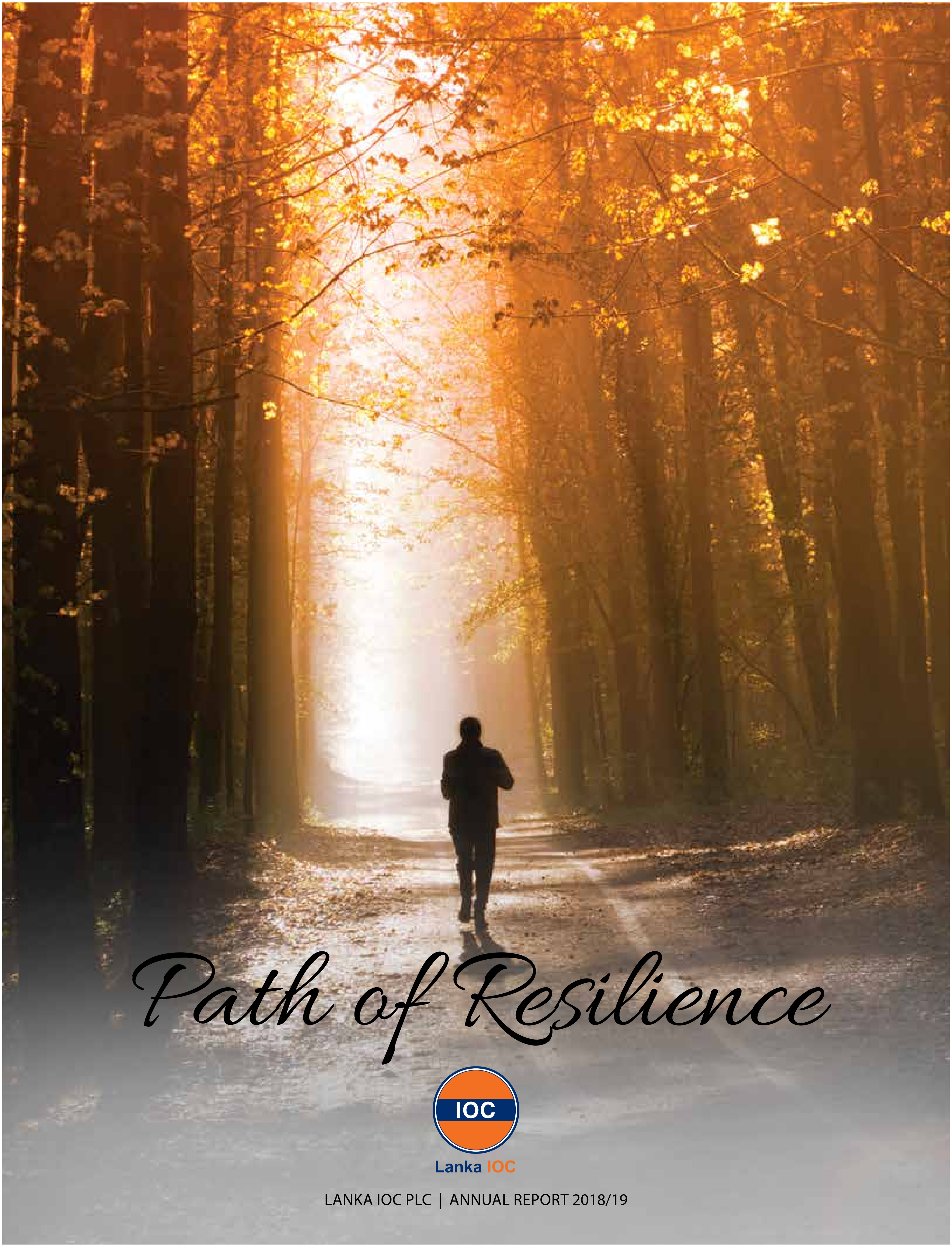

Path of Resilience

Lanka IOC

LANKA IOC PLC | ANNUAL REPORT 2018/19

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http://www.lankaioc.com

Path of Resilience

Every passing minute, we at Lanka IOC ignite the lives of thousands of Sri Lankans through our extensive islandwide network of retail outlets. That's why we've made it our passion to establish high standards of corporate ethics while relentlessly pursuing business excellence. In this journey of 17 years we've displayed tremendous resilience in terms of navigating market challenges of the energy sector to keep Sri Lanka's economy moving forward.

During the year under review, our resilience was put to test as the company navigated through several market and price volatilities in the face of several micro and macro-economic challenges and yet we emerged stronger with a competitive edge that saw your company deliver lasting value to myriads of stakeholders. Today, we are moving ahead on our path of resilience with our persistent commitment and strategic foresight & find ourselves well positioned to capitalize on our strengths to serve you better for years to come.

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ABOUT LIOC

OUR LEADERSHIP

POSITIONED FOR VALUE CREATION

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VISION

A MAJOR, INTEGRATED ENERGY COMPANY, WITH A STRONG ENVIRONMENT CONSCIENCE, PLAYING A NATIONAL ROLE IN OIL SECURITY.

MISSION

TO ACHIEVE INTERNATIONAL STANDARDS OF EXCELLENCE IN ALL ASPECT OF PETROLEUM WITH FOCUS ON CUSTOMER DELIGHT THROUGH VALUE OF PRODUCTS AND SERVICES AND COST REDUCTION.

TO MAXIMIZE CREATION OF WEALTH, VALUE AND SATISFACTION FOR THE STAKEHOLDERS.

TO ATTAIN LEADERSHIP IN DEVELOPING, ADOPTING AND ASSIMILATING STATE-OF-THE ART TECHNOLOGY COMPETITIVE ADVANTAGE.

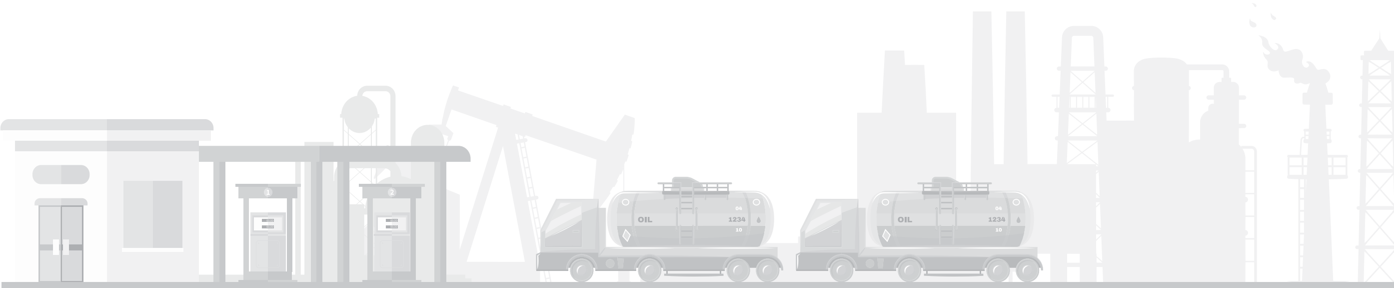
TO PROVIDE TECHNOLOGY AND SERVICES THROUGH SUSTAINED RESEARCH AND DEVELOPMENT.

TO FOSTER A CULTURE OF PARTICIPATION AND INNOVATION FOR EMPLOYEE GROWTH AND CONTRIBUTION.

TO CULTIVATE HIGH STANDARDS OF BUSINESS ETHICS AND TOTAL QUALITY MANAGEMENT FOR A STRONG CORPORATE IDENTITY AND BRAND EQUITY.

TO HELP ENRICH THE QUALITY OF THE LIFE OF THE COMMUNITY AND PRESERVE ECOLOGICAL BALANCE AND HERITAGE THROUGH A STRONG ENVIRONMENT CONSCIENCE.

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 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 LKR 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 of 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 the long term rating of "AA" by Fitch Rating Agency.

Launch of E-Banking Platform

2017-18

Cross one million KL/MT throughput

ISO 9001-2015 Certification for terminal operations was received from M/s SLSI

Lubricant export to Qatar

"Overall Gold Winner" of National Business of Excellence Awards 2017

2018-19

Maiden Lube export to Indonesia

First Bitumen Export

Lanka IOC Share included in S&P Sri Lanka 20 Index

First Certified "Green RO" in Sri Lanka

ABOUT THIS REPORT

Welcome to Lanka IOC PLC's ("LIOC") 4th Integrated Annual Report, through which we hope to share the collective thinking which shaped our strategy and performance during the year. The Report aims to provide a balanced and succinct view of our financial and non-financial performance in addition to material information regarding our operating environment, strategy, risk profile and corporate governance. As our primary publication to shareholders, this Report mainly fulfils the information requirements of our long-term investors, but also includes information that is of relevance to other stakeholders.

SCOPE AND BOUNDARY

This Report covers the operations of the Company for the period from 1st April 2018 to 31st March 2019. We follow an annual reporting cycle and the Company's most recent previous report for the financial year ending 31st March 2018 is available on its website, www.lankaioc.com. The financial and non-financial information presented in this Report mainly includes that of the Company's operations in Trincomalee and its retail outlets. The Report provides both quantitative and qualitative matters related to our operations and strategic objectives which may influence stakeholder decision making. There were no significant changes to the Company's size, structure, ownership or supply chain during the year. There are also no material restatements of information given in previous annual reports.

MATERIALITY

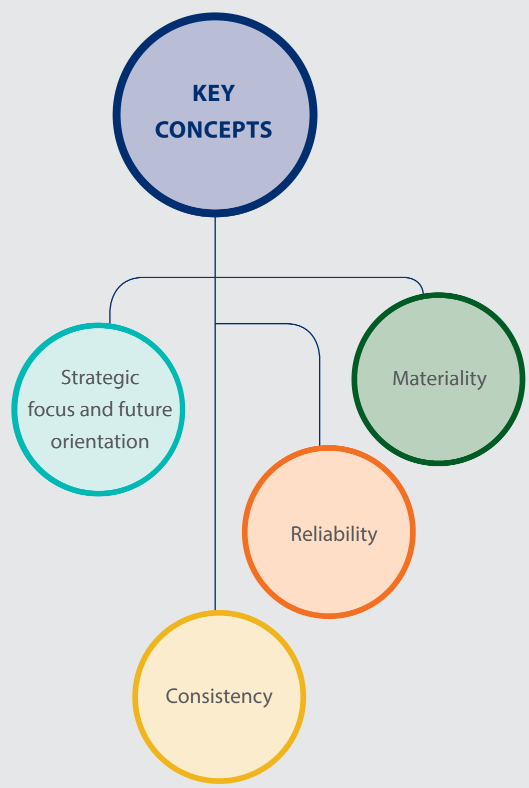
The content to be included in this Report has been selected and prioritised based on the principle of materiality. The Company conducted a materiality mapping exercise during the year based on the following materiality tests;

- Financial impact
- Stakeholder concerns
- Reputational impact
- Strategic relevance
- Impact on future value creation
- Innovation opportunity

Further information regarding the process and results of the materiality assessment are given on page 36 of this Report.

STANDARDS AND PRINCIPLES OF REPORTING

- Sri Lanka Financial Reporting Standards
- Integrated Reporting Framework published by the International Integrated Reporting Council
- GRI Standards-In Accordance (Core) Criteria
- Sustainable Development Goals (SDG)
- Continuing Listing Requirements of the Colombo Stock Exchange
- Companies Act No 7 of 2007
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)



BOARD RESPONSIBILITY

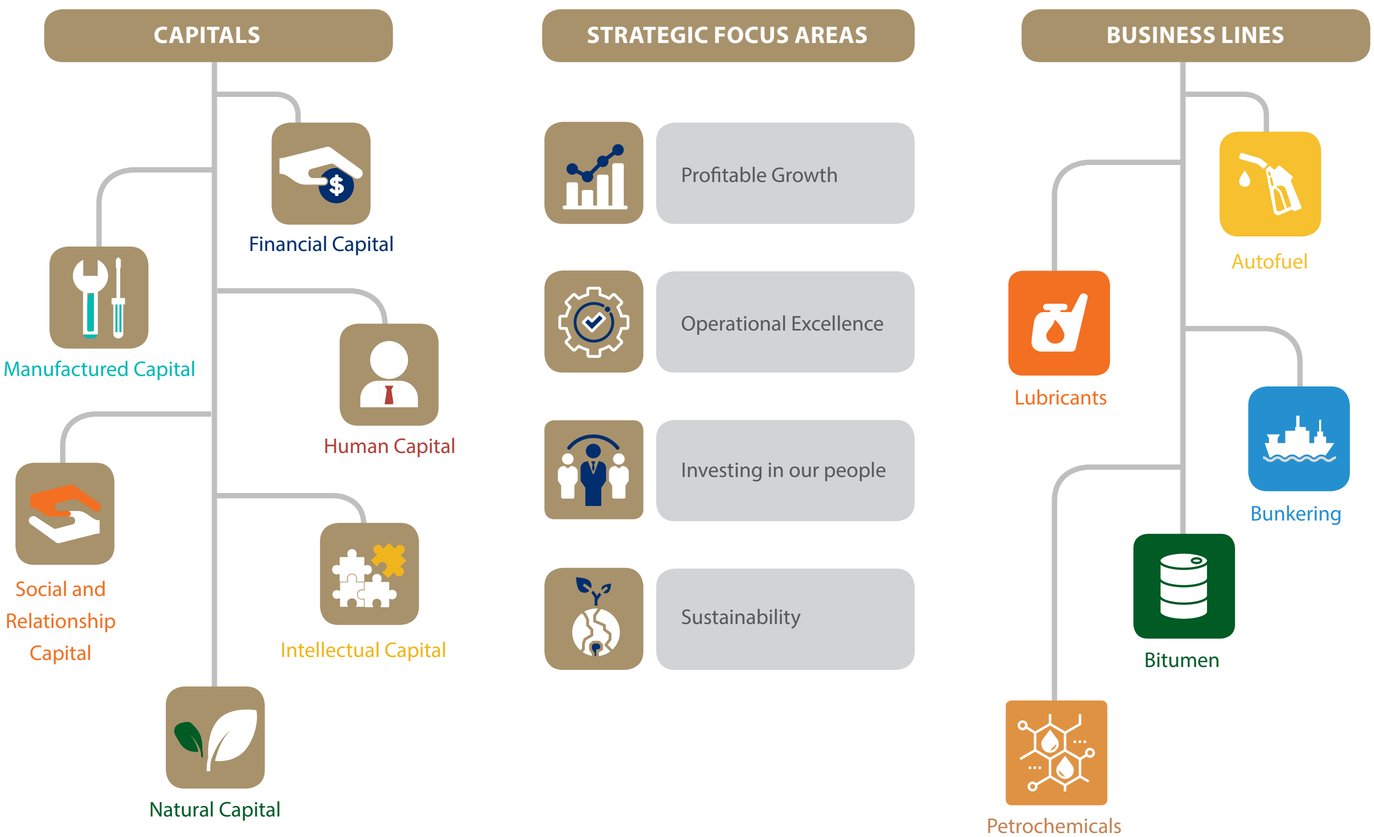
The Board acknowledges its responsibility for ensuring the completeness and accuracy of this Report. The Board hereby confirms that it has applied its collective expertise in ensuring that this Report addresses all material issues relevant to the Company.

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@lankaioc.com

NAVIGATION ICON



FINANCIAL HIGHLIGHTS

	Metric	2018-19	2017-18	2016-17	2015-16	2014-15
OPERATING RESULTS						
Revenue	LKR mn	86,322	91,343	81,039	71,306	79,901
Gross Profit	LKR mn	4,133	1,800	6,968	5,817	4,733
Earnings Before Interest (Operating Profit)	LKR mn	854	(1,385)	3,148	2,550	2,090
Net Profit/(Loss) Before Tax	LKR mn	331	(776)	3,601	2,675	2,251
Income Tax	LKR mn	73	32	(535)	(436)	(365)
Net Profit / (Loss) After Taxation	LKR mn	403	(744)	3,065	2,239	1,886
Dividends (Paid)	LKR mn	346	666	666	532	799
CAPITAL EMPLOYED						
Stated Capital	LKR mn	7,576	7,576	7,576	7,576	7,576
Revenue Reserves (Retained Earnings)	LKR mn	11,851	11,793	13,214	10,809	10,548
Shareholders' Funds (Total Equity)	LKR mn	19,427	19,369	20,790	18,385	18,125
Total Borrowings	LKR mn	2,327	5,018	886	2,203	3,998
Current Liabilities	LKR mn	8,811	13,570	4,526	6,528	5,301
ASSET EMPLOYED						
Non-current Assets	LKR mn	9,694	9,445	9,290	9,225	8,827
Current Assets	LKR mn	18,551	23,514	16,204	15,843	14,714
Total Assets Employed	LKR mn	28,245	32,959	25,494	25,068	23,541
KEY RATIOS						
GP Ratio	%	5%	2%	9%	8%	6%
Operating Profit Margin	%	1%	-2%	4%	4%	3%
Net Profit Ratio	%	0.5%	-1%	4%	3%	2%
ROE	%	2%	-4%	15%	12%	10%
ROCE	%	4%	-6%	15%	12%	9%
Earning per Share	LKR	0.76	(1.40)	5.76	4.21	3.54
Net Assets Per Share	LKR	37	36	39	35	34
Dividend per Share	LKR	0.65	1.25	1.25	1.00	1.50
Equity to Total Assets Ratio	%	69%	59%	82%	73%	77%
Dividend Payout (Paid basis)	%	-	22%	30%	28%	22%
Price Earning Ratio (P/E)	no of times	23	-	5	8	11
Price to Book Value	no of times	0.5	0.8	0.7	0.9	1.2
Current Ratio	no of times	2.1	1.7	3.6	2.4	2.8
Quick Assets Ratio	no of times	0.5	1.0	2.5	1.3	1.7
Debt/Equity	%	12%	26%	4%	12%	22%
Debt/Total Assets	%	8%	15%	3%	9%	17%
PRICE MOVEMENT LKR						
Market Value Per Share (Highest)	LKR	37.0	35.4	42.9	44.2	68.0
Market Value Per Share (Lowest)	LKR	17.1	25.8	27.7	29.0	37.0
Last Traded Price Record	LKR	17.4	30.1	29.0	32.5	40.0
Market Capitalisation	LKR mn	9,265	16,027	15,442	17,305	21,458
Enterprise Value	LKR mn	10,647	12,638	9,353	12,395	17,793

YEAR AT A GLANCE

"Gross margins improved significantly from 2.0% in the previous year to 4.9% due to action taken to increase prices in March 2018, the implementation of the pricing formula in May 2018 and the focus on premium products and other segments."

LKR86.3Bn Revenue	LKR4.1Bn Gross Profit	LKR854Mn Operating Profit	LKR403Mn Net Profit
LKR28.2Bn Total Assets	LKR19.4Bn Shareholder's Fund	LKR36.5 Net Asset per Share	LKR17.4 Last Traded Price in Exchange
USD125Mn Export Revenue	LKR449Mn Total Capital Expenditure	LKR4.3Bn Net Fixed Assets	LKR14Bn Inventories

PERFORMANCE HIGHLIGHTS

	Metric	2018/19	2017/18	2016/17
FINANCIAL PERFORMANCE				
Revenue	LKR mn	86,322	91,343	81,039
Operating Profit / (Loss)	LKR mn	854	(1,385)	3,148
Profit / (Loss) Before Tax	LKR mn	331	(776)	3,601
Profit / (Loss) After Tax	LKR mn	403	(744)	3,065
Return on Equity (%)	%	2%	(4%)	15%
Return on Capital Employed (%)	%	4%	(6%)	15%
FINANCIAL STABILITY				
Total Assets	LKR mn	28,245	32,959	25,494
Total Current Liabilities	LKR mn	8,811	13,570	4,526
Shareholders' Funds	LKR mn	19,427	19,369	20,790
Cash and Cash Equivalent	LKR mn	945	8,407	6,975
Total Debt	LKR mn	2,327	5,018	886
Earnings per Share	LKR	0.76	(1.40)	5.76
Dividends per Share (Paid)	LKR	0.65	1.25	1.25
Net asset Value per Share	LKR	37	36	39
MPS	LKR	17.4	30.1	29
P/E Ratio	Times	23	-	5
Economic Value Added	LKR mn	61	(1,422)	2,404
STRATEGIC PRIORITY: OPERATIONAL EXCELLENCE				
Property, plant and Equipment				
Retail Outlets	Nos.	208	207	202
Capital Expenditure	LKR Mn	449	522	418
Investments in Capacity Augmentation	LKR Mn	361	245	284

208
Retail Outlets

LKR **319**Mn
Capex at Trincomalee

9
Automation in RO

620+
Customer Touch Points

	Metric	2018/19	2017/18	2016/17
STRATEGIC PRIORITY: INVESTING IN PEOPLE				
Total Employees	Nos.	172	172	171
Female Representation	Nos.	24	23	24
Payments to Employees	LKR Mn	519	431	448
Employee Attrition Rate	%	2	3	4
No. of Promotions	Nos.	37	7	16
Investment in Training	LKR Mn	>1	>1	>3
Total Training Hours	Hours	332	927	5,147
Average Training Hours/Employee	Hours	2	5	30
Workplace Injuries	Nos.	Nil	Nil	Nil
Revenue per Employee	LKR Mn	502	531	474
Net profit (Loss) per Employee	LKR Mn	2	(4)	18
Indirect Employees (Approx.)	Nos.	5,000	5,000	5,000
Customer Touch Points	Nos.	621	582	497
Investment in CSR	LKR Mn	1	6	10
No. of Beneficiaries (Approx.)	Nos.	1,000	6,000	18,000
Contribution to Exchequer	LKR Mn	21,284	29,045	29,651
STRATEGIC PRIORITY: SUSTAINABILITY				
Energy Consumption	Kwh	451,383	480,605	420,398
Water Consumption	KL	49,264	43,165	57,328
Sludge Disposal	KL	5	11	22

LKR4.8Bn
Brand Value

LKR21.2Bn
Contribution to Exchequer

LKR519Mn
Payment to Employees

172
Total Employees

451Mwh
Energy Consumption

657TMT
Total Product Sold

LKR86.3Bn
Revenue

LKR502Mn
Revenue per Employee

CHAIRMAN'S STATEMENT

Ranjan Kumar Mohapatra
Chairman

“The year of 2018-19 was very challenging for your company due to high volatility of international oil prices coupled with substantial currency depreciation but despite all adversities, your company was able to record profit for the year ended 31st Mar 2019.”

Dear Shareholders,

My heartiest greetings to all of you on behalf of Lanka IOC.

It is my honour to share my thoughts with our valued shareholders through the Company’s fourth integrated Annual report and audited financial statements for the year ended 31st Mar 2019. Your company generated revenue for an amount of Rs. 86 billion and turnaround from previous year loss to profit of Rs. 403 million during the year. The theme “Path of Resilience”, of this year’s annual report, adequately resonates the ineffable quality of Lanka IOC, to recover from difficulties.

The year of 2018-19 was very challenging for your company due to high volatility of international oil prices coupled with substantial currency depreciation but despite all adversities, your company was able to record profit for the year ended 31st Mar 2019.

GLOBAL ECONOMIC ENVIRONMENT

The World Economic Outlook (WEO) projects a decline in growth in 2019 for 70 percent of the global economy. Global growth, which peaked at close to 4 percent in 2017, softened to 3.6 percent in 2018, and is projected to decline further to 3.3 percent in 2019. Although a 3.3 percent global expansion is still reasonable, the outlook for many countries is very challenging, with considerable uncertainties in the short term, especially as advanced economy growth rates converge toward their modest long-term potential.

While 2019 started out on a weak footing, a pickup is expected in the second half of the year. This pickup is supported by significant policy accommodation by major economies, made possible by the absence of inflationary pressures despite closing output gaps. The US Federal Reserve, in response to rising global risks, paused interest rate increases and signalled no increases for the rest of the year.

Global energy prices declined by 17 percent between the reference periods for the October 2018 and current World Economic Outlook as oil prices dropped from a four-year peak of $81 a barrel in October to $61 in February. While supply influences dominated initially notably a temporary waiver in US sanctions on Iranian oil exports to certain countries and record-high US crude oil production weakening global growth added downward pressure on prices toward the end of 2018. Since the beginning of this year, oil prices have recovered somewhat due to production cuts by oil-exporting countries.

Global current account deficits and surpluses are estimated to have widened marginally in 2018 compared with the previous year. Higher oil prices have been the main driver of this widening. They are estimated to have boosted the current account balance of oil exporters by about 3½ percent of their GDP. Symmetrically, the current account deficits of some Asian net oil importers (such as India, Indonesia, Pakistan, and Sri Lanka) have widened, reflecting their higher oil import bills.

SRI LANKAN ECONOMIC ENVIRONMENT

The Sri Lankan economy faced renewed challenges emanating from global market developments, which disrupted the steady stabilisation path observed up to the first quarter of the year. The economy grew at a moderate pace of 3.6 per cent in the first half of 2018, following relatively low growth of 3.3 per cent recorded during the year 2017.

The trade deficit widened further as the growth in import expenditure outpaced the rise in earnings from exports. Amidst the widened trade and current account deficits, which was partly due to the increased expenditure of fuel imports and imports of motor vehicles and gold, the balance of payments (BOP) also experienced pressure from the emerging market selloff caused by tightening global financial conditions and the strengthening of the US dollar. These developments resulted in a sharp depreciation of the Sri Lankan rupee.

Higher fuel prices and global financial volatility generated strong balance-of-payment pressures in 2018, which were exacerbated by a political crisis late in the year. The Central Bank of Sri Lanka (CBSL) maintained a tight monetary policy stance, intervening in the FX market and allowing for greater exchange rate flexibility in response to rising pressures. Growth slowed to 3.2 percent in 2018, but is expected to recover gradually. Real GDP growth is projected to recover to 3.6 percent in 2019.

CHAIRMAN'S STATEMENT

Launching "Electric Car Charging Station" at Wattala RO by Chairman, LIOC

The political crisis in October disrupted the monthly implementation of the fuel pricing formula for gasoline and diesel, with unwarranted price reductions. The authorities reinstated the formula in late December and plan to achieve full cost recovery during 2019.

PERFORMANCE OF 2018-19

Our strategy of increasing focus on branded products while controlling growth of generic products resulted in an overall decline in top line of 5% as growth was focused on smaller but more profitable segments. Accordingly, we maintained market leadership in bunkering and bitumen segments and emerged as the 2nd largest player in the intensely competitive lubricants category with a market share of around 18% although market share in Auto Fuels declined from 17% to 13% due to the above strategy. Export in bitumen & lubricants also contributed to the improved product mix supporting profitability. Gross margins improved significantly from 2.0% in the previous year to 4.9% due to action taken to increase prices in March 2018, the implementation of the pricing formula in May 2018 and the focus on premium products and other segments. Additionally, a strong focus on streamlining processes to drive cost efficiencies also contributed to the improved margins. Growth of administrative expenses was due to mainly salary increase for alignment of employee compensations schemes to facilitate attracting talented employees and retention of high performers. Selling & distribution expenses decreased mainly due to reduction in volume but focus on cost management measures also enabled us to curtail Selling distribution expenses while delivering value to supply chain partners who are key stakeholders and enabling them to provide an enhanced service to our loyal customers. Total Cost Management (TCM) division of the Confederation of Indian Industry undertook 'cost maturity assessment' of Lanka IOC & provided valuable inputs to the Management for further cost efficiency, control & optimization.

These initiatives enabled LIOC to deliver an operating profit of Rs.854 mn compared to a loss of Rs.1,385 mn in the previous year through smart strategy and a commitment to do more with less. It is noteworthy that the turnaround in operating profit offset a significant decline in dividend from CPSTL which amounted to Rs.75 mn in the current financial year compared to Rs.352 mn in the previous year.

Despite the volatility in exchange and interest rates, LIOC delivered a profit before tax of Rs.331 mn compared to a loss of Rs.776 mn in the previous year. A deferred taxation adjustment offset the charge for current taxation. This enhanced Profit after tax to Rs.403 mn for the reporting year compared to a loss of Rs.744 mn in the previous year.

Total assets declined by 14% as we liquidated short term investments to repay the debts & other trade liabilities. Equity increased marginally to Rs.19.43 bn. Financial stability of the company improved significantly as debt equity improved due to repayment of loans which resulted in decreased liabilities of 14% to Rs.28 bn.

DIVIDEND

Your Board has proposed a dividend of Rs. 0.75 per share for the financial year 2018-19 for approval of the shareholders at its forthcoming Annual General Meeting on 19th June 2019.

KEY AREA OF CONCERN

Our key area of concern is the auto fuel segment as the cost reflects a persistent upward trend stemming from depreciation of the rupee and volatility in crude oil prices which is not passed on to the consumer. GoSL took a positive step to Introduce the fuel pricing mechanism in May 2018, which remained in force until political changes in Oct.18 and led to prices being revised arbitrarily. Auto fuel costs have recommenced its upward trend and partial implementation of the pricing mechanism adversely impacts the company's performance. The company has started maintaining differential prices over prices of Auto Fuel marketed by the state-owned enterprise, but it severely impacts our volumes and market share resulting in decline in revenue of our channel partners. The prices in Sri Lanka are very low as compared to the retail selling prices in the neighbouring countries or any other oil importing nation. The appropriate pricing mechanism will not only be beneficial for all the stakeholders but also be good for the overall Sri Lankan economy. The lower oil prices result in higher consumption and Sri Lanka being an import dependent economy, the rising demand is detrimental to the economy and to the general public of the developing country. Higher imports also lead to depreciation of currency which is also not beneficial to the country.

FUTURE OUTLOOK

The upcoming year may also be challenging for LIOC if the partial implementation of Auto fuel pricing mechanism continues. We hope that GoSL shall update the Pricing formula to take into account actual variables & implement the same gradually ensuring full implementation of fuel pricing formula. Nevertheless, LIOC will continue differential pricing to control losses on account of auto fuel till the Pricing formula is implemented fully. However,

Chairman addressing on 16th Annual General Meeting held on 29.06.2018

Sponsoring in Sri Lanka vs England T20 Tournament

considering the uncertainties involved in Auto Fuel segment, your company will focus on other business segments & new opportunities not only to de-risk the business profitability but also to ensure creating long term value for our shareholder on sustainable basis.

HEALTH, SAFETY & SUSTAINABLE OPERATIONS

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

Since the environmental sustainability is our priority, we have introduced use of more environmental-friendly products, including that of our premium fuels, to minimize our carbon footprint. Our green initiatives include our eventual venture into renewable energy. Consequently, during the year, we have introduced Euro-4 standard fuels and we have also equipped our few filling stations with inexhaustible source of solar energy. We have developed a Green filling station with the help of our channel partner. This green filling station is equipped with rain water harvesting system, LED lighting & full solar panel canopy which generates solar energy not only for the filling station, but also surplus energy is provided to national grid. The vapor recovery system is also being planned at the Retail outlet.

