

POWERING THE NATION

Today, Tomorrow and Beyond



Lanka IOC

POWERING THE NATION

Today, Tomorrow and Beyond



Over the last 18 years, Lanka IOC has been powering the nation whilst traversing through a myriad of external challenges. We have played a pivotal role in Sri Lanka's business landscape fuelling the Sri Lankan Spirit.

Keeping up with the economic development of the country we have powered the nation through our vibrant channels of distribution and our diversified range of products. Driven by passion and dedication we have always moved beyond the call of duty to serve the nation with pride. As a responsible corporate citizen with a strong commitment towards sustainability, the wellbeing and the prosperity of the nation is our prime purpose.

As the nation gears to move towards its aspirational goals, we as a formidable energy provider stand firmly committed every step of the way to power the nation-today, tomorrow, and beyond.

Contents



"The year 2019-20 was a turbulent year filled with a myriad of challenges, making it a test of resilience for individuals, organizations & nations. However, LIOC was able to face these challenges admirably whilst reaffirming and strengthening its support to power the nation today, tomorrow, and beyond."



"As we approach our 18th year of operations, we look back with pride on our journey of pursuing business excellence whilst upholding the highest standards of corporate ethics. During the year, the Company traversed its way through unprecedented challenges."



Chairman's Message
Page 14

Managing Director's Message
Page 18

Vision and Mission • 3

OUR STORY

Who we are	• 4
About the Report	• 6
Year at a Glance	• 8
Financial Highlights	• 10
Performance Highlights	• 12

OUR LEADERSHIP

Chairman's Message	• 14
Managing Director's Message	• 18
Board of Directors	• 22
Senior Management	• 27

OUR INTEGRATED PERFORMANCE

Stakeholder Engagement	• 29
Materiality Matters	• 34

OUR VALUE CREATION

Our Value Creation Model	• 36
Operational Review/Sector Reviews	• 38
Financial Capital	• 46
Manufactured Capital	• 50
Intellectual Capital	• 54
Human Capital	• 59
Social and Relationship Capital	• 65
Natural Capital	• 74

CORPORATE STEWARDSHIP

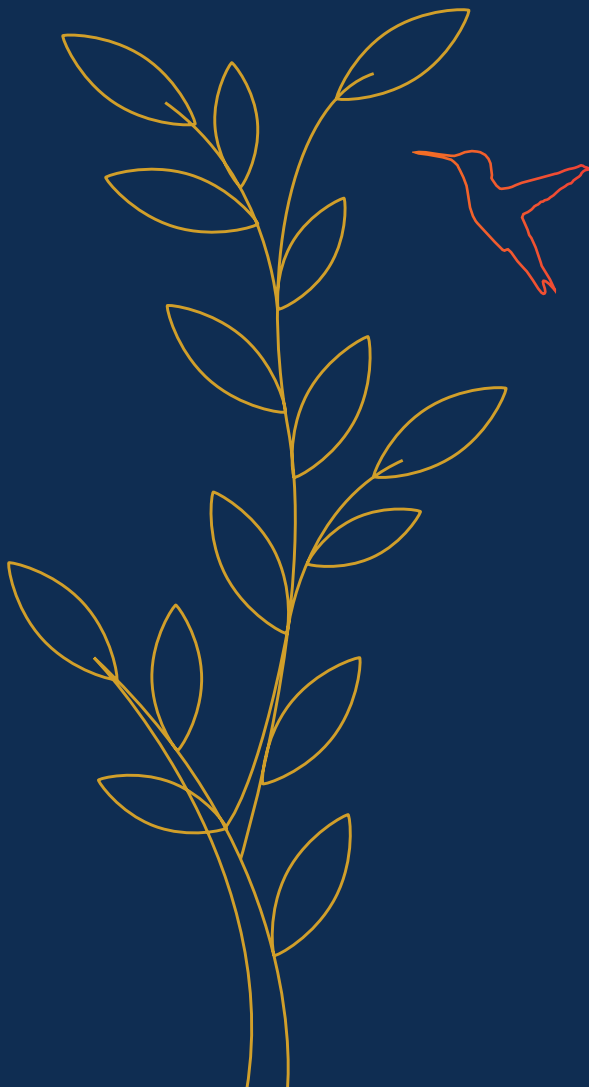
Risk Management	• 79
Corporate Governance	• 84
Annual Report of the Board of Directors on the Affairs of the Company	• 99
Report of Remuneration Committee	• 103
Audit Committee Report	• 104
Report of Risk Committee	• 106
Related Party Transaction Review Committee Report	• 107

FINANCIAL STATEMENTS

Financial Calendar	• 110
Statement of Directors' Responsibility	• 111
Chief Executive Officer's & Chief Financial Officer's Responsibility Statement	• 112
Independent Auditor's Report	• 113
Statement of Comprehensive Income	• 116
Statement of Financial Position	• 117
Statement of Changes in Equity	• 118
Statement of Cash Flows	• 119
Notes to the Financial Statements	• 120
Extents, Locations and the No. of Buildings of Lanka IOC's Landholdings	• 151
Shareholders' Information	• 155
GRI Context Index	• 159
Notice of Meeting	• 162
Form of Proxy	• 163
Corporate Information	• IBC

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.

Who we are

Lanka IOC PLC entered the Sri Lankan market in 2002. Over our corporate journey of 18 years as the country's only private sector auto fuel retailer we have established ourselves as a formidable partner in the country's socio-economic landscape by mobilizing economic activities and development with an Island-wide footprint of 208 Retail Outlets. We are also the largest provider of Bunkering facilities in Sri Lanka.

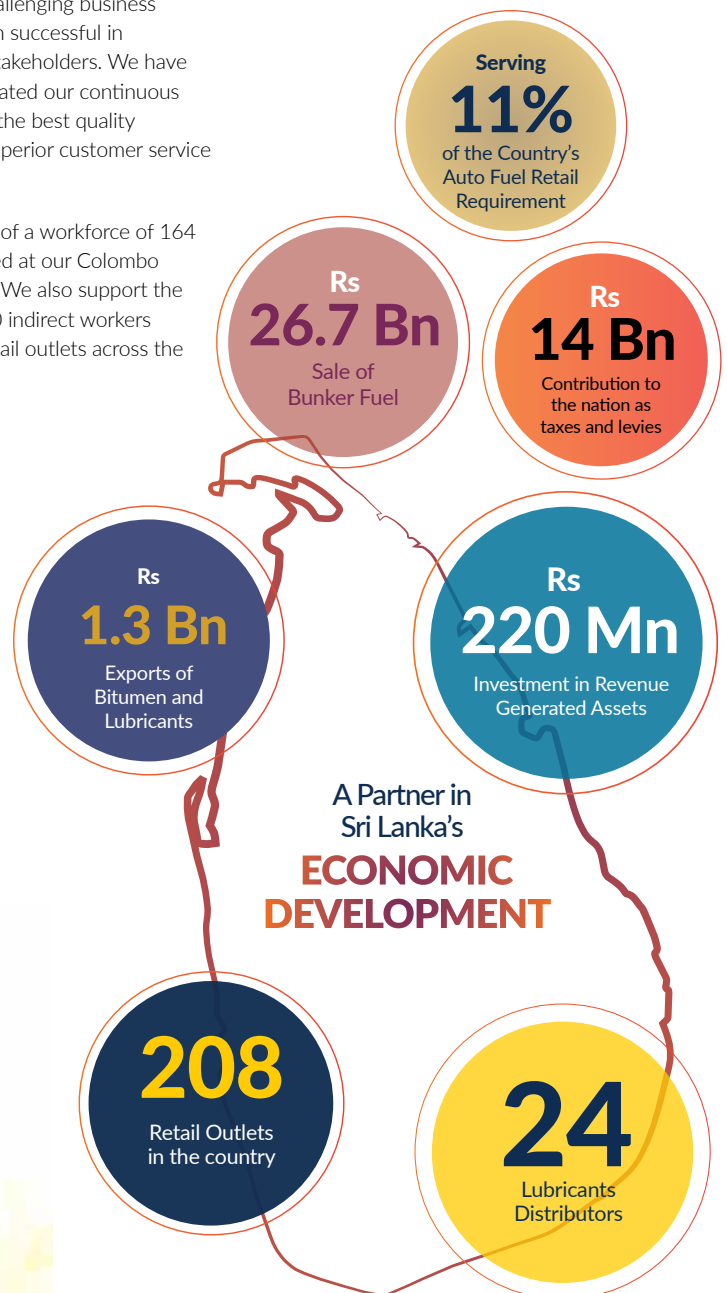
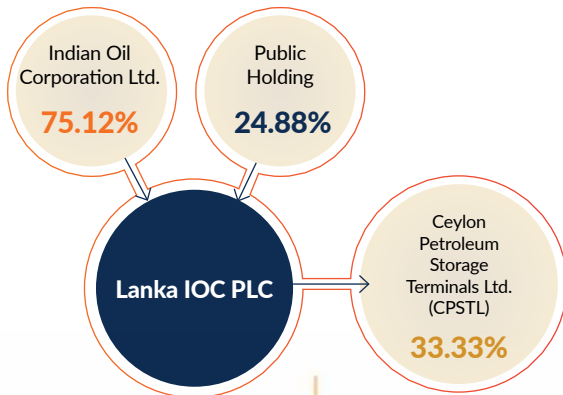
The Company is a subsidiary of the Indian Oil Corporation Ltd (IOCL), India's state-owned energy company which is the country's largest commercial enterprise with operations in 08 countries. IOCL possesses business interests straddling the entire hydrocarbon value chain

from refining, pipeline transportation, and marketing of petroleum products to exploration and production of crude oil and gas marketing of natural gas and petrochemicals. LIOC benefits from the parent entity's six decades of experience and expertise and has much to offer Sri Lanka in developing its policy framework, driving innovation, and ensuring environmental sustainability in the energy sector.









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

Our LIOC team consists of a workforce of 164 employees who are based at our Colombo and Trincomalee offices. We also support the livelihoods of over 5,000 indirect workers who are based at our retail outlets across the country.

Shareholding Structure



Key Business Verticals

Business Vertical	Positioning		
<p>AUTOMOTIVE FUELS</p> 	<p>With a market share of 11% we import and distribute Petrol and Diesel through our retail network. We also have a range of premium and branded fuels which provide enhance fuel efficiency and engine performance.</p>		
<p>LUBRICANTS</p> 	<p>As the second market player in the Lubricants sector, the SERVO brand has established its brand value. SERVO Lubricants are used for automotive, marine, and industrial applications.</p>		
<p>BITUMEN</p> 	<p>LIOC Bitumen is widely used for road paving and other industrial applications. This year we started Exports of Bitumen to Nepal in a big way.</p>		
<p>BUNKERING</p> 	<p>We are the market leader in Bunkering serving local and foreign vessels from the Colombo and Trincomalee ports.</p>		
<p>PETROCHEMICALS</p> 	<p>A segment that the Company has embarked on with much potential for future growth.</p>		



Welcome to the Fifth Integrated Annual Report of Lanka IOC PLC

This integrated Annual Report provides concise yet comprehensive information on how the company has created value for its shareholders and other stakeholders during 2019-20 in its 18th year of operations including material information relating to our operating environment, strategy, risk profile, and governance.

About the Report

We are pleased to present our 5th integrated Annual Report in line with the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The report aims to provide our stakeholders with a concise and balanced evaluation of our financial, social, and environmental performance considering the true legitimate interests of our stakeholders.

Scope and Boundary

This Report has been prepared covering the 12 months period from 1st April 2019 to 31st March 2020 in line with our annual reporting cycle. The most recent report of the Company for the year ended 31st March 2019 is available on our website: <http://www.lankaio.com>. There are no significant changes from the previous reporting periods in the scope and topics boundaries.

The Report provides detailed information of our financial and non-financial performance to

inform stakeholders of the progress that has been made during this period. The financial and non-financial information presented in this Report mainly includes that of the Company's operations in Trincomalee and its retail outlets. Accordingly, in addition to the financial statements, the Report also contains detailed information on the Company's value creation process, vis-a-vis our business model and our strategy and resource allocation processes. It also examines the key risks facing the Company in the context of the current operating environment and discusses the stewardship of risk and governance to provide the foundation for consistent value creation.

Materiality Determination

We apply the principle of materiality in assessing what information is to be included in this integrated report. Matters deemed material are those that can affect our value creation capacity. Pages 34-35 of this report outlines the material aspects relevant to Lanka IOC PLC.

Reporting Suite

Financial Reporting	<ul style="list-style-type: none"> Sri Lanka Accounting Standards issued by CA Sri Lanka (SLFRS/LKAS).
Regulatory Reporting	<ul style="list-style-type: none"> Companies Act No. 07 of 2007. The Code of Best Practice for Corporate Governance jointly issued by the SEC and the Institute of CA Sri Lanka. Continuing Listing Requirements of the Colombo Stock Exchange and subsequent changes till 2019-20. Code on best practice on related party transactions by the SEC.
Integrated Reporting	<ul style="list-style-type: none"> International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework consisting of the six capitals model.
Sustainability Reporting	<ul style="list-style-type: none"> Global Reporting Initiative (GRI) Sustainability Reporting Guidelines "In accordance Core" option. The United Nations Sustainable Development Goals (SDGs).

Guiding Concepts

<p>COMPLETENESS</p> <p>All material items are disclosed.</p>	<p>CONNECTIVITY</p> <p>Enhancing referencing through navigational icons to show the path of reporting.</p>	<p>FINANCIAL STATEMENTS:</p> <p>Showing the financial position of the Company of which conformity is assured by M/s. Ernst & Young Chartered Accountants.</p>
<p>CONSISTENCY</p> <p>Information is presented in a manner to show comparisons between different periods of time.</p>	<p>COMPREHENSIVE</p> <p>Strived to highlight all relevant information and the impact to business.</p>	

Navigation Business line Icons



Auto Fuels



Lubricants



Bunkering



Bitumen



Petrochemicals

Forward-Looking Statements

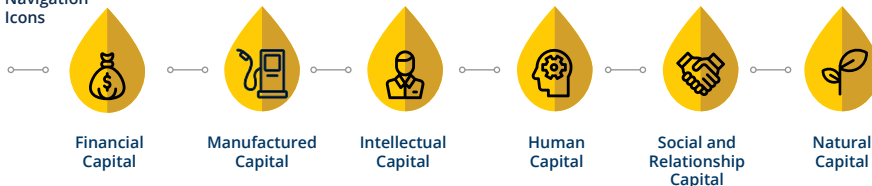
Certain statements mentioned in this Report may constitute as forward-looking. Such statements involve known and unknown risks, uncertainties, and other important factors that could cause the actual results, performance, or achievements of the company to be materially different from the future results, performance, or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events.

Board Responsibility

The Board of Directors of Lanka IOC PLC acknowledges its responsibility for ensuring the integrity of this integrated report. The Board confirms that it collectively reviewed the report's contents in conjunction with the assurance Reports obtained from our various internal and external assurance providers, including assessments on risk and internal controls.

Accordingly, the Board is of the view that this Integrated Annual Report 2019-20 addresses all the issues that are material to its ability to create value and thereby provides an accurate assessment of the Company's performance for the financial year ended 31st March 2020.

Navigation Icons



Feedback

Recognizing the evolving nature of integrated reporting we welcome your feedback and suggestions on the Annual Report addressed to the Company Secretarial Department:

Company Secretary
 Level 20, West Tower,
 World Trade Center,
 Echelon Square, Colombo 01.
 E mail: companysecretary@lankaioec.com



Printed Integrated Annual Report



PDF



Scan the QR Code with your smart device to view this report online.

Year at a Glance

2019-20



National Merit Award"-CNCI Achiever from the Ceylon National Chamber



Bronze Award under Power and Energy Sector for Best Annual Reports award conducted by CA Sri Lanka



First physical bunker supplier to import the IMO 2020 compliant Low Sulphur Fuel Oil (LSFO) at Trincomalee



Commissioned 2 new Retail Outlet during the year



Appointment of 5 New Lubes Distributors



Best integrated Annual Report" under Power and Energy Sector and among the Top 10 Integrated Report- "CMA Excellence Awards-2019"



Commissioning of 110 new SERVO Shops



First Bitumen Consignment export to Nepal



Solarization of further 9 retail outlets for promoting renewable source of energy



To enhance look and feel Retail Visual Identity (RVI) at further 47 retail outlets



First Lubricants Consignment was exported to Sultanate of Oman



Automation of 5 more retail outlets to enhance operational and customer excellence



10 ATMs added during the year at retail outlets for customer convenience



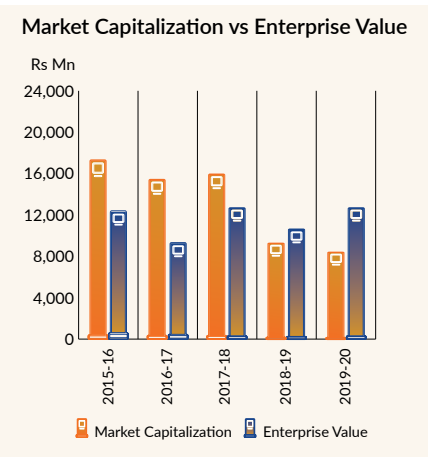
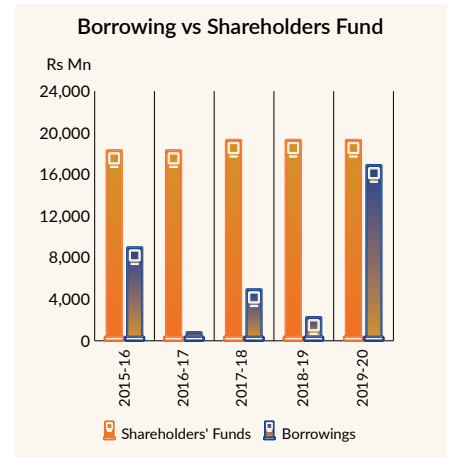
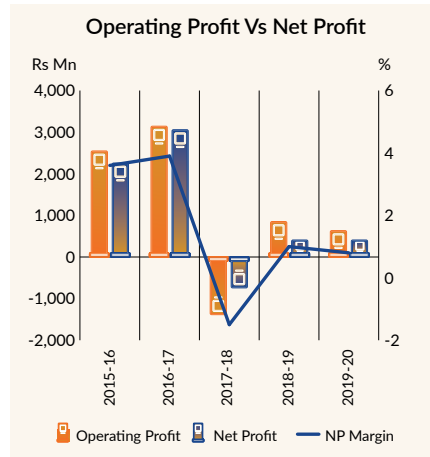
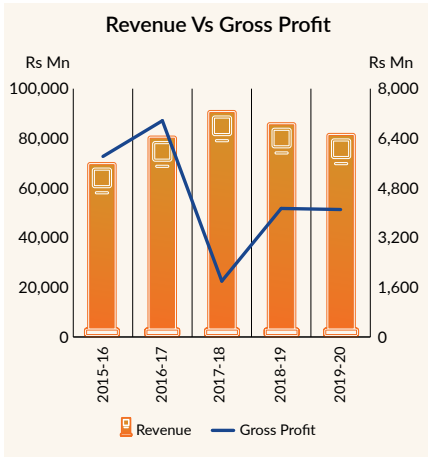
Added 2 more Electric Vehicle charging facility at strategically located Retail Outlet



SMS based Petrol Sales promotion campaigns

Financial Highlights

	Metric	2019-20	2018-19	2017-18	2016-17	2015-16
Operating Results						
Revenue	Rs Mn	81,947	86,322	91,343	81,039	71,306
Gross Profit	Rs Mn	4,106	4,141	1,800	6,968	5,817
Earnings Before Interest(Operating Profit)	Rs Mn	635	854	(1,385)	3,148	2,550
Net Profit/(Loss) Before Tax	Rs Mn	599	331	(776)	3,601	2,675
Income Tax	Rs Mn	(177)	73	32	(535)	(436)
Net Profit/(Loss) After Taxation	Rs Mn	422	403	(744)	3,065	2,239
Dividends	Rs Mn	399	346	666	666	532
Capital Employed						
Stated Capital	Rs Mn	7,576	7,576	7,576	7,576	7,576
Revenue reserves (Retained earnings)	Rs Mn	11,870	11,851	11,793	13,214	10,809
Shareholders' Funds (Total equity)	Rs Mn	19,446	19,427	19,369	20,790	18,385
Interest bearing Borrowings- Short term	Rs Mn	16,955	2,327	5,018	886	2,203
Other Short term Liabilities	Rs Mn	3,285	6,484	8,552	3,640	4,325
Total Current Liabilities	Rs Mn	20,239	8,811	13,570	4,526	6,528
Asset Employed						
Non-current assets	Rs Mn	9,610	9,694	9,445	9,290	9,225
Current assets	Rs Mn	30,149	18,551	23,514	16,204	15,843
Total assets employed	Rs Mn	39,760	28,245	32,959	25,494	25,068
Key Ratios						
Earning Per Share	Rs	0.79	0.76	(1.40)	5.76	4.21
GP Ratio	%	5%	5%	2%	9%	8%
Operating Profit Margin	%	1%	1%	(2%)	4%	4%
Net Profit Ratio	%	0.5%	0.5%	(1%)	4%	3%
ROE	%	2%	2%	(4%)	15%	12%
Net Assets Per Share	Rs	36.52	36.49	36.38	39.05	34.53
Dividend per share	Rs	0.75	0.65	1.25	1.25	1.00
Equity to total assets ratio	%	49%	69%	59%	82%	73%
Dividend cover (Paid Basis)	Times	1	-	4.6	3.4	3.5
Dividend Payout (Paid Basis)	%	99%	-	22%	30%	28%
Dividend Yield (Paid Basis)	%	4%	2%	4%	4%	2%
Price Earning Ratio (P/E)	Times	20	23	-	5	8
Price to book value	Times	0.4	0.5	0.8	0.7	0.9
Current Ratio	Times	1.5	2.1	1.7	3.6	2.4
Quick Assets Ratio	Times	0.8	0.5	1.0	2.5	1.3
Turnover to capital employed	Times	2	4	4	4	3
Interest cover	Times	1.3	4.1	-	38.6	38.1
ROCE	%	2%	4%	(6%)	15%	12%
Debt/Equity	%	87%	12%	26%	4%	12%
Debt/Total Assets	%	43%	8%	15%	3%	9%
Price Movement Rs						
Market Value Per Share (Highest)	Rs	19.40	37.00	35.40	42.90	44.20
Market Value Per Share (Lowest)	Rs	14.50	17.10	25.80	27.70	29.00
Last Traded Price Record	Rs	15.80	17.40	30.10	29.00	32.50
Market Capitalization	Rs Mn	8,413	9,265	16,027	15,442	17,305
Enterprise Value	Rs Mn	12,656	10,647	12,638	9,353	12,395



REVENUE (Rs)

81.95 Bn

GROSS PROFIT (Rs)

4.11 Bn

NET PROFIT (Rs)

422 Mn

SHAREHOLDERS' FUNDS (Rs)

19.4 Bn

MARKET CAPITALISATION (Rs)

8.4 Bn

LAST TRADED PRICE (Rs)

15.8

NET ASSETS VALUE PER SHARE (Rs)

36.5

EARNINGS PER SHARE (Rs)

0.79

DIVIDEND PER SHARE (Rs)

0.75

Performance Highlights

	Metric	2019-20	2018-19	2017-18
Financial Performance				
Revenue	Rs Mn	81,947	86,322	91,343
Operating profit	Rs Mn	635	854	(1,385)
Profit before tax	Rs Mn	599	331	(776)
Profit after tax	Rs Mn	422	403	(744)
Return on equity (%)	%	2%	2%	(4%)
Return on capital employed (%)	%	2%	4%	(6%)
Financial Stability				
Total assets	Rs Mn	39,760	28,245	32,959
Total liabilities	Rs Mn	20,314	8,817	13,590
Shareholders' funds	Rs Mn	19,446	19,427	19,369
Cash and Cash Equivalent	Rs Mn	12,711	945	8,407
Total debt	Rs Mn	16,955	2,327	5,018
Shareholder information				
Earnings per share	Rs	0.79	0.76	(1.40)
Dividends per share (Paid Basis)	Rs	0.75	0.65	1.25
Net asset value per share	Rs	36.52	36.49	36.38
Market price per share (MPS)	Rs	15.8	17.4	30.1
Market capitalization	Rs Mn	8,413	9,265	16,027
P/E ratio	Times	20	23	-
Dividend pay out (Paid Basis)	%	99%	-	22%
Economic Value Added	Rs Mn	19	58	(1,422)
Strategic Priority: Operational Excellence				
Retail Outlets	Nos	208	208	207
Capital expenditure	Rs Mn	220	449	522
Strategic Priority: Investing In People				
Total employees	Nos.	164	172	172
Female representation	Nos.	24	24	23
Payments and benefits to employees	Rs Mn	581	542	470
Employee attrition rate	%	3	2	3
Investment in training	Rs Mn	<1	<1	<1
Total training hours	Hours	851	332	927
Average training hours/employee	Hours	5	2	5
Workplace injuries	Nos.	Nil	Nil	Nil
Revenue per employee	Rs Mn	500	502	531
Net profit (Loss) per employee	Rs Mn	3	2	(4)
Indirect employees (approx.)	Nos.	5,000	5,000	5,000
Customer touch points	Nos.	736	621	582
Investment in CSR	Rs Mn	<1	<1	6
No. of CSR beneficiaries (approx.)	Nos.	1,000	1,000	6,000
Contribution to exchequer	Rs Mn	14,435	21,284	29,045
Strategic Priority: Sustainability				
Energy consumption	Kwh	404,645	451,383	480,605
Water consumption	KL	54,569	49,264	43,165
Sludge Disposal	KL	20.5	4.5	10.8

LIOC is a catalyst in the energy security of the country. We serve with dedication by being relevant and competitive to create sustainable value for our stakeholders.



OUR LEADERSHIP ↻



Chairman's Message

"The year 2019-20 was a turbulent year filled with a myriad of challenges, making it a test of resilience for individuals, organizations & nations. However, LIOC was able to face these challenges admirably whilst reaffirming and strengthening its support to power the nation today, tomorrow, and beyond."

Dear Shareholders,

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

It is my privilege to present the 5th integrated Annual Report and financial statements for the financial year 2019-20. The year 2019-20 was a turbulent year filled with a myriad of challenges, making it a test of resilience for individuals, organizations & nations. However, LIOC was able to face these challenges admirably whilst reaffirming and strengthening its support to power the nation today, tomorrow, and beyond. In doing so, we have proven that even in difficult times, we continue to serve with unstinted dedication by being relevant and competitive, creating sustainable value and rewarding our shareholders.

Global Economic Context

The global economy recorded its lowest growth of the decade in 2019, falling to 2.3% due to protracted trade disputes and a slowdown in investments. The year was characterized by geopolitical tensions and stress in key emerging market economies affecting global economic output, especially in the manufacturing and trade sectors.

The global lockdown triggered by the COVID-19 pandemic pushed the oil industry into a state of flux with crude oil prices plunging to negative levels. The lockdown forced factories to shut down affecting global supply chains.

Oil demand displayed progressive weakening from early 2020 which was exacerbated by the growing structural oversupply caused by a struggle for market share between Russia and OPEC followed by global lockdown. These two factors culminated in driving oil prices to the lowest in the last three decades. Subsequent production cuts by OPEC, Russia, and other producers had a relatively modest impact on overall oil price levels.

The World Bank notes that "COVID-19 has delivered an enormous global shock, leading to steep recessions in many countries. The baseline forecast envisions a 5.2% contraction in global GDP in 2020-the deepest global recession in decades."

Sri Lankan Economic Context

The Sri Lankan economy faced two black swan events in the financial year 2019-20 commencing with the Easter Sunday attack and the COVID-19 pandemic which dramatically altered the business environment in the first and last quarter of 2019-20. As the country moved into the third quarter with political changes, a plethora of fiscal and monetary reforms were introduced. The new administration announced a growth stimulus package in December 2019 combining tax cuts which boosted business sentiment. The economy saw a subdued growth level of 2.3% in real terms in 2019 compared to growth level of 3.3% in 2018. Per capita income declined from USD 4,079 in 2018 to USD 3,852 in 2019. Household consumption grew by 2.9% whilst there was a rise in inflation levels from 2.8% to 4.8% in 2019 mainly due to restricted food supply.

The country's tourism sector was affected by the closure of the border for foreign passenger arrivals since mid-March, combined with global travel restrictions. Further, export revenues have been affected due to lower demand for exports, combined with the loss of revenue last year following the Easter Sunday attacks. The drop in global travel resulted in job losses both in the formal tourism sector as well as ancillary informal services. These factors have moved the country towards a dual crisis both in health and economic fronts.

The economic implications of COVID-19 are unprecedented for countries like Sri Lanka whose economic backbone is made up of micro, small, and medium-sized enterprises (MSMEs); is dependent on export revenue for foreign currency generation; and manages a critical debt and fiscal crisis. Such economies are particularly vulnerable and exposed to post COVID-19 effects.

Resilient Performance

During the year under review, the Company achieved a profit after tax of Rs 422 Mn which reflects a moderate gain of around 5% compared to Rs 403 Mn achieved in the previous year. The Company's net profit before tax increased significantly during the year to Rs 599 Mn from Rs 331 Mn in the previous year. This positive performance was driven by the Company's strategic focus on diversifying its operations from the auto-fuel segment to the high-yielding Bunkering, Lubricant and Bitumen segments that drove growth in both business volumes and margins. During the year, the Company commenced the export of Bitumen to Nepal. This enabled the Company to strike a balance by managing its profitability levels and offsetting the impact of the negative sales margins generated from the auto-fuel segment and the general business downturn experienced in the backdrop of subdued market conditions.

LIOC's revenue declined by 5% to Rs 81.95 Bn, caused by reduced sales volumes in auto-fuels owing to price differentials maintained in the selling price of Petrol and Diesel to curb the under-recoveries. During the year under review, the Gross Profit of the Company declined marginally to Rs 4.11 Bn from Rs 4.14 Bn in the previous year. This is mainly due to the under-recoveries on the sale of Petrol and Diesel

Chairman's Message

"We will continue to forge ahead fueling the aspirations of the nation by empowering and uplifting all stakeholders with an unwavering commitment to deliver value as the country braces its way forward to the 'new normal' phase."

which was offsetted to a greater extent by the positive margin generated from other segments.

During the year finance income of the Company was Rs 942 Mn which was achieved through efficient treasury and portfolio management strategies.

Enhancing Customer-Centricity

Customers are at the core of our thinking. We have over the years taken proactive steps to enhance our customers' evolving needs and aspirations. During the year we have automated our retail outlets and increased the 'Dialog Touch Card' holders enabling customers to benefit from a seamless and speedy service at our fuel stations. This will enable us to build a strong relationship with our customers whilst increasing customer loyalty.

LIOC invested significantly in enhancing the Retail Visual Identity of its retail outlets' network and introduced several other value-added benefits such as ATMs, e-kiosk, EV charging,

etc., which helped in improving the customer experience.

We also recognized the value in building our relationships with our channel partners by enhancing our procurement and logistical processes. This year we introduced the SMS indenting system which ensures that orders are processed speedily and efficiently. We have also launched an online platform to access e-ledger for our channel partners.

Engaging with the Community

As a responsible corporate citizen, LIOC has moved swiftly by reaching out to communities in times of need. During the COVID-19 pandemic, we ensured the safety of those who were in the front lines at the critical hour of need by donating safety masks, sanitizers, and essential food provisions. We contributed Rs 5 Mn to the COVID-19 Healthcare and Social Security Fund and donated Rs 1 Mn to our associate company, M/s CPSTL, for the distribution of sanitizers.

Besides above, various CSR activities were undertaken to empower and enhance the lives of the underprivileged community. Environment protection is another such key area where Lanka IOC is taking steps for the sustainability development and in this regard tree plantations and beach cleaning programs are regularly being undertaken by the company.

Sustainability

LIOC is deeply committed to ensure that its business is built on a sustainable business platform. We have been constantly educating our customers on the environment friendly fuels introduced by LIOC. It is encouraging to note that despite the challenging industry landscape, we achieved commendable volume growth of 28% in XtraMile Diesel and 0.2% in XtraPremium Euro III Petrol.

As we expand our geographical footprint, we have ensured that our retail outlets are built on green and eco-friendly features. During the year, Roof top solar power generating panels were installed at further 9 retail outlets thereby making total 14 retail outlets generating solar power for their use and transmission of balance generated power to the national grid. Our commitment to promote an environment-friendly energy platform across the country has propelled us to provide our customers with Electric Vehicle Charging points within our fuel stations. Our electric vehicle charging stations encompassed all three aspects of a sustainable future, the Community, Customer and Environmental impacts.

Your company intends to install more such electric charging stations & roof top solar power panels in coming years. It reflects Lanka IOC's commitment to contribute in reduction of carbon footprint as well as its future orientation.

LIOC was the first Bunkering oil provider to convert swiftly to low sulfur Bunkering oil – IFO 0.5% at Trincomalee complying with the International Maritime Organization (IMO) guidelines. This changeover will significantly reduce sulfur emissions from ships thereby minimizing any adverse environmental impacts.

Environmental safety and preserving our natural resources are a high priority for LIOC. During the year 2019-20, we invested on oil spill



Chairman addressing on 17th Annual General Meeting

equipments to mitigate the adverse impact of a potential oil spill. These equipments will be used for any adverse eventuality and will be a potent force in preserving marine life. We have in place an Oil Spill Contingency Plan (OSCP) which has been duly approved by the Marine Environment Protection Authority (MEPA).

Awards and Accolades

The Company's relentless passion to drive excellence in all frontiers is reflected in the awards and accolades bestowed on LIOC. The LIOC brand was ranked at the 34th place within the 'Top 100 Consumer Brands' in Sri Lanka with an A- rating and brand value of Rs 3.48 Bn. Your Company received the CNCI Achiever Merit award by the Ceylon National Chamber of Industries. Over the years we have steadily progressed to raise the bar in integrated reporting and corporate governance standards which have resulted in our Annual Report being recognized with a Bronze Award in the Energy sector at the CA Sri Lanka Annual Report Awards and the 'Best Integrated Report Award' at the CMA Excellence Awards.

