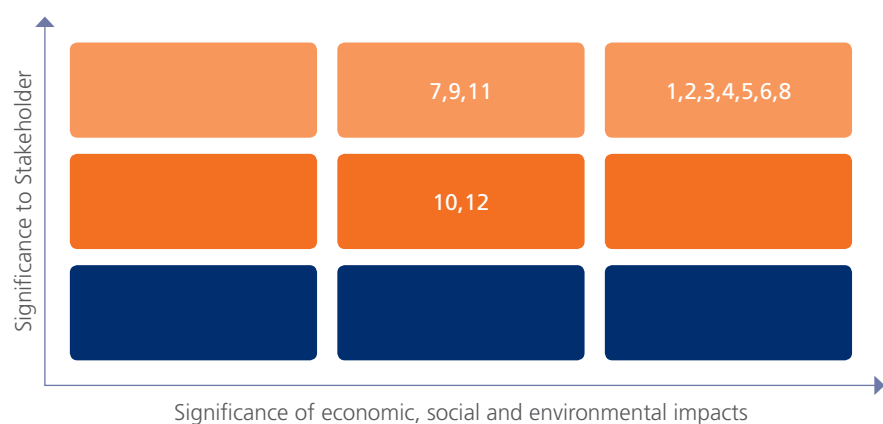
#### Determining material issues

We have adopted the principle of materiality when determining content to be included in this Report. This content has been carefully selected and prioritised based on the issues that are most material to our stakeholders and on their potential ability to substantially impact our value creation. Material issues are regularly reviewed based on emerging risks and opportunities in the operating landscape and stakeholder feedback. The material aspects included in this Report are a combination of those prescribed by the GRI guidelines and those specific to our industry, value creation model and strategy. We adopt the following process to determine our material topics;



GRI 102-46, 102-47

The material topics for the year under review are listed below, together with the corresponding GRI topic



Number	Material topic	Corresponding GRI topic	Materiality compared to last year
1	Earnings growth	-	
2	Managing price fluctuations in crude oil and petroleum productions	-	▲
3	Facility maintenance	-	
4	Process efficiency	-	
5	Quality control	-	▲
6	Government policy	-	
7	Geographical reach	-	
8	Product responsibility	Customer health and safety, Marketing and labelling, Socio economic compliance	
9	Employee attraction and retention	Employment, Occupational health and safety, Training and education, Diversity and equal opportunity, Labour management relations	
10	National Contribution	Economic performance	
11	Procurement practices	Procurement practices	
12	Minimising our environmental footprint	Raw Materials, Energy, Waste and effluents, Water, Environmental Compliance	

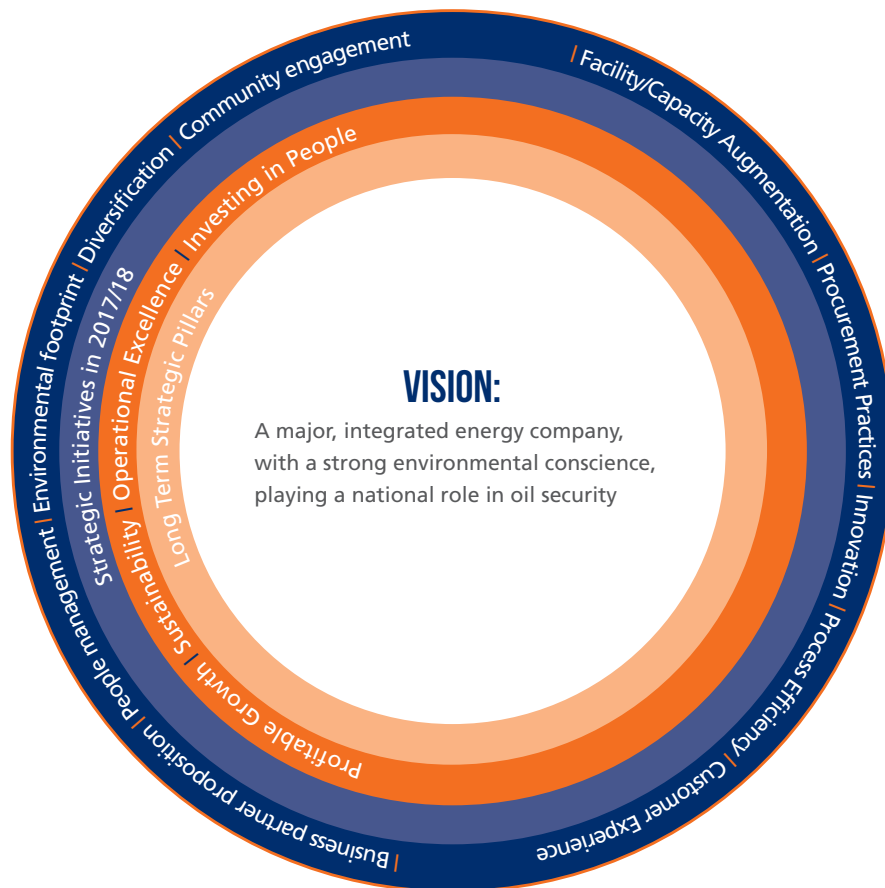
## POSITIONED FOR VALUE CREATION

### PROGRESS AGAINST OUR STRATEGY

The challenging industry conditions during the year compelled us to revisit and refine our strategy to respond to emerging market risks. The Company's long-term

strategy is underpinned on the four pillars of profitable growth, efficiency, enhancing relationships and sustainability. Key strategic initiatives adopted during the year

are illustrated in the infographic below. We made commendable progress in each of these areas as is discussed from pages 71-78 of this Report.



## Measuring our progress

Performance against these strategic priorities are assessed through a set of KPIs which include both financial and non-financial measures. In addition to evaluating operational performance these measures are an important tool in determining resource allocations and future business strategy.

Strategic pillar and initiative	Performance and KPIs	Outlook for 2018/19												
Profitable Growth														
Diversification	<p>Given the challenging conditions in generic auto-fuels we sought increased penetration of our branded/premium fuels segment. Overall, we also focused on reducing exposure to the auto-fuels segment through strong expansion of our lubricants and bunkering businesses.</p> <p><b>Revenue Composition (%)</b></p> <table><caption>Revenue Composition (%)</caption><thead><tr><th>Segment</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>Auto fuels</td><td>74%</td></tr><tr><td>Lubricants</td><td>20%</td></tr><tr><td>Bunkering</td><td>4%</td></tr><tr><td>Bitumen</td><td>2%</td></tr><tr><td>Petrochemical</td><td>0%</td></tr></tbody></table>	Segment	Percentage (%)	Auto fuels	74%	Lubricants	20%	Bunkering	4%	Bitumen	2%	Petrochemical	0%	<p>We will continue to pursue deeper penetration in the branded/premium fuels with the objective of reducing reliance on generic fuels and widening profitability margins. LIOC will also maintain proactive engagement with the government to encourage the implementation of a more sustainable and responsible mechanism to determine fuel prices in the country.</p>
Segment	Percentage (%)													
Auto fuels	74%													
Lubricants	20%													
Bunkering	4%													
Bitumen	2%													
Petrochemical	0%													
Facility/capacity augmentation	<p>Major investments in strengthening our infrastructure is given below;</p> <table><thead><tr><th>Facility/capacity augmentation</th><th>Investment (Rs.million)</th></tr></thead><tbody><tr><td>Additional storage tanks and dispensing units in 40 Retail Outlets</td><td>80</td></tr><tr><td>New signage posts in 50 Retail Outlets</td><td>70</td></tr><tr><td>Replacement of old pipelines in Trincomalee</td><td>123</td></tr><tr><td>Restoration of old tanks in Trincomalee</td><td>25</td></tr><tr><td>Facility augmentation for storing blended lubricants in Trincomalee</td><td>4</td></tr></tbody></table>	Facility/capacity augmentation	Investment (Rs.million)	Additional storage tanks and dispensing units in 40 Retail Outlets	80	New signage posts in 50 Retail Outlets	70	Replacement of old pipelines in Trincomalee	123	Restoration of old tanks in Trincomalee	25	Facility augmentation for storing blended lubricants in Trincomalee	4	<p>Key focus areas for 2018/19 include,</p> <ol style="list-style-type: none"><li>(1) Capacity expansion at the lube blending plant and further investments in plant modification including a barrel filling system and a conveyor line.</li><li>(2) Expand LIOC branded service stations for lubricants</li><li>(3) Restoration of old tanks at Trincomalee</li><li>(4) Commissioning of new 5 RO's</li></ol>
Facility/capacity augmentation	Investment (Rs.million)													
Additional storage tanks and dispensing units in 40 Retail Outlets	80													
New signage posts in 50 Retail Outlets	70													
Replacement of old pipelines in Trincomalee	123													
Restoration of old tanks in Trincomalee	25													
Facility augmentation for storing blended lubricants in Trincomalee	4													
Procurement practices	<p>Our deep industry insights and ability to understand and predict oil price fluctuations in the global market enabled us to purchase additional stocks when prices were relatively low. This allowed LIOC to mitigate its losses to a certain extent.</p>													

## POSITIONED FOR VALUE CREATION

### PROGRESS AGAINST OUR STRATEGY

Strategic pillar and initiative	Performance and KPIs	Outlook for 2018/19
<b>Operational excellence</b>		
<b>Innovation Process efficiencies</b>	During 2017/18 strategic emphasis was placed on generating efficiencies and achieving cost optimisation through process re-engineering at the Trincomalee Terminal. An ambitious target of driving 1 innovation per week enabled the Company to achieve 52 innovations during the year, resulted in significant cost savings, process efficiencies and waste minimisation.	
<b>Investing in people</b>		
<b>Customer experience</b>	<p>We have continued to invest in strengthening our physical infrastructure through improved signage and brand visibility; during the year we renovated 10 outlets to provide a better customer experience.</p> <p>We also piloted an automation process to capture and store customer transaction details. Customers are issued identification tags and pump attendants have been given mobile devices to identify, bill and issue receipts for transactions.</p>	We hope to further expand our network with the addition of SERVO outlets and retail outlets during the year. The automation process will be extended further to increase coverage.
<b>Business partner proposition</b>	During the year we provided free accidental and life insurance cover for 450 pump attendants, demonstrating our commitment to long-term value creation. We also engaged in ongoing training and skill development initiatives.	Business partners are a vital element of our proposition and we will continue to deliver shared value through a holistic value proposition.
<b>People Management</b>	In 2017/18, focus was placed on enhancing the training and development proposition to employees and we provided 927 hours of training to our employees.	Our agenda for the next financial year will be focused on maintaining an optimum balance between developing internal talent and recruiting new employees
<b>Sustainability</b>		
<b>Environmental footprint</b>	We continued to engage in environmental preservation through the use of energy efficient lighting and cooling systems, minimising our water footprint and driving the responsible disposal of waste.	We look forward to introducing environment friendly and ecologically sustainable products to the Sri Lankan market.
<b>Community engagement</b>	Our community engagement initiatives are proactive and meaningful and during the year we invested Rs. 6 million in several health related projects and flood relief efforts among others.	








## OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS

Through the Sustainable Development Goals, the United Nations has set clear objectives for 2030 to galvanise global efforts to end poverty, promote

prosperity and protect the environment. Governments, businesses and individuals will play a vital part in the achievement of these goals and we are currently exploring

how we, as an organisation could contribute to the achievement of these goals.

SDG	Our commitment/contribution
	We are an equal opportunity employer and do not practice gender based discrimination in any aspect of our operations.
	We provide a unique employee value proposition centred on training and development, career progression and a dynamic work environment to 172 employees
	We support the indirect employment of over 5,000 individuals through our extensive distribution network, supporting socio economic empowerment.
	We consistently strive to reduce our environmental footprint through the efficient use of natural resources, particularly energy and water.
	We have introduced environment friendly products to the market including the XtraPremium Euro 3 and XtraPremium 95 octane, of which the carbon footprint is better than the national emission standard. We also look forward to introducing high quality fuels such as Euro 4/5 and Euro 6 which are used in developed countries as and when the government provides approval to do so.

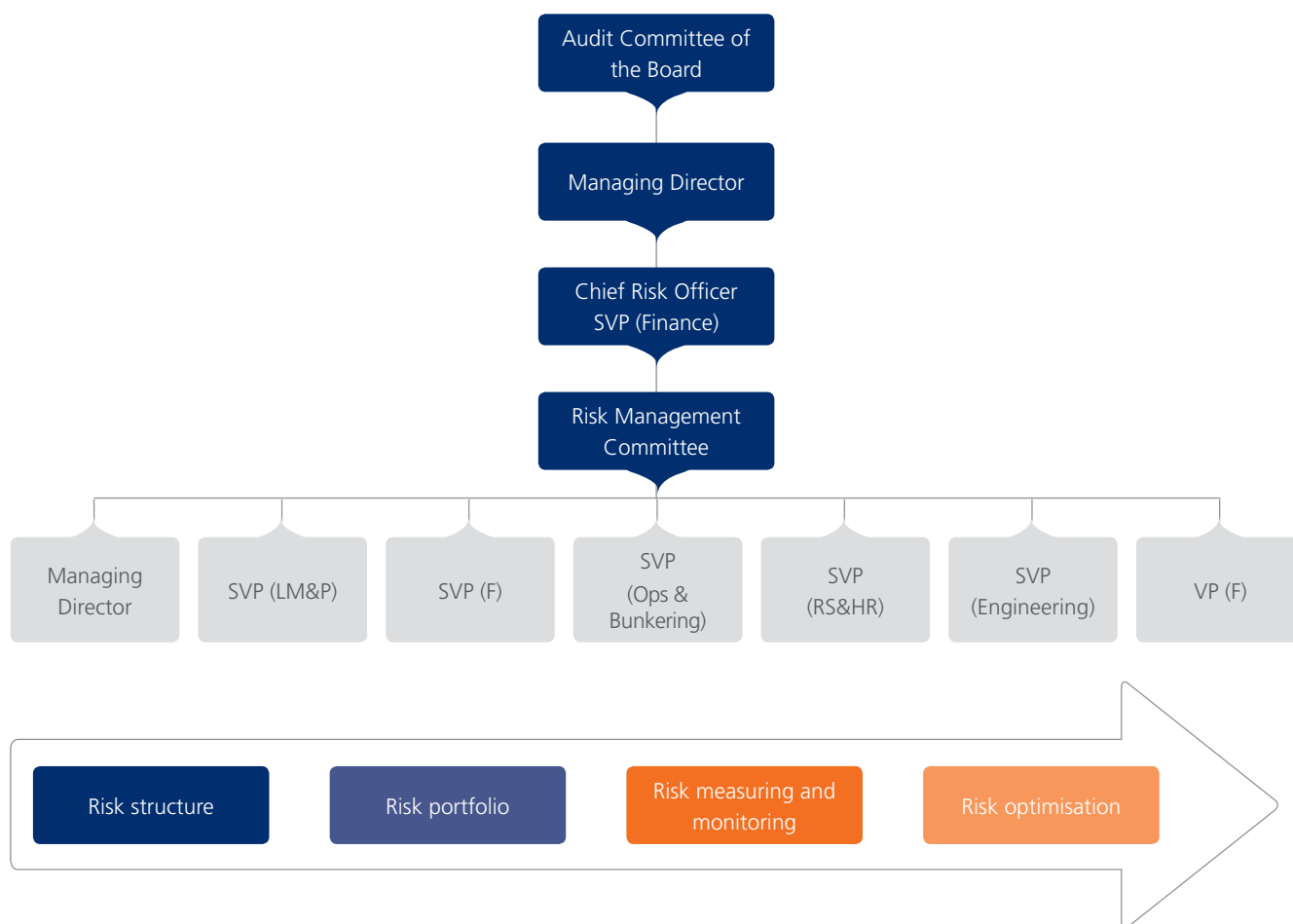
# RISK MANAGEMENT

LIOC has a well-defined Risk Management Policy in place with proper monitoring as well as reporting mechanism to manage its business risks. The Policy provides the required Risk Management Framework for implementation of the policy by all concerned, effective monitoring and

performance appraisal through periodic reporting to the management. Also the policy provides an overview of the principles of risk management, explain the approach to be adopted by the company for management of the identified risks and define the organizational structure for effective risk management.

## Risk Management Framework

The processes that are adopted in identifying, measuring, mitigating and reporting our risk exposures are defined in the Risk Management Policy. The process is graphically illustrated as follows;



- **Risk Structure:** Comprises the Risk Governance structure (given above) and defined responsibilities for identifying and managing risks.
- **Risk Portfolio:** This includes risk identification, assessment

and categorisation based on the risk appetite determined by the management

- **Risk Measurement and Monitoring:** Identified risks are reviewed/re-examined periodically

to ensure performance against risk appetite, revalidation of existence and progress of risk mitigation actions.

- **Risk Optimisation:** Managing risk exposures in line with the risk appetite of the Company

## Risk Appetite

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

### RISK APPETITE Rating criteria – impact

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

## Risk Categorization

Risk categorization in different categories facilitate in prioritizing risks within the entity. Risk categorization has been considered under following broad heads: Strategic Risks, Operational Risks,

Reputation Risk, Compliance Risk, Financial Risk, Information Risk & New/Other Risk.

## Principals Risks

The Company's principal risk exposures are set out below. Risks categorised in the A

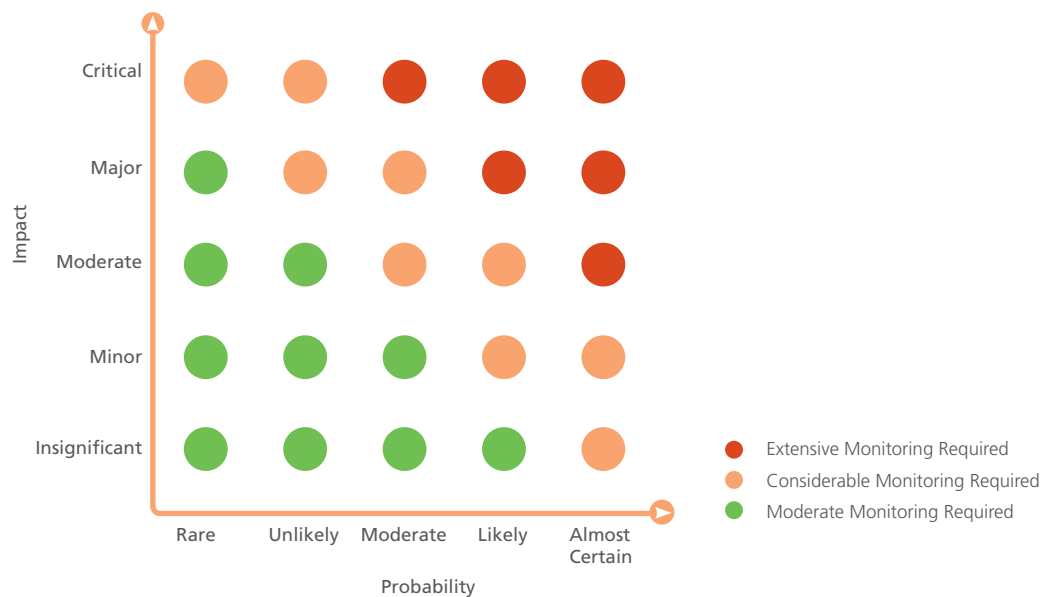
and B categories are escalated to the Risk Management Committee on a quarterly basis while A category risks are reviewed by the Audit Committee.

## RISK MANAGEMENT

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

### Risk Mapping

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



Risk	Impact	Mitigating Activities	Net Risk Assessment
<b>'A' category Risk</b>			
Inability to revise Retail Selling prices of Petrol & Diesel in line with import cost	LIOC generally follows the Retail Selling Prices of Auto Fuels as determined by GoSL. Due to non revision of RSPs in line with international prices, company has to suffer negative margins on Auto Fuels.	<ul style="list-style-type: none"> <li>Ongoing engagement with the Ministry of Petroleum and Ministry of Finance to align the RSPs of Auto Fuels with international prices. We welcome the Government's recent move to change prices every two months to reflect international prices.</li> <li>Diversification of businesses and increased focus on the branded segment.</li> </ul>	2017/18: High <span style="color: red;">●</span>  2016/17: High <span style="color: red;">●</span>











Risk	Impact	Mitigating Activities	Net Risk Assessment	
Price fluctuations of crude oil and related Products	Price fluctuations have a direct impact on our profitability margins and cash flows. Declining prices could also impact our inventory values	<ul style="list-style-type: none"> <li>Monitor global crude oil prices on a consistent basis.</li> <li>Optimization of supply chain management is carried out in line with the prices of Petroleum Products in the international market.</li> </ul>	2017/18: High	●
Depreciation of Sri Lanka Rupee	For Auto Fuels, Lubricants & Bitumen, imports are done in USD and sales are carried out in LKR, company is exposed to exchange loss. Exchange losses, particularly of Auto Fuels, is not possible to pass on to the customers.	<ul style="list-style-type: none"> <li>Import loans are not taken for a period more than one month.</li> <li>Proactive strategy to monitor exchange fluctuation risk.</li> <li>Engagement with the Central Bank of Sri Lanka to avoid currency fluctuations.</li> </ul>	H2017/18: High	●
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>At Trincomalee terminal, regular safety drills are conducted with employees, transporters, contractors to create awareness amongst them. Further, company has positioned adequate safety equipments to deal with emergency situations.</li> </ul>	H2017/18: Moderate	●
Entry of new players in Lubricants and Bitumen	The entrance of new players to an already crowded market could affect our margins and market share. New small players may not strictly adhere to the best international practices.	<ul style="list-style-type: none"> <li>LIOC implementing various marketing and pricing strategies to protect its market share.</li> <li>Ongoing branding activities including sponsorship of cricket tournaments.</li> <li>More innovative Products are being introduced to the market.</li> <li>Optimization of supply chain management.</li> </ul>	H2017/18: Moderate	●
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>Stringent quality control mechanisms.</li> <li>All fuels and lubricants are evaluated for health and safety standards by the parent Company's Research Centre.</li> <li>Compliance with regulatory and certification</li> </ul>	2017/18: Moderate	●
Risk to stocks, property and equipment	Due to the flammable nature of our products any inadequacy/ambiguity in insurance cover may result in dishonor of insurance claims by the insurance companies.	<ul style="list-style-type: none"> <li>Insurance obtained from reputed companies with strong re-insurance support.</li> <li>Company has taken adequate insurance policies like Fire &amp; Commercial Insurance, General Liability Insurance Policy, Marine Insurance Policy, In transit Insurance Policy etc.</li> </ul>	2017/18: Moderate	●
			2016/17: Moderate	●



## RISK MANAGEMENT

GRI 102-41

Risk	Impact	Mitigating Activities	Net Risk Assessment
Demurrage	Due to inadequate infrastructure at the Port, and non availability of required pipelines, ships coming to Colombo Port are compelled to wait for berthing and take more than normal discharge time leading to exposure to the company for demurrage.	<ul style="list-style-type: none"> <li>Comprehensive planning framework for import of Petroleum goods.</li> <li>Discussions are carried out with Port Authorities and CPSTL to create desired infrastructure at Port.</li> <li>Lay time allocation is planned after due consideration to the operational constraints.</li> </ul>	2017/18: Moderate <span style="color: orange;">●</span> 2016/17: Moderate <span style="color: orange;">●</span>
Credit Risks	The Company's Bunkering, Lubes & Bitumen segments are exposed to credit risk and can result in loss of earnings and cash flow.	<ul style="list-style-type: none"> <li>Efforts are made to give secured credit only.</li> <li>Credit ratings from independent third parties.</li> <li>Consistently monitoring of the Debtor's aging profile.</li> </ul>	2017/18: High <span style="color: red;">●</span> 2016/17: High <span style="color: red;">●</span>
Government Policy	Government policies on duties/taxes, interest rates, exchange rates, inflation, energy prices and wages have a direct impact on our margins and cash flow.  Non receipt of timely approvals for various government licenses, permissions and approvals, will have direct bearing on the operations of the company.	<ul style="list-style-type: none"> <li>Duties &amp; taxes, interest rates, exchange rates and wages are monitored and strategies reviewed and revised to minimize impact where possible.</li> <li>Regular engagement with policy makers to strengthen and enhance the industry frameworks in place.</li> <li>Timely action is taken to renew various licenses, permissions &amp; approvals.</li> </ul>	2017/18: High <span style="color: red;">●</span> 2016/17: High <span style="color: red;">●</span>
Operating Environment	Company's image and operations may be affected due to adverse publicity/ misinformation campaigns by vested interests.	<ul style="list-style-type: none"> <li>Continuous engagement is done with Policy makers and our legal counsels.</li> </ul>	2017/18: Moderate <span style="color: orange;">●</span> 2016/17: Low <span style="color: green;">●</span>
<b>'B' Category Risk</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>	2017/18: Low <span style="color: green;">●</span> 2016/17: Moderate <span style="color: orange;">●</span>
Waste and Effluents	Effluents from our processes comprise of oil sludge and discharges from the Trincomalee Terminal.	<ul style="list-style-type: none"> <li>Responsible disposal of all waste and effluents</li> <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>	2017/18: Low <span style="color: green;">●</span> 2016/17: Moderate <span style="color: orange;">●</span>
Employee relations	Around 60% of our employees are unionized as we recognize 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>	2017/18: Low <span style="color: green;">●</span> 2016/17: Low <span style="color: green;">●</span>

Risk	Impact	Mitigating Activities	Net Risk Assessment
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>Strong employee value proposition which features attractive remuneration packages.</li> <li>Continued investment in training and development</li> <li>Opportunities for career progression.</li> </ul>	2017/18: Low  2016/17: Low 
Non availability/ limited availability of Contractors for specialized works related to Oil Terminalling/Lube Plant	Impacts the speed of execution Higher cost of works	<ul style="list-style-type: none"> <li>Local parties being developed by entrusting them with jobs.</li> <li>Enabled participation of foreign capable parties as consortium partners with the local parties.</li> </ul>	2017/18: Low  2016/17: Low 
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>	2017/18: Low  2016/17: Low 
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.  Increasingly more pronounced impacts of climate change including erratic weather	<ul style="list-style-type: none"> <li>Introduction of low carbon emitting auto fuel products.</li> <li>Investments in energy efficient technology.</li> <li>Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications.</li> </ul>	2017/18: Low  2016/17: Low 
Local Community Relations	Empowering and contributing towards the socio-economic progress of the communities we operate-in is crucial for the image of the company.	<ul style="list-style-type: none"> <li>High levels of community engagement and nurturing meaningful relationships with our communities</li> <li>Investments in ongoing community development projects.</li> </ul>	2017/18: Low  2016/17: Low 
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> </ul>	2017/18: Low  2016/17: Low 

# PERFORMANCE

GRI 102-55

## OPERATING ENVIRONMENT



Global Oil Trade  
Increased by 3.9%



Global Oil Prices  
Increased by 27%



Global supply  
increased by 0.4%



Global consumption  
increased by 1.7%



Growth in renewable energy  
consumption outpaced  
growth in oil and gas



Consumption of  
coal declined due to  
environmental concerns



Transportation and  
electricity continued to  
drive demand



Asian regions such as China  
and India drove global  
demand



OPEC continued its  
dominance in the oil  
industry

### Global Oil prices

Oil prices increased by 27% in 2017 reversing the declining trend, as production disruptions led to supply shortages and inventory drawdowns thereby exerting pressure on prices. Oil supplies were impacted by extended agreements of OPEC to curtail production, unfavorable weather conditions in US and geopolitical tensions in Middle East. Global oil supply reached 97.4 Mboed reflecting a marginal growth of 0.4% while oil demand increased by 1.7% over the same period. This led to a market imbalance and inventory drawdown. Crude oil stocks declined by (0.5) Mboed compared to a growth of 0.8 Mboed in 2016.

### Consumption

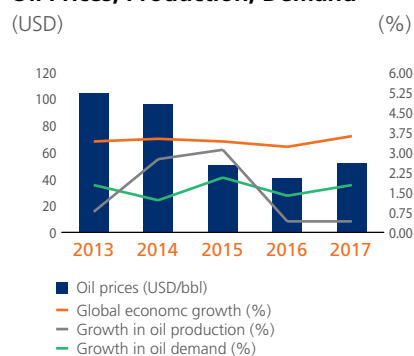
Global oil consumption amounted to 97.8 Mboed compared to 96.2 Mboed in 2016. Demand growth of 1.7% during the year was driven by increasing economic activity especially in leading oil consuming countries such as US and Asia. China's demand growth remained robust at 31% followed by other Asian regions such as India. Energy requirements in the transportation and electricity generation sectors increased with global economic activity improving by 3.7% in 2017 compared to 3.2% in 2016.

and coal form a significant portion. Over the years, the energy mix has progressively changed with increasing focus on curtailing environmental impacts and significant growth in production of shale gas in US. Clean energy including natural gas and renewable energy increased by 14% and 1.8% in 2016 and contributed 34% to energy demand. Oil continued to maintain its share in the energy matrix at 33% whilst coal consumption gradually declined as China, the world leading coal consumer, implemented measures to reduce air pollution and minimize coal consumption

### Changing Energy mix

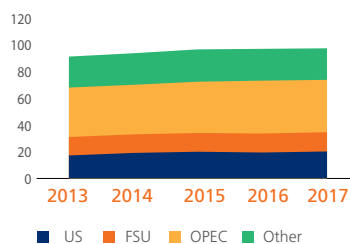
Global primary energy supply is driven by six main energy sources of which oil, gas

#### Oil Prices, Production, Demand



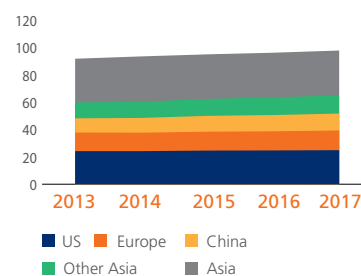
#### Supply

(Million Barrels Oil Equivalent/Day)

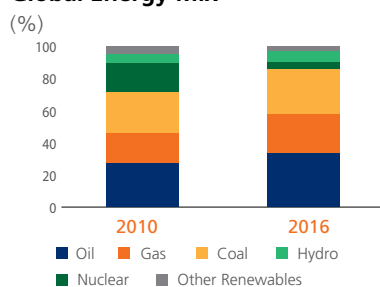


#### Demand

(Million Barrels Oil Equivalent/Day)



### Global Energy Mix



## PERFORMANCE

### OPERATING ENVIRONMENT

#### Demand for crude oil products

Global demand for crude oil products increased in 2017 supported by the recovering global economy. World GDP increased by 3.7% in 2017 compared to 3.2% in 2016 driven by increasing investments, manufacturing activity and improving consumer confidence. Economies such as US and emerging and developing Asia being the two leading consumers of crude oil products expanded by 2.3% and 6.5% in 2017. Demand for light distillates and fuel oil in china, a leading oil consumer, increased by 7.1% and 8.1% in 2016 higher than average global demand for petroleum product. In addition, the expanding world population continued to support demand for petroleum products.