Our electric vehicle charging stations encompassed all three aspects of the wider Community, Customer and Environmental impacts. Your company intends to install more such charging stations in coming years. It reflects Lanka IOC's commitment to contribute in reduction of carbon footprint as well as its future orientation.

The Company also took many initiatives to protect environment by organising environment awareness programs, Carbon Neutral Transporters' Meet, Tree Plantation program on World Environment Day, Shramadana program, Coastal cleanup program, Beach cleaning program with the participation of employees, bowser crew and contract employees.

ACKNOWLEDGEMENTS

The performance of the company is delivered by our people who are our greatest assets and, given their enthusiasm, hard work and passion. On behalf of all shareholders and my fellow directors, I wish to express my sincere gratitude to each & everyone for their unwavering support and association to LIOC throughout the year. I would like to thank my fellow directors on the Board for their constant support and guidance. I am also thankful to Government of Sri Lanka for their continuous support to the Company.

Mr. Shyam Bohra, MD, LIOC is moving back to India after completion of his tenure to take up new assignments in New Delhi. On behalf of the Board, I acknowledge his vision, hard work and valuable contribution in Lanka IOC and wish for his future assignments. I also welcome Mr. Manoj Gupta, succeeding as Managing Director and wish him for his successful tenure at Lanka IOC.

Ranjan Kumar Mohapatra
Chairman

MANAGING DIRECTOR'S MESSAGE

Shyam Bohra
Managing Director

"We carefully managed our product mix to optimise profitability of the company and interest of our channel partners while growing the visibility of our brand."

LKR86.3Bn
Revenue

LKR403Mn
Profit After Tax

Dear Shareholders,

It is my pleasant duty to present the 4th Integrated Annual Report and Financial Statements of Lanka IOC PLC for the financial year ended 31st March 2019. Your company has delivered a profit of Rs.403 mn for the financial year under review through agile strategy and the insights and networks of our parent company IOC to navigate a year of uncertainty and volatility. As in the past, our focus is on achieving a sustainable equilibrium between stakeholder interests and corporate goals of earnings growth and stability.

A DYNAMIC BUSINESS MODEL

The nature of our business necessitates a dynamic business model that facilitates stability in earnings through a diverse product portfolio for a diverse customer base. Fuel is an increasingly emotive subject, directly correlated to the energy dependency of the people and its demand and supply factors in any country. Long term economic stability requires a pass through of market volatilities to consumers to encourage adjustment of consumption patterns in line with global demand and supply reflecting thresholds of available capitals. However, fuel prices are sometimes arbitrarily used as a policy tool for curbing inflation but this has significant impacts on corporate results and potential for creating wealth. Consequently, players must have a diverse portfolio that enables a cushioning of such policy measures.

LIOC operations in Sri Lanka cover automotive fuels, lubricants, bunkering and bitumen supporting the needs of the country's transport sector. We carefully managed our product mix to optimise profitability of the company and interest of our channel partner while growing the visibility of our brand. Implementation of the fuel pricing formula in May 2019 was a step in the right direction, ensuring that the prices reflected the global demand and supply trends, ensuring levelling of the playing field. However, this changed in October 2018 as competitor prices were reduced with political changes. The pricing formula was implemented again but it was only partially which did not reflect completely the market volatility of key fuels. Given this scenario, our strategy had to be agile, carefully managing price of products subject to price controls while driving growth in others. Accordingly, we focused on increasing revenue from lube, bunkering and bitumen while maintaining a significant presence in other segments.

We have also increased our capacity for storage and throughput with total investments of Rs.449 mn and innovations enabling increasing volumes and efficient turnaround times to support increased demand. Capacity of the lubricant blending plant was increased by adding new infrastructure.

ECONOMY AND THE PRICING CONUNDRUM

Sri Lanka's economic growth moderated to 3.2% in 2018 moderating from 3.4% recorded in 2017 as weak demand and poor performance of the industry sector proved a drag on growth. Per capita income declined marginally from $4,104 to $4,102 after several years of steady growth. Capital outflows stemming from normalization of monetary policy in the US resulted in sharp depreciation of the rupee by around 19% in 2018 stabilising in the first quarter of 2019 and moving upward at the close of the financial year. Downgrading of the sovereign rating in the latter part of 2018 exacerbated the country's economic woes as raising required capital became more expensive. Inflation was curtailed to 2.1 through inflation targeting measures supported by recovery of the agriculture sector which eased pressure on food related inflation.

Sri Lanka's demand for petroleum is driven by the transportation sector which accounts for over 60% of consumption and balance for power generation and other sectors. Overall demand for automotive fuels increased by 2% during the financial year with the demand for petrol increasing by 6% and decreasing by 2% for diesel respectively.

Benchmark brent crude oil prices was high volatile during the year and finally decreased marginally for the year ended 31st March 2019 from around US$ 68 per brl to around US$ 67 per brl in contrast to the previous financial year ending as pressure on demand factors eased during the year. Gasoline prices & Gasoil prices also followed the same pattern during the year. Although, the international oil prices are not very high in comparison to previous year but there is a significant impact on domestic oil prices due to massive currency depreciation.

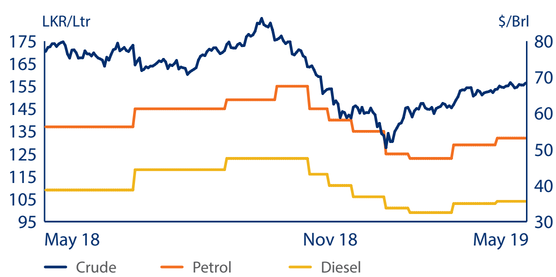
MANAGING DIRECTOR/CEO'S MESSAGE

"We continue to work with the government to reach agreement on proper implementation of the pricing mechanism and commit to a process that is fair and equitable in the long-term interest of all stakeholders."

Launching Euro 4 grade products of Auto Fuel

Implementation of the pricing mechanism by GoSL in May 2018, the subsequent departure in October 2018 and the reintroduction of a modified formula continues to buffer consumers from global market volatility in Petrol and Diesel disrupting the interaction of market forces necessary for sustainable equilibrium. The graphs below reflects the impact from the point of implementation of the pricing mechanism and early signs of returning disequilibrium towards the close of the year. This will result in significant adverse economic impacts and increasing inequalities.

Crude and RSP Movement



PERFORMANCE

You company earned total turnover of Rs. 86.322 billion which is only 5% lesser then previous year despite of 13% loss of revenue in our major segment generic auto fuel. The impact was less due to performance of our other segments such as bunkering, lubricants, bitumen and premium fuels. During the year, the company earned a net profit after tax of Rs. 403 million in comparison of previous year losses of 744 million.

Due to continuous price differentiation in auto fuel, the overall segment's revenue has negative growth of 11% but simultaneously there is a commendable performance in marketing of premium fuels. This has not only helped to reduce losses in marketing of auto fuel but also shows the desire of our customer to use environment friendly fuels. During the year, the company has curtailed its overall volume in auto fuel segment by around 25%. The company enhanced its retail network coverage by adding one retail outlet during the year. Despite the challenging operating landscape in auto fuel, your company continued to focus on enhancing its brand and driving an enhanced customer experience through investing in the network infrastructure. In 2018/19, we have invested to enhance the visual identity of our 10 retail outlets with a view to improve brand visibility and positioning ourselves as a premium retailer. We also pioneered the concept of 'Green Outlet' during the year with the help of our channel partner to reduce our carbon footprint.

Marketing of Lubricant was an important segment in terms of profitability and growth of company. During the year, the margins in this segment were under tremendous pressure due to intensive competition among players. We have expanded our lubricant network by commissioning of additional 40 Servo Shops and 2 Servo service station. We have also expanded our reach in international market with the commencement of exports to Indonesia adding to our export destinations.

Company Day 2018 celebration at Head Office

LIOC Chairman Meeting with the Hon'ble Minister of Finance

Bunkering recorded a commendable revenue growth of 15% in comparison of last year. The segment has maintained its market share despite of stiff competition and also contributed significantly in the profitability of the company. LIOC is established and known a major bunker supplier in the country with reliable supply chain and full operational flexibility to meet customer demand at Colombo and Trincomalee ports.

Bitumen has achieved a decent revenue growth of 5% in comparison to previous year. The company remains as market leader in this segment. Despite of stiff competition, the segment performed beyond our expectation and contributed to the overall profitability of the company. During the year, the company has also exported bitumen to Maldives.

The company has suffered unexpected exchanges loss of Rs. 745 million due to the unprecedented currency depreciation during the year. Despite of all efforts, the exchange loss has significantly impacted on overall profitability of the company.

STRENGTHENING SUPPLY CHAINS

We continued to support our distribution networks in the country through upgrading the infrastructure and uplifting the aesthetic appeal of the stations to reflect and strengthen brand visibility. Our strategy to minimise losses by differential pricing & controlling volumes resulted in significant impacts on their income streams. However, your company paid additional margins in lieu of reduced volumes to support them during challenging times.

We continued to support growth of our dealers through capacity building initiatives for their staff.

OUTLOOK

We will continue our strategy of focused growth through diversification to broadbase sources of revenue and minimize the impact of petrol and diesel. Bunkering and lubricants will be key areas of growth as we seek to enhance market share leveraging our significant market shares. We will also continue to develop export markets to increase earnings in foreign exchange, supporting bottom line growth.

We continue to work with the government to reach agreement on proper implementation of the pricing mechanism and commit to a process that is fair and equitable in the long-term interest of all stakeholders. Implementation of the fuel pricing mechanism in full will be the key determinant of not just LIOC's sustainable growth but also of the country.

We also express our solidarity with the people of Sri Lanka as they look to restore normalcy after the terrorist attacks in April 2019. It is too premature to assess the potential impact at this point of time and we pray that the people will unite to drive the growth of this beautiful country.

ACKNOWLEDGEMENTS

As I return to my duties with the parent company, I wish to take this opportunity to convey my sincere appreciation of the guidance and counsel extended by the Chairman and Board of Directors as we navigated uncertainty and volatility during my tenure of service. I also thank my senior management team for their insights, innovations and hard work that enabled us to deliver on the strategic goals. My sincere appreciation of the hard work of all LIOC employees must be placed on record as they have contributed greatly to my appreciation of the country and its people. I thank our supply chain partners for their continued support and sharing our journey. The Board and senior management team join me in thanking 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 also wish to thank the shareholders and loyal customers of LIOC for the confidence placed in the company and look to their continued support in the future as well.

Shyam Bohra
Managing Director

BOARD OF DIRECTORS

Left to Right

MR. N. V. N. RAMSAI
Non-Executive Director

MR. SANJEEV KUMAR JAIN
Non-Executive Director

MR. SHYAM BOHRA
Managing Director

MR. RANJAN KUMAR MOHAPATRA
Chairman

MR. AMITHA GOONERATNE
Independent Non-Executive Director

PROF. LAKSHMAN R. WATAWALA
Independent Non-Executive Director

MR. RANJAN KUMAR MOHAPATRA

Chairman

Mr. Ranjan Kumar Mohapatra, (Director [Human Resources], IndianOil) pilots abundant experience in Terminal Operations, Supply Chain Management, Logistics and competent management of several allied functions. A successful Business Head, Mr Mohapatra seized the supremacy of technology at BITS Pilani, during his Mechanical Engineering days and the dominance of Management functions at Xavier Institute of Management, Bhubaneswar.

Mr. Mohapatra has been the Managing Director of IndianOil's Mauritius Operations for over three years. As the first Chairman of Mer Rouge Oil Storage Terminal- a joint venture formed by four MNCs to set up modern oil storage facilities in Mauritius, Mr. Mohapatra has led a team of young professionals, recording sizeable growth in market share and profitability during his overseas operations. He was one of the chief architects of auto fuel quality up gradation program of Oil Industry in India. As the Chairman of CII Odisha State Council Mr. Mohapatra works closely with various stakeholders facilitating further development of the state. Under his leadership CII, Odisha swiftly organized relief materials and support aids for affected areas.

Mr. Mohapatra is a prominent Member of Asia Pacific Resource Centre of Global Compact Network India (GCNI) - a non-profit society which functions as the Indian Local Network of the United Nations Global Compact (UNGC), New York. He has been a celebrated invitee at various forums of The Society for Human Resource Management (SHRM)-a professional human resources membership association headquartered in Alexandria, Virginia. He is also a distinguished special invitee on the Council of Management of All India Management Association (AIMA). At IndianOil Mr. Mohapatra, as Chief HR Officer (CHRO) envisions aligning Human Resources initiatives to Strategic Corporate Vision, and has pioneered several efforts to usher in a vibrant culture focussed towards higher growth and productivity.

Mr. Mohapatra has presented papers and delivered lectures at national and international forums, and published articles in international journals and supply chain reference books.

MR. SHYAM BOHRA

Managing Director

(Ceased w.e.f 20.05.2019)

With over 30 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.

BOARD OF DIRECTORS

MR MANOJ GUPTA

Managing Director

(Appointed w.e.f 20.05.2019)

Mr. Manoj Gupta is a Civil Engineering graduate from prestigious NIT, Jaipur and a MBA from Podar Institute of Management, Jaipur. Mr. Gupta joined Indian Oil Corporation Ltd. in 1993 and since worked in varied assignments, including Aviation and Retail Sales. As a State Level Coordinator of Haryana State, he was responsible for maintaining close coordination with other Oil Marketing Companies & State Government, to maintain uninterrupted supply of petroleum products in the entire State.

He has headed two very strategic and high volume Divisional office namely Panipat and Kolkata. As the head of the Divisions, he focused on creating a more enabling and inspiring workplace, leveraging technology and infrastructure augmentation and capability building of channel partners. With in-depth knowledge and acumen in Retail Sales , he had been closely associated with Kolkata Port Trust and WBHIDCO(West Bengal Housing Infrastructure Dev. Corporation). Under his leadership many Government sites were procured and state of the art Retail Outlets were developed.

Mr. Gupta was a core member of prestigious Retail transformation program (Dhruva) undertaken by IndianOil with international consultants. He was the chief architect for creating FIT, SEVA, AWESUM, DARPAN'(Dealers Score card) initiative undertaken by Project Dhruva. Monitoring of entire Field Force/ ROs were carried out through online leaderboard from Head Office. He introduced Capability building and engagement of Dealers, Managers and Customer attendants through renowned professional agencies. To enhance job knowledge and engagement of field force, he introduced weekly online quizzes, which was wholeheartedly taken by all.

Mr. Gupta's above strategic initiative and network/customer centric approach has contributed a lot in improvement of look & feel and brand image of the Corporation under Project Dhruva. He believes that collaboration is the mantra for success.

MR. N. V. N. RAMSAI

Non-Executive Director

(Ceased w.e.f 01.03.2019)

Mr. N V N Ramsai is a Chartered Accountant with 37 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 had 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.

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 srategic 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.

BOARD OF DIRECTORS

MR. SANJEEV KUMAR JAIN

Non-Executive Director

(Ceased w.e.f 12.04.2019)

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 33 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 feather in his cap 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.

MR. VIGYAN KUMAR

Non-Executive Director

(Appointed w.e.f 12.04.2019)

Mr. Vigyan Kumar is an MBA with specialization in Marketing Management. He has over 31 years of experience in downstream Petroleum sector in India and has held various responsible positions in IndianOIl across length & breadth of the Country. Currently he is heading Retail Sales function of IndianOil as Executive Director (Retail Sales)

Prior to this assignment, he has worked as Business Head of IndianOil in Madhya Pradesh & Chhattisgarh States of India. Apart from looking after the overall marketing activities of petroleum product in these States, Mr. Kumar's responsibility as State Level Coordinator covered maintaining close coordination with other Oil Marketing Companies & State Government to maintain uninterrupted supply of petroleum products in these States.

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

MR. D R PARANJAPE

Non-Executive Director

(Appointed w.e.f 12.04.2019)

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

Mr. Paranjape, 56, is presently posted as Chief General Manager in charge of the Finance function of the Marketing Division of IndianOil. He is currently leading a team of 600 plus trained officers across India and is responsible for the entire Finance & Account activities in the Marketing Division of IndianOil. He is also on the Board of M/s. Lubrizol India Pvt. Ltd., a joint venture of IndianOil.

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

MS. 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

Left to Right Seated

SIDDHARTH AGARWAL
Senior Vice President (Retail sales & HR)

SHYAM BOHRA
Managing Director

PRAMOD JAIN
Senior Vice President (Finance)

Left to Right Standing

S.A. NIMKAR
Senior Vice President (LM&P)

BENOJ PAUL
Senior Vice President (Ops & LBP), Trincomalee

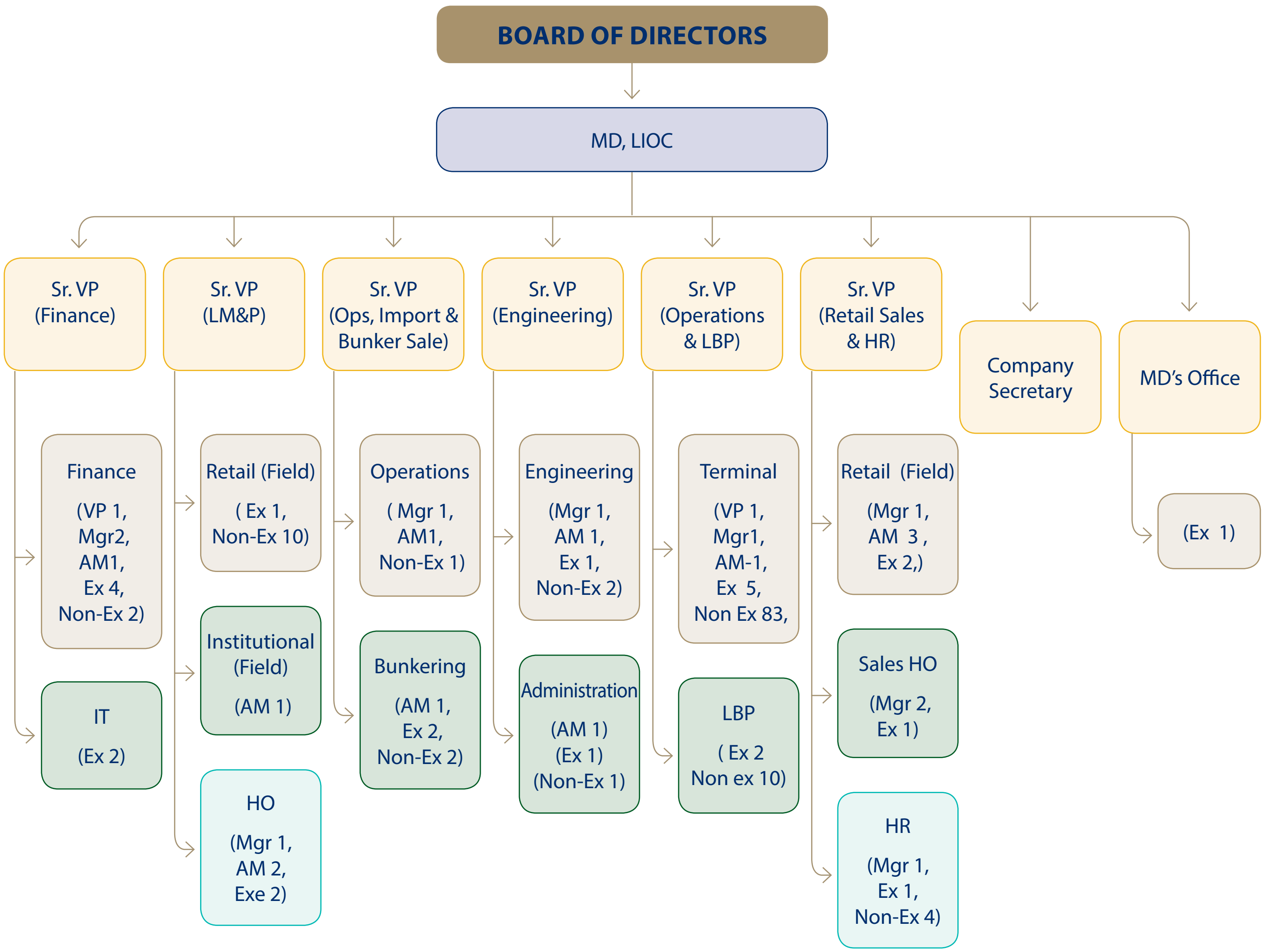
GOURAV JAIN
Vice President (Finance)

SURAJ PATNAIK
Senior Vice President (Ops, Import & Bunker Sale)

THALLAPALLY CHIRANJEEVI
Vice President (Ops), Trincomalee

T.K ELAMARAN
Senior Vice President (Engineering)

ORGANISATION CHART - LANKA IOC PLC



- Sr.VP – Senior Vice President
- VP – Vice President
- Mgr - Manager
- AM – Assistant Manager
- Ex – Executive
- Non-Ex – Non Executive

OUR BUSINESS AND STRATEGY

WHO WE ARE

LIOC is Sri Lanka's only private sector auto fuel retailer fulfilling nearly 13% of the country's automotive retail fuel demand through an island-wide network of 208 outlets. Since its entry into Sri Lanka 17 years ago, LIOC has played a vital role in fuelling the country's socio-economic development through providing access to high-quality products, facilitating mobility, economic activity and infrastructure development. We are also the largest provider of bunkering facilities in Sri Lanka. In addition to 172 direct employees who are engaged in Colombo, Trincomalee and the Company owned-retail outlets, LIOC also supports the livelihoods of over 5000 indirect employees who serve in franchise retail outlets across the island.

Despite persistently challenging industry and regulatory conditions, which have at times directly affected our shareholder value creation, the Company has remained steadfast in its commitment to Sri Lanka and driving value across its supply chain.

The Company is a subsidiary of Indian Oil Corporation Ltd, India's state-owned automotive fuel supplier which is the country's largest commercial enterprise with operations in 08 countries. LIOC benefits from the parent entity's five-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 owns 1/3rd share in Ceylon Petroleum Storage Terminals Limited (CPSTL).

NATIONAL ECONOMIC IMPACT

- Rs. 21.2 billion Contribution to Exchequer
- 657 TMT of volumes sold
- Rs. 449 million CAPEX
- USD 125 million Foreign Exchange Revenue

Lanka IOC

EMPLOYMENT GENERATOR

172	5,000	< 2%	LKR519 MN
Direct employees supported through attractive remuneration, opportunities for career and skill development and a conducive work environment.	Indirect employees supported through our franchise outlets	Attrition rate of employees	Payment to employees

INNOVATOR AND CATALYST FOR CHANGE

Pioneering the use of high-quality, environmentally friendly auto fuels and lubricants in Sri Lanka

Retail outlet automation
Solarisation of retail outlets
Electric car charging stations
Process innovations at Trincomalee Terminals to drive efficiency and competitiveness

VALUE CREATOR

LKR 66.1 BN
Paid to suppliers

LKR 30 MN
Investment in franchise outlets

LKR 109 MN
Additional margin paid to dealers

LKR 21.2 BN
Payment to exchequer

DIVERSE BUSINESS LINES

AUTO FUELS

We offer a range of petrol and diesel products including branded and premium fuels and command a share of 13% in this segment .

LUBRICANTS

We offer 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 18%.

BUNKERING

Market leader in bunkering services, supplying IFO 180cst, IFO 380cst and MGO to local and foreign vessels at Port of Colombo, Trincomalee and Galle

BITUMEN

Leading supplier of Bitumen in Sri Lanka, offering two product variants for roadworks and industrial usage.

PETROCHEMICALS

A new vertical for LIOC, we see significant potential for growth and diversification in this segment

VALUE CREATION MODEL

CAPITAL INPUTS

Financial Capital
Shareholders' funds: LKR.19,427 million
Borrowings: LKR 2,327 million
(Page 61)

Manufactured Capital
Retail outlets: 208
Property, plant and equipment: LKR 4,294 million
(Page 64)

Human Capital
Employees: 172
Average age of service: 7.15 years
Skills, attitudes and experience of our team
(Page 69)

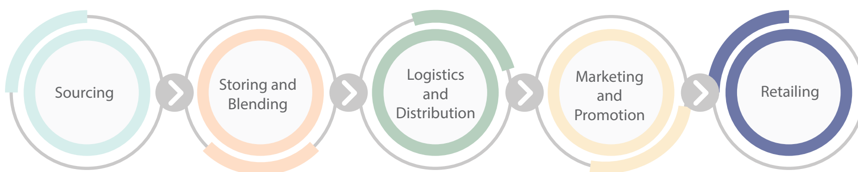
Social and Relationship Capital
Customer touchpoints: 621
Distributor relationships: 19
(Page 74)

Intellectual Capital
Active patents: 611
Brand value: LKR 4,827 million
(Page 67)

Natural Capital
Energy consumption: 451,383 KwH
Water consumption: 49,264 KL
(Page 80)

Value Creating Activities

Our Supply Chain



Key Strategic Priorities

- Profitable Growth (page 61)
- Operational Excellence (page 64)
- Investing in our people (page 69)
- Sustainability (page 80)

Vision:
A major, integrated energy company, with a strong environmental conscience, playing a national role in oil security

Delivered through our business lines

- Autofuel (page 50)
- Lubricants (page 54)
- Bunkering (page 58)
- Bitumen (page 57)
- Petrochemicals

Corporate Governance (Page 83)
and Risk Management Practices (Page 38)

OUTPUTS/IMPACTS

Sales Volume: **657** TMT

Revenue: Rs. **86,322** million

EBITDA: Rs. **854** million

Profit after tax: Rs. **403** million

Employee payments : Rs. **519** million

New products launched: **04**

Payments to suppliers: Rs. **66.1** billion

IMPACTS

Sludge disposal: **4.5** KL

GHG emissions

OUTCOMES

Shareholders
Consistent returns commensurate with the risk undertaken and capital appreciation which reflects upside growth potential
(Page 61)

Employees
Inspired and empowered workforce, that is adequately rewarded and provided opportunities skill and career growth.
(Page 69)

Customers
High quality products accessible through an island-wide network of touch points
(Page 74)

Business partners
Mutually beneficial relationships supporting business growth
(Page 74)

Government
Contribute towards a secure, affordable and sustainable supply of fuel

Communities
Meaningful and sustainable relationships in the communities we operate
(Page 74)

Capital Trade-offs

Financial Capital
As our sales volumes declined due to the price differential between LIOC and the main competitor, we took decisive action to provide addtional margin to our distributors in order to ensure the sustainability of their businesses

Manufactured Capital
Despite challenging conditions we continued to invest in upgrading both company owned outlets and franchise outlets

Human Capital
Although operating conditions remained challenging, thereby pressuring financial performance, the Company continued to make bonus payments to our employees in order to ensure employee satisfaction.

Intellectual Capital
Despite the challenging conditions, we continued to invest in strengthening our brand through marketing communications and investments in enhancing the retail visual identity of outlets.

STAKEHOLDER ENGAGEMENT

	Shareholders	Employees	Customers
Stakeholder profile	*The Company's principal shareholder is Indian Oil Corporation, which owns 75.12% of the total shareholding; the remainder is held by the public.*	*Our team comprises 172 individuals who drive our value creation efforts.*	*We cater to an island-wide network of individuals and enterprises who consume our products*
Engagement mechanism	• AGM and Annual Report • Quarterly financial statements • Announcements to the Colombo Stock Exchange (continuous basis) • Corporate website (continuous basis) • Press releases (continuous basis) • One-to-one engagement	• Performance appraisals (annual) • Employee satisfaction surveys once in two years • Multi-level staff meetings (ongoing) • Open door communication policy (continuous) • Employee Relationship Committee (continuous) • Recreational activities (continuous)	• Customer satisfaction surveys • One-to-one engagement through retail outlets(continuous) • Customer hotline (continuous) • Website • Marketing communications (continuous)
Topics and concerns			
Financial performance	●		
Sustainable business growth	●		
Corporate governance and risk management	●		
Attractive remuneration		●	
Conducive work environment		●	
Opportunities for training and development		●	
Career progression and succession		●	
Safe workplace		●	
Product quality			●
Value for money			●
Accessibility			●
Customer service			●
Supply reliability			●
Ease of transacting			
Rewards and recognitions to franchise partners			
Timely settlement of dues			
Guidance on local regulations			
Regulatory compliance			
Energy security			●
CSR activities and sponsorships			
Access to products in remote locations			
Responding through Strategy			
	Operational excellence Profitable growth	Operational excellence	Investing in people

Franchise partners	Suppliers	Government/Regulators	Community
We distribute our products through 101 franchise-owned outlets.	*International oil and gas companies who provide refined petroleum products to LIOC and other local companies*	*We are regulated by the Ministry of Petroleum Resources Development, the Ministry of Finance, BOI and other ministries.*	*We engage directly with the communities who reside in localities close to our operations*
• Annual Reviews • Conferences • Regular structured engagement at multiple levels	• Supplier registration process • Transparent tender procedure • Structured relationship management	• Regular discussions with Ministry officials	• Ongoing CSR activities • Sponsorships
●	●	●	
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Profitable growth Investing in people	Investing in people	Sustainability	Sustainability

OUR STRATEGY AND VALUE CREATION

In 2018 we remained committed to our long-term strategic pillars of driving profitable growth, achieving operational excellence, investing in our people and sustainability.

The year under review was a challenging one of the Company, as we faced numerous difficulties stemming from the global landscape, regulatory developments, political instability and moderating domestic economic conditions. As a Company engaged in providing an essential product, our actions have a considerable impact on the local economy and our decision-making process takes into consideration the wider implications on our stakeholders. In 2018 we remained committed to our long-term strategic pillars of driving profitable growth, achieving operational excellence, investing in our people and sustainability; the strategic priorities and actions were refined in order to remain relevant in a changing landscape and ensure the commercial viability and operational sustainability of our business.