Dividend

The Board of Directors has proposed a final dividend of Rs 0.75 per share to be approved at the AGM scheduled on 3rd November 2020.

Key Areas of Concern

Over the years, LIOC has demonstrated an unequivocal commitment to work in tandem with the progress of the country. However, the Company has faced many challenges due to under-recoveries in the auto-fuel segment over the years. As the oil prices plunged to its deepest levels in March 2020, the Government increased the Customs Import Duty and imposed a new levy namely surcharge on the import of finished products which came into effect from 14th March 2020. The Company's final quarter performance was negatively affected as the products demand reduced in the backdrop of the pandemic, and the Company was also faced with constraints such as declining oil prices, depreciation of the Sri Lankan Rupee, payment delays due to constrained cash flows.

Going forward, we anticipate a robust oil pricing mechanism linked to market prices which will infuse a degree of stability to the

industry and will enable us to plan strategically. The retail selling prices of auto fuels in Sri Lanka are very low as compared to the prices in the neighboring countries. The appropriate pricing mechanism will not only be beneficial for all the stakeholders but also for the overall 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. Higher imports also lead to depreciation of currency.

Way Ahead

With the oil and gas industry currently locked into a cycle of oversupply, low prices and volatility, the economic downturn induced by the COVID-19 crisis is likely to deal with a major blow to many companies. Although the global economy will eventually recover, the oil industry is likely to be faced with over supply, prolonged reduced demand triggered by lower economic activity and growing pressures to use greener energy sources.

We will continue to forge ahead fueling the aspirations of the nation by empowering and uplifting all stakeholders with an unwavering commitment to deliver value as the country braces its way forward to the 'new normal' phase.

Considering the uncertainties involved in Auto Fuel segment related to pricing & profitability, 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.

The works for the proposed Grease Plant in Trincomalee are already in progress & is expected to be completed by end of 2020. This strategic investment will benefit the country by generating foreign exchange savings by manufacturing the requirement locally. The infrastructure development which is proposed will certainly augur well for LIOC with increased demand for petroleum products.

As the country gears itself to move forward following the changes in the socio-political environment with optimism, LIOC will be a steadfast partner and a formidable energy provider to the nation today, tomorrow, and beyond.

Acknowledgements

The performance of the company is delivered by our people who are our greatest assets given their enthusiasm, hard work and passion. I extend my gratitude to our LIOC team who perform with spirited enthusiasm and commitment to reach our business objectives.

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 extend my appreciation to members on the Board for their wise counsel and strategic direction during a dynamic and volatile business environment.

I am also thankful to Government of Sri Lanka for their continuous support to the Company.



Ranjan Kumar Mohapatra
Chairman



Managing Director's Message

"As we approach our 18th year of operations, we look back with pride on our journey of pursuing business excellence whilst upholding the highest standards of corporate ethics. During the year, the Company traversed its way through unprecedented challenges."

Dear Shareholders,

I am pleased to present the 5th Integrated Annual Report and the Financial Statements of Lanka IOC PLC for the financial year ended 31st March 2020.

As we approach our 18th year of operations, we look back with pride on our journey of pursuing business excellence whilst upholding the highest standards of corporate ethics. During the year, the Company traversed its way through unprecedented challenges. Yet, we proved our strength and resilience displaying progress not only in financial performance but in multitude of business parameters whilst delivering value to our stakeholders. This success is largely attributable to our strategic foresight and guidance from our parent Company which has geared our company to be agile and relevant in a volatile business environment.

Contributor to Energy Security

Lanka IOC has always been a formidable contributor to the nation's energy security. During the COVID-19 pandemic, we demonstrated our unwavering commitment to the nation by extending our unstinted cooperation. As always, we stood steadfast with the Government's mission, together with the support and dedication of our channel partners and employees. Our retail outlets remained open during the lockdown despite the curfew and health concerns as a pillar of support to the Government and private establishments. Thereby, we ensured continuity of the support systems for essential services of transport of essential goods, food items, agricultural supplies, medicines, and essential service workers.

Global and Local Context

The challenging operating environment provides a context to a meaningful review of the performance of the Company. The financial year commenced with the Easter Sunday attack and culminated with the COVID-19 pandemic which had a global and local impact. This factors had a major economic impact across the tourism, construction, and hospitality sectors accelerating the sluggish growth levels of the economy and dampening business confidence.

The global crude oil prices of Benchmark Brent were unstable during the year. The pandemic and the ensuing global economic shutdown caused oil prices to slide steeply. Brent crude oil prices came down from around USD 76 per bbl to the level of USD 23 per bbl. Gasoline prices & Gas oil prices also followed the same pattern.

During the year under review, the monthly fuel price formula, which was in force, was discontinued with effect from November 2019. Subsequently, with the oil prices displaying a declining trend from March 2020, the Government introduced a new levy in the form of a surcharge on imported Petroleum products.

During the year, the Sri Lankan Rupee depreciated sharply by 8% against the US Dollar from Rs 175.31 to Rs 189.73 by the end of the financial year. Due to this, the Company suffered an exchange fluctuation loss of Rs 478 Mn on account of an unhedged portion of USD denominated import loans. This loss was, however, lower in comparison to the loss of Rs 745 Mn in the previous year.

These changes had a direct effect on the Company's financial position as it grappled with a multitude of other challenges in many

fronts caused by the lockdown such as the low demand delay in payments, and deteriorating cash flow position.

Performance Against a Challenging Backdrop

LIOC delivered a profit after tax of Rs 422 Mn for the financial year, an improvement around 5% over the performance of the previous year, amidst numerous challenges and volatile business environment including the Easter Sunday attacks, the fall out of the COVID-19 pandemic and the adverse currency movement.

Company's first quarter performance was significantly affected due to disruption of business activity which led to a loss of Rs 239 Mn. The Company's performance rebounded in the 2nd quarter of 2019-20 which resulted in the Company recording a profitability of Rs 768 Mn upto December 2019. However, the COVID-19 outbreak and the subsequent lockdown of the economy significantly affected the 4th quarter business performance which resulted in a loss of Rs 346 Mn.

The Company, over the years has pursued a strategy of product diversification by optimizing its product mix by venturing into Bitumen, Petrochemicals, Lubricants and Bunkering operations to support its main product. Bitumen and Petrochemicals recorded a top line growth of 16% and 69% respectively during the year. Revenue from Lubricants declined by 5% during the year, due to intense competition & disruptions due to Easter Sunday attacks & pandemic situation. However, despite adverse market condition in the later part of the year, the Bunkering division achieved a volume growth of 16% while achieving top line growth of 28% mainly due to the Company gaining a competitive advantage with the introduction of LSFO from January 2020 in line with IMO regulations.

Presently, auto fuel accounts for approximately 62% of revenue compared to 70% in year 2018-19. Due to continuous price differential in Auto Fuel, the overall segment's revenue has shown a negative growth of 17%. However, commendable performance is evident in turnover levels of premium fuels signifying a growth in the conversion ratio. Overall, the Company's reliance on Auto-Fuels declined in comparison to the previous year, reflective of the Company's diversification strategies to pursue growth in other segments.

Managing Director's Message

"In line with our corporate vision we operate with a strong environment conscience playing a national role in oil security. Hence, aligning with our vision, we invested in several projects to reinforce our commitment to sustainability.."

The Company's finance income was Rs 942 Mn which was achieved through effective treasury and portfolio management. Consequently, the Company's short-term assets increased by 63% to Rs 30.15 Bn which was mainly attributable to the increase in short-term investments.

The business externalities faced by the Company particularly in the final quarter, during the last 40 to 45 days leading to the final quarter, have completely realigned our balance sheet. This is a reality faced by most corporate entities across the globe including Sri Lanka. However, we are looking ahead with cautious optimism to work on meeting the future challenges with dynamism and resilience.

Our Strategic Path

LIOC is always focusing on customer service through digitalization and improved forecourt management at our retail outlets. In this path, we have introduced automation and cashless mode of transactions at our retail outlets to enhance operational and customer service excellence. The enhanced automated system ensures that the correct quantity is pumped, thereby improving customer confidence and elevating overall experience.

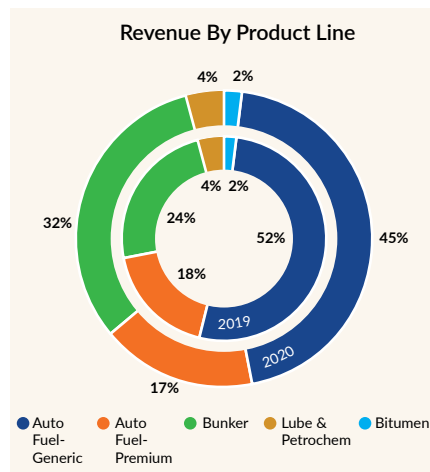
As a part of our digitalization initiative, we have launched a mobile based SMS indenting system for placing of orders by retail outlets. This has improved the efficiency levels by reducing lead times due to reduction of manual intervention. Dealers get the order confirmation instantly as a timely information for execution of indents.

Over the years, we have been pursuing a strategy of building non-fuel revenue streams. Several initiatives have been introduced such as the installation of EV charging stations, ATMs, e-commerce kiosks and digital screens that are deployed for advertising at retail outlets. With these efforts non-fuel revenue growth increased by 40% in comparison to the previous financial year.

During the year we appointed five new distributors for Lubricants and opened 110 SERVO Shops extending our reach to 24 Lubricant distributors and 450 SERVO Shops across the island. We expanded our market reach by appointing a Bitumen distributor in Nepal and commenced exports during 2019-20.

Other Strategic Investments

LIOC shall be the first company to start manufacturing Grease locally by the end of 2020. This is in line with the Government's Policy for Import Substitution. Presently, the country's Grease product requirement is met from imports. The new Grease plant provides a cost advantage against imported Grease, thus offering immense prospects of expanding our sales volumes. This would also conserve foreign exchange whilst creating employment opportunities and generating revenue to the Government through value addition.



Commitment to Sustainability

LIOC has over the years consistently demonstrated its commitment towards environment friendly initiatives. With the International Maritime Organization (IMO) guidelines on the introduction of low sulphur Bunkering fuel IFO 0.5% with effect from January 2020, LIOC moved ahead and became the first Bunkering operator in Trincomalee to implement this transition. The changeover to LSFO will significantly reduce Sulphur oxide emanating from ships by minimizing negative health and environmental impacts across the globe. During the year, we upgraded our tank and pipeline infrastructure to gear ourselves to the Bunkering of low sulphur Bunkering fuel IFO 0.5%, thus, gaining a competitive advantage.

In line with our corporate vision we operate with a strong environment conscience playing a national role in oil security. Hence, aligning with our vision, we invested in several projects to reinforce our commitment to sustainability and promoting sustainable energy.

During the year we completed the solarization in 9 more retail outlets as part of our focus on achieving sustainable growth and business operations. Thereby, we have been successful in minimizing the electricity costs of our retail outlets by moving into a sustainable source of energy.

We added 2 more electric vehicle charging stations to our retail network in strategic locations across the island. This is a strategic response to the market trend of increasing number of EVs in the country. This certainly gives us the first mover advantage as all other EV charging stations are run by smaller operators, with little access to a ready network of strategic locations across the nation.

Stakeholder Centricity

We need to continuously innovate to be able to expand and grow. We continue to engage with our wide circle of stakeholders to deliver long-term value, including aspects such as the environment.

We are continuously focused on delighting our customers by enhancing the customer experience at our retail outlets. We aimed at enhancing the capabilities of pump attendants through capacity building and all other support necessary for staff at the retail outlets as we



Contribution to COVID-19 Fund handed over to Hon'ble Prime Minister

consider motivating them as paramount, in order to deliver superior customer service.

We strongly believe that an empowered team of employees underpin growth and value creation. We are committed to provide our employees with attractive remuneration packages, safe and healthy work environment and opportunities for career development. Over the years, LIOC has been recognized as a preferred employer of choice in the industry which is a testament of our sound management.

As a responsible corporate citizen, we reach out to the community in times of need. We extended our support to the Government's COVID-19 relief efforts and contributed Rs 5 Mn to the "COVID-19 Healthcare and Social Security Fund". We donated Rs 1 Mn to our associate company (CPSTL) for distribution of sanitizers. We took part in many other relief initiatives and corporate social responsibility initiatives during the year under review.

Way Ahead

As the health and human toll increased, the economic ramifications of COVID-19 are already evident and represents the largest economic shock the world has experienced in decades. It is likely to impact the global economic growth in 2020 and beyond. With the Government successfully managing the COVID-19 pandemic it is now moving towards a resurgence of economic activities whilst introducing new policies and framework under the new regime. We are confident that this would pave the way for economic revival and recovery in all sectors of the economy.

The current business climate of unprecedented volatility, uncertainty, and upheaval is challenging the business plans and models forcing corporates to reset its perspectives on How "doing business" will look in the future. We at LIOC look forward to chart our strategies in an agile manner in line with the evolving market realities. We will continue our strategy of focused growth through diversification to broad base sources of revenue. Bunkering and Lubricants will be a key source of revenue growth whilst building market share in these segments will be a strategic priority. We will also continue to develop export markets to increase earnings in foreign exchange, supporting bottom line growth.

We believe that fuel is strongly correlated to the energy dependence of the people of the country. We will continue to collaborate with the government to reach a consensus on a fair and equitable fuel pricing mechanism in the interest of all stakeholders. We strongly believe that this will provide a strong foundation not only for the Company's future stability but will also spur the growth of the nation as well.

Appreciation

I take this opportunity to express my sincere appreciation for the guidance and strategic insights extended by the Chairman and the Board of Directors. Their trust in me and the entire senior management team of LIOC is greatly appreciated. I also thank my strong senior management team who worked tirelessly along with me to ensure that LIOC provided an uninterrupted supply of products to our customers during the critical and difficult

periods. Team spirit and unstinted commitment helped us deliver a strong strategic response to all the challenges faced by us.

More than seven months into this global pandemic, Sri Lanka has successfully controlled and proactively managed the COVID-19 pandemic. We extend our gratitude to the Tri-Forces, Police, health services and the frontline personal who served with tireless dedication during the pandemic.

During the lockdown period, our retail outlets were open serving with fortitude at a critical phase forming a solid bedrock of support. I thank all our teams at retail outlets and our channel partners for their dedication, continued support, and commitment displayed amidst challenging times and the cooperation in implementing changes that uplift our service standards, driving mutual growth.

The dedication and passion of our employees was crucial to our success, and I would like to thank all our employees for their vital contributions.

We would like to express our sincere gratitude to the Government and its implementing agencies, including the Ministry of Energy and the Ministry of Finance for their continuous cooperation and support extended to the Company in fulfilment of national energy requirement.

I extend a warm thank you to our loyal customers and shareholders of LIOC for placing their confidence in us. The entire LIOC team look forward to their continuing support in the future.

Manoj Gupta
Managing Director

Board of Directors



MR AMITHA GOONERATNE
Independent Non-Executive
Director

MR D R PARANJAPE
Non-Executive Director

**PROF. LAKSHMAN
R WATAWALA**
Independent Non-Executive
Director



MR MANOJ GUPTA
Managing Director

**MR RANJAN KUMAR
MOHAPATRA**
Chairman

MR VIGYAN KUMAR
Non-Executive Director

Board of Directors



MR RANJAN KUMAR MOHAPATRA

Chairman

A firm believer in the power of possibilities and strength of human resources, Mr Ranjan Kumar Mohapatra who is also on the Board of Indian Oil Corporation, a fortune 500 company, as Director (HR), has abundant experience in Terminal Operations, Supply Chain Management, Logistics, Human Resources, 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.

Having journeyed for over three decades across different geographical boundaries in IndianOil, Mr Mohapatra had 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.

A perceptive business leader, he was one of the chief architects of Auto Fuel quality up gradation program of the oil industry in India. As the Chairman of CII Odisha State Council Mr Mohapatra worked closely with various stakeholders facilitating further development of the state. Under his leadership, CII, Odisha swiftly organized relief materials and support aids for affected areas.

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). He also co-chairs the HR Committee of the Federation of Indian Chambers of Commerce & Industry (FICCI).

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. A Widely traveled person across Europe, USA, Africa, and Southeast Asia, 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 MANOJ GUPTA

Managing Director

Mr Manoj Gupta is a Civil Engineering graduate from the prestigious NIT, Jaipur and MBA from Podar Institute of Management, Jaipur. Mr Gupta joined Indian Oil Corporation Ltd in 1993 and has 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 and State Government, to maintain uninterrupted supply of Petroleum products in the entire State.

He has headed two very strategic and high volume divisional offices in 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 Development 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 the prestigious Retail transformation program (Project Dhruva) undertaken by IndianOil with international consultants. He was the chief architect for creating FIT, SEVA, AWESUM, DARPAN (Dealers Score Card) initiatives undertaken by Project Dhruva. Monitoring of the 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 the field force, he introduced weekly online quizzes, which was wholeheartedly taken by all.

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



PROF. LAKSHMAN R WATAWALA
Independent Non-Executive Director

Prof. Lakshman R Watawala is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA), Fellow of the Institute of Certified Management Accountants of Sri Lanka (FCMA), Fellow of the Chartered Institute of Management Accountants of UK (FCMA UK) and a Chartered Global Management Accountant (CGMA).

He is a proud receiver of the National Honours Sri Lanka Sikhamani conferred for distinguished services of a general nature by the President of Sri Lanka in 2019. He was inducted to the Hall of Fame of CA Sri Lanka in November 2013. In 2018, he was Awarded the Lifetime Achievement Award by CMA Sri Lanka.

He served as Chairman of People's Bank, Chairman of People's Merchant Bank, Chairman and Director General of the Board of Investment of Sri Lanka, Advisor to the Ministry of Finance, First Chairman of the Pan Asia Bank Ltd, Director South West Asia Informatics Holdings Ltd., of Singapore, and Chairman of the National Insurance Trust Fund.

He currently serves as the Deputy Chairman of Gestetner Ceylon PLC and Director at Lake House Printers and Publishers PLC. He is also the Chairman of the Audit Committee of these companies.

He is currently the President of the Institute of Certified Management Accountants of Sri Lanka (CMA) and its founder, President of the Institute of Chartered Professional Managers of Sri Lanka (CPM) and its Founder, and the Past President of the Association of Management Development Institutions of South Asia (AMDISA).

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

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



MR AMITHA GOONERATNE
Independent Non-Executive Director

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

On his retirement, Mr Gooneratne, assumed duties as Managing Director of Melstacorp PLC.

He is the Chairman of Melsta Logistics (Pvt) Limited and BellVantage (Pvt) Limited; Board Member of Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt.) Limited, Bell Solutions (Pvt) Limited, Timpex (Pvt.) Limited, Texpro Industries Limited, Bogo Power Limited, Melsta Towers (Pvt) Limited, Melsta Healthcare Services and Melsta Hospital Management Services, Melsta Pharmaceuticals (Pvt) Limited, Continental Insurance Limited, and Browns Beach Hotel PLC which are subsidiary companies of Melstacorp PLC.

He is an Independent Director of Lanka IOC PLC, Teejay Lanka PLC., Teejay Lanka Prints Limited, and Commercial Development Company Limited.

He is also an Alternate Director on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.

Board of Directors



MR VIGYAN KUMAR
Non-Executive Director

Mr Vigyan Kumar an MBA with a specialization in Marketing Management. He has over 32 years of experience in the downstream Petroleum sector of India and has held various responsible positions in IndianOil across the Country. Currently, he is heading the Retail Sales function of IndianOil as the Executive Director (Retail Sales)

Prior to this assignment, he has worked as Business Head of IndianOil in Madhya Pradesh and Chhattisgarh States of India. Apart from looking after the overall marketing activities of Petroleum product in these States, Mr Kumar's responsibility as State Level Coordinator covered maintaining close coordination with other oil marketing Companies & 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 the conceptualization and implementation of the loyalty program for fleet and commercial vehicles across India.



MR D R PARANJAPE
Non-Executive Director

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

Mr Paranjape is presently posted as Chief General Manager in charge of the finance function of the marketing division of Indian Oil. He is currently leading a team of 600 plus trained officers across India and is responsible for the entire Finance and Account activities in the marketing division of IndianOil. He is also on the Board of M/s. Lubrizol India Pvt. Ltd., a joint venture of 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 traveled and an avid reader, Mr Paranjape has a keen interest in value creation for the stakeholders through his contribution to the vital finance function.

MS MIHIRI S SENARATNE
Company Secretary

Mihiri S Senaratne is an Associate Member of the Institute of Chartered Secretaries and Administrators (ACIS), London, UK and has a Master in Professional Accounting, from the University of Ballarat, Australia. She has over 21 years of experience in company secretarial practice gained by working in the private sector as well as public sector Government Organizations. She was appointed as Company Secretary of Lanka IOC PLC with effect from 02nd January 2017.

Senior Management



Seated Left to Right:

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

MR MANOJ GUPTA
Managing Director

MR PRAMOD JAIN
Senior Vice President (Finance)

Standing Left to Right:

MR T K ELAMARAN
Senior Vice President (Engineering)

MR VENU PRADEEP
Vice President (Ops), Trincomalee

MR RANJEET BOTHRA
Vice President (Finance)

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

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

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

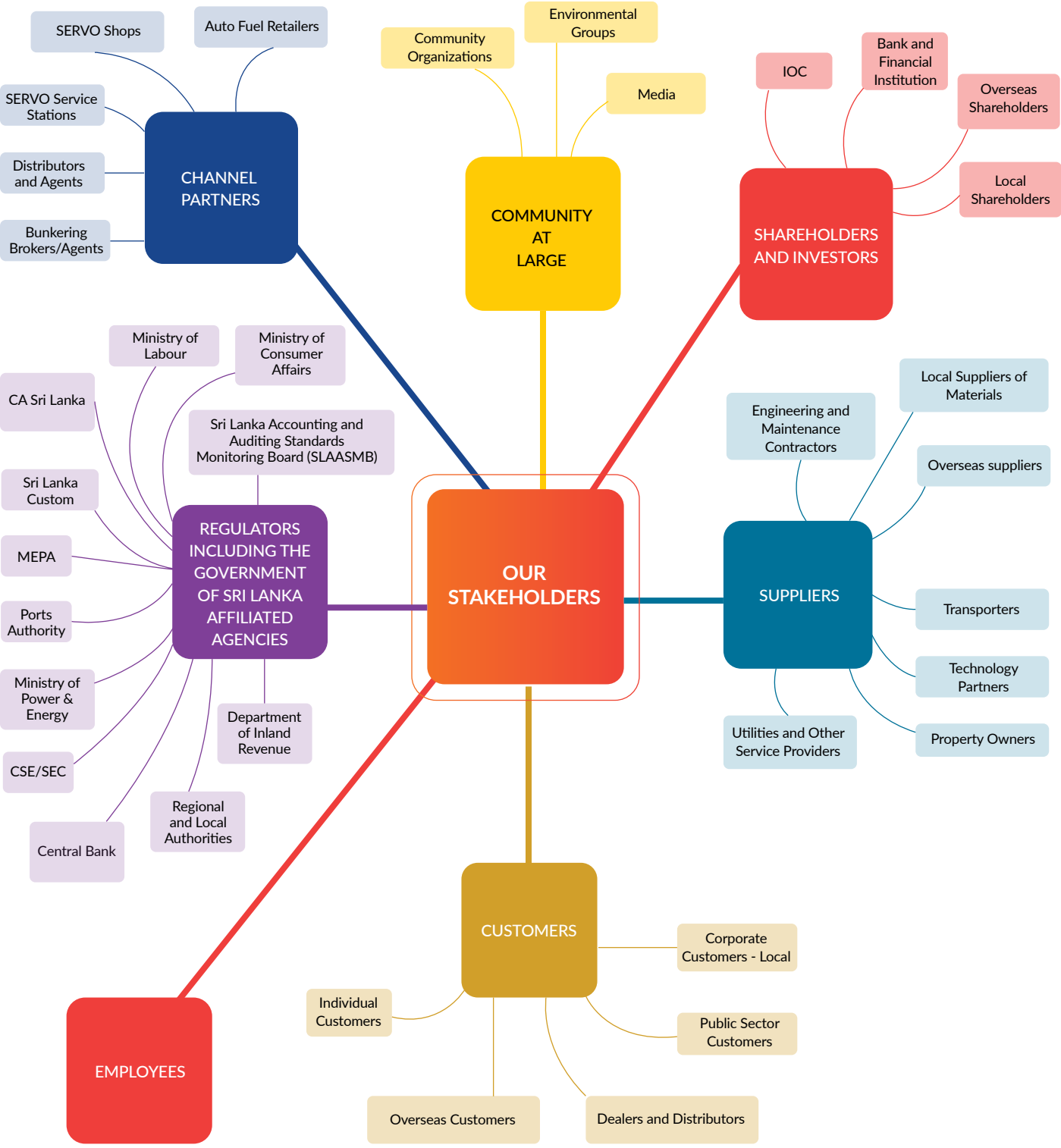
We at LIOC firmly believe that our long-term success is inextricably linked to the success of our stakeholders, our employees, shareholders, customers, suppliers, business partners and communities.



**OUR INTEGRATED
PERFORMANCE** 

Stakeholder Engagement

Our Stakeholders



Stakeholder Engagement

	<p>OUR SHAREHOLDERS</p> <p>Our investors and shareholders, including the main shareholder, IOC, have placed their trust in us as a viable investment. We see it as our duty to ensure that their financial and other expectations are met, and that they would continue to place their trust in LIOC, going forward. We are also committed to ensure that the financial capital provided by all shareholders and investors including the technological expertise and support given us by IOC is channelled towards creating sustainable value to all stakeholder, by investing wisely in manufactured, intellectual, human, social and relationship and natural capitals.</p>
	<p>REGULATORS INCLUDING THE GOVERNMENT OF SRI LANKA AFFILIATED AGENCIES</p> <p>We strive to work closely with the Government of Sri Lanka and all the relevant ministries and implementing agencies. They are the key stakeholders of LIOC and we strive to abide by all the laws and regulation that are relevant to our business operations.</p>
	<p>OUR EMPLOYEES</p> <p>Employees are a key stakeholder and a critical part of our human capital. Exactly how we work with our employees, nurture them and engage with them towards fulfilling our corporate vision and mission is explained in detail in the human capital section of this report.</p>
	<p>OUR CUSTOMERS</p> <p>Our broad customer base includes both local and overseas customers. LIOC is equally dedicated to serve all customer needs and willing to listen to their concerns for better customer service.</p>
	<p>OUR CHANNEL PARTNERS</p> <p>Our channel partners are our partners in progress. We equally value commitment and dedication from all our channel partners in making our products and services available to end customers.</p>
	<p>OUR SUPPLIERS</p> <p>We value the commitment of our all suppliers who provide quality product and services enabling us to provide uninterrupted quality products.</p>
	<p>SERVING THE COMMUNITY AT LARGE</p> <p>We are committed to sustainability principles and to the greening of our business operations, setting a business model with an environmental conscience, and commitment to being good partner. As a responsible corporate citizen, we continue to work towards enhancing the quality of life of our people.</p>

Identifying and Selecting Stakeholders

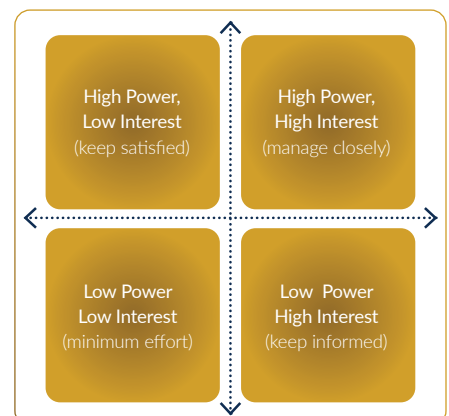
Over the years of operations we have identified our key stakeholders. However, as we venture into new product lines, and expand our business operations geographically both within and outside of Sri Lanka, our stakeholder population expands accordingly. We recognize this reality and are constantly evaluating our business environment for new stakeholder groups, especially with business expansion activities.

In order to keep up with the changes and to capture all key stakeholder groups, we perform a periodic analysis of our stakeholder groups.

Approach to Stakeholder Engagement

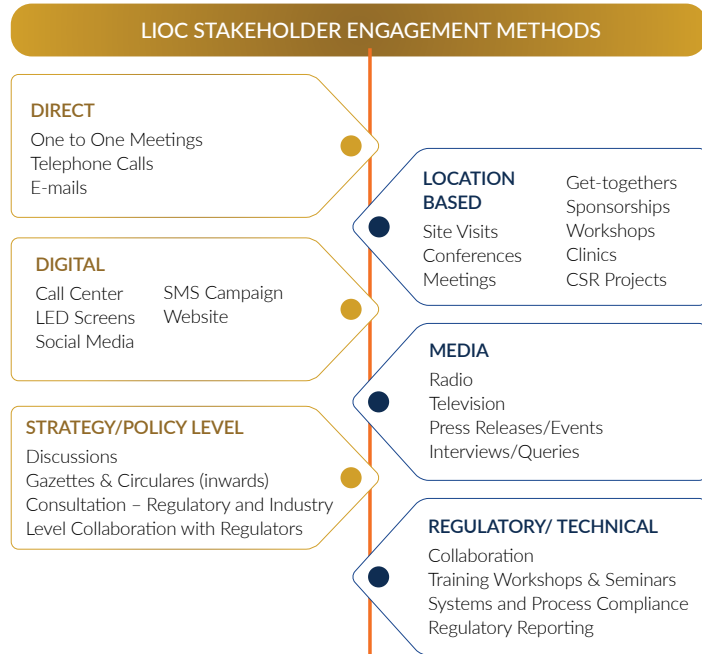
Once a new group of stakeholders are identified, we perform a periodic analysis to determine how the power and interest dynamics apply to each stakeholder group. As such we carefully evaluate and assess how best each group of stakeholders can be engaged and design channels of engagement to suit their preferences at the same time ensuring open lines of communication and engagement with them.

Plotting the power levels and interest levels of stakeholders against each other gives us an easy way to determine the methods and means of engagement that is necessary for each category. In this way, we can determine whether a stakeholder group should be managed closely, kept informed, kept satisfied, or kept engaged using means of minimum effort.



Engaging Our Stakeholders

We consider the positive and productive engagement with our stakeholders as a key responsibility of stewardship of the Company. Such productive relationships help us ensure that we continue to create and deliver sustainable value to all of our valued stakeholders. All aspects of our business operations are geared towards receiving inputs from stakeholders and taking measures where ideas for improvement are highlighted.