#### Refinery capacities

The declining refining capacity of China impacted global refinery capacities which grew at a slower rate of 0.5% in 2016 below the 10-year average growth of 1.1% over 2005-16. Asia Pacific including China and India continued to dominate a significant 33% share of global refinery capacity despite its ownership of proven oil reserves seemingly insignificant at 2.8% of global proved oil reserves. Much of the refinery demands in the region were met through imports.

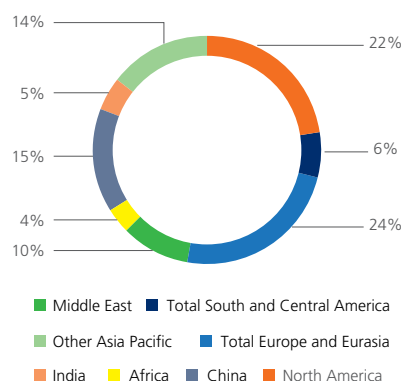
#### Trading activity in the industry

Oil and oil products are widely traded in global markets. Of the total production 71% were traded between countries in 2016. The main reason for significant trading activity is the locational mismatch between oil producers, consumers, refiners and distributors. Hence, necessitating a flow of oil resources between producing countries to consuming countries.

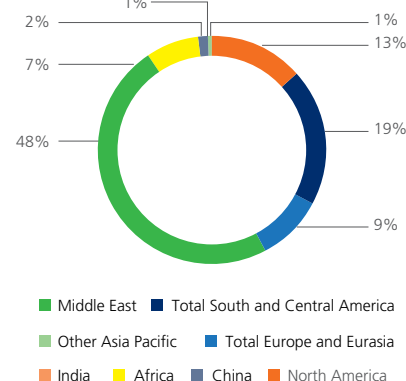
Global demand	2016 (YoY)	CAGR 2005-2015	% of total demand
Light distillates	2.5%	1.6%	32.8%
Middle distillates	0.3%	1.4%	35.9%
Fuel oil	1.6%	(2.3%)	8.3%
Others	2.6%	1.7%	23.0%
Total	1.6%	1.2%	100%

Global Growth	2016	2017
China	6.7%	6.8%
India	7.1%	6.7%
US	1.7%	2.3%
Europe	1.8%	2.4%

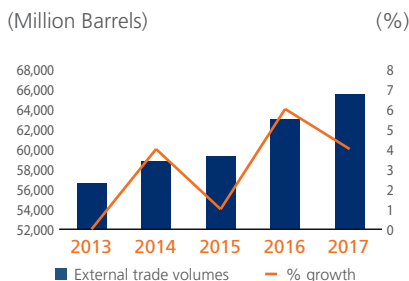
**Global Refinery Capacity**  
(%)



**Global Proved Reserves**  
(%)



#### External Trade





### The petroleum market in Sri Lanka

Transportation and energy generation continued to remain the two main drivers of petroleum consumption. Petroleum sales for energy generation increased by 21% in 2017 compared to 103% in 2016 with increasing usage of thermal based power generation. Petroleum sales for transportation (which accounted for more than 60% of total sales) increased by 4.9% compared to 8.7% in 2016.

### Retail selling Prices

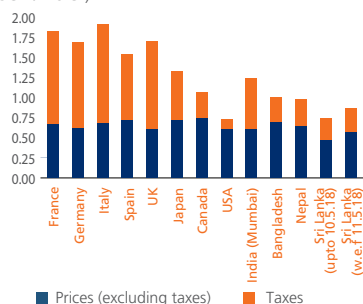
The retail selling prices in Sri Lanka are relatively lower than regional peers reflecting the Government's pricing policy and the lack of a market-based pricing formula. Oil Companies receive net of taxes amount against their purchase cost. From the graph below, it is clearly visible that Sri Lankan prices, net of taxes, are

the least if compared in the world. Despite fluctuations in global crude oil prices, Sri Lanka's retail prices of petroleum products had remained unchanged from 2015 primarily reflecting political motivations. Meanwhile, the dominant market position of the state-owned Company also renders it difficult for private players to pass on the increase in costs to customers. This resulted in significant margin pressure, with profitability of auto fuel retailers tied to the wide fluctuations in global oil prices.

In May 2018, the Government of Sri Lanka introduced a new mechanism for determining fuel prices, with prices subject to periodical reviews and revision based on trends in the international markets. Resultantly, the prices of petrol, auto diesel, super diesel and kerosene were increased.

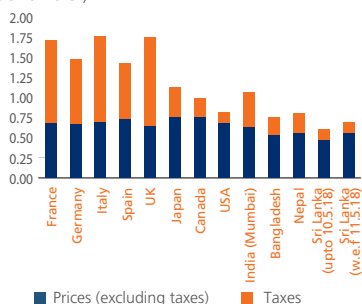
### Petrol Prices

(USD/Litre.)



### Diesel Prices

(USD/Litre.)



## PERFORMANCE

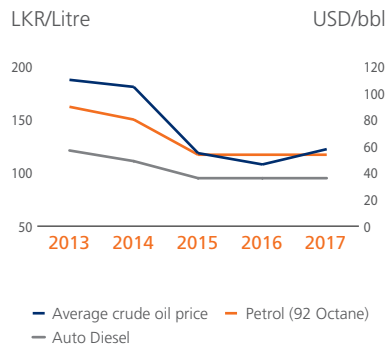
### OPERATING ENVIRONMENT

#### Our Operating Environment

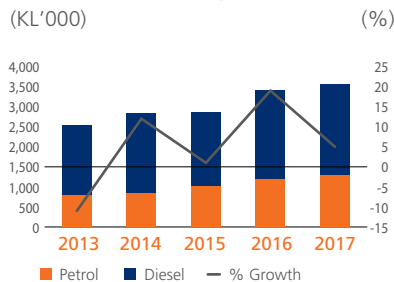
##### Auto Fuel

##### Market Trends

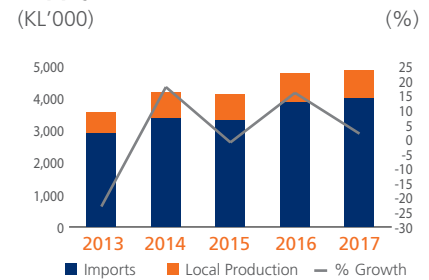
##### Auto Fuel Vs Crude Oil Price



##### Auto Fuel Consumption

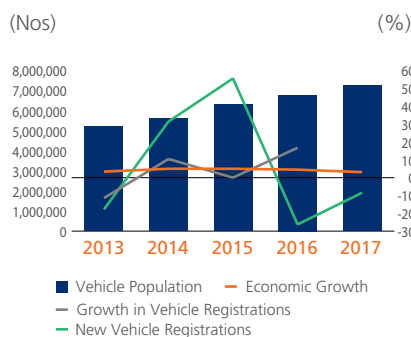


##### Supply



Demand for auto-fuels increased by 5% in 2017 driven by economic growth albeit a decline in new vehicle registrations. Rising interest rates, a depreciating Sri Lankan Rupee and changes in loan to value ratios led to an 8% decline in new vehicle registrations. However, petrol and diesel consumption continued to increase, widening by 10% in 2017 and 2% respectively. Despite higher levels of demand, operators in the industry continued to battle a tough operating environment as the lack of a pricing formula resulted in retail prices being independent of fluctuating global oil prices. During the year, crude oil prices increased by 27% reversing the trend seen over the last two years. The maintenance of retail prices despite the sharp escalation of crude oil prices resulted in significant margin pressure with industry players incurring operating losses. This was further exacerbated by the depreciation of the rupee against the USD. Although the government didn't impose limits on retail prices, the fixed priced scenario in the duopoly market made it difficult for LIOC to pass on cost increases to consumers.

##### Key indicators



Subdued growth in vehicle population as stringent policies such as rising interest rates and changing loan to value ratios adversely impacted vehicle leasing activity.



Per capita auto fuel consumption increased by 5% in 2017 driven by economic growth.



Increasing focus on environmental sustainability will drive demand for high quality fuels that are energy efficient.

## Auto Fuel

### Challenges

Depreciation of LKR against USD by 2.0% in 2017 continued to pressurize margins as fuel and crude oil imports are transacted in USD.

Fixed price scenario: Industry is a duopoly market driven by Ceylon petroleum corporation (CPC) and LIOC.

Increasing crude oil prices and the lack of a pricing formula to reflect global trends.

### How we responded

#### Market penetration

Extended focus on non-auto fuel businesses such as Lubes, bunkering, bitumen and petro chemicals. Pursued expansion of the branded fuel segment while curtailing growth in generic fuels.

#### Service excellence

Extended reach and convenience for customers by opening 05 new retail outlets and providing value added services.

#### Supply chain management

Reduced procurement costs by negotiating with suppliers and evaluating the pricing formulas of suppliers.

### What we delivered




Retained retail market share at 17% by volume.  
Growth in Auto fuel sales volumes of 2%.  
Payment to Exchequer of Rs. 29,045 million

#### Source of data for Operating Environment

1. BP statistical review: June 2017
2. Lubricant market report 2015 ( PUCSL)
3. World Economic Outlook Jan 2018
4. Sri Lanka Ports Authority ([http://portcom.slpa.lk/news\\_events\\_13031.asp](http://portcom.slpa.lk/news_events_13031.asp))

## PERFORMANCE

### OPERATING ENVIRONMENT

	Lubricants	Bitumen	Bunkering
Market Trends	Automotive and industrial applications continued to drive lubricant demand with automotive accounting for 75 <sup>1</sup> % in 2016. Growth in the lubricant industry remained in line with last year as stringent government policies discouraged vehicle imports. Despite a saturated market, competition continued to be intense since the liberalization of the lubricant market.	The bitumen industry contracted during the year, as government infrastructure projects slowed due to lesser government orders. Over the long-term however, the government highway development plan and rehabilitation of existing road networks opens up opportunities for bitumen suppliers.	Global trade volumes increased by 4.7% in 2017 compared to 2.5% in 2016 <sup>2</sup> supporting growth in sea borne trade with nearly 95% <sup>3</sup> of global merchandise being transported by sea. With Sri Lanka being increasingly recognized for its strategic location along the East- West maritime route, there was an increase in the number of large ships that arrived to Sri Lanka in 2017
Market Indicators	<p>New vehicle registrations declined by (6%) in 2017.</p> 	<p>More roads construction projects expected in 2018</p> 	<p>Significant increase in no of ships arriving in Sri Lanka 2017.</p> 
Challenges	<ul style="list-style-type: none"> <li>Competitors started blending lubricants locally during the year.</li> <li>Increasing prices of base oil.</li> <li>Rising interest rates.</li> <li>Competition.</li> <li>Declining new vehicle registrations.</li> </ul>	<ul style="list-style-type: none"> <li>Government liberalized the bitumen market and around 27 new players entered the market.</li> <li>Delays in road construction projects.</li> <li>Currency depreciation.</li> <li>Intense competition.</li> </ul>	<ul style="list-style-type: none"> <li>Adverse weather conditions</li> <li>Delayed cargo deliveries</li> <li>Limitations due to shallow waters in the Colombo port making it difficult for larger sized vessels to dock</li> </ul>
How we respond	<ul style="list-style-type: none"> <li>Focused on customer growth by expanding reach and flexible pricing strategies.</li> <li>Increased network by opening 65 new servo shops during the year.</li> </ul>	<ul style="list-style-type: none"> <li>Imported at competitive rates and focused on traders instead of direct consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced operational flexibility between Colombo and Trincomalee ports.</li> <li>Enhanced capacity utilization as leverage on strong growth potential of the industry.</li> </ul>
What we delivered	<ul style="list-style-type: none"> <li>Increased market share to 20%.</li> </ul>	<ul style="list-style-type: none"> <li>Leading local supplier of Bitumen.</li> <li>Benefited from economies of scale.</li> </ul>	<ul style="list-style-type: none"> <li>The market leader in bunkering.</li> <li>Increased bunkering sales volumes by 56%.</li> <li>Foreign exchange earning of LKR 18 billion</li> </ul>

## PETROLEUM & ENERGY SECTOR OVERVIEW

Primary commercial energy basket consist of 6 major commodities, i.e. (i) Oil (ii) Gas (iii) Coal (iv) Nuclear (v) Hydro and (vi) Renewable energy.

Share of fossil fuels in global primary energy demand is over 85.5% (Oil 33.3%, Gas 24.1% and Coal 28.1%), Nuclear at 4.5%, Hydro at 6.8%, and bio mass and renewable constitute the balance in 2016. A snap shot of primary commercial energy basket for the year 2016 is given below:

Country/ Region	Rank	Oil		Natural Gas		Coal		Nuclear Energy		Hydro Electricity		Renewables		Total	% Share of the country in the total energy basket
		Mtoe	%	Mtoe	%	Mtoe	%	Mtoe	%	Mtoe	%	Mtoe	%		
China	1	579	19.0%	189	6.2%	1888	61.8%	48.2	1.6%	263	8.6%	86	2.8%	3053	23.0%
US	2	863	38.0%	716	31.5%	358	15.8%	191.8	8.4%	59	2.6%	84	3.7%	2272.7	17.1%
India	3	213	29.4%	45	6.2%	412	56.9%	8.6	1.2%	29	4.0%	17	2.3%	723.9	5.5%
Russian Federation	4	148	22.0%	352	52.2%	87	13.0%	44.5	6.6%	42	6.3%	0	0.0%	673.9	5.1%
Japan	5	184	41.4%	100	22.5%	120	26.9%	4	0.9%	18	4.1%	19	4.2%	445.3	3.4%
Canada	6	101	30.6%	90	27.3%	19	5.7%	23.2	7.0%	88	26.6%	9	2.8%	329.7	2.5%
Germany	7	113	35.0%	72	22.4%	75	23.3%	19.1	5.9%	5	1.5%	38	11.8%	322.5	2.4%
Brazil	8	139	46.6%	33	11.0%	17	5.5%	3.6	1.2%	87	29.2%	19	6.4%	297.8	2.2%
South Korea	9	122	42.7%	41	14.3%	82	28.5%	36.7	12.8%	1	0.2%	4	1.5%	286.2	2.2%
Iran	10	84	31.0%	181	66.8%	2	0.6%	1.4	0.5%	3	1.1%	0	0.0%	270.7	2.0%
<b>Total World</b>		<b>4418</b>	<b>33.3%</b>	<b>3204</b>	<b>24.1%</b>	<b>3732</b>	<b>28.1%</b>	<b>592</b>	<b>4.5%</b>	<b>910</b>	<b>6.8%</b>	<b>420</b>	<b>3.2%</b>	<b>13276</b>	<b>100%</b>

In the Annual report for the year 2016-17, we have extensively covered an overview of global oil scenario. We have covered the "Top Oil Producing and consuming countries and their global ranking", "Global refinery capacities", "Oil imports & exports", and a brief of prevailing retail selling prices in Sri Lanka as well as major Oil importing countries of the world.

This year, we will like to give a brief overview of other five major commodities. The basic idea of giving this information in the Annual Report is to share our knowledge for the kind information of our shareholders so that they can understand the dynamics of the energy sector of the world.

## PERFORMANCE

### PETROLEUM & ENERGY SECTOR OVERVIEW

Country/ Region	Million Tonnes Oil Equivalent (2016)	% Share of the country in the total consumption
US	716	22.4%
Russian Federation	352	11.0%
China	189	5.9%
Iran	181	5.6%
Saudi Arabia	98	3.1%
Japan	100	3.1%
Canada	90	2.8%
Mexico	81	2.5%
Germany	72	2.3%
United Kingdom	69	2.2%
India	45	1.4%
Others	1,211	37.7%
<b>Total World</b>	<b>3,204</b>	<b>100.0%</b>

#### Gas

Global natural Gas production grew by 03% in 2016 to reach 3212.9 Million Tonnes Oil equivalent (Mtoe) in 2016. Major producing countries are US (21.5%), Russia Fed. (16.2%), Iran (5.7%), Qatar (5.1%), India (<1%).

Global Gas consumption grew by 1.5% to 3204.1 Mtoe in 2016. Globally natural Gas accounted for 24.1% of primary commercial energy consumption. Major consumers with share of total are US (22.4%), Russia Fed. (11.0%), China (5.9%), Iran (5.6%), India's (1.4%).

#### Coal

Global Coal production fell by 6.2% in 2016 to 3656 Mtoe. Major producers are China (46.1% of global share), USD (10.0%), Australia (8.2%), India (7.9%), Indonesia (7.0%). Major countries registering a positive growth in 2016 over 2015 are India (+2.4%) and Russia Fed. (+3.1) Vs decline in Indonesia (-6.2%), US (-19.0%) and China (-7.9%).

Global Coal consumption fell by 1.7% to 3732.0 Mtoe in 2016. Major consumers are China (50.6%), India (11.0%) and US (9.6%).

Country/ Region	Million Tonnes Oil Equivalent (2016)	% Share of the country in the total consumption
China	1,888	50.6%
India	412	11.0%
US	358	9.6%
Japan	120	3.2%
Russian Federation	87	2.3%
South Africa	85	2.3%
South Korea	82	2.2%
Germany	75	2.0%
Indonesia	63	1.7%
Poland	49	1.3%
Others	513	13.8%
<b>Total World</b>	<b>3,732</b>	<b>100.0%</b>



Country/ Region	Million Tonnes Oil Equivalent (2016)	% Share of the country in the total consumption
US	192	32.4%
France	91	15.4%
China	48	8.1%
Russian Federation	45	7.5%
South Korea	37	6.2%
Canada	23	3.9%
Germany	19	3.2%
Ukraine	18	3.1%
United Kingdom	16	2.7%
Sweden	14	2.4%
India	9	1.4%
Others	80	13.7%
<b>Total World</b>	<b>592</b>	<b>100.0%</b>

### Hydroelectric

Global Hydroelectric consumption grew by 2.8% to 910 Mtoe in 2016. Globally, Hydroelectric consumption accounted for 6.9% of global commercial energy consumption. Major consumers are China (28.9%), Canada (9.7%), Brazil (9.6%), US (6.5%) and India (3.2%).

Country/ Region	Million Tonnes Oil Equivalent (2016)	% Share of the country in the total consumption
China	263	28.9%
Canada	88	9.7%
Brazil	87	9.6%
US	59	6.5%
Russian Federation	42	4.6%
Norway	32	3.6%
India	29	3.2%
Japan	18	2.0%
Turkey	15	1.7%
Sweden	14	1.5%
Others	263	28.7%
<b>Total World</b>	<b>910</b>	<b>100.0%</b>

Country/ Region	Million Tonnes Oil Equivalent (2016)	% Share of the country in the total consumption
China	86	20.5%
US	84	20.0%
Germany	38	9.0%
Brazil	19	4.5%
Japan	19	4.5%
United Kingdom	18	4.2%
India	17	3.9%
Spain	16	3.7%
Italy	15	3.6%
Canada	9	2.2%
Others	99	23.9%
<b>Total World</b>	<b>420</b>	<b>100.0%</b>

Global bio fuels production grew by 2.6% in 2016 to 82.3 Mtoe. Major producers are US (43.5%), Brazil (22.5%), Germany (3.9%), Argentina (3.4%), Indonesia (3.0%), China (2.5%) and India (0.6%) respectively.

### Nuclear

Global Nuclear consumption grew by 1.3% to 592 Mtoe in 2016. Major consumers are US (32.4%), France (15.4%), China (8.1%) Russia Fed. (7.5%) and South Korea (6.2%). Globally, Nuclear consumption accounted for 4.5% of global primary commercial energy consumption by Fuel.

### Renewable energy

Renewable energy sources usage continued to increase in 2016. Renewable energy consumption grew by 14.1% to 419.6 Mtoe in 2016. Major consumers are China (20.5%), US (20.0%), Germany (9%), Brazil (4.5%), India (3.9%).

Installed Wind Turbine capacity grew by 15.6% to 959.53 TWh at the end of 2016. Major countries are China (25.1%), US (23.8%), Germany (8.1%), Spain (5.1%) and India (4.7%).

A  
PLEDGE  
TO  
SERVE





**“ I started working with Lanka IOC retail outlet at Bambalapitiya in 2003 with my 15 years of service I saw the transformation which took place when Lanka IOC entered into the Country. Lanka IOC also shared their expertise with us and took care of our socials & welfare needs. ”**

**E G Rohana Pushpakumara**  
Customer Attendant, HKS Ranasinghe, (Bambalapitiya)

## PERFORMANCE

### FINANCIAL CAPITAL



Shareholder's Fund  
LKR 19.369 billion



Cash and cash  
equivalent LKR 8.407  
billion



Share price and market  
capitalisation increased  
by 4% during the year



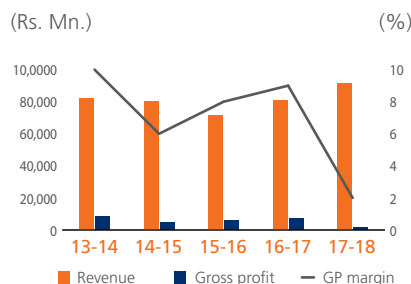
Positive future outlook  
supported by the  
upward revision in fuel  
prices and continued  
diversification efforts

### Financial Performance

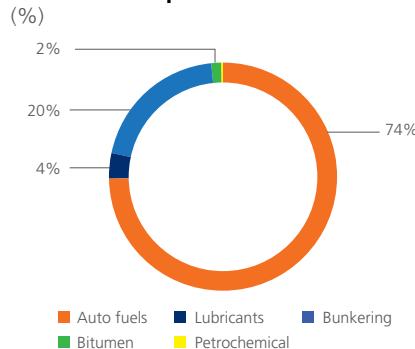
**Revenue:** LIOC's revenue grew by 13% to Rs.91.34 billion during the year supported by the strong growth in bunkering and premium auto-fuels. The bunkering segment's revenue doubled to Rs.18.18 billion as the Company achieved a volume growth of 56% driven by stronger demand due to the implementation of new tax regime in India during second quarter and enhanced service and operational flexibility at Trincomalee. Revenue from premium fuels grew by around 25% during the year reflective of the Company's strategic efforts to drive volume growth in high-value products while curtailing growth in the generic products. Resultantly, sales from generic products (92 octane petrol and auto diesel) declined by 3% during the year. Lubricants continued to record consistent growth, with revenue increasing by 19% to Rs.3.25 billion while the slowdown in government infrastructure projects resulted in the bitumen segment recording a top line decline of 36%. These trends are reflective of the Company's

efforts to seek increased diversification from the auto-fuel segment.

### Revenue and GP Trends



### Revenue Composition



**Gross Profit:** The Company's gross profit fell sharply by 74% during the year; this reflects escalation in global crude oil prices, which increased by an average of 33% from the period from 1st April 2017 to 31st March 2018. We maintained the retail price during the financial year with a view to expecting price increase by GoSL and customer relationships while focusing on generating supply side efficiencies including proactive negotiations with suppliers, shortening the supply chain period and broad basing the supplier base. The Company's gross profit margin fell to 2.0% compared to 8.6% the year before.

**Operating Performance:** Other income increased nearly three-fold to Rs.444.36 million during the year supported by dividend income from Ceylon Petroleum Storage Terminal Limited (CPSTL) and non fuel revenue. Challenging market conditions compelled us to focus on generating operational efficiencies and optimising costs, resulting in the Company's overhead costs declining by



8% to Rs.3.63 billion during the year. Accordingly, both administrative and sales and distribution expenses declined by 21% and 1% during the year. At operating level, the Company incurred a loss of Rs. 1.38 billion during the year compared to Rs. 3.15 billion profit the year before.

### Operating Profit Trends



Pre-tax profit: Finance income increased by 45% to Rs.915.0 million during the year due to astute management of our short-term investments portfolio. Meanwhile finance expenses also increased by 70% to Rs. 306.02 million given the rise in borrowings, interest rates and exchange loss. The expansion in the finance income base enabled the Company to curtail losses during the year with losses reducing from operating level to pre-tax level. Accordingly, LIOC's pre-tax loss for the year amounted to Rs. 775.89 million compared to profits of Rs. 3.60 billion the year before.

Profit after tax and OCI: Taxation for the year amounted to a positive charge of Rs.31.70 million due to a deferred tax asset and pre-tax losses during the year. Overall LIOC's loss for the year amounted to Rs.744.19 million compared to a profit

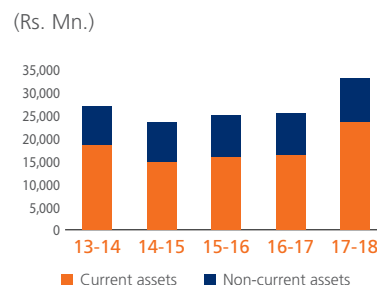
of Rs.3.07 billion the year before. Wide fluctuations in the Company's profit performance over the years is reflective of the impact of price variances in crude oil and our inability to pass on cost increases to customers. The Company's Other Comprehensive Income (OCI) mainly comprised actuarial losses on defined benefit obligations.

### Financial Position

Total assets: LIOC's balance sheet is strong reflected by continued asset growth and a strong equity base. Total assets expanded by 29% to Rs.32.96 billion primarily due to an increase in inventories and short term investments. Our expertise and deep insights into the workings of the global energy market enabled us to pre-empt the rise in crude oil prices to a certain degree, and we adopted a procurement strategy of increasing inventory positions at opportune times. Resultantly, LIOC's total inventory nearly doubled to Rs.10.11 billion by end-March 2018.

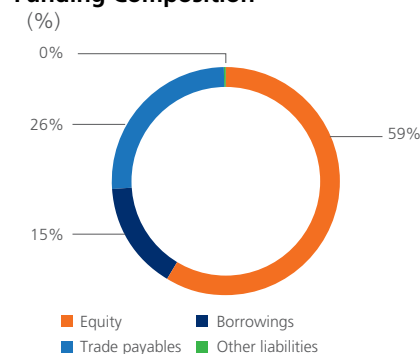
The balance sheet composition resultantly tilted more towards current assets, which accounted for 71% of total assets compared to 64% the year before. The cash position remained strong with cash balances and short-term investments collectively accounting to Rs.8.41 billion (or 26% of total assets). The current ratio and quick asset ratio amounted to 1.7 times 1.0 times as at end-March 2018.

### Total Asset Growth



Total liabilities: LIOC's equity base is strong amounting to Rs. 19.37 billion and funding 59% of the Company's total assets. Total equity declined by 7% due to the losses incurred during the year and dividend distribution. Trade and other payables more than doubled to Rs. 8.55 billion (from Rs.3.59 billion the year before) reflecting the increase investment in inventory. Interest bearing borrowings for the year also increased to Rs.5.02 billion (from Rs.886.02 million the year before) to fund working capital requirements and losses incurred during the year.

### Funding Composition



## PERFORMANCE

### FINANCIAL CAPITAL

#### Shareholder Value Creation

The Company is committed to generating sustainable returns to its shareholders, although the challenging operating environment during the year impacted our return to shareholders this financial year. Earnings per share were negative at Rs.1.40 compared to an EPS of Rs.5.76 last year. Net asset value per share also declined marginally to Rs. 36 compared to Rs.39 the year before.

Despite the weaker operating performance, the Company's share price increased by 4% to close the year at Rs.30.10. It is also note worthy that the share is trading at a price to book value of 0.8 times, demonstrating the underlying value of the share

	2017/18	2016/17
Earnings per share (Rs.)	-1.40	5.76
Net asset value per share (Rs.)	36	39
P/E ratio (Times)	-	5.0
Price to book value (Times)	0.8	0.7
Dividend per share (Proposed) (Rs.)	0.65	1.25
Market capitalisation (Rs. Million)	16,027	15,442



## OPERATIONAL REVIEWS

### Auto Fuels



1. Driving penetration of the branded/premium fuels segment
2. Strengthening the retail and customer experience
3. Retail outlet automation

## Strategic Focus

## PERFORMANCE

### OPERATIONAL REVIEWS

#### Operating Environment

The absence of a pricing formulae for auto fuels continues to have serious implications on the Company's performance, as global crude oil prices increased significantly during the year. Although LIOC has been incurring losses on the sale of petrol since January 2015, this was countered by the cross subsidization of positive margins on diesel. However, following the recent tax increase on diesel this is no longer possible and the auto fuels segment is now incurring losses on both petrol and diesel. Sri Lanka's retail fuel prices are significantly lower than its regional counterparts, as recent increases in global prices have not been passed onto consumers. The relatively low pricing has led to persistent increases in consumption and as a country which imports the entire of its auto fuel requirement, this has inserted significant

pressure on the country's balance of payments and currency.