VISION

A MAJOR, INTEGRATED ENERGY COMPANY, WITH A STRONG ENVIRONMENTAL CONSCIENCE, PLAYING A NATIONAL ROLE IN OIL SECURITY

STRATEGIC PILLARS	Profitable Growth	Operational Excellence	Investing in our people	Sustainability
PRIORITIES IN 2018/19	• Diversification • Premium products • Facility/Capacity augmentation	• Process improvements • Innovation • Overall profitability	• Value for business partners • Our people promise	• Environmental commitment • Community engagement

MEASURING OUR PROGRESS

PROFITABLE GROWTH

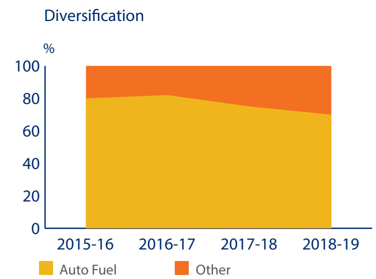
Key risks/challenges

Decline in market share due to the upward revision in our prices

Strategic Actions

- Increased focus on premium fuels
- Conscious decision to restrict sales in loss-making generic fuels
- Diversification of product portfolio to reduce reliance on auto fuels
- Increased focus on high-yielding bunker fuels in bunkering
- Pursing export markets in lubricants and bitumen

KPIs



25% revenue from premium fuels out of total auto fuel revenue.

OPERATIONAL EXCELLENCE

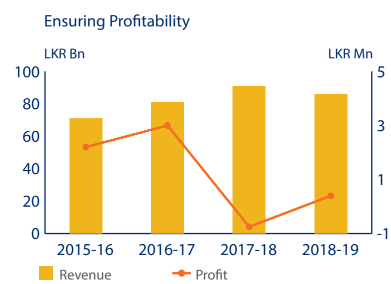
Key risks/challenges

Negative Revenue growth due to loss of volume

Strategic Actions

- Commissioned additional tank and new jetty pipelines for bunkering
- Ongoing investments in facility augmentation and shed expansion
- Addition of 40 SERVO shops

KPIs



SUSTAINABILITY

Key risks/challenges

Environment impact

Strategic Actions

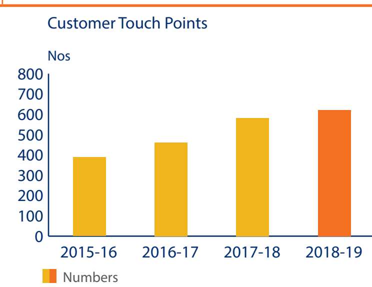
- Commissioned green retail outlet
- Investment in community engagement initiatives
- Solarisation of retail outlet
- Promoting environmentally friendly products

KPIs

Minimising carbon footprints

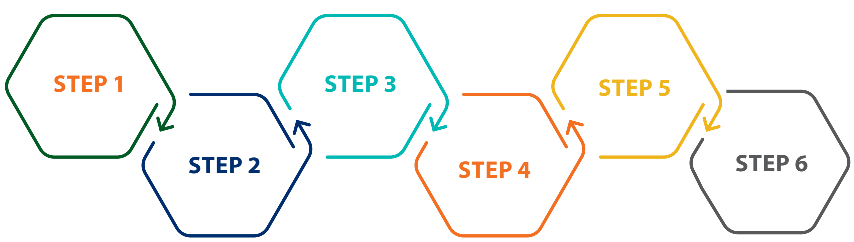
MEASURING OUR PROGRESS CONTD.

INVESTING IN OUR PEOPLE

Key risks/challenges	Strategic Actions	KPIs
Price differential between LIOC and main competitor led to a decline in our sales volumes, thereby affecting the profitability of our dealers.	• Ensured business sustainability of dealers through compensation schemes • Ongoing investments in loyalty schemes for channel partners • Enhance customer experience through improved signage and brand visibility	

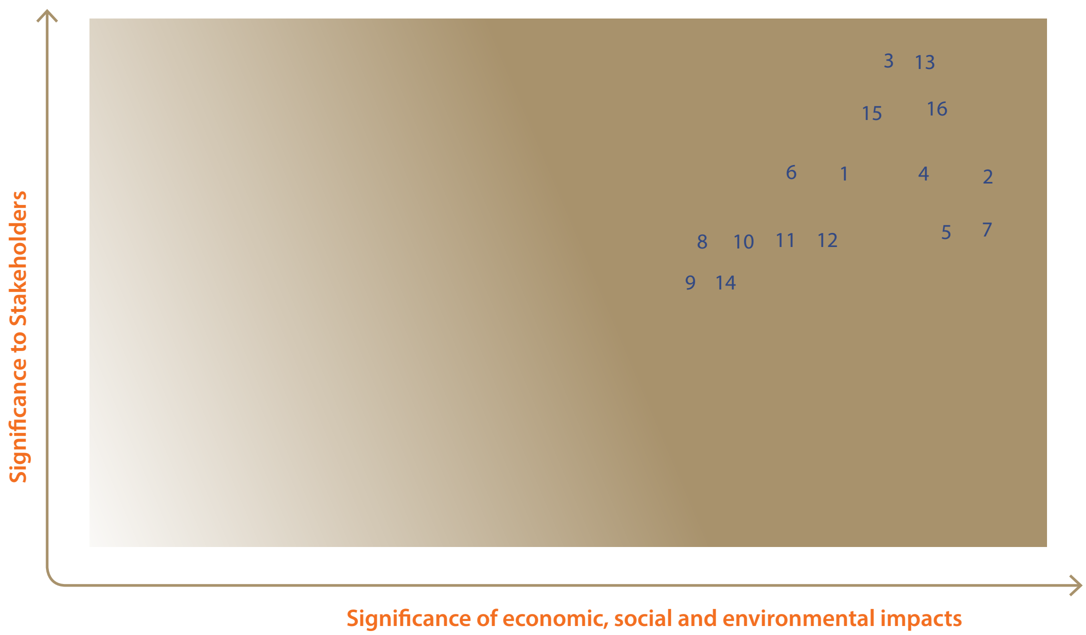
Material matters

Content to be included in this Annual Report has been identified, selected and prioritised based on the principle of materiality. This content has been carefully selected based on the issues that are most material to our stakeholders and on their potential ability to substantially impact our value creation. During the year, we further refined our materiality assessment process, broadening the materiality assessment to encompass a 6-part test as illustrated below. 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.



FINANCIAL IMPACT	STAKEHOLDER CONCERNS	REPUTATIONAL IMPACT	LINK TO STRATEGY	IMPACT ON FUTURE VALUE CREATION	INNOVATION OPPORTUNITY
Evaluation of the potential impact on financial performance, stability and cashflow generation.	Potential impact on the decisions of employees, shareholders, consumers and dealers	Impact on the Company's brand image and reputation	Relevance to the Company's long term strategic pillars	Evaluation of the how the material topic could impact the Company's ability to create value in the future	Opportunity for product or process innovation arising from the relevant topic

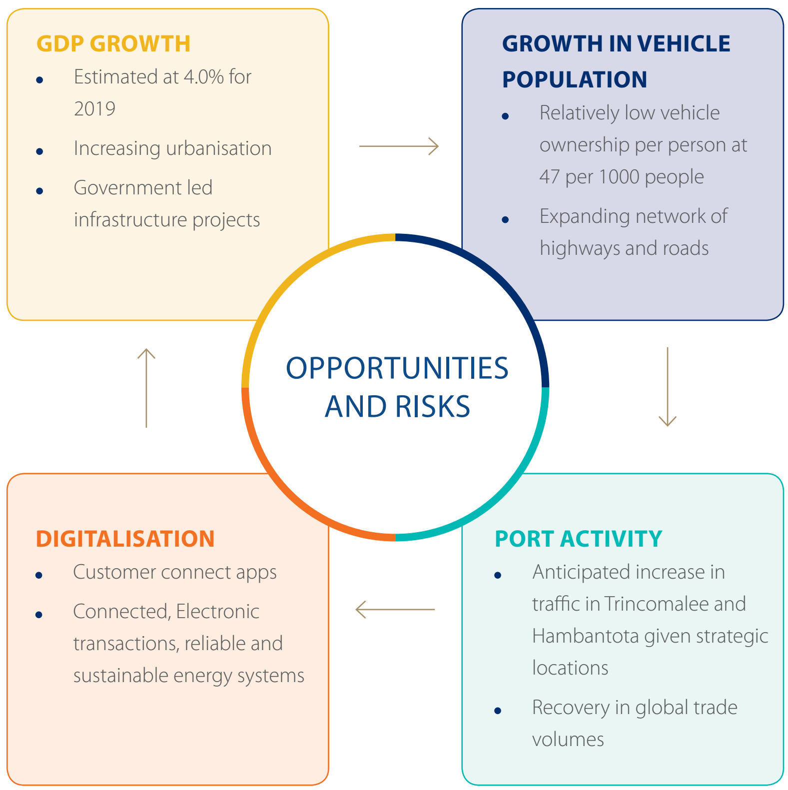
Each material topic was scored on the above variables and prioritised based on its significance to stakeholders and its significance to the organisation, which in turn was determined based on the internal factors above (financial impact, reputational impact, link to strategy, impact on future value creation and innovation opportunity. The material matters thus deemed most relevant for 2018/19 are listed below;



No.	Material topic	Corresponding GRI topic
1	Competitor behaviour	
2	Product quality	Marketing and labelling
3	Energy security	
4	Global oil prices	
5	Brand and reputation	
6	Socioeconomic impact	Economic performance, Indirect economic impacts
7	Dealer network	
8	Market share	
9	Political stability and fiscal policy	
10	Product diversification	
11	Infrastructure investment	
12	Industrial activity	
13	Employment	Employment, Occupational health and safety, Training and education, Diversity and equal opportunity, Labour management relations
14	Climate change	Energy, Carbon footprint
15	External stakeholder health and safety	Customer health and safety, Socio economic compliance

OPPORTUNITIES AND RISKS

Sri Lanka's long-term growth prospects are promising, given the government's infrastructure development plans, stabilising macro-economic fundamentals and widening per capita income levels. These trends are expected to provide diverse growth opportunities for LIOC, and the Company is aptly positioned to capitalise on the same.

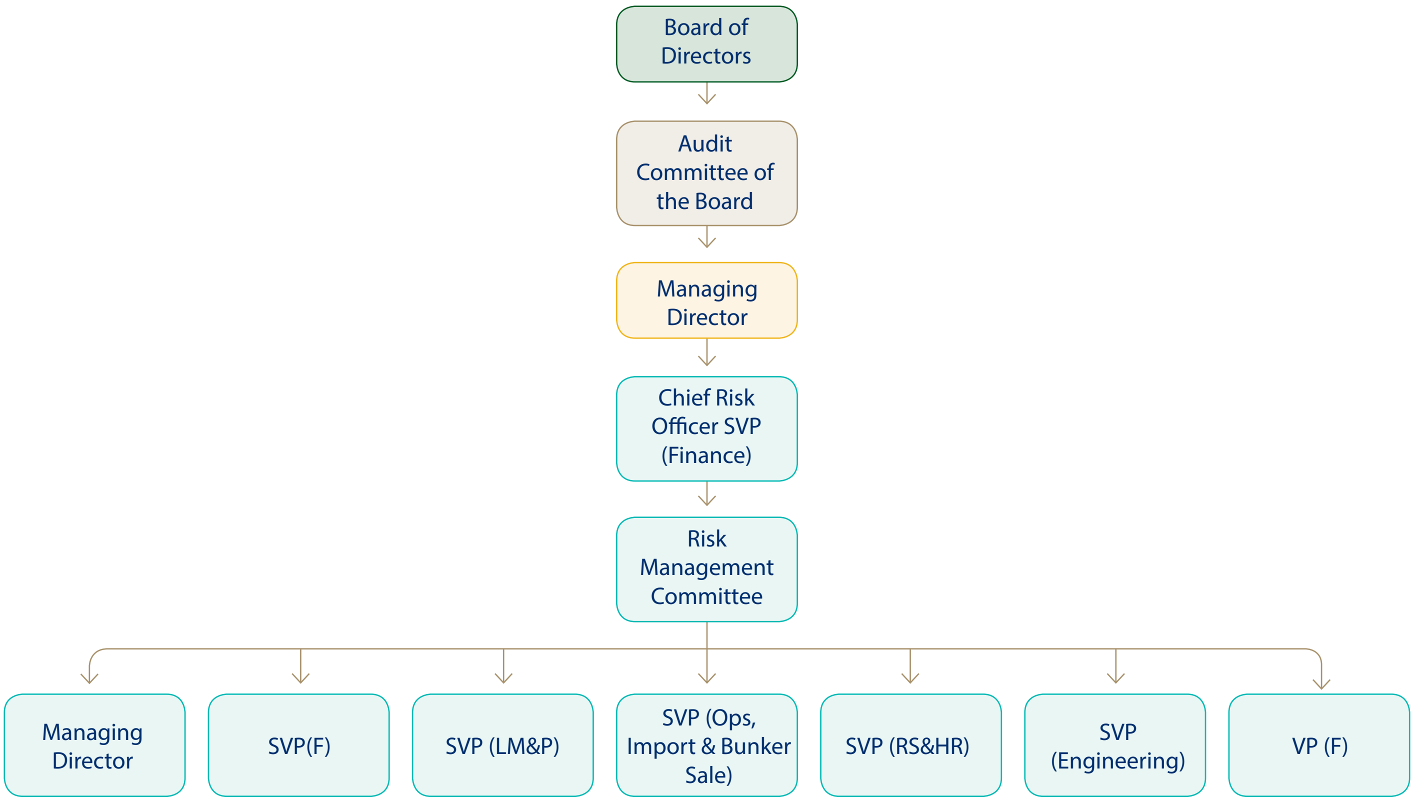


MANAGING OUR RISKS

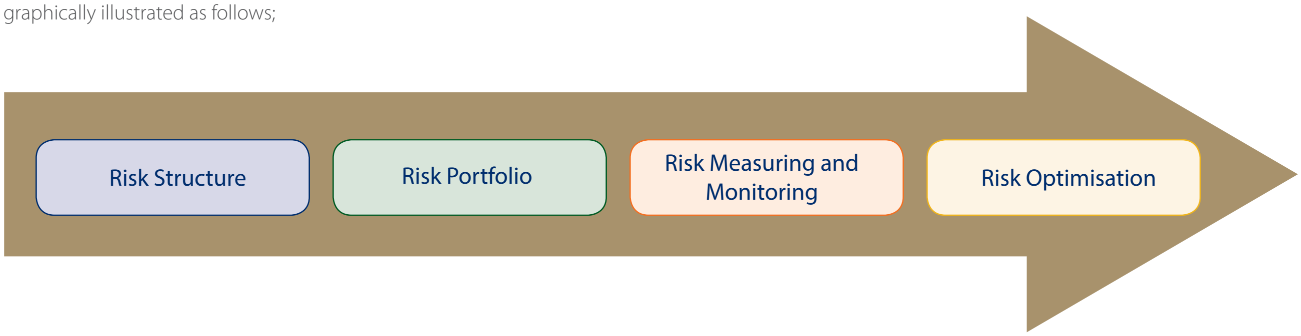
Given the nature of the industry, the Company's operations are inevitably exposed to a range of externalities. Managing these risks effectively therefore is critical in the consistent delivery of stakeholder value and ensuring commercial and social sustainability. Our strong risk management framework comprises of clear risk policies and well-defined roles and responsibilities.

Risk governance

The Board of Directors hold apex responsibility for managing the Company's risk profile within the defined parameters; they are assisted by the Board Audit Committee in the discharge of their risk-related duties. At executive level, a Risk Management Committee is in place for implementation of the Board's risk management policy and agenda. The head of each business line co-ordinates with a dedicated Chief Risk Officer on the risk exposures affecting each of their businesses. The Company's risk management structure is given below;



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

OPPORTUNITIES AND RISKS

RISK APPETITE

The Company's Risk appetite is set by the Board of Directors and sets out the relevant rating criteria and acceptable tolerance levels. The risk appetite is reviewed by the Board regularly to ensure the relevance of each risk category and defined parameters.

Consequence Factors (Mutually Exclusive)	Consequence Category: 1 Insignificant	2 Minor	3 Moderate	4 Major	5 Critical
Financial (Average Net Profit)-Impact on Profitability	< Rs. 5 mill.	Rs. 5 – Rs. 50 mill.	Rs. 50 – Rs. 100 mill.	Rs. 101 – 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 (Grade E & above)	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 board 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. Risk 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.

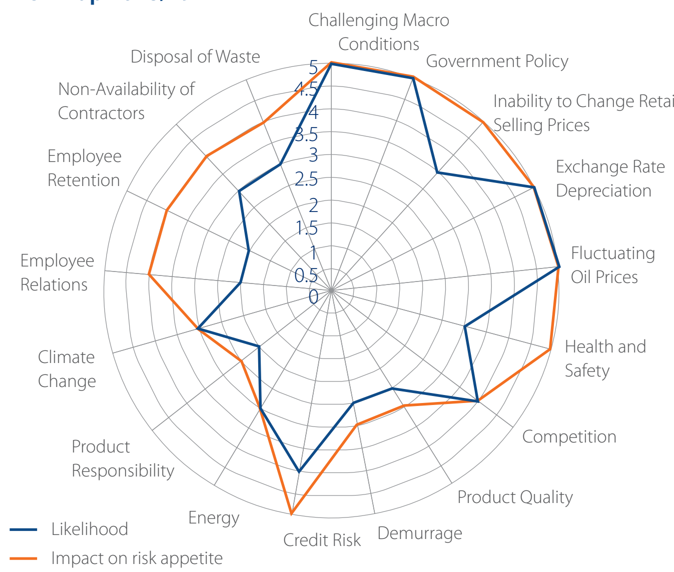
Rating Criteria – Likelihood

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

Rating parameters

Rating	Likelihood	Impact on risk appetite
1	Rare	Insignificant
2	Unlikely	Minor
3	Moderate	Moderate
4	Likely	Major
5	Almost certain	Critical

Risk map 2018/19



Risk	Category	Net Risk Assessment	Impact	Mitigating Actions
Strategic				
Challenging macro environment and subdued economic growth	A	2018/19 High 2017/18 Moderate	Impact on our main business of auto fuel due to its sensitivity and responsibility for Inflation, consumption pattern, economic growth etc.	• Increased focus on diversifying businesses to new areas within the petroleum domain such as Lubricants, Bitumen and Bunkering
Inability to revise retail selling prices for petrol and diesel.	A	2018/19 Moderate 2017/18 High	LIOC generally follows the Retail Selling Prices of Auto Fuels as determined by GoSL. Due to non or partially revision of RSPs in line with international prices, company suffers losses on Auto Fuels.	• Increased retail prices of petrol and diesel to minimize product losses. • Focus on expanding the branded & premium fuel segment
Sharp fluctuations of prices in crude oil and related products	A	2018/19 High 2017/18 High	Price fluctuations have a direct impact on our profitability margins and cash flows. Sharp fluctuation of prices could also impact our inventory values	• Close monitoring of oil prices. • Negotiating with suppliers and innovative pricing strategy for economical prices. • Maintaining adequate level of oil stocks.
Intense competition and entry of new players.	A	2018/19 Moderate 2017/18 Moderate	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.	• Developing innovative and branded products. • Improving product accessibility and expanding customer reach. • Enhancing customer experience and convenience by automating and redesigning sheds.
Government policy	A	2018/19 High 2017/18 High	Government policies on duties/taxes, interest rates, inflation, energy prices and wages have a direct impact. Non-receipt of timely approvals for various government licenses, permissions and approvals, will have direct bearing on the operations of the company.	• Strategies are reviewed on changes to interest rates, taxes, etc. • Engaging with regulators and policymakers. • Timely renewal of licenses. • Obtaining required permission and approvals for projects.

OPPORTUNITIES AND RISKS

Risk	Category	Net Risk Assessment	Impact	Mitigating Actions
Operational				
Product Quality	A	2018/19 Moderate 2017/18 Moderate	Failure to meet product quality standards can cause harm to our employees and customers, damage our reputation and result in regulatory/ legal action.	• Stringent quality control mechanisms in place. • All Fuels and lubricants are tested for health and safety. • Compliance with certifications.
Health and safety risks due to the flammable nature of our products.	A	2018/19 Moderate 2017/18 Moderate	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.	• Implementing safety measures. • A Retail Outlet Safety handbook is distributed to all retail outlets. • Safety drills conducted at the Trincomalee terminal with the participation of employees, transporters and contractors. • Maintained adequate safety equipment for emergency situations such as oil spills.
Risks to inventory, property and equipment due to nature of product.	A	2018/19 Moderate 2017/18 Moderate	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.	• Insurance covers obtained from reputed companies with strong re-insurance. • Ensuring a comprehensive cover by obtaining various policies such as fire and commercial insurance, General liability insurance, etc.
Demurrage Are charges paid to ship owners on failure to unload within an agreed time. This is mainly due to inadequate port infrastructure.	A	2018/19 Moderate 2017/18 Moderate	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.	• Comprehensive planning to effectively schedule ship arrivals on import of petroleum products. • Lay time allocation is planned after due consideration to the operational constraints.
Employee relations	B	2018/19 Low 2017/18 Low	Around 60% of our employees are unionized as we recognize the right to freedom of association Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry and high labour migration.	• Good relationships with trade unions. • Addressing grievances promptly. • Sound and balanced HR policies.
Retention of employees	B	2018/19 Low 2017/18 Low	Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry and high labour migration.	• Attractive remuneration packages. • Continuous engagement and hosting social and welfare events. • Training and development. • Offering career progression opportunities.
Non-availability/ limited availability of Contractors for specialized works related to Oil Terminalling /Lube Plant	B	2018/19 Low 2017/18 Low	Impacts the speed of execution Higher cost of works	• Hiring and developing local contractors. • Extended contractor base by including foreign contractors as consortium parties.

Risk	Category	Net Risk Assessment	Impact	Mitigating Actions
Energy	B	2018/19 Low 2017/18 Low	Energy is critical to the Company's day to day operations at Retail Outlets, head office and the LIOC Terminal in Trincomalee.	• Initiatives to minimize energy consumption • Investment on energy efficient technology
Climate change	B	2018/19 Low 2017/18 Low	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.	• Monitor carbon emissions and ensure compliance to CEA licenses • Introducing higher quality fuel that emit less carbon.
Reputation				
Customer health and safety	B	2018/19 Moderate 2017/18 Moderate	The flammability of our key products exposes our customer also to a wide range of health and safety risks that can result in regulatory action, legal liability and reputational losses.	• Compliance to national health and safety standards at touchpoints. • Training of business associates on transporting, handling and storage of products.
Relationships with communities	B	2018/19 Low 2017/18 Low	Empowering and contributing towards the socio-economic progress of the communities we operate-in is crucial for the image of the company.	• Invest on community development projects. • Continuous engagement with local communities. • Provide employment opportunities.
Disposal of waste and effluents	B	2018/19 Low 2017/18 Low	Effluents from our processes comprise of oil sludge and discharges from the Trincomalee Terminal.	• Responsible disposal of waste and effluents. • Compliance to environmental regulations such as CEA • Disposal of oil sludge undertaken by licensed third parties.
Operating Environment	A	2018/19 Low 2017/18 Moderate	Company's image and operations may be affected due to adverse publicity/ misinformation campaigns by vested interests.	• Continuous engagement is done with Policy makers, our legal counsels and stakeholders.
Financial				
Currency depreciation as imports are in USD.	A	2018/19 High 2017/18 High	For Auto Fuels, Lubricants & Bitumen, imports are done in USD and sales are carried out in LKR, company is exposed to exchange loss.	• Engagement with the Central Bank to minimize currency fluctuations. • Import loans are taken only for shorter period. • Monitor exchange rate fluctuations.
Credit risks	A	2018/19 High 2017/18 High	The Company's Bunkering, Lubes & Bitumen segments are exposed to high credit risk and can result in loss of earnings and cash flow.	• Efforts to give secured credit. • Credit ratings are obtained from independent third parties. • Continuous Monitoring of debtors aging profile.

OPERATIONAL REVIEW

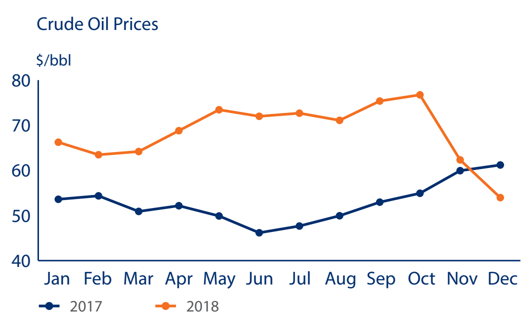
"Crude oil prices rose sharply during the first six months of financial year 2018-19 as oil supply was disrupted by geopolitical tensions and possibilities of US reimposing sanctions on Iran; by October 2018, average oil prices had increased by 40% y-o-y compared to October 2017."

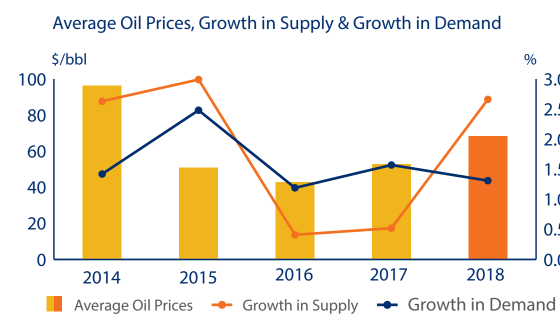
OPERATING ENVIRONMENT

GLOBAL PETROLEUM INDUSTRY

Global Oil prices

Crude oil prices rose sharply during the first six months of financial year 2018-19 as oil supply was disrupted by geopolitical tensions and possibilities of US re-imposing sanctions on Iran; by October 2018, average oil prices had increased by 40% y-o-y compared to October 2017 and reached USD 76.73/bbl. However, prices started to stabilise towards the third quarter of the year as United states announced temporary waivers on trade sanctions related to Iran, China and India in November 2018 resulting in crude oil prices declining to USD 56.58/bbl in December 2018. Despite stability towards the latter part of the year the spill over effects of rising oil prices was significant for oil importing countries.





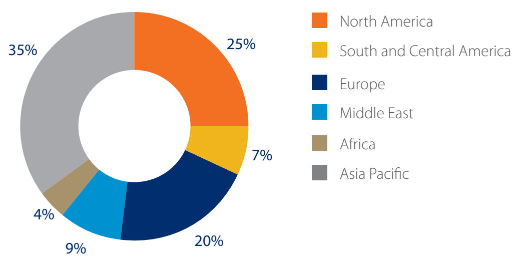
Supply

Global supply increased at a faster pace of 2.6% in 2018 compared to 0.5% last year despite supply disruptions and production losses in Venezuela. This was driven by the decision of the 'Vienna group" of OPEC and non-OPEC oil producers in June 2018 to increase production and maintain a positive oil balance. Oil rich economies such as Russia and Saudi Arabia followed suite by rapidly increasing production to fill up supply scarcity. However, oil markets continued to be susceptible to supply shocks as inventory levels declined to five -year averages and OPEC spare capacity dropped towards the end the year.

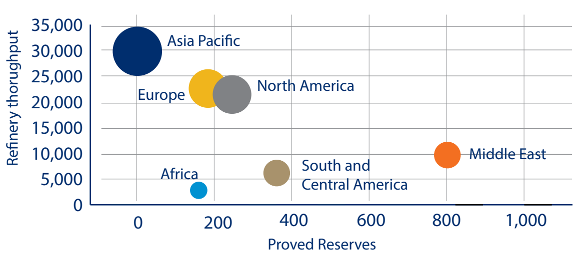
Demand

Demand for oil continued to increase albeit slow paced at 1.3% compared to 1.5% last year. Although global economies expanded, the pace of growth subdued during the year affecting oil demand. Demand was further affected by rising environmental concerns, changing energy mix and declining energy consumption in key economies such as China which shifted to less commodity intensive industries.

Oil Consumption



Key Suppliers



Key players

During the year, global proved reserves of oil declined by (0.03%) to 1,696 thousand million barrels. Refinery capacity remained in line with last year at 98 million barrels per day. Supply of oil continued be largely subdivided between Organization of petroleum exporting countries (OPEC) and non- OPEC regions, accounting for 37% and 63% of global supply. In 2018, production in OPEC regions moderated till mid- year in line with pre-planned production cuts. However, as production in Iran and Venezuela declined, OPEC agreed to increase production in June 2018 to maintain a positive oil balance. Supply of oil from Middle East led by Saudi Arabia increased by 1.5%. Non-OPEC members led by US and Russia continued to rapidly increase production at an average growth rate of 4.5% in 2018.

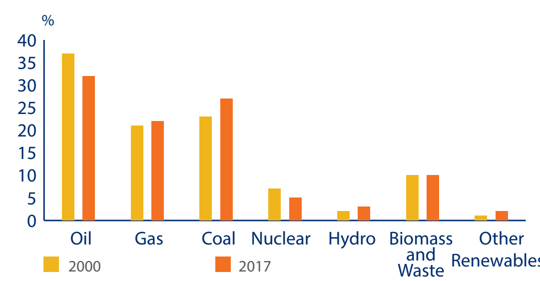
Production of refined petroleum products continued to be driven by the Asia Pacific region primarily China, which owned 33% of global refinery capacity in 2017.

Global Oil Consumption continued to be driven by the United states, China, India and Other Asian regions.

Energy Mix

The energy mix has gradually shifted with increasing environmental concerns with economies focusing more on clean energy sources such as natural gas, hydro and other renewable energy. This impacted the energy mix which was predominantly driven by Oil and Coal resources. During 2017, oil accounted for 32% of the energy mix compared to 37% in 2000. Coal accounted for 27% in 2017 compared to 23% in 2000. Clean energy sources over the same period increased by an average growth rate of 7%, and currently accounts for 14% of the energy mix.

Energy Mix



Domestic Market

Demand

Refined petroleum products in the domestic market include Petrol, Diesel, Kerosene, Furnace oil, Avtur and Naphtha. Petrol and diesel accounted declined of 1% of domestic consumption in 2018-19, primarily due to higher prices. Growth in petrol sales continued to be moderate at 6% in 2018-19 compared to 10% last year. Diesel sales declined at 5% in 2018-19 compared to 2% declined in 2017-18.

Although vehicle registrations increased in 2018, demand for transportation services was impacted by revisions in fuel prices. The sector grew at a minimal 0.8% over the first nine months of the year resulting in lower demand for auto fuel such as petrol and diesel. In addition, hydro power generation affected demand for fuel oil-based power generation thereby impacting the demand for diesel.

Supply

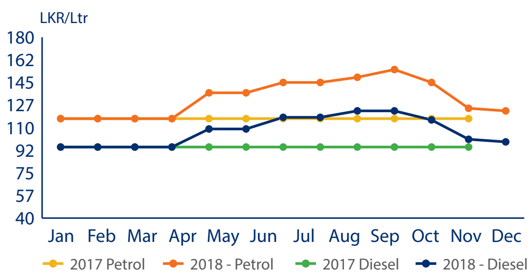
Domestic petroleum supply was impacted by global supply disruptions, rising oil prices and production losses due to the closure of the CPC refinery for sometime. During the year, global oil prices rose steeply triggered by supply disruptions. This had a severe impact on the domestic petroleum industry which is predominantly import driven.