Engaging Stakeholders

STAKEHOLDER GROUP	CHANNELS OF ENGAGEMENT	KEY AREAS OF STAKEHOLDER INTEREST	OUR COMMITMENT
SHAREHOLDERS/ INVESTORS	<ul style="list-style-type: none"> Annual report and quarterly financial reports Annual General Meeting (AGM) Consultations with major stakeholder, IOC, on matters of policy and strategy at the Board level Press releases and digital channels (website and social media channels) Announcement to Colombo Stock Exchange (Continuous Basis) One to one engagement 	<ul style="list-style-type: none"> Profitability Business growth Brand value and brand reputation Sustainable product portfolio Sustainable business practices Dividend consistency Market price/capitalization Good corporate governance Ethical business practices 	<ul style="list-style-type: none"> To deliver revenue growth and profitability with a sustainable portfolio of products To invest in nurturing brand value and growing the brand reputation To conduct our business to the highest level of professional standards, corporate governance best practice, and our code of ethics embedded in the Conduct, Discipline and Appeal Rules of the Company
EMPLOYEES	<ul style="list-style-type: none"> LIOC Connect-the internal newsletter Performance reviews Recognition mechanisms - Shining Star Grievance handling procedures Managing Director's Straight Talks with employees (open door policy) Meetings by Heads of Divisions Training & development programs to upgrade skills for the 'Future of Work' Health Talks 	<ul style="list-style-type: none"> Market compatible remuneration and benefits packages (pay revision even during COVID-19) Continuity of employment Career development and progression Skills development opportunities Fair, just, and engaging work environment Work-life balance Occupational health and safety Human rights at the workplace 	<ul style="list-style-type: none"> To offer a modern benefits package with competitive pay rates To provide a safe, engaging, and fair work environment that supports personal and professional growth and career progression A people focus in managing human talent, encouraging communication and real-time engagement To prepare our people for the "New Workforce" providing access to new technologies and training to upgrade readiness for the future of work. Encouraging and providing opportunities for continuous learning including mobile based learning

Stakeholder Engagement

STAKEHOLDER GROUP	CHANNELS OF ENGAGEMENT	KEY AREAS OF STAKEHOLDER INTEREST	OUR COMMITMENT
CUSTOMERS			
INDIVIDUAL AND INSTITUTIONAL CUSTOMERS - CORPORATE AND PUBLIC SECTOR	<ul style="list-style-type: none"> • Continuous contact with customers • One to one engagement at the retail outlets • Advertising/Marketing communication campaigns in mainstream media (E-mails and SMS) • Engagement through social media channels (Facebook page) • Corporate website • Customer outline 	<ul style="list-style-type: none"> • Selling Price • Timeliness of supply • Correct volumes • Quality and performance • Environmental impacts • Supply reliability • Logistics 	<ul style="list-style-type: none"> • Competitive pricing • Making our products available and accessible to our customers. • Quality and performance • Timeliness and correct volumes • Efficient and effective delivery
CHANNEL PARTNERS	<ul style="list-style-type: none"> • Dealer site visits • Regular field sales visits • Meeting with Auto Fuel dealers and Lubes distributors includes SERVO shop and SERVO service stations • Telephone, E-mail, and SMS • Review and feedback meetings by Managing Director & Head of Department 	<ul style="list-style-type: none"> • Continuing mutually beneficial relationships • Competitive pricing • Fair credit terms • Ethical business practices • Product technical and safety support • Reliability of supplier • Ease of transactions • Rewards and recognition 	<ul style="list-style-type: none"> • To consider all of our channel partners as our partners in progress and to cultivate and nurture long-term relationships • Offer an unmatched value proposition with infrastructure, training, and sales support • Growth opportunities • Value added services • Investing in sustainable business initiatives and automation
SUPPLIERS AND OTHER SERVICE PROVIDERS INCLUDING BANKS AND FINANCIAL INSTITUTIONS	<ul style="list-style-type: none"> • Ongoing dialogue and routine business interactions • Supplier appraisals • International events/visits • One on one meetings/site visits • E-mail and correspondence • Corporate website 	<ul style="list-style-type: none"> • Professionalism, ethical conduct, and business best practices • Continuing sustainable business relationships • Prompt payment on agreed credit terms • Potential for growth and profitability 	<ul style="list-style-type: none"> • Support mutual growth and profitability with reliable and strong financial commitments • Sustainable supply chains
GOVERNMENT OF SRI LANKA AND OTHER AFFILIATED REGULATORY BODIES	<ul style="list-style-type: none"> • Ongoing dialogue with policymakers, regulatory authorities, and experts • Collaboration and participation in technical, industry, sustainability, and national level initiatives/ events • Submission of reports, returns, and other financial and non financial information • Compliance reviews • Corporate governance systems that adhere to laws, regulations, and best practice 	<ul style="list-style-type: none"> • Energy security • Regulatory compliances • Employment generation • Local manufacture to save foreign exchange • Payment of taxes, duties, levies, and fees due to Government/ regulatory bodies • Ethical business practices 	<ul style="list-style-type: none"> • To be a partner in Sri Lanka's energy security goals. • We are committed to establishing and maintaining governance structures that meet best practice standards and legal and regulatory requirements relevant to our business operations. • We are also committed to create models of sustainable business practices that can be emulated across the nation • Environmental conscience

STAKEHOLDER GROUP	CHANNELS OF ENGAGEMENT	KEY AREAS OF STAKEHOLDER INTEREST	OUR COMMITMENT
COMMUNITY AT LARGE	<ul style="list-style-type: none"> • Direct contact with communities CSR activities • Local events and sponsorships • News media • Annual Reports 	<ul style="list-style-type: none"> • Indirect economic benefits through employment generation and infrastructure projects • Preservation of the environment • Building and nurturing sustainable social relationships through community based CSR activities • Safety, health and welfare 	<ul style="list-style-type: none"> • Ensuring energy security in Sri Lanka and to serving the needs of our customers without disruptions • Committed to being a good partner and to nurture our social relationships in a sustainable basis • Operating with a strong environmental conscience and set an example through our retail network on sustainable and green business practices proven to deliver financial and environmental benefits
CORPORATE MANAGEMENT	<ul style="list-style-type: none"> • Board meetings and meetings of senior management and staff 	<ul style="list-style-type: none"> • Profitability and growth • Sustaining brand value and brand reputation • Nurturing the growth of intellectual capital by investing in new and sustainable technologies and enhancing overall technology levels of the Company • Operating according to corporate governance and ethical business best practices • Strong employee engagement and motivational policies and practices. Continuing employment prospects to workforce • Operating according to a strong environmental conscience and continuing the sustainable business initiatives into the future • Support of the Board for a well-informed and dynamic strategy process and taking calculated risks 	<ul style="list-style-type: none"> • To serve our stakeholders and deliver on their expectations of LIOC • To deliver revenue growth and profitability, with a sustainable portfolio of products • To nurture brand value and grow brand reputation • To conduct our business to the highest level of professional standards, corporate governance best practice, and our code of ethics embedded in the Conduct, Discipline and Appeal Rules of the Company • To conduct our operations in accordance with a strong environmental conscience. • Maintaining a strong communication channel to be one word for better decision making

Key Topics and Concerns Raised

Through our engagement with our key stakeholders, we are able to highlight a number of areas with material impact, either for LIOC or for the stakeholders.

Some of our stakeholders are directly impacted by our operations while others are indirectly affected. In the same way, the actions of some of our stakeholders influence us directly and others indirectly. For some stakeholders, it works both ways.

We take matters of concern highlighted by our stakeholders into consideration when setting corporate strategy, organizing our operations, and making our investment and credit decisions and in the overall management of the Company and the workforce.

Strong relationships with stakeholders and employing effective methods of stakeholder engagement strengthens the value of the LIOC brand and our product reputation. How we have strived to build, nurture, and sustain our

relationships with all of our stakeholders has been described in the social and relationship capital and the human capital sections of this report.

Our strategic responses to all such issues highlighted are included in the OUR COMMITMENT column in the Stakeholder Engagement section on pages 31-33.

Materiality Matters

All issues thus identified, together with key issues that are critical to business continuity and employee motivation that may not be addressed are listed and assessed for their level of impact-high, medium or low-on both the Company and on respective stakeholders.

These issues are then plotted on an impact grid as follows to identify the most pressing issues that may impact on the future and sustainable value creation ability of the Company.

In the eventual decision-making process, in risk assessment and strategy development processes, these issues are then dealt with, giving priority to their levels of impact.

Materiality Grid

IMPACT ON STAKEHOLDERS	High	8, 22	3, 6, 7, 16	1, 2, 5, 9, 10, 11, 12, 14, 15, 18, 20, 21, 23, 25, 26, 28, 29
	Medium		13, 24, 27	4, 17, 19
	Low			
		Low	Medium	High
		IMPACT ON LIOC		

DETERMINING MATERIALITY OF HIGHLIGHTED ISSUES				
NO.	STAKEHOLDERS/MATERIAL ISSUES RAISED	IMPACT ON LIOC	IMPACT ON STAKEHOLDERS	MATERIAL BOUNDARY - WHY THIS IS A MATERIAL ISSUE
Shareholders				
1.	Profitability	H	H	Profitability, growth and dividend consistency come from the ability of the Company to deliver sustainable value to shareholders.
2.	Growth	H	H	
3.	Dividend consistency	M	H	Dividend consistency is particularly material within the context of a corporate sector being consistent without missing dividend payments, makes LIOC share to be an attractive investment.
4.	Good corporate governance	H	M	Good corporate governance mechanisms ensure that a business runs well and its affairs are conducted in a professional and ethical manner in accordance with corporate governance best practice.
5.	Sustaining brand value and brand reputation	H	H	Challenging business environments can potentially lead to cut investment in sustaining brand value and brand reputation. Hard times can also lead to difficult decisions, job cuts, and other consequences which can damage brand reputation significantly.
Employees				
6.	Market compatible remuneration	M	H	Market compatible remuneration packages are necessary to attract and retain employees.
7.	No pay cuts	M	H	COVID-19 related business declines are resulting in many companies across the world and in Sri Lanka cutting pay rates and letting employees go. Under such conditions it is important for LIOC employees to be assured there would be no pay cuts or job losses in the near future.
8.	Continuity of employment	L	H	
Customers				
9.	Price	H	H	Product price is a key consideration that determines the competitiveness of LIOC in each segment.
10.	Undisrupted supply	H	H	Undisrupted supply is a key consideration that comes with LIOC's commitment to energy security in Sri Lanka.
11.	Ease of access	H	H	A key consideration for all key business lines. LIOC is committed to ensure that expansion of new retail outlets and SERVO Lubes shops would help to enhance customer convenience.
12.	Quality/Performance	H	H	In all business lines, especially in Fuel and Lubricants, customers depend on quality and performance of the product. Any lowering of standards would impact brand image.
13.	Timeliness	M	M	Commencement of 24 hour operations and expanding customer touch points to enhance access and timeliness of supply.

DETERMINING MATERIALITY OF HIGHLIGHTED ISSUES				
NO.	STAKEHOLDERS/MATERIAL ISSUES RAISED	IMPACT ON LIOC	IMPACT ON STAKEHOLDERS	MATERIAL BOUNDARY - WHY THIS IS A MATERIAL ISSUE
Channel Partners and Suppliers				
14.	Continuing mutually beneficial relationships	H	H	LIOC channel partners have stood with the Company through all the times.
15.	Competitive pricing	H	H	Potential for revenue growth depends on pricing policies that are market competitive.
16.	Fair credit terms	M	H	In difficult economic times, retaining loyalty of channel partners depends to a large degree on fairness credit terms offered and promptness in payments due.
17.	Ethical conducts and best practices	H	M	LIOC strives to operate according to corporate values and best practice.
Government of Sri Lanka, Regulatory Bodies and Agencies				
18.	Energy stability	H	H	Undisrupted supplies and continuing operations, especially in Auto Fuel, Industrial Fuel and Bunkering are high priority considerations.
19.	Compliance	H	M	While financial compliance is almost taken for granted, environmental compliance is a key consideration and priority for the Government.
20.	Foreign exchange outflow	H	H	LIOC efforts to make a Grease plant in Sri Lanka would reduce imports and helps to save foreign outflows.
21.	Payment of taxes, duties, and levies	H	H	Compliance on all aspects of statutory payments on or before the due dates.
Community				
22.	Economic benefits	L	H	The expectation is that the Company will continue its expansion, not cut down in the number of outlets, and sustain jobs created by its operations.
23.	Preserve environment and ensures safety, health and welfare	H	H	Company operations are built to preserve the environment. It has a high impact on safety of the society.
24.	Nurturing sustainable social relationships through CSR activities	M	M	Communities expect the same level of corporate social responsibility projects and CSR activities continuing into the future.
Corporate Management				
25.	Profitability and Growth	H	H	Profitability and growth are two key metrics used for judging the capability of the senior management team including the managing director.
26.	Sustaining brand value and brand reputation	H	H	Sustaining brand value and protecting the brand reputation are key considerations in normal times. It becomes more critical under difficult, cash strapped times as that will ensure LIOC continues its profitability and performance into the future.
27.	Continuing the sustainable business initiatives into the future	M	M	LIOC operates with a strong environmental conscience and it is important to continue to fund these initiatives even under difficult circumstances because they enhance the sustainability and help to reduce operational costs.
28.	Nurturing intellectual capital growth by investing in new and sustainable technologies.	H	H	It is critical to ensure that LIOC continues to invest in new and sustainable technologies in order to deliver continuing value to stakeholders.
29.	Support of the Board for a well-informed and dynamic strategy process and taking calculated risk.	H	H	In rapidly changing market conditions (global fuel prices, exchange rates and government policies) LIOC has been called upon to take calculated risks and adopt dynamic business strategies in order to optimize returns for all stakeholders.

Our Value Creation Model



VALUE DELIVERED

OUTPUTS/IMPACTS

Financial Impact
 Sales volume (MT)
645,690
 Revenue (Rs Mn)
81,947
 EBITDA (Rs Mn)
1,036
 Profit after Tax (Rs Mn)
422

Value Distributed
 Employee benefits and remuneration (Rs Mn)
581
 Exchequer payment (Rs Mn)
14,435

Sustainability Impact
 Sludge disposal (KL)
20.5
 Rain water harvested (KL)
14.2
 Automated Retail Outlets (No.)
14
 Electric Vehicle charging station (No.)
04

OUTCOMES AND VALUE CREATED FOR STAKEHOLDERS

Shareholders

Shareholders' Funds (Rs Mn): **19,446**
 Borrowings (Rs Mn): **16,955**
 Property, Plant & Equipment (Rs Mn): **4,113**
[Refer page 46 Financial Capital]

Employees

No. of employees: **164**
 No. of recruitments : **3**
 No. of training hours: **851**
 Average age of service: **16 years**
[Refer page 59 Human Capital]

Customers

No. of touch points: **736**
 Brand value (Rs Mn) : **3,480**
[Refer page 65 Social & Relationship Capital]

Business Partners

Retail Outlets (No.): **208**
 Lubricant Distributors (No.): **24**
 SERVO shops (No.): **450**
 SERVO service stations (No.): **54**
[Refer page 65 Social & Relationship Capital]

Community

Contribution to Society
 Blood donation
 Distributing wheel chairs & walkers
 Distribution of School Bags & Water Tanks for under privilege Schools
 Contribution for COVID-19 relief measures
[Refer page 65 Social & Relationship Capital]

CAPITAL TRADE OFFS

Financial Capital

Dynamic business strategy with effective treasury management, inventory control, competitive pricing, and enhanced product quality company strong to create and maximize the value to stakeholder.

Intellectual Capital

The Company has invested in strengthening the brand and improving the visual identity of the retail outlets.

Human Capital

Despite the challenges in the business environment which affected the business performance, LIOC was committed to provide its employees with bonuses and other benefits.

Social & Relationship Capital

The Company is committed to elevate the customer experience through value added services. Facilities available for distributors have been enhanced with the objective of strengthening the relationship.

Natural Capital

Deeply conscious of the environmental impact the Company has introduced several eco-friendly fuels to the market. Further, the Company has invested on oil spill equipment to minimize potential negative impacts on oil spills.

Operational Review/Sector Reviews

PERFORMANCE				
Auto Fuels	Lubricants	Bunkering	Bitumen	Petrochemicals
				
<ul style="list-style-type: none"> LIOC has a Retail market share of approximately 11% in the Auto Fuel market. 10.4% market share in Petrol and 11.2% market share in Diesel retail sales Reduced dependence on Auto Fuels from 70% in 2018-19 to 62% in the current period. Commissioned 2 new retail outlets Rolled out the new LIOC Retail Visual Identity across the retail network and completed work on 47 outlets during the year. Automation of 5 more outlets were completed. Solarization completed at 9 more retail outlet. Thrust on Premium fuel. Achieved premium product growth of 0.2% in Petrol and 28% in Diesel Fuel. Completion of sales promotion campaign. Implementation of SMS indenting system and e-ledger portal. 	<ul style="list-style-type: none"> SERVO commands No. 2 Position in a crowded segment with 13 players 110 SERVO shops were opened during the year and 5 new distributors appointed to further extend the market reach. Expanded export market in Indonesia by appointing a distributor. Exported Lubricants to Indonesia, Qatar, Maldives and Oman. Expanded bulk sales to industrial customers with cost savings on packaging. Launching of Festive Fiesta sales campaign to promote brand loyalty. Installation of New Sophisticated , lab equipments for precision testing of new generation SERVO Lubricants. 	<ul style="list-style-type: none"> Strengthened market leadership position in Bunkering with a market share of 38% despite volatility in global oil prices. LIOC became the first Bunkering operator to offer Low Sulphur Fuel Oil (LSFO) at Trincomalee in December 2019 to meet IMO low sulphur regulations which came into effect on 01st January. 	<ul style="list-style-type: none"> Bitumen sales increased by 18% over 2018-19 volumes. Appointed a distributor in Nepal and commenced exports. Company has added new upgraded versions of Bitumen VG 10 & VG 30 to its existing portfolio. 	<ul style="list-style-type: none"> Even with the low volume we have achieved sales volume growth of 77% over the previous year. LIOC foresees significant potential for growth and diversification in this segment.

Opportunities & Risks to LIOC Competitive Position

LIOC's competitive position in the industry is determined by the way the five forces of Porter's Five Forces model works together to determine our competitive position, the global and local market dynamics under the effect of COVID-19, and on how LIOC responds with appropriate strategic actions in response to these challenges.

First, let us look at what opportunities and threats face LIOC in the future.



FACTOR	OPPORTUNITIES & THREATS	IMPACT
1. New Entrants	<p>Threats</p> <ul style="list-style-type: none"> ● Auto Fuel – None ● Bunkering – Medium to High (A) ● Lubricants – Medium (B) ● Bitumen – Medium (C) <p>Opportunities</p> <ul style="list-style-type: none"> ● Lubricants and Petrochemicals – Medium (D, E) ● Bunkering – Medium (F, G) 	<p>A. Commencing Bunkering operations at Hambantota Port can create competition to our existing Bunkering operations at Colombo and Trincomalee. However, it also gives rise to many opportunities (see F).</p> <p>B. Government may grant licenses to additional new entrants in Lubricant segment over the 13 already operating in the market. There is very little prospect for market growth.</p> <p>C. Government may grant licenses to new entrants to Bitumen importers and exporters.</p> <p>D. The commissioning of the new 3,000 MT Grease plant will gives us the cost advantage to capture majority share of the market as LIOC will be the single manufacturer of Grease in Sri Lanka. The plant's capacity is capable of meeting the entire market demand in Sri Lanka.</p> <p>E. Petrochemical sales is yet to be expanded in a big way. We are exploring opportunities to serve various segments in the Sri Lankan market and therefore, there are significant opportunities to be explored in expanding Petrochemical sales in the future.</p> <p>F. Start of Bunkering operations in Hambantota Port is expected to increased competition due to the significance of the location of Hambantota.</p>
2. Suppliers	<p>Threats</p> <ul style="list-style-type: none"> ● There is no change in the bargaining position of suppliers in respect of most of our product lines. High (B) ● Bunkering at Hambantota port – Medium (G) 	<p>G. With the start of Hambantota port, we see significant leverage on pricing and share of business from the entire Bunkering needs, which are likely to grow significantly as noted in 'F' above.</p>

Operational Review/Sector Reviews

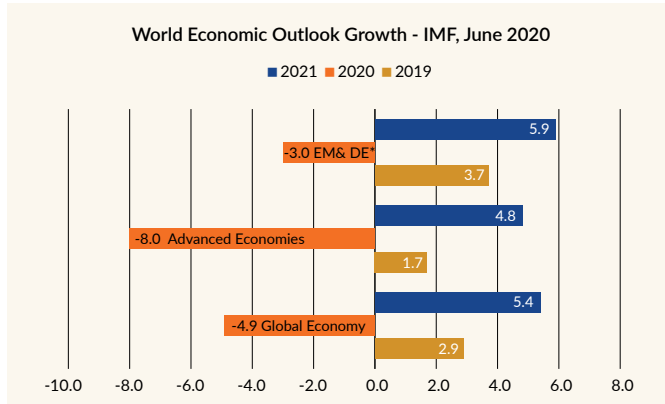
FACTOR	OPPORTUNITIES & THREATS	IMPACT
3. Customers	<p>Threats</p> <ul style="list-style-type: none"> ⦿ Potential drop in sales volumes affected by COVID-19-High (H, I, J) <p>Opportunities</p> <ul style="list-style-type: none"> ⦿ Auto Fuel customers seeking to convert to branded fuels – Low (K) ⦿ Lubricants and Bitumen – Low (L) 	<p>H. Demand for products from all business line is uncertain in the near future due to the impact of COVID-19.</p> <p>I. Due to certain restrictions placed on imports and in the tourism sector, sales volume are affected.</p> <p>J. Economic slowdown at our key export markets for Lubricants and Bitumen may affect our export revenues.</p> <p>K. The opportunity depends on the extent to which the local economy picks up after COVID-19. If the economy picks up, there will be opportunities for conversion to branded fuel.</p> <p>L. Growth in economic activity will lead to an increase in market size for both Lubricants and Bitumen.</p>
4. Substitutes	<p>Threats</p> <ul style="list-style-type: none"> ⦿ Growth in the population of electric vehicles in the country will create an indirect substitution effect for both Auto Fuels and Lubricants. Low over the short-term. Medium over the medium to long term.-Low (M) ⦿ Bunkering and Bitumen – Low level of threat of substitutes in the short to medium term -Low (O) <p>Opportunities</p> <ul style="list-style-type: none"> ⦿ An increase in EVs in Sri Lanka also offers opportunities in the short run and vast opportunities over the long term¹ – Low (M) 	<p>M. A significant growth in electric vehicles can affect both the Auto Fuels and Lubricants market. However, as LIOC has already begun a drive of installing EV charging stations in our retail network, we stand at a competitive advantage.</p>
5. Competitive Rivalry	<p>Opportunities and Threats</p> <ul style="list-style-type: none"> ⦿ Increasing levels of competitor rivalry in the Lubricants line may eat into our profit margins. – Low (N) ⦿ Competition may become severe in the Bitumen market – Low (O) 	<p>N. LIOC may be well placed to change the market dynamics of the Lubricants market once our new Grease plant is commissioned and some of our rivals may also become our customers for their Grease requirements.</p> <p>O. While there is a high probability of a construction industry revival, there may also be increased levels of competition if the Government grants more licenses to Bitumen importers and exporters.</p>

¹ <https://www.weforum.org/agenda/2018/05/china-surge-electric-vehicle-sales/>

Our Operating Context

LIOC Outlook 2020 and Beyond

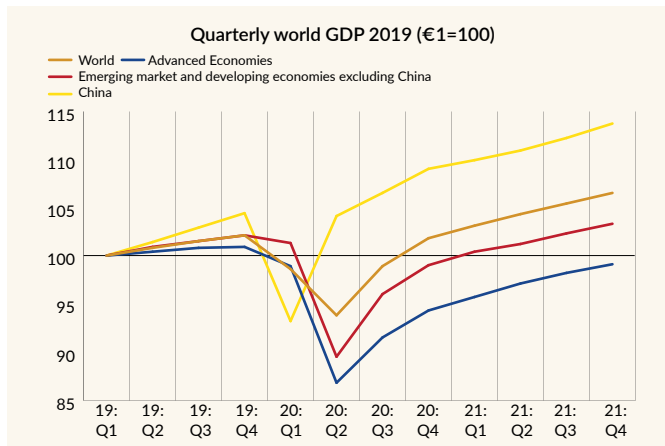
Global Economy



* EM & DE - Emerging Markets and Developing Economies
Source: IMF

In the latest, World Economic Outlook Update in June 2020 is titled "Crisis Like No Other, An Uncertain Recovery", IMF forecasts are further downgrading worldwide growth to a minus 4.9%. To put this in context, this is the lowest levels of global economic growth since the Great Depression. And most of this impacts come from COVID-19, due to which all main regions are in recession.

The IMF projections resemble a swoosh shape, with a sharp decline followed by a gradual recovery.

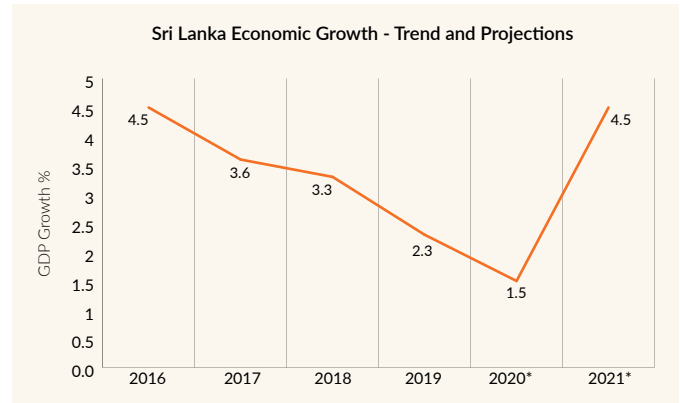


Source: IMF Staff Estimates

The IMF projections are made within the context of pervasive uncertainty, and the baseline projections are built upon key assumptions about the fallout from the COVID-19 pandemic and that financial conditions will remain broadly at current levels. IMF readily acknowledges in the Outlook that "alternative outcomes to those in the baseline are clearly possible, and not just because of how the pandemic is evolving." This is because the recent rebound observed in financial market sentiment appears disconnected from shifts in underlying economic prospects.

The June 2020 "Global Financial Stability Report (GFSR) Update" raises the possibility of tighter financial conditions beyond the assumed baseline.

Sri Lanka Economy



* Projections by the Central Bank of Sri Lanka
Source: Central Bank of Sri Lanka

The outbreak of COVID-19 could pose significant challenges to the external sector in Sri Lanka in 2020. The impacts would be most severely felt in the export sector, tourist earnings, and workers' remittances.

Local Economic Revival

The revival of local economic activities depend upon the state of emergency preparedness that Sri Lanka maintains and is able to handle, not just the impacts of the biological threat, but also the revival of economic and normal activities.

Opening up the airports and ports to tourism and how carefully the strengthening of safety measurements will eventually decide the extent of impact on the local economy.

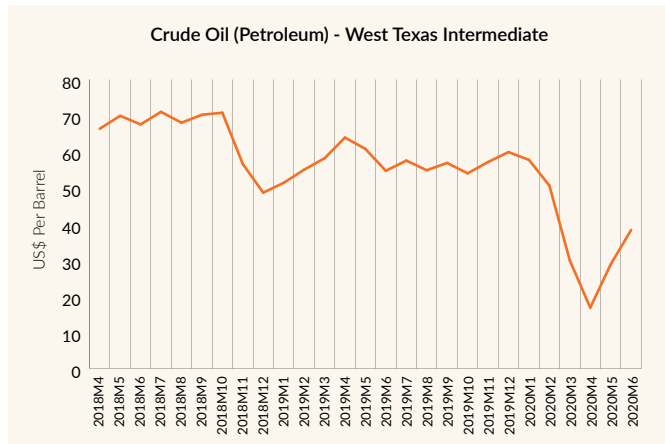
Exports, Tourism and Employee Remittances

Most of Sri Lanka's exports mainly go to the United States, United Kingdom, Euro Zone and India. Most of these destinations, as of the date of writing are severely impacted by the pandemic.

The prospects for national incomes from the external sector remain strictly limited as of the date of writing. The prospects for Q2 and the second half of the year are under a dark cloud of uncertainty dependent upon a number of factors which are given in the COVID-19 impact diagram.

Operational Review/Sector Reviews

Global Oil Prices



Source: IMF Crude Oil (Petroleum), West Texas Intermediate 40 API, Midland Texas, US\$ per barrel

The oil prices rebounded from their April lows which saw oil futures actually going into negative territory. The oil markets, however, remain jittery in the face of OPEC+ intensions to taper off the production curbs combined with the possible return of some of the US supply that crashed earlier in the year.

OPEC expects that the demand for OPEC-sourced crude oil will recover sharply (by 25%) in 2021 to surpass 2019 levels, according to its July 2020 report. However, the global oil demand is not expected to fully recover until 2021.

Demand for oil products is expected to recover by a record amount, but may remain below pre-crisis levels in 2019 due to efficiency gains, including teleworking and teleconferencing that may cap oil demand gains.

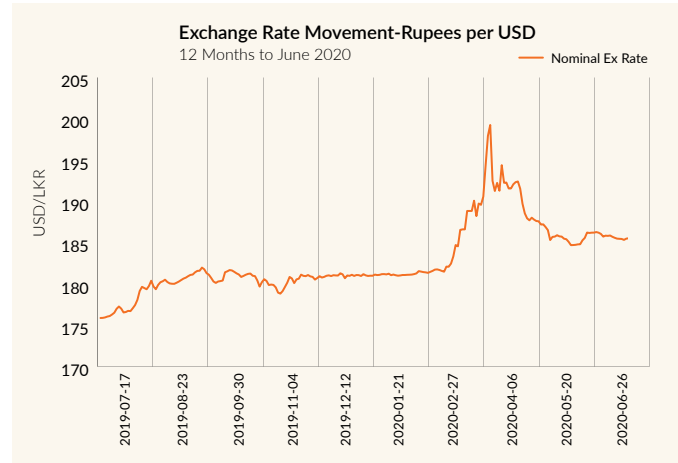
The International Energy Agency (IEA) Oil Market Report which forecasts and analyzes the global oil markets notes that “the worst of the demand destruction was in the first half of the year” (2020). The report expects the global oil demand this year to average 92.1 Mn barrels per day, down by 7.9 Mn barrels per day in 2019. The report projects that the average demand in 2021 will be 2.6 Mn barrels per day, and below the 2019 levels, with Jet/Kerosene accounting for around three quarters of that deficit.

The uncertainty of fuel demand is a key factor that may limit the oil prices to the USD40-USD45 a barrel range in the near term, especially with new lockdowns and the resurgence of COVID-19 cases in key global markets.

¹ <https://momr.opec.org/>

² <https://www.iea.org/reports/oil-market-report-july-2020>

Exchange Rates



Source: Central Bank of Sri Lanka

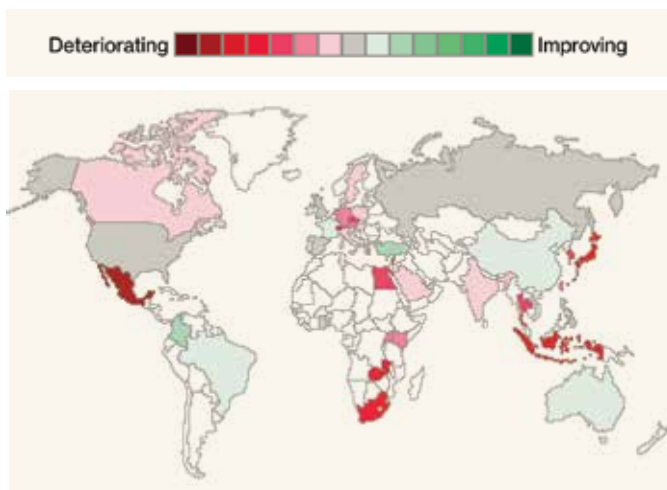
The exchange rate of the Sri Lanka Rupee against the US Dollar began its ascent at the beginning of March rising from Rs 181.92 per USD on 2 March to reach Rs 190.5 by 30 March and continued to rise until 9 April by when it reached Rs 199.75. Though after initial fall currency rate, rebound some gain and Rs is in the ranging of 185-188 level after July 2020.

It is uncertain how the exchange rates will move, as many factor go into determining USD to Rupee exchange rates. The exchange rate is affected by the rate of growth, business and consumer confidence primarily in the current context. It is also determined by a nation's competitiveness, relative inflation and interest rates. Within the context of the COVID-19 pandemic and its outfall, the key factor that is likely to impact USD to Rupee exchange rate is how fast the nation rebounds from COVID-19 impact, since the pandemic control measures restrict imports and inflation, and interest rates are kept low in order to stimulate economic revival.

Global Purchasing Managers Index (PMI Activity)

Bloomberg

Bloomberg's Global Purchasing Managers (PMI) heat maps offer great insight into how purchasing managers across the world see current business conditions and future prospects. Because manufacturers are at the front edge of the global economy, what they are seeing and the decisions they are making about spending as well as hiring can directly affect global growth. Last updated on 6th July 2020, the Bloomberg heat map shows that very few isolated parts of the world are showing improving PMIs. In most places the purchasing managers see deteriorating conditions.



Taken overall, in most of Sri Lanka's export destinations the consumer confidence is in the dumps and their local purchasing managers predict less than positive outlooks.

Markit

According to Markit, a leading global diversified provider of financial information services, the global manufacturing PMI recorded a value of 47.8 in June 2020 with an increase of 5.4 index points from May 2020. Manufacturing PMIs of China and the UK expanded while the Euro Zone, USA, Russia and India remained contracted in June 2020, with the adverse impact of COVID-19. Global services PMI, according to Markit, recorded at 48.0 in June 2020, which is an increase from 35.1 in May 2020. This signals the contraction in global service activities for five successive months. Services PMIs of US, Japan, the UK, and India indicated that their services sectors deteriorated in June 2020 compared to the previous month, while that of China indicated an improvement.

Source: Markit as at 15th July 2020 via Central Bank of Sri Lanka

Regional Purchasing Managers Index Heat Maps

The World



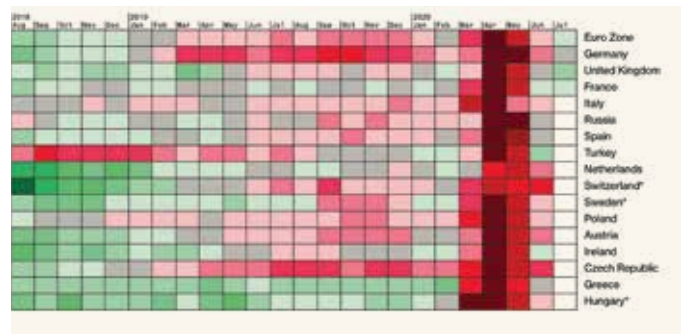
The overall world prospects seem to be turning for the positive, or the decline is in reversal. But PMIs are nowhere near improving.

United States



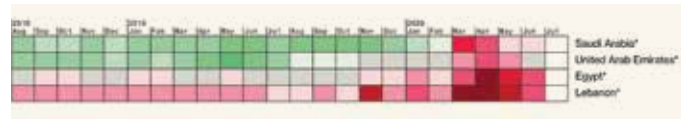
The story is the same for the United State. It is curious how the United States is not given a ranking.

Europe



Again there is no ranking for the UK. Euro Zone seems to be coming out from the woods, but again nowhere near improving into positive territory. Only three nations - France, Turkey and Ireland—seem to be showing improvements in their PMIs.

Middle East



The Middle East is literally in the red, showing no signs of green that would indicate an improvement.