#### Strategy and Performance

##### Strengthening the branded fuel

**segment:** The Company's strategy for 2017-18 centred on curtailing losses on generic fuels through controlling volume growth and driving stronger penetration and visibility of the branded fuels. LIOC currently offers Xtra Premium Euro 3, Xtra Premium 95 and Xtra Mile variants of branded petrol and diesel respectively, which provide better engine performance and are less harmful to the environment. Despite the challenging industry landscape, we achieved commendable volume growth of around 23.02% in the branded fuels segment, while the growth in generic fuels was curtailed to 03%. The growth in the branded segment was supported by a

wider presence in the North and Eastern regions of the country, continued efforts of our sales teams as well as the strategic positioning of the outlets to enhance product visibility. The auto fuel segment's revenue growth was 02% during the year while losses for the period amounted to more than Rs. 3,000 million, reflecting significant increases in crude oil prices. We also entered into short-term procurement contracts with our suppliers given price fluctuations in the global market.

**Innovation in retailing:** We added 5 new outlets to our network during the year, bringing the total to 207 by end-March 2018. LIOC pioneered the concept of modern retailing in the country's auto fuels market and we have continued to invest in strengthening our network infrastructure. Our efforts to enhance the visual identity of our retail outlets is aimed at improving brand visibility, positioning ourselves as a premium retailer and standardising the customer experience across the network. During the year we invested in upgrading and branding 75 outlets across the country by installing additional storage tanks and dispensing units in nearly 40 sheds, primarily for branded and premium fuels.



Besides world class customer services, Lanka IOC always believes in a 'Modern Elegant Look' of its network, which first attracts customer. This year Lanka IOC started to provide ACM Monolith to its network which is a new Retail Visual Identity feather of LIOC ROs. New Monoliths dramatically enhances the look of the ROs giving customer a feel of a modern company, always ahead of time & competition. In our ACM Monoliths, special imported material is used to give a lasting impression to our customers.



**106**  
Own outlets



**101**  
Franchisee outlets

#### Enhancing the customer experience:

Improving the customer experience is a strategic focus for LIOC and during the year we piloted an automated process to capture and store customer transaction



In a pledge of serve our customers with the very best services available anywhere in the world, we successfully completed our pilot of 'Automation of Retail Outlets - A major customer service initiative' at nine retail outlets this year. Now we are ready for a major roll out of RO Automation during the year. Automation ensures 'Assured Quality & Quantity Promise' to our customers. This kind of automation has been done in Sri Lanka for the first time. Besides customers, our channel partners are benefitted in a major way with better inventory control, reduced end of shift operation and reconciliation. And most important unmatched customer confidence, convenience & satisfaction, leading to higher customer retention. Automation also opens the way for innovative payment solutions & various other benefits will also be rolled out in due course of time. Lanka IOC is always at the forefront of the technology & committed to remain ahead of the competition. A major competitive differentiator.

Our Automation has unique feather of recognizing a pre-registered customer across our 'Automated RO Network' offers a plethora of services & benefits.

details. Customers are issued identification tags and pump attendants have been given mobile devices to identify, bill and issue receipts for transactions. This is expected to significantly enhance the accuracy of billing thereby improving the customer service and overall experience.

**Value creation across our distribution channels:** Pump attendants who serve across our network are an integral part of our operations, as they serve as the contact point for our customers. Attracting and retaining pump attendants has become increasingly challenging given the tough work environment and operating conditions. In order to address this issue, LIOC partnered the National Apprentice and Industrial Training Association, providing an opportunity for pump attendants to obtain an NVQ certification or degree- equivalent with the initial registration fee paid by the Company. We have continued to invest in upskilling our

pump attendants, and during the year conducted a mega workshop on Customer Service Training in addition to ongoing training programmes on fire safety and service quality among others.

In a first of it's kind initiative, the Company also introduced a Life Insurance cover for 450 pump attendants working in retail outlets across the island. The scheme offers a life insurance cover of Rs. 0.5 Mn which increases to Rs.1.0 million in the case of an accidental death and includes permanent and partial disability covers also. LIOC's annual investment in this initiative is expected to be around Rs. 0.5 million and attests to our commitment to consistently enhance our value proposition to partners.

### Outlook

We continue to engage proactively with the Government in encouraging the introduction of a fuel pricing formula which will support the country's balance

of payments and government finances over the long-term. It will also provide more stability and sustainability to the performance of energy companies, leading to much needed investments in the country's energy infrastructure including refinery, pipelines and tankages. LIOC was compelled to revise its fuel prices upwards in March 2018 and this is expected to lead to an erosion of market share in generic fuels. However, our focus will be on driving further penetration in the branded fuels segment and strengthening our retail proposition as a retailer of premium fuel.

## PERFORMANCE

### OPERATIONAL REVIEWS

#### Lubricants & Bitumen



1. Pursuing growth in export markets
2. Expansion of our geographical reach
3. Continuous process improvements
4. Long term tie-up with OEMs

### Strategic Focus



**“ SERVO continued its growth trajectory, with focus on introduction of new grades, expanding distribution network, strengthening OEM relationship and strategic procurement policy. ”**

### Operating Environment

The year under review was a challenging one for the Lubricants market, with input costs increasing by nearly 30% which could not be passed on to customers due to intensified competitive pressures and the resultant price undercutting. Demand growth was also subdued given restrictions on the three-wheeler leasing market and the moderation in consumer spending during the year.

### Strategy and Performance

LIOC's lubricants segment performed commendably in these challenging conditions, supported by strategic partnerships, expansion into new markets and smart procurement decisions. The long-term relationships we have nurtured with our suppliers enabled us to proactively negotiate on input pricing, resulting in the increase of our input costs being contained to 10%. Despite the difficult market conditions, the segment achieved a revenue growth of 19% supported by new partnerships targeting the commercial vehicle segment, and expansion into new export markets; no major profit growth due to margin pressure.

**New markets and products:** During the year we further fortified our market position in the commercial vehicles segment by entering into a strategic partnership with DIMO and Tata Motors India to provide the high-performance Tata Motors Genuine Oil for Tata vehicles. This product combines high quality base oils with selected additives and is currently the best performing new generation oil for Tata vehicles. LIOC also widened its

lubricant export reach during the year, adding Qatar to its destinations. The Company currently exports lubricants to 02 countries in international market. The year under review also saw the launch of 02 new grades of SERVO engine oils.

**Expanding the distribution network:** Our lubricant products are distributed through an island-wide network of 207 modern Retail Outlets, 23 lube distributors, 52 service stations and 300 Servo shops. During the year, we added 16 service stations and 65 Servo shops to our network. The Company's extensive geographical reach has been a key factor enabling it to rapidly capture market share and emerge as the 2nd largest player in the country's lubricants market in a relatively short period of time.

**Pursuing operational excellence:** LIOC operates a state-of-the-art lube blending plant in Trincomalee, the first lube plant and laboratory to obtain the ISO 9001: 2015 certification in Sri Lanka. Achieving operational excellence through continued



Warehouse at Lube blending plant in Trincomalee

## PERFORMANCE

### OPERATIONAL REVIEWS

process improvements was a key focus during the year; we invested nearly Rs. 522 million in infrastructure modification, capacity augmentation for blended lubricants and installation of an online weighing and digital packing system at LBP. This has led to stronger internal controls, better quality assurance and improved traceability across our processes. We also initiated a Total Cost Management program during the year, which is expected to be completed by 2018/19.

Value creation to our business partners: The Sadbhavana Scheme is a unique program conducted on an ongoing basis with the aim of nurturing long-term, sustainable relationships with lubricants dealers and retailers. Through this program, LIOC sets aside Rs. 1 per litre of lubricants sold by each distributor to create a 'reward fund' which is utilised annually to conduct an engagement and networking sessions. Best performing retailers are recognised and rewarded at this forum, which also serves as an effective platform for sharing industry insights and market knowledge. We have also launched the Jeevitha Suraksha Life Insurance scheme for lubricant distributors through which any distributor who purchases 1000 litres of lubricants within a specific period is eligible for a life insurance cover.

#### Branding

In order to support sports in the country, Lanka IOC has been actively associated with Sri Lankan cricket team and during the year, sponsored three major tournaments in Sri Lanka - Zimbabwe tour of Sri Lanka during June/July 2017, India tour of Sri Lanka during August-September 2017 and thereafter coveted "Nidahas Trophy" in March 2018. Nidahas Trophy tournament was a tri-nation series

between Bangladesh, India and Sri Lanka which was played to celebrate Sri Lanka's 70th year of independence strengthening the bonds between the three countries. This provided us great branding opportunity, not only in Sri Lanka, but across globe.



MD, LIOC handing over man of the series award to Rangana Herath



MD, LIOC handing over man of the match award to Virat Kohli

#### Outlook

The domestic lubricants market is expected to grow at an average of 3% next year and the entry of several new players is likely to further challenge profitability margins. We will continue to seek growth in export markets and are currently exploring the possibility of exporting to Indonesia, in which we see strong potential for growth. We will also continue to invest in enhancing our infrastructure, with an augmentation in storage capacity and modifications in the blending plant to be carried out in the next financial year

### Bitumen



The slowdown in government infrastructure development projects affected the performance of the country's bitumen industry during the year. Meanwhile, the issuance of licenses to 27 new players have heightened competition in a shrinking market, offering limited prospects for growth. Despite maintaining its market leadership position, LIOC recorded a 36% decline in bitumen revenue during the year, reflecting the challenging industry landscape. Our edge in this segment is underpinned on strong procurement practices and market reputation. The short-term outlook for the Bitumen segment continues to be subdued given demand slowdown and higher competitive pressures.



## Bunkering



1. Operational flexibility to customers
2. Generate economies of scale
3. Long term contract with suppliers

## Strategic Focus

## PERFORMANCE

### OPERATIONAL REVIEWS

“Trincomalee is the only port in Sri Lanka offering Ultra Low Sulphur MGO for niche customers.”

#### Operating Environment

An increase in both import and export trade flows presented growth opportunities for the bunkering market in Sri Lanka although intense competition between players has continued to pressure profitability margins. Storage limitations in the Colombo port have compelled bunkering service providers to engage in underselling to avoid payment of demurrage, further intensifying price competition. The Port of Trincomalee, on the other hand has significant potential for growth, supported by its strategic position on regional maritime routes and relatively conducive weather conditions.

#### Strategy and Performance

LIOC is currently the market leader in the bunkering segment offering IFO 180 cst, IFO 380 cst and MGO to local and foreign going vessels in the Colombo and Trincomalee ports. The segment recorded strong growth during the year under review, achieving its highest ever monthly sales volume of 43 TMT in September 2017. Trincomalee is the only port in Sri Lanka offering Ultra Low Sulphur MGO for niche customers. Our presence at Trincomalee has encouraged vessels to

dock at the port, promoting Trincomalee as a hub for Bunker Supplies.

During the year the segment achieved revenue growth of over 100% and volume growth of 56% supported by several strategic initiatives to drive business expansion; flexibility in tendering contracts now allow our customers to move between the Trincomalee and Colombo ports providing operational flexibility and increased convenience. We also commenced supply to other bunker suppliers, enabling increased economies of scale and larger parcel sizes. Bunker players also entered into a Barge Capacity Sharing agreement at the Colombo port providing flexibility to access any barge that becomes available, further boosting revenue potential.

Re-bonding sale at Colombo to other bunker suppliers increased over the year which helped in increasing 56% volume growth at Colombo/Trincomalee together.

#### Outlook

The short to medium term outlook for the country's bunkering industry is positive, particularly given an increase in India's bunkering tax which renders Sri Lanka a

more competitive location. The country's strategic positioning within regional marine routes and competitive pricing affords it much potential for growth. That said, substantial investments in infrastructure development is essential to successfully capitalise on the country's growth potential; for instance, both Colombo and Trincomalee ports lack the jetty depth to attract larger vessels. More ever night time berthing facility is not available in both the ports, which is likely to contain the country's growth prospects in bunkering over the long-term.



## MANUFACTURED CAPITAL



Addition of 5 retail outlets during the year bringing the total count to 207.



Rs. 522 million further investment in Manufactured Capital



Process re-engineering and productivity improvements in the Trinco Terminal



Ongoing expansion of Manufactured capital to drive diversification and customer excellence agenda

LIOC's Manufactured Capital comprises its physical infrastructure which is used for storing, blending and distributing its products and its digital infrastructure which enables efficient management of daily operations. The key constituents of the Company's physical infrastructure are given below;

**The Retail Network:** The Company's island-wide retail outlets are the key point of customer contact and plays a vital role in ensuring accessibility and superior customer experience. Our network comprises 207 retail outlets which are distributed across 09 provinces and 24 districts. Our extensive reach has enabled us to facilitate mobility and economic activity in the peripheries of the island, directly contributing to socio economic empowerment. We have continued to invest in enhancing the coverage, visual identity and brand visibility of our outlets; during the year we added 5 new outlets to our network and refurbished 10 outlets.

**Oil Terminal and Lube Blending Plant at Trincomalee:** Our facility comprises



Bowser filling shed at Trincomalee

100 storage tanks, pipelines, pumping units and other allied infrastructure. The Terminal also operates a state-of-the-art laboratory which conducts tests on oil and lubricants product development. Meanwhile, the Company's lube blending plant is also located in the Trincomalee terminal with a capacity of 18,000 KLPA.

The plant has the capacity to blend the entire range of 'Servo' brand of lubricants.. The facility also houses Sri Lanka's only ISO-certified laboratory which has the capability to blend over 350 grades in automotive, industrial and marine applications. Given our strategic focus on expanding our lubricant market, we have

## PERFORMANCE

### MANUFACTURED CAPITAL

continued to invest in the upgrading and improving the process efficiencies at the lube blending plant.

**Storage and terminaling infrastructure:**  
This includes the infrastructure available through our JV with CPC, namely the Ceylon Petroleum Storage Terminals Limited (CPSTL). CPSTL operates 12 oil storage and distribution facilities across the island, including two terminals in Kolonnawa and Muthrajawela. This infrastructure is vital to the uninterrupted functioning of our operations.

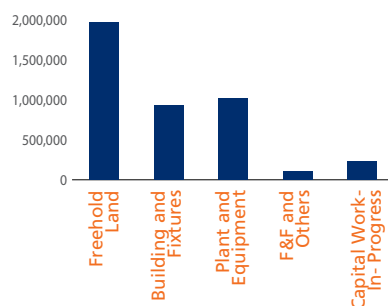
#### Value Addition in 2017/18

During the year, the Company invested Rs. 522 million in further strengthening its manufactured capital through the following;

- Addition of 5 new retail outlets and refurbishment of 10 outlets
- Facility augmentation for additional storage tanks and dispensing units in 40 retail outlets primarily for premium fuels
- Revamping old tanks at the Trincomalee terminal
- Replacing old pipelines that were impacted by corrosion
- Investments in new equipment at the Trinco laboratory
- Procurement of a new forklift and conversion of 3 storey barrel racks to 4 storeys

- Process reengineering and productivity improvements in Trincomalee.

**Manufactured Capital**  
(Rs. Million)



#### Way Forward

The next financial year is likely to see continued investments in our manufactured capital, with focus on strengthening our branded fuels segment and the lubricants division. Key capex planned for 2018/19 include,

- Addition of a new conveyor line, large barrel filling system and 5,000 litre kettle in the lubricant blending plant.
- Launch of 05 new retail outlets during the year.
- Retail outlet Automation to enhance customer services
- Roll out of LIOC branded service station for lubricant customers.
- Oil spill response equipment



## INTELLECTUAL CAPITAL



Ranked among the country's strongest brands in 2017



52 innovations at the Trincomalee Terminal



IOC filed for 105 patents during the year 2017



Outlook for 2018/19: Focus on enhancing brand recognition and customer loyalty

LIOC's Intellectual capital embodies the unique aspects of its organisational culture, such as its corporate values, base of tacit knowledge as well as its access to the research and development capabilities of IOC. The Company's brand equity is also an important element of its intellectual capital.

We continued investments so as to further strengthen our brand and during the year engaged in the following initiatives;

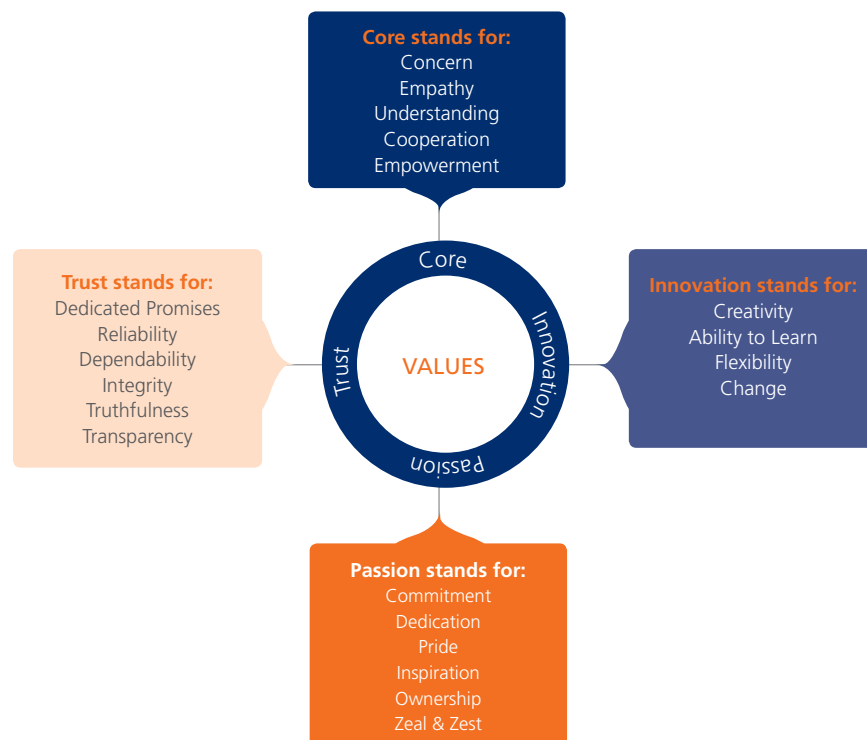
- Standardising the customer experience by ongoing employee development
- Corporate partnerships
- Ongoing and proactive communication with stakeholders

### Corporate Values

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

### Our Brand

The LIOC brand is frequently featured among Sri Lanka's top brand listings. In 2018, it was ranked as Sri Lanka's 34th most valuable brand by Brand Finance with a brand value of Rs. 3.32 billion. Meanwhile, the Company's lubricants brand SERVO is a leader in lubricants and greases in India with strong brand recognition. It has been conferred the 'Consumer Super Brand' status by the Super Brands Council of India and was recognised for its brand leadership by the World Brand Congress and as a Master Brand by COM, Asia. The brand has a presence in over 20 countries, offering 1000 commercial grades and over 15000 formulations.



## PERFORMANCE

### INTELLECTUAL CAPITAL

#### Tacit knowledge

The Company's tacit knowledge is nurtured through a culture of mentoring and knowledge sharing among employees. The secondment of industry professionals with extensive experience in the oil and gas sector from India has contributed significantly towards enhancing the Company's organisational capital and tacit knowledge base. Meanwhile the implementation of LIOC's time tested policy frameworks and governance approaches have contributed towards nurturing a unique base of organisational knowledge at LIOC. Established in India in 1959, IOC was ranked No. 1 in the Fortune India 500 list for year 2016 and 168th in Fortune's 'Global 500' list of world's largest companies in the year 2017.

#### Research and Development capabilities

The Company is a direct beneficiary of the extensive R&D capabilities of its' parent. Globally renowned for over four decades of pioneering work in the formulation of lubricants, refinery processes, pipeline transportation and alternative fuels IOC has garnered over 550 patents of which over 360 are international. IOC's state-of-the-art R&D facility in Faridabad is also at the forefront of sustainable energy programmes including bio-energy, solar-energy, synthetic fuels and shale oil.

#### Process innovation at the Trincomalee Terminal

During 2017/18 strategic emphasis was placed on generating efficiencies and achieving cost optimisation through process re-engineering at the Trincomalee Terminal. These improvements followed a thorough evaluation of all processes at

the Terminal and subsequent refinement to save time, eliminate wastage and increase productivity. An ambitious target of driving 1 innovation per week enabled the Company to achieve 52 innovations during the year. A list of the key process innovations and the results achieved during the year are given below;

Process innovation	Estimated impact
Redeployment of security employees	Rs.2.8 million savings per annum
Process re-engineering at the TLF gantry	Increasing loading efficiency by 50%
Testing samples of white petroleum discharge at the Trincomalee lab as opposed to the previous practice of transporting it to Colombo	Rs.14 million savings per annum
Barge-loading rate enhanced by continuous innovation	Rs.24.3 million savings per annum
Enhanced the white oil tanker unloading rate	Rs.34.0 million savings per annum Reduced tanker detention time by 36 hours
Enhanced the black oil tanker unloading rate	Rs.55.0 million savings per annum

#### IOC's R&D success story in 2017

105 patents filed

27 patents granted

1 commercialised



GRI 102-7



## HUMAN CAPITAL



Talent attraction: 7 employees recruited and confirmed during the year.



Employee Attrition rate improved to 3.07% from 4.32%.



Zero work-place injuries during the year



Outlook for 2018/19: Focus on skill development

### Our Approach to People Management

LIOC's team of 172 employees are the drivers behind our strategic agenda, living our corporate values and upholding brand image. We at LIOC, believe that employees are our internal customers and strive to develop and nurture long standing relationships. Our employee proposition is underpinned on attractive remuneration schemes, opportunities for training and career development and ensuring a conducive, injury-free environment to all workers.

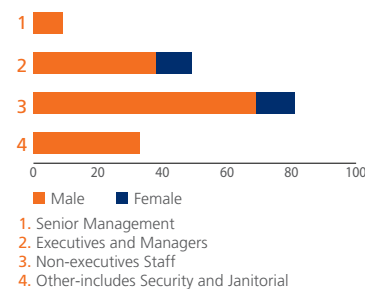
### Human Resource Governance

As a subsidiary of IOC, the Company's HR policy frameworks are broadly aligned to that of its parent and have been revised where-ever relevant to reflect local labour laws and industry practices. The governance framework in place promotes clear segregation of duties, judicious empowerment and clearly defined governance structures. During the year, we reviewed and revised our Promotions policy with the objective of nurturing a strong talent pipeline.

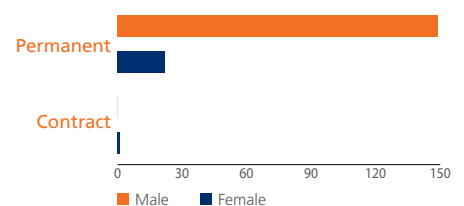
### Our talent pool

Our pool comprises 172 employees who are diverse in terms of skills and industry experience; of the total pool 9 comprise employees seconded from the parent entity. Given the extensive geographical distribution of our retail outlets, employees are recruited from all areas of the country. Female representation is relatively low, particularly in the non-executive grades, but amounted to 19% in the executive and above categories. The profile of our team is graphically illustrated below;

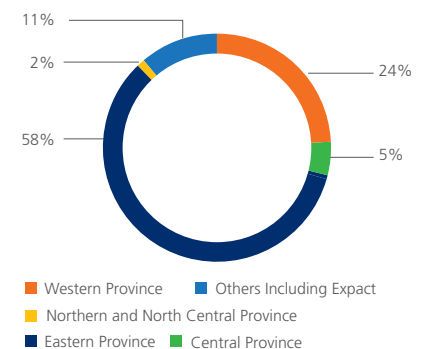
### Employee by Category and Gender (Nos.)



### Employees by Contract and Gender (Average)



### Regional Distribution of Employees (%)



## PERFORMANCE

GRI 401-1,405-2

### HUMAN CAPITAL

#### Strategic focus in 2017/18

The Company's HR strategy for the year was formulated to address key challenges stemming from the operating landscape; these challenges are listed alongside. Progress against these strategic objectives are discussed in subsequent sections of this Report.

- Talent attraction
- Enhancing benefit structures

- Training and development
- Identify high-performing employees and ensuring opportunities for career progression

#### Talent Attraction

As a subsidiary of one of the largest corporate entity's in Asia, LIOC offers its employees a unique opportunity to sharpen skills and develop attitudes in a conducive work environment. This

has enabled LIOC to position itself as a preferred employer, attracting the industry's best talent. We are an equal opportunity employer and do not discriminate on gender, age or ethnicity in recruitments, promotions and other benefits. The remuneration ratio between males and females at entry level is 1:1. During the year, we added 7 employees to our cadre, the profile of whom are given below.

New recruits by gender		New recruits by age		New recruits by region	
Male	6	18-30 years	6	Northern	1
Female	1	30-55 years	1	Eastern	1
		Above 56 years	-	North Central	1
				North Western	4



**Anushi Rajeevani**  
Executive Finance

“After completing academic studies I started my career from LIOC. This was my first job experience. It paved the path for my studies in Finance field and to get a good experience on Industrial and commercial back ground of a Business environment. I have now settled down in my career which totals to 15 years of work experience at LIOC. Being a mother for the past 10 years, I'm able to balance my personal life and work and didn't get the feeling that I'm away from home.

LIOC designs a working environment that is safe, comfortable and appealing to work in. Management defines clear and specific expectations of any given job and treat employees as independent individuals by giving much flexibility as possible to prioritize work and plan work accordingly.

I cherish the way in which LIOC cares for employees and wish all the best for the company to prosper more and more.”

#### Remuneration and Benefits

The Company offers attractive rewards and remuneration schemes, which are in line with industry best practice. All benefits provided to employees are listed

in the table below. During the year under review, the Company further strengthened its reward structures by extending car loan facilities for junior employees and providing life insurance coverage for employees.

GRI 401-2



**Manjula Gervase Abeywickrama**  
Assistant Manager- Commercial

“ I have been working in this Organization over the past 10 years. During this period I had an opportunity to work under different officials and professionals. Working with LIOC has helped to enhance my career as well as get wider exposure of my professional life. Lanka IOC gives better opportunities, recognition and motivation to its employees with adequate training & product knowledge locally and overseas.

I strongly believe that Lanka IOC has changed the concept & the physical atmosphere of the industry and created strong brand image in the energy sector. I am very much proud to be a member of one of the Fortune 500 Company. ”

Employee benefits to permanent cadre	Description	Benefits to Probationers
Maternity leave	84 working days for first two child.	Yes
Retirement provision (Gratuity)	Statutory Gratuity	N/A
Additional gratuity under thrift society	This gratuity is given over and above the Statutory gratuity.	N/A
Distress loans	Simple concessionary interest rate personal loan recoverable in 60 months.	No
Housing loans	Simple concessionary interest rate house construction or repair loan recoverable in 240 months.	No
Car Loan	Simple Concessionary interest rate.	Yes
Medical leave	14 to 21 days	No
Welfare related benefits	• Every employee is entitled to a 3 day / 2 nights stay with family at any choice of hotel sponsored by the Company.	No
	• Participation in Lanka IOC sports Club events	Yes
	• Annual picnic with family members	Yes
	• Employee welfare shop at Trincomalee.	Yes
Medical benefits	• Unlimited medical benefits and reimbursement to directly recruited employees	Yes
	• In-house medical doctor at Trincomalee and also provides free medicine.	Yes
	• Reimbursement of spectacle expense	No
Insurance Cover	Insurance Cover for partial and permanent disability and life.	Yes
Other facilities	• Provision for uniforms.	Yes

## PERFORMANCE

GRI 401-3

### HUMAN CAPITAL

Employee benefits to permanent cadre	Description	Benefits to Probationers
	• Support extended to family members such as bus for school children.	Yes
	• Official residencies (quarters) for Trincomalee employees	Yes
	• Long service awards	N/A
	• Scholarship for employee school children	Yes
	• Death benefit for employee/family members	No
	• Payment for unutilized medical leave	No
Other Common Facilities	• PAYE born by the company	Yes
	• Mobile handset reimbursement	Yes
	• Rewards for completion of higher studies etc.	Yes



**T. Yogeswaran**  
Executive-Engineering  
Trincomalee Oil Terminal

“ Working with Lanka IOC PLC has given me tremendous exposure to my professional career which brightens my future. I am witness to the innovative and ground-breaking process prevails in Lanka IOC PLC making the company one of best company in our country. I wanted to be part of best working force with high level professional competency.