OPERATIONAL REVIEW

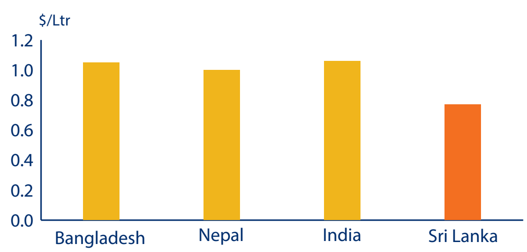
Retail selling prices

Following several rounds of discussions with industry stakeholders, the Government implemented a market-based pricing formula for determining pricing in May 2018. The newly implemented formula accounts for volatility in global oil prices. Petrol and diesel prices increased by 17% and 15%, for the first time since January 2015. Subsequently, prices were revised four times during 2018; shifts in the political landscape towards the latter part of the year, resulting the retail prices being revised downwards. On average retail petrol prices increased by 15% to Rs 135/litre and diesel prices increased by 14% to Rs 108/litre in 2018.

Retail Prices in Sri Lanka



Petrol Prices in Neighboring Countries



* During May 2019

Factors impacting domestic demand

Global economic growth

The expansion in global economy continued to support robust demand for oil and refined products in 2018. However, growth in demand slowed to 1.3% compared to 1.5% last year as economic growth weakened on escalating trade wars, geo political tensions and tightening financial conditions.

[1] Recent Economic Developments: November 2018

"The energy mix has gradually shifted with increasing environmental concerns with economies focusing more on clean energy sources such as natural gas, hydro and other renewable energy."

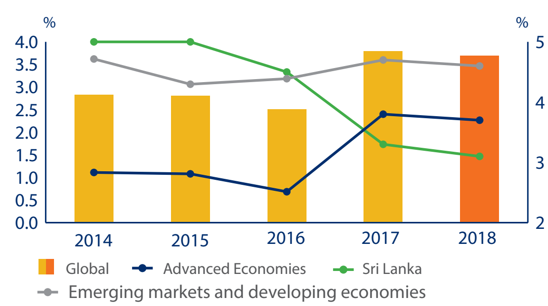
Domestic economic growth

Sri Lanka economic growth slowed to 3.1% in 2018 compared to 3.3% last year. Weaker construction activity and lacklustre global economic landscapes weakened economic performance despite rebound in agricultural activities.

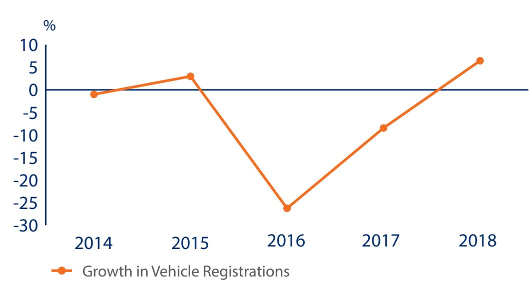
Inflation

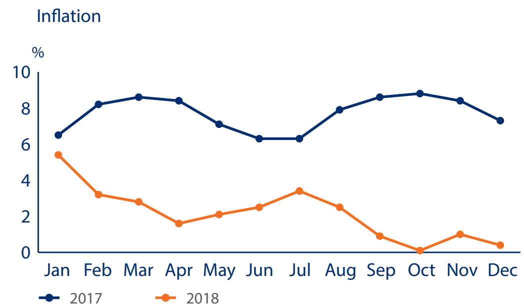
In 2018, headline inflation declined to 2.4%. Favourable weather conditions eased volatility in food prices, which severely impacted national inflation over the preceding few years. However, a short- term uptick was seen in July 2018 as administered prices such as fuel increased. However, the underlying inflation remained within the targeted band of 4-6%.

Economic Growth



Consumption





"Following several rounds of discussions with industry stakeholders, the Government implemented a market-based pricing formula for determining pricing in May 2018."

Vehicle registrations

Vehicle registrations increased by 6.5% in 2018 reversing the declining trend over the last two years. This was driven by surging imports of small engine capacity motorcars which benefited from the changing formula to calculate import taxes. Motor car registrations increased by 106% in 2018. However, registrations of other vehicle subcategories such as three wheelers and motor cycle continued to decline.

Fuel Pricing

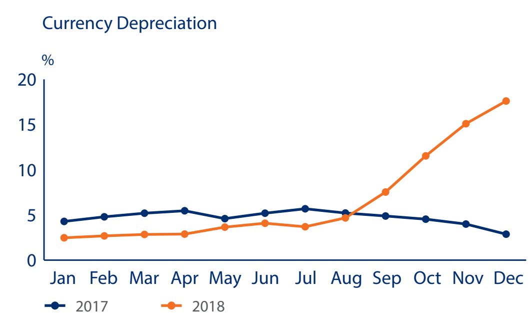
Sri Lanka petroleum sector is a duopoly consisting of the state run, Ceylon petroleum corporation (CEYPETCO) and privately held Lanka IOC PLC (LIOC). Given the dominance of the state sector, fuel pricing had previously been effectively determined by CEYPETCO. After several rounds of discussions over the past 15 years, the government implemented a market- based pricing formula in May 2018 thereby revising retail prices periodically in line with movements in global oil prices. However, following a temporary change in government in November 2018 CEYPETCO revised its prices downwards, after which point LIOC adopted differentiated pricing in a bid to curtail its losses. This led to a drop in LIOC volumes, with the Company's market share declining by 27%.

Fiscal policy

Petroleum tariffs are subject to regular revisions by the government. Currently tariffs account for 15% and 38% of retail selling prices of diesel and petrol. In July 2018, tariffs were 21% and 37% for diesel and petrol. The higher tariffs have always been a pressure, for domestic operators who continued to face lower fuel prices (excluding taxes) compared to global markets.

Monetary policy

During the year, the central Bank maintained a neutral monetary policy compared to last year. Interest rates (SLFR) were reduced in April 2018 to 8.5% and subsequently increased in November 2018 to 9%. Average weighted lending rates of commercial banks increased to 14% in 2018 compared to 13.6% last year.



OPERATIONAL REVIEW

IMPACTS ON OUR BUSINESS MODEL

<table>
<tr><th></th><th>Auto Fuel</th><th>Lubricants</th></tr>
<tr><td>Market Trends</td><td>• Retail petrol and diesel prices increased for the first time since 2015.
• A market -based pricing formula was implemented in May 2018.
• Growth in petrol sales moderated in 2018 while diesel sales declined.
• Costs of imports increased with rising global oil prices and currency depreciation.
• Price competition continued to be intense as the industry is a duopoly.</td><td>• Demand for lubricants improved by 2.7% over the 1st nine months of 2018-19.
• Competition continued to be intense with 13 players operating in the industry.
• Market share of the two dominant players namely LIOC and Chevron Corporation was maintained at 18% and 37%. [1]</td></tr>
<tr><td>Drivers</td><td colspan="2">• Total vehicle registrations increased by 6.5% reversing the decline last year.
• Motor car registrations increased by 106%.
• Three wheelers and motorcycle registrations continued to decline.
• Import expenditure on personal vehicles increased by 120% to USD 1,496 mn in Jan to November 2018.</td></tr>
<tr><td>Challenges</td><td>• Currency depreciation
• Product sourcing at economic prices
• Sharp fluctuations in global oil prices
• Increasing import taxes on diesel three wheelers</td><td>• Intense competition
• Prices of base oil increased
• Currency depreciation
• Credit risk</td></tr>
<tr><td>How we Responded</td><td>• Increased retail selling prices of auto fuel.
• Enhancing customer convenience by redesigning and automating retail outlets.
• Introducing branded and high-quality fuels.
• Expanded focus on non-fuel businesses</td><td>• Focused on expanding customer reach.
• Tie-up with OEMs
• Widened product portfolio.</td></tr>
<tr><td>What We Delivered</td><td>• Retained market share at 13%.
• Launching new products of Euro-IV
• Reduced dependence on auto fuel sector which currently accounts for 70% of group revenue compared to 75% last years.</td><td>• Retained market share in line with last year despite competition.
• Expanded reach to market.
• Launching of new products</td></tr>
</table>

[1] PUCSL report 1st Half and 3rd quarter

Bitumen	Bunkering
• The construction sector contracted by 2.1% in 2018, reflecting a liquidity crunch across construction sec-tor supply chains. However, road construction projects continued during the year. • The road development authority spent Rs 58.5 Bn during the 1st half of the year compared to Rs 48.8 Bn in the corresponding period last year.	• Growth in global trade volumes decelerated to 4% in 2018 compared to 5.3% last year. • This was primarily due to heightened geopolitical tensions, trade wars and political uncertainties in key global economies such as US, China, Iran, Europe, etc. • Competition with regional ports intensified. In-creasing volumes in ports along the East Coast of India affected demand at Trincomalee port.
• Several projects to improve road and expressway networks continued in 2018. This included large scale projects such as Northern Road connectivity project and Colombo National highways project.	• Number of vessels arrivals declined by (5%) in 2018.
• Delays in road construction projects. • Currency depreciation. • Intense competition. • CPC started bulk bitumen manufacturing and supply.	• Limitations due to shallow waters in the Colombo port making it difficult for larger sized vessels to dock. • Costs of importing fuel increased due to volatile international prices and currency depreciation. • Intense competition with regional ports, • Increased tariffs on port activities.
• Focused on supplying products to bitumen traders.	• Focused on products which offer a better margin such as MGO. • Supplied fuel to vessels docked off shore or out of port limits.
• Retained market position as a leading supplier of Bitumen.	• Retained market share at 33% and leading supplier of bunker. • Revenue growth of 15%. • Invested on capacity expansion primarily in the Trincomalee.

AUTOMOTIVE FUELS

Operating Environment

- Increase in global oil prices
- Depreciation of the Sri Lankan Rupee
- Implementation of fuel pricing formula.

Strategy

- Controlling volume growth in generic fuels
- Increasing focus on branded fuels
- Enhancing outlet infrastructure
- Supporting channel partners

Performance

- Mitigating partial losses by increasing fuel prices.
- Reduced losses in comparison of previous year.
- Launched Euro-IV fuel.

Outlook

- Strengthening our proposition as a retailer of premium fuels.
- Increasing contributions from other business lines.
- Using autofuel network in other business avenues

NURTURING OUR CAPITALS

LKR 61 Bn	01	LKR 111 Mn	LKR 109 Mn
REVENUE	GREEN OUTLET	INVESTMENT IN OUTLET INFRASTRUCTURE	PAID TO DEALERS FOR LOST VOLUME

OPERATIONAL REVIEW

AUTOMOTIVE FUELS

OPERATING ENVIRONMENT

The year under review presented multiple challenges for the Auto fuel segment, which saw performance affected by the sharp escalation in global oil prices, steep depreciation of the Sri Lankan Rupee and domestic pricing trends (Refer to Operating Environment-page 44 for further information). The implementation of the fuel pricing formula in May 2018 signalled a step in the right direction, but it is concerning that prices were reduced significantly in the latter part of the year reflecting political decisions. Although, the government subsequently followed to the pricing formula partially, we note that price increases have been implemented somewhat partially and do not rightly reflect trends in global oil prices.

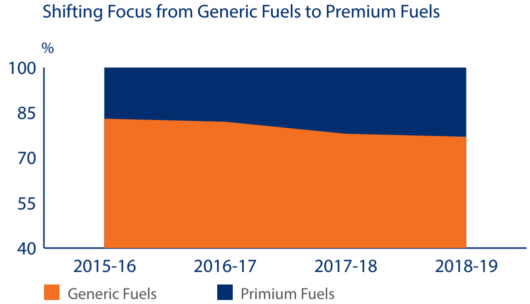
STRATEGY AND PERFORMANCE

During the latter part of 2018, LIOC adopted high differentiation in pricing in comparison to its main competitor given the persistent under recovery in both petrol and diesel. The Company thereby sought to curtail losses by consciously curtailing the sale of generic fuels through differentiated pricing, resulting in its market share declining from 17% in 2017/18 to 13% by 2018/19. Accordingly, volumes also declined by 25% y-o-y while sales revenue from auto fuels reduced by 11% during the year under review; Losses for the year has been reduced significantly in comparison to last year.

Commitment to Quality

Our strategy for the year centred on driving stronger penetration and visibility of the branded fuel range. The company also launched Euro-IV fuel during the year. LIOC currently offers Xtra premium Euro 3, Xtra Premium 95 Euro 4 and Xtra Mile variants of branded petrol and diesel respectively, which provide better engine performance and are less harmful to the environment. The volume in the branded segment was supported by continued efforts of our sales teams as well as strategic positioning of the outlets to enhance product visibility.

Shifting Focus from Generic Fuels to Premium Fuels



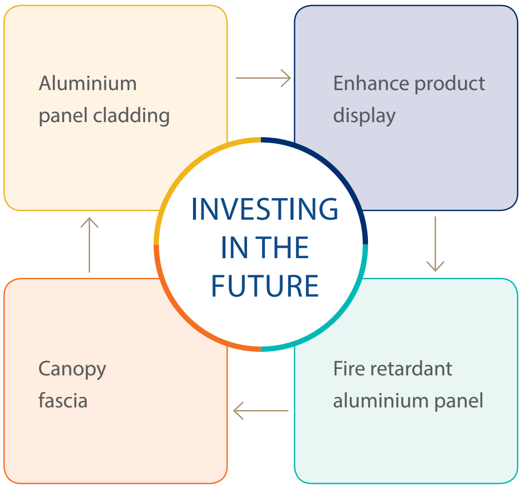
"Despite the challenging operating landscape, LIOC continued to focus on enhancing its brand and driving an enhanced customer experience through investing in the network infrastructure."

Investing in the future

Despite the challenging operating landscape, LIOC continued to focus on enhancing its brand and driving an enhanced customer experience through investing in the network infrastructure. In 2018/19 we invested Rs. 16 million in enhancing the visual identity of our 10 retail outlets (as listed alongside) with a view to improving brand visibility and positioning ourselves as a premium retailer. Reflecting our deep commitment to reduce the environmental impact of our operations, we also pioneered the concept of 'Green Outlets' during the year with the help of chennal partner, comprising of solarised canopies, rain water harvesting, and a green belt specifically designed to absorb emissions. By end-2018, we had converted 1 outlet to Green outlet and plan to commission more in 2019/20 also.

Refer to page 81 Manufactured Capital for further information

Green retail outlet in Pepiliyana



Enhanced product display and brand visibility

Supporting our partners

8 DECENT WORK AND ECONOMIC GROWTH

The decline in sales volumes had a direct impact on the commercial sustainability of our channel partners, whose operations are extremely sensitive to the pricing of generic fuels. Despite the Company's weaker financial performance, we supported our partners through this difficult period by paying Rs. 109 million to our network of dealers, thereby encouraging them to remain in business and protecting their livelihoods. We have also continued to support the upskilling of pump attendants through various trainings.


Training to Customer Attendants of Retail Outlets

OUTLOOK

The Company's long-term strategy is aimed at diversifying its business profile and reducing dependence on retail fuels, the market conditions of which are extremely sensitive to government policy and pricing decisions. Accordingly, strategic emphasis will be placed on increasing penetration of branded fuels and strengthening our proposition as a retailer of premium fuel while widening contributions from other business lines such as lubricants and bunkering etc.

LUBRICANTS

Operating Environment

- Subdued demand conditions due to moderating vehicle registrations
- Increased price competition
- Rise in costs due to depreciation of Rupee

Strategy

- Ongoing investments in widening the distribution network
- Nurturing relationships with our channel partners
- Tie-ups with OEMs.

Performance

- Retaining strong market share.
- 2nd largest seller in the country
- Aligning operating and logistic activities to remain competitive in the market.

Outlook

- Domestic market expected to be same level as last year.
- Pursue growth opportunities in export markets
- New players in the market.

NURTURING OUR CAPITALS

Rs. 3 Bn	18%	40	02
REVENUE	RETAINING MARKET SHARE	SERVO SHOPS ADDED	NEW PRODUCTS LAUNCHED

OPERATIONAL REVIEW

LUBRICANTS

OPERATING ENVIRONMENT

Restrictions on vehicle imports and the resultant moderation in vehicle registrations during the year led to subdued demand for lubricant products while the sharp depreciation of the Sri Lanka rupee also led to an increase in import costs. The liberation of the lubricants sector there has also seen an influx of new entrants into the market leading to intense price competition and price undercutting, thereby rendering it challenging to fully pass on cost increases to customers.

STRATEGY AND PERFORMANCE

Despite these challenging conditions, LIOC's lubricants segment retained its position & market share. Volume and profit was driven by new tie ups with OEMs, ongoing focus on value re-engineering to accrue cost efficiencies and investments in strengthening our distribution network. These initiatives enabled the Company to gain market, emerging as the 2nd largest player in this competitive segment commanding a share of around 18% in 2018/19.

Investments in physical infrastructure: Our lubricant products are distributed through an island-wide network of 208 modern petrol sheds, 19 lube distributors, 54 service stations and 340 Servo shops. During the year, we further widened our geographical reach by adding 42 contact points comprising 02 service stations and 40 SERVO shops. We also sought to widen our base of channel partners during the year, adding new distributors to our network. The Company's extensive geographical reach has been a key factor enabling it to rapidly capture market share. During the year the Company also commissioned 2 tankages for bulk storage of lubricants. 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.

New markets and partnerships: The Company's market position in the commercial vehicles segment is fortified by its strategic partnerships with DIMO and Tata Motors India through which it provides high-performance Tata Motors Genuine Oil for Tata vehicles. We have also tied-up with Ideal Motors and Mahindra & Mahindra India. We continued to pursue new export destinations for our lubricant products, for penetration in Indonesia market; the Company currently exports lubricants to 02 countries.

Business partner story: We continue to support the long-term business and social sustainability of our channel partners, nurturing mutually beneficial relationships with our lubricant dealers and retailers. Through the Sadbhavana Scheme, LIOC sets aside upto 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.

"The domestic lubricants market is expected to be at same level in next year and the entry of several new players is likely to further challenge profitability margins ."

OUTLOOK

The domestic lubricants market is expected to be at same level in next year and the entry of several new players is likely to further challenge profitability margins . As competition intensifies in the domestic market, we will pursue growth opportunities in export markets. We will also continue to invest in enhancing our infrastructure through widening the network of touchpoints and capacity augmentation, particularly for lube blending.

Lube blending plant at Trincomalee

BITUMEN

Operating Environment

- Slowdown in government led infrastructure projects
- Increase in freight rates
- Depreciation of the Sri Lankan Rupee

Strategy

- Increased penetration through civil contractors.
- Procurement at competitive Prices.

Performance

- Increase in revenue
- Export to new market
- Maintained market leadership position
- Growth in profits

Outlook

- Recommencement of government projects expected to support demand growth in 2019/20

OPERATING ENVIRONMENT

The slowdown in government-led infrastructure and construction projects had a direct impact on the bitumen market which led to subdued demand. The sharp depreciation of the exchange rate coupled with the increase of freight rates during the year, led to an escalation in the landed cost which could not readily be passed on to customers. Meanwhile, the state-owned CPC commenced importing bitumen in bulk which is leading to further price competition in the market.

PERFORMANCE AND OUTLOOK

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

LIOC continued to maintain its market leadership position underpinned by its strong reputation and good procurement practices. Despite the challenging industry conditions increased focus on the civil contractor market enabled the Company to record 05% growth in revenue, translating to a market share of around 45%. The Segment also recorded growth in profit during the year. The gradual recommencement of government-led infrastructure projects is expected to drive better demand for bitumen in 2019 and the Company is well positioned to benefit from these prospects.

NURTURING OUR CAPITALS

LKR 1.5 Bn
REVENUE

INCREASED MARGINS & OVERALL PROFITABILITY

INCREASED CUSTOMER BASE

MAINTAINED MARKET LEADERSHIP POSITION

BUNKERING

Operating Environment

- Negative Industry Growth.
- Stiff competition among the bunker suppliers.
- Pressure on margin due to port tariff increase.

Strategy

- Focus on reduction in import cost thru' optimisation.
- Increase revenue by utilizing Time Chartered barge

Performance

- Growth in profitability
- Retaining market share.

Outlook

- Bunkering activity at Hambantota may affect Colombo & Trincomalee volumes.
- IMO 2020 sulphur cap will pose logistic & commercial challenges to the bunker industry.

NURTURING OUR CAPITALS

Rs. **21** Bn
REVENUE

EXPANDED CUSTOMER REACH THROUGH OTHER PORTS.

Rs. **319** mn
INVESTMENTS IN TRINCOMALEE PORT INFRASTRUCTURE

MAINTAINED MARKET LEADERSHIP POSITION THROUGH STRONG CUSTOMER RELATIONSHIPS

OPERATIONAL REVIEW

BUNKERING

OPERATING ENVIRONMENT

The demand for bunkering stems primarily from shipping traffic and the decline in global trade volumes arising from sanctions and trade tensions between global trading partners impacted demand in 2018. Meanwhile prices were volatile for most part of the year, given uncertainty in the global trading landscape. In Sri Lanka, particularly in the Colombo Port increasing supply has led to intensed competition between players, leading to price undercutting and pressure on profitability margins. The Port of Trincomalee, on the other hand has significant potential for growth due to its strategic position on regional maritime routes. However, during the year, increased bunker fuel availability at ports in the East Coast of India has exerted downward pressure on volumes and profit margins at Trincomalee.

STRATEGY AND PERFORMANCE

LIOC maintained its position as 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 and commanding a market share of around 33%.LIOC's competitive position in this segment is underpinned by ensuring Quality & Quantity, on time delivery and competitive pricing. Despite of decline in volumes due to industry conditions, smart margin management, astute pricing decisions and focus on input cost reduction enabled the segment to record growth in profitability during the year.

Investments in the Trincomalee Port

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The Company has continued to invest in strengthening the bunkering infrastructure at the Trincomalee Port. Trincomalee is the only port in Sri Lanka offering Ultra Low Sulphur MGO for niche customers. Trincomalee offers many natural advantages like a sheltered anchorage with minimum impact of the Monsoon season where safe bunkering operations can be carried out throughout the year. Our presence at Trincomalee has encouraged vessels to dock at the port, promoting Trincomalee as a hub in the maritime route.

In 2018/19, LIOC invested Rs. 319 million at Trincomalee and commissioned an additional tankage which increased the bunker fuel storage capacity. We also installed new jetty pipelines which resulted in a significant improvement in cargo discharge rates and tanker turnaround time.

OUTLOOK

Sri Lanka's strategic positioning near major maritime routes and competitive pricing affords it much potential for growth in the bunkering business although substantial investments in infrastructure development is essential to successfully capitalise on this potential. For instance, both Colombo and Trincomalee ports lack the jetty depth to enable product import in large consignment, which is likely to restrict the country's growth prospects in

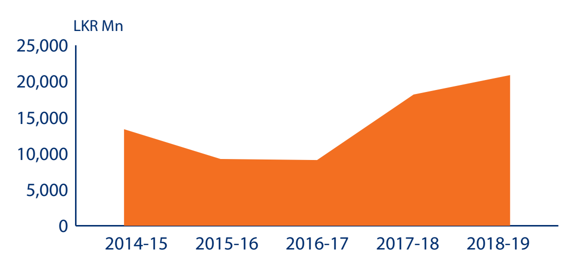
"A key factor which is likely to significantly impact the global bunkering market over the medium term is the International Maritime Organization (IMO)'s decision to limit the Sulphur content in Marine Bunker Fuels from the current 3.5% to 0.5% with effect from 1st of January 2020."

bunkering over the long-term. Hambantota port, situated in the southern tip of Sri Lanka, is expected to start bunkering services during the last quarter of 2019. Due to the port's advantageous location where ships require minimum deviation from their route in order to reach the port coupled with modern infrastructure, Hambantota port is poised for strong growth although non-conducive weather conditions for most part of the year may hamper the port's suitability, particularly for OPL (outside port limit) bunkering.

A key factor which is likely to significantly impact the global bunkering market over the medium term is the International Maritime Organization (IMO)'s decision to limit the Sulphur content in Marine Bunker Fuels from the current 3.5% to 0.5% with effect from 1st of January 2020. This development will affect all players in the industry, particularly given the limited availability of very low-sulphur Furnace Oil in the market and practical challenges in switching to alternative fuels such as MGO. 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, thereby positioning Sri Lanka as one of the few countries in the world where Low Sulphur Bunker Fuels are available on demand. LIOC is also fully geared to import and sell very low sulphur Furnace Oil bunkers at Trincomalee by the last quarter of year 2019.

Meanwhile in Sri Lanka the sharp increase in port tariffs effective January 2019 is likely to substantially affect our bunkering profitability over the short to medium term.

Bunker Revenue over Last Five Years



CAPITAL REPORTS

FINANCIAL CAPITAL

FINANCIAL CAPITAL

KEY PERFORMANCE INDICATORS 2018/19

LKR Mn	18/19	17/18	16/17
Gross Profit	4,133	1,800	6,968
Net Profit	403	(744)	3,065
Borrowings	2,327	5,018	886
Shareholders Fund	19,427	19,369	20,790

KEY ACHIEVEMENTS 2018/19

- Increased bunker revenue by 15% to 21 Bn
- Maiden export of lubricants to Indonesia
- Investment in infrastructure with total capex Rs. 449 Mn

OUTLOOK 2019/20

- Reduction of borrowing cost
- Less volatility in currency exchange
- Continuation of differential pricing formula

LINK TO STRATEGY

- Increasing market share through sustainable business model

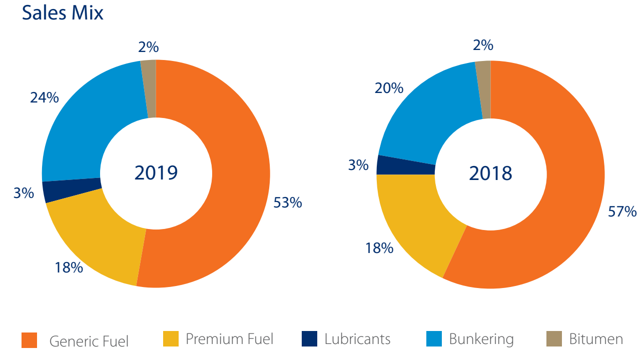
FINANCIAL PERFORMANCE

Despite the volatility in exchange and interest rates, LIOC delivered a profit before tax of Rs. 331 mn compared to a loss of Rs. 776 mn in the previous year. A deferred taxation adjustment offset the charge for current taxation. This enhanced Profit after tax to Rs. 403 mn for the reporting year compared to a loss of Rs. 744 mn in the previous year. Total assets declined by 14% as we liquidated short term investments to repay the debts & other trade liabilities. Equity increased marginally to Rs.19.43 bn. Financial stability of the company improved significantly as debt equity improved due to repayment of loans which resulted in decreased liabilities of 14% to Rs. 28 bn.

REVENUE

LIOC's revenue declined by 5% to Rs.86.32 billion during the year, reflecting volume loss in auto-fuels due to continuous price differential the persistent under recovery in both petrol and diesel. Accordingly, revenue from auto-fuels (which accounted for 70% of total revenue) declined by 11% during the year. The drop in revenue of premium fuels was contained at 6% as we continued to focus on driving to sale premium fuels. Meanwhile, despite a 19% drop in volumes due to subdued market conditions, the Bunkering division achieved a top line growth of 15% as we sought to increase contributions from high-yielding products. Revenue from lubricants declined by 6% during the year, reflecting intense competition as well as restrictions on vehicle imports which resulted in a moderation of vehicle registrations during the year. Bitumen and Petrochemicals recorded top line growth of 5% and 1% respectively during the year. Overall, the Company's reliance on auto-fuels declined to 70% from 75% the year before, reflective of the Company's efforts to pursue diversification from the auto-fuels.

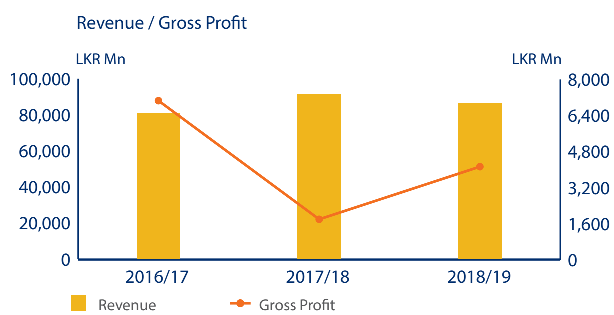
Sales Mix



CAPITAL REPORTS

FINANCIAL CAPITAL

"Despite a 19% drop in volumes due to subdued market conditions, the Bunkering division achieved a top line growth of 15% as we sought to increase contributions from high-yielding products."

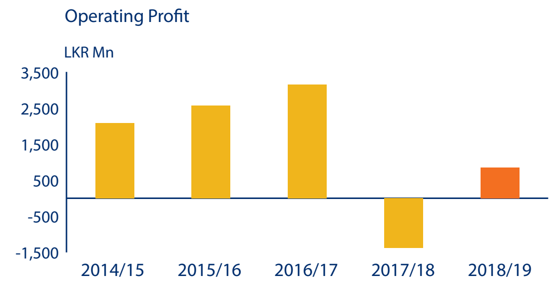


GROSS PROFIT

Despite the decline in revenue, proactive efforts to curtail volume growth of negative-margin products, strategic focus on enhancing contributions from high-yielding products and the implementation of a differential fuel pricing in October 2018 enabled the Company to improve its profitability. Gross profit is more than doubled to Rs. 4.13 billion from Rs.1.80 billion compared to the previous year while the GP margin improved to 4.8% from 2.0% from the previous year.

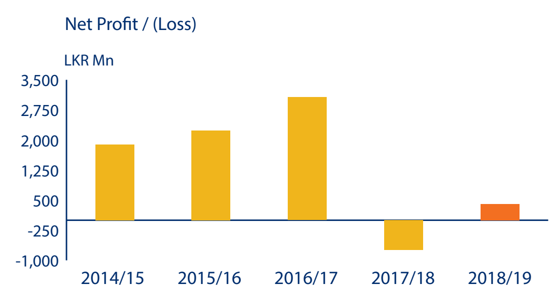
OPERATING PERFORMANCE

Other income declined to Rs.190 million (2017/18: Rs.444 million) during the year, mainly due to a reduction in dividend income from JV Company M/s Ceylon Petroleum Storage Terminal Limited (CPSTL). CPSTL had paid two years dividend together in last year. Administration expenses increased by 24% mainly due to personnel costs and provisions. Sales and distribution expenses declined by 18% during the year due to drop in sales volume. The improvement at GP level supported the Company's overall profitability, with operating profit amounting to Rs. 854 million from an operating loss of Rs. 1.4 billion the previous year.