Asia Pacific



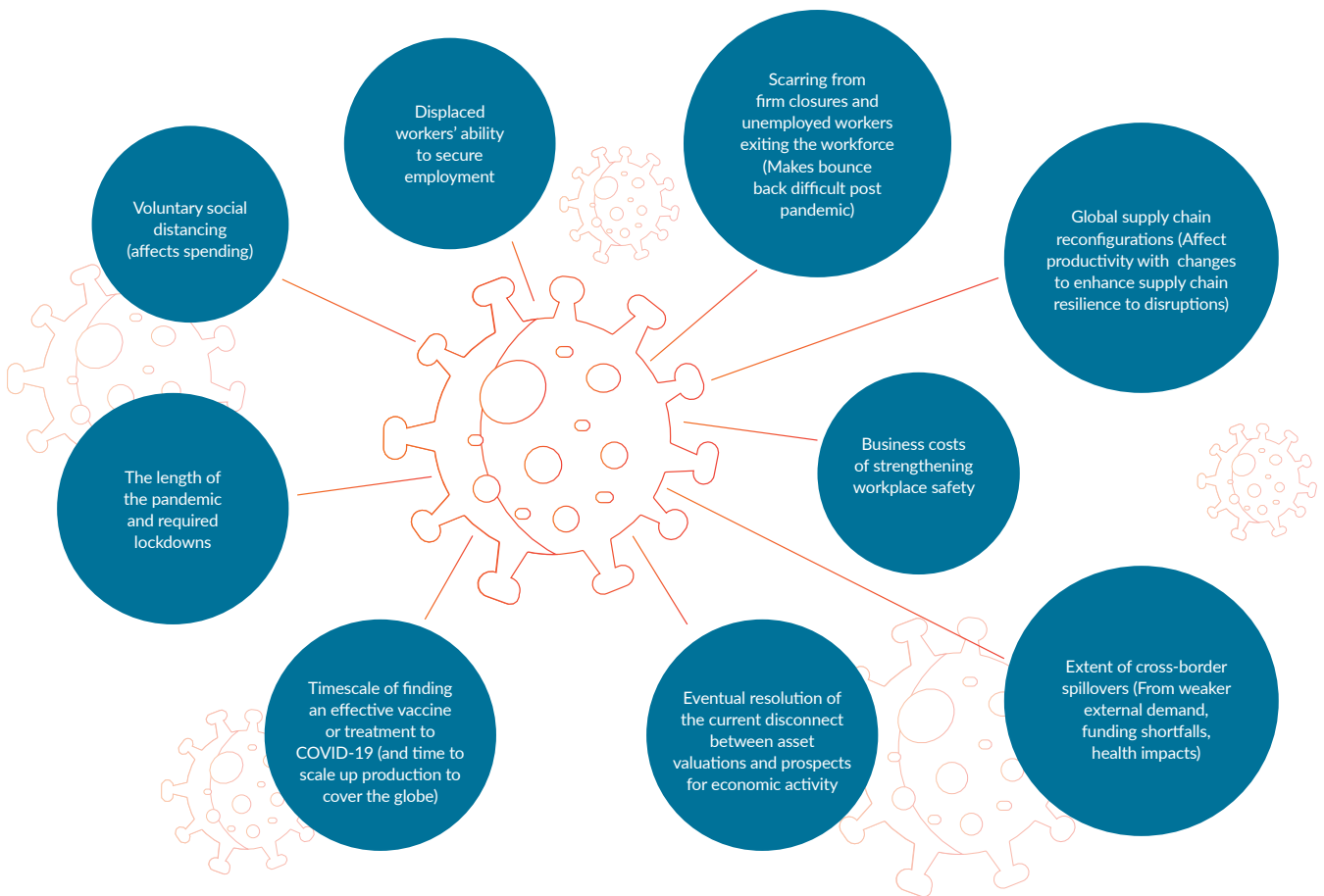
China seems to have begun its recovery and shows signs of improvement. India is still in the red, as are most other Asian nations including Japan, South Korea, Indonesia, and Thailand.

Operational Review/Sector Reviews

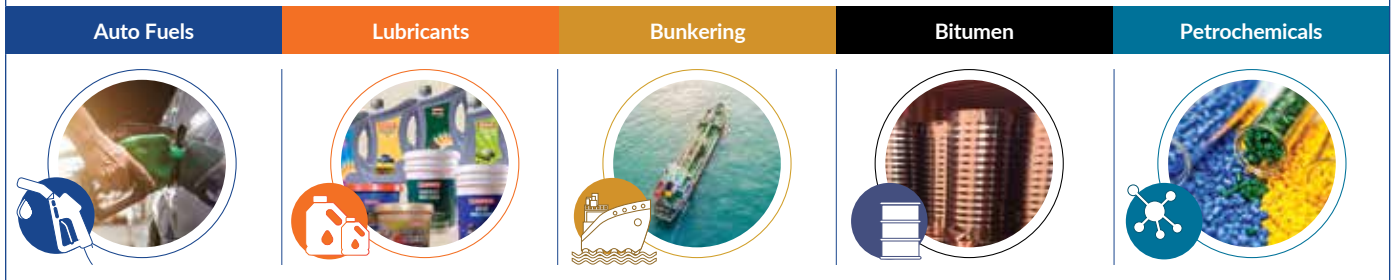
Impact of COVID-19

The impact of the pandemic both locally and globally depends on the magnitude and the persistence of the adverse shock that is experienced in the first half of 2020 and going forward. These depend upon several uncertain factors as depicted in the diagram. Their relative impacts are difficult to gauge. But the one certainty is that their combined impact will create adverse effects for both the global and local economies.

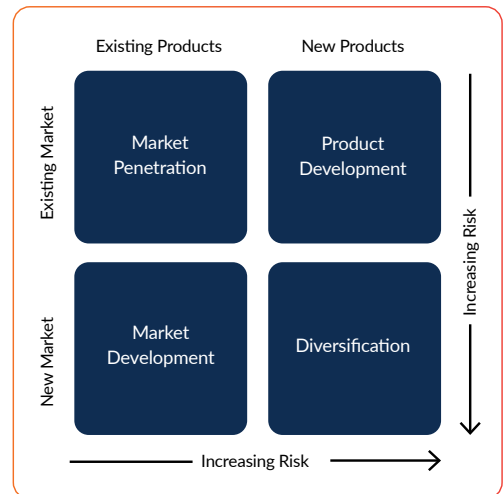
Factors that Impact COVID-19 Induced Economic Shock



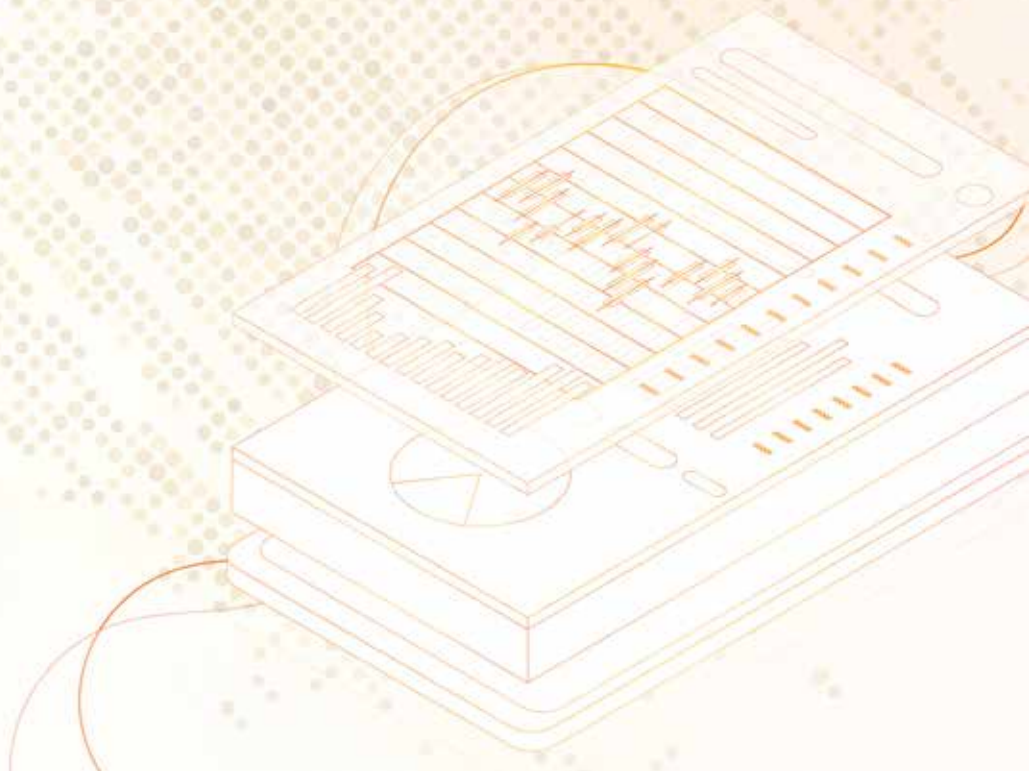
STRATEGY



<ul style="list-style-type: none"> Expand the conversion to branded fuels from generics and strengthen our position in branded fuels Enriched experience of technology by automation of retail outlets Commissioning of new retail outlets at strategic locations to expand our networks High level of engagement of dealers & customers Launching of new sales promotion schemes to engage with customers Offer a distinct customer experience with an enhanced Retail Visual Identity. Reduce operational costs of retail by adopting green practices and solarizing the retail network. Offer customers access to value added services through the retail outlets thereby increasing non-fuel revenues across network Leverage our network to prepare for an increasing level of EVs for the future. 	<ul style="list-style-type: none"> Adequate Blending Capacity is available for catering the growing lubricant business volume. Only Specialty Grades required in small Qty are Imported At present entire Grease demand in Sri Lanka is served with imports as there are no local Grease plants. The Grease plant to be commissioned in 2020-21 will change the competitive position as we would be in a position to serve the entire Grease demand of the Sri Lankan market. We will further expand the bulk sales segment for industrial customers. Contract with industrial customers to make special blends for their specific needs. Aggressive Pricing to retain market share Expanding our footprints in the global market Build consistent loyalty rewards programs 	<ul style="list-style-type: none"> Expand operations to Hambantota port once the operations start. Continue to establish direct contacts with shipping line operators to offer a better value proposition. Strengthening Bunkering capacity further at Colombo and Trincomalee ports with 24 hour Bunkering operations with night navigation facility at Trincomalee. Focus on optimizing procurement cost by tie-ups with more suppliers Effective inventory management 	<ul style="list-style-type: none"> Exploring new export markets and appointing distributors for those markets in order to expand our export sales segment. Expanding local sales by long term tie-ups with major customers 	<ul style="list-style-type: none"> We see significant potential for growth and diversification in this segment. Focus to enrich customer base by meeting their exact requirements Penetrating new grades to expand market share
--	---	---	--	--



Source: Ansoff Matrix



Financial Performance

During the year under review the Company has been able to achieve profit after tax of Rs 422 Mn compared to Rs 403 Mn in the previous year despite adverse financial and economic conditions caused by the Easter Sunday attack and the COVID-19 pandemic.

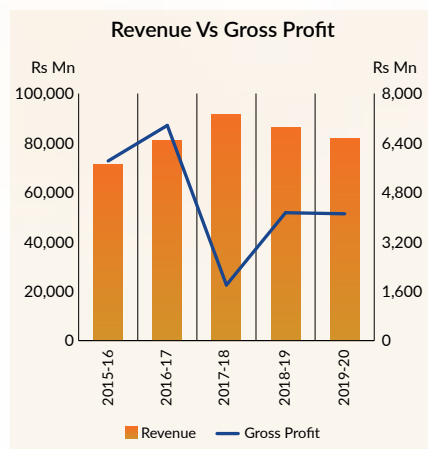
Key Achievements in 2019-20

Revenue (Rs Bn)	Finance Income (Rs Mn)	Profit before Tax (Rs Mn)	Short-term Investment (Rs Bn)
81.9	942	599	12.7

Revenue

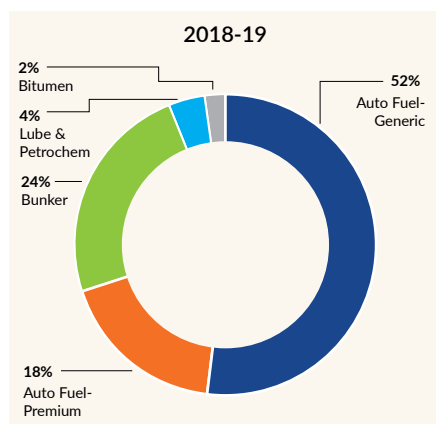
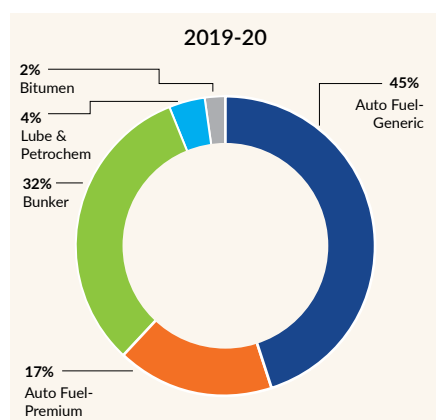
LIOC's revenue declined by 5% to Rs 81.95 Bn during the year, mainly caused by volume loss in Auto-Fuels owing to the price differential maintained in selling price of Petrol and Diesel to curb the under recoveries. Accordingly, Auto-Fuels revenue declined by 17% during the year. The drop in revenue of premium fuels was contained at 10% as we continued to focus on driving the sale of premium fuels. Meanwhile, despite adverse market condition at the beginning and the latter part of the year, the Bunkering division achieved volume growth of 16% while achieving top line growth of 28% as we sought to increase contributions from high-yielding products. This is mainly due to

the introduction of Low Sulphur Fuel Oil (LSFO) in January 2020. The pre-planned strategy yielded high dividend on these products as we expanded infrastructure well in advance to store LSFO at Trincomalee. LIOC was the first supplier to receive LSFO import parcel at Trincomalee. Revenue from Lubricants declined by 5% during the year, reflecting intense competition coupled with decline in overall market demand. Bitumen and Petrochemicals recorded top line growth of 16% and 69% during the year under review. Overall, the Company's reliance on Auto-Fuels declined to 62% from 70% the year before, reflective of the Company's efforts to pursue diversification in other segments.



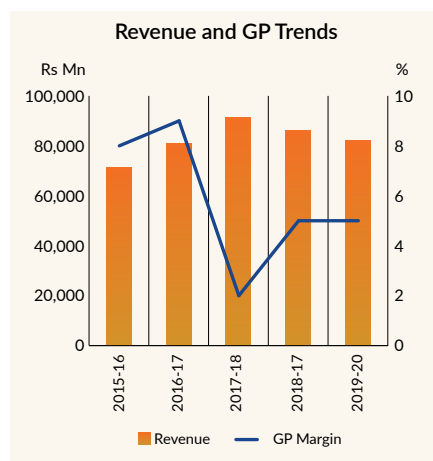
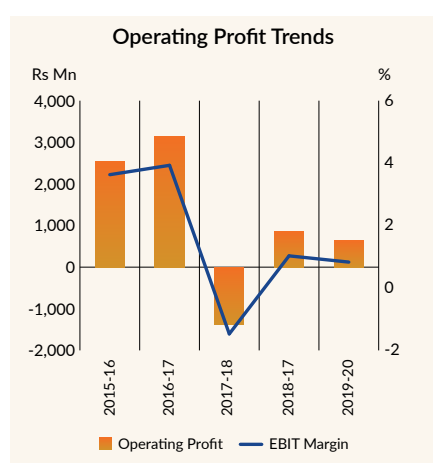
Segment	2019-20	% Share	2018-19	% Share
	Rs Mn		Rs Mn	
Auto Fuel	50,491	62%	60,814	70%
Generic Fuel	36,738	45%	45,464	52%
Premium Fuel	13,753	17%	15,350	18%
Bunker	26,712	32%	20,866	24%
Lube & Petrochem	2,929	4%	3,074	4%
Bitumen	1,815	2%	1,568	2%
Total Sales Value	81,947		86,322	

Graph showing generic fuel and premium fuel separately:



Gross Profit

During the year under review, the Gross Profit of the Company was dropped marginally to Rs 4.11 Bn from Rs 4.14 Bn in the previous year. This is mainly due to under recoveries on sale of Petrol and Diesel. However, the same was negated from the positive margin generated from other products, mainly from Bunkering and Lubricants.



Finance Income

The Company's finance income stood at Rs 942 Mn during the year, an increase of 119% [2018-19: Rs 430 Mn], with investment composition in both local and foreign currency. The Company has invested surplus fund in high yielding products including first time investment through portfolio management services.

However, due to the sharp depreciation of the Sri Lankan currency against the US Dollar during the last quarter of the year, the Company suffered an exchange fluctuation loss of Rs 478 Mn on account of the unhedged portion of USD denominated import loans.

This loss was however, lower in comparison to the loss of Rs 745 Mn in the previous year. Sri Lankan Rupee depreciated by 8% during the year from the rate of Rs 175.31 per US Dollar at the beginning to Rs 189.73 per US Dollar at the end of the year.

Earnings before Interest Expense, Tax, Depreciation and Amortisation

The Company's earnings before interest expense, tax, depreciation, and amortization (EBITDA) decreased by 19% to Rs 1.04 Bn [2018-19: Rs 1.28 Bn], which is mainly due to the drop in other operating income. During the previous year 2018-19 Company received a Dividend of Rs 75 Mn from Ceylon Petroleum Storage Terminal Ltd (CPSTL).

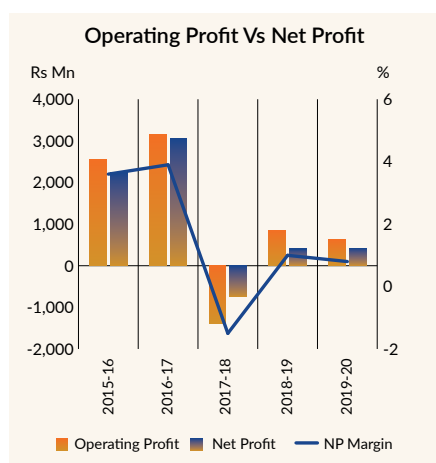
	2019-20	2018-19	% Variations
	Rs Mn	Rs Mn	
Gross Profit	4,106	4,141	(1%)
Other Income	83	190	(56%)
Admin Cost	(1,505)	(1,432)	5%
Selling & Dist. Cost	(2,049)	(2,045)	< 0%
Operating Profit	635	854	(26%)
Dep. & Amortization	401	422	(5%)
EBITDA	1,036	1,276	(19%)

CAPITAL REPORTS

Financial Capital

Net Profit

The Company's net profit before tax has increased notably during the year to Rs 599 Mn from Rs 331 Mn in the previous year. The performance was upheld by the Company's strategic focus on diversifying its operations from the Auto-Fuel segment to high-yielding segments. The main contributors to the bottom line are the Bunkering and Lubricant segment.



Duties and Taxes

The Company's income tax and deferred tax expense increased to Rs 177 Mn in the year under review compared to the negative tax expense of Rs 72 Mn in previous year. During the year 2018-19, Company created deferred tax assets against the business loss suffered in the earlier year.

During the year under review, there were multiple changes under different tax laws. This comprised abolishment of the Nation Building Tax (NBT) with effect from 01st December 2019 and reduction of Value Added Tax (VAT) rate from 15% to 8% with effect from 01st December 2019. VAT and NBT are pass through levy and ultimately benefit to the end customers.

Economic Service Charge (ESC) has been abolished with effect from 01st January 2020. ESC being available as a set off against Income Tax Liability was not having any bearing on the Company's profitability.

Minimum threshold limit for levy of PAYE tax increased from monthly Rs 100,000 to Rs 250,000 along with reduction of maximum PAYE tax rate from 24% to 18% which has direct impact on the operating cost of the Company.

In the month of March 2020, all countries across the world imposed curfews and lockdowns in the wake of surges in COVID-19 pandemic cases which resulted into significant drop in the demand for oil. In view of downfall in international oil prices, the Government increased Customs Import Duty (CID) and imposed custom surcharge on import of finished Petroleum products.

Balance Sheet Strength

During the year under review, Company's total assets increased by Rs 11.52 Bn to Rs 39.76 Bn [2018-19 Rs 28.24 Bn] mainly in view of the increase in short-term investments. The property, plant and equipment consisting of around 10% of the total assets which generated revenue for the Company and liquid profile continued to be strong. Cash and cash equivalent stood at Rs 12.71 Bn which is 32% of total assets.

Capital Structure	2019-20	%	2018-19	%
	Rs Mn		Rs Mn	
Equity	19,446	53%	19,428	89%
Debt	16,955	47%	2,327	11%
Total	36,401		21,755	

Shareholder Value Creation

	2019-20	2018-19
Earnings per share (Rs)	0.79	0.76
Net asset value per share (Rs)	36.53	36.49
Market price per Share (Rs)	15.80	17.40
P/E ratio (Times)	20	23
Dividend per share paid (Rs)	0.75	0.65
Market Capitalization (Rs Mn)	8,413	9,265

Working Capital/Liquidity

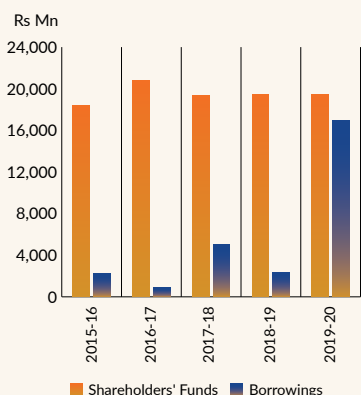
	2019-20	2018-19
	Rs Mn	Rs Mn
Current assets	30,149	18,551
Current liabilities	20,239	8,811
Working capital	9,910	9,740
Current ratio (times)	1.49	2.11

Company has strategically optimized its current ratio by way of maximizing resource utilization, inventory management, augmenting the surplus funds availability, etc. Company's working capital increased marginally from Rs 9.74 Bn to Rs 9.91 Bn in year 2019-20. The optimization has improved earnings and profitability.

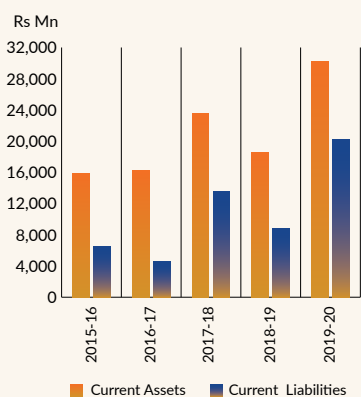
Leverage and Capital Structure

Company's assets have been funded optimally through equity as well as Short term loans. This measures that company has utilized better financial leverage by way of effective management of treasury and ability to generate positive returns.

Borrowing Vs Shareholders Fund



Current Assets Vs Liabilities



During the year under review, Company paid Rs 0.75 dividend per share for the FY 2018-19 compared to Rs 0.65 in the previous year. The Company's P/E ratio reduced from 23 times to 20 times because of increased earnings and a reduction in the share price. The Company's share price dropped from Rs 17.40 to Rs 15.80. In spite of negative market sentiments company's net assets per share remained at par with the year 2018-19 which indicates, Company's share is under priced and has a high potential for appreciation.

The capital employed increased to Rs 36.4 Bn from Rs 21.8 Bn whilst reducing assets turnover from 3.1 times to 2.1 times.

Cash Flow Generation

The Company's operating cash flow amounted to a net outflow of Rs 2.71 Bn (from Rs 4.48 Bn) primarily due to increased working capital requirements. Cash inflow from investing activities increased to Rs 739 Mn (from Rs 43 Mn last year) reflecting comparative increase in finance income. Cash inflow from financing activities was Rs 13.74 Bn during the year reflecting the net increase in borrowings. Overall, the Company's cash and cash equivalents increased by Rs 11.77 Bn during the year, translating to a balance of Rs 12.71 Bn as at 31st March 2020.

Statement of Economic Value Added

The economic value-added statement depicted below demonstrates the distribution of financial value created by the Company among other stakeholder. Earnings per share slightly improved to 0.79 per share from 0.76 per share in the previous year.

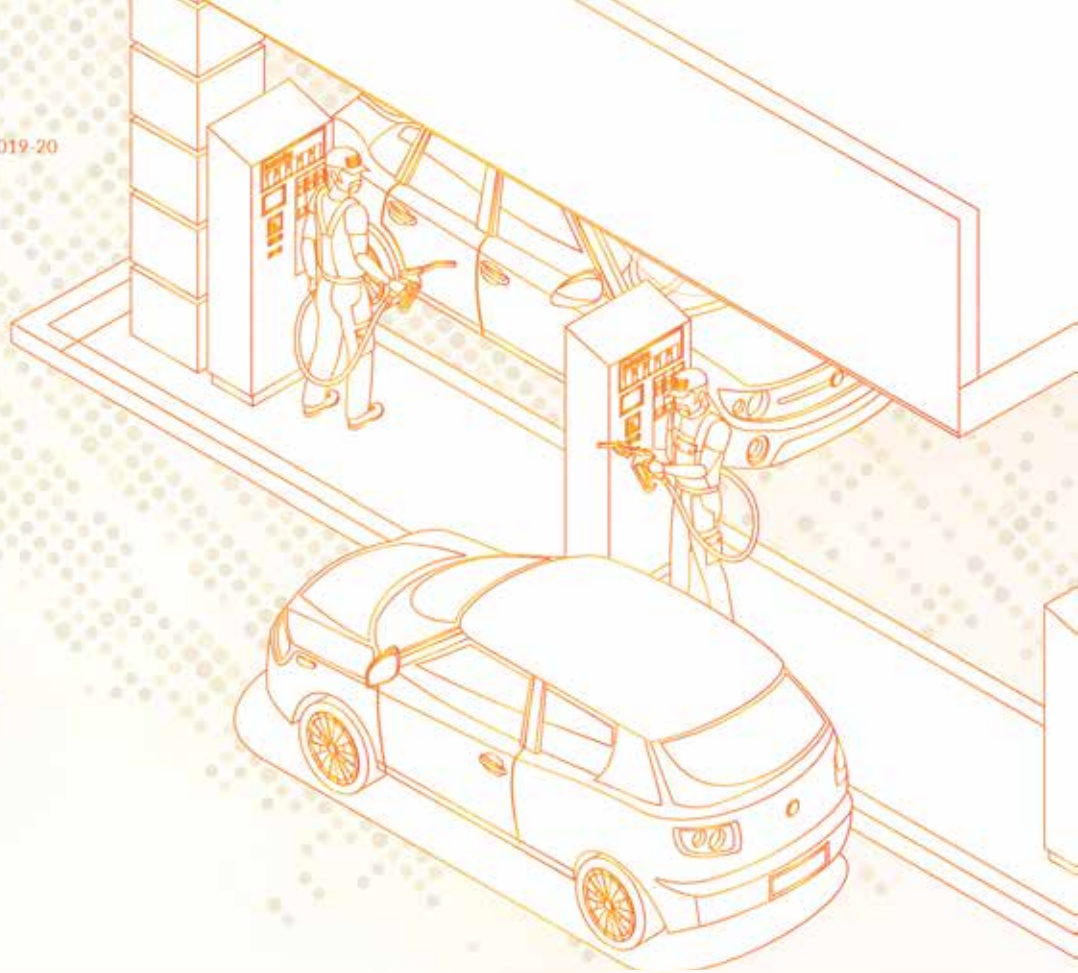
(Rs Mn)	2019-20	2018-19
Direct economic value generated		
Revenue	81,947	86,322
Finance income	942	430
Other Income	83	190
	82,972	86,942
Economic value distributed		
Operating costs	66,160	63,415
Employee wages and other benefits	581	542
Payments to providers of funds	1,377	1,298
Payments to Government	14,435	21,284
Community investments	1	1
	82,554	86,539
Economic value retained		
Depreciation and Amortization	401	422
Profit after dividends	19	58

Future Outlook

The Company's focus under the current situation is to optimized financial leverage and looking forward to continue its reliance on the segments providing better financial results.

The Company's thrust to utilize its resources to generate better yields and financial stability with inventory management and dynamic procurement strategies.

Effective treasury management to minimize currency risk exposure.



Manufactured Capital comprises the physical infrastructure of Retail Outlets, Trincomalee based plant with oil storage terminals, Lubes blending facilities, the quality control lab as well as the digital infrastructure of the Company.

Manufactured Capital Highlights

For Year Ended 31st March	2019-20	2018-19	Change
Investments in Property Plant and Equipments (Rs Mn)	220	449	(229)
Contact points - Auto Fuel (Nos.)	208	208	-
Contact points - Lubricants (Nos.)	736	621	125
Automated Retail Outlets (Nos.)	14	9	5
Solarized Retail Outlets (Nos.)	14	5	9

Key Achievements in 2019-20

02 New Retail Outlets	05 New Lubes Distributors	110 New SERVO Shops	09 Solarized Outlets
---------------------------------	-------------------------------------	-------------------------------	--------------------------------



Sustainable Development Goals

Our investments in manufactured capital demonstrates our commitment to the two Sustainable Development Goals of:

SDG 9: Industry, Innovation, and Infrastructure

SDG 11: Sustainable Cities and Communities

SDG 12: Responsible Consumption and Production



Lube Blending facility at Trincomalee

Trincomalee Facility

The Trincomalee facility of LIOC comprises the storage infrastructure, ISO 9001-2015 accredited Lube Blending Plant, the testing lab for quality control, and other plants and equipments.

Activities, Brands, Products, and Services

The Trincomalee facility, located at the Trincomalee Oil Terminal in China Bay has storage for Auto Fuel, Bunker fuel and blending operation of Lubricants.

It serves needs for Petrol and Diesel, Intermediate Fuel Oil (IFO) and Marine Gasoil (MGO) for Bunkering and blends Lubricants for distribution across the island and to export markets.

LIOC Trincomalee Plant		
	Footprint	Value Added During 2019-20
Storage Infrastructure	The storage infrastructure comprises 15 operating tanks with a capacity of 140 TMT and the pipelines and pumping units.	<ul style="list-style-type: none"> ● Investment made for painting, repairs, and refurbishing of storage tanks ● Investment to upgrade tanks and pipeline infrastructure for the supply of IFO 0.5% Sulphur for Bunkering operations
Lube Blending Plant	Production Capacity - 18,000 KLPA Storage Capacity - 20,000 KL	<ul style="list-style-type: none"> ● Investment in New Automatic Barrel Filling Machine ● New Taping machine
Grease Plant	A 3,000 MT Grease Plant is to be commissioned during 2020-21	● Foundation work done for New Grease Plant, Procurement, Installation of equipments is underway
Laboratory	A state-of-the-art quality control Lab	Following lab equipment were procured to upgrade and improve lab capabilities. <ul style="list-style-type: none"> ● Water Bath ● Potentiometric Titrator ● Total Sediment Testers

New and Improved Technologies and Extension of Operational efficiency

Storage Infrastructure

During the year, a number of storage tanks were painted, repaired, and refurbished.

Two tanks used for Petrol and Diesel were repaired, modified, and refurbished.

Investment made to store IFO 0.5% Sulphur product by conversion of high sulphur FO tank.

The International Maritime Organization (IMO) is the United Nations specialized agency for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships. IMO has set a limit for Sulphur levels in fuel oil used on board ships of 0.50% m/m (mass by mass) from 1st January 2020 as this would significantly reduce the amount of Sulphur oxide emanating from ships.

In order to meet the IMO guidelines, the LIOC storage and pipelines had to be modified. IMO's work supports the UN Sustainable Development Goals (SDGs).

Lube Blending Plant

During the year, a Barrel Filling Machine was installed in order to increase output of the blending plant and filling capacity to meet better market demand.

Grease Plant

Work has been started in January 2020 on the Grease Plant which has 3,000MT annual capacity. It is expected to be commissioned by the end of 2020. At present the entire Grease requirement of Sri Lanka is imported. Commissioning of Grease plant enables LIOC to manufacture the Grease needed for the entire local market. We can expand our market share significantly once our Grease plant is commissioned as we would have a significant cost advantage over those selling imported Grease and also this would lead to significant foreign exchange savings annually.

State-of-the-Art Lab

The LIOC state-of-the-art lab performs a quality control function for the Lube blending operation.

CAPITAL REPORTS

Manufactured Capital

During the year, the equipments added to the laboratory included a Total Sediment Tester, Water Bath and a Potentiometric Titrator to enable to better serve the growing needs of LIOC operations.

Additional equipments including automatic Aniline Point Tester, Multi Cell Capillary High Temperature High Shear (HTHS) viscometer with computer, automated non-woods metal Noack evaporator apparatus and an automated cold cranking simulator with computer are also being add.

Extension of Market Reach and Operational Efficiency

Enhanced Retail Visual Identity and Brand Presence



Enhancing Retail Visual Identity of Retail Outlet

Look and Feel Retail Outlets

During the year 47 retail outlets of LIOC were given a new RVI with fascia, canopies. Other branding elements to delight and to enhance customer experience. Which supports to improve uniformity across the network.

Two New Outlets Commissioned

During the year, two new outlets were added to our Auto Fuel retail network to retain our customer reach to an existing level as two outlets were decommissioned.

Digital Transformation and Automation

SMS Indenting

Introduction and implementation of SMS based indenting system has enabled our dealers to place their fuel orders over SMS. previous system involved placing calls or sending faxes. SMS orders are collated and executed at the supplier locations.

Online Technical Training for Trincomalee Staff

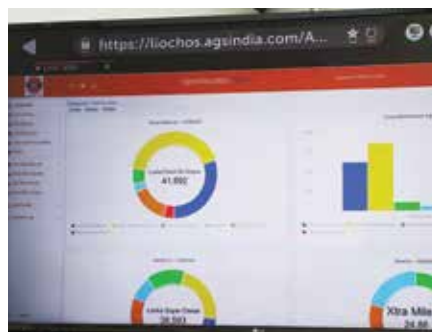
During the year we instituted online training for our technical staff at Trincomalee, replacing the paper-based system. This allows our staff members to use training facilities at their own convenience.

Integrated Automated Fire Engine Cooling System

During the year, we improved our fire safety mechanism by replacing a manual element in the cooling system for fire engines (water pumps) to work automatically. This completely automates the safety system of fire engines. Our fire safety policies are driven by the standards of the OISD (Oil Industry Safety Directorate) under the Ministry of Petroleum and Natural Gas in India. We are following their standards for enhancing the safety in the oil and gas industry.

Automation of Retail Outlets

During the year under review automation of the dispensing units in the retail network continued, as part of our modernization drive, in order to differentiate LIOC outlets. This is another project that demonstrates our commitment to operational efficiency, customer service excellence, and investments in the latest available technology. 5 retail outlets were successfully converted to use the latest technology during the year. This brings the automated outlet total to 14. It is planned to automate 20 more retail outlets in 2020-21.



Automated Dashboard of Retail Outlet

We believe that automation at service points improves customer service immensely, enhancing trust and making payments quick and easy for customers. Under the new, automated billing system, a bill is generated automatically for each transaction and also it enhances our ability to monitor and address customer complaints in an objective manner.

Real Time Dashboard of Retail Operations

Work is under way to install a digital dashboard that reflects in real time the operations at all of our automated retail outlets.



A Focus on Other Income Generating Assets

As part of our diversification efforts, and our belief in sustainable business practices, we have looked at optimizing the space and revenue per square foot at our retail spaces. Installing of solar power systems with Net Accounting, ATMs, e-commerce kiosks, EV charging stations, hoardings, and LED screens are all part of the equation.