I have enjoyed working with Lanka IOC PLC in different functional portfolios for last ten years and I am proud to be part of positive thinking management and employees in this company. I wish all the best to Lanka IOC PLC and its Team for a great successful future. ”

#### Maternity leave and return to work rates

	2017/18
Employees entitled to maternity leave	23
Employees under maternal leave during the year	2
Return to work after maternal leave from above	2
Employees who are still in employment 12 months after returning from maternal leave	All



**Sajani Fernando**  
Assistant-Operation (Bunkering)

“ Lanka IOC PLC has provided me with a great opportunity to enhance my knowledge and my career. LIOC rewards high performers and does a good job by keeping employees' morale high. ”

GRI 404-1, 404-2, 404-3

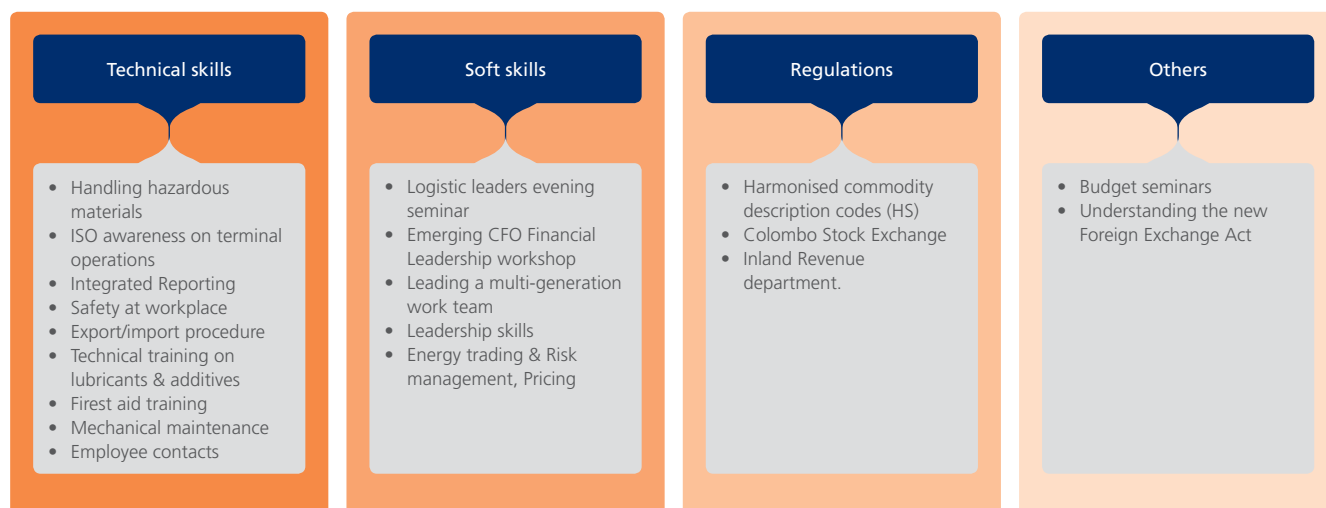
## Training and Development

Providing opportunities for ongoing training has been an important aspect of our success. With the growing need for specialist skills and innovative capabilities, we support our employees in sharpening skills and competencies through routine training programs. In addition to on the

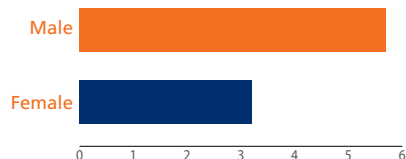
job training, employees are given the opportunity to attend external training programmes. During the year we invested Rs. 1.17 million in training, translating to total training hours 927. A summary of the training activities carried out during the year are given below;



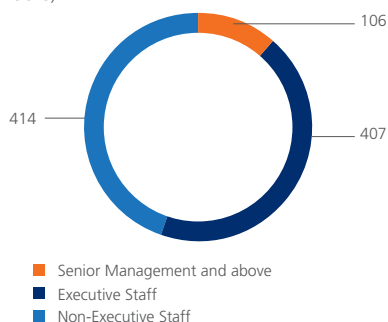
Hon'ble Deputy Minister of Petroleum felicitated on Women's day Celebration at Head Office on 08.03.18



**Average Training Hours by Gender**  
(Average)



**Training Hours by Category**  
(Hours)



The Company's approach towards talent development embodies a mutual responsibility of management and employees in continuously working towards the following objectives.

- To ensure a qualified, enthusiastic and reliable work force
- To ensure quality work environment and resources for all employees

- To guarantee that Lanka IOC is perceived as a desirable place to work for ambitious professionals and a place for providing further expert development
- To promote cooperation and mutual trust amongst employees
- To promote opportunities for employees for professional development to further increase their qualifications and broaden their spectrum
- To guarantee equality in the work place

## HUMAN CAPITAL

We encourage employees' continuous development of skills and support their educational aspirations through loan facilities for higher studies & flexibility in leave for attending classes. Currently, 15% of our employees are enrolled in some form of higher studies and 10 employees have already completed their MBA, 7 have completed Post Graduate qualifications and 11 have completed Degrees and Diplomas while in service.

As given in the table below illustrates the current employee's qualification metrics in different subject areas.



**K.M.Nimali Kanakarathne**  
Depot Officer-Trincomalee Oil Terminal

“ I am privileged to work for a world renowned institution such as LIOC for fifteen years, which supplies fuel energy to the Sri Lankans.

The most outstanding features I have observed in the Lanka IOC, are the welfare facilities given to employees, CSR activities and it's concerns on the environment.

I am really proud to be a member of such a profound and fabulous institution which always provide great strength to the Sri Lankans, especially during the fuel crisis in the country. ”

Qualification	Qualification Metrics					
	MBA	CA/CIMA/ ACCA/ ICSA	BSC Engineers	Post Graduates	Graduates	Diploma / Certificate
No. of Employees	13	8	4	9	12	13

### Performance Management and Career Progression

A performance driven culture is a driving force within our organization ensuring the collective involvement of all employees towards corporate objectives. Performance

is measured through a set of defined key performance indicators (KPIs) which are cascaded from the strategic plan and support a continuous evaluation of employee performance. During the year, 100% of the workforce participated in

performance appraisals which served as the platform to identify skill gaps and employee concerns. The performance appraisals focused on several behavioural and technical competencies of employees and aspects such as job knowledge, work quality, leadership, decision making abilities, innovative thinking, etc were evaluated to identify skills gaps.



**Bimla Jayaratne**  
Executive-Finance (Bunkering)

“ I am proud to be a part of the LIOC team, where the company always emphasized on developing a knowledge based culture that would nurture resourceful individuals who are an asset to the company. During my employment with LIOC I was able to professionally qualify in Chartered Institute of Management Accountants - UK and MBA from Cardiff Metropolitan University UK. ”

We strive to provide a clear path of career progression to our employees, creating an environment that enables employees to learn and grow. Criteria for promotions are transparent and clearly communicated to all employees. The structured development plan defines two channels of promotions, namely the green channel and regular channel. Whilst the Green channel focuses on high performing employees, the regular channel provides an equal opportunity

GRI 402-1, 403-2

to the entire calibre. During the year the Company promoted 07 employees.

### Occupational Health and Safety

Ensuring an injury-free, safe working environment is a critical aspect of our value proposition given the high degree of exposure to risks such as fires and oil spills. We strive to maintain international health and safety standards among employees, customers and other stakeholders at all our locations including the retail outlets. Ongoing efforts are made to ensure that safety equipment and systems are in peak operating conditions while ensuring all employees undergo safety training. Outsourced employees such as bowser drivers and assistants are also provided safety training. The Company has continued to maintain an impressive health and safety record, with zero injuries recorded from the inception.

Injury rate	Nil
Occupational diseases rate	Nil
Lost day rate	Nil
Absentee rate	Nil
Work-related fatalities	Nil
Workers who have a high risk of specific diseases	Nil



Annual picnic at Habarana Lodge March 2018

### Labour management relations

We understand our employees' right to freedom of association and approximately 60% of our workforce (comprising employees of the Trincomalee Terminal) are represented by 3 trade unions. As a provider of an essential service, maintaining cordial trade union relations is critical to ensuring an uninterrupted supply. In addition to frequent

engagement with union representatives, we have also implemented a Formal Employee Council to ensure that employee concerns are identified and addressed. An open-door policy is also maintained at all times, providing an opportunity for employees to direct their concerns to management. On average employees are given 14 weeks of notice prior to significant operational changes. During the year, there were no instances of industrial unrest, work stoppages or disruption arising from industrial action.

### Employee retention

The Company's retention levels are good, attesting to the strength of its employee value proposition. During the year 5 employees left employment while one retired, translating to a total turnover rate of just 3.07%. The profiles of our exit employees are given below;



**Chaminda Perera**  
Manager-Sales

“ My journey with the Lanka IOC started back in 2003. Fast forward 15 years and here I am - the Manager Sales. What I love most about this company is the opportunity and support that is given to the employees. Every day I'm surrounded with hardworking, professional people enjoying the challenges and rewards that come with the job. When working in the field I truly get the pulse of what our customer's want.

Proud to be a part of a wonderful family for the last 15 years! ”

Exit employees by gender		Exit employees by age		Exit employees by region	
Male	4	18-30 years	2	Eastern	1
Female	2*	30-55 years	3	North Central	1
		Above 56 years	1	North Western	4
*1 Retired					



## PERFORMANCE

### HUMAN CAPITAL

#### Employee Engagement

LIOC Sports Club: The Sports provides a platform for employees to engage in sports and physical activity. The Sports' club's cricket team is registered at the Mercantile Cricket Association and is an active participant in Mercantile events. Club members also enjoy table tennis and carrom for which the facilities are provided by Head Office. A year-round calendar of social events and sporting activities are held to build a sense of camaraderie among employees.



Team Building Games during annual picnic

#### Way Forward

As competition for labour intensifies and technological disruptions reshape work dynamics, we will be compelled to drive

further improvements in our employee proposition. Key priorities for 2018/19 include,

- Focus on training and development to ensure that employees are equipped with the right skills to drive our strategic agenda
- Maintain optimum balance between developing internal talent and recruiting new employees



**Gayan Kanishka**

Executive-Administration

“ LIOC is a great place where we are rewarded and valued for our performance. The culture within the company is a great example for the application of OCB (Organisational Citizenship Behaviour) where the co-operation of colleagues and the management help to do things successfully than before. Working with LIOC has helped me to improve myself. I'm always proud to be a part LIOC team. ”

## HUMAN CAPITAL - MANAGEMENT PROFILE



### **Bankim B Patra**

*Senior Vice President  
(Lubes & Bitumen)*

Qualification: Bachelor in Chemical Engineering from Culcutta University.

During his stint at IOC over the past 26 years, he has experience in sales & marketing, strategic planning, key account management, customer servicing, technical services for the supply of lubricants and also rich experience in Operations department. Presently, he serves as LIOC's Head for Lubes, Bitumen and Petrochemicals in Sri Lanka & Maldives. He is responsible for procurement of Base oils, Bitumen, Additives and Petrochemicals from International Markets. He also manages costing & pricing finish products, Production of Automotive and Industrial Lubricants & Branding of Servo Lubricants, Supply chain management, marketing of lubricants, Bitumen & Petrochemicals and export of lubricants.



### **Anuj Jain**

*Senior Vice President  
(Finance)*

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

During his stint at IOC over the past 22 years, he has handled varied financial, taxation & commercial aspects of the oil & gas sector such as Corporate Finance, Treasury, Supply Chain Optimization, Pricing, Shipping, Direct & Indirect Taxation, Refinery and Marketing Finance, Insurance, SAP ERP system etc. He has also handled special assignments such as IFRS implementation, fair valuation of assets, enterprise risk management, fraud prevention & internal controls etc. As SVP(F) of LIOC, he overlooks the entire financial matters of the Company. Mr. Jain is also a Director of the Ceylon Petroleum Storage Terminals Limited (CPSTL).



### **Chittem Raju**

*Senior Vice President  
(Operations & LBP), Trincomalee*

Qualification: Civil Eng. Degree from Venkateshwara College of Engineering.

He brings with him 30 years of experience in IOC at various Terminals and LPG Plant operations. He also has the distinction of serving as an empanelled Safety auditor for OISD inspections of Oil Terminals in India. LIOC Trincomalee Oil Terminal & Lube Blending Plant, which he currently heads has been recently awarded the Best Enterprise Extra Ordinary Award from Chamber of Commerce, Eastern Province where he has implemented various ideas to improve productivity and reduce cost in tanker, bunker and operation chain logistics. He has also implemented innovative good HR Practices at location level.

## PERFORMANCE

### HUMAN CAPITAL - MANAGEMENT PROFILE



#### **Siddharth Agarwal**

*Senior Vice President  
(Retail Sales & Human Resources)*

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

Mr Agarwal possesses a wide experience of over 23 years in IOC with exposure in LPG operations and Sales. He has headed Divisional sales offices at Shimla & Amritsar where he was overall responsible for retail business of Auto fuels. While serving in state of Uttar Pradesh, he took various initiative to expand branded fuel network, augmentation of visual identity of retail network, capacity building of dealers and retail outlet staff etc. of a vast network of more than 2500 retail outlets. He heads the Sales & Human Resource function of LIOC.



#### **Randhir Singh**

*Senior Vice President  
(Operations & Bunkering)*

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

During his stint at IOC over the past 23 years, he has handled various aspects of Operations department at various IOC locations & Head Office such as storage, handling, distribution, Rail co-ordination for bulk movement, supply chain management of Petroleum products. Presently heading operations and bunkering function at LIOC, he is responsible for import of gasoil, gasoline for retail business and MGO & FO for bunkering at Colombo & Trincomalee ports and for trading & execution of bunkering supplies to foreign vessels calling at Colombo & Trincomalee ports.



#### **Faizan Ahmad**

*Senior Vice President  
(Engineering)*

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

During his stint at IOC over the past 21 years, he has handled various assignments in engineering and operations. He has rich experience in retail engineering, accommodation and warehousing projects so as to strategize techniques for reducing project cost and time. His areas of speciality include selection of the most suitable contracting methodology as per the situational requirement and his expertise to handle multi-site projects across different cultures. As head of engineering at LIOC, Mr. Ahmad is responsible for ensuring provision of all infra-structure related requirements viz. retail outlets, bulk storage and handling facility for petroleum fuel, lube blending plant etc.



### **Chiranjeevi Thallapally**

*Vice President  
(Operations), Trincomalee*

Qualification: Mechanical Engineer from Osmania University, Hyderabad.

He possesses 12 years of extensive experience in oil terminal operations including tanker & bunker operations, safety and maintenance of tanks, pipelines, & pumps. During his stint at terminals, he has supervised & commissioned Engineering projects. He possesses expertise in finalizing contracts including e-tenders. Further, he has implemented several innovative methods of training personnel in safety and SAP.



### **Gourav Jain**

*Vice President  
(Finance)*

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

He presently oversees finance and accounting functions of the Company. He has had a wide exposure of over 14 years' experience in Gujarat and Rajasthan Marketing State Offices of IndianOil and other corporates overlooking the functions of finance, costing and taxation activities. Apart from finance activities, he is also responsible for IT activities of the company, including development of SAP-ERP.

## PERFORMANCE

### SOCIAL AND RELATIONSHIP CAPITAL



Launch of Life Insurance Scheme for pump attendants



582 Customer touch points



Automation process in retail outlets to drive better customer services



Outlook for 2018/19:

Since its entry to the Sri Lankan market, LIOC has nurtured meaningful and sustainable relationships with diverse stakeholders through adopting a value-driven approach. While supporting our financial performance, these relationships have played a vital role in preserving the Company's competitive edge in challenging market conditions.

#### Customer Relationships

We serve the Sri Lankan masses through providing an essential service that facilitates economic activity, mobility and development. Our extensive reach allows us to serve all regions of the country and nurture long-term relationships through

superior product quality and service excellence. Our value proposition (illustrated alongside) has allowed us to achieve commendable market share in an industry that is dominated by the state sector.

Engagement and accessibility

Product responsibility

Innovation

Service excellence



Training for Pump Attendants at BMICH Colombo



### Engagement and Accessibility

We operate a network of 207 auto-fuel retail outlets disbursed across 09 provinces and 24 districts, which are the key points of customer contact. Meanwhile we have focused on improving the accessibility of our lubricants products, which are now sold through a network of 300 SERVO shops.

Province	Auto-fuel outlets	SERVO shops	SERVO Distributors	SERVO Service Stations
Western	82	56	7	9
Central	26	26	2	-
Northern	10	27	2	3
North Western	19	65	2	21
Eastern	14	29	3	19
Sabaragamuwa	14	17	2	-
North Central	08	40	2	-
Uva	11	18	1	-
Southern	23	22	2	-
TOTAL	207	300	23	52

**FuelMe Mobile App:** We have also sought to widen accessibility through leveraging on the country's high mobile penetration and increased connectivity; the FuelMe mobile app is the first of its kind in Sri Lanka and allows customers to locate the outlet that is nearest to their location. The app features a range of rich functions and automatically detects the user's location

and provides information on the nearest outlet and availability of fuel preference. The app also provides directions to the selected outlet, enhancing customer convenience.

#### Product Responsibility

Due to the flammability and safety risks associated with our products,

product responsibility is a key element of our customer value proposition. The Company's product development is backed by the extensive research capabilities of IOC, which ensures adherence to strict quality parameters.





## PERFORMANCE

GRI 416-2, 417-1, 417-2, 417-3

### SOCIAL AND RELATIONSHIP CAPITAL

#### Health and safety

Our customers come into contact with our products at our retail outlets and strict procedures and guidelines are in place to ensure their continued safety. Safety checks of all pumping machines are conducted on an ongoing basis while standards are in place to ensure that the outlets are designed and built according to acceptable regulations and safety standards. Meanwhile Safety Earthing Systems are in place to safeguard against fire hazards while fire extinguishers are available in all outlets. In addition, the following factors ensure that the Company complies with all relevant health and safety standards is given below. During the year there were no violations of any customer health and safety related regulation or guideline.



#### Product and service labelling

The Company's lubricants are labelled with usage information and safety warnings. It also includes information relating to the form of materials used as well as Material

Safety Data and OEMs health and safety information. Auto fuel tankers are fitted with warning signs while fuel pumps include instructions on safe dispensation of fuel. During the year there were no instances of violations relating to product

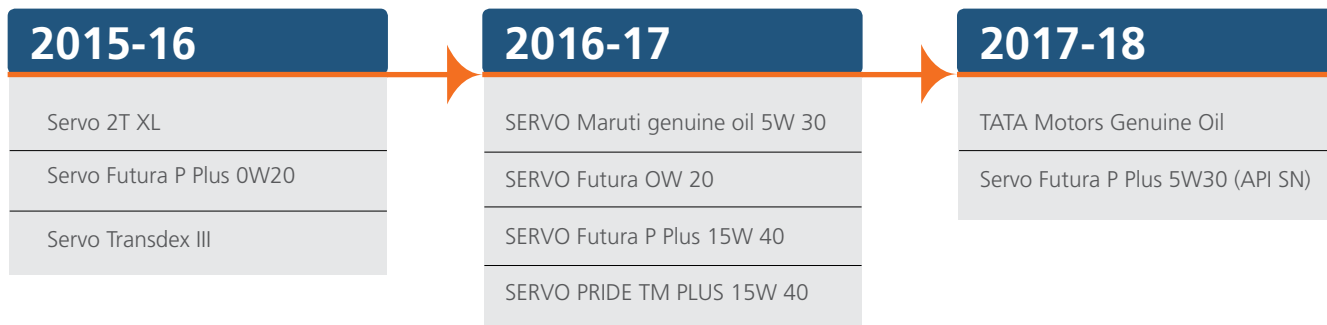
and service labelling and marketing communications of any form.

#### Service Excellence

The level of service provided at our retail outlets is a key differentiator and allowed us to sustain our market share despite an increase in price during the latter part of the year. The retail outlet staff facilitate the customer experience and undergo ongoing training on service related aspects. During the year we piloted an automation process to capture and store customer transaction details. The first of its kind in Sri Lanka, customers are issued identification tags and pump attendants have been given mobile devices to identify, bill and issue receipts for transactions. This is expected to significantly enhance the accuracy of billing and ensure that the correct quantity is pumped, thereby improving the customer service and overall experience.

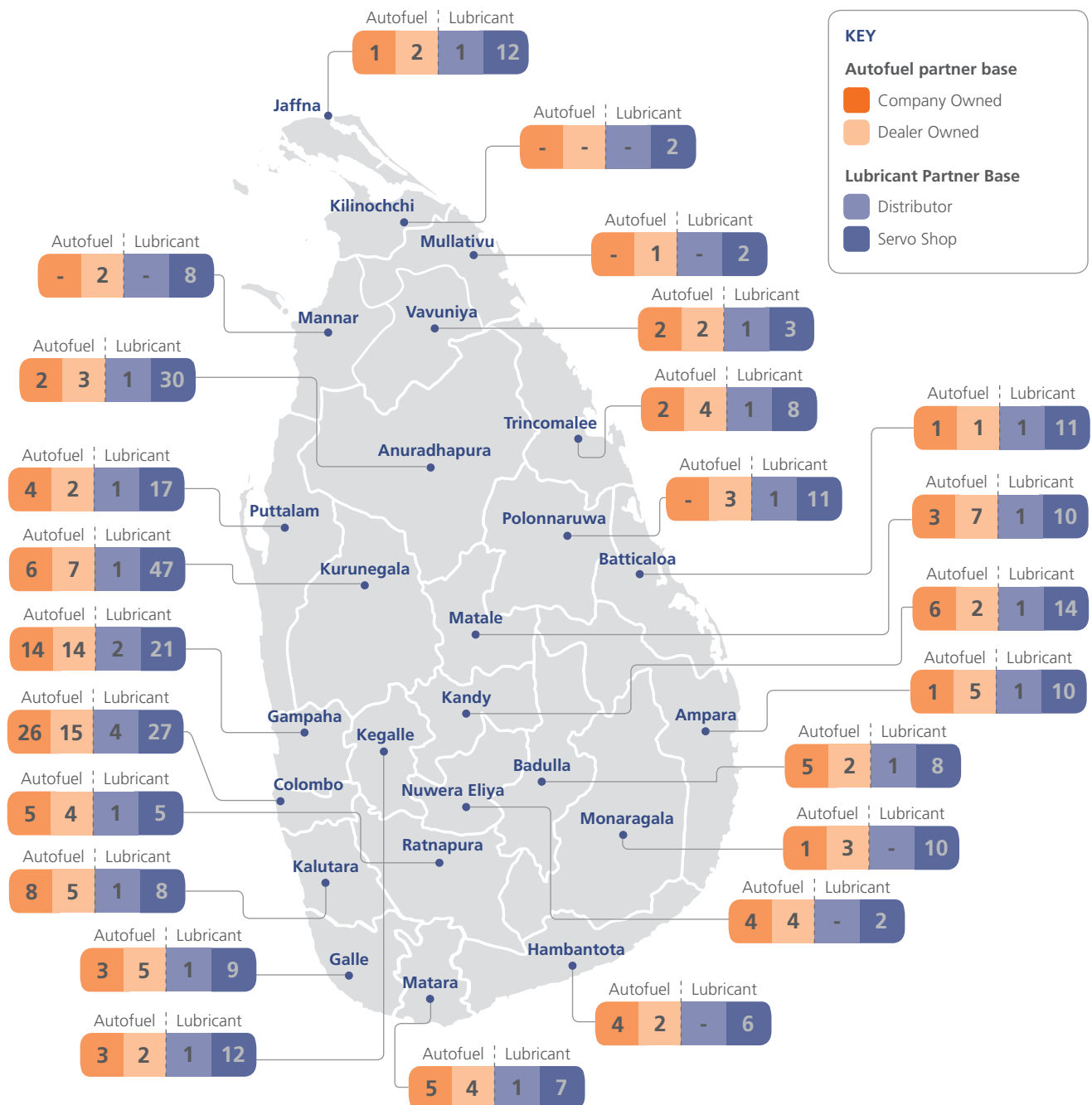
#### Innovation

We have continued to introduce new products to the Sri Lankan market backed by the research capabilities of IOC. The Company's products facilitate high vehicle performance and ensure that the adverse environmental impacts are minimised. LIOC's innovation pipeline in recent years is given below;



## Business Partners

Our value chain partners comprise primarily of franchise partners/dealers in auto fuels and distributors of lubricants, who ensure that our products reach the customers in a timely and convenient manner.



## PERFORMANCE

GRI 413-1

### SOCIAL AND RELATIONSHIP CAPITAL

The pump attendants in our retail outlets are also a vital part of our service delivery as they act as the key contact point for customer education. As such, several initiatives have been launched to strengthen our relationships with all distribution partners and pump attendants.

- In a first of its kind initiative, the Company introduced a Life Insurance cover for 450 pump attendants working in retail outlets across the island. The scheme offers a life insurance cover of Rs. 500,000 which increases to Rs.1.0 million in the case of an accidental death and includes permanent and partial disability covers along with hospitalisation covers. LIOC's annual investment in this initiative is expected to be around Rs.0.5 million and attests to our commitment to consistently enhance our value proposition to partners.
- Training opportunities: LIOC provides access to training opportunities for its dealers and retail outlet staff; while enhancing the service to the customers this also enables our business partners to develop their skills. All the dealers and customer attendance were covered during the year. Further as a new initiative we organised a comprehensive customer service training program for around 450 pump attendants from across the island.



Training for Pump Attendants at BMICH Colombo



Training for Dealers at Colombo

- SERVO Sathbhavana scheme: An initiative for the distributors and retailers of lubricants, through this scheme our network partners are given the opportunity to interact with other each, receive awards and engage with the Company on an ongoing basis. These events are used as platforms to strengthen our brand and raise awareness on new products.

- Jeevitha Suraksha: A life insurance scheme for SERVO partners where any partner who purchases 1000 litres during the last 3 weeks of the year are eligible for a life insurance scheme.

#### Community engagement

The Company adopts a strategic and proactive approach towards community engagement. The nature, extent and partnerships we have nurtured with communities in our normal business operations also provide us an opportunity to create meaningful change in the geographies we operate in. LIOC's approach towards CSR can be graphically illustrated as follows;



Coastal Cleaning at Trincomalee

Indirect Employment: Through our extensive dealer-owned network across the island, we provide indirect employment to over 5000 individuals,



Fire and Rescue Training for Dealers

### Our approach to CSR

Normal operations

Corporate philanthropy

Indirect employment

Skill development

Health

Environment

Others

contributing to their economic empowerment. Our value proposition to these individuals is a holistic one, as we provide ongoing opportunities for skill development and a range of training initiatives.

**Skill Development:** The Company has partnered with NAITA and support the skill development of our pump attendants by registered a select few to undergo training on petroleum retailing. The course is equivalent to O/L, A/L or an undergraduate degree depending on the number of years that the relevant student undergoes training. The initial registration for the course together with ongoing training exposure is provided by LIOC. While enhancing the quality of service we offer our customers, this initiative has contributed towards empowering the country's youth and increasing their employability.

#### Health:

**Free medical camps:** Conducted as ongoing initiative, LIOC partners Helpage Sri Lanka in providing free medical camps to those affected by natural disasters. During the year we supported the flood affected communities in Akuressa, Rathnapura and Matara and participants were screened for blood sugar, lipid profile, and eye sight. We also distributed free medicines and spectacles while patients



Free Medical Camp during floods in June 2017

requiring further medical attention were referred to hospitals.



Blood Donation Camp at HO on Company Day

**Blood donation camp:** The Company organised parallel blood donations at its head office and at the Trincomalee Terminal. We donated around 331 pints of blood to the National Blood Bank.

**Yoga demonstration:** LIOC Trincomalee together with the High Commission of India, Sri Lanka and other organisations such as Indigeneous Medicine, the Art of Living, Brahmakumaris and National Youth Services, Sri Lanka we conducted a Yoga Demonstration at Trincomalee Beach in May 2017 to raise awareness on Yoga and healthy living



Yoga Programme at Trincomalee

#### Environment

**Tree planting campaigns:** In commemorating World Environmental Day, LIOC engaged in a tree planting campaign in Trincomalee with 24 saplings of mango

and coconut planted along the Jetty Road and Main Gate.



Tree plantation Programme on World Environment Day

**Beach cleaning programmes:** With the objective of preserving the bio diversity in the area LIOC organised a beach cleaning program at the China Bay coasting corridor. We engaged the support of communities in and around the area as well as tourists. We also carried out a coastal cleaning campaign in Trincomalee in September 2017, in line with the International Coastal Cleaning program and the government's declaration of a coastal cleaning week.



Beach cleaning programmes

#### Others

In demonstrating our commitment to the Sri Lankan communities, we contributed Rs.5.0 million to the Government's Disaster Relief Fund for the second consecutive year to be utilised to support those affected by floods and landslides in May 2017.

## PERFORMANCE

### SOCIAL AND RELATIONSHIP CAPITAL



**Mr. Y. Mohamed Anas**

CEO/Managing Director, 3CS Engineers

“

Immediately after my graduation in Civil engineering in 2004 I started professional career as a site engineer at one of the Lanka IOC PLC's project. Since then Lanka IOC PLC has been a major contributor to my professional development. In 2013 I ventured on my own business and I was fortunate to partner with Lanka IOC as a main contractor. The undertakings which we embraced for LIOC projects are the key motivation to overhaul our construction standard to ICTAD C5 inside a brief timeframe. Lanka IOC PLC is Sri-Lanka's only private sector company involved in Auto fuel retailing and we are really proud to say that we are part of this prestigious corporation.”

”



**Mr. M. P. Rajapaksha**

Managing Director of Rajapaksha Distributors Pvt Ltd.

“

I am proud to be a member of a leading fortune 500 company in the world & top 10 companies in Sri Lanka. The 'Servo' brand has earned a reputation of excellence in the lubricant market, demonstrating a rapid growth in the lubricants market. The LIOC staff mainly the top Indian management and the marketing team is dynamic and have supported the development of the market in Sri Lanka. I thank Lanka IOC for enriching our lives with success.”

”



**Mr. Don Sumindra Abeysinghe**

Dealer Thalawathugoda Franchisee Retail Outlet

“

I have been an LIOC partner from in October 2013 and have been successful in achieving remarkable milestones in business and as a proprietor during this short period of time. Lanka IOC PLC guided me and shared their expertise and knowledge with me and this helped me to be the person I am today. I highly appreciate continuous support, advice and guidance extended by Lanka IOC and hope to continue to do business with them.”