FINANCE EXPENSES

The Company's net finance expenses amounted to Rs.523 million during the year, compared to a net finance income of Rs. 609 million the previous year. Finance income for the period showed a decline, as the Company' short-term investments were utilised to settle USD borrowings due to high volatility in exchange rate. Meanwhile finance expenses for the year increased to Rs. 953million from Rs.306 million the year before mainly due to exchange losses on USD borrowing and payables amounting to Rs. 745 million.



PROFITABILITY

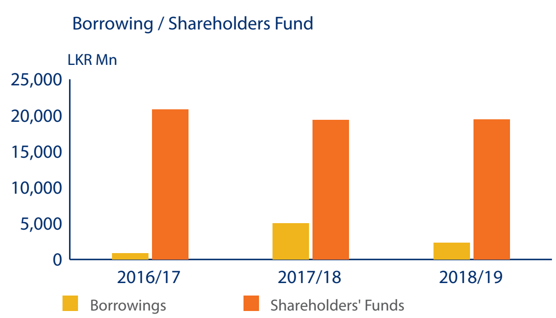
The Company returned to profitability during the year, generating a pre-tax profit of Rs. 331 million from a pre-tax loss of Rs.776 million the year before. Performance was upheld by the Company's strategic focus on diversifying its operations from the auto-fuels segment to high-yielding segments as well as the implementation of differential fuel pricing during the second half of the year. LIOC's profit after tax for the year amounted to Rs. 403 million compared to a loss of Rs.744 million in 2017/18 where the Company was adversely affected by escalating crude oil prices and inability to pass on cost increase to customers.

FINANCIAL POSITION

BALANCE SHEET STRENGTH

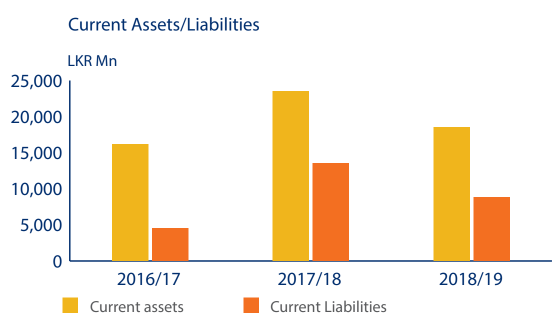
The Company continues to maintain a healthy financial profile, characterised by a strong equity base and relatively low gearing levels. During the year the balance sheet contracted by 14% to Rs.28 billion, as the Company sought to utilise its short-term investments to pare down debt. Inventories increased to Rs.14 billion (accounting for 50% of total assets) reflecting the increase in global crude oil prices as well as consignment purchased during March. Short-term investments declined to Rs.673 million from Rs.7.96 billion as funds were utilised to settle borrowings and fund working capital requirements. Resultantly, the asset composition tilted towards non-current assets, which accounted for 34% of total assets, compared to 29% in 2017/18.

The Company's liquidity levels decreased during the year with cash balances and short-term investments collectively amounting to Rs.944 million or 3% of total assets. Following the settlement of short-term borrowings, the Company's current ratio improved to 2.11 times from 1.7 times the previous year while the quick asset ratio clocked in at 0.52 times by end-March 2019.



LIABILITIES

LIOC is well capitalised with shareholders' funds of Rs.19.43 billion funding 69% of the Company's total assets. The Company sought to reduce exposure to borrowings during the year and interest-bearing borrowings reduced to Rs.2.32 billion from Rs.5.02 billion the year before due to high volatility in exchange rates. Resultantly the Company's gearing ratio reduced further to 0.11 times, from 0.21 times in 2017/18.



CASH FLOW GENERATION

Despite an overall improvement in performance during the year, the Company's operating cash flow amounted to a net outflow of Rs. 4.48 billion (from Rs.2.76 billion) primarily due to increased working capital requirements. Cash inflow from investing activities declined to Rs.43 million (from Rs.703 million last year) reflecting comparative declines in finance income and dividend income. Cash out flow from financing activities was Rs. 3.02 billion during the year reflecting the net reduction in borrowings. Overall the Company's cash and cash equivalents decreased by Rs.7.46 billion during the year, translating to a balance of Rs. 945 million by end-March 2019.

SHAREHOLDER VALUE CREATION

The improvement in profitability during the year translated to increasing shareholder value with Earnings per share increasing to Rs. 0.76 from a negative of Rs. 1.40 the previous year. Shareholder returns in the form of proposed dividend to cents 75 per share , from cents 65 per share the year before. The performance of the share price reflected the broader decline in the Colombo Stock Exchange and the LIOC share closed the year at Rs. 17.40 a decline of around 50% compared to the previous year due to negative market sentiments. Relevant shareholder ratios are presented in the table below;

	18/19	17/18	16/17
Earnings per share	0.76	(1.4)	5.76
Net asset value per share (Rs.)	37	36	39
P/E ratio (Times)	23	-	4.6
Price to book value (Times)	0.50	0.80	0.74
Dividend per share paid (Rs.)	0.65	1.25	1.25
Market capitalisation (Rs. Million)	9,265	16,027	15,442

ECONOMIC VALUE-ADDED STATEMENT

	18/19	17/18	16/17
Direct Economic Value Generated			
Revenue	86,322	91,343	81,039
Finance Income	429	915	633
Other Income	190	444	140
	86,942	92,702	81,812
Economic Value Distributed			
Operating Costs	63,438	63,007	47,452
Payments to Employees	519	430	448
Payment to Providers of Funds	1,298	971	846
Payment to Government	21,284	29,045	29,651
Community Investment	1	6	10
	86,539	93,459	78,408
Economic Value Retained			
Depreciation & Amortization	422	359	327
Profits Retained	61	(1,422)	2,404

MANUFACTURED CAPITAL

KEY PERFORMANCE INDICATORS 2018/19

	18/19	17/18	Change
Property, Plant & Equipment (Rs Mn)	449	522	(73)
Contact points- Auto fuel	208	207	01
Upgradation of facilities for auto fuel	17	40	(23)
Contact points- Lubricants	621	582	39

KEY ACHIEVEMENTS 2018/19

- Enhanced infrastructure and retail visual identity of 10 outlets
- Commissioned four bulk storage tanks in Trincomalee
- Commissioned green outlet

OUTLOOK 2019/20

- Automation of 100 outlets.
- Introduce new dispensing machine complimenting automation.
- Additional facilities at Lube plant.
- Rehabilitation of tank at Trincomalee Terminal.
- Grease Plant

LINK TO STRATEGY

Operational excellence

PHYSICAL INFRASTRUCTURE AND FACILITIES

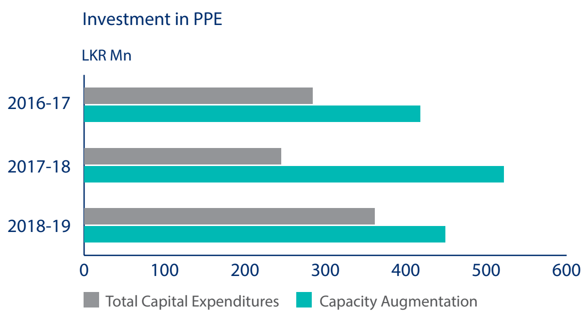
As a supplier of essential petroleum products, we engage with an extensive base of island-wide customers, representing households and various industries. In facilitating economic activity and mobility, LIOC has developed a strong network of customer contact points reaching all cities and outskirts of the country. Our physical infrastructure consists of retail outlets, storage and terminalling capacities and quality control lab. The digital infrastructure is represented by networks which facilitate efficient and smooth operations.

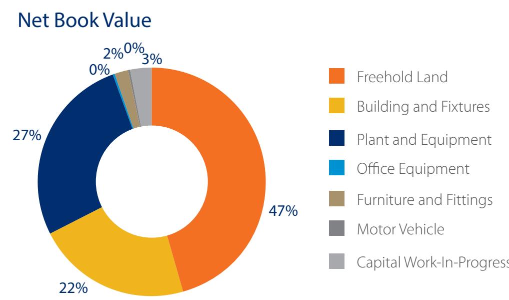
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our fully -fledged retail infrastructure consisting of 208 retail outlets in all province to provide convenient access to our products at any given time. Today, our customer uses mobile app and drive to reach our outlets. Given the established geographical footprint, during the year under review we sought to enhance the customer experience offered through these locations with the objective of positioning ourselves as a retailer of premium fuels (further information given below). During the year, we also invested in facility augmentation at the Trincomalee facility, commissioning bulk storage tankages for lubricants, petrochemicals and bunkering and augmenting barrel filling machines.

The Company's total capital expenditure for 2018/19 amounted to Rs. 449 million while its total PPE increased by 26 Mn to Rs. 4,294 million by end-March 2019.

Facilities at Trincomalee Oil Terminal





Manufactured Capital	A total of 621 Customer Touch Points. Retail outlets	Service Stations	SERVO Shops	Storage and terminalling facility.
Footprint	• No of outlets: 208 • Presence in 9 provinces and 24 districts.	• No of stations: 54 • Presence in 04 provinces.	• No of shops: 340. • Presence in 09 provinces.	• Access to 12 CPSTL terminals across the island • Contract with Sri Lanka Ports Authority for Bunker products.
Value added in 2018/19	• Retail Visual Identity facilities in 10 outlets • Monolith product displays in 54 outlets. • Launched concept of green retail outlet for the first time comprising of solarised canopies and rainwater harvesting. • Expanded storage facilities at retail outlets.	• 02 new station.	Added 40 Servo shops.	• Rehabilitation of storage facilities in Trincomalee of Rs. 319 Mn
Plans for 2019/20	• Add 05 new outlets. • Extend automation to 100 sheds. • Redesigning of 30 outlets with focus on retail visual identity • Green retail outlets.	• 02 new stations.	• Addition of 20 Servo shops.	• Rehabilitation of storage facilities in Trincomalee.

CAPITAL REPORTS

MANUFACTURED CAPITAL

Facility in Trincomalee

	Storage Infrastructure	Lube Blending Plant	State of art laboratory	Other property, Plant and Equipment.
Footprint	• No of operating tanks: 15. • Capacity: 140 TMT • Pipelines, pumping units, etc.	• Product Capacity 18000 KLPA • Storage Capacity 22 TMT	• The only ISO certified laboratory to test products. • 02 specialists.	• Barrel filling machine • Base oil tankage.

Value added in 2018/19	• Commissioned four new tanks of which:
	  • Two tanks for lube oil with a capacity of 22,000 MT.
	  • One tank for bunkering with a capacity of 11,000 MT.
	  • One Tank for Gasoline 10,000 MT.
	• Commissioned new jetty pipelines.
	• Repairs of pipelines.
	• Process efficiencies to improve tanker turnaround time.
	• Invested on road browsers loading facilities to cater to new business lines such as furnace oil.
		• Produced 9,800 KL
		• Capacity utilisation was 54%
			• Tested fuels & Lubricant products.	• Added new barrel filling machines.
				• Increased base oil storage capacity

Plans for 2019/20	• With the sulphur cap regulations on bunker oil effective from Jan 2020, LIOC is planning to invest in additional tankage for low sulphur products. • To cater new market segment, LIOC is planning to Invest in grease plant.			

Lube Blending Plant in Trincomalee

WAY FORWARD

We will continue our facility augmentation program, diversification and initiatives to enhance our brand image and visual identity at retail outlets. The increased storage capacity will be utilized to optimize performance and drive operational excellence. In the meantime, being a customer centric organization, we would continue to re-design and automate outlets in positioning LIOC as a retailer of premium fuels.

INTELLECTUAL CAPITAL

INTELLECTUAL CAPITAL

KEY PERFORMANCE INDICATORS 2018/19

	18/19	17/18	Change
No. of new Products launched	04	02	02
New patents filed*	82	105	(23)
Brand value (Rs.mn)	4,827	3,321	1,506

**By parent company during 16-17 & 17-18.*

KEY ACHIEVEMENTS 2018/19

- Commenced the domestic supply of furnace oil and petrochemicals.
- First Green retail outlet in Sri Lanka
- Retail Outlet automation.
- Bitumen Export.

OUTLOOK 2019/20

- Automation of retail outlets
- Solarisation of Canopies.

LINK TO STRATEGY

Operational excellence

LIOC Branding at R. Premadasa Cricket Stadium, Colombo

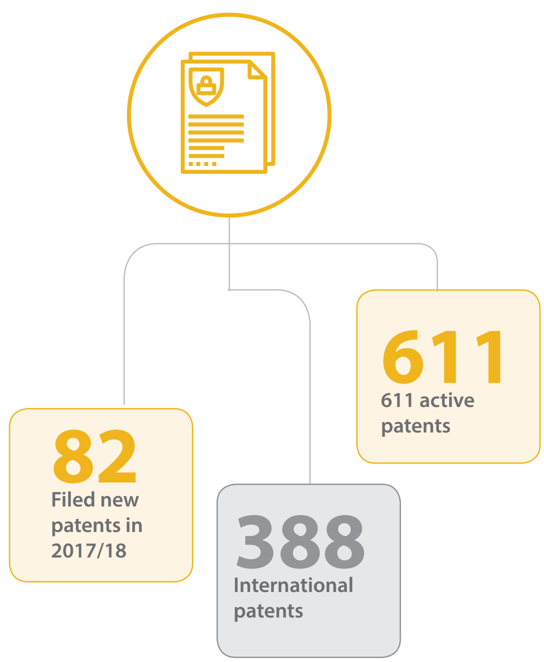
BRAND AND INNOVATION

As a subsidiary of Indian Oil Corporation, LIOC benefits from the world-class research capabilities of its parent, which conducts extensive research programmes across a wide range of energy domains. The Company's Intellectual Capital also comprises unique aspects of its organisational culture, tacit knowledge and its brand name.

RESEARCH AND DEVELOPMENT CAPABILITIES

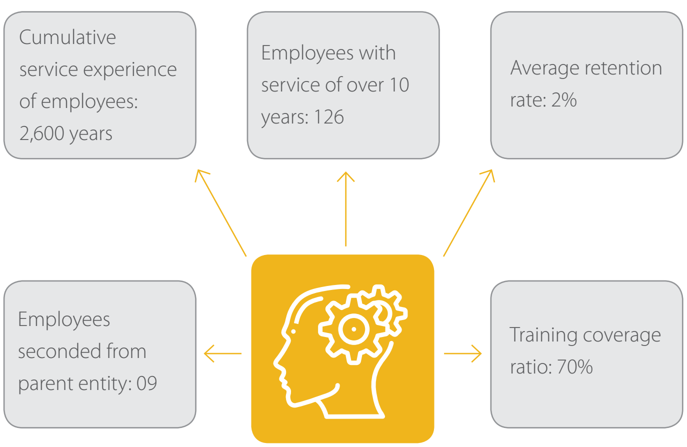
Indian Oil Corporation's dedicated R&D centre has gained global recognition as a world-class centre for developing technologically and commercially viable energy solutions particularly in lubricants technology, refinery process technology, petrochemicals and polymers and renewable energy among others. LIOC is a direct beneficiary of such capabilities and is aptly positioned to support Sri Lanka's energy sector through innovative solutions aimed at enhancing the depth and sustainability of the sector.

INDIAN OIL CORPORATION'S R&D EXPERTISE



INTELLECTUAL CAPITAL

Key Innovations	Impact
Product and service innovations	
Commenced the supply of furnace oil to domestic industries	Earnings diversification
Supply of petrochemicals	Earnings diversification
Green retail outlet (refer page 81 for further information)	Reduce environmental impact of operations
Retail Outlet automation	Reduce risk of malpractice, increase efficiency and accuracy
Bitumen Export	Earnings diversification
Process innovations	
Commissioning of 16" FO line	Increased unloading rate, resulted huge savings.
Installation of 25 nos of Water cum Foam Monitors.	Enhanced safety
Commissioning of New barrel filling machine	Increased productivity



CORPORATE VALUES

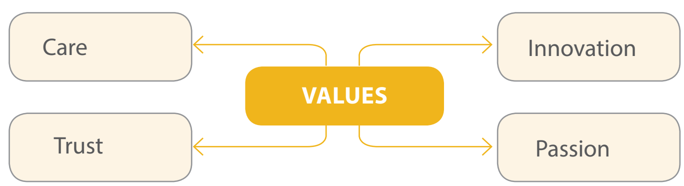
LIOC's corporate values set the tone for its interaction with stakeholders, embodying the collective conscience of the Company and its people. The corporate values and what they emulate is presented alongside.

OUR BRAND

LIOC has a strong brand recognition within the country and is frequently featured among Sri Lanka's top brand listings. In 2019, it was ranked as Sri Lanka's 31st most valuable brand by Brand Finance with a brand value of Rs.4.8 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.

ORGANISATIONAL TACIT KNOWLEDGE

The Parent Company's extensive expertise and deep industry insights in the energy sector and secondment of key management personnel to the Sri Lankan operation has enabled LIOC to nurture a unique base of organisational capital. This tacit knowledge is shared across employees through a mentoring culture, learning structures and supportive leadership teams.



CARE STANDS FOR

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

INNOVATION STANDS FOR

- Creativity
- Ability to Learn
- Flexibility
- Change

PASSION STANDS FOR

- Commitment
- Dedication
- Inspiration
- Ownership
- Zeal and Zest

TRUST STANDS FOR

- Delivered Promises
- Reliability
- Dependability
- Integrity
- Truthfulness
- Transparency

HUMAN CAPITAL

HUMAN CAPITAL

KEY PERFORMANCE INDICATORS 2018/19

	18/19	17/18	Change
Headcount	172	172	(0)
Total payments (Rs in Mn)	519	431	88
Investment in training	1 Mn	1.17 Mn	0.17Mn
Training hours	332	927	(595)
Staff injuries	0	0	0
New recruits	05	07	(2)
Retention rate (%)	1.74%	3.07%	(1.33%)

KEY ACHIEVEMENTS 2018/19

- Maintain good employee retention levels.
- Providing employment opportunity for Interns within company.
- Ongoing investment in employee training and development.
- Healthy employer employee relationship

OUTLOOK 2019/20

- To enhance competency levels of all the employees.
- To review total remuneration of all the direct employees
- To implement SAP HRM module
- Openings for interns and trainees

LINK TO STRATEGY

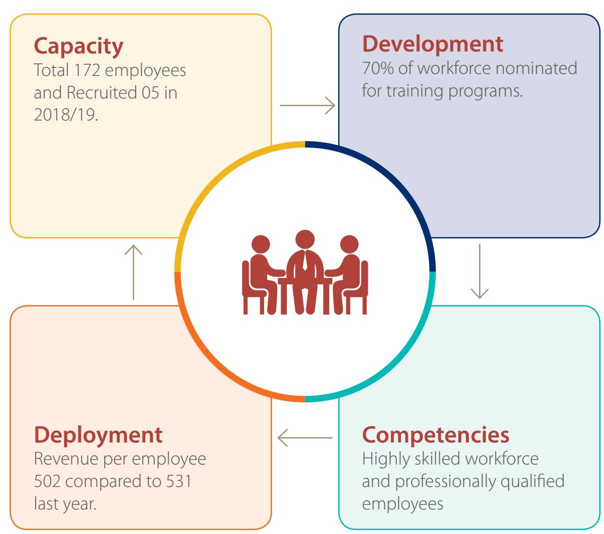
Investing in our people

OUR TEAM

An empowered team of 172 employees underpin our growth and value creation. At LIOC, we consider our employees as internal customers with a prominent strategic role in our organization. Our skill set is diverse, and our workforce is regionally diversified to cater to operational requirements at our widespread retail outlets. We provide an attractive remuneration package, safe and healthy work environment and opportunities for development. Over 17 years, LIOC has been considered a preferred employer in the industry, a testament of our sound HR management.

HR GOVERNANCE

A strong governance framework is key in ensuring an ethical and conducive work environment. The HR remuneration Committee, consisting of 03 members engage in managing our human capital and report to the board. Our strong policy framework is aligned to that of our parent company, Indian Oil Corporation and reflects appropriate local labour laws and industry best practices. During the year, we revised 02 policies related to employee benefits and welfare areas.



CAPITAL REPORTS

HUMAN CAPITAL

Our key policies are:

Annual Company Picnic at Hotel Shangrila, Hambanthota December 2018

MOVEMENTS IN TEAM

- **Recruitments**

During the year, we recruited 05employees to our team. We are an equal opportunity employer, and do not practice any form of discrimination in recruitment, promotions or when determining remuneration and benefits. The remuneration ratio between males and females at entry level continued to be 1:1.

By Age	By Gender		By Region
	Male	Female	
18-30 years	3	1	Trincomalee & Gampaha
30-55 years	1	Nil	Trincomalee

- **Turnover**

We continued to maintain a healthy employee retention rate. This is key to the smooth functioning of our business activities especially at retail outlets and the facility in Trincomalee. During the year, employee turnover was as low as 1.74%. The profile of the employees who left our organization is as below;

"We recognise our employee's freedom of association and engage with three trade unions who represent 60% of our workforce."

By Age	By Gender		By Region
	Male	Female	
18-30 years	2	Nil	Polonnaruwa & Kalutara
30-55 years	1	Nil	Gampaha

RETIREMENTS' & DEMISE

By Gender	No.	By Region
Male	2	Trincomalee

REWARDS AND REMUNERATION

We offer best in class remuneration to our employees which extends far beyond the statutory requirements to embrace market best practices. During the year, we further improved our scheme by including, loan protection insurance cover, and reward for employee suggestion. In addition, we initiated the process to carry out a salary survey, to benchmark evaluate salaries and benefit schemes, the findings of which will be used to further refine our schemes.

Certificate of Long Service Award to employees on Company Day 2018

Employee Benefits to Permanent Cadre	Description
Maternity Leave	84 working days for first two children
Retirement provision (Gratuity)	Statutory Gratuity
Additional gratuity under thrift society	Over and above the Statutory gratuity
Distress loans	Simple concessional interest rate and recoverable in 60 months.
Housing loans	Simple concessional interest rate and recoverable in 240 months.
Car Loan	Simple Concessional interest rate.
Medical leave	14 to 21 days
Welfare related benefits	• House repair loan • Office transport facility • Furniture loan
Medical benefits	• In-house medical doctor at Trincomalee and provision of free medicine. • Reimbursement of spectacle expense
Insurance Cover	• Insurance Cover for partial and permanent disability and life. • Unlimited OPD cover
Other facilities	• Provision of uniforms • Support to family members such operating buses for school children • Residences for Trincomalee employees • Long service awards • Scholarships to employee's children. • Death benefits • Payment for unutilised medical leave
Other facilities	• PAYE borne by the company • Reimbursement of mobile handsets • Rewards for completion of higher studies etc. • Sports club

TRAINING AND DEVELOPMENT

With increasing demand for specialized expertise, we focus on promoting a learning environment across the organization. Ample learning opportunities including structured programmes and on the job training are provided to all employees. Training programs sharpen and develop our competencies to improve efficiency and effectiveness at work. In 2018/19, we prepared a three-year plan to upgrade our technical skills and keep employees abreast to latest developments. Training expenditure for the year amounted to Rs 01 million and covered 70% of our workforce. Average hours of training were 2.2hrs. Routine training programs focused on several areas including technical, soft skills, behavioural, regulations and other areas.

Summary of our programs were:

- Technical - 22
- Soft skills - 03
- Regulations - 06
- Others

Director General of Customs facilitated on Womens' Day Celebration at Head Office

Average training hours by gender and category

Employee Category	Male	Female
Senior management and above	6.9	-
Executive staff	2.6	6.7
Non-executive staff	0.5	4.4

CAPITAL REPORTS

HUMAN CAPITAL

We also promote educational aspirations of our employees by providing loan facilities for higher studies and flexibility in leave for attending classes. Currently 05 are enrolled in higher studies and 03 completed MBA qualifications during the year.

Qualification	MBA	BSc Engineers	CA/CIMA/ ACCA/ ICSA	Post Graduate
No of employees	16	04	08	11

CAREER PROGRESSION

All our employees are equally entitled to career progression opportunities. The fast track is exclusively for high performing employees while the regular channel is open to all employees. We strive to enhance transparency in our selection decisions and criteria for promotions were communicated to all employees to avoid any instance of discrimination.

A sound performance management system (PMS) ensures transparency and clarity in selecting employees for career progression. During the year, 100% of our workforce were appraised through the PMS with all relevant KPIs clearly communicated and periodically reviewed. The key areas evaluated at performance appraisals include KPI, KRA, job knowledge, work quality, leadership, decision making and innovation among others.

HEALTH AND SAFETY

Given the combustible nature of our products, we ensure that our employees can perform their tasks in healthy and safe work environment. Safe work practices are adopted across all our locations and extended to our channel partners including franchisees and distributors. We ensure all our equipment and systems are up to date and tested prior to procurement. In addition, adequate safety gear is provided to employees at outlets and production locations. Routine safety training programs are conducted to increase awareness on safety measures. These programs are also extended to outsourced employees.

During 2018/19, we reported zero incidents of injuries or work- related fatalities.

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

EMPLOYEE RELATIONS

We recognise our employee's freedom of association and engage with three trade unions who represent 60% of our workforce. We maintain co-operative and cordial relationships with our trade unions and during the year there were no instances of industrial unrest or work stoppages. We had an uninterrupted supply of labour throughout the year. Employees are given 14 days' notice prior to any operational changes and are discussed in detail during the ERC meetings..

LIOC familly get togather

Blood Donation held on Company Day 2018

Employee engagement

Avurudu Celebrations organized by the sports club

ENGAGEMENT

Sports club

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

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

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

WAY FORWARD

With the ever-increasing trend toward telecommuting, virtual meetings and outsourcing, HR function is progressing towards best practices such as flexible hours etc.

Multiple generations, Ethnic and cultural differences are few of the many factors that make workplace diversity a continual challenge in the organization. The risk of lawsuits for failing to protect employees from harassment is challenging.

Attracting talent involves huge investment of time and money. Our policies aims towards recruiting the best talent suitable as per job requirement .

The career progression policies intends to develop the next generation of leaders to meet the organisational requirement.

SOCIAL AND RELATIONSHIP CAPITAL

KEY PERFORMANCE INDICATORS 2018/19

	18/19	17/18	Change
Lube Distributors	19	23	(4)
Retail outlets	208	207	1
Servo Shops	340	300	40
Servo Service stations	54	52	2

KEY ACHIEVEMENTS 2018/19

- Payment to dealers for the loss in volumes.
- Rs. 111 million investment in infrastructure upgrade of outlets
- Supported community health and education needs

OUTLOOK 2019/20

- To Increase customer touch points.
- Support to dealers on loss in auto fuel volume.
- Increase Retail visual identity facilities and number of automations for better customer services.
- Investment in infrastructure upgrade of outlets
- Continue to support community health and education needs

LINK TO STRATEGY

Investing in relations

OUR RELATIONSHIPS

CUSTOMERS

We provide an essential service to the Sri Lankan masses, facilitating economic activity and mobility across the country by retailing auto-fuel products. In an industry dominated by the state sector, we have built a unique competitive advantage underpinned on superior product quality and service excellence.

CUSTOMER VALUE PROPOSITION

Accessibility	Island-wide network of 208 auto-fuel retail outlets disbursed across 09 provinces and 24 districts. 340 SERVO shops RO Connected with FuelMe Mobile App
Innovation	Innovation track record for 2018/19 includes, 2016/17: Launched 4 SERVO branded lubricants 2017/18: Launched 2 SERVO branded lubricants 2018/19: Launched 2 SERVO branded lubricants & 2 premium Euro 4 auto fuel.
Service Excellence	Enhanced retail visual identity in 10 outlets 09 Retail Outlet automations. Monolith for product display in 54 outlets
Product Quality	Extensive research capabilities of IOC ensure superior quality of products.

Capacity Building workshop held for Dealers on 19.03.2019

PRODUCT RESPONSIBILITY

Given the flammability and safety risks associated with our products and our customers' exposure to these products at retail outlets, 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. During the year there were no violations of any customer health and safety related regulation.