Solarization of Retail Outlets

We believe in the sustainability of operations and are committed to help nation to achieve the Sustainability Development Goal 9 in industry, innovation, infrastructure, and the Sustainability Goal 12 in consumption and production.

As our contribution to promoting green power, we, at LIOC, are committed to the solarization of our network of retail outlets installing eco friendly sustainable operational systems. Our goal with solarization is to ensure that the entire electricity demand from each Retail Outlet will be met with the installed solar photovoltaic systems.

Accordingly, the solar panels installed on rooftops of selected retail outlets have the capacity to generate 10KWp, 15KWp, 20KWp or 25 KWp depending on the load and anticipated future business volumes and power needs. All power systems come with a five-year warrantee.

Each commissioned outlet uses the "Net Accounting" energy metering systems provided by the Ceylon Electricity Board (CEB) or Lanka Electricity Company Private Limited (LECO), according to the respective geographic area that connected to the national electricity grid.



New ATM opened at Retail Outlet-Maharagama

New ATMs and e-Commerce Kiosks for Customer Convenience

In addition to our existing two ATMs, this year we added 10 more ATMs to our retail network. We also added 10 e-Commerce Kiosks. Plans are under way to add more ATM's/ CDM's in the near future to ensure greater customer convenience.

LED Screens

During the year we installed a LED screen mounted on the branded monolith at the our Retail Outlet in Narahenpita. It is currently promoting LIOC products and brands though exchanging advertising.

With LED screens, we have also provided a platform in our retail network to reputed advertising agencies and organizations to place advertisement of their products and services. The goal is to sell advertising time on hoarding and LED signage as an additional revenue to the Retail Outlet.



Partnering with Ceylinco Insurance

EV Charging Stations

Reinforcing our commitment to promote sustainable consumption, and the growing population of electric vehicles in Sri Lanka, we added two Electric Vehicle (EV) charging stations at LIOC outlets in Alexandra Place and Pannipitiya making the total to 4 EV charging stations across the island.

We plan to add more EV charging points in our retail outlets across the island as that paves the way for more responsible consumption by relying on renewable energy resources.



Electric Car Charging Station at Pannipitiya

Future Outlook

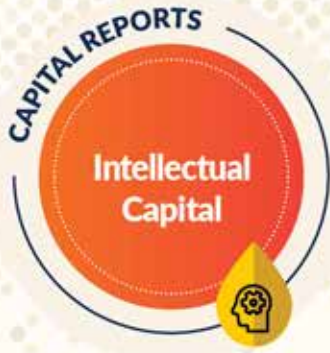
Despite severe economic and business challenges, LIOC looks forward to improving operational capacity and efficiency and to keep providing an excellent level of service across our network of touch points. Some of the projects to extend our operational capacity and efficiency will go ahead as planned while other elements of our expansion will necessarily depend upon market dynamics and the economic growth over the coming months.

Commissioning Grease Plant with 3,000 MT annual capacity

Commissioning of 05 more retail outlets

Solarization of another 15 retail outlets

Automation of 20 more retail outlets

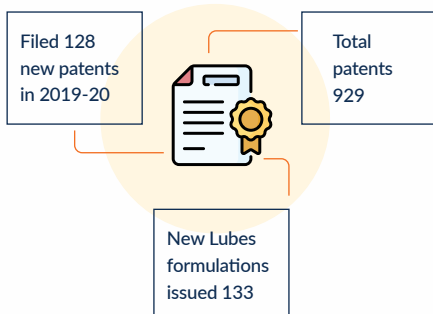


LIOC comprises a number of valuable components including benefits from the world-class research capabilities of its parent, which conducts extensive research programs across a wide range of energy domains that enable us to create, sustain, and deliver value to our stakeholders.

Research and Development Capabilities

Indian Oil Corporation's dedicated R&D centre is a world-class centre for developing technologically and commercially viable energy solutions including Lubricants technology, petrochemicals and renewable energy among others. LIOC is a direct beneficiary of such capabilities and is aptly positioned to support.

Indian Oil Corporation's R&D Expertise



Intellectual Capital Highlights

Key Achievements in 2019-20

#34 in the Top 100 Consumer Brands with a brand rating of A- and a brand value of Rs 3.48 Bn.

Bronze Award under Power and Energy Sector for Best Annual Reports award conducted by CA Sri Lanka

National Merit Award-CNCI Achiever from the Ceylon National Chamber

'Best Integrated Annual Report Award' at CMA Excellence Awards.

Product and Service Innovations

- Promoting environmental friendly branded fuels achieving significant levels of conversion
- Implemented IFO 0.5% Grade Bunker fuel conformity with International Maritime Organization (IMO) guidelines for limiting Sulphur levels in marine fuels

Systems, Structures and Processes innovations

- Digital Transformation
- Automation of retail outlets
- Head Office system dashboard
- SMS indenting system for dealers across island
- Online training for technical staff at Trincomalee

- Extending in-house experience and expertise
- Solarization of retail outlets
- Reaching out to further export and international markets
- Enhanced retail network with a uniform RVI with better facilities and ability to offer better customer service.
- Electric vehicle (EV) charging points in our fuel retail outlets
- LED screens for advertising and brand creations
- Remote SAP access to employees to work from home during the lockdown
- Online e-ledger access to our channel partners

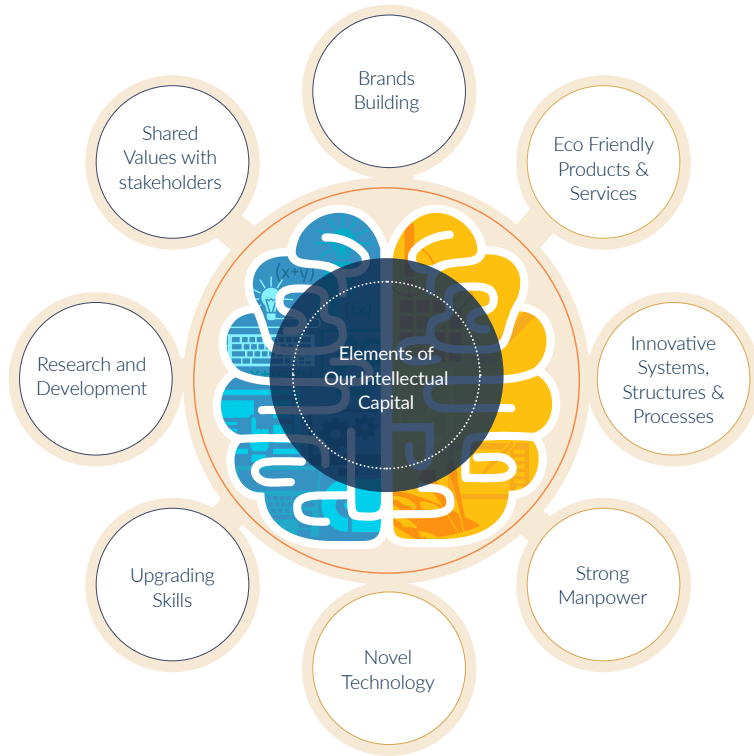


Sustainable Development Goals

Our investments in intellectual capital demonstrates our commitment to the two Sustainable Development Goals of:

SDG 9: Industry, Innovation, and Infrastructure

SDG 12: Responsible Consumption and Production



Brands Stewardship

LIOC has a strong brand recognition in the country and is a constant presence among Sri Lanka’s top consumer brand listings.

In the year under review, even amidst difficult economic conditions, LIOC’s brand reputation and resilience was demonstrated by attaining the 34th ranking among the Top 100 Consumer Brands with a brand rating of A- and a brand value of Rs 3.48 Bn.



SERVO

SERVO is a name to be reckoned with throughout the world and the top lubricant brand in India. With SERVO leading the way, LIOC has achieved market leadership in lubricant segment with No. 2 position in terms of market share, among 13 players. SERVO is the preferred choice of lubricant for Sri Lankan

Vehicle owners, due to its world class quality and cutting edge technology unmatched quality of products, SERVO is on its way to becoming the preferred choice of Lubricant for Sri Lankan vehicle owners.

LIOC Exports SERVO Lubricants to Maldives, Qatar, Oman. During the year LIOC started exports to Indonesia by appointing Distributor in Indonesia as a part of its growth plans.

Environmental Friendly Fuels

XtraPremium Euro 3 conforms to international Euro 3 standards recommended by vehicle manufacturers worldwide. It is a high octane Petrol with friction busters that ensures better fuel flow, better pickup, higher power and improved fuel efficiency. It’s also the greenest fuel on the market as it has been designed to significantly reduce emissions. XtraPremium help drivers and vehicle owners get the most out of their engines. It is the only Petrol of this quality available in Sri Lanka.

XtraMile Diesel ups the performance in terms of environmental friendliness, and smooth drive. It cleans and maintains the engine, removing

harmful deposits and keeping fuel injectors clear to ensure maximum engine power, making for an easier start, lowering fuel consumption and keeping the engine performing at its peak while lowering maintenance costs. XtraMile Diesel conforms to the toughest international standards, with unbeatable fuel efficiency and is the highest quality Diesel available in Sri Lanka.

During the year we continued our promotions extolling the benefits of branded fuels. These investments paid off handsomely as we were able to convert 31% of Petrol and 18% of Diesel sales volumes to branded fuels by the end of the financial period.



Brand Building – Retail Outlets

As consumer brand coming among the top 50 brands in Sri Lanka, we recognize that brand identity goes beyond brand name, logo and tagline. It is necessary to also look into achieve a uniformity across the retail network in elements such as canopy, fascia, layout, facilities, service level and other branding elements.

Achieving a Uniform Retail Visual Identity

Our key brand building initiative for the year look and feel Retail Visual Identity (RVI) across the entirety of our retail network. 47 LIOC owned outlets received new fascia and canopies of sales buildings together with monoliths during the year.

Solarizing and Greening of the Retail Network

As part of our commitment to sustainable business practices, we began the process of solarizing our retail network during the year. 9 more retail outlets have been provided with roof top solar equipment, operated under a net accounting agreement with the Ceylon Electricity Board (CEB) or Lanka Electric Company (LECO).

CAPITAL REPORTS

Intellectual Capital

This year too we continued to replace all canopy lighting in the Petrol sheds with LEDs phase by phase, thus, furthering our commitment to sustainability.

Advertising Sales Campaigns – Auto Fuel

A key thrust of our advertising efforts has been the campaigns targeting the benefits of environmentally friendly branded fuels. Campaigns were implemented on FM radio channels with the goal of differentiation in the market in order to increase footfalls and enhance customer satisfaction.

We carried out two SMS based sales promotion scheme in association with Abans and Stafford Motors giving Abans branded items and scooties from Stafford for the winners. These campaigns were also placed on our LED screens. During the campaign we received nearly 200,000 SMSs with an outpouring of appreciation from our valued customers.

As a result, we were able to create a databank of our customers for making future connection and offering them value added services and access to future promotions.

Enhancing Corporate Customer Loyalty

During the year, we continued to expand the number of corporate Auto Fuel customers joining our Dialog Touch corporate Fuel Card. As at the end of financial the year, we had 450 plus corporate customers and over 12,000 card users patronizing our Auto Fuel retail network.

Brand Building – SERVO & Lubricants

We leverage both above the line (ATL) and below the line (BTL) advertising for enhancing the value of our Lubricant brands.

Billboards, Hoardings and Street Boards

During the year we continued to advertise on billboards, hoardings and street boards to enhance brand visibility and recall.

Clinics and Workshops

During the year, we continued to partner with original equipment manufacturers to offer service workshops and clinics. We worked with all leading corporate customers.

We also continued with the practice of using various events for promotional purposes. Although we have sponsored various sports events in the past, this year, due to Easter Sunday attack and then COVID-19, there were no such sponsoring opportunities.



Workshops with Dealers

Digital - SERVO Lubricants Sri Lanka Facebook page

SERVO Lubricants Sri Lanka Facebook page (facebook.com/Servo SriLanka) is being used to promote the SERVO brand and to increase awareness about SERVO Expert hotline. The Facebook page is also used to promote new SERVO Shops and other Company events.

The channel offered public service messages on world environment day, on buckling up seat belts, promoting good hygiene with hand washing to promote best practices. The channel was also employed to offer greetings on days of importance including the Sinhala and Hindu New Year, Vesak, Christmas, New Year 2020, Thai Pongal, and Sri Lanka Independence Day.

We also promoted reward schemes:

- ④ SERVO Festive Fiesta offered prizes worth over Rs 5 Mn leading up to 01st January 2020.
- ④ The Fill & Win competition offered 10 Honda Activa i Scooters and other prizes worth over Rs 2 Mn for those pumping Petrol for bikes, three wheelers and cars within a given period.



Sales Promotion Campaign

Our Products

The key product lines of LIOC are Auto Fuel, Bunkering, Lubricants, Bitumen and Petrochemicals.



Scan to view the Online

DIESEL

Lanka Auto Diesel
Lanka Super Diesel (LSD)
XtraMile Diesel



PETROL

Lanka Petrol 92
Xtra Premium 95
Xtra Premium Euro 3



Scan to view the Online

Fuel Oil (0.5% S)
Marine Gas Oil
IFO 380 cst



Scan to view the Online



Scan to view the Online

Bitumen 60/70
Bitumen 80/100
Bitumen VG 10
Bitumen VG 30



Scan to view the Online

HDPE BLOW
PP Injection

CAPITAL REPORTS

Intellectual Capital

Systems, Structures and Processes

We have endeavoured to offer a host of value added services at our Auto Fuel retail network for the benefit of our customers.

🔌 Electric Vehicle (EV) charging points

We have installed EV charging points at four of our fuel retail outlets extending the charging points network to serve the growing EV population.

Digital Transformation

LIOC systems and processes are undergoing digital transformation and act as enablers to enhance operational efficiency, productivity, and customer service. The outputs of all digital transformation efforts enhance the value of our intellectual capital.

Total 14 retail outlets were successfully brought into the automated sales and inventory system with automated dispensing units and automatic billing systems by end of the year.

We continued the automation of dispensing units to differentiate LIOC sheds.

The newly installed automation equipment are of the latest technology available in the market and upgradeable with new technology features when available.

Operations Dashboard

The operational dashboard for the automated operations will be at Company Head Office for monitoring purposes. This enables the operational heads to keep track of sales volumes and inventory at the automated retail outlets.

SMS Indenting for Dealers

We introduced an SMS indenting system to our dealers across the retail network during the year. Previously dealers had to manually send documented requests for their fuel reorders. Under the SMS indenting system, they are now able to save time and effort by forwarding their fuel orders via a simple text message in a defined format.

Online Training for Trincomalee Technical Staff

During the year, we enabled online training for technical staff at Trincomalee (transitioning from offline learning). Now they are able to complete their technical courses at a time of convenience, a fact that is highly appreciated by the staff members undergoing training.

Expanding Brand Presence in Global Market

During the year LIOC extended our reach to international markets and operators across our business lines.

We continued our reach into the global market for Lubricants thus expanding our knowledge and expertise to further reach out to new markets in the future.

We commenced Bitumen exports to Nepal during the year further expanding our market reach.

In reaching out to international markets, LIOC strengthened its international management and operational know-how, adding further value to our intellectual capital in terms of organizational expertise and skills base. This enables us to further explore new markets and business prospects overseas, building upon what we have learnt this year.

Staff, Style, Skills and Shared Values

Our individual skills, collective know-how and experience in the industry are indispensable elements of intellectual capital enabling us to work towards our corporate vision and mission.

Future Outlook

RVI work at more Retail Outlets across the network

Enhancement of customer-centric facilities and value added products at Retail Outlets.

Continue to our commitment to sustainable business practices by continuing the solarization and greening our retail network and installing more EV charging stations across our retail network.

Continue to create and enhance the brand recognition in local market as well as in the global market



LIOC considers Human Resource Management as the strategic and coherent approach to manage most valued asset, our employees, who individually and collectively contribute to the achievement of Company's objectives.

Human Capital Highlights

For Year Ended 31 March	2019-20	2018/2019
Number of employees	164	172
Remuneration and benefits (Rs Mn)	581	542
Male to female ratio	6 : 1	6 : 1
Number of new recruits	03	05
Staff injuries (number of employees)	Nil	Nil
Turnover rate	2.98%	1.74%
Investment in training and development (Rs)	<1Mn	<1Mn

Key Achievements in 2019-20

Completion of compensation and benefits survey to design more competitive pay package.	Introducing environmentally friendly elements to the workplace to enhance ambience.	Shinning Star is a new scheme of employee recognition to reward best performers	LIOC Connect is our monthly newsletter to share highlights	Straight talk by MD with all employees	Performance based rewards scheme	Implementation of employee suggestions scheme
--	---	---	--	--	----------------------------------	---



Sustainable Development Goals

Our investments in human capital demonstrates our commitment to the two Sustainable Development Goals of

SDG 3 Good health and well being

SDG 8 Decent work and economic growth

CAPITAL REPORTS

Human Capital

Our Vision for Human Capital

Our vision is to be a strategic partner to attain organizational excellence by developing and inspiring the true potential of Company's human capital and providing opportunities for growth, well being and enrichment.

We believe managing human talent is the backbone of our Company, since it is not the technology, but the employees who use technology that builds the organization. This is why managing employees is of utmost importance to LIOC.

In managing our human capital we rely on employee centric policies and provide them with a learning platform, freedom to think, innovate and engage in challenging areas of work.

We also try to improve the effectiveness of human talent management by trying to understand and predict human behaviour.

We believe that the key to success is to have a corporate culture based on a strongly held and widely shared set of beliefs that are supported by strategy and organizational structures.

The Human Resource (HR) function has a vital role in perpetuating a strong culture at LIOC, starting with recruiting and selecting applicants who will share the organization's beliefs and thrive in that culture. HR also develops orientation, training and performance management programs that outline and reinforce the organization's core values and ensures that appropriate rewards and recognition go to employees who truly embody those values.

Strategic HR Goals



Information on Employees and Other Workers

Our Employees

All Permanent Employees

	2019-20	2018-19	Change
LIOC Head Office	66	70	(4)
Trincomalee	98	102	(4)
Total	164	172	(8)

Employee Categories

	2019-20	2018-19
Senior Management	9	9
Executives & Above	48	48
Below Executive	107	115
Total	164	172

Employees by Length of Service

	2019-20	2018-19
0-5 years	27	30
6-10 years	21	20
11-15 years	22	19
Above 15 years	85	94
Total	155	163
Excluding Expatriate seconded from parent company		

Employee Diversity

Diversity and Equal Opportunity

	2019-20	2018-19
Male	140	148
Female	24	24
Total	164	172

Employee Age Distribution

	2019-20	2018-19
18-30	10	13
31-50	103	100
Above 50	51	59
Total	164	172

Employees by Qualification

MBA's	BSc Engineering	Other Professionals CA/CIMA/ACCA/ ICSA	Employees with Post Graduate qualifications
18	04	08	11

During the year two employees completed their MBAs. Those employees completing higher studies are given cash awards based on the qualification acquired.

Changes in Employment

New Employee Hires and Employee Turnover

New Recruits and Promotions

	2019-20	2018-19
New Recruits		
-Head Office	2	3
-Trincomalee	1	2
Total	3	5

Staff Turnover

Year	2019-20	2018-19
Turnover Rate	2.98%	1.74%

The low staff turnover at LIOC is explained by the cohesive organizational culture that puts people first and the generous, competitive remuneration and benefits packages.

Rewards and Remuneration

Remuneration

	2019-20	2018-19	Change
Salaries (Rs Mn)	550	519	31
Benefits (Rs Mn)	31	23	8
Total	581	542	39

LIOC offers best-in-class remuneration packages to our employees that extend beyond basic statutory requirements.

During the year under review, we designed a compensation and benefits package for our direct employees on the basis of the recommendations given by an external consultant.

Generous Benefits to Employees

Permanent employees are entitled to a generous benefits package as follows:

Employee Benefits to Permanent Cadre	Description
Maternity Leave	84 working days
Retirement provision (Gratuity)	Statutory gratuity payments after completion of five years of service
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	Carrying a simple concessional interest rate and recoverable in 120 months.
Medical Leave	14 to 21 days
Welfare Related Benefits	<ul style="list-style-type: none"> House repair loans Office transport facility Furniture loans Three months loan
Medical Benefits	<ul style="list-style-type: none"> In-house medical doctor at Trincomalee and provision of free medicine. Unlimited medical reimbursement Reimbursement of spectacle expenses
Insurance Cover	<ul style="list-style-type: none"> Insurance cover for partial and permanent disability and life. Unlimited OPD cover
Other facilities	<ul style="list-style-type: none"> Provision of uniforms Support to family members such as operating buses for school children Residences for Trincomalee employees Long service awards Scholarships to children Death benefits amounting to Rs 500,000 Accidental death benefit of Rs 1 Mn. Payment for unutilized medical leave PAYE borne by the Company Reimbursement of mobile handsets Cash rewards for completion of higher studies depending on qualification earned. Sports club
New facilities introduced in 2019-20	<ul style="list-style-type: none"> 20 residential quarters in Trincomalee were refurbished during the year. Enhancement of the reimbursement of fuel costs for Junior Executives and Officers (S-3) in the field. Delivery of cake at employee's residence to celebrate their birthday.

CAPITAL REPORTS

Human Capital

Training and Education

Average hours of Training per year per Employee

	2019-20	2018-19
Number of training programs	26	30
Total training hours	851	332
Training coverage - Percentage of employees trained	62%	70%
Average hours of training per year per employee (total training hours/total employees at year end)	5.2	2.2
Percentage of employees receiving regular performance and career development reviews	100%	100%

Programs for Upgrading Employee Skills and Transition Assistance Programs

Employees of LIOC are provided with the necessary training according to a 3 year training plan to deal with operational and technical upgrades and digital transformation efforts.

Regular Performance and Career Development Reviews

All employees of LIOC are subject to performance reviews throughout the year.

Quiz to Expand Knowledge and Enjoy Learning

We conduct regular quiz competitions to upgrade knowledge and skills of our employees about the business lines, global developments, and operational and safety best practices.

Technical Training Online

Beginning with this financial period, technical staff at Trincomalee are now able to take their training sessions online at their convenience.

Digital Transformation

During the year under review we achieved the biometric integration of attendance module for our payroll package.

Employee Engagement at LIOC

LIOC employs a variety of tools and means to foster employee engagement and motivation.

'Shining Star - the Inspiration'

Every two months we recognize and reward one employee who has achieved excellence in his or her respective job assignment at an official function with a letter of appreciation. The achiever is named as 'Shining Star of LIOC' and a photograph of the achiever taken with

the Managing Director (MD) is displayed on the "Wall of Fame" at the visitor's lounge at the Head Office and at their own work stations. It has contributed to improving motivation and engagement levels among our employees.



Shining Star of LIOC

Straight Talk With MD

This Straight Talk initiative headed by the MD is intended to reinforce a culture of connection and offers a feedback mechanism for ongoing change within the Company. The straight talk followed with official lunch for all employees helps foster a collaborative mentality.



Straight Talk With MD

Enhancing Quality of Work Environment

The reception lounge at LIOC was renovated during the year to include a vertical garden and an aquarium, intended to refresh the minds and fuel positive energy among employees.

Employee dining and pantry areas were recently refurbished. Two fish tanks were placed in the office area to add natural and lively vibes inside the office. We have installed a LED TV in the dining hall. LED backlit motivational messages board has been placed inside the office. A soft beverages dispenser has been installed in the office as a welfare and motivational measure, and placed a health metric unit to help our employees maintain healthy BMI.



Renovated Reception Area

Sustainability

Sustainability is at the heart of our business model and sustainability and success should go hand in hand. As a sustainable best practice we have said no to using plastic at the LIOC Head Office and given customized glass water bottle to all LIOC employees to use instead of plastic water bottles.

Conduct, Discipline and Appeal Rules

Mechanisms for Advice and Concerns About Ethics

Values, Principles, Norms and Standards of Behaviour

The comprehensive Conduct, Discipline and Appeal Rules (CDA Rules) of LIOC covers values, principles, norms, and standards of behaviour expected of employees at all levels of the Company. They have been put in place to ensure that indiscipline and good conduct are clearly defined and simple, uniform procedures are in place to fairly deal with indiscipline in observance of natural justice.

General conduct and misconduct are defined with a wide-ranging cover of potential misconducts.

CDA rules of LIOC have clearly spelt out the mechanisms to deal with ethical misconduct and questionable behaviour.

Anti - Corruption

Communication and Training about Anti-Corruption Policies and Procedures

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

Occupational Health and Safety

Occupational health and safety matters are covered by LIOC's Safety, Health and Environment Policy which requires that at least one third of staff on premises be covered so that all staff receive training over a three-year period.

Both executives and non-executives receive state-of-the-art training on health and safety matters such as fire safety, handling of equipment and materials each year from outside training sessions.

Employees Representation in Formal Joint Management-Worker Health and Safety Committees

The Trincomalee Safety Committee consist of 14 members headed by the Senior Vice President in charge of the Trincomalee facility.

There were no injuries or fatal accidents at our facilities during the year.

Employees with High Incidence or High Risk of Diseases Related to Occupation

The safety measures and regulations are in place regarding material handling and to prevent fires and accidents to avoid any incidents.

Incidents of Discrimination and Corrective Actions Taken

There were no complaints or incidents reported of discrimination at LIOC during the year.

Child Labour

LIOC does not employ anyone under the age of 18.

Forced or Compulsory Labour

LIOC does not use forced or compulsory labour in our operations.

Future Plans and Strategic HR Initiatives

Attracting and keeping talent involves offering and administering a benefits package that appeals to the modern employee.

Stay Focused on People

We focus in managing human talent through training to retain our employees encouraging communication and in talent acquisition.

Training

Professional development is a must for employees. Interesting and engaging training programs lead to grateful employees. Our goal is to make training more effective with new solutions in HR management.

Be Ready for the “New Workforce”

Employees play a big role in making the workforce of the future a reality. Our responsibility as an employer is providing team members with access to new technologies and training they need to upgrade their readiness for the future of work.

Continuous learning is critical to stay ahead. We encourage employees to continually develop their knowledge and skills and provide them the support and resources to do so. We encourage the learning programs and tools that allow employees to expand their skills.

Diversity and Gender Parity at LIOC

LIOC is committed to building diverse talent pools and continues to refine its HR policies and practices to ensure that all employees are treated fairly and equitably. The Company in its endeavor to promote a conducive environment supporting diversity and gender parity includes equal opportunity, anti-sexual harassment, and a dedicated grievance handling mechanism for harassment related grievances. Female representation accounted to 15% during the year.



Annual Company outing at Hotel TAJ Bentota in December 2019

Encourage Communication

We recognize that tools for evaluating employee engagement in real-time engagement are part of an organization's critical infrastructure because they help us understand employee needs and consider corresponding changes. We aim to integrate these tools with our performance management system.

The Company values its employees work-life balance. As such, the Company has introduced flexibility to working hours by introducing a window period of one hour, half an hour especially targeted at female employees to attend to their family commitments during the time of special needs.

CAPITAL REPORTS

Human Capital



International Womens' Day Celebration at Head Office

New Bus for Transport Facility

During the year, we procured a new bus replacing two older buses for transporting employees to and from work and for transporting their children to school.



New Bus for Transport Facility

The gender composition of the LIOC is as follows:

	Female employee	As a % of cadre
Board level	-	-
Senior Management	-	-
Executives and above	11	23%
Executives and below	13	13%
Total	24	15%

Gender representation region wise

Location	Female employee	As a % of cadre
Colombo	16	24%
Trincomalee	8	8%
Total	24	15%

Employee Turnover – Gender wise

During the year five employees left the service. Of this, the number of female employees who resigned was 1 which is a 20% of the total employee turnover.



Certificate of Long Service Award to employees on Company Day



Renovated employee quartos at Trincomalee



Health and Safety During COVID-19

We have taken precautions against COVID-19 by disinfecting office space in different intervals to enhance the safety we have commenced temperature screening (using handheld thermometers) and encourage hand hygiene of the employees by providing hand sanitizers in side the office.

We have also distributed protective face shields for employees that need the protection and published precaution guidelines for our employees.

Future Outlook

We strive to cultivate best practices to enhance the productivity and professional development of our employees.

Under the digital transformation program, our HR function is progressing towards best practices and upgradation of skills.

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 organizational requirement.



Social and Relationship Capital is made up of our relationships with our shareholders, customers, local and overseas suppliers, channel partners, the government including various agencies, and the community at large.

Our ability to constantly deliver value to these stakeholders and maintain cordial working relationships with them and the communities in which we work is a significant factor in our success. In the next few pages we outline what we have done during the year in order to nurture and improve these important relationships so that we may continue to deliver sustainable value to all of our stakeholders.

Information on how LIOC engages and nurture our most valued employees is described in detail in the Human Capital section of this Report.

Sustainable Development Goals

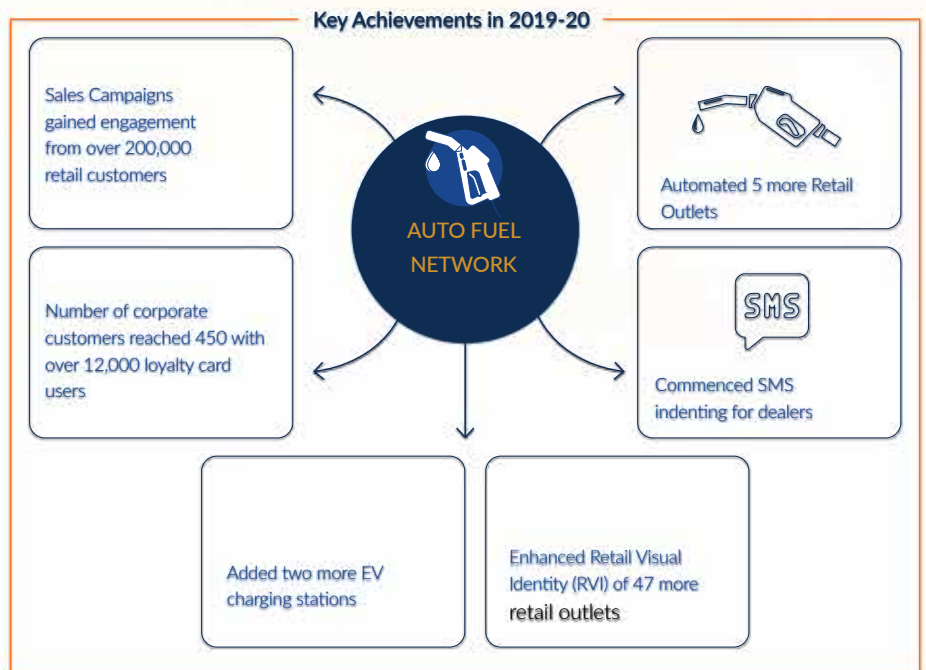
Our investments in social and relationship capital demonstrates our commitment to the three Sustainable Development Goals of:



- SDG 7: Affordable and Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 13: Climate Action

Social and Relationship Capital Highlights

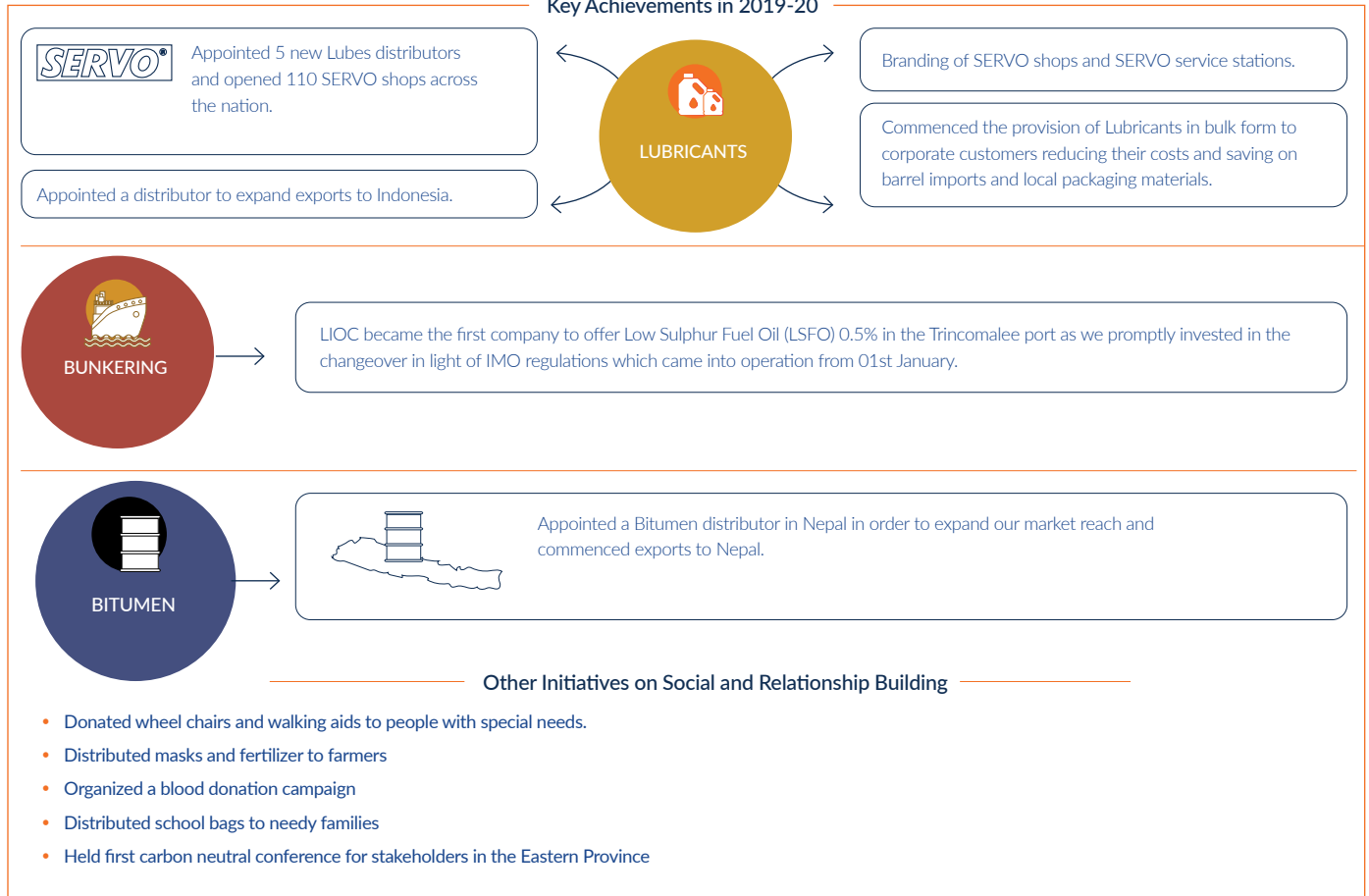
For Year Ended 31 March	2019-20	2018-19	Change
Retail Outlets	208	208	-
Automated Retail Outlets	14	9	5
Enhanced Retail Visual Identity	57	10	47
ATMs	12	2	10
e-Commerce kiosks	10	-	10
EV Charging stations	4	2	2
Lube distributors	24	19	5
SERVO shops	450	340	110



CAPITAL REPORTS

Social and Relationship Capital

Key Achievements in 2019-20






Our Customers

Being an entity with multiple lines of business, LIOC constantly deals with a wide variety of customers. Core customer segments for each business line are as follows. A significant level of cross sell opportunities exist between the customers of fuel and Lubricants.