”





**Ms. Surangi Shanika Senarath**  
Dealer Pannala Franchisee Retail Outlet

“ My partnership as a franchise dealer with LIOC has given me an opportunity to excel in the business world over the past 3 years. Therefore, I highly appreciate the support given to me and the opportunity from customer connections. ”



**Mr. H. K. Ranasinghe**  
Dealer-Company Owned RO-Colombo 04

“ Since becoming a partner in the Petroleum sector in Sri Lanka, LIOC has always tried it's level best to full fill the commitment in a professional manner. To have a smooth functioning of the LIOC operated fuel stations in the country they are upgraded with the latest technology. ”



**Ms. Priyanthi Wickramanayake**  
Director - Mihira Lanka Pvt Ltd  
Lubes Distributor-Industrial

“ It is with great pleasure that I pen these words of appreciation towards Lanka IOC PLC. We have become a distributor for SERVO world class lubricants in 2015. Since then we have had a year to year steady business growth by capturing the competitor market share with the excellent support given by Lanka IOC. Furthermore the courage and moral rendered to us by the IOC management in order to maximize the sales potential is also greatly appreciated. Finally, I would take this opportunity to express how proud and honored Mihira Lanka (Pvt) Ltd is to be a business partner of this prestige organization. ”



## PERFORMANCE

GRI 307-1



### NATURAL CAPITAL



Launch of ecologically sustainable petroleum products



Implementation of electric car charging points in our outlets and solar canopies



Responsible disposal of waste and effluents



Training and demonstrations to minimise oil spills

“Backed by the strong environmental consciousness of our parent company, we strive to fulfil the energy needs of our consumers whilst protecting the people and environment. Sustainability is embedded into every aspect of our operation, from sourcing, storage, products and services to distribution”

#### Management Approach

As an energy sector operator, natural capital is a key input to our value creation process. Our products are refined and blended from the extensive use of non-renewable such as crude oil and its by-products. We therefore evaluate and minimise our environmental impact

through initiative adopted across the entire value chain. During the year, there were no fines or penalties imposed on the Company for the violation of any environmental laws/regulations.

#### Non-Renewable

Raw materials  
Electricity  
Furnace oil  
Diesel

#### Renewable

Water

#### Toxic

Sludge

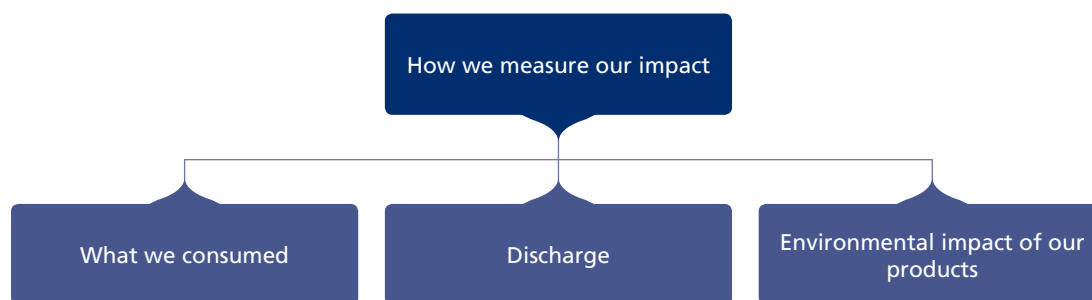
#### Non-Toxic

Emissions  
Oil water discharge  
Water discharge  
Vapor evaporation

#### Carbon Emissions

Emissions arising from our products and services  
Emissions from our operations

GRI 204-1, 302-1, 302-4



### Raw materials

The Company's primary raw materials are petroleum based non-renewable resources, which are imported. We maintained stringent quality standards and supplier screening to ensure that products are sourced through sustainable methods. In line with the company policy, procurements were undertaken by global tender processors with suppliers being selected after thorough evaluation and stringent screening processors.

kettle in the lubricant business. During the year, 03 retail outlets were converted to solar energy and 05 of retail outlets used energy efficient lighting systems.

In addition, the head office and the Trincomalee terminal was fully converted to LED lighting systems.

Energy source	Units of measurement	Consumption in 2017/18	Consumption in 2016/17
Purchased electricity	Kwh	480,605	420,398
Diesel	Litres	35,637	23,875
Furnace oil	Litres	33,115	33,250

### Energy

LIOC's energy requirements are fulfilled through diesel, furnace oil and electricity sourced from the national grid. Energy is consumed primarily in the head office premises, Company owned retail outlets and the Trincomalee Terminal, of which the latter is the most energy intensive. The Company's energy consumption during the year by source is given below;

Total energy consumption for the year increased by 14% compared to the previous year, primarily due to an increase in operational activity although we continued to implement organisation-wide energy saving measures. These include energy efficient lighting and cooling systems, encouraging usage of renewable energy in retail outlets and synchronising boiler operations with a lube blending



Electric Vehicle Charging facility at retail outlet, Gampaha

Presently Electric vehicles are largely being used as city vehicles due to limitations of distance travelled on a single charge. However we want to change this. With the strength of our network, we plan to develop 'Green Corridors' on highways where Electric Car charging facility will

be available at every 50 KM, thus making electric cars highway cars & thus creating 'Green Highways'. Our ROs provide various related services to car owners on the highways, thus LIOC can create a facility which no one else can match.

## PERFORMANCE

GRI 303-1

### NATURAL CAPITAL

#### Water

The Company's operations are not water intensive and our water use stems primarily from employee consumption and maintenance of garden spaces among others. Our water requirements are fulfilled primarily from the municipality

lines and rainwater harvesting; a rainwater pit has been constructed adjacent to the substation and during the year we harvested 14,200 litres through this initiative. The Company's total water consumption is given below;

Water withdrawn (litres)	2017/18	2016/17
Rainwater harvested (Ltr)	14,200	-
Municipal water supply (KL)	43,165	57,204

Sludge	2016/17	2017/18
Sludge disposal (KL)	22	10.8
No of tanks cleaned	7	6

Water discharge by quality	1st OWS	2nd OWS	Average
BOD level (mg)	8	4	5
COD level (mg)	200	150	175
pH level (units)	7.52	7.85	7.6
TSS level (mg)	28	30	29

#### Effluents and Waste

Tanker receipt pipelines at the Trincomalee terminal and retail outlets are flushed with water frequently, leading to oil water discharge. This discharge is cleaned using oil water separators (OWS) prior to being released to the sea and other bodies of water. Each retail outlet has a dedicated OWS and the Trincomalee terminal has seven OWSs. Quality tests are performed by both the Company personnel and third parties ensuring safe disposal of water. In addition, water from the outer chamber of the OWS are tested once in three months at the CEA licensed laboratory to ensure conformity to environmental standards. In addition, 240 litres of water were

discharged on fire drills. This was recycled through effluent treatment.

Sludge is a type of waste that is considered hazardous in nature, accumulates once in five years due to the cleaning of black oil tanks. We dispose sludge according to CEA guidelines and sludge is stored in isolation in concealed containers.

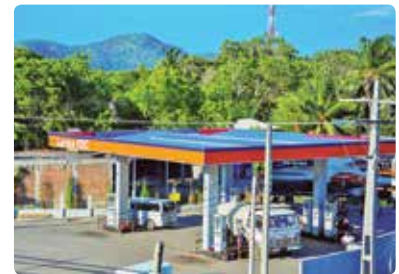
#### Emissions

The main form of emissions in our business operations are in the form of non – toxic vapours which evaporate from retail outlets. We implemented measures under the guidance of our parent company- Indian oil corporation to ensure that

vapours have minimal impact on the environment. Any vapor discharge was according to pre -set guidelines ensuring safe evaporation without causing any sparks.

#### Bio diversity

Oil spills due to leakages or accidents pose an environmental risk to bio diversity including marine life. At LIOC, we maintain stringent internal controls which are continuously monitored ensuring that our business operations have zero risk of oil spills. During the year there we no instances of oil leaks.



Solar Power Panels at retail outlet

As a responsible corporate citizen, Lanka IOC is aware of its responsibility to work towards cleaner, greener environment. With this in mind, we continued further on our initiative to reduce our carbon footprint, which we started last year and added three more retail outlets on solar energy, a green initiative of Lanka IOC. Solar energy not only helps in maintaining clear, greener environment, but is also economical in long terms. We are committed to give this initiative further momentum this year & we expect number of retail outlets on solar energy to double this year

Our initiatives include,

1. Preventing any oil leaks at the jetty during discharge of cargo from tankers. Both the receiving and tanker unloading hoses were pressure tested before the receipt of cargo to ensure that there are no damages in pipelines.
2. In the event of any oil spillages, oil dispersant chemicals and oil absorbent cabs were made available as measures to mitigate minor oil spills.
3. Third party insurance for any public liabilities, product liabilities and pollution liabilities.

### Environmental impacts of our products

#### Auto-fuel Sales

As a supplier of refined petroleum, we are cognisant of the impact we have on the environment in the form of the emissions arising from our products. Minimising these impacts through new the development of ecologically sustainable products is a key priority for the Company. These efforts are backed by the extensive research and development capabilities of our parent.

For instance we launched the XtraPremium Euro 3 and XtraPremium 95 octane, of which the carbon footprint is better than the national emission standard. We also

look forward to introducing high quality fuels such as Euro 4/5 and Euro 6 which are used in developed countries as and when the government provides approval to do so. We continued to expand the electric car charging option in our retail outlets, adding 01 charging stations during the year to bring our total count to 02.

#### Bunker fuel

In order to reduce emission from merchant fleet and protect the environment, the International Maritime Organization (IMO) has decided to limit the Sulphur content in Marine Bunker Fuels from the current 3.5% to 0.5% with effect from 1st of January 2020. Therefore, from January 2020 onwards, all ships will be required to use low-sulphur bunkers or install scrubbers in the stack or switch to acceptable alternative marine fuels like LNG etc.

In anticipation of the potential demand for low Sulphur MGO, LIOC has converted a 12.5 TKL tank at the China Bay Terminal, Trincomalee in November 2017 to low Sulphur MGO. Meanwhile all MGO Bunker supplies at Trincomalee is now LSMGO only, thereby positioning Sri Lanka as one of the few countries in the world where Low Sulphur Bunker Fuels are available on demand.

#### Transportation of products

Transportation of petroleum products pose environmental risks due to oil spills/

leakages/ accidents that contaminate both land and water resources. The following safety measures are adopted by the organization in ensuring that the transportation crew is well trained to handle unplanned events. We conduct ongoing training programmes and demonstrations for transportation crews on Standard and Emergency response methods in the event of oil spills/leakages; the standard procedures are clearly defined below;



Training for transportation crews in the event of oil spills/leakages



Training for transportation crews in the event of oil spills/leakages

Inform relevant  
authorities

Inform LIOC  
Trincomalee  
terminal

Cordon off the  
area to prevent  
fire hazard

Contain leak

# CORPORATE GOVERNANCE

Sound corporate governance practices are the bedrock of sustainable value creation and as an organisation, we are committed to upholding the highest standards of accountability, transparency and ethical

conduct. In addition to numerous legal requirements, LIOC's corporate governance framework is designed to comply with voluntary frameworks, embraces market best practices and provides a

solid foundation for managing the risks attached to our economic, social and environmental performance.



## Governance Framework

The Company's corporate governance framework is based on the following internal and external steering instruments;

External instruments	Internal standards and principles	Governance mechanisms	
Companies Act No. 7 of 2007	Articles of Association	Stakeholder engagement	Strategic planning
Continuing listing requirements of the Colombo Stock Exchange	Terms of References of Board sub-committees		
Code of Best Practice on Corporate Governance issued by the SEC and ICASL	Comprehensive Framework of Board approved policies	Talent management	Risk management and compliance
Shop and Office Employees Act of 1954	Risk Management Policy	IT Governance	Investor relations
Inland Revenue Act No.10 of 2006	IOC Regulations		
Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)	Code of Business Conduct		
G4 Standards for Sustainability reporting issued by the Global Reporting Initiative	Conduct, Discipline and Appeals rules		

With the objective of providing a comprehensive and concise discussion on how the Company is governed, this Report has been structured in line with the Code of Best Practice on Corporate Governance 2013 issued jointly by SEC and CA Sri

Lanka. The Company is also in the process of evaluating the provisions under the Code of Best Practices on Corporate Governance (2017) issued by the ICASL in December 2017 and assessing how it can impact the operations of the Company.

The following section discussing the Company's governance framework and practices has been structured in line with the following;

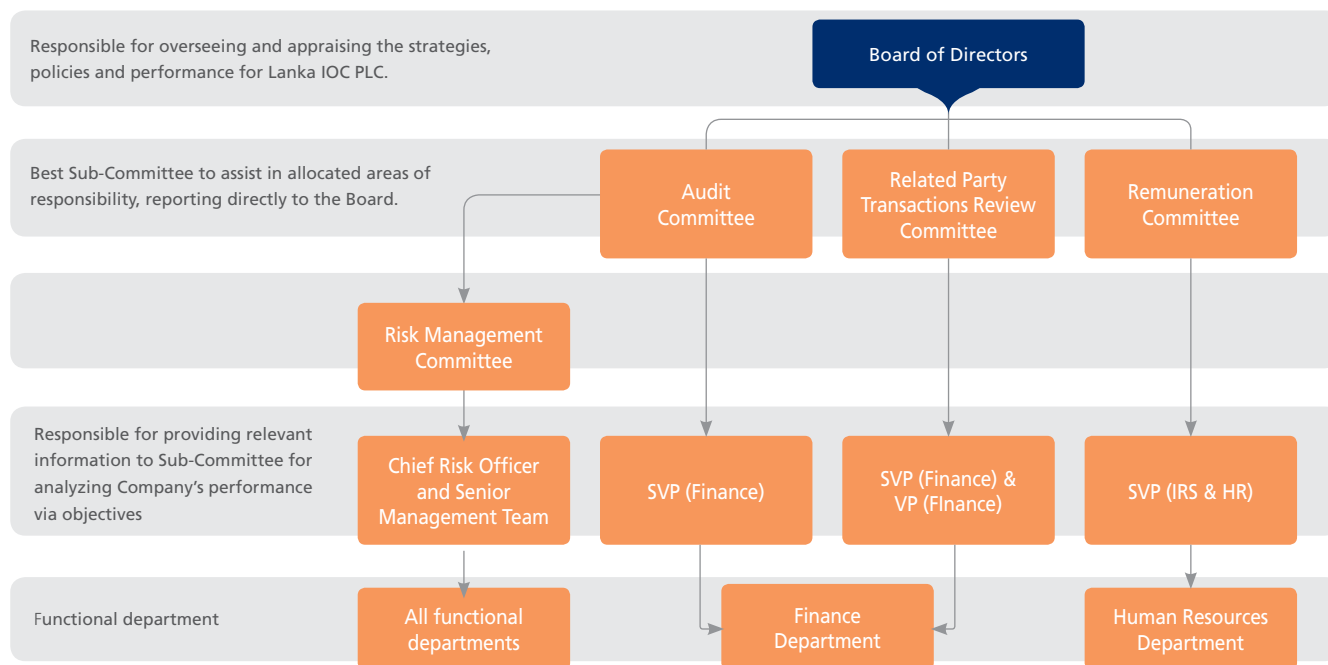


### An Effective Board (Principle A.1)

The Board of Directors comprise 6 Directors of whom 5 operate in a non-executive capacity. Of the 5 NEDs, 2 directors are independent. The Parent entity IOC nominates 4 directors to the Board, including the Chairman and the Managing Director. The Board representatives from IOC combine extensive industry insights from the energy sector, thereby contributing towards the depth of discussions and effectiveness of decision making. The 2 independent directors are Sri Lankan professionals with substantial expertise in both public

and private sector entities and contribute through their knowledge on the local operating landscape, objectivity and independent insights. The governance structure is given below;





Several Board sub-committees assist the main Board in the disclosure;

Sub-committee	Mandate	Composition	Executive Support
Audit Committee	<ul style="list-style-type: none"> <li>Financial Reporting</li> <li>Internal Controls</li> <li>Internal Audit</li> <li>External Audit</li> </ul> <p>Refer the Report of the Audit Committee on pages 122-123 for more information.</p>	<p>3 Directors comprising</p> <p>02-Independent Non-Executive Directors</p> <p>And 01 Non-Executive Director</p>	<p>Managing Director</p> <p>Senior Vice President (Finance)</p> <p>Vice President (Finance)</p>
Remuneration Committee	<ul style="list-style-type: none"> <li>HR Policies including Remuneration Policy</li> <li>Organisation structure</li> <li>HR Systems including Performance Evaluation</li> </ul> <p>Refer the Report of the Remuneration Committee on page 121 for more information.</p>	<p>3 Directors including</p> <p>02-Independent Non-Executive Directors</p> <p>01 Non-Executive Directors</p>	<p>Managing Director</p> <p>Senior Vice President (RS &amp; HR)</p>
Related Party Transaction Review Committee	<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> <p>Refer the Report of Related Party Transaction Review Committee on pages 124-125</p>	<p>04 Directors comprising of 02-Independent Non-Executive Directors</p> <p>01 Non-Executive Director</p> <p>01 Executive Director</p>	<p>Senior Vice President (Finance)</p> <p>Vice President (Finance)</p>

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

#### Regular meetings (Principle A.1.1)

Board meetings are held regularly and during the year the Board convened 6

times. Sub-committees meet quarterly to discuss matters pertaining to each Committee as per their delegated responsibility and Terms of Reference. Meeting agendas and Board papers are circulated to all Board members well in advance of each meeting to ensure adequate time is dedicated for preparation

#### Board Responsibilities (Principle A.1.2)

The Board is collectively responsible for the overall stewardship of the Company and ensuring that all operations are conducted in a transparent, ethical and sustainable manner. The role and responsibilities reserved for the Board is given below;

Attendance at the Board Meetings during financial year 2017-18

Name Of Director	Board Meetings
Mr. B. S. Canth (Ceased on 31.01.2018)	4(4)
Mr. Shyam Bohra	6(6)
Prof. Lakshman R. Watawala	5(6)
Mr. Amitha Gooneratne	6(6)
Mr. D. K. Sharma (Ceased on 20.02.2018)	3(4)
Mr. N. V. N. Ramsai	4(6)
Mr. Sanjeev K. Jain (Appointed on 20.02.2018)	1(2)



#### Act in accordance with laws (Principle A.1.3)

Compliance with applicable laws and regulations are ensured through a compliance checklist which is presented to the Audit Committee. In enhancing the effectiveness of the Board's decision making and preserve overall independence, the Company seeks independent professional advice when deemed necessary, coordinated through the Company Secretary.

#### Access to advise and services of the Company Secretary (Principle A.1.4)

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. The Company Secretary also provides timely and accurate information needed for meetings, advice on matters relating to corporate governance and economic and social sustainability among others. The Company Secretary's responsibilities are summarised in next paragraph:

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 and debentures, interests in voting

## CORPORATE GOVERNANCE

shares, debenture holders, interests register and the seal register;

- Filing statutory returns/information with the Registrar of Companies
- Adoption of best practice on corporate governance including facilitating 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 through the Company's registrars
- 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 and other relevant legislations in ensuring that the Company complies with all applicable laws and regulations.

### Independent Judgement (Principle A.1.5)

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

### Dedicate adequate time and effort to matters of the Board (Principle A.1.6)

Board meetings and Sub-committee meetings are scheduled well in advance and Board agendas and papers are circulated prior to the meeting to enable Directors to prepare adequately. Directors may also require for additional information from the corporate management team if required. The Board meetings were held either in Colombo or Mumbai during the year.

### Board induction and training (Principle A.1.7)

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

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

### Division of responsibilities between Chairman and CEO (Principle A.2)

The positions of the Chairman and the Managing Director 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 appointed by IOC in ex-officio capacity whilst the Managing Director is appointed ex-officio by IOC in Executive Director

capacity. The roles of the Chairman and the Chief Executive Officer are clearly defined in the Article of Associates.

### Role of the Chairman (Principle A.3)

The Chairman provides leadership to the Board, ensuring that all Directors contribute effectively to discussions. His responsibilities include (but are not limited to) the following;

- Ensure that Board proceedings are conducted in a proper manner, including the circulation of information to Directors and maintenance of proper records
- Facilitating and encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions
- Ensuring compliance to all applicable laws and regulations
- Ensuring shareholder concerns are addressed
- Representing the Company externally and act has key point of contact for shareholders on all matters related to Corporate Governance

### Financial Acumen (Principle A.4)

The Board has adequate financial acumen and knowledge as the Directors listed below are academically/professionally qualified in finance related subjects and/or have held senior management positions in finance. Qualifications of Directors are described in the Profiles of Directors given in Pages 33-34.

- Prof. Lakshman R. Watawala
- Mr. Amitha Gooneratne
- Mr. N.V.N. Ramsai

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

The Board has a majority of non-executive directors, with 2 of the 5 operating in an independent capacity. These directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially affect the exercise of their independent judgement. Annual declarations of independence or non-independence are obtained from all Directors.

**Supply of relevant information (Principle A.6)**

Directors are supplied with timely and comprehensive information to engage in effective decision making. Quantitative and qualitative information which includes performance against objectives, stakeholder relationships, progress on achieving strategic objectives and risk indicators are furnished to all Directors prior to Board/Sub-Committee meetings. Directors also have access to KMP to obtain further information or clarify any concerns that may arise.

**Appointment of Directors (Principle A.7)**

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

**Re-election (Principle A.8)**

One third of all non-executive Directors retire from office each year at the AGM, as specified by the Company's Articles of Association. The directors who shall seek re-election at this year's Annual General Meeting have been indicated in the Notice of the Meeting on page 186.

**Appraisal of Board Performance (Principle A.9)**

The performance of the Directors who are ex-officio employees of the parent Company are taken into account at the time of the annual performance appraisal. In addition, IOC conducts periodic internal audits.

**Disclosure of information in respect of Directors (Principle A.10)**

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

- Name, qualifications, expertise, material business interests and brief profiles on pages 31-35.
- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 109, 121, 122 and 124.

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

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

**Director's Remuneration (Principle B)**

The remuneration of the Directors nominated by the parent company are in line with the remuneration structured of IOC and these directors are not remunerated for attending Board meetings. Independent Director's fees are determined by the Board supported by the Remuneration Committee who also seeks professional advice from HR professionals. When determining remuneration policy, the Board strives to ensure that the interests of shareholders and employees are aligned, and Company can attract and retain high-performing and skilled employees. No individual director is involved in determining his own remuneration.

The Remuneration Sub-Committee Report conforms to Schedule D- Specimen Remuneration Committee Report. The names of the Remuneration Sub-Committee members are set out on page 121 and the aggregate remuneration paid to Executive and Independent Non-Executive Directors is given on page 149 in Note 6 to the Financial Statements.

**Shareholder Relations (Principle C)**

The Annual General Meeting is used as the main platform for engaging with shareholders and is also the main forum of contact between minority shareholders and the Board. In using the AGM constructively towards enhancing the Company's relationship with its shareholders, the following procedures are followed;

- Notice of the AGM and all relevant papers are sent to the shareholders at least 15 working days prior to the AGM in accordance with the rules stipulated by the section 135 of the Companies Act. No. 7 of 2007.

- Directors of the Board, including Chairmen of Audit, Remuneration and Related Party Transaction Review Committees are available to clarify any points raised by the shareholders.
- A summary of procedures governing voting at the AGM is provided in the proxy form, which is also circulated to shareholders 15 working days prior to the AGM.

Separate resolutions are proposed for each significant item on the Agenda. The adoption of the report and accounts is proposed as a separate resolution. All lodged proxy votes together with the votes of shareholders present at the AGM are considered for each resolution.

The Company engages with shareholders on a timely and effective basis through dissemination of accurate and relevant information. In addition to the AGM, communication is facilitated through the CSE, corporate website and other press articles. Quarterly financial results are reported to shareholders through the CSE while Annual Reports are provided to all shareholders either in printed or compact disk (CD) form depending on their preferences. Shareholders can direct their questions, comments and suggestions to the Board of Directors or Management team through the Company Secretary, who acts as the contact points for shareholder concerns. The Company Secretary maintains a record of all such correspondences received and initiates follow-up action as soon as practically possible.

## Accountability and Audit (Principle D)

The Board holds ultimate responsibility in presenting a balanced and understandable assessment of the Company's

performance, financial position and outlook. Interim performance reports are circulated within 45 days of each quarter end whilst other price sensitive information is disclosed in accordance with the reporting requirements prescribed by the Colombo Stock Exchange. The financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. Our Annual Report is an Integrated Report and complies with the Global Reporting Initiative's GRI Standards.

The following specialised information requirements are also included in this Annual Report.

- The Annual Report of the Board of Directors on the Affairs of the Company on pages 116-120 of this Report contains the declarations prescribed by the Code.
- The Statement of Directors' Responsibility is given on page 129 of this Report.
- The Independent Auditor's Report on pages 131-133 of this Report.

In addition, the narrative report includes following information specified in the Code of Best Practice

- Industry structure and developments;
- Opportunities and threats;
- Risks and concerns;
- Internal control systems and their adequacy;
- Social and environmental protection activities carried out by the Company;
- Financial performance;

- Material developments in human resource/industrial relations and
- Prospects for the future

## Internal Controls

The Board is responsible for formulating and implementing appropriate internal controls which ensure that the Company's assets are safeguarded, proper accounting records are maintained and that information is disbursed to all relevant stakeholders in timely manner. The Board Audit Committee with the support of the Related Party Transactions Committee and the Risk Management Committee ensure that the internal control system is robust. The parent entity also conducts periodical internal audits on the affairs of the Company.

## Code of Ethics

The Company's Code of Conduct and Business ethics are applicable to all employees, the Senior Management and the Board of Directors. The Code sets out the expected conduct of employees when interacting with stakeholders and includes considerations on labour and human rights as well as social and environmental sustainability.

## Shareholder Relations (Principle E&F)

Shareholders are encouraged to participate at the Annual General Meeting and exercise their right to vote. LIOC's General Meetings are usually characterized by a high level of shareholder involvement. In addition to the publishing of quarterly performance updates, the Company also keeps institutional investors apprised of the governance framework and practices as well as changes thereof through the Annual Report, announcements to the CSE and other press releases.

**Sustainability Reporting (Principle G)**

In line with our sustainability agenda, our corporate reporting has also evolved to embrace the principles of sustainability. This Report aims to discuss the opportunities, risks and performance of all economic, social and environmental material aspects that can affect the Company's value creation process and its key stakeholders. This Annual Report is an

Integrated Report, prepared in line with the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). It also complies with the GRI Standards published by the Global Reporting Initiative.

The main Sustainability disclosures prescribed by the Code of best Practice are as follows;

Disclosure	Page Reference	Compliance
Economic Performance	68	Adopted
The Environment	102	Adopted
Labour Practise	83	Adopted
Society	98	Adopted
Product Service and Responsibility	96	Adopted
Stakeholder identification, engagement and effective communication	42	Adopted
Sustainable Reporting and Disclosure	83-102	Adopted



## CORPORATE GOVERNANCE

### COMPLIANCE WITH CSE CONTINUING LISTING REQUIREMENTS

Rule No	Subject	Applicable Requirements	Compliance Status	Details
7.10.1(a)	Non Executive Directors on the Board	Two non-executive Directors or one third of the total number of Directors should be Non Executive Directors	Complied	Five out of Six Directors are Non Executive Directors
7.10.2(a)	Independent Directors	Two or one third of Non Executive Directors (whichever is higher) should be independent	Complied	Two of the Five Non Executive Directors are Independent
7.10.2(b)	Independent Directors	Each Non Executive Director should submit a declaration of independence / non independence in the prescribed format	Complied	A declaration of independence have been given by the Independent Directors in compliance with the CSE rules
7.10.3(a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report. The Board shall annually assess the independence of INED's	Complied	Please Refer pages 33-34
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	Report on Affairs of the Company on page 117
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	Complied	Board of Directors (profile) section in the Annual Report
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Complied	Corporate Governance and Board of Directors (profile) section in the Annual Report
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria	Complied	Corporate Governance
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Names of members of Remuneration Committee are available on page 121.
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non Executive Directors, a majority of whom shall be independent	Complied	Remuneration Committee consists of three Non Executive Directors of which two are independent. Chairman of the Remuneration Committee is an Independent Non Executive Director
7.10.5(b)	Functions of Remuneration Committee	Functions of the Remuneration Committee	Complied	Please refer remuneration committee report on page 121

Rule No	Subject	Applicable Requirements	Compliance Status	Details
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; i) Names of Directors comprising the Remuneration Committee ii) Statements of Remuneration policy & Committee Report iii) Aggregate remuneration paid to Executive and Non Executive Directors	Complied Complied Complied	Please refer page 121 Please refer Remuneration Committee report for a brief statement of policy Please refer page 149
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied	Names of members of Audit Committee are available on pages 122-123
7.10.6(a)	Composition of the Audit Committee	Shall comprise of Non Executive Directors, a majority of whom shall be independent	Complied	Audit Committee consists of three Non Executive Directors, two of whom are independent. Chairman of the Audit Committee is an Independent Non Executive Director
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Complied	MD and SVP- Finance attend meetings by invitation
		The Chairman of the Audit Committee or one member should be a Member of a recognized professional accounting body	Complied	Chairman of Audit Committee is a member of a professional accounting body i.e CA Sri Lanka.
7.10.6(b)	Functions of the Audit Committee	The terms of reference of the Audit Committee adopted by the Board cover the areas described in the listing rules	Complied	Separately reported under the Audit Committee report on pages 122-123
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	Names of Directors comprising the Audit Committee	Complied	Please refer pages 122-123
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Please refer Audit Committee report on pages 122 to 123
		The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance of the functions	Complied	Please refer Audit Committee report
9.2.2	Related Party Transaction Review Committee	Composition should include a combination of non-executive directors and independent non- executive directors	Complied	Names of members of Related Party Transaction Review Committee are available on page 124
9.3.2(c)		The Annual Report shall contain a Report of the Related Party Transaction Review Committee	Complied	Please refer the Related Party Transaction Committee Report on pages 124-125

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

## To the Shareholders

The Board of Directors have pleasure in presenting the 16th Annual Report of Lanka IOC PLC for the financial year ended 31st March 2018, that includes and covers the Audited Financial Statements, Chairman's Message, MD's Review, Management Discussion and Analysis, Stakeholder Engagement and Economic Sustainability Report, Capitals Report, Governance Reports, Impact Management Report, Statements of Responsibility, Auditors' Report, Independent Assurance on Non-Financial Reporting and other relevant information.