- Regular health and safety training to employees
- Fuel imports comply with all public health and safety standards
- Lubricants are evaluated for health and safety standards at IOC's research centre
- Product and safety labelling
- Data sheets are made available to retail customers through channel partners

LABELLING IN LUBRICANTS

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

VALUE CHAIN PARTNERS

SUPPLIERS

- Global petroleum product suppliers
- Market intermediaries.
- Parent company

→ Lanka IOC →

DISTRIBUTION PARTNERS

- Auto fuel franchise partners and dealers
- SERVO distributors.
- Industrial consumers & traders.
- Bunker supplies to foreign vessels

CAPITAL REPORTS

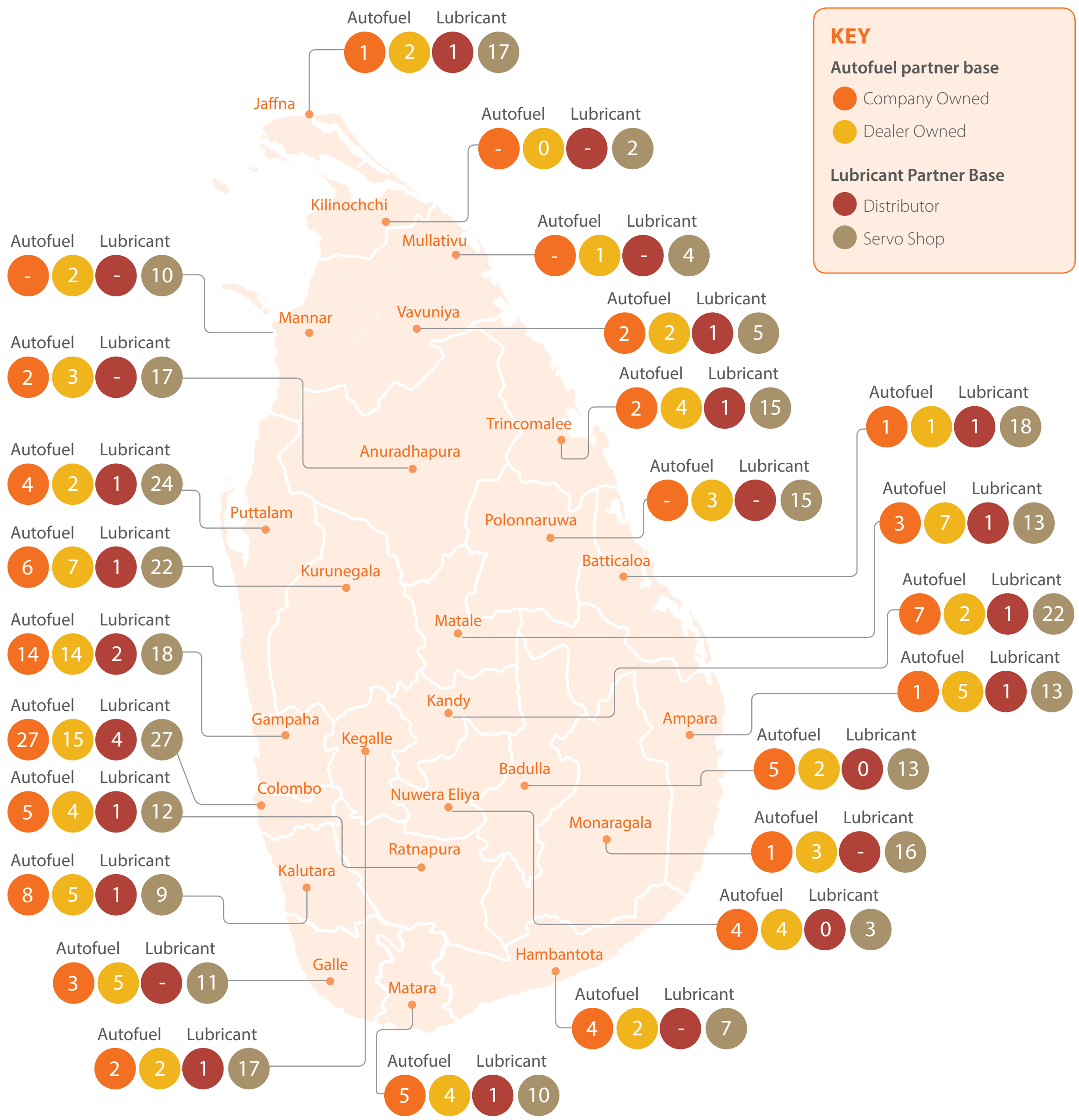
SOCIAL AND RELATIONSHIP CAPITAL

SUPPLIERS

Procurement of petroleum products is through global tendering and governed by a Board approved policy which clearly sets out the process of supplier registration and tendering. During the year the Company engaged with a network suppliers with whom we maintained transparent and mutually-beneficial relationships.

CHANNEL PARTNERS

We have nurtured long-term relationships with over 208 franchise partners/ dealers in auto fuels and 19 lubricant distributors who ensure that our products reaches end-consumers in a timely and convenient manner. Our value proposition also extends to the pump attendants who serve in our franchisee outlets as they the point of contact for customers and are a vital part of the customer experience.



VALUE PROPOSITION TO CHANNEL PARTNERS

Infrastructure development	**Total investment of Rs. 111 million in,** Upgrading the retail visual identity and other facilities of the retail outlets Enhancing outlets infrastructure (refer to page 64 for further information)
Engagement programmes	SERVO Sathbhavana scheme: Through this scheme our lubricant distributors and retailers 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.
Training programmes	We provide training opportunities for our dealers and retail outlet staff, particularly on customer service. During the year we trained pump attendants across the island.
Financial support	The decline in LIOC's market volumes during the year had a direct impact on the profitability of our channel partners. In order to ensure their commercial sustainability in these tough operating conditions, the Company paid Rs. 109 million to dealers in lieu of the decline in volumes.

COMMUNITY ENGAGEMENT

LIOC maintains proactive engagement with the communities in operates in with the objective of nurturing mutually beneficial relationships and driving meaningful change. Our approach towards CSR is a proactive one with multiple benefits accruing to communities, both through our normal operations and corporate philanthropic initiatives.

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

1 NO POVERTY

10 REDUCED INEQUALITIES

OUR APPROACH TO CSR

Normal Operations
- Indirect employment
- Skill development

Corporate Philanthropy
- Health
- Environment
- Others

Skill Development: The Company is 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.

CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

Capability Programme for Customer Attendants of Retail Outlets

Wheelchair donation to the needy people on Company Day

CORPORATE PHILANTHROPY

Health:

3 GOOD HEALTH AND WELL-BEING

Free medical camps: LIOC in partnership with the Indian CEO Forum (ICF) conducted a free health screening camp at its Havelock Road retail outlet under it's 'WE CARE' initiative. With a total beneficiary base of over 200 people, the camp administered free medical check-ups, diagnosis of medical deficiencies and complications and respective treatments on a range of health issues including diabetes, high blood pressure and vision impairments. Medication and spectacles were provided free of charge to deserving patients.

Donation of wheelchairs: LIOC partnered the Ministry of Social Empowerment and Welfare, Helpage Sri Lanka and the Cancer Society of Anguruwathota Temple in sponsoring the donation of 20 wheelchairs to needy people.

Health Camp held on 06.09.2018

Blood donation camp: In commemorating the Company Day, LIOC held parallel blood campaigns at the Head Office and Trincomalee Terminal, donating around 300 pints of blood to the National Blood Bank.

Environment

Tree planting campaigns: In commemorating World Environmental Day, LIOC engaged in a tree planting campaign in Trincomalee with 30 saplings of mango and coconut planted along the Jetty Road and Main Gate. The Company also contributed to the tree plantation campaign organised by the Minister of Megapolis Hon. Champika Ranawaka and planted saplings on Trinco Bay beach in March 2019.

The Company also held a Carbon Neutral Conference day for its transport partners in Trincomalee, with the objective of raising awareness on the importance of reducing the carbon footprint. The event was held in open air, thereby eliminating the use of air conditioning and lighting. At this event 80 saplings were planted.

The Trincomalee Terminal together with Forest Department of Sri Lanka carried out a tree classification exercise within the terminal, resulting in the identification of 45 varieties, the names of which are now displayed on the trees.

Beach/Coastal conservation: LIOC engaged in a beach cleaning program in Trincomalee in commemorating the World Environment Day in August 2018. A coastal cleaning program was also conducted in September 2018 with the objective of cleaning the LIOC coastal corridor in Chinabay.

Education

Through the WE CARE initiative the Company also supports the educational needs of underprivileged children by sponsoring various donations. During the year, the LIOC Trincomalee Oil Terminal sponsored the donation of 100 school bags to children of families below the poverty line in partnership with the District Secretariat. We also donated water tanks to an underprivileged school.

Beach Cleaning at Trincomalee on World Environment Day

Donation of School utensils to an orphanage in Trincomalee

Donation of School Bags for under-privileged school children

Carbon Neutral Transporters' Meet at Trincomalee

Donation of Water Tanks to under privileged schools

Tree planting at Trincomalee Terminal

NATURAL CAPITAL

KEY PERFORMANCE INDICATORS 2018/19

	18/19	17/18	Change
Energy consumption (Kwh)	451,383	480,605	(29,222)
Water Consumption (KL)	49,264	43,165	6,099
Sludge Disposal (KL)	4.5	10.8	(6.3)
Oil spills	Nil	Nil	nil

KEY ACHIEVEMENTS 2018/19

- One Green retail outlet
- Improvement in energy intensity
- Solar canopies at 04 outlets
- 01 Charging Station

OUTLOOK 2019/20

- Provision of low-sulphur bunker oil in line with IMO guidelines

LINK TO STRATEGY

Sustainability

Electric Car Charging Station at Wattala RO

OUR COMMITMENT TO THE ENVIRONMENT

"Our environmental commitment is aligned to that of our parent entity and our agenda for environmental sustainability is underpinned on the pillars of minimising the carbon, water and waste footprint of our operations. Environmental considerations are embedded into every aspect of our operation, from sourcing, storage, products and services to distribution"

MANAGEMENT APPROACH

As an energy sector operator, we are cognisant of the environmental impacts of our operations. Given that our products are refined and blended from the extensive use of non-renewable materials such as crude oil and its by-products resource efficiency is a key priority for the Company. We evaluate and minimise the environmental impacts across our entire value chain and during the year we extended this commitment to our retail outlets with the establishment of Sri Lanka's first green retail outlet. During the year, there were no fines or penalties imposed on the Company for the violation of any environmental laws/ regulations.

MANAGING OIL SPILLS

Resources we consume

- Raw materials
- Energy
- Water

What we discharge

- Emissions
- Oil water discharge
- Water discharge
- Vapour evaporation
- Sludge

Other impacts

- Impacts on Environment

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. Company policy mandates that all material procurement be undertaken following a global tender process with suppliers being selected after thorough evaluation and stringent screening processes.

ENERGY

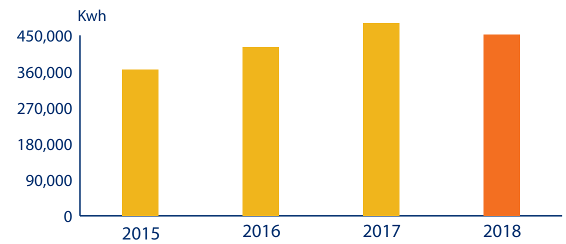
The Company's main energy sources are diesel, furnace oil and electricity sourced from the national grid. Energy is consumed primarily in the head office premises, Company owned retail outlets and the Trincomalee Terminal, of which the latter is the most energy intensive. Key energy initiatives in place include the following;

- Conversion of 06 retail outlets to solar power
- Retail outlets use energy efficient lighting and cooling solutions
- Full conversion of Trincomalee terminal to LED lighting
- 02 Car charging stations
- Launch of eco friendly Euro 4 fuels

The Company's total energy consumption for the year decreased by 6% compared to the previous year, reflecting lesser operational activity. Energy consumption continued to decline, falling to 451,383 (from 480,605) the year before attesting to our ongoing efforts to drive energy efficiency across the organisation.

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

Electricity Consumption



Energy source	Source of measurement	Consumption in 2016/17	Consumption in 2017/18	Consumption in 2018/19
Purchased electricity	Kwh	420,398	480,605	451,383
Diesel	Litres	23,875	35637	24,885
Furnace oil	Litres	33,250	33,115	32,848

Green Retail Outlet at Pepiliyana

GREEN RETAIL OUTLET

In a unique initiative aimed at reducing the carbon footprint of our retail chain, the Company commissioned Sri Lanka's first Green Retail Outlet during the year. Certified by the Green Building Council of Sri Lanka, the outlet features the following unique characteristics;

- Solar powered canopies for own consumption and transmission to the national grid
- Rainwater harvesting
- Green belt specifically designed to absorb emissions
- LED lighting
- Vapour recovery in vent lines and fuel dispensing nozzles
- Responsible disposable of waste water and garbage
- Updated maintenance and fire protection systems

WATER

Our operations are not water intensive and water use stems primarily from employee consumption. 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 25,731 litres through this initiative. Rainwater harvesting has also been implemented in our green retail outlet. Water consumption during the year is given below;

Water withdrawn	2016/17	2017/18	2018/19
Rainwater harvested (litres)	-	14,200	25,731
Municipal water supply (KL)	57,204	43,165	49,264

WASTE AND EFFLUENTS

Key discharge from our operations consists of the oil water discharge flushed from the terminal and retail outlets as well as sludge which gets accumulated once in five years after cleaning of black oil tanks. Oil water 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 OWS. 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. Meanwhile sludge, which is considered hazardous in nature is disposed according to CEA guidelines and stored in isolation in concealed containers.

Water discharge by quality	1st OWS	2nd OWS	Average
BOD level (mg)	6	6.2	6.1
COD level (mg)	33.1	27.3	30.2
pH level (units)	7.6	7.2	7.4
TSS level (mg)	12	2	7

Sludge	2016/17	2017/18	2018/19
Sludge disposal (KL)	22	10.8	4.5
No of tanks cleaned	7	6	1

CARBON FOOTPRINT

The Company measures its carbon footprint according to the guidelines prescribed by the GHG Protocol of the World Resources Institute. The main form of emissions in our operations arise through non-toxic vapours which evaporate from retail outlets and the Company's energy consumption. We adopt our parent company's processes and standards in ensuring that vapours have a minimal impact on the environment and all vapor discharge is in accordance with pre-set guidelines. Energy saving measures initiated across the organisation also directly contribute towards mitigating our carbon footprint mitigation.

MITIGATING OIL SPILLS

Guidelines of the Marine Environmental Protection Agency (MEPA) clearly specify the equipment to be maintained by all operators in mitigating against risk of oil spills. In the eventuality of a spill, the responsibility for addressing the same is determined based on the level and the operators involved. Frequent drills are carried out and stringent internal controls are continuously monitored to ensure that our operations have zero risk of oil spills. The initiatives we have adopted include the following;

1. Preventing any oil leaks at the jetty during discharge of cargo from tankers. Both the receiving and tanker unloading hoses are 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

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

AUTOFUELS

- XtraPremium Euro 3 and XtraPremium 95 Euro 4 carbon footprint is lower than the national emission standard
- Expansion of electric car charging stations in our retail outlets to 02

BUNKERING

- Conversion of 12.5 TKL tank at the Trincomalee terminal to low sulphur MGO

TRANSPORTATION AND HANDLING OF GOODS

- Training programme on "Safe Transportation of Hazardous Goods" for Bowser crew.
- Awareness program of "Oil Spill equipment handling" to 50 employees
- Clearly defined standards and procedures to follow in the event of oil spills/leakages

CORPORATE GOVERNANCE

As a subsidiary of one the world's largest energy organisations, LIOC benefits from the robust governance practices and policy frameworks of its parent, which form the bedrock of sustainable value creation. The Company is committed to upholding the highest standards of accountability, transparency and ethical conduct and its governance framework has been designed to comply with legal requirements as well as voluntary frameworks and industry best practice.

GOVERNANCE HIGHLIGHTS OF 2018/19

APPOINTMENT OF MR.RANJAN KUMAR MOHAPATRA AS CHAIRMAN

CESSATION OF MR.N V N RAMSAI AS A NON-EXECUTIVE DIRECTOR

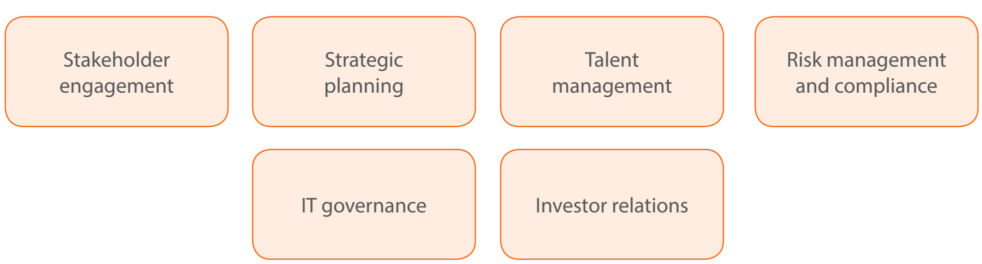
BOARD FOCUS AREAS

GOVERNANCE FRAMEWORK

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

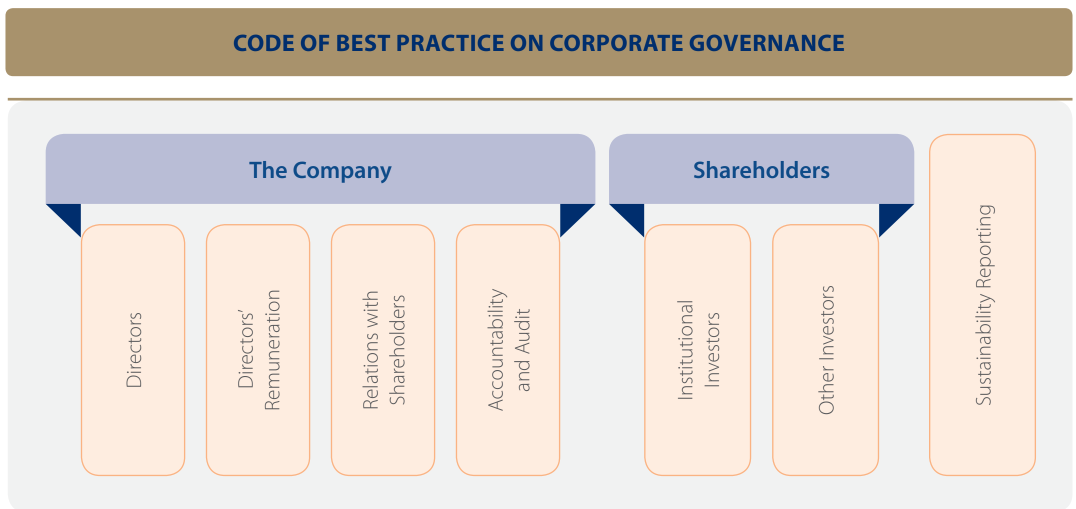
External instruments	Internal standards and principles
Companies Act No. 7 of 2007	Articles of Association
Continuing listing requirements of the Colombo Stock Exchange	Terms of References of Board sub-committees
Code of Best Practice on Corporate Governance issued by the SEC and ICASL (2017)	Comprehensive Framework of Board approved policies
Shop and Office Employees Act of 1954	Risk Management Policy
Inland Revenue Act No. 24 of 2017	IOC Regulations
Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)	Code of Conduct
GRI Standards for Sustainability reporting issued by the Global Reporting Initiative	

Governance Mechanisms



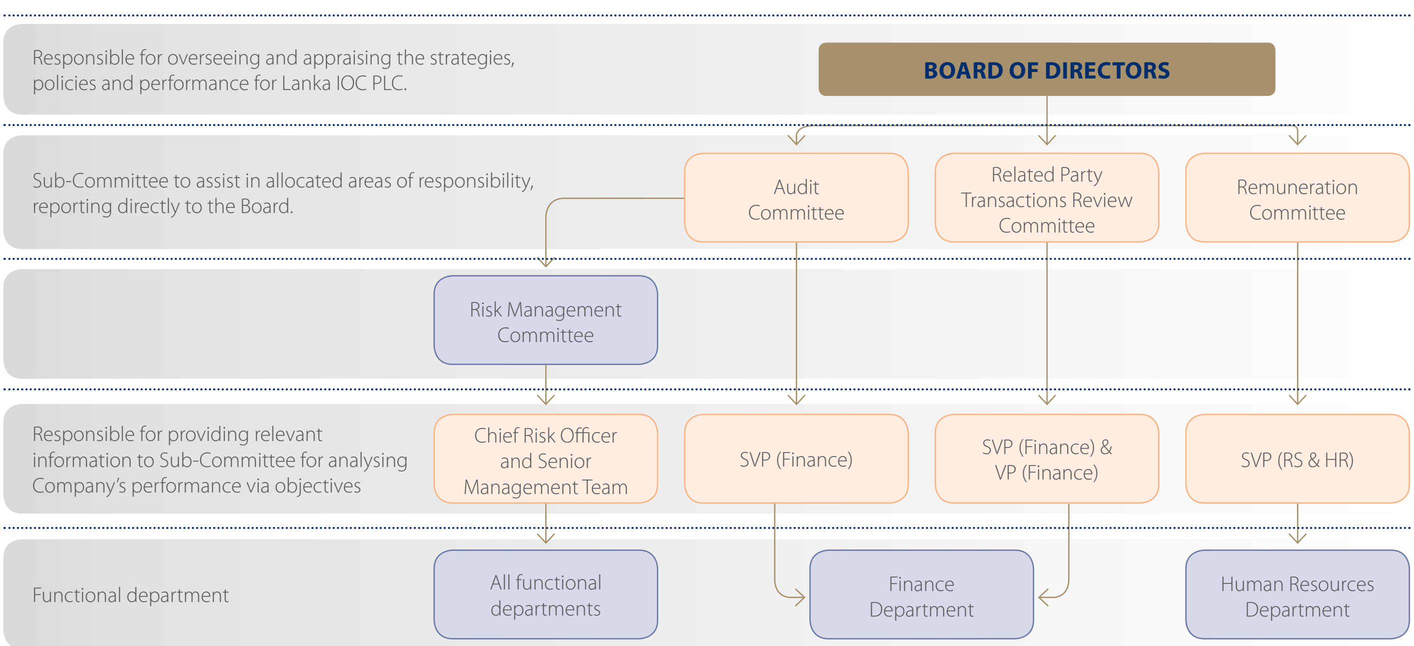
CORPORATE GOVERNANCE

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 2017 issued jointly by SEC and CA Sri Lanka. 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 comprises 6 Directors of which 5 are in 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 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 discharge of its duties;

Sub-committee	Mandate	Composition	Executive Support
Audit Committee	• Financial Reporting • Internal Controls • Internal Audit • External Audit Refer the Report of the Audit Committee on page 97 for more information.	02-Independent Non-Executive Directors 01 Non-Executive Directors	Managing Director Senior Vice President (Finance) Vice President (Finance)
Remuneration Committee	• Remuneration of Managing Director and Key Management Personnel • HR Policies including Remuneration Policy • Organisation structure • HR Systems including Performance Evaluation Refer the Report of the HR & Remuneration Committee on page 96 for more information.	02-Independent Non-Executive Directors 01 Non-Executive Directors	Managing Director Senior Vice President (RS & HR)
Related Party Transaction Review Committee	• Related Party Transaction Policy and processes • Market disclosures on related party transactions Quarterly and annual disclosures of related party transactions	02-Independent Non-Executive Directors 01 Non-Executive Directors	Managing Director Senior Vice President (Finance) Vice President (Finance)

Regular meetings (Principle A.1.1)

Board meetings are held regularly and during the year the Board convened five 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.

	Name Of Director	Board Meetings	Audit Committee Meetings	Human Resource & Remuneration Committee Meeting	Related Party Transaction Committee Meeting
1.	MR. RANJAN KUMAR MOHAPATRA	5(5)	N/A	N/A	N/A
2.	MR. SHYAM BOHRA	5(5)	N/A	N/A	4(4)
3.	PROF. LAKSHMAN R WATAWALA	5(5)	4(4)	1(1)	4(4)
4.	MR. AMITHA GOONERATNE	4(5)	3(4)	1(1)	3(4)
5.	MR. N V N RAMSAI (Ceased to be a Director w.e.f 01.03.2019)	4(5)	3(4)	1(1)	3(4)
6.	MR. SANJEEV K JAIN (Ceased to be a Director w.e.f 12.04.2019)	3(5)	N/A	N/A	N/A
7.	MR. VIGYAN KUMAR (Appointed w.e.f 12.04.2019)	1(5)	N/A	N/A	N/A
8.	MR. D R PARANJAPE (Appointed w.e.f 12.04.2019)	1(5)	Present as an invitee	Present as an invitee	Present as an invitee

CORPORATE GOVERNANCE

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;

ROLE OF THE BOARD

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

RESPONSIBILITIES OF THE BOARD

- Selection, appointment and evaluating the performance of the Managing Director
- Setting strategic direction and monitoring its effective implementation
- Establishing systems of risk management, internal control and compliance
- Ensuring integrity of financial reporting processes
- Developing a suitable corporate governance framework, policies and framework

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 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 shares, debenture holders, interests register and the seal register;
- Filing statutory returns/information with the Registrar of Companies
- Adoption of best practice on corporate governance including facilitating and assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice
- Acting as a channel of communication and information for non-Executive Directors and shareholders
- Disclosures on related parties and related party transactions required by laws and regulations
- Monitoring and ensuring compliance with the listing rules and managing relations with the Stock Exchange
- 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 (Principal 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 (Principal 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, Delhi or Mumbai during the year.

Board induction and training (Principal 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.

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 whilst the Managing Director is appointed ex-officio by IOC. Board. The roles of the Chairman and the Chief Executive Officer are clearly defined in the Board Charter.

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 from 20 to 23.

- Prof. Lakshman R. Watawala
- Mr.Amitha Gooneratne
- Mr.NVN 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 157.

Appraisal of Board Performance (Principle A.9)

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

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 22 to 25.
- Related party transactions on page 99.
- Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on page 85.

CORPORATE GOVERNANCE

Appraisal of Chief Executive Officer (Principal 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 structure 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 84 and the aggregate remuneration paid to Executive and Independent Non- Executive Directors is given on page 124 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 Securities and Exchange Commission.
- 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 92 to 95 of this Report contains the declarations prescribed by the Code i
- The Statement of Directors' Responsibility is given on page 103 of this Report.
- The Directors' Statement on Internal Controls is given on page 95 of this Report.
- The Independent Auditor's Report on page 105 to 107 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.

In addition to this parent company IndianOil also conducts periodic internal audits of 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.

INTERNET OF THINGS (PRINCIPLE G)

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

A summary of IT & security policy is given below:

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

ENVIRONMENT, SOCIETY AND GOVERNANCE (PRINCIPLE H)

This Annual Report is an Integrated Report, prepared in line with the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and complies with the GRI Standards published by the Global Reporting Initiative. It provides comprehensive information on policies and procedures that enable investors and other stakeholders to assess how ESG risks and opportunities are identified, measured and reported.

Information required by the Code is given in the following sections of the Annual Report:

- Strategy & Value Creation (pages 28 to 37)
- Opportunities and Risks (pages 38 to 43)
- Operational Review (pages 44 to 60)
- Capital Reports (pages 61 to 82)
- Corporate Governance (pages 83 to 91)

CORPORATE GOVERNANCE

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 page 22
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 92
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 96.
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
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	Complied	Please refer page 96
		ii) Statements of Remuneration policy & Committee Report	Complied	Please refer Remuneration Committee report for a brief statement of policy
		iii) Aggregate remuneration paid to Executive and Non Executive Directors	Complied	Please refer page 124
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied	Names of members of Audit Committee are available on page 97

Rule No	Subject	Applicable Requirements	Compliance Status	Details
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 page 97
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	Names of Directors comprising the Audit Committee	Complied	Please refer page 97
		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 page 97
		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 99
9.3.2(c)		The Annual Report shall contain a Report of the Related Party Transaction Review Committee	Complied	Please refer the Related Party Transaction Committee Report on page 99

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

To the Shareholders

The Board of Directors have pleasure in presenting the17th Annual Report of Lanka IOC PLC for the financial year ended 31st March 2019, that includes and covers the Audited Financial Statements, Chairman's Message, Managing Directors Review, Management Discussion and Analysis, Stakeholder Engagement Report, Capital Reports, Governance Reports, Impact Management Report, Statements of Responsibility, Auditors' Report etc.

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 06th May 2019.

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 2019, 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 105 onwards.

PRINCIPAL ACTIVITIES OF THE COMPANY

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

AUDITORS' REPORT

The Auditors' Report on the financial statements is set out on page 105.

ACCOUNTING POLICIES

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

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

PURCHASING AND PRICING POLICY

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

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

ENTRIES IN THE INTERESTS REGISTER

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

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in section 192(2) of the Companies Act No.07 of 2007. Note No.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 2018-19amounts to LKR 39.82 Mn.

DIRECTORS

The Directors of the Company for the F/Y 2018-19 were;

Mr. Ranjan Kumar Mohapatra
(Chairman – with effective from 14.05.2018)

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
(Ceased to be Non-Executive Director with effect from 01.03.2019)

Mr. Sanjeev K Jain
(Non-Executive Director)

Prof. Lakshman R Watawala completed eleven years as an Independent Non-Executive Director on 26.07.2018 and the Board at its meeting held on 07.05.2018, having assessed and reviewed the status, has found that his independence is not impaired and he is therefore suitable to continue serving as an independent director the financial year 2018-19, subject to his re-election at the AGM. Subsequently at the AGM held on 29.06.2018 he was re-elected as a Director of the Company by the Shareholders.

Non-Executive Directors Mr. Vigyan Kumar and Mr. D R Paranjape was appointed to the Board with effective from 12.04.2019 and will vacate their positions as Directors in terms of Article 27 (6) and offer themselves for re-election at the forthcoming Annual General Meeting.

Independent Non-Executive Director Mr. Amitha Gooneratne will retire by rotation in terms of Article 29(2) and offer himself for re-election as a Director at the forthcoming Annual General Meeting.

Independent Non-Executive Director Prof. Lakshman R Watawala will retire in terms of Section 210 of the Companies Act No.07 of 2007 and will be subjected for re-appointment by shareholders under Section 211 of Companies Act.

The Board placed on record an appreciation for the Mr. N V N Ramsai and Mr. Sanjeev K Jain who ceased to be Directors and for their contribution made during the financial year.

RELATED PARTY TRANSACTIONS

The Board of Directors declares as follows:

The related party transactions during the FY 2018-19 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2018-19 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 Section107(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 1,2017 to March 31,2018 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.

During the year 2018-19, the company entered into related party transactions with its parent company Indian Oil Corporation Limited. The aggregate value of the recurrent Related Party Transactions exceeds 10% of the revenue. All the transactions are on purely commercial terms and conditions of contract that are applicable to similar such other suppliers of the respective products. The transaction details are disclosed in note 20 to the financial statements on page 137 thereof.

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 2018-19 was fixed at LKR 1.65 Mn and a sum of LKR 2.03 Mn was paid which includes the reimbursement of out of pocket expenses. (2017-18 LKR1.7 Mn) as disclosed in note 6 to the financial statements on page 124 thereof.

AUDITORS RELATIONSHIP OR ANY INTEREST WITH THE COMPANY

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence. Ernst

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

& Young were also engaged as Tax Consultants for the additional consultancy services for which the company incurred a sum of LKR3.18 Mn [2017-18 LKR 0.88 Mn.}

M/s.KPMG were engaged as Internal Auditors and a remuneration of LKR 2.05 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 2019 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 2019 amounted to LKR 11,851 Mn (2017-18 – LKR 11,793 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 21,284 Mn (2017-18 LKR 29,045 -Mn) was paid to the exchequer in the form of various duties, taxes and other statutory levies to the relevant authorities.

STATED CAPITAL AND CONTROL

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

TURNOVER

The Turnover decreased to LKR 86.32 billion in FY 2018-19 from LKR 91.34 billion in FY 2017-18 showing a decrease of 5% mainly due to reduction of auto fuel sales volume as Company kept its Auto fuel prices slightly higher than its competitor.

EARNING OF FOREIGN EXCHANGE

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to approximately US Dollar 124.86.Mn through its operations.

RETAIL SALES

Due to challenging industry landscape and continuous price differentiation, the auto fuel segment's revenue has negative growth of 11% during the year.

During the year, generic diesel & petrol sales, both were negative, diesel recorded a negative growth of 22% & petrol by about 3%. However there is no significant negative impact on Lanka Super Diesel & XtraPremium 95. This indicates our success in marketing of premium fuels & developing a connect with customers on its advantages of better performance even with differential price in auto fuel throughout the year.,

For ensuring better service & convenience to the customers, company added 1 new outlet to our network during the year, bringing the total to 208 as on 31st March 2019. In driving our premium fuel proposition, we also invested in installing ACM fascia at 10 outlets, ACM Main sign pole at 54 outlets in order to upgrade the look of the outlets.