Auto Fuels	Lubricants	Bunkering	Bitumen	Petrochemicals
Individual vehicle owners Vehicle fleet owners Industrial customers in public and private sectors	Auto Lubricants – Individual and fleet owners Industrial Lubricants for public and private sector industries Marine Lubricants - individual, private and public sector ship owners and shipping line operators Overseas distributors	Shipping line operators Bunker brokers and agents Local deep- sea fishing operators	Public and private sector, local and international construction agencies and companies Overseas importers of Bitumen.	Industrial customers in the private sectors

Customer Value Proposition

Accessibility 	Island-wide network of 208 Auto-Fuel Retail Outlets across Sri Lanka	450 SERVO shops	54 SERVO service stations	
Innovation & Service Excellence 	Automation of 14 Retail Outlets	SMS indenting across the network	Enhanced Retail Visual Identity at 57 outlets	Launching of E-ledger for customer easy accesses
Product Quality 	Quality assurance provided by well-equipped lab facilities and research backed by IOC research labs in India ensure superior quality of products.			

Customer Engagement

Every year LIOC allocates funds for enhancing customer engagement. How we engage with our customers depends on the types of customers and the specific needs of the business line concerned. Our customer engagement methods and frequencies are detailed under the section on Stakeholder Engagement.

Developing and Nurturing Individual Customer Relationships

Our individual customers are individual vehicle owners who use LIOC fuel stations and our Lubricants from our network of SERVO shops and other retail outlets. We use a variety of means for reaching out to these individuals to keep them engaged with the Company and to retain loyalty.

Auto Fuel Customers

Our retail outlets network has been redesigned with a unique Retail Visual Identity as part of our brand development efforts. In addition to enhancing the level of service excellence across our retail network we also added to and expanded the types of service offered across the Retail Outlet network. Addition of air gauge, ATMs, e-Commerce kiosks, and EV charging stations are all aimed at improving customer service excellence, enhancing customer convenience, and developing loyalty.

We work closely with our channel partners to provide an excellent customer experience, in

order to motivate our Auto Fuel dealers towards meeting the desired sales and customer service levels, LIOC top management meets up with dealers on a regular basis. Service excellence at retail outlets improves brand image and generates loyalty and trust among our valued customers.

Lubes and Bitumen Customers

During the year, we held several clinics and workshops by partnering with original equipment manufacturers. These events are held with the involvement of relevant local distributors and SERVO shops and SERVO service stations.

The Lube sales team together with the Trincomalee oil terminal staff conducted the SERVO BOAT POWER promotion campaign. The campaign was aimed at increasing product awareness of 'Servo Boat Power' product among boat owners, educating them on the advantages of using SERVO. Servo Boat Power is a new introduction into the Sri Lanka market. The competitive pricing and the comparatively better performance attracted participants interest and willingness to use the product.

SERVO Lubricants Sri Lanka Facebook page helped us reach a wider audience. Details of how we used the social media channel is given under the Intellectual Capital section of this Report.

During the year, LIOC expanded its Bitumen network to reach overseas market to cater

the customers need at Nepal by appointing a distributor.

There were gatherings of SERVO distributors, SERVO shop owners and Service Station owners in Colombo during the financial period. The Managing Director, SVP (LM&P) in attendance with the channel partners recognized best performers records, were felicitated and rewarded suitably.

During the year, we commenced the provision of Lubricants in bulk to our industrial/corporate customers. Part of the significant savings on barrel imports and local packing materials were passed on to our customers.

Corporate Customers

Dialog Touch Card – Auto Fuels

LIOC has a base of 450 corporate customers and more than 12,000 Touch Cards individual customers as part of our Touch Card network. LIOC offers the Dialog Touch Card facility at 110 retail outlets during the year. Touch Cards provide benefits to both corporate customers and filling stations in terms of fast and secure transactions, tap and go payments, and monitoring and control of fuel costs. Both can experience operational efficiencies, data for monitoring of transactions and fuel limits and a reduction in costs. Card user gets notified immediately by SMS on each transaction. This provides a competitive edge to LIOC outlets as this is a convenience.



Fuel Me Lanka IOC app helps our customers to find the closest retail outlets, or the closest stations offering Nitrogen facility. It enables customers be informed of the latest offers and news from Lanka IOC.

CAPITAL REPORTS

Social and Relationship Capital

Training – Technical and Customer Service

Since the employees of our fuel stations including the pump attendants are a vital part of the customer experience, we have ensured that these teams are well trained, well attired, and knowledgeable about our products. Pump attendants are a key point of contact for our customers and, therefore, play a critical role in customer education, especially with regard to the benefits and economies of branded fuels.

Capacity Building for Dealers and Staff

Periodically, we conduct training sessions and our field sales officers work closely with retail outlets to ensure they are familiar with our products, services, and value-added service elements that are present at retail outlets. Two pump attendant/dealer trainings were conducted during the year.

Customer Complaints and Grievance Handling

There were no customer complaints received during the year.

Customer Health and Safety

Assessment of the health and safety impacts of product and service categories

Auto Fuel Retail Network

Health and safety of customers using our retail network to buy fuel and make use of various facilities are taken care of under the safety protocols at all fuel stations.

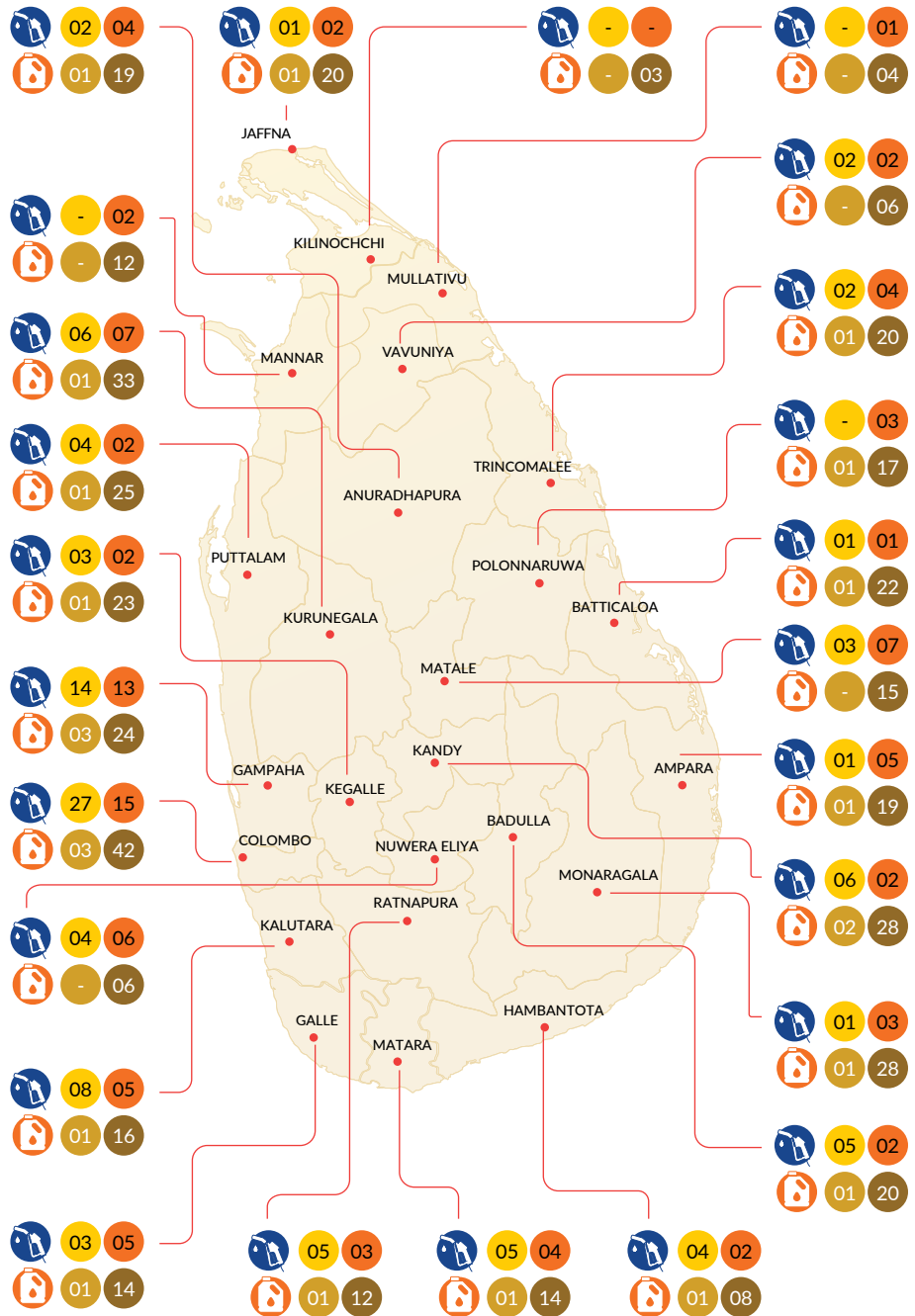
Lubricants

All of the formulations for blending each product variant of Lubricants, we market, come from our parent company. All these products are tested for product quality, safety and usage by LIOIC in our laboratory at Trincomalee.

There were no incidents of non-compliance concerning the health and safety impacts of our products and services during the year.

Our Channel Partners

Our channel partners includes 208 dealers in the Auto Fuel network, 24 Lubricants distributors, 450 SERVO shops and 54 SERVO stations.



Product Responsibility

Safety at our retail outlets is part of our responsibility due to the flammability and safety risks inherent in Auto Fuel sales. Recognizing this responsibility, LIOC has put in place strict procedures and guidelines to ensure the continued safety of customers and employees.

Building and design standards ensure that all facilities adhere to relevant regulations and safety standards. Safety earthing systems protect these facilities against fire hazards.

Safety Checks and Drills

All pumping machines are subject to safety checks on an ongoing basis. Properly maintained fire extinguishers are available at all outlets, with staff trained with drilling exercises.

There were no reports of violations of any customer health and safety related regulations during the year.

Marketing and Labeling

Labeling of Lubricants

Lubricants are sold to consumers with the following information:

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

Our Lubricants have been tested for health and safety standards. The Trincomalee lab facilities ensure that all products are blended according to IOC specification and comply with quality standards required of them.

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

Incidents of non-compliance concerning product and service information and Labeling

There were no incidents of non-compliance about any of the products or services provided by LIOC in local or in our export markets during the year.

LIOC Value Proposition to Channel Partners

Our multipronged value proposition to our channel partners includes infrastructure development, engagement programs, and capacity building for sales, service, and technical staff.



INFRASTRUCTURE DEVELOPMENT

Our channel partners can count on LIOC for a variety of infrastructure development projects.

Retail Visual Identity (RVI): We upgraded the RVI and other facilities of the retail network.

Solarization: Immense savings on future costs with electricity bills and revenues from excess exported to the national grid under the net accounting system.

Automation: Automation of fuel dispensers, stocks and automatic billing at total 14 retail outlets, improved the customer service and appeal together with cost savings. SMS Indenting leads to cost savings and productivity in fuel ordering process.

E-ledger facility provides easy access to get the account statement and online confirmation.



ENGAGEMENT PROGRAMS

Dealer, Distributor and Agent Meetings: Several periodic gatherings took place, for Auto Fuel and Lubricants channel partners. Channel partners had an opportunity to meet with the Managing Director and respective SVPs in charge of retail and Lubes. Best performers were recognized with appropriate awards.



TRAINING AND CAPACITY BUILDING PROGRAMS

Various training programs conducted for our channel partners and their staff.

- Customer service training
- Safety training
- Sales and product awareness training for SERVO shops and SERVO service stations.



CAPITAL REPORTS

Social and Relationship Capital

Incidents of Non-Compliance Concerning marketing communications

There were no complaints or reports of non-compliance concerning our Marketing Communications during the year.

Our Suppliers

Supply Chain

Our suppliers are predominantly global energy giants, including our parent company, Indian Oil Corporation Limited (IOC), India and market intermediaries. Petroleum products are procured through a global tendering process according to Board approved procurement policies that clearly spell out the process of supplier registration and tendering.

Our transactions with our parent company –are conducted purely on commercial terms at arms length. Conditions in relevant contracts are similar to conditions in contracts with other suppliers. As such, IOC is treated on par with any other supplier of similar goods without any preferences.

During the year, LIOC and its senior management engaged with a variety of suppliers and potential suppliers in furtherance of our business strategies. We strive to maintain cordial, transparent, and mutually beneficial relationships with our suppliers, preferably over the long-term.

For the lubes business line, besides IOC, we procure barrels and additives from overseas suppliers going by competitive tender, using suppliers impeded by our parent company.

Locally we buy packing materials—including labels, cartons, containers, and stickers—from established suppliers who have the technical and manufacturing capacity to provide items as per our specifications.

Felicitations of Engineering Contractors

During the year, there was an event headed by the Managing Director for the best performing contractors executing LIOC engineering works to felicitate good performance and commitment of the vendors for completing the goals set by the Company. Representatives include contractors who were engaged in our tank rehabilitation and other work at Trincomalee, Commissioning, modernizing, routine repair, and

maintenance work at retail outlets including RVI, automations, solarization and other customer facility enhancements.

Our Networks

LIOC strives to carry out its business affairs striking a careful cultural and political balance and to cultivate cordial and mutually beneficial contacts with local and international business organizations that help us accomplish our vision and mission. As such, we are affiliated with a number of local and international business chambers and associations.

Memberships of Associations

LIOC has affiliations with the following organizations:



Ceylon Chamber of Commerce



National Chamber of Commerce



Indo-Lanka Chamber of Commerce and Industry



Sri Lanka Institute of Directors

Member of Association of Licensed Bunker Operators of Sri Lanka (Bunkering)

Government of Sri Lanka and Affiliated Stakeholders

We strive to work closely with the Government of Sri Lanka and all the relevant ministries and implementing agencies. They are key stakeholders of LIOC and we strive to abide by all the laws and regulation that are relevant to our businesses as to those operating within our industry.

Exactly how we engage and work with these different stakeholders is explained in the Stakeholder Engagement section of this Report.

Consulting Stakeholders on Economic, Environmental and Social Topics

We work with relevant stakeholders on economic and environmental topics.

Our Parent Company

IOC, our parent, is informed about our policies and strategic concerns and actions, as appropriate. Our key management positions and some of the directors on our Board are nominated by the parent company management.

We receive technical support, guidance and other information from our Parent Company regarding new products and product formulations that are necessary for producing and delivering safe, environmentally friendly fuels and Lubricants.

As our parent company, IOC, periodically conducts internal audits of the affairs of LIOC.

While we take cues from IOC on matters of sustainability, we have been able to forge ahead with some aspects within our own retail networks so that we achieve desired results. In terms of solarization, installing electric vehicle charging stations, greening of the retail network, and customer convenient facilities.

Government and Implementing Agencies

We work closely with the Government of Sri Lanka and implementation agencies where relevant, with regards to various aspect of our operations.

In particular, to be in compliance with the regulations under the Marine Pollution Prevention Act, No. 35 of 2008, we have prepared an Oil Spill Contingency Plan (OSCP) which we update every two years as required. The most recent plan has been duly approved by the Marine Environment Protection Authority (MEPA). More details about the process followed in respect of the OSCP and our activities in furtherance of the plan has been laid out in detail in the Natural Capital section of this Report.

Although the Government of Sri Lanka does not issue directives to LIOC on the retail selling prices of Petroleum products, we are, however,

indirectly affected by the retail selling prices of Petrol and Diesel as fixed by the Government controlled Ceylon Petroleum Corporation (CPC).

Our Employees

Employees are a key stakeholder and a critical part of our Social and Relationship Capital.

Exactly how we work with our employees, nurture them and engage them towards fulfilling our corporate vision and mission is explained in detail in the Human Capital section of this Report.

The Stakeholder Engagement section lists the various channels of communication we use to keep our employees engaged.

Values, Principles, Norms and Standards of Behavior & Mechanisms for Advice and Concerns about Ethics

LIOC's Conduct, Discipline and Appeal Rules (CDA Rules), which are applicable to all employees including the senior management and the Board of Directors, makes up the foundation of corporate values, norms and standards of behavior.

The Rules sets out the conduct expected of employees when interacting within the Company and with outside stakeholders. More details about these aspects are covered in the Human Capital section of this Report.

Stakeholder Involvement In Remuneration

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.

Society at Large

With the base of our fuel retail outlets, Trincomalee oil terminal and hundreds of SERVO shops and stations situated among communities has a potential impact on society. Our goal is to make that a positive impact.

Operating with an Environmental Conscience

LIOC strives to operate with a clear environmental conscience and as an oil industry operator this requires substantial commitment and effort to ensure that we do not harm the natural environment in any way.

The Natural Capital section of this Report explains the many measures, both regulatory and voluntary, that we have taken to avoid any harm to the natural resources of our island and to make our operations greener.

Blood Donation Camp

To mark the Company day which falls on 29th of August, blood donation drives were held at the LIOC Head Office and at the Trincomalee Terminal. The Trincomalee blood donation project also involves staff of tri-forces. Together, these two drives resulted in a donation of over 280 pints of blood to the National Blood Bank.



Blood Donation Campaign held on Company day at Head Office



Blood Donation Campaign held on Company day at Trincomalee

Distribution of School Bags

We donated school bags to 93 children hailing from under-privileged backgrounds.



Distribution of School Bags

Distribution of Wheelchairs and Walking aids

During the year we donated eight wheelchairs through the National Secretariat for Disabled Person and Helpage Sri Lanka.

Another four wheelchairs were custom-made through Rehab Lanka and donated to the Neuro ward at the Lady Ridgeway Hospital for Children.



Distribution of Wheelchairs & Walkers

Held Our First Carbon Neutral Conference

During the year, our Trincomalee Terminal organized a carbon neutral conference for our transporters and bowser owners. It is the first such event organized in the Eastern Province of Sri Lanka. We mitigated the carbon output of this gathering by planting 64 saplings in our Terminal premises and in the transporters' premises.

The Natural Capital section specified more of our environmentally friendly corporate social responsibility activities at the Trincomalee Terminal.

CAPITAL REPORTS

Social and Relationship Capital

Identifying and Managing Economic, Environmental, and Social Impacts

Identifying and managing economic, environmental, and social impacts are achieved through an effective risk management process. Due to the nature of the industry we operate in, LIOC and its operations are affected by a wide range of external forces, both local and global. Effectively managing these risks is critical to business or economic as well as environmental and social sustainability. LIOC's robust risk management framework is underpinned by clear risk policies and well-defined roles and responsibilities.

Infrastructure Investments and Services

Producing Significant Indirect Economic Impacts

During the year, LIOC invested in a variety of infrastructure projects that produce indirect economic impacts. These include:

Indirect Economic Impact

Our investment projects undertaken during the year, or continued from previous periods have significant indirect economic and other impacts for our citizens.

All of the above are commercial ventures, and investments made in furtherance of our revenue enhancement and sustainability goals. However, each project brings a variety of indirect benefits that go beyond mere profitability for the Company and its stakeholders. More information about these projects have been provided in the Natural Capital and Manufactured Capital sections of this Report.

Solarization

Solarization was undertaken at LIOC owned and dealer owned Petrol sheds and is pursuant to our sustainability agenda. The outlets, each with solar panels of appropriate capacity to generate the entire power needs of the business, helps minimize the electricity costs for the outlet. More solarized outlets will help reduce the burden on the national electricity grid by minimizing consumption and supplying excess electricity generated to the national grid. These investments will pay off within a few years and help bring down the costs of running.

Beyond these calculable benefits, the presence of operational, cost saving solarized retail outlets are a demonstration to our other dealers and other small business operators that renewable energy is a win-win solution for all.

Electric Vehicle Charging Stations

As at end of the financial year LIOC has four functional EV charging stations in our retail network. Again, this is a commercial venture, with a sustainability agenda. Our dealers gain a non-oil revenue stream. Beyond that LIOC and the dealers are providing a value added service to the valued customers by extending the EV charging points within the country. It also helps reduce 'range anxiety', a particular issue for EV vehicle owners, that is not present for owners of Petrol and Diesel vehicles who are used to a wide ranging availability of fuel wherever they travel within Sri Lanka. At present, EV owners are limited in their range of travel due to the limited network of charging stations across the nation. Again, the project pays for itself as a commercial venture and demonstrates to others that EV charging is a worthwhile investment for the future as the EV vehicle population in the country is expected to rise in the future.

Low Sulphur Fuel Oil (LSFO) 0.5% Changeover for Bunkering

LIOC invested on upgrading our storage and pipeline infrastructure to enable us to continue our Bunkering operations in view of the LSFO 0.5% marine fuel standards that came into operation on 01st January 2020 as a result of International Maritime Organization (IMO) requirements. The new standards ensure a significant reduction in sulphur oxide emanating from ships and delivering immense health and environmental benefits.

Investment in the Grease Plant at Trincomalee

Since we commissioned our Lube blending plant in November 2007, it has operated as an extremely lean manufacturing unit producing 1,000 kl plus of products a month and generating positive cash flows for the Company. This has enabled LIOC to become the market leader at No. 2 Position in Lubricant segment. We continued our regular exports and also ventured into new geographies like Indonesia to explore overseas markets.

The Grease sold till date has been Imported by LIOC. In 2019 LIOC made a strategic decision to save on the foreign currency and improve our operational cost structure by manufacturing the grease locally. The 3,000 MT capacity of the new Grease Plant, will be capable to meet entire local grease requirements.

The investment necessary to commission the new Grease plant will pay off in terms of reducing our cost of manufacturing Lubricants significantly and help deliver valuable savings of foreign currency. At the same time, because we would be able to produce grease at a competitive price locally compared to imported Grease, all of the other users who import Grease at present will also benefit from foreign exchange savings. Users of Grease will also get the benefit of the potential cost reductions. Overall, Sri Lanka will be able to save significant levels of foreign currency as a result of this project.

Employment Opportunities Created – Lubricants

During the year we appointed five new distributors for Lubricants in Badulla, Hambantota, Mannar, Moneragala, and Polonnaruwa districts. Typically, each distributorship offers employment to five persons including the distributor. We also opened 110 new SERVO shops during the year. These expansions together would have created around 125 new jobs and livelihoods.

Our efforts in COVID-19 Relief Measures

Contribution to COVID-19 Healthcare and Social Security Fund

LIOC contributed Rs 5 Mn to the COVID-19 Healthcare and Social Security Fund.

The Fund was established with the objective of strengthening the mitigation activities aimed at controlling the spread of COVID-19 virus in the country and is managed by a committee consisting of relevant line ministry secretaries, bankers, financial analysts and health authorities.

Contribution for Distribution of Sanitizers

We also provided Rs 1 Mn to Ceylon Petroleum Storage Terminal Ltd (CPSTL), our associate company, for distribution of sanitizers.



Contribution to CPSTL for Distribution of Sanitizers

Distribution Safety Masks and Personal Protective Equipments

As soon as was possible when the COVID-19 began spreading across Sri Lanka we provided sanitizers and personal protective equipment to our staff in the retail network to ensure that the outlets stayed open, serving people even amidst the crisis. In the process, we ensured that our staff and channel partners remained safe from contacting the virus.

Essential Food provisions Masks and Fertilizer to Farmers

During the outset of the COVID-19 crisis we recognized the needs of farmers by providing food packets. Once the Government allowed all agricultural activities to commence, even during the curfews imposed across the nation, we donated face masks and fertilizer to farmers so that they can safely commence their farming work.



Distribution of Essential Food Items to Underprivileged Families

Future Outlook

Further increase customer touch points for Auto Fuels and Lubricants.

Begin operations in the new Grease plant and expand our customer base for Grease with competitive pricing.

Continue the drive to enhance our RVI across our network so that LIOC identity becomes iconic.

Invest in completing the solarization of Retail Outlets to improve sustainability of operations.

Introduction of channel financing to provide payment solutions thereby strengthening our supply chain.

Promoting cash less transactions by launching of Digital App based payment mode.

Continue to be a partner in community development.



Operating with an Environmental Conscience

As our Vision states, we are committed to being a major integrated energy Company, with a strong environment conscience. The LIOC Mission is to enrich the quality of life of the community and to preserve the ecological balance and heritage in all our activities and operations.

Our environmental commitment is aligned to that of our parent company. Our agenda for environmental sustainability is built on the pillars of minimizing the carbon, water and waste footprints by our operations. Sustainability considerations are embedded into every aspect of our operations, from sourcing, storage, blending, products, and to services distribution.

In the process of solarizing and greening of our retail network and installing electric vehicle charging stations, we are demonstrating that sustainability leads to profits and thus, offering a model for other organizations to follow.

Natural Capital Highlights

	2019-20	2018-19	Change
Solarized Retail Outlets (Nos.)	14	5	9
Electric vehicle charging stations at year end (Nos.)	4	2	2
Energy consumption (Kwh)	404,645	451,383	(46,738)
Water consumption (KL)	54,569	49,264	5,305
Rainwater harvested (Litres)	14,200	7,000	7,200
Sludge disposal (KL)	20.5	4.5	16

Key Achievements in 2019-20

2 more EV charging stations.

Solarization of further 9 Retail Outlets.

Held a Carbon Neutral Conference for energy neutral interactions with stakeholders, for the first time in the Eastern Province.

Reduced electricity consumption at Trincomalee facility and at Head Office.



Sustainable Development Goals

Across these pages dealing with Natural Capital, we are demonstrating our commitment to the Sustainable Development Goals of:

SDG 7: Affordable and Clean Energy

SDG 14: Life Below Water

SDG 15: Life on Land

As an integrated energy company, fossil fuels and Petrochemicals are part of our stock in trade. We are committed to sustainable industrial and business practices.

Resource efficiency is a key priority in our operations because our products are refined and blended from non-renewable materials such as crude oil and its by-products. We evaluate and strive to minimize the environmental impacts of our products across our entire value chain.

There were no fines or penalties imposed on the Company during the year for the violation of any environmental laws or regulations. In the next few pages we describe how LIOC puts into action our environmental conscience in conducting our business operations.

Solarization of Retail Outlets

Promoting sustainable business practices, for LIOC and across our retail network, we are committed to invest to install solar systems at our retail outlets.

During the year under review, we completed the solarization of 9 retail outlets with the aim of enhancing the sustainability of operations bringing to total 14 solarized outlets.

More information on the solarization of the retail network is given under Manufactured Capital.

EV Charging Stations

We have also launched a project to install electric vehicle charging stations in selected outlets at in our retail network. During the year we have commissioned two more EV charging stations. By the end of the financial year there were 4 EV charging station in operation at strategic locations including one in Colombo 07.



Inauguration EV Charging Station

Promoting Environmentally Friendly Fuels

Environmentally Friendly Branded Fuels

We achieved conversion of 31% in Petrol and 18% in Diesel during the year under review. This is evidence that our marketing strategies for premium fuels has borne fruit. Striving to connect with customers and educating them on the performance and environmental advantages of the products helped immensely towards achieving this outcome.

Low Sulphur Marine Fuel in Bunkering

LIOC became the first Bunkering operator in Sri Lanka (at Trincomalee) to effectively implement the change over to low sulphur (Fuel ISFO 0.5%) to be in compliance with the 01st January 2020 deadline imposed by the International Maritime Organization (IMO). The global marine fuel changeover is expected to significantly reduce Sulphur oxide emanating from ships and minimizing negative health and environmental impacts across the globe.

We carried out upgrades to our tanks and pipeline infrastructure, to get our operations up and running smoothly ahead of our competitors, thus, gaining a competitive advantage.

Oil Spill Contingency Plan

Regulations under the Marine Pollution Prevention Act, No. 35 of 2008, requires every owner, operator, master, or agent of a port, harbour terminal, repair yards of ships or dry docks, or a pipeline or any other apparatus used for transferring of oil to and from a ship or an offshore installation utilized for receiving and transferring of oil to have an Oil Spill Contingency Plan that is in accordance with the National Oil Spill Contingency Plan (NOSCP). The Marine Environment Protection Authority (MEPA) is responsible for the preparation of the NOSCP and its revisions from time to time.

As an organization with a strong environment conscience and a commitment to preserve ecological balance and heritage in all our activities and operations, LIOC welcomes the regulation that requires the developing of an Oil Spill Contingency Plan.

We recognize the importance of the Sri Lanka NOSCP in protecting the marine and coastal environment from pollution. We know that

oil spills can cause potentially serious adverse impacts on marine environment including plants, birds, other animals, and marine life.

These regulations apply to LIOC under multiple categories due to our Trincomalee facility engaging in fuel storage and distribution, Bunkering and blending plant operations. It also applies to us in respect of our Bunkering operations in the Colombo and other ports.

To be in compliance with this requirement, LIOC has put together an Oil Spill Contingency Plan (OSCP) which has been duly approved by the MEPA.

During the year, we began putting in place the necessary infrastructure to enable us to implement our OSCP.

In the future it is anticipated that this infrastructure will be used under a sharing agreement with other facilities in the area, with the MEPA acting as a go between.

Containing Spills within Premises

Oil water separators in our premises ensure that no oil is released into the sea and is contained within our premises. The separated clean water flows into the sea while the oil is retained.

Our premises have been built in such a way to ensure there is no level ground in the facility. The sloping ensures that any spillage flows to the nearest drains which lead to the oil water separator and are thus contained. Paving and concrete floors in areas prone to spillage prevent any absorption of oil and other chemicals into the soil causing pollution or ground water contamination through seepage.

Trincomalee Blending Plant

Our Trincomalee storage and blending operation is an extremely lean semi-automated operation. There facility is a state-of-the-art laboratory on the premises that supports the product quality control of our blending operations.

Sustainable, Efficient and Effective Use of Materials

The Trincomalee operation, with the blending plant in particular, has been developed to be one of the leanest manufacturing concerns in the country. The plant, capable of producing

CAPITAL REPORTS

Natural Capital

18,000 kl of output per annum, is semi-automated and runs with 11 plant employees and two lab technicians. The blending plant operated at 65% capacity during 2019-20 financial period.

LIOC has put in continuous monitoring and control mechanisms supported by thorough physical inspections and monthly analysis of performance to ensure smooth and efficient functioning of the plant. Performance analysis backed by instant feedback which enable immediate correction for issues highlighted.

As noted in the Human Capital section of this Report, the plant staff are well trained in fire safety and material handling.

Disposal of Scrap Materials

Damaged products are disposed through authorized parties. The highest volume packing material at the facility are the barrels which are generally sold off as scrap.

Employee Awareness

From time to time we hold awareness program to find ideas on how to recycle old scrap items. Our periodic employee program have come up with various ways to reuse and recycle packing material, scrap and discarded items.

- Used scrap materials to make area route markers for our facility
- Old tanks gained new life as flower pots
- Bottles which contained chemicals have been used for making decorative lighting fixtures
- Recycle of old gas plant

Go Green Initiatives - Trincomalee

Rainwater Harvesting

Trincomalee facility helps replenish the ground water table by using active rain water from harvesting chambers.

Investing in Energy Efficient Equipment

This initiative has been implemented phase by phase, thereby effectively reducing power consumption within the facility.

Beach Cleaning

Regularly, our staff members take part in cleaning up the Trincomalee town beach area. From time to time, we also clean up the coastal area on public land outside of our terminal. During the year, we cleaned approximately one tonne of garbage through this project.



Beach Cleaning at Trincomalee on World Environment Day

Tree Planting

In October 2019 we participated in the tree planting campaign at the Naval Camp.

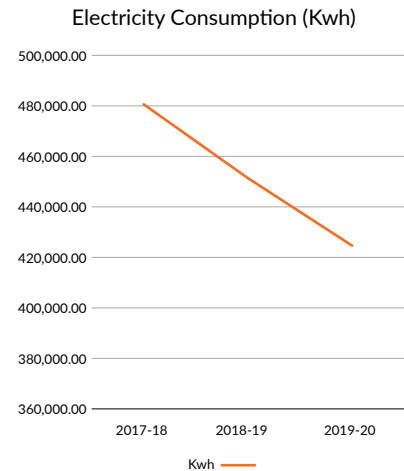
Every month we plant various trees such as coconut, mango and mee in our premises. The Month's Best Employee is nominated to plant the tree for that month and is given the responsibility for caring for that plant.

Carbon Neutral Conference to Stakeholders

We organized a Carbon Neutral Conference for transporters and bowser owners, for the first time in the Eastern Province followed by planting 64 saplings in our Terminal premises.

Energy Consumption Within the Organization

The energy consumption trends for LIOC operations at Trincomalee are as follows.



We achieved a 10.4% reduction in energy consumption during the current financial period when compared to the previous period.

Strategic Initiatives to Reduce Energy Consumption

At LIOC we continue to seek ways to improve operational efficiency and productivity.