The Directors confirm that the financial statements have been prepared in accordance with the Sri Lanka Accounting Standards, 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 07th May 2018.

## 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 2018, 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 134 onwards.

## Principal Activities of the Company

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

## Auditors' Report

The Auditors' Report on the financial statements is set out on page 131.

## Accounting Policies

The financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) 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.20.2 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 2017-18 amounts to LKR.26.6 Mn (2016-17-LKR. 23.2 Mn )

### Directors

The Directors of the Company for the FY 2017-18 were;

Mr. B. S. Canth  
(Chairman - ceased office on 31.01.2018)

Mr. Shyam Bohra  
(Managing Director)

Prof. Lakshman R. Watawala  
(Independent Non-Executive Director)

Mr. Amitha Gooneratne  
(Independent Non-Executive Director)

Mr. N. V. N. Ramsai  
(Non-Executive Director)

Mr. D. K. Sharma  
(Non-Executive Director- ceased office on 20.02.2018)

Mr. Sanjeev K. Jain (Non-Executive Director- appointed on 20.02.2018)

Mr. Ranjan Kumar Mohapatra was appointed as Non-Executive Director & Chairman with effective from 14.05.2018.

Professor Lakshman R. Watawala completed 9 years as Independent Non-Executive Director on 26.07.2016 and the Board at its meeting held on 09.05.2017 having assessed and reviewed the status and found that his independence is not impaired and he is therefore suitable to continue serving as an Independent Director for the financial year 2017-18 by passing following resolution.

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

Subsequently at AGM held on 29th June 2017 he was re-elected as a director by the shareholders.

### Related Party Transactions

The Board of Directors declares as follows:

The related party transactions during the FY 2017-18 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2017-18 are recurrent and exempted as per terms of Rule 9.5 of section 9 of CSE listing rules.

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

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No 10 of

2016. The information pursuant to these Regulations is given in the approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. We believe that the record of transactions entered into the associated undertakings during the period from April 1,2016 to March 31,2017 are at arm's length, not prejudicial to the interests of the company and not carried out for profit shifting purposes.

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

### Appointment of Auditors

A resolution to re-appoint Ernst & Young, Chartered Accountants as the Auditors of the company will be proposed at the Annual General Meeting.

The Auditors' fee for the year 2017-18 was fixed at LKR 1.5 Million and a sum of LKR 1.7 Mn was paid which includes the reimbursement of out of pocket expenses. (2016-17 LKR.1.6 Mn) as disclosed in note 6 to the financial statements on page 149 thereof.

### Auditors Relationship or any Interest with the Company

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence. Ernst & Young were also engaged as Tax Consultants for the additional consultancy services for which the company incurred a sum of LKR 0.88Mn [2016-17 LKR 0.67Mn.]

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

M/s.PricewaterhouseCoopers and M/s. KPMG were engaged as Internal Auditors and a remuneration of LKR 3.1 Mn was incurred for the services rendered by them for internal audit and allied services.

### Changes in Property, Plant and Equipment

The movements in property, plant and equipment during the year ended 31st March 2018 and 31st March 2017 are set out in Note.11 to the financial statements.

### Stated Capital and Reserves

There was no change in the stated capital of the Company during the year under review. Majority of the shares ie: 75.12% are held by the Indian Oil Corporation Limited, India. The total retained earnings of the Company as at 31st March 2018 amounted to LKR 11,793 Mn (2016-17 – LKR 13,214 Mn).

### Statutory Payments

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

### Contribution to the Exchequer

Your Company has been making enormous contribution to the exchequer. During the year, LKR 29,045 million (2016-17 LKR 29,651-million) was paid to the exchequer in the form of various duties, taxes and other statutory levies to the relevant authorities.

### Stated Capital and Control

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

### Turnover

The Turnover increased to LKR 91.34 billion in FY 2017-18 from LKR 81.04 billion in FY 2016-17 showing a increase of 13%. The increase in the turnover is mainly due to expansion of Bunker segment.

### Earning of Foreign Exchange

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to approximately US Dollar 120 million through its operations.

### Retail Sales

Despite the challenging industry landscape, we achieved commendable volume growth of around 23.02% in the branded fuels segment. The auto fuel segment's revenue growth was 2% during the year.

During the year, generic diesel & petrol sales, both were negative, diesel recorded a negative growth of 3.52% & petrol by about 1.44%. However during the period Lanka Super Diesel grew by about 35% & XtraPremium 95 by about 21%. This 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, company added 5 new outlets to our network during the year, bringing the total to 207 as on 31st March 2018. In driving our premium fuel proposition, we also invested in facility augmentation by installing additional storage tanks and dispensing units in about 40 more Retail Outlets, primarily for branded and premium fuels.

With focus on customer service and for ensuring customer delight, during

the year we started pilot project on 'Automation' of our retail network to capture and store customer transaction details. Interested customers are issued identification tags which are automatically identified by the system and customer's transactions are mapped by the system. This will significantly enhance the accuracy of billing and ensure that the correct quantity is pumped, thereby improving the customer service and overall experience.

With an aim on long term improvement in quality of services at our retail outlets, LIOC partnered the National Apprentice and Industrial Training Association, providing an opportunity for pump attendants to obtain an NVQ certification or degree- equivalent with the initial registration fee paid by the Company. We have continued to invest in up skilling our customer attendants and during the year conducted a mega workshop on Customer Service Training in addition to ongoing training programmes on fire safety and service quality among others.

In addition to the above initiatives, company focused on improvement in soft skills of retail outlet employees and dealers. Company partnered with University of Kelaniya 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.

Further, the Company also introduced a Life Insurance cover for customer attendants working at the Retail Outlets (retail outlets) across the island. In the first phase 450 customer attendants were covered. The scheme offers a life insurance cover of Rs. 0.5 million which increases to Rs.1.0 million in the case of an accidental

death and includes permanent and partial disability covers along with compensation during Hospitalization period, etc.

### Lubes

Lube Sales is an important segment in the growth of the company with major contribution to the bottom line of the company. Over the years, Lanka IOC has improved its lube market share continuously. This is mainly due to new product introduction, increase customer reach by commissioning new channel partners, servo shop and service station; improving operating efficiency, better plant utilization and focused marketing strategy & business tie ups. During 2017-18, Lanka IOC registered over 13200 KL lube sales.

### Bitumen

Lanka IOC remains as market leader in bitumen segment. Due to stiff competition, margin retention is very challenging. We are expecting new road projects in the year 2018-19.

### Petrochemicals

Lanka IOC is new player in this segment. Lanka IOC has formulated marketing focused marketing strategy for marketing of Petrochemicals.

### Bunkering Sales

Bunkering registered a growth of 56% in terms of volume, in comparison to last year despite increasing competition from other bunker suppliers. LIOC maintained its strong hold in bunkering segment improved its profitability. This could be possible by adopting 4P marketing mix strategy (Product, Place, and Price & Promotions). We imported ISO: 8217:2005 certified products and stored at Colombo & Trincomalee throughout the year.

To create niche market at Trincomalee LIOC imported ultra low Sulphur MGO in November 2017. This helped in creating differentiation over other bunker suppliers in Sri Lanka. Vessel owner perceived greater value over product cost and tried to make bunker call at Trincomalee, which helped LIOC to create Trincomalee as next bunkering hub in Sri Lanka.

LIOC provided flexibility to take bunker fuel at any port Colombo or Trincomalee based on vessel next voyage plan to optimize their fuel consumption by avoiding any diversion from the main route.

Promotional activities carried out on major bunker website to create awareness about Trincomalee port, which was totally new and vessel owners were reluctant to even try initially. In totality LIOC provided value, to the end consumer by distinctly structuring 4P of marketing mix strategies.

LIOC did highest re-bonding sales to other bunker suppliers at Colombo to optimize product positioning cost and achieve economy of scale by importing 27000-28000MT parcel each month for two port delivery i.e Colombo & Trincomalee.

LIOC is known major bunker supplier in the country with reliable supply chain with full operational flexibility to meet customer demand at both ports.

2020 International Maritime Organization (IMO) regulation for global sulphur limit use of Bunker fuels with 0.5% Sulphur against current 3.5% to prevent air pollution from ships, control on airborne emission and reduce the impact on human health issues and environment problems. LIOC is fully geared up to meet the regulations.

### 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% for the Financial Year 2017-18 as per the agreement with BOI.

### Other Operating Income

In continuous efforts to optimize its income from various sources, your company earned LKR 92.36 million during the year, through rents from lease of hoardings, space and amenities at the various retail outlets terminal services and from other resources. The Company also received a dividend of 352 million from its JV Company CPSTL during the year.

### Funding Operations

In order to have funding and other credit facilities with banks at most competitive rates and terms, the Company renewed Facility Agreements with different banks based in Colombo at very attractive rates of interest. This has helped to reduce the interest cost considerably during the financial year under review.

### Internal Control

The company has adequate internal controls in place commensurate with the size, growth and span of business operations. Policies and procedures covering HR, Finance, Engineering, Secretarial, Plant and Terminal Operations are in place. Adequacy of Internal Control is being evaluated and strengthened on regular basis. The Internal Auditors of the Company are M/s PricewaterhouseCoopers and M/s KPMG, Chartered Accountants,



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

Colombo and the scope of their audit covers internal procedures, controls and systems, risk analysis, financial operations, statutory compliance etc. Auditors directly report their observations to the Audit Committee of the Board with recommendations. Monthly reports are presented to the Company Management, discussed and appropriate actions taken wherever required as recommended by the Internal Auditors. Management committee reviews the systems and practices, risks faced by the company due to changes in the business environment, developments in the market, Govt policies etc, and regularly initiate appropriate actions to mitigate the risks and reorient business strategies.

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

### CSR Project

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

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

### Going Concern

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

### Post Balance Sheet Events

No events have occurred since the balance sheet date which would require adjustments to, or disclosure, in the financial statements other than disclose in note 25 of financial statements.

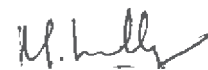
Signed on behalf of the Board



**Shyam Bohra**  
Managing Director



**Prof. Lakshman R Watawala**  
Director



**Mihiri S Senaratne**  
Company Secretary

30th May 2018

# REMUNERATION COMMITTEE REPORT

## Composition of the Remuneration Committee

The Remuneration Committee appointed by the Board of Directors comprise of 2 Independent Non-Executive Directors and 1 Non-Executive Director appointed by the Board of Directors of LIOC.

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

Prof. Lakshman R Watawala, INED - Chairman

Mr Amitha Gooneratne INED - Member

Mr N V N Ramsai NED - Member

Board profiles of the Committee members are detailed in the pages 33-34 of this Annual Report.

The Committee is chaired by Prof. Lakshman R Watawala, an Independent Non Executive Director. The Managing Director who is responsible for the overall operations of the Company and the Senior Vice President [HR] attend meetings and participate in the Committee meetings by invitation. The Managing Director takes

part in all deliberations except when his own performance and remuneration is discussed.

## Terms of Reference & Scope of Operations

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

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

## Professional Advice

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

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



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

Colombo, Sri Lanka  
30th May 2018

S/No	Date	Names of the Members Present	Names of Members Excused
1	30.06.2017	1. Prof.L R Watawala 2. Mr Amitha Gooneratne 3. Mr N V N Ramsai	
2	13.11.2017	1. Prof.L R Watawala 2. Mr Amitha Gooneratne	Mr N V N Ramsai

# AUDIT COMMITTEE REPORT

## Composition of the Audit Committee

The Audit Committee consists of three members of the Board and is appointed by Board of Directors in accordance with the requirements of the rule 7.10.6 of Listing Rules of the Colombo Stock Exchange.

The Committee is chaired by, Prof. Lakshman R Watawala, an Independent Non-Executive Director of the Board. The other two members of the committee are Mr. Amitha Gooneratne, Independent Non-Executive Director and Mr. N. V. N. Ramsai, Non-Executive Director. All three members are Chartered Accountants by profession. Prof. Watawala and Mr. Gooneratne are acclaimed for their professional knowledge and expertise in the area of financial management. Mr. Ramsai is the Executive Director (Finance) of parent Company, Indian Oil Corporation and brings in the expertise of handling financial matters of an Energy Company. The brief profiles of the Audit Committee members are given on pages 33-34. Their individual as well as collective knowledge on financial and governance matters and their business acumen are brought to bear in the deliberations and judgments on matters that come up in the Committee deliberations.

Mr. Shyam Bohra - Managing Director, Mr. Anuj Jain - Senior Vice President (Finance), and Mr. Gourav Jain - Vice President (Finance) attends the Audit Committee Meetings by invitation.

## 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 5 meetings during the financial year 2017-18 to discuss the matters within its purview. The Committee members present at the meetings was as follows;

S/No	Date	Names of the Members Present	Names of Members Excused
1	30.06.2017	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai	
2	09.08.2017	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne	Mr. N. V. N. Ramsai
3	13.11.2017	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne	Mr. N. V. N. Ramsai
4	23.01.2018	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai	
5	07.05.2018	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai	

### 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 2019, subject to the approval of the shareholders at the Annual General Meeting scheduled for 29th June 2018.

### Conclusion

The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) 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

30th May 2018

# RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

## Composition

The Related Party Transaction Review Committee was established by the Board of Directors in February 2016 further to the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

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

Mr Amitha Gooneratne (INED)-Chairman

Prof.Lakshman R Watawala (INED)  
-Member

Mr N V N Ramsai (NED) -Member

Mr.Shyam Bohra Managing Director (ED) - Member.

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

## Mandate

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

- To ensure that the Company complies with the Listing Rules of Colombo Stock Exchange.
- To update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- To establish the threshold values for related party transactions, i.e transactions which have to be pre-approved by the Board, transactions which require to be reviewed in advance and annually and similar issues relating to listed Companies.
- To make immediate market disclosures on applicable transactions as required by the Rules.
- To include appropriate disclosures on transactions in the annual report as required by the Rules.

## Meetings

S/No	Date	Names of the Members Present	Names of Members Excused
1	09.08.2017	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. Shyam Bohra	Mr. N. V. N. Ramsai
2	13.11.2017	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. Shyam Bohra	Mr. N. V. N. Ramsai
3	23.01.2018	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai 4. Mr. Shyam Bohra	
4	07.05.2018	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai 4. Mr. Shyam Bohra	

- To ensure that the interests of shareholders are taken into account as a whole when entering into related party transactions.

The Committee met four times during the Financial Year 2017/18. The meeting was also attended by the Senior Vice President [Finance] who is also the Chief Financial Officer (CFO)) and Vice President [Finance].

The Committee has issued following guidelines pertaining to the Related Party Transactions of the Company.

- i. MD, LIOC to ensure that all Recurrent and Non-Recurrent transactions are at arms length basis.
- ii. Prior approval to be taken from the Committee for Non-Recurrent transactions if any, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- iii. The Committee on an annual basis shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remain appropriate.

At each quarterly meeting a report of recurrent & non-recurrent transactions were submitted, to be in line with the applicable CSE Rules. The activities and

views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee Meetings.



**Amitha Gooneratne**

Chairman - Related Party Transaction Review Committee

30th May 2018



“ In 2002, the Petroleum Industry in Sri Lanka saw a mammoth shift of business concepts when LIOC took over some of the outlets from CPC. It took no time in deviating from the age old business culture in the petroleum field in Sri Lanka. This introduction brought in a huge change in all facets of the industry giving both dealers and the consumers a novel experience. ”





The rudimentary beginning of this outlet became a reality in 1940 when my grandfather Late Mr. A H Wimalatunga ventured into an all-important business of selling petroleum products which he purchased and sold off barrels themselves. He brought about a long awaited solution to the people domiciled in this part of the historical Uva Province. Caltex was his initial business partner and walked the extra mile of meeting the business objectives by developing the infrastructure facilities needed at the premises at his own expenses. Soon after, Shell Company of Ceylon Ltd replaced the principal partnership of Caltex. It was then the philanthropic nature of my grandfather called him to take yet another step to gift the entire premises with the buildings intact to Shell Company. The business saw a smooth transfer to Ceylon Petroleum Corporation (CPC) when they came into limelight in 1962. After the demise of my grandfather, my father Mr Sanath wimalatunga took over the reins of it in 1965.

Since My father handed over the business to me in the year 2000, I have been enthusiastic to engage myself to the fullest capacity to an ever encouraging business partnership presented by LIOC. I, in fact take this opportunity to make a special mention when the proactive management of LIOC took a strategic decision to do a complete renovation of the outlet in 2016 with state of the art facilities. The magnificent change of the outlook of our business did not take too long in giving me a notably increased Return on Investment. I wish LIOC the best of luck in all its future endeavours.

**Sujeewa Wimalatunga**  
A H Wimalatunga & Sons

# FINANCIAL CALENDAR

Interim Financial Statements are published as per rule 7.4 of the Colombo stock exchange

Period	Published on
April-June 2017	10th August, 2017
July-September 2017	15th November 2017
October-December 2017	24th January 2018
January-March 2018	08th May 2018

## Annual Reports

Period	Published on
2016-17 (Second Integrated Report)	02nd June 2017
2015-16 (First Integrated Report)	30th August 2016

## Annual General Meeting

Meeting	Date of meeting
16th Annual General Meeting	29th June 2018
15th Annual General Meeting	29th June 2017
14th Annual General Meeting	23rd September 2016

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# STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

The Directors confirm that in preparing the financial statements exhibited on pages 134-171 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  
30th May 2018

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

The financial statements of Lanka IOC PLC as at March 31, 2018 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 FY 2012-13, to conform with the new Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, which became effective from January 01, 2012 and all the processes are in place to address the requirements of the new Sri Lanka Accounting Standards.

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

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

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

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

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

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

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

We confirm to the best of our knowledge;

- The Company has complied with all applicable laws, regulations and prudential requirements and there are no material litigations that are pending against the Company other than disclose in note 22.2 under Contingencies.

## Financial Statements

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



**Shyam Bohra**  
Managing Director



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

30th May 2018



# INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

## TO THE SHAREHOLDERS OF LANKA IOC PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Lanka IOC PLC ("the Company"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issue by The Institute of Chartered Accountant of Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context

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

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

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



## INDEPENDENT AUDITOR'S REPORT



Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b> Refer accounting policies Note 2.8.2 and Note 3 to the financial statements.</p> <p>Considering the distribution network, volume of transactions and discounts, we believe a higher inherent risk is associated with revenue recognition.</p> <p>Therefore, we considered revenue recognition to be a key audit matter.</p>	<p>Our audit procedures focused on the appropriateness of the Company's revenue recognition accounting policies, and included the following procedures:</p> <ul style="list-style-type: none"><li>• Testing the operating and design effectiveness of critical controls over revenue recognition on a sample basis.</li><li>• Evaluating Information Technology (IT) processes which include logical access and change management and other IT processes and tested the operating effectiveness of key IT application controls over recognition of revenue.</li><li>• Reviewing the revenue recognition policy applied by the Company to ensure its compliance with Sri Lanka Accounting Standards.</li><li>• Performing substantive analytical procedure on monthly revenue on key products to assess the reasonability of selling price.</li><li>• Validating the appropriateness and completeness of the related disclosures in Note 3 of the financial statements.</li></ul>

### Other information included in the Company's 2017/18 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified

above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and

to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

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

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



07th May 2018  
Colombo

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Notes	2018 LKR '000	2017 LKR '000
Revenue	3	91,343,335	81,039,277
Cost of Sales		(89,542,911)	(74,070,918)
<b>Gross profit</b>		<b>1,800,424</b>	<b>6,968,359</b>
Other Operating Income	4	444,358	140,493
Administrative Expenses		(1,152,092)	(1,455,382)
Selling and Distribution Expenses		(2,477,564)	(2,505,419)
<b>Operating Profit/(Loss)</b>		<b>(1,384,874)</b>	<b>3,148,051</b>
Finance Income	5.1	914,999	632,910
Finance Expenses	5.2	(306,018)	(180,362)
<b>Profit/(Loss) Before Tax</b>	6	<b>(775,893)</b>	<b>3,600,599</b>
Income Tax Expense	7.1	31,704	(535,316)
<b>Profit/(Loss) for the Year</b>		<b>(744,189)</b>	<b>3,065,283</b>
<b>Other Comprehensive Income /(Loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.4	(13,384)	5,993
Income tax on other Comprehensive income/(loss)	9.2	2,008	(899)
Other Comprehensive Income for the Year, Net of Tax		(11,376)	5,094
<b>Total Comprehensive Income/(Loss) for the Year, Net of Tax</b>		<b>(755,565)</b>	<b>3,070,377</b>
<b>Earnings Per Share</b>	10	<b>(1.40)</b>	<b>5.76</b>

The accounting policies and notes on pages 138 through 171 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	2018 LKR '000	2017 LKR '000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	11	4,268,729	4,114,443
Investment	12	4,394,000	4,394,000
Intangible Assets	13	675,966	674,074
Other Receivables	15.1	106,450	107,382
		<b>9,445,145</b>	9,289,899
<b>Current Assets</b>			
Inventories	14	10,110,006	4,821,898
Trade and Other Receivables	15	4,551,221	4,406,875
Income Tax Receivables		445,475	-
Short Term Investments	16.1	7,962,438	6,407,876
Cash and Bank Balances	16.1	444,871	567,136
		<b>23,514,011</b>	16,203,785
<b>Total Assets</b>		<b>32,959,156</b>	25,493,684
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	17	7,576,574	7,576,574
Retained Earnings		11,792,546	13,213,693
<b>Total Equity</b>		<b>19,369,120</b>	20,790,267
<b>Non Current Liabilities</b>			
Defined Benefit Obligation (Net)	8.2	19,902	65,657
Deferred Tax Liabilities	9.1	-	111,429
		<b>19,902</b>	177,086
<b>Current Liabilities</b>			
Trade and Other Payables	18	8,552,305	3,593,667
Income Tax Payable		-	46,641
Interest Bearing Borrowings	19.1	5,017,829	886,023
		<b>13,570,134</b>	4,526,331
<b>Total Equity and Liabilities</b>		<b>32,959,156</b>	25,493,684

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



Senior Vice President (Finance)

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



Director



Director

The accounting policies and notes on pages 138 through 171 form an integral part of the Financial Statements.

07th May 2018  
Colombo

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 March	Stated Capital LKR '000	Retained Earnings LKR '000	Total LKR '000
<b>As at 1 April 2016</b>	7,576,574	10,808,898	18,385,472
Dividends Paid	-	(665,582)	(665,582)
Profit/(Loss) for the Year	-	3,065,283	3,065,283
Other Comprehensive Income/(Loss)	-	5,094	5,094
<b>As at 31 March 2017</b>	7,576,574	13,213,693	20,790,267
Dividends Paid	-	(665,582)	(665,582)
Profit /(Loss) for the Year	-	(744,189)	(744,189)
Other Comprehensive Income/(Loss)	-	(11,376)	(11,376)
<b>As at 31 March 2018</b>	7,576,574	11,792,546	19,369,120

The accounting policies and notes on pages 138 through 171 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

Year ended 31 March	Notes	2018 LKR '000	2017 LKR '000
Cash Flows From/(Used in) Operating Activities			
Profit /(Loss) before Income Tax Expense		(775,893)	3,600,599
<b>Adjustments for</b>			
Finance Income	5.1	(914,999)	(632,910)
Finance Expenses	5.2	306,018	180,362
Dividends Income	4	(352,000)	(100,000)
Increase/(Decrease) in Allowances for Impairment	15.6	(6,038)	41,053
Loss/ (Profit) on disposal of property, Plant and Equipment		(14,480)	23,730
Defined Benefit Plan Cost	8.3	6,519	12,038
Depreciation	11.2	359,307	327,172
Amortisation of Intangible Asset	13.2	606	464
<b>Operating Profit/(Loss) before Working Capital Changes</b>		<b>(1,390,960)</b>	<b>3,452,508</b>
(Increase)/ Decrease in Inventories		(5,288,108)	2,443,596
(Increase) in Trade and Other Receivables		(137,376)	(2,990,749)
Increase/ (Decrease) in Trade and Other Payables		4,958,638	(623,013)
<b>Cash Generated From/(Used in) Operations</b>		<b>(1,857,806)</b>	<b>2,282,342</b>
Income Tax Paid		(569,833)	(575,688)
Finance Expenses Paid		(306,018)	(180,362)
Defined Benefit Paid		(3,283)	(5,735)
<b>Net Cash Flows From Operating Activities</b>		<b>(2,736,940)</b>	<b>1,520,557</b>
<b>Cash Flows from Investing Activities</b>			
Finance Income		914,999	632,910
Dividends Income		352,000	100,000
Acquisition of Property, Plant and Equipment	11.1	(521,917)	(418,448)
Acquisition of Intangible Assets	13.1	(2,498)	-
Proceeds from Property, Plant and Equipment		22,806	9,586
Net Investment in Gratuity Fund		(62,375)	-
<b>Net Cash Flows From/(Used in) Investing Activities</b>		<b>703,015</b>	<b>324,048</b>
<b>Cash Flows From Financing Activities</b>			
Proceed from Interest bearing borrowings		27,172,040	20,895,287
Repayments of Interest bearing borrowings		(23,040,235)	(22,212,107)
Dividends Paid		(665,582)	(665,582)
<b>Net Cash Flows From/(Used in) Financing Activities</b>		<b>3,466,222</b>	<b>(1,982,402)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>1,432,297</b>	<b>(137,797)</b>
Cash and Cash Equivalents at the Beginning of the Year	16.1	6,975,012	7,112,809
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>8,407,309</b>	<b>6,975,012</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Short Term Investments		7,962,438	6,407,876
Cash in Hand and at Bank		444,871	567,136
		<b>8,407,309</b>	<b>6,975,012</b>

The accounting policies and notes on pages 138 through 171 form an integral part of the Financial Statements.



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# NOTES TO THE FINANCIAL STATEMENTS

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## 1. Corporate Information

### 1.1 General

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

### 1.2 Principal Activities and Nature of Operations

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

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

### 1.3 Parent Entity and Ultimate Controlling Party

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

### 1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2018 was authorized for issue in accordance with a resolution of the Board of Directors on 07 May 2018.

## 2. Basis Of Preparation

### 2.1 Statement of Compliance

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

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

### 2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for defined benefit obligation which is measured at present value of the obligation.

### 2.3 Functional and Presentation Currency

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

### 2.4 Going Concern

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

### 2.5 Changes in Accounting Policies

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

### 2.6 Comparative Information

Whenever necessary, comparative figures have been reclassified to maintain comparability of financial statements in order to provide a better presentation it is disclosed in Note 29.

### 2.7 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.

### 2.7.1 Critical Judgments in Applying the Accounting Policies

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

#### a) Investment in Ceylon Petroleum Storage Terminal Limited

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

### 2.7.2 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) 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.

### 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.

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

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Plant and Equipment would increase the recorded depreciation charge and decrease the Property, Plant and Equipment balance.

### 2.8 Summary of Significant Accounting Policies

#### 2.8.1 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.

#### 2.8.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, returns, rebates and sales taxes (value added taxes and Nation Building Tax).

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

##### a) Sale of goods

Sales of goods are recognised on delivery of products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

##### b) Finance Income

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

##### c) Dividend income

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

##### d) Others

Other income is recognized on an accrual basis.

#### 2.8.3 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.

#### 2.8.4 Taxation

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

##### Current Taxes

The Company has entered into agreements with the Board of Investment of Sri Lanka (BOI), as specified below. Such agreements specify that the sections of the Inland Revenue Act relating to the imposition, payment and recovery of income tax should not apply to the company, as explained below.

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

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

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

Financial Statements and computed in accordance with the provisions of the relevant tax legislation.

#### Deferred Taxation

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

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

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

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

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

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

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable and receivable and payable

that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

### 2.8.5 Financial Instruments - Initial Recognition and Subsequent Measurement

#### 2.8.5.1 Financial Assets

The company's financial assets include cash and short-term deposits, trade and other receivables, and amount due from related parties, which are classified as loans and receivables as per LKAS 39.

#### 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 market place (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

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## NOTES TO THE FINANCIAL STATEMENTS

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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

#### 2.8.5.2 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.

##### De-recognition

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

#### 2.8.6 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



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## NOTES TO THE FINANCIAL STATEMENTS

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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.

### 2.8.7 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

### 2.8.8 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.

### 2.8.9 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.

**2.8.10 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.

**2.8.11 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.

**2.8.12 Impairment of non-financial assets**

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

less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

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

**2.8.13 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.

**2.8.14 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of

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## NOTES TO THE FINANCIAL STATEMENTS

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resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### 2.8.15 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.

### 2.8.16 Employee Benefits

#### a) Defined Benefit Obligations - Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs K. A. Pandit consultant and actuaries who carried out actuarial valuation as at 31 March 2018.

Recognition of Actuarial Gains and Losses

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

#### b) Defined Contribution Plans

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

**The Company contributes to the following Schemes:**

#### Employees' Provident Fund

The Company and employees contribute 15% and 8 % respectively of the employee's monthly gross salary

(excluding overtime) to the Provident Fund for Trincomalee based (erstwhile CPC) and 12% and 8% for other employees.

#### Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees'

Trust Fund maintained by the Employees Trust Fund Board.