With focus on customer service and for ensuring customer delight, during the year we started pilot project of '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.

In addition to the above initiatives, company focused on improvement in soft skills of retail outlet employees and dealers. Company expects this to have long term positive impact on quality of customer service at retail outlets.

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 lube shops and service station, lube exports; improving operating efficiency, better plant utilization and focused marketing strategy & business tie ups.

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 2019-20, which will help us to grow in this segment.

PETROCHEMICALS

Lanka IOC is new player in this segment. Lanka IOC has formulated tailor made strategy for marketing of Petrochemicals in Sri Lanka. Petrochemical consumers can now source some grades locally and need not depend on direct imports.

BUNKER SALES

LIOC maintained its leadership in bunkering despite stiff competition from the other bunker suppliers. Bunker sales registered a marginal revenue growth of 15% in comparison to last year. This was possible through close coordination with customers, ensuring timely deliveries and maintaining Q&Q in our supplies.

LIOC also started supplying bunker fuels at Galle port apart from the ports of Colombo and Trincomalee, which gave additional flexibility to our customers by avoiding any diversion from the main route.

From 1st of January 2020, the International Maritime Organization (IMO) sulphur cap regulation for bunker fuels will come into effect. LIOC is fully geared up to meet the challenge and cater to requirements for both low sulphur as well as high sulphur bunker fuels.

TAXATION

The Company is a Board of Investment [BOI] registered entity, registered under section 17 (2) of the BOI Act No 4, 1978. Under this registration, the Company's profits from the main business operations were exempt from Income Tax for a period of 10 years from FY 2002-03 which has expired in February 2013. Taxes at a concessional rate of 15% have been charged for the Financial Year 2018-19 as per the agreement with BOI on Business Income.

OTHER OPERATING INCOME

In continuous efforts to optimize its income from various sources, your company earned LKR 114.98 Mn 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 LKR 75 Mn 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 and Singapore at very attractive rates of interest. This has helped to reduce the interest cost considerably during the financial year under review.

INTERNAL CONTROL

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

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

CSR PROJECT

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

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.

Signed on behalf of the Board

Shyam Bohra	Prof. Lakshman R Watawala	Mihiri S Senaratne
Managing Director	*Director*	*Company Secretary*

06thMay 2019

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE REMUNERATION COMMITTEE

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

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

Prof. Lakshman R Watawala,INED - Chairman

MrAmithaGooneratne INED - Member

Mr N V N Ramsai INED - Member

Board profiles of the Committee members are detailed in the page 22 to 23 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.

MEETINGS

S/No	Date	Names of the Members Present	Names of Members Excused
1	25.01.2019	1. Prof.L R Watawala 2. Mr Amitha Gooneratne 3. Mr N V N Ramsai	None

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
06th May 2019

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. 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 from 20 to 23. 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 Pramod 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 2018-19 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	28.06.2018	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai	None
2	03.08.2018	1. Prof. L. R. Watawala 2. Mr. N. V. N. Ramsai	Mr. Amitha Gooneratne
3	26.10.2018	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai	None
4	25.01.2019	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne 3. Mr. N. V. N. Ramsai	None
5	06.05.2019	1. Prof. L. R. Watawala 2. Mr. Amitha Gooneratne	Mr. N. V. N. Ramsai ceased to be a member w.e.f 01.03.2019

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 KPMG, Colombo. Follow-up reviews are scheduled periodically to ascertain that audit recommendations are being acted upon.

AUDIT COMMITTEE REPORT

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 19th June 2019.

CONCLUSION

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

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

Prof. Lakshman R Watawala
Chairman - Audit Committee

06th May 2019

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

MEETINGS

S/No	Date	Names of the Members Present	Names of Members Excused
1	03.08.2018	1. Prof.L R Watawala 2. Mr.Shyam Bohra	Mr Amitha Gooneratne
2	26.10.2018	1. Prof.L R Watawala 2. Mr Amitha Gooneratne 3. Mr N V N Ramsai 4. Mr.Shyam Bohra	None
3	25.01.2019	1. Prof.L R Watawala 2. Mr Amitha Gooneratne 3. Mr N V N Ramsai 4. Mr.Shyam Bohra	None
4	06.05.2019	1. Prof.L R Watawala 2. Mr Amitha Gooneratne 3. Mr.Shyam Bohra	Mr.N V N Ramsai ceased to be a member w.e.f 01.03.2019

The Committee met four times during the Financial Year 2018/19. 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 remains appropriate.

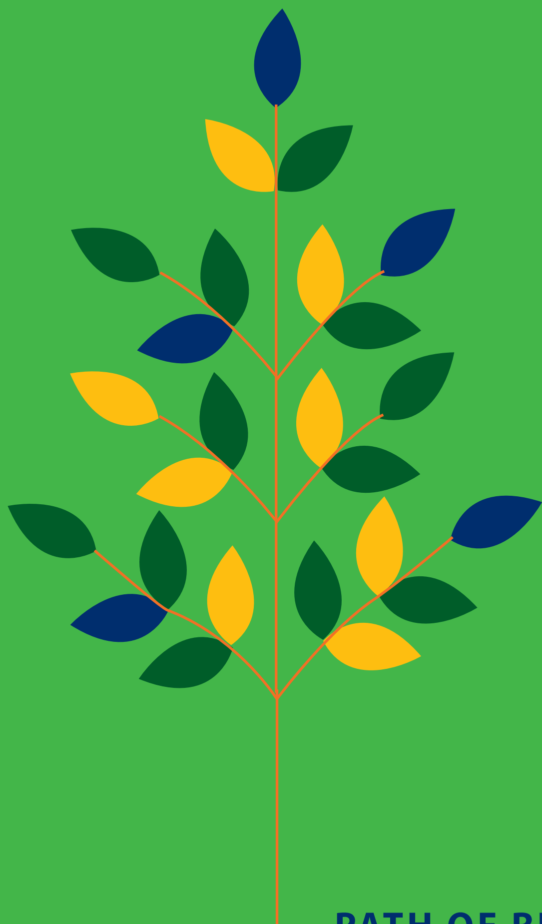
At each quarterly meeting a report of recurrent & non-recurrent transactions were submitted, to be in line with the applicable CSE Rules. The activities and views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee Meetings.

Mr. Amitha Gooneratne

Chairman,

Related Party Transaction Committee

06th May 2019



PATH OF RESILIENCE

FORGING AHEAD

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

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

Period	Published on
April-June 2018	06th August 2018
July-September 2018	26th October 2018
October-December 2018	25th January 2019
January-March 2019	07th May 2019

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Period	Published on
2017-18 (Third Integrated Report)	05th June 2018
2016-17 (Second Integrated Report)	02nd June 2017

ANNUAL GENERAL MEETING

Meeting	Date of meeting
17th Annual General Meeting	19th June 2019
16th Annual General Meeting	29th June 2018
15th Annual General Meeting	29th June 2017

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.

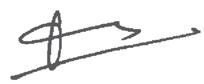
The Directors confirm that in preparing the financial statements exhibited on pages 105 to 145 inclusive, appropriate accounting policies have been selected and applied on a consistent basis, reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

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
06th May 2019

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

The financial statements of Lanka IOC PLC as at March 31, 2019 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007,
- Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995,
- Listing Rules of the Colombo Stock Exchange,
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and
- Other applicable statutes.

The significant Accounting policies were changed during the F/Y 2012-13, to conform with the new Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, which became effective from January 01, 2012 and all the processes are in place to address the requirements of the new Sri Lanka Accounting Standards.

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

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

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

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

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

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

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

WE CONFIRM TO THE BEST OF OUR KNOWLEDGE;

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

FINANCIAL STATEMENTS

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

Shyam Bohra
Managing Director

Pramod Jain
Senior Vice President (Finance)

06th May 2019

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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

INDEPENDENT AUDITOR'S REPORT 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 2019, 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 2019 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Description of the key audit matter	How our audit addressed the key audit matter
Revenue recognition Considering the distribution network and volume of transactions we believe a higher risk is associated with revenue recognition. Further the Company adopted SLFRS 15 Revenue from Customer Contracts (New Revenue Standard) with effect from 1 April 2018 and management was required to evaluate compliance of existing revenue recognition policies with the new Revenue Standard. Accordingly, the recognition of revenue was considered a Key Audit Matter.	Our audit procedures which included, amongst others, the following: • Reviewing the revenue recognition policy applied by the Company and management's impact assessment to ensure its compliance with SLFRS 15 Revenue from Customer Contracts. • Testing the operating and design effectiveness of critical controls over revenue recognition. • Performing substantive procedures on revenue including revenue cut off, observing revenue process by way of site visit. • Assessing the adequacy of related disclosures in Note 3 to the financial statements.

Building a better working world

Other information included in the Company's 2018/19 Annual Report

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

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

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

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.

06 May2019
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	2019 LKR '000	2018 LKR '000
Revenue	3	86,321,616	91,343,335
Cost of Sales		(82,188,504)	(89,542,911)
Gross Profit		4,133,112	1,800,424
Other Operating Income	4	189,984	444,358
Administrative Expenses		(1,432,315)	(1,152,092)
Selling and Distribution Expenses		(2,036,844)	(2,477,564)
Operating Profit/(Loss)		853,937	(1,384,874)
Finance Income	5.1	429,505	914,999
Finance Expenses	5.2	(952,582)	(306,018)
Profit/(Loss) Before Tax	6	330,860	(775,893)
Income Tax	7.1	72,567	31,704
Profit/(Loss) for the Year		403,427	(744,189)
Other Comprehensive Income /(Loss)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.4	1,111	(13,384)
Income tax on other Comprehensive income/(loss)	9.2	(167)	2,008
Other Comprehensive Income for the Year, Net of Tax		944	(11,376)
Total Comprehensive Income/(Loss) for the Year, Net of Tax		404,371	(755,565)
Earnings Per Share	10	0.76	(1.40)

The accounting policies and notes on pages 112 through 145 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2019 LKR '000	2018 LKR '000
ASSETS			
Non Current Assets			
Property, Plant and Equipment	11	4,294,395	4,268,729
Investment	12	4,394,000	4,394,000
Intangible Assets	13	675,417	675,966
Other Receivables	15.1	127,308	106,450
Deferred Tax Asset (Net)	9.1	203,161	-
		9,694,281	9,445,145
Current Assets			
Inventories	14	13,996,480	10,110,006
Trade and Other Receivables	15	3,267,244	4,551,221
Income Tax Receivables		341,876	445,475
Short Term Investments	19.2	672,950	7,962,438
Cash and Bank Balances	16.1	271,974	444,871
		18,550,524	23,514,011
Total Assets		28,244,805	32,959,156
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	17	7,576,574	7,576,574
Retained Earnings		11,850,814	11,792,546
Total Equity		19,427,388	19,369,120
Non Current Liabilities			
Defined Benefit Obligation (Net)	8.2	6,515	19,902
		6,515	19,902
Current Liabilities			
Trade and Other Payables	18	6,483,631	8,552,305
Interest Bearing Borrowings	19.1	2,327,271	5,017,829
		8,810,902	13,570,134
Total Equity and Liabilities		28,244,805	32,959,156

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 112 through 145 form an integral part of the Financial Statements.

06 May 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March	Stated Capital LKR '000	Retained Earnings LKR '000	Total LKR '000
As at 1 April 2017	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)
As at 31 March 2018	7,576,574	11,792,546	19,369,120
Dividends Paid	-	(346,103)	(346,103)
Profit /(Loss) for the Year	-	403,427	403,427
Other Comprehensive Income/(Loss)	-	944	944
As at 31 March 2019	7,576,574	11,850,814	19,427,388

The accounting policies and notes on pages 112 through 145 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	2019 LKR '000	2018 LKR '000
Cash Flows From/(Used in) Operating Activities			
Profit /(Loss)before Income Tax Expense		330,860	(775,893)
Adjustments for			
Finance Income	5.1	(429,505)	(914,999)
Finance Expenses	5.2	952,582	306,018
Dividends Income	4	(75,000)	(352,000)
Increase/(Decrease) in Allowances for Impairment	15.6	37,956	(6,038)
Loss/ (Profit) on disposal of property, Plant and Equipment	4	(2,454)	(14,480)
Defined Benefit Plan Cost	8.3	5,540	6,519
Depreciation	11.2	422,416	359,307
Amortisation of Intangible Asset	13.2	549	606
Exchange (Gain)/ Loss on borrowing		(8,277)	46,000
Operating Profit/(Loss) before Working Capital Changes		1,234,667	(1,344,960)
(Increase)/ Decrease in Inventories		(3,886,474)	(5,288,108)
(Increase) /Decrease in Trade and Other Receivables		1,225,163	(137,376)
Increase/ (Decrease) in Trade and Other Payables		(2,073,290)	4,890,951
Cash Generated From/(Used in) Operations		(3,499,934)	(1,879,493)
Income Tax		(26,054)	(569,833)
Finance Expenses		(952,582)	(306,018)
Defined Benefit Paid		(3,477)	(3,283)
Net Cash Flows From Operating Activities		(4,482,047)	(2,758,627)
Cash Flows from Investing Activities			
Finance Income		429,505	914,999
Dividends Income		75,000	352,000
Acquisition of Property, Plant and Equipment	11.1	(448,937)	(521,917)
Acquisition of Intangible Assets		-	(2,498)
Proceeds from Property, Plant and Equipment		3,311	22,806
Net Investment in Gratuity Fund		(15,451)	(62,375)
Net Cash Flows From/(Used in) Investing Activities		43,428	703,015
Cash Flows From Financing Activities			
Proceed from Interest bearing Borrowings		30,628,774	27,172,040
Repayments of Interest bearing Borrowings		(33,311,054)	(23,086,236)
Dividends Paid		(341,486)	(597,895)
Net Cash Flows From/(Used in) Financing Activities		(3,023,766)	3,487,909
Net Increase / (Decrease) in Cash and Cash Equivalents		(7,462,385)	1,432,297
Cash and Cash Equivalents at the Beginning of the Year	16.1	8,407,309	6,975,012
Cash and Cash Equivalents at the End of the Year		944,924	8,407,309
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short Term Investments		672,950	7,962,438
Cash in Hand and at Bank		271,974	444,871
		944,924	8,407,309

The accounting policies and notes on pages 112 through 145 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

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

1.3 Parent Entity and Ultimate Controlling Party

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

1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2019 was authorized for issue in accordance with a resolution of the Board of Directors on 06 May 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees, which is the functional currency of the Company. All values are rounded to the nearest rupees thousand (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 Current versus non-current classification

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

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

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

2.6 Segment Reporting

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

2.7 Comparative Information

Changes to Comparative information due to first year of adoption of SLFRS 9 and 15 are disclosed in Note 2.9.16. Whenever necessary, comparative figures have been reclassified to maintain comparability of financial statements in order to provide a better presentation.

2.8 Significant Accounting Judgments, Estimates and Assumptions

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

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

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

- Capital management Note 26
- Financial instruments risk management and policies Note 26
- Sensitivity analyses disclosures Notes 8 and 26.

2.8.1 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.

2.8.2 Estimates and Assumptions

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

a) *Estimation of net realizable value for inventory*

Inventory disclosed in Note 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 losses on Trade & Other Receivables*

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

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

Simplified Approach

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

The impairment loss on Trade & Other Receivables is disclosed in Notes 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 non-financial assets*

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

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

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

f) *Deferred tax*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. More information regarding deferred tax assets is given in Note 9 and 2.9.4.

2.9 Summary of Significant Accounting Policies

2.9.1 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.

2.9.2 Revenue Recognition

The Company is in the business of providing the Petroleum products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

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 and sales taxes and value added tax. The following specific recognition criteria are used for the purpose of recognition of following sources which are in the scope of SLFRS 15:

a) *Sale of goods*

The sale of good is generally expected to be the only performance obligation and the Company has determined that it will be satisfied at the point in time when control transfers.

This will be consistent with current practice. As a result, no adjustment is expected on transition to SLFRS 15. for those contracts currently recognized over time. Selling and distribution of petroleum products are considered single performance obligation

Contract balances

Contract assets

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company executed performance obligations under the contract. There is no contract liability as at reporting date.

Following revenue source which are outside the scope of SLFRS 15 are recognise as follows:

b) Rental Income

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

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

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

c) Finance Income

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

d) Dividend income

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

e) Others

Other income is recognized on an accrual basis.

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

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

2.9.3 Expenditure Recognition

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

2.9.4 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.

2.9.5 Financial Instruments

2.9.5.1 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in section 2.9.16 Changes in Accounting Policies and Disclosures.

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

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

Subsequent Measurement

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

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

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

a) Financial assets at amortised cost (debt instruments)

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

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

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

b) Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

- The rights to receive cash flows from the asset have expired

  Or

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

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

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

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

2.9.5.2 Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables, including contract assets Note 15.

2.9.5.3 Financial Liabilities

Initial Recognition and Measurement

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

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

The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent Measurement

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

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

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 19.1.

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

2.9.5.4 Offsetting of Financial Instruments
Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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

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

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

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

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

- Quantitative disclosures of fair value measurement hierarchy Note 27
- Financial instruments (including those carried at amortised cost) Note 15, 16 &19.

2.9.6 Inventories
Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

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

Finished goods (Lubricants)	-	Weighted Average Cost basis
Other Products	-	First in First out basis
Goods in Transit	-	At Purchase Price

2.9.7 Property Plant and Equipment

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

Capital work in progress represents all amounts 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 Statement of comprehensive income.

2.9.8 Intangible assets

a) Goodwill

Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved under a court order. Due to the amalgamation and subsequent dissolution of this acquired company no consolidated financial statements are prepared.

Goodwill is attributed to the future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, 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.

2.9.9 Investment in Ceylon Petroleum Storage Terminal Limited

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

2.9.10 Cash and Short-Term Deposits

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

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

2.9.11 Impairment of non-financial assets

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

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

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

2.9.12 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.

Accounting for leases - where the Company is the lessor

Refer note 2.9.2 (b)

2.9.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income 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.

2.9.14 Dividend Distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.9.15 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, MessrsK. A. Pandit consultant and actuaries who carried out actuarial valuation as at 31 March 2019.

Recognition of Actuarial Gains and Losses

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

Recognition of Interest cost and current service cost

Interest cost and current service cost are recognized in Statement of Comprehensive Income in the year in which they arise.

b) Defined Contribution Plans

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.

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 (Ex-CPC) and 12% and 8% for other employees.

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

2.9.16 Changes in Accounting Policies and Disclosures
New and amended standards and interpretations

The Company applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time, but do not have an impact on the Financial Statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted SLFRS 15 using the full retrospective method of adoption. The Company did not apply any of the other available optional practical expedients. There is no material effects to Financial Statements due to the adoption of SLFRS 15.

SLFRS 9 Financial Instruments
SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The nature of these adjustments are described below:

a) *Classification and Measurement*
Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Company.

The Company continued measuring at fair value all financial assets previously held at fair value under LKAS 39.

The following are the changes in the classification of the Company's financial assets:

- Trade receivables and Other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

b) *Impairment*

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a simplified approach, on expected credit loss which is based on (ECL) SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

2.10 Effect of Sri Lanka Accounting Standards (SLFRS) Issued But Not Yet Effective:

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-off - 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 has performed an impact assessment of SLFRS 16 and quantification is not yet concluded as of date of this report.

3. REVENUE

Revenue from contracts with the customers - revenue recognised at a point in time

Year ended 31 March	2019 LKR '000	2018 LKR '000
Lanka Auto Diesel	21,001,064	26,837,936
Xtramile	1,941,704	3,112,517
Lanka Super Diesel	2,641,126	2,321,752
Lanka Petrol 92 Octane	24,463,657	25,246,083
Xtrapremium Euro 3	3,871,492	4,841,198
Xtrapremium 95	6,895,669	6,051,508
Lubricants	3,058,735	3,254,312
Bunkering	20,865,188	18,175,699
Bitumen	1,567,914	1,487,425
Petrochemical	15,067	14,905
Total Revenue	86,321,616	91,343,335

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	2019 LKR '000	2018 LKR '000
Rental Income	65,439	51,151
Dividend Income	75,000	352,000
Sundry Income	47,091	26,727
Profit on sale of Property Plant and Equipment	2,454	14,480
	189,984	444,358

5. FINANCE INCOME AND EXPENSES

5.1 Finance Income

Year ended 31 March	2019 LKR '000	2018 LKR '000
Income from Short term Investment	319,294	865,882
Interest on Others	110,211	49,117
	429,505	914,999

5. FINANCE INCOME AND EXPENSES CONTD.

5.2 Finance Expenses

Year ended 31 March	2019 LKR '000	2018 LKR '000
Interest on Short Term Loans	207,981	131,964
Exchange (Gain)/Loss	744,601	174,054
	952,582	306,018

6. PROFIT/LOSS FROM OPERATING ACTIVITIES

Year ended 31 March	2019 LKR '000	2018 LKR '000
Stated after Charging /Crediting		
Directors' Emoluments	39,815	26,606
Salaries and Wages	518,818	430,822
Increase/(Decrease) in Allowances for Impairment of Receivables	37,956	(6,038)
Loss/(Gain) on disposal of Property, Plant and Equipment	(2,454)	(14,480)
Exchange (Gain) / Loss	744,601	174,054
Defined Benefit Obligation : Charge for the year	5,540	6,519
Audit Fee - Current year	1,650	1,500
Rent Paid	74,704	66,174
Depreciation Charge for the year	422,416	359,307
Amortisation Charge for the year	549	606

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are as follows :

7.1 Income Statement

Year ended 31 March	2019 LKR '000	2018 LKR '000
Current Income Tax:		
Current Tax Expense	120,261	17,858
Under/(Over) Provision of Current Taxes in respect of Prior Year	-	24,659
WHT on Dividend Income	10,500	35,200
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 9.2)	(203,328)	(109,421)
Income Tax Expense / (Credit) Reported in the Income Statement	(72,567)	(31,704)

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 March 2019 and 31 March 2018 are as follows :

Year ended 31 March	2019 LKR '000	2018 LKR '000
Accounting Profit (Loss) before tax	330,860	(775,893)
Tax calculated at a tax rate of 15% (2018 - 15%)	49,629	N/A
Adjustments in respect of prior years	-	24,659
Tax impact of expenses deductible/not deductible for tax purpose	22,753	N/A
Tax impact of income taxable at different rate	(75,676)	N/A
Adjustment due to the estimated deferred tax base in previous year	(200,034)	(109,421)
Tax charge on profit from trade or business	(203,328)	(84,762)
Taxable Interest Income	429,505	63,777
Tax calculated at a tax rate of 28% (2018 - 28%)	120,261	17,858
Taxable Dividend income	75,000	352,000
Tax calculated at a tax rate of 14% (2018 - 10%)	10,500	35,200
Total tax charge for the year	(72,567)	(31,704)

8. DEFINED BENEFIT OBLIGATION

Year ended 31 March	2019 LKR '000	2018 LKR '000
Balance as at 01 April	87,870	65,657
Current Service Cost	4,518	3,577
Interest Cost	10,105	8,535
Actuarial (Gain) / Loss (8.4)	(285)	13,384
Benefits Paid	(3,477)	(3,283)
Balance as at 31 March	98,731	87,870

8. DEFINED BENEFIT OBLIGATION CONTD.

8.1 Reconciliation of Fair Value of Plan Assets

Year ended 31 March	2019 LKR '000	2018 LKR '000
Balance as at 01 April	67,968	-
Contribution by employer	19,082	65,658
Expected return	7,816	5,593
Remeasurement	827	-
Benefit Paid	(3,477)	(3,283)
Balance as at 31 March	92,216	67,968

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
Defined Benefit Obligation at the end of the year	98,731	87,870
Fair value of the plan assets at the end of the year	(92,216)	(67,968)
Amount recognised in Statement of Financial Position	6,515	19,902

8.3 Expenses recognised on Defined Benefit Plan

Year ended 31 March	2019 LKR '000	2018 LKR '000
Income Statement		
Current Service Cost for the year	4,518	3,576
Net Interest Cost for the year	2,289	2,943
Transfers	(1,267)	-
	5,540	6,519
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.4)	(1,111)	13,384
	(1,111)	13,384

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
Changes in Financial Assumptions	14,283	916
Changes in Demographic Assumptions	(1,616)	(3,867)
Experience Adjustments	(13,778)	16,335
	(1,111)	13,384

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2019 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	2019 LKR '000	2018 LKR '000
Discount Rate	11.50%	11.50%
Salary Incremental Rate	1-7%	1-6%
Staff Turnover	0-5%	0-7%
Retirement Age	60 years	60 years
Return on the plan Assets	10.45%	10.00%

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

8.7 Maturity Profile of the Defined Benefit Obligation Plan

Year ended 31 March	2019 LKR '000	2018 LKR '000
Less than 1 Year	18,853	6,250
Between 1-2 years	6,361	11,623
Between 2-5 years	45,729	38,301
Beyond 5 years	51,888	55,339

8. DEFINED BENEFIT OBLIGATION CONTD.

8.8 Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 March 2019. 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%			4,596	(4,596)
(1%)			(5,104)	5,104
	1%		(5,517)	5,517
	(1%)		5,026	(5,026)
		1%	(3,700)	3,700
		(1%)	657	(657)

9. DEFERRED TAX LIABILITIES

9.1 Deferred Tax

Deferred Tax Relates to the Following:

Year ended 31 March	2019 LKR '000	2018 LKR '000
Deferred Tax Assets Arising on:		
Income tax loss	332,475	130,811
Retirement Benefit Obligation	14,810	13,181
	347,285	143,992
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(144,124)	(143,992)
Net Deferred Tax Asset/(Liability)	203,161	-

9.1.1 Deferred tax asset on account of taxable loss works out to LKR 332 million. Management is in view that taxable losses can be set off in future and entire amount has been recognised as deferred tax assets as on 31.March 2019.

Year ended 31 March	2019 LKR '000	2018 LKR '000
9.2 Balance brought forward	-	111,429
Deferred Income Tax (Credit)/Charge- Income Statement	(203,328)	(109,422)
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	167	(2,008)
Net Deferred Tax (Asset)/Liability	(203,161)	-

10. EARNINGS PER SHARE

10.1 Earnings Per Share is calculated by dividing the net profit/(loss) for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the period and the previous period are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

10.2 The following reflects the income and share data used in the Earnings Per Share computation.

Year ended 31 March	2019 LKR '000	2018 LKR '000
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	403,427	(744,189)

Number of Ordinary Shares used as the Denominator:

Number of Ordinary Shares used as the Denominator:	2019	2018
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earning Per Share	0.76	(1.40)

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

Year ended 31 March At Cost	Balance as at 01.04.2018 LKR '000	Additions LKR '000	Transfers LKR '000	Disposals LKR '000	Balance as at 31.03.2019 LKR '000
Freehold Land	1,960,529	-	-	(182)	1,960,347
Building and Fixtures	2,098,063	-	181,676	-	2,279,739
Plant and Equipment	2,991,753	-	360,995	(6,589)	3,346,159
Office Equipment	40,699	651	-	(768)	40,582
Furniture and Fittings	182,293	92	21,973	(808)	203,550
Motor Vehicles	40,071	-	-	-	40,071
Capital Work-In- Progress	230,989	448,194	(564,644)	-	114,539
	7,544,397	448,937	-	(8,347)	7,984,987

11.2 Depreciation

Year ended 31 March At Cost	Balance as at 01.04.2018 LKR '000	Charge for the year LKR '000	Transfers LKR '000	Disposals LKR '000	Balance as at 31.03.2019 LKR '000
Building and Fixtures	1,169,163	146,497	-	-	1,315,660
Plant and Equipment	1,972,392	235,103	-	(6,369)	2,201,126
Office Equipment	29,070	4,874	-	(315)	33,629
Furniture and Fittings	70,104	34,032	-	(808)	103,328
Motor Vehicles	34,939	1,910	-	-	36,849
	3,275,668	422,416	-	(7,492)	3,690,592

11.3 Net Book Value

Year ended 31 March	2019 LKR '000	2018 LKR '000
Freehold Land	1,960,347	1,960,529
Building and Fixtures	964,080	928,900
Plant and Equipment	1,145,033	1,019,361
Office Equipment	6,952	11,629
Furniture and Fittings	100,222	112,189
Motor Vehicles	3,222	5,132
Capital Work-In- Progress	114,539	230,989
Total Carrying Value of Property, Plant & Equipment	4,294,395	4,268,729

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of LKR 449 Mn (2018 - LKR 522 Mn).

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

Year ended 31 March	2019	2018
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

Year ended 31 March	2019 LKR '000	2018 LKR '000
At the beginning and end of the year	4,394,000	4,394,000

12.1 Lanka IOC PLC owns 33 1/3% of the 750,000,000 shares of Ceylon Petroleum Storage Terminal Limited (CPSTL), also known as the "Common User Facility" (CUF). The Company paid US$ 45 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 minus accumulated impairment if any.

13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

	Goodwill	License fees on computer software	Total
	LKR '000	LKR '000	LKR '000
As at 01.04.2018	759,298	14,437	773,734
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2019	759,298	14,437	773,734

13. INTANGIBLE ASSETS CONTD.

13.2 Amortisation

	Goodwill LKR '000	License fees on computer software LKR '000	Total LKR '000
As at 01.04.2018	85,421	12,347	97,768
Charge for the year	-	549	549
As at 31.03.2019	85,421	12,896	98,317

	Goodwill LKR '000	License fees on computer software LKR '000	Total LKR '000
13.3 Net Book Value as at 31.03.2018	673,877	2,090	675,966
13.4 Net Book Value as at 31.03.2019	673,877	1,541	675,417

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 for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised.