The reductions in electricity consumption noted above were achieved as a direct result of efficiency initiatives and conservation measures adopted at the Trincomalee facility, resulting in reducing between 5,000 to 5,500 Kwh (units) of consumption per month throughout the year.

The following initiatives contributed to overall electricity and fuel consumption reduction in the Company.

Investing in Higher Capacity Equipment

Instead of using relatively smaller capacity equipment, we invested in higher capacity equipment such as the new barrel filing machine and the taping machine which can complete processes in a shorter time, reducing energy consumption.

Energy Efficient LED Lights

We have installed energy efficient LED lights at the jetty and the guest house in Trincomalee. At the Head Office, converting florescent bulbs to LED lights during the financial year resulted in saving of energy.

Monitoring and Enhancing Efficiency of Equipment

We are carrying out motor efficiency survey through the Ceylon Electricity Board and conduct ongoing maintenance of capacitors to improve the power factor.

Installing a Solar Energy Plant at Trincomalee

In order to reduce our dependence on non-renewable energy sources for our Trincomalee operations, and to reduce costs of operation, we are installing a 20 kW solar energy facility. It will operate under a Net Accounting contract where any amount of power in excess of our consumption that is exported to the national grid will receive a payment at an agreed rate.

The land has already been allocated for the project and work is in progress. When the solar energy plant becomes operational, its 20 kW peak capacity will mean that we can save upto 5% of our electricity consumption in units at the Trincomalee facility.

Interactions with Water as a Shared Resource

Water Pollution Prevention

LIOC takes a host of measures and have put in place various means of preventing water pollution.

We conduct round the clock vigils to ensure there are no accidents and incidents at our facility whether during operations or otherwise.

We conduct continuous pressure testing of our fuel storage tanks and pipelines.

Measures we have taken to avoid and mitigate negative effects of oil spills during transport, operations or within the facility have been detailed above.

There were no oil spills during the year under review.

Our garbage disposal and the disposal of solid waste are achieved through authorized parties. Pest control activities are done locally with minimal damage to water resources and the environment.

There were no specific new real estate development pertaining to water and effluents.

However, the construction and other activities undertaken at the Trincomalee facility—such as building of the Grease Plant, repairs, painting, maintenance and reconstruction of the tank yard and pipe infrastructure are undertaken within guidelines that minimise damage to water resources and the environment.

Management of Water Discharge-Related Impacts

During the year we discharged 240 kl of water to the sea. All planned water discharges from our tanks occurs through the Oil Water Separator plants subject to strict compliance with environmental laws in accordance with Sea Dumping Licence issued by the Marine Environment Pollution Authority (MEPA).

The quantity referred to above is waste water treated and released which is inclusive of the Tanker discharge quantity into the tank.

Unplanned water discharges come from storm water discharge during heavy rainfall. As explained above all fuel and chemical spills within the premises, as well as excess rainwater go through a network of drains to the Oil and Water Separator to be cleaned before discharge, ensuring there is no environmental pollution.

Waste by Type and Disposal Method

We minimized waste creation with a strict control and monitoring over the production processes. We are reusing resources to the maximum. Our measures for reducing, reusing and recycling have been explained above.

e-waste is disposed through authorized recyclers.

Significant Spills

There were no significant spills during the year under review.

Hazardous Waste

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

Water Bodies Affected by Water Discharges and Runoffs

No bodies of water were affected by water discharges of run-offs as no spills occurred during the year under review.

Environmental Compliance

At LIOC we endeavor to be in compliance with all environmental laws and regulations that pertain to us. In order to comply with MEPA regulations, we are in the process of implementing our Oil Spill Contingency Plan (OSCP), as detailed earlier.

During the year under review, we were in conformity with all relevant environmental laws and regulations, subject to the completion of full implementation of the OSCP.

Future Outlook

During 2021, the solarization of Retail Outlets will continue to improve sustainability of our operations and we are installing solar power generation capacity at Trincomalee terminals.

Other strategic initiatives to reduce energy consumption include a bio gas plant for recycling employee food waste.

We will continue our Carbon Neutral Conferences for energy neutral interactions with stakeholders, the drive to popularize energy efficient, environmentally friendly fuels throughout the retail network and recycling of waste and scrap material through creating objects of art and utility through employee competitions.

Accountability and good corporate governance have been the hallmark of our success. Our belief in ethics, transparency and our dedication towards the Company's Vision has stood us in good stead.

CORPORATE STEWARDSHIP 



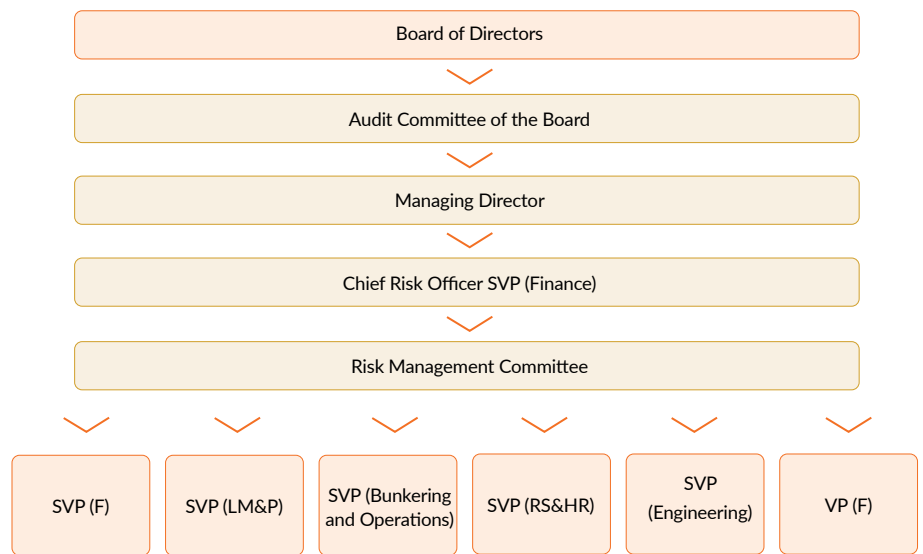
Risk Management

As an organization which is exposed to an array of global and domestic risks, the Company's ability to deliver on its shareholder commitments are in part dependent on its approach towards risk management. LIOC's proactive and systematic risk management approach is guided by a clearly defined risk management policy, governance structures, and reasonable levels of empowerment. The risk management policy provides an overview of the identified risk exposures and defines the tools, standards, and techniques for effective risk management.

Risk Governance

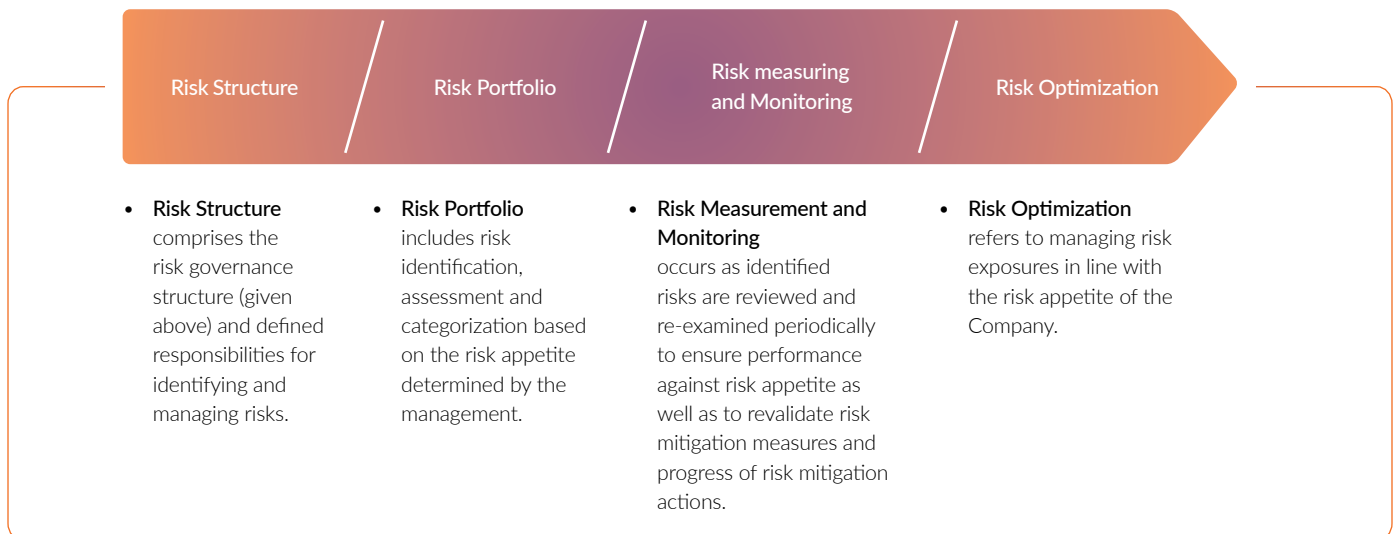
The Board of Directors hold apex responsibility for managing the Company's risk profile within defined parameters. The Board is assisted by the Audit Committee in the discharge of their risk-related duties. At executive level, a Risk Management Committee is in place for implementation of the Board's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

Risk Management Structure



Risk Management Framework

The processes that are adopted in identifying, measuring, mitigating and reporting our risk exposures are defined in the risk management policy.



Risk Management

Risk Appetite

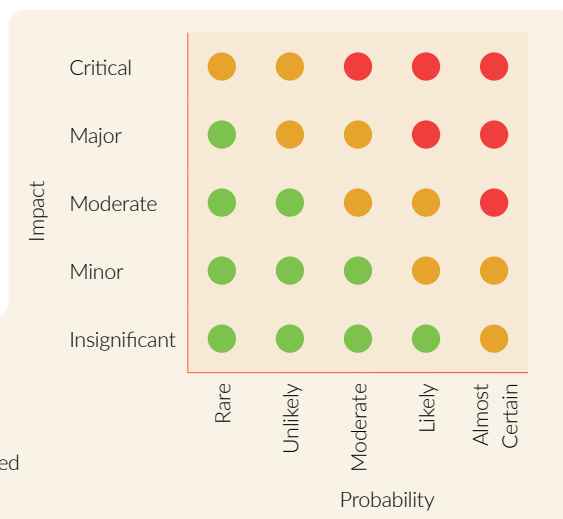
The Company's levels of risk appetite are determined periodically by the Board of Directors who set out the relevant rating criteria and acceptable tolerance levels. The risk appetite is reviewed by the Board regularly to ensure the relevance of each risk category and defined parameters.

Rating criteria – impact

		Consequence Category				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Critical
Consequence Factors (Mutually Exclusive)	Financial (Average Net Profit)- Impact on Profitability	< Rs 5 Mn	Rs 5 – Rs 50 Mn	Rs 50 – Rs 100 Mn	Rs 101- Rs 300 Mn	> Rs 300 Mn
	Product wise Market Share vis-à-vis previous period	<0.50 % decline	0.50 -1.0 % decline	1.0 -1.5 % decline	1.5 - 2.5 % decline	>2.5 % decline
	Regulatory	Routine issues raised by ministry/regulatory authorities	Instructions from ministry	Penalties/Caution /Intensive scrutiny	Heavy Penalties/ restrictions on activity	Loss of rights to operate in specific areas
	Loss of Talent of Senior Management	General Attrition - Negligible Impact	Higher than usual level of attrition	Exit of key individual affecting operations in the short-term (Grade E & above)	Exit of several key individuals affecting operations in the short-term in various departments	Exit of several key individuals at senior management level adversely affecting operations
	New business development activities undertaken	Variance in Actual vs Budget Less than 10%	Variance in Actual vs Budget Less than 25%	Variance in 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

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



Principal Risks

The Company's principal risk exposures are set out below. Risks categorized 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 as well.

Risk	Impact	Mitigating Activities	Net Risk Assessment
'A' Category Risk			
Decline in business line revenues due to business disruptions caused by COVID-19 related local and international shutdowns and closures	<ul style="list-style-type: none"> Impact across all business lines, affecting total revenues and profitability. 	<ul style="list-style-type: none"> Continue engagement with Government to facilitate supplies of fuel to all users. 	●
Price fluctuations of crude oil and related products	<ul style="list-style-type: none"> Price fluctuations have a direct impact on our profitability margins and cash flows. Declining prices could also impact our inventory values. 	<ul style="list-style-type: none"> Monitoring global crude oil prices on a consistent basis. Optimization of supply chain management in line with international market prices. Maintaining optimum stock based on the movements. 	●
Inability to revise retail selling prices of Petrol and Diesel in line with global market prices	<ul style="list-style-type: none"> LIOC generally follows the Retail Selling Prices (RSP) of Auto Fuels as determined by the Government. Due to non or partial revision of RSPs in line with international prices, Company suffers losses on Auto Fuels. 	<ul style="list-style-type: none"> Increased retail prices of Petrol and Diesel to minimize product losses. Focus on expanding the branded and premium fuel segment. Diversification by expanding to other segments to offset under recoveries on Auto Fuel 	●
Depreciation of the Sri Lanka Rupee	<ul style="list-style-type: none"> Auto Fuels, Lubricants and Bitumen are done in USD and sales are carried out in Sri Lankan Rupee company is exposed to exchange loss. 	<ul style="list-style-type: none"> Engagement with Bank and enter to currency forward contract Import loans are taken for a shorter period. Proactive strategy to monitor exchange fluctuation risk. Hedge foreign borrowings against foreign deposits. Engagement with the Central Bank of Sri Lanka to minimized currency fluctuations. 	●
Health and safety	<ul style="list-style-type: none"> The flammability of our key products exposes our staff to a wide range of health and safety risks that can result in regulatory action, legal liability, and reputational losses. 	<ul style="list-style-type: none"> Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same. Retail outlet safety handbook is distributed to all retail outlets. At the Trincomalee terminal, regular safety drills are conducted with employees, transporters, and contractors to create awareness amongst them. Further, Company has positioned adequate safety equipment to deal with emergency situations. Ensuring all safety equipment and procedures are in place at retail outlets. 	●
Entry of new players in the Lubricants, Bunkering and Bitumen segments	<ul style="list-style-type: none"> 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. Commencement of Bunkering operations at Hambanthota may have substantial impact on Bunkering volume at Colombo and Trincomalee. 	<ul style="list-style-type: none"> LIOC implementing various marketing and pricing strategies to protect its market share. Expanding branding and product awareness campaign More innovative products are being introduced to the market. Optimization of supply chain management. Focused on excellence in customer satisfaction by automation and digitalization of processes and adding of customer convenience facilities. 	●

Risk Management

Risk	Impact	Mitigating Activities	Net Risk Assessment
Product quality	<ul style="list-style-type: none"> Failure to meet product quality standards can cause harm to our employees and customers, damage our reputation and result in regulatory/legal action. 	<ul style="list-style-type: none"> Stringent quality control mechanisms. All fuels and lubricants are evaluated for health and safety standards by the parent company's Research Centre. Compliance with regulations and certifications. 	●
Risk to stocks, property and equipment	<ul style="list-style-type: none"> Due to the flammable nature of our products any inadequacy/ambiguity in insurance cover may result in dishonor of insurance claims by the insurance companies. 	<ul style="list-style-type: none"> Insurance obtained from reputed companies with strong re-insurance support. Company has taken adequate insurance policies like Fire & Commercial Insurance, General Liability Insurance Policy, Marine Insurance Policy, In transit Insurance Policy, etc. 	●
Demurrage due to inadequate port infrastructures	<ul style="list-style-type: none"> Due to inadequate infrastructure at the Port, and non-availability of required pipelines, ships coming to the Colombo Port are compelled to wait for berthing and take more than normal discharge time leading to exposure to the Company for demurrage. 	<ul style="list-style-type: none"> Comprehensive planning framework for import of Petroleum goods. Discussions are carried out with Port Authorities and CPSTL to create desired infrastructure at port. Lay time allocation is planned after due consideration to the operational constraints. 	●
Credit risks	<ul style="list-style-type: none"> The Company's Bunkering, Lubes and Bitumen segments are exposed to credit risk and can result in loss of earnings and cash flow. 	<ul style="list-style-type: none"> Regular credit evaluation from reputed independent credit agencies. Consistent monitoring of the debtor's aging profile. Strict credit policies on customers who seek credit facilities. Effort to give secured credit. 	●
Government policy	<ul style="list-style-type: none"> Government policies on duties/taxes, interest rates, exchange rates, inflation, energy prices, and wages have a direct impact on our margins and cash flow. Non-receipt of timely approvals for various Government licenses, permissions and approvals, will have direct bearing on the operations of the Company. 	<ul style="list-style-type: none"> Duties and taxes, interest rates, exchange rates, and wages are monitored and strategies reviewed and revised to minimize impact where possible. Regular engagement with policy makers to strengthen and enhance the industry frameworks in place. Timely action is taken to renew various licenses, permissions and approvals. 	●
Operating environment	<ul style="list-style-type: none"> Company's image and operations may be affected due to adverse publicity/ misinformation campaigns by vested interests. 	<ul style="list-style-type: none"> Continuous engagement is done with policy makers and our legal counsels. 	●
'B' Category Risk			
Product responsibility	<ul style="list-style-type: none"> Given the flammable nature of the product, customer health and safety impacts are critical. 	<ul style="list-style-type: none"> Compliance to all national health and safety standards at customer touch points. Regular training provided to business associates in the handling, transportation, and storage of products. 	●
Waste and effluents including oils spills	<ul style="list-style-type: none"> Effluents from our processes comprise of oil sludge and discharges from the Trincomalee Terminal. Any possible oil spills in or around Trincomalee oil jetty would have severe consequences for LIOC. 	<ul style="list-style-type: none"> Responsible disposal of all waste and effluents. Compliance to the regulations of the Central Environmental Authority (CEA) and the Marine Environmental Protection Authority. Oil sludge is disposed by contracting third parties licensed by the CEA. Provide OSCE to Trincomalee oil jetty to harmonize possible negative impact. 	●

Risk	Impact	Mitigating Activities	Net Risk Assessment
Employee relations	<ul style="list-style-type: none"> Around 60% of our employees are unionized as we recognize the right to freedom of association. 	<ul style="list-style-type: none"> Open door policy for employees to discuss areas of concern. Regular structured dialogue with union representatives to identify areas of concern. Balanced HR policies applied in a consistent manner building trust with employees. 	●
Employee retention	<ul style="list-style-type: none"> Maintaining employee motivation and improving retention levels is a challenge given the nature of the industry and high labor migration. 	<ul style="list-style-type: none"> Strong employee value proposition which features attractive remuneration packages. Continued investment in training and development, Opportunities for career progression. 	●
Non availability/limited availability of contractors for specialized works related to Oil Terminalling/Lube Plant	<ul style="list-style-type: none"> Impacts the speed of execution Higher cost of works 	<ul style="list-style-type: none"> Local parties being developed by entrusting them with jobs. Enabled participation of foreign capable parties as consortium partners with the local parties. 	●
Energy	<ul style="list-style-type: none"> Energy is critical to the Company's day to day operations at retail outlets, head office and the LIOC Terminal in Trincomalee. 	<ul style="list-style-type: none"> Solarization at retail outlets and Trincomalee. Encouraging retail outlets to adapt energy efficient lighting systems. Investing in energy efficient machinery and equipment. Continuous monitoring of energy intensity ratio to drive required action. 	●
Climate change	<ul style="list-style-type: none"> National policies could increase costs and reduce future revenue and strategic growth opportunities. There is also a direct impact through our carbon footprint and compliance with the CEA license. Increasingly more pronounced impacts of climate change including erratic weather. 	<ul style="list-style-type: none"> Introduction of low carbon emitting Auto Fuel products. Investments in energy efficient technology. Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications. 	●
Local community relations	<ul style="list-style-type: none"> Empowering and contributing towards the socio-economic progress of the communities we operate-within is crucial for the image of the Company. 	<ul style="list-style-type: none"> High levels of community engagement and nurturing meaningful relationships with our communities. Investments in ongoing community development projects. 	●
Training and development	<ul style="list-style-type: none"> Training and development is a key aspect at all levels to drive employee productivity, and safety, and enhance the tacit knowledge of our team which gives us our competitive edge. 	<ul style="list-style-type: none"> Structured training programs in place for all employees. Training needs identified through a robust performance management system. 	●

Corporate Governance

Chairman’s Message

Governance at LIOC is moulded by the continuous commitment and the drive for attaining the highest standards of Corporate Governance. The developments in the regulatory, industry, economy and the internal environment are continuously monitored to stay up-to-date while maintaining a prudent governance approach, positioning the Board, Management and the employees of the Company to operate with accountability, ensuring long-term sustainability of the company. Our framework on Corporate Governance resonates our belief that high-quality governance is of vital importance in creating sustainable shareholder value.

Our Philosophy

Our governance principles focus on promoting and maintaining transparency, accountability, responsibility and reliability while simultaneously embracing a sustainable governance culture that promotes care, innovation passion and trust.

Tone from the top

The Board is responsible for creating and delivering sustainable stakeholder value. The governance policies and procedures enable the Board to manage the Company for the benefit of all stakeholders, ensuring long-term value creation. The Company conducts internal and external reviews at regular intervals to ensure compliance with governance standards.

The framework and policies are reviewed at regular intervals to maintain alignment with the Company’s strategy, regulatory requirements, dynamic business environment, technological advancements and international best practice. Policies are reinforced through alignment of performance management systems to maintain a culture of compliance and realise our corporate goals.

Declaration

The Company has complied with the mandatory regulatory requirements and has taken a step further towards complying with the Code of Best Practice on Corporate Governance issued jointly by Institute of CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka in 2017, which is a voluntary governance benchmark. I wish to state that to the best of my knowledge and available information, I am not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by the directors on the Board.



Ranjan Kumar Mohapatra

Chairman
11th May 2020

Our Approach to Corporate Governance

Being a subsidiary of one of the largest energy organisations, LIOC adopts and embraces the sound governance procedures and policies cascading from its parent company. These policies, integrated with internal benchmarks and industry best practices form LIOC’s robust Governance Framework, thereby creating a platform for prudent management of the Company in the interest of all its stakeholders. In order to ensure its continuing effectiveness, the framework and policies are reviewed at regular intervals taking into consideration the Company’s strategy, regulatory requirements, technological advancements, and changing business environment.

Our governance framework ensures that proper leadership is in place operating in compliance to the highest standards of governance while bearing responsibility and accountability for their actions.

Corporate Governance



Leadership



Compliance



Accountability

Governance Structure

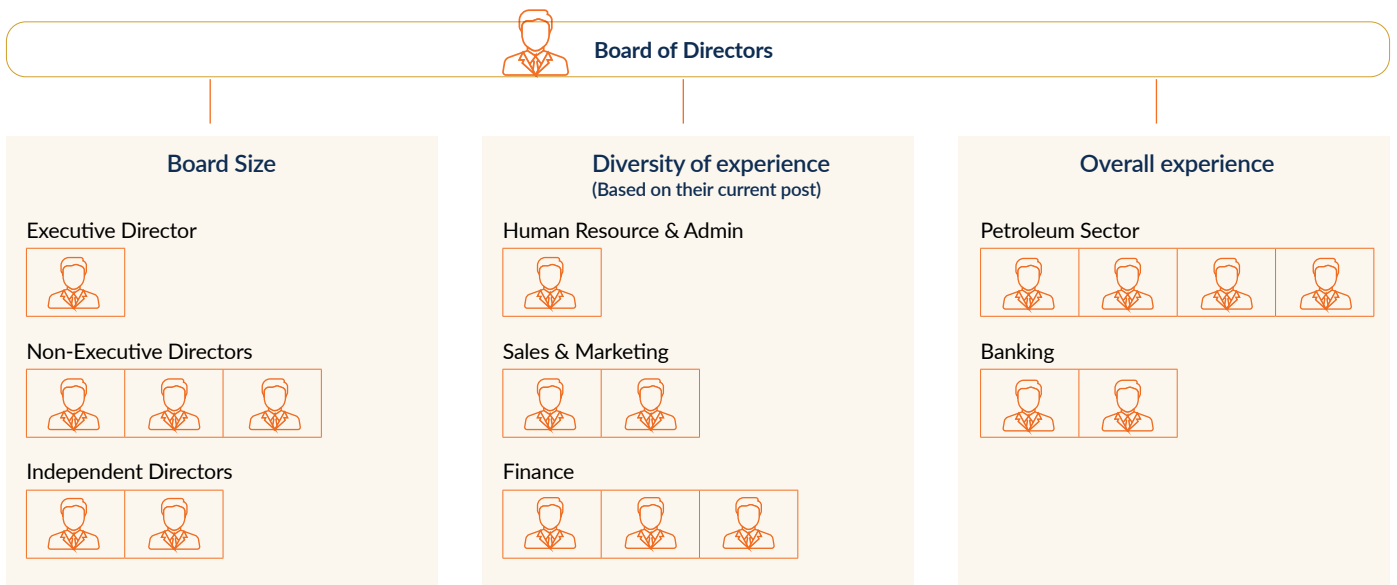
- The Board
 - Functions
 - Composition
 - Roles and Responsibilities
 - Appointments and Re-election
 - Company Secretary
- Board Sub-Committees
- Induction and Development

- External and Internal Regulations
- Code of Conduct and Ethics
- Board Meetings
- Independent judgement
- Whistleblowing
- Remuneration

- Reporting and Disclosure
- Annual General Meeting
- Board Appraisal
- Technology and Security

Composition of the Board

A well-balanced Board is essential for the Company and each year the size and composition of the Board, and skills and competencies are reviewed to ensure the right balance is maintained. The Board of LIOC comprises of 6 members with 3 Non-Executive Directors, 2 Independent Directors and 1 Executive Director as Managing Director. The Parent entity IOC nominates 4 directors to the Board, including the Chairman and the Managing Director. (appointments and cessations) The Board members display a wide range of skills, experience, expertise and knowledge in the fields of banking, accounting and finance, business acumen, industry knowledge, legal and regulatory requirements and risk management. The Board believes that the current composition provides sufficient diversity and that the Directors possess the necessary knowledge and competencies to govern and support efficient decision making.



Roles and responsibilities

1. The Board

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
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Setting strategic direction and monitoring its effective implementation Establishing systems of risk management, internal control and compliance regulatory framework and internal policies. Ensuring integrity of financial reporting processes Developing a suitable corporate governance framework, policies and framework

2. The Chairman

The role of the Chairman is separate to that of the Managing Director in line with the best practices of Corporate Governance and to ensure balance of power and authority. The Chairman is a Non-Executive Director while the Managing Director is an Executive Director. Both are appointed ex-officio by the parent Company Indian Oil Corporation. The role of the Managing Director is clearly defined in the Articles of Association. The Chairman provides leadership to the Board, ensuring that all Directors contribute effectively to discussions while the Managing Director oversees the day to day operational activities. The responsibilities of the Chairman and Managing Director are given below;

Corporate Governance

Chairman	Managing Director
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Implement the decisions of the Board • Be in charge of the overall operation and management of the Company • Operate facilities of the Company including quality control • To formulate rules and regulations of operation and management of the Company and the division of responsibilities and functions of various departments • Propose the organizational structure suitable for the needs of the Company's business • Representing the Company externally and act as key point of contact for shareholders on all matters related to Corporate Governance • Submit the marketing, finance and investment plans and quarterly and annual financial statements to the Board • Annual Capital and revenue budget • Manage assets and day to day business operations of the Company • To execute and accept all contracts, orders for the purchase and sale of materials, goods and services within limits stipulated in the Articles of Association • To enter into property leases on behalf of the Company within limits stipulated in the Articles of Association

Appointment and Re-election

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 newly appointed Director, relevant expertise, key appointments, shareholding and status of independence.

The re-election of Directors is governed by the Articles of Association and performed at the Annual General Meeting (AGM) of the Company. One third of all non-executive Directors retire from office each year at the AGM. The Directors who shall seek re-election at this year's AGM have been indicated in the Notice of the Meeting on page 162.

Written communication is obtained from any Director resigning prior to completion of his appointed term.

Company Secretary

The Company Secretary is responsible for ensuring that the Board practices good governance when discharging its duties and that all applicable laws 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 summarized 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
- Coordinating 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
- 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

Sub-Committees

While the entire Board remains accountable for the performance and affairs of the Company several Board sub-committees assist the main Board in the discharge of its duties;

Sub-Committee	Composition	Areas of oversight	Executive Support
Audit Committee	2 Independent Directors and 1 Non-executive Director	<ul style="list-style-type: none"> Financial Reporting Internal Controls Internal Audit External Audit <p>Refer the Report of the Audit Committee on pages 104 to 105 for more information.</p>	Managing Director Senior Vice President (Finance) Vice President (Finance)
Remuneration Committee	2 Independent Directors and 1 Non-executive Director	<ul style="list-style-type: none"> Remuneration of Managing Director and Key Management Personnel HR Policies including Remuneration Policy Organization structure HR Systems including Performance Evaluation <p>Refer the Report of the Remuneration Committee on page 103 for more information.</p>	Managing Director Senior Vice President (RS & HR)
Related Party Transaction Review Committee	2 Independent Directors, 1 Non-executive Director 1 Executive Director (Managing Director)	<ul style="list-style-type: none"> Related Party Transaction Policy and processes Market disclosures on related party transactions Quarterly and annual disclosures of related party Transactions 	Senior Vice President (Finance) Vice President (Finance)

Board Induction and Development

The Board recognizes the need for continuous training and expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors. In addition, an induction programme is in place for newly appointed Directors to familiarize them with the Company’s business operation and internal control system.

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 participate in 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 in order to stay up-to-date on key business developments.

The Directors also have access to timely and accurate information including budgets and forecasts and periodic performance reports necessary to carry out duties and responsibilities effectively and efficiently. 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.



Compliance

- External and Internal Regulations
- Code of Conduct and Ethics
- Board Meetings
- Independent judgment
- Conflict of Interest
- Independence
- Remuneration

Corporate Governance

The Board collectively and the Directors individually act in accordance with the laws of the country of operation which are applicable to the business enterprise. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations and present a compliance checklist 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 at the expense of the Company, coordinated through the Company Secretary.

External and Internal Regulations

The Company operates in compliance with the following external regulatory laws and codes and internally developed mechanisms focused on risk management, culture and best practices.

External Regulations	Internal Regulations
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	Enterprise 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 and Ethics
GRI Standards for Sustainability reporting issued by the Global Reporting Initiative	

Code of Conduct and 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. The Directors are expected to promote a culture of ethical behavior and compliance and any issues related to the breach of this Code by any Director will be investigated by the Board.

Board and Sub-Committee Meeting Attendance

Name of Director	Directorship Status	Board	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr Ranjan Kumar Mohapatra	Chairman/ Non-executive Director	5(5)	-	-	-
Mr Manoj Gupta	Executive Director	5(5)	-	-	4(4)
Prof. Lakshman R Watawala	Independent Director	5(5)	4(4)	1(1)	4(4)
Mr Amitha Gooneratne	Independent Director	5(5)	4(4)	1(1)	4(4)
Mr Vigyan Kumar	Non-executive Director	4(5)	-	-	-
Mr D R Paranjape	Non-executive Director	5(5)	4(4)	1(1)	4(4)

The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by any Director or any corporate management member of the Company.

Board Meetings

Board meetings are held quarterly and during the year the Board convened five times in Colombo. 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. Any Director can call for a resolution to be presented to the Board if deemed necessary. All proceedings of the Meetings, including Directors' concerns regarding matters which are not resolved unanimously, are recorded in the Board Minutes. The Chairman meets with the Non-Executive Directors without the presence of the Executive Directors on a need basis.

Independent Judgment

Directors exercise their independent judgment 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.

Conflict of Interest

Conflict of interest arises when the personal interest interferes with the interest of the Company. Directors and KMPs are prohibited from using their position or any information they are privy to for their personal or any other third party's benefit. The Board is aware of other commitments of Directors and believe that all Directors dedicate sufficient time towards their responsibilities at LIOC.

The company maintains an interest register where Directors disclosures on interests are recorded. At the beginning of each Financial Year Directors submit a written disclosure of interests.

Independence

A declaration is given by the Independent Directors based on the following criteria.

Criteria	Compliance
1. Employment at LIOC immediately preceding appointment as Director	None of the two Independent Directors have been employed in LIOC prior to their appointment.
2. Material Business Relationship	None of the two Independent Directors have a Material Business Relationship with LIOC currently or immediately preceding their appointment.
3. Close family member who is a Director, CEO or a Key Management personnel (KMP)	No family members of Independent Directors are a Director, CEO or a KMP.
4. Shareholding of more than ten percent	None of the Independent Directors have more than ten percent shareholding of the Company
5. A Shareholder, Director or employed in another company or business, i) in which a majority of the other directors of LIOC are employed; or ii) in which a majority of the other directors of LIOC have Significant Shareholding or Material Business Relationship; or that has a Significant Shareholding in LIOC or with which LIOC has a Business Connection	None of the Independent Directors fall in to this category

Remuneration

The Non-Executive Directors including Chairman do not draw remuneration or sitting fees from LIOC. Independent Director's fees are determined by the Board supported by the Remuneration Committee who also seeks professional advice from HR professionals. When determining the remuneration policy, the Board strives to ensure that the interests of shareholders and employees are aligned, and Company can attract and retain high-performing and skilled employees. No individual director is involved in determining his own remuneration.

The Remuneration Sub-Committee Report conforms to Schedule D- Specimen Remuneration Committee Report. The names of the Remuneration Sub- Committee members are set out on pages 103 and the aggregate remuneration paid to Independent Non- Executive Directors is given on page 144 in Note 21.2 to the Financial Statements.

The remuneration package of the Managing Director is structured to link rewards to corporate and individual performance, ensuring there is strong alignment between the short-term and long-term interests of the Company.

The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.