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

### 2.9 Effect Of Sri Lanka Accounting Standards (SLFRS) Issued But Not Yet Effective:

The following new accounting standards were issued by the Institute of Chartered Accountants in Sri Lanka which are not yet effective as at 31 March 2018. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2018.

#### SLFRS 9 Financial Instruments

In December 2014, the Institute of Chartered Accountant of Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement of impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory.

The Company has performed an impact assessment of all the aspects of SLFRS 9. This preliminary assessment is based on currently available information. Overall, the Company expects no significant impact on its financial position and equity.

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#### **SLFRS 15 Revenue from Contracts with Customers**

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 01 January 2018. The Company completed diagnostic phase of SLFRS 15 adaptation in 2017/18 financial year. The Company's current study has not revealed a significant change to the revenue recognition patterns.

#### **SLFRS 16 - Leases**

The Institute of Chartered Accountant of Sri Lanka issued the new standard for accounting for leases - SLFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The company plans to assess the potential effect of SLFRS 16 on its financial statements in 2018/2019.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Revenue

Year ended 31 March	2018 LKR '000	2017 LKR '000
Lanka auto diesel	26,837,936	28,107,352
Xtramile	3,112,517	2,542,464
Lanka super diesel	2,321,752	1,722,402
Lanka petrol 92 octane	25,246,083	25,669,913
Xtrapremium Euro 3	4,841,198	3,793,119
Xtrapremium 95	6,051,508	5,016,071
Lubricants	3,254,312	2,741,681
Bunkering	18,175,699	9,101,025
Bitumen	1,487,425	2,338,511
Petrochemical	14,905	6,739
<b>Total Revenue</b>	<b>91,343,335</b>	<b>81,039,277</b>

#### 3.1 Segment Information

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

### 4. Other Operating Income

Year ended 31 March	2018 LKR '000	2017 LKR '000
Rental Income	51,151	23,531
Dividend Income	352,000	100,000
Sundry Income	26,727	16,962
Profit on sale of Property Plant and Equipment	14,480	-
	<b>444,358</b>	<b>140,493</b>

### 5. Finance Income and Expenses

#### 5.1 Finance Income

Year ended 31 March	2018 LKR '000	2017 LKR '000
Income from Short term Investment	865,882	603,934
Interest on Others	49,117	28,976
	<b>914,999</b>	<b>632,910</b>

**5.2 Finance Expenses**

<b>Year ended 31 March</b>	<b>2018</b>	<b>2017</b>
	<b>LKR '000</b>	<b>LKR '000</b>
Interest on Short Term Loans	<b>131,964</b>	81,651
Exchange (Gain)/Loss	<b>174,054</b>	98,711
	<b>306,018</b>	180,362

**6. Profit/(Loss) From Operating Activities**

<b>Year ended 31 March</b>	<b>2018</b>	<b>2017</b>
	<b>LKR '000</b>	<b>LKR '000</b>
<b>Stated after Charging /Crediting</b>		
Directors' Emoluments	<b>26,606</b>	23,187
Salaries and Wages	<b>430,822</b>	448,311
Increase/(Decrease) in Allowances for Impairment	<b>(6,038)</b>	41,053
Loss/(Gain) on disposal of Property, Plant and Equipment	<b>(14,480)</b>	23,730
Exchange (Gain) / Loss	<b>174,054</b>	98,711
Defined Benefit Obligation : Charge for the year	<b>6,519</b>	12,038
Audit Fee - Current year	<b>1,500</b>	1,500
Rent	<b>66,174</b>	61,175
Depreciation Charge for the year	<b>359,307</b>	327,172
Amortisation Charge for the year	<b>606</b>	464

**7. Tax Expenses**

The major components of income tax expense for the years ended 31 March 2018 and 31 March 2017 are as follows :

**7.1 Income Statement**

<b>Year ended 31 March</b>	<b>2018</b>	<b>2017</b>
	<b>LKR '000</b>	<b>LKR '000</b>
<b>Current Income Tax:</b>		
Current Tax Expense	<b>17,858</b>	481,508
Under/(Over) Provision of Current Taxes in respect of Prior Year	<b>24,659</b>	32,387
WHT on Dividend Income	<b>35,200</b>	-
<b>Deferred Tax:</b>		
Deferred Taxation Charge/ (Credit) (Note 9.2)	<b>(109,421)</b>	21,421
<b>Income Tax Expense / (Credit) Reported in the Income Statement</b>	<b>(31,704)</b>	535,316



## NOTES TO THE FINANCIAL STATEMENTS

- 7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 March 2018 and 31 March 2017 are as follows :

Year ended 31 March	2018 LKR '000	2017 LKR '000
Accounting /(Loss) Profit before tax	(775,893)	3,600,599
Tax calculated at a tax rate of 15% (2017 - 15%)	Nil	540,090
Adjustments in respect of prior years	24,659	32,387
Tax impact of expenses deductible/not deductible for tax purpose	Nil	(9,966)
Tax impact of income not subject to tax	35,200	(77,086)
Tax impact of income taxable at different rate	Nil	(32,850)
Adjustment due to the estimated deferred tax base in previous year	(109,421)	21,421
Tax charge on profit from trade or business	(49,562)	473,996
Taxable Interest income	63,777	219,003
Tax calculated at a tax rate of 28% (2017 - 28%)	17,858	61,321
<b>Total tax charge for the year</b>	<b>(31,704)</b>	<b>535,316</b>

## 8. Defined Benefit Obligation

Year ended 31 March	2018 LKR '000	2017 LKR '000
<b>Balance as at 01 April</b>	<b>65,657</b>	<b>65,347</b>
Current Service Cost	3,577	4,196
Interest Cost	8,535	7,842
Actuarial (Gain) / Loss (8.4)	13,384	(5,993)
Benefits Paid	(3,283)	(5,735)
<b>Balance as at 31 March</b>	<b>87,870</b>	<b>65,657</b>

**Reconciliation of Fair Value of Plan Assets**

Year ended 31 March	2018 LKR '000	2017 LKR '000
<b>8.1 Balance as at 01 April</b>		
Contribution by employer	65,658	-
Expected return	5,593	-
Benefit Paid	(3,283)	-
<b>Balance as at 31 March</b>	<b>67,968</b>	<b>-</b>

**8.2 Reconciliation of Fair Value of The Plan Assets and Defined Benefit Obligation**

Year ended 31 March	2018 LKR '000	2017 LKR '000
Defined Benefit Obligation at the end of the year	87,870	65,657
Fair value of the plan assets at the end of the year	(67,968)	-
Amount recognised in balance sheet	19,902	65,657

**8.3 Expenses recognised on Defined Benefit Plan**

Year ended 31 March	2018 LKR '000	2017 LKR '000
<b>Income Statement</b>		
Current Service Cost	3,576	4,196
Net Interest Cost	2,943	7,842
	6,519	12,038
<b>Other Comprehensive Income</b>		
Actuarial (Gain) / Loss (8.4)	13,384	(5,993)
	13,384	(5,993)

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

Year ended 31 March	2018 LKR '000	2017 LKR '000
Changes in Financial Assumptions	916	(3,709)
Changes in Demographic Assumptions	(3,867)	(7,027)
Experience Adjustments	16,335	4,743
	13,384	(5,993)

## NOTES TO THE FINANCIAL STATEMENTS

**8.5** Actuarial valuation of Retirement Benefit Obligation as at 31 March 2018 was carried out by Messrs. K A Pandit Consultants & Actuaries, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

### **8.6 Principle Actuarial Assumptions**

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

Year ended 31 March	2018 LKR '000	2017 LKR '000
Discount Rate	11.50%	13.00%
Salary Incremental Rate	1-6%	2-8%
Staff Turnover	0-7%	2-5%
Retirement Age	60 years	60 years

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

### **8.7 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 2018. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Increase/(Decrease) in Staff Turnover Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
1%			4,324	-4,324
-1%			-4,769	4,769
	1%		-5,189	5,189
	-1%		4,757	-4,757
		1%	-3,715	3,715
		-1%	2,249	-2,249

## 9. Deferred Tax Liabilities

### 9.1 Deferred Tax

Deferred Tax Relates to the Following:

Year ended 31 March	2018 LKR '000	2017 LKR '000
<b>Deferred Tax Assets Arising on:</b>		
Income tax loss	130,811	-
Retirement Benefit Obligation	13,181	9,849
	143,992	9,849
<b>Deferred Tax Liability Arising on:</b>		
Property Plant & Equipment	(143,992)	(121,278)
<b>Net Deferred Tax Asset/(Liability)</b>	-	(111,429)

- 9.1.1 The company has taxable loss for the year 2017-18. Deferred tax asset on account of taxable loss works out to LKR 335million. In view of uncertainty of profits due to losses in auto fuels, deferred tax asset has been recognized only to the extent of LKR 131 million which is equivalent to net deferred tax liability as on 31st March 2018.

Year ended 31 March	2018 LKR '000	2017 LKR '000
<b>9.2 Balance brought forward</b>	111,429	89,109
Deferred Income Tax (Credit)/Charge- Income Statement	(109,422)	21,421
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	(2,008)	899
<b>Net Deferred Tax (Asset)/Liability</b>	-	111,429

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

10.2 The following reflects the income and share data used in the Earnings Per Share computation.

Year ended 31 March	2018	2017
<b>Amounts Used as the Numerator</b>		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share (LKR 000)	<b>(744,189)</b>	3,065,283
<b>Number of Ordinary Shares used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares	<b>532,465,705</b>	532,465,705
Basic Earning Per Share (LKR)	<b>(1.40)</b>	5.76

### 11. Property, Plant and Equipment

#### 11.1 Gross Carrying Amounts

As at 31 March	Balance 2017	Additions	Transfers	Disposals	Balance 2018
At Cost	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Freehold Land	1,968,416	-	-	(7,887)	<b>1,960,529</b>
Building and Fixtures	1,946,323	-	151,740	-	<b>2,098,063</b>
Plant and Equipment	2,760,361	-	245,008	(13,616)	<b>2,991,753</b>
Office Equipment	36,355	6,042	-	(1,698)	<b>40,699</b>
Furniture and Fittings	101,256	1,705	79,332	-	<b>182,293</b>
Motor Vehicles	40,071	-	-	-	<b>40,071</b>
Capital Work-In- Progress	192,899	514,170	(476,080)	-	<b>230,989</b>
	<b>7,045,680</b>	<b>521,917</b>	<b>-</b>	<b>(23,200)</b>	<b>7,544,397</b>

## 11.2 Depreciation

As at 31 March	Balance 2017 LKR '000	Charge for the year LKR '000	Transfers LKR '000	Disposals LKR '000	Balance 2018 LKR '000
Building and Fixtures	1,032,710	136,453	-		1,169,163
Plant and Equipment	1,795,632	190,375	-	(13,615)	1,972,392
Office Equipment	24,985	5,345	-	(1,260)	29,070
Furniture and Fittings	48,547	21,557	-	-	70,104
Motor Vehicles	29,363	5,576	-	-	34,939
	2,931,237	359,307	-	(14,875)	3,275,668

## 11.3 Net Book Value

As at 31 March	2018 LKR '000	2017 LKR '000
Freehold Land	1,960,529	1,968,416
Building and Fixtures	928,900	913,613
Plant and Equipment	1,019,361	964,728
Office Equipment	11,629	11,370
Furniture and Fittings	112,189	52,709
Motor Vehicles	5,132	10,708
Capital Work-In- Progress	230,989	192,899
<b>Total Carrying Value of Property, Plant &amp; Equipment</b>	<b>4,268,729</b>	<b>4,114,443</b>



## NOTES TO THE FINANCIAL STATEMENTS

- 11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of LKR 522 Mn (2017 - LKR 418 Mn).

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

	2018	2017
Building and Fixtures	15 Years	15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

## 12. Investment

As at 31 March	2018 LKR '000	2017 LKR '000
At the end of the year	4,394,000	4,394,000

- 12.1 Lanka IOC PLC owns 33 1/3% of the 750,000,000 shares of Ceylon Petroleum Storage Terminal Limited (CPSTL), also known as the "Common User Facility" (CUF). The Company paid US\$ 45 million to Treasury on 22 January 2004 for the acquisition of 250,000,000 shares. The Ceylon Petroleum Corporation owns 66 2/3% of 750,000,000 shares of CPSTL and controls through the nomination of six of the nine board members. Lanka IOC PLC nominates the balance three board members. Due to the government influence and the sensitivity of the industry towards the national economy, the directors nominated by Lanka IOC PLC do not have significant influence over decisions of CPSTL. As such, the investment is recorded at cost.

## 13. Intangible Assets

### 13.1 Gross Carrying Amounts

As at 31 March	Goodwill LKR '000	License fees on computer software LKR '000	Total LKR '000
Balance 2017	759,298	11,938	771,236
Additions	-	2,498	2,498
Disposals	-	-	-
Balance 2018	759,298	14,437	773,734

**13.2 Amortisation**

As at 31 March	Goodwill LKR '000	License fees on computer software LKR '000	Total LKR '000
<b>Balance 2017</b>	85,421	11,741	97,162
Charge for the year	-	606	606
<b>Balance 2018</b>	85,421	12,347	97,768
<b>13.3 Net Book Value as at 31.03.2018</b>	673,877	2,090	675,966
<b>13.4 Net Book Value as at 31.03.2017</b>	673,877	197	674,074

- 13.5** Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Accumulated amortisation as at the balance sheet date amounting to LKR. 85 Mn which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards goodwill is tested annually for impairment and carried at cost less amortisation up to 2007.

**14. Inventories**

As at 31 March	2018 LKR '000	2017 LKR '000
<b>Summary</b>		
Auto Fuel	6,996,097	3,241,490
Bunker Fuel	1,290,563	498,276
Bitumen	474,773	413,509
Lubricants	311,037	222,982
Base oil and other raw materials	999,821	383,862
Goods In Transit	37,715	61,779
	<b>10,110,006</b>	<b>4,821,898</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Trade and other Receivables

#### Current Assets

As at 31 March	2018 LKR '000	2017 LKR '000
<b>Summary</b>		
Trade Receivables - Others (net of Allowance for Impairment)	<b>3,387,197</b>	2,072,889
VAT/NBT Receivables	<b>161,626</b>	11,586
Other Receivables - Related Party (15.2)	<b>68,081</b>	51,547
- Others	<b>11,427</b>	51,278
Deposits and Advances	<b>900,292</b>	2,190,958
Prepayments	<b>22,598</b>	28,617
	<b>4,551,221</b>	4,406,875

### 15.1 Non Current Assets- Other Receivables

As at 31 March	2018 LKR '000	2017 LKR '000
Staff Loan	<b>106,450</b>	107,382
	<b>106,450</b>	107,382

### 15.2 Other Receivables- Related Parties

As at 31 March	Relationship	2018 LKR '000	2017 LKR '000
Indian Oil Corporation Limited	Immediate Parent	<b>68,081</b>	51,547
		<b>68,081</b>	51,547

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

As at 31 March	Neither Past due nor Impaired		Past Due but not Impaired				
	Total	LKR '000	Less than 30 days	31-90 days	91-180 days	181-365 days	More than 365 days
	LKR '000		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<b>2018</b>	<b>3,387,197</b>	<b>2,918,066</b>	<b>213,865</b>	<b>188,717</b>	<b>32,472</b>	<b>8,897</b>	<b>25,180</b>
2017	2,072,889	1,915,196	106,259	34,845	4,739	6,845	5,005

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:

As at 31 March	2018 LKR '000	2017 LKR '000
US Dollars	1,908,675	1,238,911
Sri Lankan Rupees	2,642,546	3,167,964
	<b>4,551,221</b>	<b>4,406,875</b>

15.6 Receivables of LKR 478 Mn (2017 LKR 484 Mn) were impaired, due to defaults. Movement in the allowance for impairment is as follows:

Allowance for impairment

	2018 LKR '000	2017 LKR '000
<b>As at 01 April</b>	<b>484,094</b>	443,041
Provision/(Reversal) for the year	<b>(6,038)</b>	41,053
<b>As at 31 March</b>	<b>478,056</b>	484,094

16. Cash and Cash Equivalents

16.1 Cash & Cash Equivalent balances

As at 31 March	2018 LKR '000	2017 LKR '000
Cash and Bank Balances	<b>444,871</b>	567,136
Short Term investments	<b>7,962,438</b>	6,407,876
<b>Total Cash &amp; Cash Equivalent balances</b>	<b>8,407,309</b>	6,975,012

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Stated Capital

	2018 LKR '000	2017 LKR '000
17.1 Stated Capital as at 31 March (In LKR'000s)	7,576,574	7,576,574
17.2 Number of Ordinary Shares (As at 31 March)	532,465,705	532,465,705

### 18. Trade and Other Payables

As at 31 March	2018 LKR '000	2017 LKR '000
Trade Payables - Related Parties (18.2)	27,602	19,783
- Others	7,733,263	2,708,737
Other Payables- Related Parties (18.3)	299,867	320,326
Sundry Creditors Including Accrued Expenses	491,573	544,821
	8,552,305	3,593,667

#### 18.2 Trade Payables- Related Parties

As at 31 March	Relationship	2018 LKR '000	2017 LKR '000
Indian Oil Corporation Limited	Immediate Parent	27,602	19,783
		27,602	19,783

#### 18.3 Other Payables- Related Parties

As at 31 March	Relationship	2018 LKR '000	2017 LKR '000
Ceylon Petroleum Storage Terminal Limited	Significant Investee	299,867	320,326
		299,867	320,326

**19. Other Financial Assets and Liabilities****19.1 Interest Bearing Loans and Borrowings**

As at 31 March	2018 LKR '000	2017 LKR '000
Short Term Loans (19.3)	5,017,829	886,023
	5,017,829	886,023

**19.2 Short Term Investments**

As at 31 March	2018 LKR '000	2017 LKR '000
Unit Trust Investment	7,962,438	6,407,876
	7,962,438	6,407,876

**19.2.1 Investment in Money Market Funds**

As at 31 March		Balance 2017 LKR '000	Additions/ (Withdrawals) LKR '000	Fair Value Gain/(Loss) LKR '000	Balance 2018 LKR '000
Unit Trust Investment	Held for Trading	6,407,876	745,379	809,183	7,962,438

**19.3** The short term loans USD 31.09mn (2017- USD 5.82mn) are unsecured except for the loans from State Bank of India Colombo branch and Singapore branch amounting to USD 6.62mn (2017- USD 1.83mn) . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

**19.4 The interest rates are as follows:**

Short term loans LIBOR + Margin

**19.5** The LIBOR rate (monthly) at the date of statement of financial position was 1.88313%

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Related Party Disclosures

#### 20.1 Transactions with the Related Entities

##### 20.1.1 Transactions with Parent

Year ended 31 March	2018 LKR '000	2017 LKR '000
<b>Nature of Transaction</b>		
<b>Amounts Receivable at beginning of the year</b>	<b>51,547</b>	29,972
<b>Amounts Payable at beginning of the year</b>	<b>(19,783)</b>	(25,617)
Fund Transfers/Payment Made	<b>4,339,966</b>	424,822
Purchases of Goods/Services	<b>(4,353,500)</b>	(622,569)
Sale of Goods	-	203,893
Expenses Reimbursed	<b>22,249</b>	21,263
<b>Amounts Receivable at end of the year</b>	<b>68,081</b>	51,547
<b>Amounts Payable at end of the year</b>	<b>(27,602)</b>	(19,783)
<b>Net Balance as at 31 March</b>	<b>40,479</b>	31,764

**20.1.2** During the year, the Company paid a gross dividend of LKR 666 Mn with respect to the financial year ended 31 March 2017, out of which LKR 500 Mn was paid to Indian Oil Corporation Limited.

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

Year ended 31 March	2018 LKR '000	2017 LKR '000
<b>Nature of Transaction</b>		
<b>Amounts Receivable at beginning of the year</b>	-	-
<b>Amounts Payable at beginning of the year</b>	(320,326)	(304,738)
Fund Transfers/Payment Made	1,314,609	1,185,560
Services Rendered	(1,294,150)	(1,201,148)
<b>Amounts Receivable at end of the year</b>	-	-
<b>Amounts Payable at end of the year</b>	(299,867)	(320,326)

During the year, CPSTL paid a gross dividend of 352mn (2017- LKR 100mn) pertaining to financial years 2016 and 2017 to Lanka IOC PLC.

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



**20.1.4** Apart from the transactions reported above, the company has transactions with other Government of India related entities, which includes but not limited to Goods/services etc. These transactions are conducted in the ordinary course of the company business on the terms comparable to other entities.

**20.1.5 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)

**20.2** Transactions with Key Management Personnel of the Company or its Subsidiaries

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

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

Year ended 31 March	2018	2017
	LKR '000	LKR '000
Fees for Directors	2,925	2,428
Emoluments	21,074	18,119
Short Term Employment Benefits	2,607	2,640
	<b>26,606</b>	23,187

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## NOTES TO THE FINANCIAL STATEMENTS

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### 21. Commitments

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

#### 21.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to LKR 301 Mn (2017- LKR 104 Mn).

#### 21.2 Operating lease commitments

The Company has a commitment to pay USD 100,000 per annum to Government of Sri Lanka as lease rental for storage tanks at Trincomalee used by the Company.

The future aggregate minimum lease payments of the operating leases according to the Memorandum of Understanding signed with the Government of Sri Lanka are as follows:

As at 31 March	2018 LKR '000	2017 LKR '000
No later than 1 year	15,592	15,217
Later than 1 year and no later than 5 years	62,369	60,870
More than 5 years	249,475	258,696
	<b>327,436</b>	<b>334,783</b>

- 21.3 Letters of Credit opened with Banks Favours Suppliers as at 31 March 2018 amounted to LKR.3,919.84 Mn (2017 - LKR 4,317 Mn).

### 22. Contingencies

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

- 22.1 Guarantees issued by Banks on behalf of the Company as at 31 March 2018 amounted to LKR 520 Mn (2017- LKR 424 Mn)

- 22.2 There is a disagreement on interpretation of NBT Act between Company and Inland Revenue Department. The case is pending before the Tax Appeal Commission for the assessment period Mar-2012 to September-2013 amounting to LKR 335.65 million. For the assessment period Dec-2013 to Dec-2015 amounting to LKR 505.16 million, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Mar-2016 to Mar-2018 is LKR 545.44 million for which assessment orders have not yet been issued by Inland Revenue Department. Therefore total Contingent liability as on 31 March 2018 is 1,386.25 million.

**23. Assets Pledged**

No assets have been pledged as at the reporting date except for those disclosed in Note 19.3

**24. Dividend**

Year ended 31 March	2018 LKR	2018 LKR '000	2017 LKR	2017 LKR '000
Equity Dividend on Ordinary shares	Per Share	Amount	Per Share	Amount
Declared and Paid during the year	1.25	665,582	1.25	665,582

**25. Events After the Reporting Date****Final dividend**

The Board of Directors of the Company recommend a final dividend of LKR 0.65 per share for the financial year ended 31 March 2018. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and will obtain a certificate from auditors, prior to declaring a final dividend.

In accordance with LKAS 10, the final dividend has not been recognised as an liability in the financial statements as at 31 March 2018.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

As at 31 March 2018	Denominated in LKR LKR '000	Denominated in USD LKR '000
Cash at bank and in hand	430,330	14,541
Interest Bearing Loans & Borrowings	170,447	4,847,382
Trade and Other Receivables (Current)	2,619,949	1,908,675
Other Receivables (Non Current)	106,450	-

#### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations, Repo investments and Unit Trust investments. The Company manages its interest rate risk by daily monitoring and managing of cash flow, by keeping borrowings to a minimum and negotiating favorable rates on borrowings.

#### b) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's USD denominated loans, Trade Receivables and Trade Payables.

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

As at 31 March	Average Value LKR '000	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax LKR '000
<b>2018</b>				
Interest Bearing Loans and Borrowings (USD)	4,847,382	155.92	+/- 1%	+/- 48,474
Trade and Other Receivables (USD)	1,908,675	155.92	+/- 1%	+/- 19,087
Trade and Other Payables (USD)	6,201,640	155.92	+/- 1%	+/- 62,016
<b>2017</b>				
Interest Bearing Loans and Borrowings (USD)	886,023	152.17	+/- 1%	+/- 8,860
Trade and Other Receivables (USD)	1,238,911	152.17	+/- 1%	+/- 12,389
Trade and Other Payables (USD)	1,452,309	152.17	+/- 1%	+/- 14,523

The movement on the post-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars.

## 26.2 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

### Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

The following policies are implemented within the group in order to manage credit risk related to receivables:

- Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.
- Contractual obligation to release assets only upon full payment of receivable, for related contracts and assets.

## 26.3 Liquidity Risk

The Company monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and project cash flow requirements as per the project implementation period. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and financing for current operations is already secured.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

As at 31 March 2018	Less than 1 year LKR '000	More than 1 year LKR '000	Total LKR '000
Interest-bearing loans and borrowings	5,017,829	-	5,017,829
Trade and Other Payables	8,552,305	-	8,552,305
	13,570,134	-	13,570,134

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## NOTES TO THE FINANCIAL STATEMENTS

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### 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.

As at 31 March	2018 LKR '000	2017 LKR '000
Total borrowings (Note 19)	5,017,829	886,023
Less :- Cash and cash equivalents (Note 16)	(8,407,309)	(6,975,012)
Net debt	-	-
Total Equity	19,369,120	20,790,267
Total Capital	19,369,120	20,790,267
Gearing ratio	-	-

## 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.

As at 31 March		Carrying Amount		Fair Value	
		2018	2017	2018	2017
		LKR '000	LKR '000	LKR '000	LKR '000
<b>Financial Assets</b>					
Other Receivables (Non Current)	A	106,450	107,382	106,450	107,382
Trade and Other Receivables (Current)	A	4,366,997	4,366,673	4,366,997	4,366,673
Short Term Investments	A	7,962,438	6,407,876	7,962,438	6,407,876
Cash and Bank Balance	A	444,871	567,136	444,871	567,136
<b>Total</b>		<b>12,880,756</b>	<b>11,449,067</b>	<b>12,880,756</b>	<b>11,449,067</b>
<b>Financial Liabilities</b>					
Trade and Other Payables	A	8,060,732	3,048,846	8,060,732	3,048,846
Interest Bearing Loans and Borrowings (Current)	A	5,017,829	886,023	5,017,829	886,023
<b>Total</b>		<b>13,078,561</b>	<b>3,934,869</b>	<b>13,078,561</b>	<b>3,934,869</b>

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

A - Cash and short-term deposits, short term investment, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.