14. INVENTORIES

Year ended 31 March	2019 LKR '000	2018 LKR '000
Auto Fuel	9,767,374	6,996,097
Bunker Fuel	1,116,064	1,290,563
Bitumen	457,114	474,773
Lubricants	402,154	311,037
Base oil and other raw materials	1,836,047	999,821
Petrochemical	56,664	-
Goods In Transit	361,063	37,715
	13,996,480	10,110,006

15. TRADE AND OTHER RECEIVABLES

Current Assets

Year ended 31 March		2019 LKR '000	2018 LKR '000
Trade Receivables	- Others (net of Allowance for Impairment)	2,494,824	3,387,197
	- Related Party	84,478	-
VAT/NBT Receivables		186,505	161,626
Other Receivables	- Related Party (15.2)	-	68,081
	- Others	-	11,427
Deposits and Advances		479,424	900,292
Prepayments		22,013	22,598
		3,267,244	4,551,221

15.1 Non Current Assets- Other Receivables

Year ended 31 March	2019 LKR '000	2018 LKR '000
Staff Loan	108,573	106,450
Prepaid-deferred employee benefit	18,735	-
	127,308	106,450

15.2 Receivables- Related Parties

Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
Indian Oil Corporation Limited	Immediate Parent - Trade	84,478	-
	Immediate Parent - Other	-	68,081
		84,478	68,081

15. TRADE AND OTHER RECEIVABLES CONTD.

15.3 As at 31 March, the age analysis of trade receivables is set out below. (Other than Related Party)

Year ended 31 March	Total	Neither Past due nor Impaired	Past Due but not Impaired				
			Less than 30 days	31-90 days	91-180 days	181-365 days	>365 days
2019	2,494,824	2,014,605	146,162	256,504	26,035	24,555	26,963
2018	3,387,197	2,918,066	213,865	188,717	32,472	8,897	25,180

Related Party receivable LKR 84 Mn is within neither past due nor impaired

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.

15.5 The carrying amounts of trade and other receivables are denominated in following currencies:

Year ended 31 March	2019 LKR '000	2018 LKR '000
US Dollars	1,211,362	1,908,675
Sri Lankan Rupees	2,055,882	2,642,546
	3,267,244	4,551,221

15.6 Allowance for impairment LKR 453 Mn (2018 LKR 478 Mn) Includes provision for Expected Credit Loss line with accounting policy applicable for trade and other receivables, for which Company has applied the simplified approach.

Allowance for Impairment	2019 LKR '000	2018 LKR '000
As at 01 April	478,056	484,094
Provision/(Reversal)for the year	37,956	(6,038)
Written off	(62,756)	-
As at 31 March	453,256	478,056

16. CASH AND CASH EQUIVALENTS

16.1 Cash & Cash Equivalent balances

Year ended 31 March	Note	2019 LKR '000	2018 LKR '000
Cash and Bank Balances		271,974	444,871
Short Term investments	19.2	672,950	7,962,438
Total Cash & Cash Equivalent balances		944,924	8,407,309

17. STATED CAPITAL

	Year ended 31 March	2019	2018
17.1	Stated Capital as at 31 March (in LKR '000)	7,576,574	7,576,574
17.2	Number of Ordinary Shares (as at 31st March)	532,465,705	532,465,705

18. TRADE AND OTHER PAYABLES

Year ended 31 March		2019 LKR '000	2018 LKR '000
Trade Payables	- Related Parties (18.2)	5,610	27,602
	- Others	5,582,795	7,733,263
Other Payables	- Related Parties (18.3)	350,655	299,867
Sundry Creditors Including Accrued Expenses		544,571	491,573
		6,483,631	8,552,305

18.2 Trade Payables- Related Parties

Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
Indian Oil Corporation Limited	Immediate Parent	5,610	27,602
		5,610	27,602

18. TRADE AND OTHER PAYABLES CONTD.

18.3 Other Payables- Related Parties

Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
Indian Oil Corporation Limited	Immediate Parent	29,772	-
Ceylon Petroleum Storage Terminal Limited	Significant Investee	320,883	299,867
		350,655	299,867

19. OTHER FINANCIAL ASSETS AND LIABILITIES

19.1 Interest Bearing Loans and Borrowings

Year ended 31 March	2019 LKR '000	2018 LKR '000
Short Term Loans (19.1.2)	2,327,271	5,017,829
	2,327,271	5,017,829

19.1.1 Short Term Loans -Movement

Year ended 31 March	2019 LKR '000	2018 LKR '000
Balance as at 01 April	5,017,829	886,023
Proceed from Interest bearing borrowings	30,628,774	27,172,042
Repayments of Interest bearing borrowings	(33,311,055)	(23,086,236)
Exchange (Gain)/ Loss on borrowing	(8,277)	46,000
Balance as at 31 March	2,327,271	5,017,829

19.1.2 The short term loans LKR 2,327 mn (2018-LKR 5,018 mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to LKR 994mn (2018- LKR 1,033 mn) . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

19.2 Short Term Investments

Year ended 31 March	2019 LKR '000	2018 LKR '000
Investment in Unit Trust	27,991	7,962,438
Investments Fixed Deposit	644,959	-
	672,950	7,962,438

19.2.1 Investment in Money Market Funds

		Apr-18 LKR '000	Additions / (Withdrawals) LKR '000	Fair Value Gain/ (Loss) LKR '000	Mar-19 LKR '000
Unit Trust Investment	FVTPL	7,962,438	(8,218,048)	283,601	27,991

19.3 The interest rates are as follows:

Short term loans LIBOR + Margin

19.4 The LIBOR rate (monthly) at the date of statement of financial position was 2.49450%

20. RELATED PARTY DISCLOSURES

20.1 Transactions with the Related Entities

20.1.1 Transactions with Parent

Nature of Transaction	2019 LKR '000	2018 LKR '000
Amounts Receivable as at 01 April	68,081	51,547
Amounts Payable as at 01 April	(27,602)	(19,783)
Fund Transfers/Payment Made	8,691,449	4,339,966
Purchases of Goods/Services	(8,776,085)	(4,353,500)
Sale of Goods	191,105	-
Expenses Reimbursed	(97,853)	22,249
Amounts Receivable as at 31 March	84,478	68,081
Amounts Payable as at 31 March	(35,383)	(27,602)
Net Balance as at 31 March	49,095	40,479

20.1.2 During the year, the Company paid a gross dividend of LKR 346 Mn with respect to the financial year ended 31 March 2018, out of which LKR 260 Mn was paid to Indian Oil Corporation Limited.

20. RELATED PARTY DISCLOSURES CONTD.

20.1.3 Transactions with Ceylon Petroleum Storage Terminal Limited

Nature of Transaction	2019 LKR '000	2018 LKR '000
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(299,867)	(320,326)
Fund Transfers/Payment Made	855,288	1,314,609
Services Rendered	(876,304)	(1,294,150)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(320,883)	(299,867)

During the year, CPSTL paid a gross dividend of 75 mn (2018- LKR 352 mn) pertaining to financial years 2018.

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

20.1.4 Terms and Conditions

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. The intention of the Group is to settle such related party dues within a short term (less than one year).

20.2 Transactions with Key Management Personnel of the Company 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:

Short Term Employment Benefits	2019 LKR '000	2018 LKR '000
Fees for Directors	2,850	2,925
Emoluments	34,065	21,074
Others	2,900	2,607
	39,815	26,606

20.3 Apart from the transactions reported above, the company has transactions with other Government of India related entities, which includes but not limited to Goods/services etc. These transactions are conducted in the ordinary course of the company business on the terms comparable to other entities.

The Company enters into transactions, arrangements and agreements with the Government of India related entities and the Summary of transactions have been reported in follows,

	Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
a.	Items in Statement of Profit or Loss	Finance Expenses	74,217	13,560
b.	Items in Statement of Financial Position	Interest Bearing Loans and Borrowings	(993,740)	(1,033,132)
		Investment In Gratuity Fund	92,215	67,968
c.	Off Balance Sheet Items	Letters of credit	1,650,612	1,861,898

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 263 Mn (2018- LKR 301 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:

Year ended 31 March	2019 LKR '000	2018 LKR '000
No later than 1 year	17,531	15,592
Later than 1 year and no later than 5 years	70,124	62,369
More than 5 years	262,966	249,475
	350,621	327,436

21.3 Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2019 amounted to LKR.2,274 Mn (2018 - LKR 3,919 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 2019 amounted to LKR 909 Mn (2018- LKR 520 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 June 2015 amounting to LKR 713.07 million. For the assessment periods Sep 2015 to Dec 2015 amounting to LKR 127.73 million, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Mar-2016 to Mar-2019 is LKR 762.47 million for which assessment orders have not yet been issued by Inland Revenue Department. Therefore, total Contingent liability as on 31st Mar 2019 is 1,603.28. million.

23. ASSETS PLEDGED

No assets have been pledged as at the reporting date except for those disclosed in Note 19.1.2

24. DIVIDEND

Year ended 31 March	2019 LKR Per Share	2019 LKR '000 Amount	2018 LKR Per Share	2018 LKR '000 Amount
Equity Dividend on Ordinary shares				
Declared and Paid during the year	0.65	346,103	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 0.75 per share for the financial year ended 31 March 2019. 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. The dividend will be tax at the rate of 14%.

In accordance with LKAS 10, the final dividend has not been recognised as an liability in the financial statements as at 31 March 2019.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's Board of Directors is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Audit Committee provides guidance to the Company's Board of Directors that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

26.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations,Repo investments and Unit Trust investments. The Company manages its interest rate risk by daily monitoring and managing of cash flow, by keeping borrowings to a minimum and negotiating favourable rates on borrowings.

b) Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's USD denominated loans, Trade Receivables and Trade Payables.

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

Year ended 31 March	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
2019				
Interest Bearing Loans and Borrowings (USD)	478,015	175.31	+/- 1%	+/- 4,780
Trade and Other Receivables (USD)	1,211,362	175.31	+/- 1%	+/- 12,113
Trade and Other Payables (USD)	4,796,421	175.31	+/- 1%	+/- 47,964
2018				
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

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.

An analysis of the carrying amount of financial instruments based on the currency they are denominated are as follows.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

As at 31 March 2019	Denominated LKR '000	Denominated USD '000
Cash at bank and in hand	240,741	31,233
Interest Bearing Loans & Borrowings	1,849,256	478,015
Trade and Other Receivables (Current)	2,055,882	1,211,362
Other Receivables (Non Current)	127,308	-

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 2019	Less than 1 year LKR '000	More than 1 year LKR '000	Total LKR '000
Interest-bearing loans and borrowings	2,327,271	-	2,327,271
Trade and Other Payables	6,483,631	-	6,483,631
	8,810,902	-	8,810,902

26.4 PRICE RISK

The Company is exposed to the commodity price risk of petroleum products.

The Company monitors price of petroleum products on a dynamic basis and adjust inventory levels to minimise the impact.

26.5 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the gearing ratio.

	Mar-19 LKR '000	Mar-18 LKR '000
Total borrowings (Note 19)	2,327,271	5,017,829
Less :- Cash and cash equivalents (Note 16)	(944,924)	(8,407,309)
Net debt	1,382,347	-
Total Equity	19,427,388	19,369,120
Total Capital	21,754,659	24,386,949
Gearing ratio	6%	-

27. FAIR VALUES

The carrying amounts of Company's financial instruments by classes, that are not carried at fair value in the financial statements are not materially different from their fair values.

a) Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March 2019, the Group held the following financial instruments carried at fair value on the statement of financial position:

27. FAIR VALUES CONTD.

b) Financial Assets measured at fair value

	2019 LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000
Short Term Investments (Note 19.2)	27,991	27,991	-	-

	2018 LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000
Short Term Investments (Note 19.2)	7,962,438	7,962,438	-	-

During the reporting period ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

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 SLFRS 9 - Financial Instruments:

As at 31 March 2019	Financial Assets Held for Trading at Fair Value (FVTPL) LKR '000	Financial Assets and Liabilities at Amortised Cost LKR '000	Total LKR '000
Financial Assets			
Other Receivables (Non Current)	-	127,308	127,308
Trade and Other Receivables (Current)	-	3,058,726	3,058,726
Short Term Investments	27,991	644,959	672,950
Cash and Cash Equivalents	-	271,974	271,974
Total Financial Assets	27,991	4,102,967	4,130,958
Financial Liabilities			
Trade and Other Payables	-	6,483,631	6,483,631
Interest Bearing Loans and Borrowings	-	2,327,271	2,327,271
Total Financial Liabilities	-	8,810,902	8,810,902

As at 31 March 2018	Financial Assets Held for Trading at Fair Value (FVTPL)	Financial Assets and Liabilities at Amortised Cost	Total
	LKR '000	LKR '000	LKR '000
Financial Assets			
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
Total Financial Assets	7,962,438	4,918,318	12,880,756
Financial Liabilities			
Trade and Other Payables	-	8,552,305	8,552,305
Interest Bearing Loans and Borrowings (Current)	-	5,017,829	5,017,829
Total Financial Liabilities	-	13,570,134	13,570,134

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 31.03.2019		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
1	102389	SAMPATH ENTERPRISES,	NO. 239, GALLE ROAD, MOUNT LAVINIA.	01R	00.03P	1	2 (Main + 2-3wheeler Canopy)
2	102432	CADILLAC IOC FILLING STATION PVT LTD	PALLIMULLA , MATARA.	01R	27.44P	1	1
3	102320	HOMAGAMA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD	NO. 57, HIGH LEVEL ROAD, HOMAGAMA.		32.30P	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 IOC SERVICES (PVT) LTD	NO. 22, PUTTALAM ROAD, CHILAW.		28.70P	1	1
9	102351	GAMPOLA MPCS LTD	NO. 182, NUWARA ELIYA ROAD, GAMPOLA.		26.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
10	102317	LANKA IOC SERVICE MART (PVT) LTD	NO. 650, MARADANA 2ND DIVISION, MARADANA ROAD, COLOMBO 10.	01R	11.83P	1	1
11	102391	S & D ENTERPRISES	NO. 205, GALLE ROAD, PANADURA.		36.94P	1	1
12	102365	MRS. R.P. JAYASINGHE	BADULLA ROAD, WELIMADA.		21.98P	1	1
13	102350	DON DAMINDA JAYAMAL DIAS	NO. 54, BADULLA ROAD, BADULLA.	02R	00.72P	2 (PORTA CABIN + ELECTRICAL ROOM)	2
14	102361	W. PALIHAWADANA & SONS	NO. 14, KANDY ROAD, NUWARA ELIYA.		25.25P	1	1
15	102331	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 562, GEORGE R DE SILVA MAWATHA, COLOMBO - 13.	01R	35.45P	2 (Sales Room+ Service Stn)	1
16	102332	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 502, SRIMAO BHANDRANAYAKA MAWATHA, COLOMBO 14.		24.29P	1	1
17	102380	DERANIYAGALA PANAWELA MPCS LTD	NOORI ROAD, DERANIYAGALA.		27.84P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
18	102431	MRS. WIMALA SIRISENA	BROADWAY, MATARA		34.11P	1	1
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

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2019		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
25	102406	MR. HARSHA D. WEERAKOON	OLD TOWN, MADAMPE.		38.56P	2 (Sales Room+ Service Stn)	1
26	102436	A.H.M. HUSSAIN HADJIAR SONS	MATARA ROAD, WELIGAMA.	01R	10.74P	1	1
27	102318	MRS. SOMA ABEYWARDHANA	169, Highlevel Rd, Near Maya Avenue, Colombo 5		24.00P	1	1
28	102321	KOTTAWA LANKA FILLING STATION	NO. 41, HIGHLEVEL ROAD, KOTTAWA.		21.73P	1	1
29	102381	EHELIYAGODA MPCS LTD	RATNAPURA ROAD, EHELIYAGODA.		34.52	2 (Sales Room+ Service Stn)	1
30	102410	W. CALISTUS PERERA & SONS	NO 66, GREENS ROAD, NEGOMBO.	01R	19.34P	2 (Sales Room+ Service Stn)	1
31	102434	TANGALLE MPCS LTD	MAHAWELLA ROAD, TANGALLE.		24.00P	1	1
32	102412	KATANA MPCS LTD	NO.437/439, NEGOMBO ROAD, SEEDUWA.		37.68P	1	1
33	102425	AMBALANGODA MPCS LTD	NEW GALEE ROAD, AMBALANGODA.		19.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
34	102409	MR. K.H. JAYASINGHE	KULIYAPITIYA ROAD, NATTANDIYA.		22.44P	1	1
35	102445	RANGIRI DAMBULLA MPCS LTD	KURUNEGALA JUNTION, 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
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

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 31.03.2019		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
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	105601	PULLENDRAN FUEL STATION	MANNER JUNTION, 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	Nil
67	102354	M/S. HUNNASGIRIYA AGENCIES	MAHIYANKANAYA ROAD, HUNNASGIRIYA.		12.57P	1	1
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	WIP	WIP
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

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2019		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
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
86	102403	DIVULAPITIYA MPCS LTD	NO. 45, COLOMBO ROAD, DIVULAPITIYA.		06.68P	1	Nil
87	102392	PELMADULLA MPCS LTD	RATNAPURA ROAD, PELMADULLA.		24.41P	1 (PORTA CABIN)	Nil
88	102407	MAWATHAGAMA MPCS LTD	KANDY ROAD, MAWATHAGAMA.		11.93P	2(PORTA CABIN + ELECTRICAL ROOM)	1
89	102337	KEGALLE MPCS LTD	NO. 96, GOLAHELA, 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
						Updated for 15.05.19	

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.

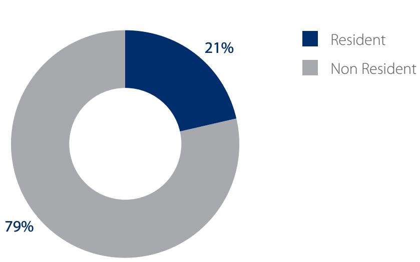
SHAREHOLDER'S INFORMATION

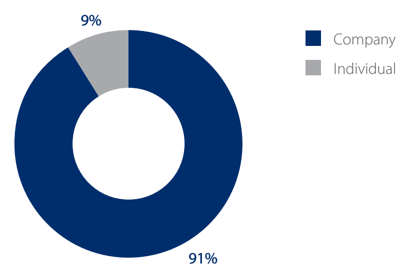
ORDINARY SHAREHOLDING AS AT 31ST MARCH 2019

Stated Capital representing 532,465,705 ordinary shares divided amongst 10219 shareholders

Share Range	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %
1 to 1000 shares	5,811	2,349,732	0.440	23	12,958	0.000	5,834	2,362,690	0.44
1001 to 10000 shares	3,649	10,244,908	1.920	49	217,005	0.040	3,698	10,461,913	1.96
10001 to 100000 shares	534	16,647,020	3.130	23	836,271	0.160	557	17,483,291	3.29
100001 to 1000000 shares	97	27,894,264	5.240	9	3,082,538	0.580	106	30,976,802	5.82
1000001 & Above shares	19	57,035,106	10.710	5	414,145,903	77.780	24	471,181,009	88.49
Totals	10,110	114,171,030	21.440	109	418,294,675	78.560	10,219	532,465,705	100.00

Classification of Shareholding - 2019



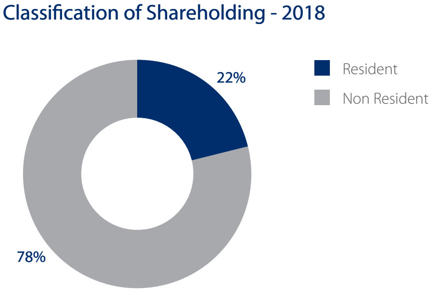


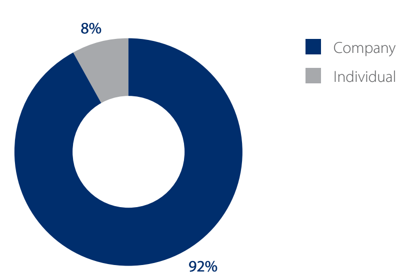
ORDINARY SHAREHOLDING AS AT 31ST MARCH 2018

Stated Capital representing 532,465,705 ordinary shares divided amongst 10190 shareholders

Share Range	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %	No. of Shareholders	No. of Shares	Holding %
1 to 1000 shares	5,761	2,392,764	0.450	22	11,958	0.000	5,783	2,404,722	0.45
1001 to 10000 shares	3,661	10,339,008	1.940	50	224,555	0.040	3,711	10,563,563	1.98
10001 to 100000 shares	538	16,849,483	3.160	23	709,151	0.130	561	17,558,634	3.29
100001 to 1000000 shares	102	30,178,376	5.670	10	3,201,013	0.600	112	33,379,389	6.27
1000001 & Above shares	18	53,937,926	10.130	5	414,621,471	77.870	23	468,559,397	88.00
Totals	10,080	113,697,557	21.350	110	418,768,148	78.64	10,190	532,465,705	100.00

Classification of Shareholding - 2018





TOP 20 SHAREHOLDERS AS AT 31.03.2019

	Name	No.of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	J B Cocoshell [Pvt] Ltd	12,546,119	2.36
3	JPMCB NA-Fidelity Asian Values PLC	9,434,050	1.77
4	Bank of Ceylon A/c Ceybank Unit Trust	6,097,277	1.15
5	Assetline Leasing Co.Ltd/British American Technologies (Pvt)Ltd	6,051,518	1.14
6	Deutsche Bank AG-AS Trustee for JB Vantage Value Equity Fund	5,533,553	1.04
7	Deutsche Bank AG – National Equity Fund	3,975,000	0.75
8	E W Balasuriya & Co (Pvt) Ltd	2,526,800	0.47
9	GF Capital Global Limited	2,426,980	0.46
10	Employees Trust Fund Board	2,346,851	0.44
11	Employees Provident Fund	2,346,558	0.44
12	Bank of Ceylon A/c Ceybank Century Growth Fund	2,027,884	0.38
13	HNB PLC -Karuna Ranaraja /E K M Dharshan	1,758,550	0.33
14	Mr R. S. A. Silva	1,745,437	0.33
15	Timex Garments [Pvt] Ltd	1,712,503	0.32
16	Mr K. A .S. R. Nissanka	1,500,000	0.28
17	Hallsville Trading Group inc.	1,280,865	0.24
18	Commercial Bank of Ceylon PLC/S .A .Gulamhusein	1,260,867	0.24
19	Deutsche Bank AG-Namal growth fund	1,239,250	0.23
20	Askold (Pvt) Ltd	1,200,000	0.23
	Total	467,010,067	87.71

Public Holding as a % of issued Share Capital	24.88%
Number of Public Shareholders	10,216

Directors' Shareholding as on 31st March 2019	
Mr. Ranjan Kumar Mohapatra	Nil
Mr. Shyam Bohra	Nil
Prof. Lakshman R Watawala	500
Mr. Amitha Gooneratne	4,800
Mr. Sanjeev K Jain	Nil

TOP 20 SHAREHOLDERS AS AT 31.03.2018

	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

Public Holding as a % of issued Share Capital	24.88%
Number of Public Shareholders	10,187

Directors' Shareholding as on 31st March 2018	
Mr Shyam Bohra	Nil
Prof.Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr Sanjeev K Jain	Nil
Mr N V N Ramsai	Nil

LIOC Share Performance at Colombo Stock Exchange (CSE)	01.04.2018 - 31.03.2019
No. of Share transactions for the year	10,451
No. of Shares traded	20,843,645
Value of Shares Traded (LKR)	604,936,930.60
Price Movements (LKR)	
Highest (Rs)	37.00
Lowest (Rs)	17.10
Closing Price	17.40
Market Capitalization (LKR Mn) (Closing Price * No.of Shares)	9,265
Float Adjusted Market Capitalisation (LKR Mn) [Compliant under Option - 5]	2,305

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
Float Adjusted Market Capitalisation (LKR Mn) [Compliant under Option - 3]	3,988

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page Number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	6	
	102-2 Activities, brands, products and services	7	
	102-3 Location of headquarters	Inner Back Cover	
	102-4 Location of operations	6	
	102-5 Ownership and legal form	Inner Back Cover	
	102-6 Markets served	76	
	102-7 Scale of the organisation	10	
	102-8 Information on employees and other workers	69	
	102-9 Supply chain	-	Not Applicable
	102-10 Significant changes to the organisation and supply chain	-	Not Applicable
	102-11 Precautionary principle	38	
	102-12 External initiatives	6	
	102-13 Membership of associations	Ceylon Chamber of Commerce Indo-Lanka Chamber of Commerce and Industry	
	102-14 Statement from senior decision maker	12	
	102-16 Values, principles, norms and standards of behaviour	83	
	102-18 Governance Structure	84	
	102-40 List of stakeholder groups	32	
	102-41 Collective bargaining agreements	38	
	102-42 Identifying and selecting stakeholders	32	
	102-43 Approach to stakeholder engagement	32	
	102-44 Key topics and concerns raised	32	
	102-45 Entities included in the consolidated financial statements	-	Not Applicable
	102-46 Defining report content and topic boundary	36	
	102-47 Material topics	36	
	102-48 Restatement of information	-	Not Applicable
	102-49 Changes in reporting	-	Not Applicable
	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	154	
	102-56 External assurance	6	
Material topics			
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	61	
	103-2 The Management Approach and its components	61	
	103-2 Evaluation of the Management Approach	61	

GRI Standard	Disclosure	Page Number	Omission
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	63	
	201-3 Defined benefit plan obligations and other retirement plans	69	
Procurement practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	92	
	103-2 The Management Approach and its components	92	
	103-2 Evaluation of the Management Approach	92	
GRI 204: Procurement practices	204-1 Proportion of sending on local suppliers	92	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	81	
	103-2 The Management Approach and its components	81	
	103-2 Evaluation of the Management Approach	81	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	81	
	302-4 Reduction of energy consumption	81	
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	82	
	103-2 The Management Approach and its components	82	
	103-2 Evaluation of the Management Approach	82	
GRI 303: Water 2016	303-1 Water withdrawal by source	82	
Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	82	
	103-2 The Management Approach and its components	82	
	103-2 Evaluation of the Management Approach	82	
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	82	
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	80	
	103-2 The Management Approach and its components	80	
	103-2 Evaluation of the Management Approach	80	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	80	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	70	
	103-2 The Management Approach and its components	70	
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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Wednesday, 19th June 2019 at 10.30 hours at the "Eagle Hall"(2nd Floor) Waters Edge 316, Ethul Kotte Road, Battaramulla, 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 2019 with the Report of the Auditors thereon.

2. To declare a first & final dividend of LKR 0.75 per share for the Financial Year 2018-19 as recommended by the Board.

3. a) To re-elect Mr Vigyan Kumar, as a Director of Lanka IOC PLC who vacates the position as per Article 27(6) of Articles of Association of the company and offers himself for re-election.

   b) To re-elect Mr D R Paranjape as a Director of Lanka IOC PLC who vacates the position as per Article 27 (6) of Articles of Association of the company and offers himself for re-election.

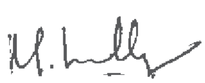
   c) To re-elect Mr Amitha Gooneratne as a Director of Lanka IOC PLC who retires by rotation as per Article 29(2) Articles of Association of the company and offers himself for re-election.

4. To re-appoint Prof.Lakshman R Watawala, who has reached the age of 71 (w.e.f 17th March 2019) and accordingly vacates his position 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, with regard to his re-appointment.

   "RESOLVED THAT the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 (the Act), shall not apply to Prof.Lakshman R Watawala, Independent Non-Executive Director who has reached the age of 71 years (w.e.f 17th March 2019) and that Prof. Lakshman R Watawala, be re-appointed as a Director of the Company, in terms of Section 211 of Companies Act No.7 of 2007.

5. 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 to authorize the Board of Directors to determine their remuneration.

By Order of the Board
Lanka IOC PLC



[Ms] Mihiri S Senaratne
Company Secretary
Lanka IOC PLC

06th May 2019
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.

You are kindly requested to refrain from carrying big bags and baggage to the hotel premises, considering the security situations of the country.

NOTES

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 Kumar Mohapatra	whom failing
Prof. Lakshman R Watawala	whom failing
Mr Amitha Gooneratne	whom failing
Mr Vigyan Kumar	whom failing
Mr D R Paranjape	

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 17th Annual General Meeting of the Company to be held on Wednesday, 19th June 2019 at 10.30 hours at the "Eagle Hall"(2nd Floor) Waters Edge 316, Ethul Kotte Road, Battaramulla, 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 for the financial year ended 31st March 2019 with the Report of the Auditors thereon.		
2. To declare a first & final dividend of LKR 0.75 per share for the Financial Year 2018-19.		
3. a) To re-elect Mr Vigyan Kumar, who vacates the position of Director		
b) To re-elect Mr D R Paranjape who vacates the position of Director		
c) To re-elect Mr Amitha Gooneratne who retires as a Director		
4. To re-appoint Prof.Lakshman R Watawala, who vacates the position of Director		
5. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Company for the ensuing year and authorize the Board of Directors to their remuneration.		

In witness I/we set my/our hand/Seal hereto on this .... day of .... 2019.

....

NIC Number Signature/s

FORM OF PROXY

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 (affiliation of Deloitte) Registrars to Lanka IOC PLC at Level 03, 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

Name of Company	:	Lanka IOC PLC
Company Registration Number	:	PQ 179
BOI Registration No.	:	2613/05/12/2002
Legal Form	:	A Public Quoted Company with Limited Liability, incorporated in Sri Lanka on 29th August 2002 under the provisions of the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007
Stock Exchange Listing	:	The Ordinary Shares of the Company are listed in the Colombo Stock Exchange
Registered Office	:	Level 20, West Tower, World Trade Center Echelon Square, Colombo 01, Sri Lanka Telephone : + 94 11 2475720 Facsimile : + 94 11 2391490
Website	:	www.lankaioc.com
Associates	:	Ceylon Petroleum Storage Terminals Limited
Board of Directors	:	Mr. Ranjan Kumar Mohapatra (Chairman) Mr. Manoj Kumar Gupta (Managing Director) - w.e.f. 20.05.2019 Prof. Lakshman R Watawala Mr. Amitha Gooneratne Mr. Vigyan Kumar - w.e.f. 12.04.2019 Mr. D. R. Paranjape - w.e.f. 12.04.2019
Company Secretary	:	(Ms) Mihiri S. Senaratne, ACIS [UK], MPA [Aust]
Registrars	:	Accounting Systems Secretarial Services (Private) Limited # 11, Castle Ln, Colombo 04
Auditors - External	:	Ernst & Young # 201, De Saram Place, Colombo 10
Auditors - Internal	:	KPMG Chartered Accountants # 32/A, Sir Mohamed Macan Mawatha, Colombo 03
Lawyers :	:	F J & G de Saram, Attorneys-at-Law # 216, de Saram Place, Colombo 10
Bankers	:	Standard Chartered Bank Deutsche Bank Citibank N.A. State Bank of India, Colombo ICICI Bank Axis Bank Bank of Ceylon People's Bank Commercial Bank of Ceylon Hatton National Bank PLC

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Lanka IOC PLC
20th Floor, West Tower, World Trade Centre,
Echelon Square, Colombo 01, Sri Lanka
Tel : +94 11 2475720
Email : info@lankaioc.com

Read this Annual Report
online at www.lankaioc.com