## NOTES TO THE FINANCIAL STATEMENTS

### 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 2018	Financial Assets and Liabilities at Amortised Cost LKR '000	Total LKR '000
<b>Financial Assets</b>		
Other Receivables (Non Current)	106,450	106,450
Trade and Other Receivables (Current)	4,366,997	4,366,997
Short Term Investments	7,962,438	7,962,438
Cash and Cash Equivalents	444,871	444,871
<b>Total Financial Assets</b>	<b>12,880,756</b>	<b>12,880,756</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	8,060,732	8,060,732
Interest Bearing Loans and Borrowings	5,017,829	5,017,829
<b>Total Financial Liabilities</b>	<b>13,078,561</b>	<b>13,078,561</b>

As at 31 March 2017	Financial Assets and Liabilities at Amortised Cost	Total
	LKR '000	LKR '000
<b>Financial Assets</b>		
Other Receivables (Non Current)	107,382	107,382
Trade and Other Receivables (Current)	4,366,673	4,366,673
Short Term Investments	6,407,876	6,407,876
Cash and Cash Equivalents	567,136	567,136
<b>Total Financial Assets</b>	<b>11,449,067</b>	<b>11,449,067</b>
<b>Financial Liabilities</b>		
Trade and Other Payables	3,048,846	3,048,846
Interest Bearing Loans and Borrowings (Current)	886,023	886,023
<b>Total Financial Liabilities</b>	<b>3,934,869</b>	<b>3,934,869</b>

## 29. Reclassification

Reclassifications have been made to the prior year's income statements to enhance comparability with the current year's financial statements. As a result, material handling costs have been amended in the statement of comprehensive income. The items were reclassified as follows:

Year ended 31 March	After reclassification	Previously reported
	2017	2017
	LKR '000	LKR '000
Cost of sales	74,070,918	73,981,564
Selling and Distribution Expenses	2,505,419	2,594,773

# 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 31.03.2018		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 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	3 (PORTA CABIN + ELECTRICAL ROOM+wash Room)	1
4	102313	S.S. KOTALAWALA & CO	NO. 570, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO.		25.29P	1	1
5	102357	A.W. DAVITH APPUHAMY & SONS	NO. 124, KOTUGODELLA VEEDIYA, KANDY.		30.70P	3 (Sales Room +Service station+Generator Room)	Nil
6	102362	PASSARA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD	BADULLA ROAD, PASSARA.		24.32P	3 (Sale Room +Wash Room+Generator Room)	Nil
7	102334	SINHA ASSOCIATES	NO. 02, MANGALA ROAD, GAMPAHA.		12.14P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
8	102402	SINHA AUTO 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 SERVICE MART (PVT) LTD	NO. 650, MARADANA 2ND DIVISION, MARADANA ROAD, COLOMBO 10.	01R	11.83P	1	1
11	102391	S & D ENTERPRISES	NO. 205, GALLE ROAD, PANADURA.		36.94P	1	1
12	102365	MRS. R.P. JAYASINGHE	BADULLA ROAD, WELIMADA.		21.98P	1	1
13	102350	DON DAMINDA JAYAMAL DIAS	NO. 54, BADULLA ROAD, BADULLA.	02R	00.72P	2 (PORTA CABIN + ELECTRICAL ROOM)	2
14	102361	W. PALIHAWADANA & SONS	NO. 14, KANDY ROAD, NUWARA ELIYA.		25.25P	1	1
15	102331	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 562, GEORGE R DE SILVA MAWATHA, COLOMBO - 13.	01R	35.45P	1	1

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2018		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
16	102332	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 502, SRIMAO BHANDRANAYAKA MAWATHA, COLOMBO 14.		24.29P	1	1
17	102380	DERANIYAGALA PANAWELA MPCs LTD	NOORI ROAD, DERANIYAGALA.		27.84P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
18	102431	MRS. WIMALA SIRISENA	BROADWAY, MATARA		34.11P	1	1
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	1
21	102322	MAHARAGAMA MPCs LTD	NO. 79, HIGHLEVEL ROAD, MAHARAGAMA.		36.67P	1	1
22	102324	KOLONNAWA MPCs LTD	NO. 253, AWISSAWELLA ROAD, WELLAMPITIYA.		29.73P	1	1
23	102383	HEWAGAM KORALE EAST MPCs LTD	HIGHLEVEL ROAD, PAHATHGAMA, HANWELLA.		20.00P	1	1
24	102390	HEWAGAM KORALE EAST MPCs LTD	INGIRIYA ROAD, PADUKKA.		34.76P	1	1
25	102406	MR. HARSHA D. WEERAKOON	OLD TOWN, MADAMPE.		38.56P	2 (Sales Room+ Service Stn)	1
26	102436	A.H.M. HUSSAIN HADJIAR SONS	MATARA ROAD, WELIGAMA.	01R	10.74P	1	1
27	102318	MRS. SOMA ABEYWARDHANA	169, Highlevel Rd, Near Maya Avenue, Colombo 5		24.00P	1	1
28	102321	KOTTAWA LANKA FILLING STATION	NO. 41, HIGHLEVEL ROAD, KOTTAWA.		21.73P	1	1
29	102381	EHELIYAGODA MPCs LTD	RATNAPURA ROAD, EHELIYAGODA.		34.52	2 (Sales Room+ Service Stn)	1
30	102410	W. CALISTUS PERERA & SONS	NO 66, GREENS ROAD, NEGOMBO.	01R	19.34P	2 (Sales Room+ Service Stn)	1
31	102434	TANGALLE MPCs LTD	MAHAWELLA ROAD, TANGALLE.		24.00P	1	1
32	102412	KATANA MPCs LTD	NO.437/439, NEGOMBO ROAD, SEEDUWA.		37.68P	1	1
33	102425	AMBALANGODA MPCs LTD	NEW GALEE ROAD, AMBALANGODA.		19.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1

## 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 31.03.2018		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
34	102409	MR. K.H. JAYASINGHE	KULIYAPITIYA ROAD, NATTANDIYA.		22.44P	1	1
35	102445	RANGIRI DAMBULLA MPCS LTD	KURUNEGALA JUNCTION, DAMBULLA.		22.23P	1	1
36	102316	SLIPTO AGENCIES (PVT) LTD	1141, PRADEEPA MAWATHA, MALIGAWATTE, COLOMBO 10.	01R	07.23P	2 (Sales Room+ Service Stn)	2 (Main+2- 3wheeler)
37	102394	M/S. LIYANAGE ASSOCIATES	491, GALLE ROAD, RATMALANA.		34.00P	2 (Sales Room+ Service Stn)	1
38	102450	MRS. C.R. SAMARASINGHE	PUTTALM ROAD, NOCHCHIYAGAMA.	02R	00.05P	2 (Sales Room+ Service Stn)	1
39	102429	MR. DUDLEY PARANAGAMA	KATUGODA, MAGALLE, GALLE.		23.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	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
43	102426	MRS. K.A.A.H. DE SILVA	TANGALLE ROAD, BELIATTA.		20.1P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
44	102341	MR. S.N. JAYASINGHE	NO. 107, NEGOMBO ROAD, PELIYAGODA.	01R	06.17P	1	1
45	102310	M/S. FELIX PEREIRA & SON	NO 75, ALEXANDER PLACE (DR. C W W KANNANGARA MAWATHA), COLOMBO 07.	02R	01.15P	2 (Sales Room+ Service Stn)	1
46	102353	G.K. SAMIE & SONS	NO. 02, MAIN STREET, HATTON.		15.41P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
47	102319	M.G. SAMSON & SONS	94, DS SENANAYAKE MW, COLOMBO 08.		36.78P	2 (Sales Room+Store Room)	1
48	102444	MR. M. SELVARAJAH	NO 56, TRINCOMALEE ROAD, BATTICALOW.		33.97P	1	1
49	102411	SANDALANKAWA NEW MPCS LTD	WETAKEWA, GONAWELA, SANDALANKAWA.	01R	08.36P	1	1

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2018		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
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. PULLENDRA	MANNER JUNCTION, VAUNIYA.		43.62P	1	1
56	102387	KALUTARA MPCs LTD	NO. 326, GALLE ROAD, KALUTARA SOUTH, KALUTARA.		28.15P	2 (Sales Room+Panel Room)	1
57	102311	MR. H.K.S. RANASINGHE	NO.762 GALLE ROAD, COLOMBO 04.		38.83P	1	1
58	102395	MR. SARATH COLONNE	NO. 252, GALLE ROAD, RATMALANA.		35.50P	1	1
59	102379	BALANGODA MPCs LTD	BALAGAHAMULLA, BALANGODA.		34.39P	1	1
60	102356	W.A. PERERA & SONS	NO. 362, KATUGASTOTA ROAD, KANDY.	01R	14.84P	3 (Sales Rooms+ Service Stn)	1
61	102396	RATNAPURA MPCs LTD	NO. 10, BANDARANAYAKE MAWATHA, RATNAPURA.		34.9P	1	1
62	102451	MUTTUR AGA DIVISION MPCs LTD	NO 45, KANDY ROAD, TRINCOMALEE.	01R	29.86P	2 (Sales Room + Service Stn)	1
63	102340	ATTANAGALLA MPCs LTD	KANDY ROAD, NITTAMBUWA.		12.10P	2 (Sales Room+Gen Room)	1
64	102342	LIANFIRM (PVT) LTD	NO. 301, NEGOMBO ROAD, PELIYAGODA.		36.89P	1	1
65	102352	HALIELA MPCs LTD	BADULLA ROAD, HALI ELA.		24.50P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
66	102388	MR. S.P. GUNASINGHE	NO. 93, AGALWATTA ROAD, MATUGAMA.	01R	02.02P	1	
67	102354	M/S. HUNNASGIRIYA AGENCIES	MAHIYANKANAYA ROAD, HUNNASGIRIYA.		12.57P		

## 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 31.03.2018		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
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	2 (PORTA CABIN + ELECTRICAL ROOM)	1
78	102430	WELDISI (PVT) LTD	TANGALLE ROAD, HAMBANTOTA.	01R	03.58P	1	1
79	102377	SAMARANAYAKA SAHA SAMARANAYAKA	AGALAWATTA.		13.65P	1	1
80	102408	MR. L.P.P. PATHIRATNE	NO. 69, COLOMBO ROAD, MINUWANGODA.	01R	01.94P	1	1
81	102446	GALEWELA MPCs LTD	TRINCO ROAD,GALEWELA.		23.36P	1	1
82	102315	SWASTHIKA MILLS LTD	323, HAVELOCK ROAD, COLOMBO 06.	01R	03.96P	2 (Sales Room+ MiniMart)	2 (Main+2- 3wheeler)
83	102364	A.V. HINNIAPPUHAMY & COMPANY	NO. 98, NUWARA ELIYA ROAD, TALAWAKELE.		26.37P	1	1
84	102404	JOE PERERA & SONS	NO. 01, COLOMBO ROAD, KOCHCHIKADE.		14.81P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
85	102355	NOOHU MARIKAR	NO. 02, RAGALA ROAD, KANDAPOLA.		22.20P	2(PORTA CABIN + ELECTRICAL ROOM)	1



SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2018		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
86	102403	DIVULAPITIYA MPCs LTD	NO. 45, COLOMBO ROAD, DIVULAPITIYA.		06.68P	1	Nil
87	102392	PELMADULLA MPCs LTD	RATNAPURA ROAD, PELMADULLA.		24.41P	Nil	Nil
88	102407	MAWATHAGAMA MPCs LTD	KANDY ROAD, MAWATHAGAMA.		11.93P	2(PORTA CABIN + ELECTRICAL ROOM)	1
89	102337	KEGALLE MPCs LTD	NO. 96, GOLAHALA, KEGALLE.		14.44P	2(PORTA CABIN + ELECTRICAL ROOM)	1
90	102448	KAHATAGASDIGILIYA MPCs LTD	TRINCO ROAD, KAHATAGASDEGILIYA.		39.77P	1	1
91	102378	D.H.J. JAYAKODY BROTHERS	NO. 27, COLOMBO ROAD, AWISSAWELLA.		25.62P	1 (Service Station)	1
92	102393	MR. P.D.H.P. KARUNARATNE	NO. 174, HORANA ROAD, PILIYANDALA.		18.67P	1	1
93	102360	SS BANDARA	NO. 579, DAMBULLA ROAD, MATALE.		37.81	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.		15.06P	1	1
97	102333	M/S PERERA & CO & SONS	NO. 84, MUTWAL DOCKLAND, COLOMBO		26.50P	1	1
98	102405	K.W. SUSIRIPALA ASSOCIATES	NO. 116, KANDY ROAD, KURUNAGELA.		14.48P	2(PORTA CABIN + ELECTRICAL ROOM)	1
99	102344	ATTANAGALLA MPCs LTD	NEGOMBO ROAD, URAPOLA.		22.30P	2 (Sales Room +Store Room)	1

In compliance with Section 7.6(viii) and (xii) of the CSE Listing Rules, the Company's lands were re-valued as at 31.03.2016 by Mr. Kumar Subramaniam, Chartered Valuation Surveyor as an Independent Consultant empanelled by M/s. SJMS Associates, Chartered Accountants, based on the current open Market Value of lands for their existing use as lands approved for the establishment of Fuel retail outlets, amounting to LKR 6,766 Million. However, this has not been adjusted in the Financial Statements to conform to the existing cost model being followed by the company as per its Accounting Policy as stated in Note 2.8.8 which is in line with Sri Lanka Accounting Standards LKAS -16.

# SHAREHOLDERS' INFORMATION

## Ordinary Shareholdings as at 31st March 2018

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31st March 2018 : 10,190

Shareholdings	Resident			Non-Resident			Total		
	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %
1 to 1,000 Shares	5,761	2,392,764	0.450	22	11,958	0.000	5,783	2,404,722	0.450
1,001 to 10,000 Shares	3,661	10,339,008	1.940	50	224,555	0.040	3,711	10,563,563	1.980
10,001 to 100,000 Shares	538	16,849,483	3.160	23	709,151	0.130	561	17,558,634	3.290
100,001 to 1000,000 Shares	102	30,178,376	5.670	10	3,201,013	0.600	112	33,379,389	6.270
Over 1,000,000 Shares	18	53,937,926	10.130	5	414,621,471	77.870	23	468,559,397	88.000
Total	10,080	113,697,557	21.350	110	418,768,148	78.64	10,190	532,465,705	100.00

## Categories of Shareholders

	No.of Shareholders	Percentage %	No.of Shares	Percentage %
Individual	9,812	96.29	45,099,876	8.47
Institutional	378	3.71	487,365,829	91.53
Total	10,190	100.00	532,465,705	100%

## Ordinary Shareholdings as at 31st March 2017

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31st March 2017 : 10,504

Shareholdings	Resident			Non-Resident			Total		
	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %	No.of Shareholders	No.of Shares	Percentage %
1 to 1,000 Shares	5,812	2,463,136	0.46	25	14,313	0.00	5,837	2,477,449	0.46
1,001 to 10,000 Shares	3,860	11,009,668	2.07	58	265,239	0.05	3,918	11,274,907	2.12
10,001 to 100,000 Shares	583	17,896,520	3.36	28	991,033	0.19	611	18,887,553	3.55
100,001 to 1000,000 Shares	103	30,601,291	5.75	11	3,668,084	0.69	114	34,269,375	6.44
Over 1,000,000 Shares	19	55,484,783	10.42	5	410,071,638	77.01	24	465,556,421	87.43
Total	10,377	117,455,398	22.06	127	415,010,307	77.94	10,504	532,465,705	100.00

## Categories of Shareholders

	No.of Shareholders	Percentage %	No.of Shares	Percentage %
Individual	10,058	95.75	45,487,184	8.54
Institutional	446	4.24	486,978,521	91.46
Total	10,504	100	532,465,705	100.00

**20 MAJOR SHAREHOLDERS AS AT 31.03.2018**

S.No	Name	No.of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	J B Cocoshell [Pvt] Ltd	11,348,541	2.13
3	HSBC Intl Nom Ltd-jpmcb na-fidelity asian values plc	9,434,050	1.77
4	Deutsche Bank AG-as Trustee for JB Vantage Value Equity Fund	5,533,553	1.04
5	Bank of Ceylon A/c Ceybank Unit Trust	5,407,790	1.02
6	Assetline Leasing Co.Ltd/British American Technologies Pvt Ltd	4,584,022	0.86
7	Deutsche Bank AG – National Equity Fund	3,975,000	0.75
8	Deutsche Bank AG – As Trustee for Namal Acuity Value Fund	3,100,000	0.58
9	E W Balasuriya & Co (Pvt) Ltd	2,526,800	0.47
10	GF Capital Global Limited	2,426,980	0.46
11	Employees Trust Fund Board	2,346,851	0.44
12	Employees Provident Fund	2,346,558	0.44
13	Bank of Ceylon A/c Ceybank Century Growth Fund	2,024,384	0.38
14	Timex Garments [Pvt] Limited	1,712,503	0.32
15	Waldock Mackenzie Ltd/Mr S A Gulamhusein	1,619,204	0.30
16	Commercial Bank of Ceylon PLC/S A Gulamhusein	1,541,017	0.29
17	Mr K S R Nissanka	1,510,230	0.28
18	HSBC intl Nom Ltd-SSBT-Parametric Emerging Markets Fund	1,479,571	0.28
19	Hallsville Trading Group inc.	1,280,865	0.24
20	Deutsche Bank AG-Namal growth fund	1,239,250	0.23
	Total	465,437,174	87.41

Number of Shares representing the Stated Capital of Lanka IOC PLC	532,465,705
Number of Public Shareholders	10,187
Public Holding as a % of issued Share Capital	24.88%

**Directors' Shareholding as on 31st March 2018**

Mr. Balwinder Singh Canth (Ceased 31.01.2018)	Nil
Mr. Shyam Bohra	Nil
Prof. Lakshman R. Watawala	500
Mr. Amitha Gooneratne	4,800
Mr. N. V. N. Ramsai	Nil
Mr. D. K. Sharma (Ceased 20.02.2018)	Nil
Mr. Sanjeev K. Jain (Appointed w.e.f 20.02.2018)	Nil

## SHAREHOLDERS' INFORMATION

### 20 MAJOR SHAREHOLDERS AS AT 31.03.2017

S.No	Name	No.of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	J B Cocoshell [Pvt] Ltd	11,265,490	2.12
3	Bank of Ceylon A/c Ceybank Unit Trust	6,650,354	1.25
4	Deutsche Bank AG-as Trustee for JB Vantage Value Equity Fund	5,533,553	1.04
5	Mellon Bank N.A-Acadian Frontier Markets Equity Fund	4,381,265	0.82
6	Deutsche Bank AG – National Equity Fund	3,975,000	0.75
7	British American Technologies [Pvt]Ltd	3,500,000	0.66
8	Deutsche Bank AG – As Trustee for National Acuity Value Fund	3,100,000	0.58
9	E W Balasuriya & Co (Pvt) Ltd	2,526,800	0.47
10	GF Capital Global Limited	2,426,980	0.46
11	Employees Trust Fund Board	2,346,851	0.44
12	Employees Provident Fund	2,346,558	0.44
13	Bank of Ceylon A/c Ceybank Century Growth Fund	2,023,884	0.38
14	HSBC INTL NOM LTD –Parametric Emerging Markets Fund	1,982,523	0.37
15	Timex Garments [Pvt] Limited	1,712,503	0.32
16	Waldock Mackenzie Ltd/Mr S A Gulamhusein	1,620,805	0.30
17	Commercial Bank of Ceylon PLC/S A Gulamhusein	1,540,517	0.29
18	Mr K S R Nissanka	1,510,230	0.28
19	Mr Runantissa Suresh Anthony De Silva	1,425,000	0.27
20	Hallsville Trading Group Inc	1,280,865	0.24
	Total	461,149,183	86.6

Number of Shares representing the Stated Capital of Lanka IOC PLC	532,465,705
Number of shareholders representing the Public holding	10,501
Public Holding as a % of issued Share Capital	24.88%

### Directors' Shareholding as on 31st March 2017

Mr. Balwinder Singh Canth	Nil
Mr. Shyam Bohra	Nil
Prof. Lakshman R. Watawala	500
Mr. Amitha Gooneratne	4,800
Mr. P. M. Mohan (resigned on 31.12.2016)	Nil
Mr. D. K. Sharma	Nil
Mr. N. V. N. Ramsai (appointed with effective from 02.01.2017)	Nil

**LIOC Share Performance at Colombo Stock Exchange (CSE)****01.04.2017-  
31.03.2018**

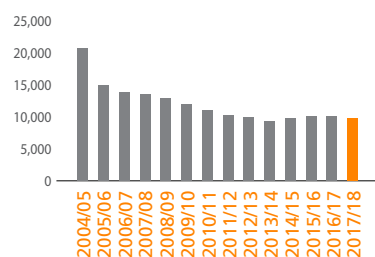
No. of Share transactions for the year	9,854
No. of Shares traded	28,364,433
Value of Shares Traded (LKR)	895,045,115.50
Price Movements (LKR)	
Highest (Rs)	35.40
Lowest (Rs)	25.80
Closing Price	30.10
Market Capitalization (LKR Mn) (Closing Price * No.of Shares)	16,027

**LIOC Share Performance at Colombo Stock Exchange (CSE)****01.04.2016-  
31.03.2017**

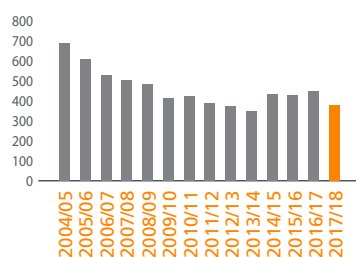
No. of Share transactions for the year	15,531
No. of Shares traded	33,985,632
Value of Shares Traded (LKR)	1,275,320,129.40
Price Movements (LKR)	
Highest (Rs)	42.90
Lowest (Rs)	27.70
Closing Price	29.00
Market Capitalization (LKR Mn) (Closing Price * No.of Shares)	15,442

**Individual Shareholders**

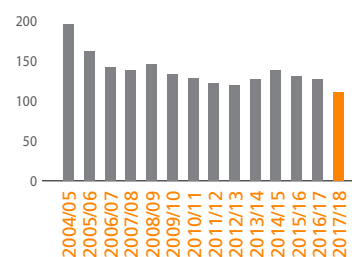
(No.)

**Institutional Shareholders**

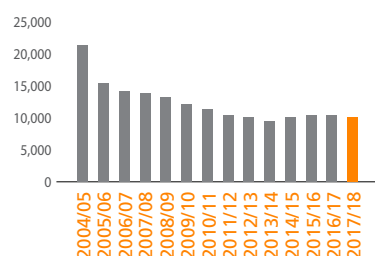
(No.)

**Non-Resident Shareholders**

(No.)

**Resident Shareholders**

(No.)



# GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission
GRI 101: Foundation 2016			
<b>General Disclosures</b>			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	6	
	102-2 Activities, brands, products and services	11	
	102-3 Location of headquarters	Inner back cover	
	102-4 Location of operations	10	
	102-5 Ownership and legal form	Inner back cover	
	102-6 Markets served	10,11	
	102-7 Scale of the organisation	8,9	
	102-8 Information on employees and other workers	83	
	102-9 Supply chain	40	
	102-10 Significant changes to the organisation and supply chain	-	Not applicable
	102-12 External initiatives	6	
	102-13 Membership of associations	Ceylon Chamber of Commerce  Indo-Lanka Chamber of Commerce & Industry	
	102-14 Statement from senior decision maker	19	
	102-16 Values, principles, norms and standards of behaviour	112	
	102-18 Governance Structure	108	
	102-40 List of stakeholder groups	42	
	102-41 Collective bargaining agreements	54	
	102-42 Identifying and selecting stakeholders	42	
	102-43 Approach to stakeholder engagement	42	
	102-44 Key topics and concerns raised	42	
	102-45 Entities included in the consolidated financial statements	-	N/A
	102-46 Defining report content and topic boundary	45	
	102-47 Material topics	45	
	102-48 Restatement of information	-	N/A
	102-49 Changes in reporting	-	N/A
	102-50 Reporting period	6	
	102-51 Date of most recent report	6	
	102-52 Reporting cycle	6	
	102-53 Contact point for questions regarding Report	6	
	102-54 Claims of reporting in accordance with GRI Standards	6	
	102-55 GRI context index	56	
	102-56 External assurance	6	

GRI Standard	Disclosure	Page Number	Omission
<b>Material topics</b>			
<b>Economic Performance</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	68	
	103-2 The Management Approach and its components	68	
	103-3 Evaluation of the Management Approach	68	
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	8	
	201-3 Defined benefit plan obligations and other retirement plans	26	
<b>Procurement practices</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	103	
	103-2 The Management Approach and its components	103	
	103-3 Evaluation of the Management Approach	103	
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	103	
<b>Energy</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	103	
	103-2 The Management Approach and its components	103	
	103-3 Evaluation of the Management Approach	103	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	103	
	302-4 Reduction of energy consumption	103	
<b>Water</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	104	
	103-2 The Management Approach and its components	104	
	103-3 Evaluation of the Management Approach	104	
GRI 303: Water 2016	303-1 Water withdrawal by source	104	
<b>Effluents and Waste</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	104	
	103-2 The Management Approach and its components	104	
	103-3 Evaluation of the Management Approach	104	
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	104	
<b>Environmental Compliance</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	102	
	103-2 The Management Approach and its components	102	
	103-3 Evaluation of the Management Approach	102	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	102	
<b>Employment</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	84	
	103-2 The Management Approach and its components	84	
	103-3 Evaluation of the Management Approach	84	
GRI 401: Employment 2016	401-1 Employee hires and turnover	84	
	401-2 Benefits provided to full time employees that are not provided to part time employees	85	
	401-3 Parental leave	86	



## GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission
<b>Labour Management Relations</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	89	
	103-2 The Management Approach and its components	89	
	103-3 Evaluation of the Management Approach	89	
GRI 402: Labour Management Relations	402-1 Minimum notice periods regarding operational changes	89	
<b>Health and Safety</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	89	
	103-2 The Management Approach and its components	89	
	103-3 Evaluation of the Management Approach	89	
GRI 403: Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	89	
<b>Training and education</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	87	
	103-2 The Management Approach and its components	87	
	103-3 Evaluation of the Management Approach	87	
GRI 404: Training and education	404-1 Average hours of training per year per employee	87	
	404-2 Programs for upgrading skills and transition assistance programmes	87	
	404-3 Percentage of employees receiving regular performance and career development reviews	87	
<b>Diversity and equal opportunity</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	84	
	103-2 The Management Approach and its components	84	
	103-3 Evaluation of the Management Approach	84	
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	84	
<b>Local Communities</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	98	
	103-2 The Management Approach and its components	98	
	103-3 Evaluation of the Management Approach	98	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	98	
<b>Customer Health and Safety</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	96	
	103-2 The Management Approach and its components	96	
	103-3 Evaluation of the Management Approach	96	

GRI Standard	Disclosure	Page Number	Omission
GRI 416: Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	96	
<b>Marketing Communications</b>			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	96	
	103-2 The Management Approach and its components	96	
	103-3 Evaluation of the Management Approach	96	
GRI417: Marketing and Labelling	417-1 Requirements for product and service labelling	96	
	417-2 Incidents of non-compliance concerning product and service information on labelling	96	
	417-3 Incidents of non-compliance concerning marketing communications	96	

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# NOTICE OF MEETING

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NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Friday, 29th June 2018 at 10.30 hours at the "Empire Ball Room" Hotel Mount Lavinia, Mt.Lavinia, 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 2018 with the Report of the Auditors thereon.
2. To declare the recommended first & final dividend of LKR 0.65 per share for the F/Y 2017-18 and therefore to consider and if thought fit to pass the following resolution by way of an Ordinary Resolution.

"RESOLVED THAT a first & final dividend of LKR 0.65 per share to be distributed to the shareholders amounting to a total payment of a sum of LKR 346,102,708.25".

3. a) To re-elect Mr. Ranjan K. Mohapatra 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 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.  
c) To re-elect Mr. Sanjeev K. Jain, who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.
4. To re-appoint Prof. Lakshman R. Watawala, who has reached the age of 70 and accordingly vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act) and to propose the following Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.  
"RESOLVED THAT Prof. Lakshman R. Watawala, who retires in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act), upon reaching the age of 70, be and is hereby re-appointed as a Director of the Company and that the age limit of 70 years referred to in the Act shall not apply to the said Director, Prof. Lakshman R. Watawala"
5. a) To re-appoint Messrs. Ernst & Young, Chartered Accountants, as recommended by the Board of Directors as the Auditors of the Company for the ensuing year; and  
b) To authorize the Board of Directors to determine the remuneration of the Auditors for the ensuing year.

By Order of the Board

Lanka IOC PLC



**Ms. Mihiri S Senaratne**  
Company Secretary

30th May 2018  
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. Ranjan K. Mohapatra	whom failing
Mr. Shyam Bohra	whom failing
Prof. Lakshman R. Watawala	whom failing
Mr. Amitha Gooneratne	whom failing
Mr. N. V. N. Ramsai	whom failing
Mr. Sanjeev K. Jain	

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 16th Annual General Meeting of the Company to be held on Friday, 29th June 2018 at 10.30 hours at the "Empire Ball Room" Hotel Mount Lavinia, Mt.Lavinia, 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 2018 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare the recommended first & final dividend of LKR 0.65 per share for the F/Y 2017-18 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. Ranjan K Mohapatra 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 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"/>
c) To re-elect Mr Sanjeev K Jain who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Prof.Lakshman R Watawala, who has reached the age of 70 and accordingly vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act) and to propose the Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment, as set out in the notice.	<input type="checkbox"/>	<input type="checkbox"/>
5. a) To re-appoint Messrs. Ernst & Young, Chartered Accountants, as recommended by the Board of Directors as the Auditors of the Company for the ensuing year; and	<input type="checkbox"/>	<input type="checkbox"/>
b) To authorize the Board of Directors to determine the remuneration of the Auditors for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we set my/our hand/Seal hereto on this .....day of ..... 2018.

.....  
 NIC Number

.....  
 Signature/s

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## FORM OF PROXY

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### 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 Accounting Systems Secretarial Services (Pvt) Ltd Registrars to Lanka IOC PLC at No.11, Castle Lane, Colombo 4, not less than 48 hours before the time appointed for the holding of the Meeting.
- If the appointer is a Company or Corporation, this Form must be executed under its Common Seal or the hand of a duly Authorized Officer of the Company, in accordance with its Articles of Association.
- If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

NIC No : .....

Full Name : .....

Address : .....

.....

.....

Jointly with : .....

Tel No : .....

email ID : .....

# CORPORATE INFORMATION

<b>Name of Company</b>	: Lanka IOC PLC
<b>Company Registration Number</b>	: PQ 179
<b>BOI Registration No.</b>	: 2613/05/12/2002
<b>Legal Form</b>	: 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
<b>Stock Exchange Listing</b>	: The Ordinary Shares of the Company are listed on the Colombo Stock Exchange
<b>Registered Office</b>	: Level 20, West Tower, World Trade Center Echelon Square, Colombo 01, Sri Lanka Telephone: + 94 11 2475720 Facsimile: + 94 11 2391490
<b>Website</b>	: <a href="http://www.lankaio.com">www.lankaio.com</a>
<b>Associates</b>	: Ceylon Petroleum Storage Terminals Limited
<b>Board of Directors</b>	: Mr. Ranjan K. Mohapatra (Chairman ) Mr. Shyam Bohra (Managing Director) Prof. Lakshman R. Watawala Mr. Amitha Gooneratne Mr. N. V. N. Ramsai Mr. Sanjeev K. Jain
<b>Company Secretary</b>	: Ms. Mihiri S Senaratne, ACIS [UK], MPA [Aust]
<b>Registrars</b>	: Accounting Systems Secretarial Services (Private) Limited Level 03, No. 11, Castle Lane, Colombo 04
<b>Auditors - External</b>	: Ernst & Young Chartered Accountants No. 201, De Saram Place, Colombo 10
<b>Auditors - Internal</b>	: KPMG Chartered Accountants No. 32/A Sir Mohamed Marcan Mw, Colombo 03
<b>Lawyers</b>	: F J & G de Saram, Attorneys-at-Law No. 216, de Saram Place, Colombo 10
<b>Bankers</b>	: Citibank N. A. Deutsche Bank Standard Chartered Bank State Bank of India, Colombo ICICI Bank Axis Bank Bank of Ceylon People's Bank Commercial Bank of Ceylon Hatton National Bank PLC



**Lanka IOC PLC**  
20th Floor, West Tower, World Trade Centre,  
Echelon Square, Colombo 01, Sri Lanka  
Tel : +94 11 2475720  
Email : [info@lankaio.com](mailto:info@lankaio.com)



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