Accountability

- Reporting and Disclosure
- Annual General Meeting
- Board Appraisal
- Technology and Security

Annual Report and Interim Financials

The Board holds ultimate responsibility in presenting a balanced and understandable assessment of the Company's performance, financial position and outlook. The Annual Report is the key medium through which the Board presents a fair and balanced review of the Company's financial position, performance and is an integrated report compliant with the GRI guidelines. Interim performance reports are circulated within 45 days of each quarter end whilst other price sensitive information is disclosed in accordance with the reporting requirements prescribed by the Colombo Stock Exchange. The Board of Directors reviews and approves the Annual Report, prior to publication while the Interim Financials are reviewed and recommended by the Board Audit Committee and approved by the Board of Directors, prior to publication.

Statutory Audit

M/s. Ernst and Young acted as the Statutory auditors' of the Company as appointed at the previous AGM. The Audit committee engages with the statutory auditors for all statutory audit related matters. The Audit Committee remains satisfied with the independence, impartiality, competence, resources, service levels and objectivity of M/s. Ernst & Young in rendering their services. M/s. Ernst & Young have submitted their Annual Statement confirming

Corporate Governance

independence in relation to the statutory audit as required by the Companies Act No. 07 of 2007.

Shareholders Access to Information

Shareholders may, at any time, request for publicly available information through the Company Secretary. The Company Secretary maintains a record of all correspondence received and delivers as soon as practicable such correspondence to the Board or individual Director/s as applicable, for a response. The Company will focus on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. At the Annual General Meeting, the Company openly welcomes any suggestions from the shareholders and the Board of Directors is prepared to provide comprehensive explanations for queries of shareholders.

The Directors ensure that any transaction which may affect the net asset base of the Company is communicated to the shareholders and required approvals are obtained in accordance with the Statutes.

Annual General Meeting

The Annual General Meeting (AGM) 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;

- ④ 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.
- ④ Directors of the Board, including Chairman of Audit, Remuneration and Related Party Transaction Review Committees are available to clarify any points raised by the shareholders.
- ④ 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.

- ④ 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.

Board Appraisal

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

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

Technology and Security

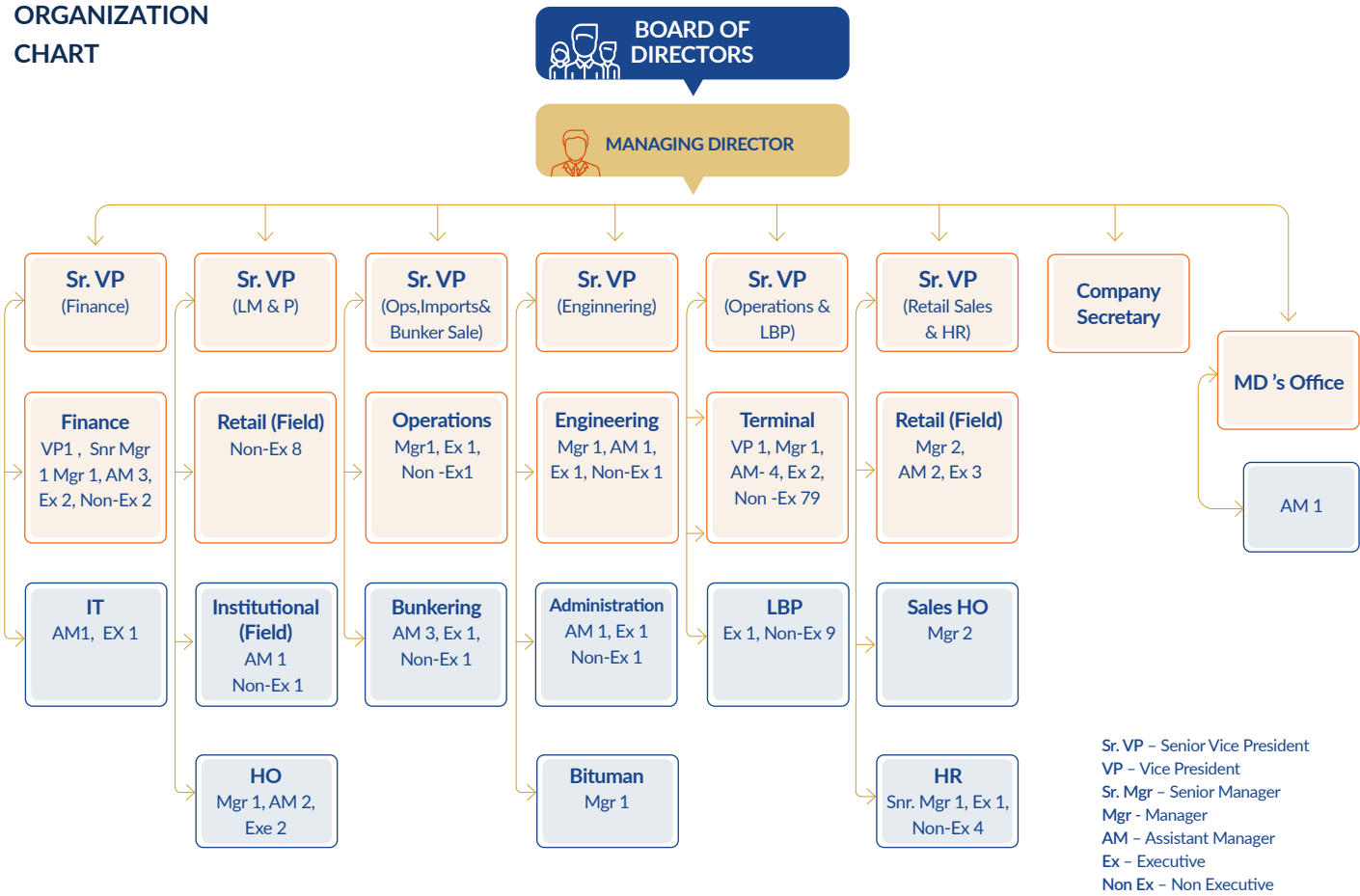
The board is greatly aware of the need for management of internet and cyber risk and management of this risk has been assigned to SVP (Finance) who is responsible for implementation of IT policy. Internet and cyber security are also an agenda of monthly Senior management committee meeting and same is appraised 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.

ESG Reporting

ESG principles are embedded in our operations and considered in formulating our business strategy and reported in a holistic manner within this report. Integrated reporting and Global Reporting Initiative Guidelines are followed in reporting and disclosure of ESG factors.

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
	Usage Restricted activities

ORGANIZATION CHART



Corporate Governance

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

Code Ref.	Requirement	Reference	Complied	Page Ref
A	Directors			
A.1	The Board	Board Composition Governance Structure	✓	Page 85 Page 85
A.1.1	Board Meetings	Board Meetings	✓	Page 88
A.1.2	Role & Responsibilities of the Board	Roles & Responsibilities	✓	Page 85
A.1.3	Compliance Independent Professional Advice	Corporate Governance	✓	Page 88
A.1.4	Access to advice and services of Company Secretary	Company Secretary	✓	Page 86
A.1.5	Independent Judgment	Independent Judgment	✓	Page 88
A.1.6	Dedicate Adequate Time and Effort Board Pack	Board Meetings	✓	Page 88
A.1.7	Calls for Resolutions	Board Meetings	✓	Page 88
A.1.8	Board Induction and Training	Board Induction and Development	✓	Page 87
A.2	Chairman & Chief Executive Officer	Roles and Responsibilities- The Chairman	✓	Page 86
A.3	Chairman's Role in Preserving Good Corporate Governance	Roles and Responsibilities- The Chairman	✓	Page 85
A.4	Availability of Financial Acumen	Board Composition	✓	Page 85
A.5	Board Balance	Board Composition Independent Judgement Board Meetings Board of Directors	✓	Page 85 Page 88 Page 88 Page 22 to 25
A.6	Provision of Appropriate and Timely Information	Board Meetings Board Induction and Development	✓	Page 88 Page 87
A.7	Appointments to the Board	Appointment and Re-election	✓	Page 86
A.8	Re-election of Directors	Appointment and Re-election	✓	Page 86
A.9	Appraisal of Board Performance	Board Appraisal	✓	Page 90
A.10	Disclosure of information in respect of Directors	Profiles Conflict of interest Independents	✓	Page 22 to 25 Page 89 Page 89
A.11	Appraisal of the Chief Executive Officer	Board Appraisal	✓	Page 90

Code Ref.	Requirement	Reference	Complied	Page Ref
B.	Directors' Remuneration			
B.1	Remuneration Procedure	Remuneration		Page 89
B.2	Level & Make up of Remuneration	Annual Report of the Board of Directors on the Affairs of the Company		Page 99
B.3	Disclosures related to Remuneration in Annual Report	Note 21.2 in the Financial Statement		Page 144
C.	Relations with Shareholders			
C.1	Constructive use of the AGM & Other General Meetings	The Annual General Meeting (AGM)		Page 90
C.2	Communication with shareholders	Shareholders Access to Information Company Secretary		Page 90 Page 86
C.3	Disclosure of Major and Material Transactions	Note 21.2 in the Financial Statement		Page 144
D.	Accountability and Audit			
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement Statement of Directors' Responsibilities in Relation to the Annual Financial Statements Annual Report of the Board of Directors on the Affairs of the Company Independent Auditors' Report Our Value Creation Related Party Transactions 1. Note 21.2 in the Financial Statements 2. Report of the Related Party Transactions Review Committee In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.		Page 112 Page 111 Page 99 to 102 Page 113 to 115 Page 38 to 78 Page 144 Page 107 to 108
D.2	Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	Risk Management Risk Committee Report		Page 79 to 83 Page 106
D.3	Audit Committee	Audit Committee Report		Page 104 to 105
D.4	Related Party Transactions Review Committee	Related Party Transactions Review Committee report Annual Report of the Board of Directors on the Affairs of the Company		Page 107 to 108 Page 100
D.5	Code of Conduct and Ethics	Chairman's Message Code of Conduct and Ethics		Page 84 Page 88
D.6	Corporate Governance Disclosures	Corporate Governance Report		Page 98

Corporate Governance

Code Ref.	Requirement	Reference	Complied	Page Ref
E/F.	Institutional and Other Investors			
	Encourage voting at AGM – institutional and other investors	Shareholders Access to Information The Annual General Meeting		Page 90 Page 90
G.	Internet of Things & Cyber security			
G.1	Identify connectivity and related cyber risks	Technology and Security		Page 90
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy	Technology and Security		Page 90
G.3	Include cyber security on Board agenda	Technology and Security		Page 90
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management	Technology and Security		Page 90
G.5	Disclosures in Annual Report	Technology and Security		Page 90
H.	Environment, Society & Governance			
H.1	ESG Reporting	ESG principles are embedded in our operations and considered in formulating our business strategy and reported in a holistic manner within this report. Integrated reporting and Global Reporting Initiative Guidelines are followed in reporting and disclosure of ESG factors. Information required by the Code is given in the following sections of the Annual Report: Risk Management		Page 90

Compliance with Section 7.10 of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange

Rule No.	Applicable Requirements	Complied	Page Ref
7.10.1	Non – Executive Directors		
7.10.1 (a)	Non-Executive Directors (NEDs) on the Board Two or one third of Directors should be NEDs	✓	Board Composition - page 85
7.10.2	Independent Directors		
7.10.2 (a)	Independent Directors Two or one-third of NEDs (whichever is higher) should be independent	✓	Board Composition - page 85
7.10.2 (b)	Declaration of Independence Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	✓	A Declaration of independence have been given by the Independent Directors- page 89
7.10.3	Disclosures relating to Directors		
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	✓	Board of Directors - page 22 to 25
7.10.3 (b)	The basis for determining the independence of NEDs, if criteria for independence is not met The Board has determined that criteria for independence is met for IDs	✓	Corporate Governance - page 89
7.10.3 (c)	A brief resume of each Director should be included in the Annual Report, including his area of expertise	✓	Board of Directors - page 22 to 25
7.10.3 (d)	Upon appointment of a new Director a brief resume of the Director should be submitted to the Exchange	✓	Appointment and Reelection - page 86
7.10.4 (a-h)	Determination of Independence Requirements for meeting the criteria for an Independent Director	✓	Independence 89
7.10.5	Remuneration Committee		
7.10.5 (a)	Composition of Remuneration Committee The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent The Chairman of the Committee shall be a Non-Executive Director	✓	Corporate Governance Report of the Remuneration Committee - page 103
7.10.5 (b)	Functions of Remuneration Committee The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role	✓	Report of the Remuneration Committee - page 103
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out the names of the members of the Committee, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors	✓	Report of the Remuneration Committee - page 103
7.10.6	Audit Committee		
7.10.6 (a)	Composition of the Audit Committee <ul style="list-style-type: none"> The Committee shall comprise of a minimum of two Independent Directors or of Non-Executive Directors, a majority of whom shall be independent The Chairman of the Committee shall be a Non-Executive Director Unless otherwise determined by the Committee, the CEO and the CFO shall attend meetings Chairman or one member of the Committee should be a member of a recognized professional accounting body 	✓	Board of Directors - page 22 to 25 Sub-Committee Report of the Audit Committee - page 104 to 105

Corporate Governance

Rule No.	Applicable Requirements	Complied	Page Ref
7.10.6 (b)	Functions of the Audit Committee <ul style="list-style-type: none"> Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the LKASs and SLFRSs Overseeing compliance with financial reporting related regulations and requirements Overseeing the processes to ensure that internal controls and risk management are adequate Assessing the independence and performance of the external Auditors Recommending to the Board the appointment, re-appointment and removal of the external Auditors and approving their remuneration and terms of engagement 	✓	Statutory Audit - page 89 Report of the Audit Committee - page 104 to 105
7.10.6 (c)	Disclosure in the Annual Report relating to the Audit Committee <ul style="list-style-type: none"> The names of the members of the Audit Committee The basis of determination of the independence of Auditors A report of the Audit Committee setting out the manner of compliance with their functions 	✓	Statutory Audit page 89 Report of the Audit Committee - page 104 to 105

Compliance with Section 9 of CSE Listing Rules and the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka w.e.f 1st January 2016.

Rule No.	Applicable Requirements	Complied	Page Ref
9.3.2	Disclosures in the Annual Report		
9.3.2 (a), (b)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower and in the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year in its Annual Report. The name of the Related Party and the corresponding aggregate value of the Related Party Transactions entered into with the same Related Party must be presented in the specified format.	✓	Notes to the Financial Statements (Note 21.2) page 144
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee, setting out the following: <ul style="list-style-type: none"> Names of the Directors comprising the Committee A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/ observations to the Board of Directors The policies and procedures adopted by the Committee for reviewing the Related Party Transactions The number of times the Committee has met during the Financial Year 	✓	Report of the Related Party Transactions Review Committee - page 107 to 108
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	✓	Annual Report of the Board of Directors on the Affairs of the Company - page 100

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

Rule No.	Applicable Requirements	Complied	Section Ref
7.6.i	Names of persons who during the financial year were Directors of the entity	✓	Board of Directors - page 22 to 25
7.6.ii	Principal activities of the Company	✓	Annual Report of the Board of Directors on the Affairs of the Company - page 99
7.6.iii	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	✓	Share information - page 156
7.6.iv	The public holding percentage	✓	Share information - page 156
7.6.v	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	✓	Share information - page 156
7.6.vi	Information pertaining to material foreseeable risk factors of the entity	✓	Risk management - page 81 to 83
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity	✓	Human Capital - page 59 to 64
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	✓	Page 151 to 152
7.6.ix	Number of shares representing the entity's stated capital	✓	Notes to the financial statements (Note 17) - page 142 Share information - page 155
7.6.x	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	✓	Share information - page 155
7.6.xi	List of ratios and market price information	✓	Financial Highlights Five Year Summary -page 10 Financial Capital - page 46 to 49 Share Information - page 155
7.6.xii	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value	✓	Notes to the financial statements (Note 17) - page 142
7.6.xiii	If during the year the entity has raised funds either through a public issue, rights issue, and private placement	✓	No funds were raised in this manner
7.6.xiv	Employee Share Option Schemes and Employee Share Purchase Schemes	✓	No share have been allocated in this manner
7.6.xv	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	✓	Corporate Governance - page 95 to 96
7.6.xvi	Related Party transactions exceeding 10% of Equity or 5% of the total assets of the entity as per audited financial statements whichever is lower and details of investments in related party transactions	✓	Notes to the Financial Statements (Note 21) - page 144

Corporate Governance

Disclosures required by the Companies Act No. 7 of 2007

Section Reference	Disclosure Requirement	Page Ref.
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Annual Report of the Board of Directors on the Affairs of the Company – page 99 to 102
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Financial statements and Notes to the financial statements – page 116 to 150
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Independent Auditors' Report – page 113 to 115
168 (1) (d)	Accounting Policies and any changes therein	Notes to the financial statements – page 120 to 150
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Conflict of Interests - page 89 Independence – page 89
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Note 21.2 (a) to the financial statements – page 144
168 (1) (g)	Corporate Donations made by the Company and its subsidiaries during the accounting period	Social and Relationship Capital – page 65 to 73
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Page 22 to 25
168 (1) (i)	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Company	Note 6 to the financial statements – page 132
168 (1) (j)	Auditors' relationship or any interest with the Company	Statutory Auditors' – page 89
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Annual Report of the Board of Directors on the Affairs of the Company – page 102

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

To the Shareholders

The Board of Directors have pleasure in presenting the 18th Annual Report of Lanka IOC PLC for the financial year ended 31st March 2020, that includes and covers the Audited Financial Statements, Chairman's Message, Managing Director's Message, Our Value Creation, Stakeholder Engagement Report, Capital Reports, Governance Reports, Statements of Responsibility, Auditors' Report and other relevant information.

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

The Audited Financial Statements were approved by the Directors at the Board Meeting held on 11th May 2020.

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 2020, 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 116 to 150.

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 exports Lubricants & Bitumen to Maldives, Qatar, Oman, Indonesia and Nepal.

AUDITORS' REPORT

The Auditors' Report on the financial statements is set out on page 113 to 115.

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 CA Sri Lanka (ICASL). The financial statements are prepared under the historical cost convention.

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

PURCHASING AND PRICING POLICY

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

Government does not issue any directions to LIOC 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 21.2 to the Financial Statements deals with Director's interests in contracts and related party transactions with the Company respectively.

DIRECTORS' INTERESTS IN SHARES

Prof. Lakshman R Watawala and Mr Amitha Gooneratne, Independent Non Executive Directors of the Company hold 500 and 4800 ordinary voting shares respectively. There were no share dealings by any other directors of the Company (Sec.200) during the financial year.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The aggregate remuneration and other benefits of directors of the Company for the financial year 2019-20 amounts to Rs 32.9 Mn.

DIRECTORS

The Directors of the Company for the F/Y 2019-20 were;

Mr Ranjan Kumar Mohapatra
(Chairman)

Mr Manoj Gupta
(Managing Director w.e.f 20.05.2019)

Mr Shyam Bohra
(Ceased to be Managing Director w.e.f 19.05.2019)

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

Mr Amitha Gooneratne
(Independent Non-Executive Director)

Mr Vigyan Kumar
(Non-Executive Director w.e.f 12.04.2019)

Mr D R Paranjape
(Non-Executive Director- w.e.f 12.04.2019)

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

Prof. Lakshman R Watawala completed twelve years as an Independent Non-Executive Director on 26.07.2019 and the Board at its meeting held on 06.05.2019, 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 2019-20, subject to his re-election at the AGM. Subsequently at the AGM held on 19.06.2019 he was re-elected as a Director of the Company by the Shareholders.

Mr Ranjan Kumar Mohapatra, Non-Executive Director & Chairman and Mr Vigyan Kumar, Non-Executive Director shall retire by rotation in terms of Article 29(2) of Articles of Association of the Company and offer themselves for re-election as Directors of the Company, at the forthcoming Annual General Meeting.

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

RELATED PARTY TRANSACTIONS

The Board of Directors declares as follows:

The related party transactions during the FY 2019-20 have been reviewed by the Related Party Transaction Review Committee and the related party transactions entered during the FY 2019-20 are recurrent and exempted as per terms of Rule 9.5 of section 9 of CSE listing rules.

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

It is certified that the Company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act No 10 of 2016. The information pursuant to these Regulations is given in the approved accountant certificate produced under Section 107(2) (a) of the said Inland Revenue Act. We believe that the record of transactions entered into the associated undertakings during

the period from April 1,2018 to March 31,2019 are at arm's length, not prejudicial to the interests of the company and not carried out for profit shifting purposes.

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

APPOINTMENT OF AUDITORS

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

The Auditors' fee for the year 2019-20 was fixed at Rs 1.75 Mn. (2018-19 Rs1.65 Mn) as disclosed in Note 6 to the financial statements on page 132 thereof.

AUDITORS RELATIONSHIP OR ANY INTEREST WITH THE COMPANY

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence. M/s. Ernst & Young were also engaged as Tax Consultants for the additional consultancy services for which the company incurred a sum of Rs 1.68 Mn [2018-19 Rs 3.18 Mn.]

M/s. KPMG were engaged as Internal Auditors and a remuneration of Rs 1.95 Mn (2018-19 2.05Mn) 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 2019 and 31st March 2020 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 2020 amounted to Rs 11,870 Mn (2018-19 – Rs 11,851 Mn).

STATUTORY PAYMENTS

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

CONTRIBUTION TO THE EXCHEQUER

Your Company has been making enormous contribution to the exchequer. During the year, Rs 14,435 Mn (2018-19 Rs 21,284 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 Rs 81.95 bn in FY 2019-20 from Rs 86.32 bn in FY 2018-19 showing a decrease of 5% mainly due to reduction of auto fuel sales volume as company kept its auto fuel price slightly higher than its competitor and also the adverse economic conditions due to Easter Sunday attack and COVID-19 affected revenue.

EARNING OF FOREIGN EXCHANGE

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to approximately US Dollar 156 Mn through its operations.

RETAIL SALES

As a part of our strategy to connect with our valued customers and channel partners in a better way, our top management conducted meetings and engaged with dealers in their respective sales area in every three months. The objective of such a type of engagement was to motivate the dealer's network towards achieving the desired sales volume and customer service level at Retail Outlet forefront leading to improved brand image of LIOC. It is

always our endeavor to make LIOC Petrol Sheds iconic by delivering the best experience to our valued customers and enhancing their loyalty and trust. We further emphasized our network on Retail Outlet safety and ensured adherence of Standard Operating Practices and safe TT decantation process on sustainable basis.

Despite the challenging industry landscape, we achieved commendable volume growth of around 28 % in XtraMile Diesel and 0.2% in XtraPremium Euro III Petrol. We achieved branded conversion of 31% in Petrol and 18% in Diesel. Above indicates our success in marketing of premium fuels & developing a connect with customers on its advantages of better performance.

To enhance the uniform look and feel of network, we carried out new Retail Visual Identity (RVI) at 47 retail outlets to bring the uniformity. Adopting path of expansion of network, company added 2 new outlet during the year, to keep the total to 208 Retail Outlet as 2 Retail Outlet were decommissioned during the year.

With focus on customer service to ensure customer delight, during the year we completed 'Automation' of our 5 more retail outlets to make the total 14 Automated Retail Outlet to enhance operational and customer excellence.

As a part of our commitment to achieve sustainable development of energy sector through meeting the Social & Environmental demands of society, we further added 2 nos. of Electric Vehicle charging facility at strategically located retail outlets, bringing the total to 4 across the island. Going a step ahead, to reduce carbon footprints across the island by adoption of renewal source of energy, we installed 9 more nos. of roof top solar panels at retail outlets bringing the total to 14 Retail Outlet with solar panels.

In addition to the above, company focused on provision of customer convenience facility at ROs and accordingly added 10 nos of ATMs bringing the total to 12 nos. Also 10 nos of e-commerce KIOSK was created at our ROs as a customer-centric facility for our valued customers. Also we provided platform at our ROs for Corporates to place the advertisement of their value added products through LED screen/ hoarding and we generated non-fuel revenue.

To engage our customers and making our retail outlets a place of happenings, we carried out 2 nos of SMS based sales promotion scheme in association with M/s, Abans & Stafford Motors, Colombo. We received almost 2,00,000 sms during this campaign and achieved a huge appreciation from our valued customers.

LUBES

Lube segment is one of the very important segments which contribute to the bottom line of the company Both, by way of volumes as well as value, SERVO is one of Sri Lanka's largest lubes brand. Over the years, it has established its authority and, on the strength of its proven quality, has built exceptional relationships with automobile and specialty engine manufacturers. SERVO's vast portfolio of Lubricants caters to the needs of the automotive, industrial, marine and specialty segments. SERVO continues its robust growth story and is expanding its marketing touch points year on year basis.

BITUMEN

Lanka IOC remains as a market leader in Bitumen segment in Sri Lanka. With hands on experience for past 12 years in Bitumen, LIOC has now expanded its footprint in to neighbouring countries by exporting Bitumen.

PETROCHEMICALS

LIOC has formulated a tailor made strategy for marketing of Petrochemical in the country. LIOC has customer-oriented supply strategy in place and can now supply grades locally.

BUNKERING SALES

Bunkering registered a year on year growth of 16% in terms of volume. This helped LIOC to achieve a market share of 38% during the year 2019-20. This was possible by entering into long term tie up for bunker fuel supply with major shipping lines as well as focusing on quality & quantity with on time deliveries.

LIOC was the first physical bunker supplier to import the IMO 2020 compliant Very Low Sulphur Fuel Oil (VLSFO) at Trincomalee well ahead of the scheduled cut-off date of 31st December 2019. This helped the Company to establish as the most preferred, most dependable bunker supplier for the ships calling at Sri Lankan ports.

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 2019-20 as per the agreement with BOI.

OTHER OPERATING INCOME

In a continuous effort to optimize its income from various sources, your company earned Rs 83.24 Mn during the year, through rent from lease of hoardings, space and amenities at the various retail outlets terminal services and from other resources.

FUNDING OPERATIONS

In order to have funding and other credit facilities with banks at most competitive rates and terms, the Company renewed Facility Agreements with different banks 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 KPMG, Chartered Accountants, Colombo and the scope of their audit covers internal procedures, controls and systems, risk analysis, financial operations, statutory compliance etc. Auditors directly report their observations to the Audit Committee of the Board with recommendations. 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.

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

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

CSR PROJECT

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

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

GOING CONCERN

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

Also, subsequent to the outbreak of the COVID-19 Pandemic in early 2020, a series of measures to curb the COVID-19 outbreak have been taken and continues to be implemented by the Government of Sri Lanka. The Company will continue to pay close attention to the impact of COVID-19 on the Company's businesses and financials. As at the date of the financial statements, there is a drop of sales for the financial year ended 31 March 2020 and had an adverse effect on the financial statements as well.

The Government interventions including the curfew resulted in contraction in our revenue. The ultimate extent of the impact of the COVID-19 outbreak on our business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, the short-term and long-term economic impact.

POST BALANCE SHEET EVENTS

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

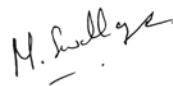
Signed on behalf of the Board



Manoj Gupta
Managing Director



Prof. Lakshman R Watawala
Director



Mihiri Senaratne
Company Secretary

11th May 2020

Report of Remuneration Committee

Purpose/Objectives of the Committee

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.

Composition and Attendance

The Remuneration Committee comprise of 3 Non-Executive Directors appointed by the Board of Directors of the Company. The Committee is chaired by Prof. Lakshman R Watawala, an Independent Non Executive Director.

1.	Prof. Lakshman R Watawala INED - Chairman
2.	Mr Amitha Gooneratne INED - Member
3.	Mr D R Paranjape NED - Member

Board profiles of the Committee members are detailed in the page 22 to 25 of this Annual Report.

Attendance by Invitation

The Managing Director who is responsible for the overall operations of the Company and the Senior Vice President [HR] attend the Committee meetings by invitation. The Managing Director takes part in all deliberations except when his own performance and remuneration is discussed.

Meetings

The Committee held following meetings during the financial year 2019-20 to discuss the matters within its purview. The Committee members present at the meeting was as follows:

S/No	Date	Names of the Members Present	Names of Members Excused
1	23.01.2020	1. Prof. L R Watawala 2. Mr Amitha Gooneratne 3. Mr D R Paranjape	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.

Key Responsibilities

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.



Prof. Lakshman R Watawala
Chairman - Remuneration Committee

11th May 2020

Audit Committee Report

Purpose/Objectives of the Committee

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies & methods adopted and their compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The Committee also reviews the Company's compliance with the Companies Act, Internal Controls, performance of the external auditors and other relevant financial reporting related regulations and requirements. The Committee recommends the financial statements to the Board for its approval and issuance. The Committee also reviews the actions taken by the Risk Management Committee from time to time.

Composition and Attendance

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.

1.	Prof. Lashman R. Watawala	Independent Non-Executive Director
2.	Mr Amitha Gooneratne	Independent Non-Executive Director
3.	Mr D R Paranjape	Non-Executive Director

Member Profile

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 Paranjape is the Chief General Manager (Finance) of the Marketing Division 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 page 25 to 26. 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.

Attendance by Invitation

Mr Manoj Gupta - Managing Director, Mr Pramod Jain - Senior Vice President (Finance), and Mr Ranjeet Bothra -Vice President (Finance) attends the Audit Committee Meetings.

Meetings

The Committee held 4 meetings during the financial year 2019-2020 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	25.07.2019	1. Prof L R Watawala 2. Mr Amitha Gooneratne 3. Mr D R Paranjape	None
2	25.10.2019	1. Prof L R Watawala 4. Mr Amitha Gooneratne 2. Mr D R Paranjape	None
3	23.01.2020	1. Prof L R Watawala 2. Mr Amitha Gooneratne 3. Mr D R Paranjape	None
4	11.05.2020	1. Prof.L R Watawala 2. Mr Amitha Gooneratne 3. Mr D R Paranjape	None

Key Responsibilities

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.

Activities in FY 2019-20

The Audit Committee, inter alia, engaged in the following activities during the financial year under review.

Financial Reporting

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies & methods adopted and their compliance with the Sri Lanka Accounting Standards. The Committee also reviews the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. The Committee also reviews the adequacy

of the internal controls and assesses the independence & performance of the external auditors. The Committee recommends the financial statements to the Board for its approval and issuance. The Committee also reviews the risks the company is exposed to and approves the actions taken by the Risk Management Committee so as to manage and mitigate the impact arising from such risks.

Internal Audits

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

Statutory Audits

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

Appointment of Statutory Auditors

The Audit Committee, upon reviewing the independence and performance of the Auditors has recommended to the Board of Directors that M/s Ernst & Young, Colombo be appointed as Auditors for the financial year ending 31st March 2020, subject to the approval of the shareholders at the Annual General Meeting scheduled to be held in due course.

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

11th May 2020

Report of Risk Committee

Purpose/Objectives of the Committee

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

The risks are categorized into A and B, which have been identified by each functional area of LIOC. However, there may be other risks that could emerge in the future, hence the respective HOD will constantly be assessing the risks involved.

Professional Advice

In addition to the independent judgment by the heads of division areas the Committee takes in to account the Risks identified by the Statutory/Internal Auditors and take mitigation actions accordingly.

Composition and Attendance

The Risk Management Committee is chaired by the Managing Director. The Chief Risk Officer is the Senior Vice President (Finance). The following officials served on the Risk Management Committee during the financial year 2019-20.

1.	Mr Manoj Gupta, Managing Director- Chairman
2.	Mr Pramod Jain, Senior Vice President (Finance) – Chief Risk Officer/Member
3.	Mr Girish Ranjan, Senior Vice President (Retail Sales & HR) - Member
4.	Mr Suraj Patnaik, Senior Vice President (Bunkering & Operations) – Member
5.	Mr T K Elamaran, Senior Vice President (Engineering & Admin) -Member
6.	Mr S Nimkar, Senior Vice President (Lubricants)-Member
7.	Mr Ranjeet Bothra, Vice President (Finance) - Member

Meetings

The heads of division constantly monitor risks pertaining to their area of concern. Risk Management Committee Meetings are also held as and when the requirement arises.

Activities in FY 2019-20

- Regular engagement with policy makers to strengthen and enhance the industry frameworks in place.
- Duties & taxes, interest rates, exchange rates and wages are monitored and strategies adjusted to minimize impact where possible.
- A close monitoring on market price. Procurement cost and optimization of inventory
- Close monitoring of outstanding beyond credit limit.
- Co-ordinated with MEPA to obtain approval for the Oil Spill Contingency Plan of Trincomalee Terminal in phases



Manoj Gupta
Chairman – Risk Management Committee

11th May 2020

Related Party Transaction Review Committee Report

Purpose/Objectives of the Committee

The purpose of the Committee is to assist the Board in meeting its oversight responsibilities pertaining to the Related Party Transactions of the Company. 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.

Composition and Attendance

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.

1	Mr Amitha Gooneratne (INED) – (Chairman)
2	Prof. Lakshman R Watawala (INED) –(Member)
3	Mr D R Paranjape (NED) – (Member)
4	Mr Manoj Gupta (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.

Attendance by Invitation

Mr Pramod Jain, Senior Vice President (Finance) who is also the Chief Financial Officer (CFO)) and Mr Ranjeet Bothra, Vice President (Finance) attend the meetings as invitees.

Meetings

The Committee held 4 meetings during the financial year 2019-2020 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	25.07.2019	1. Mr Amitha Gooneratne 2. Prof L R Watawala 3. Mr D R Paranjape 4. Mr Manoj Gupta	None
2	25.10.2019	1. Mr Amitha Gooneratne 2. Prof L R Watawala 3. Mr D R Paranjape 4. Mr Manoj Gupta	None
3	23.01.2020	1. Mr Amitha Gooneratne 2. Prof L R Watawala 3. Mr D R Paranjape 4. Mr Manoj Gupta	None
4	11.05.2020	1. Mr Amitha Gooneratne 2. Prof L R Watawala 3. Mr D R Paranjape 4. Mr Manoj Gupta	None

Key Responsibilities

The purpose of the Committee is to assist the Board in meeting its oversight responsibilities pertaining to the Related Party Transactions of the Company. 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.

Related Party Transaction Review Committee Report

- 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.

Committee Guidelines

The Committee has issued the 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 arm's 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.

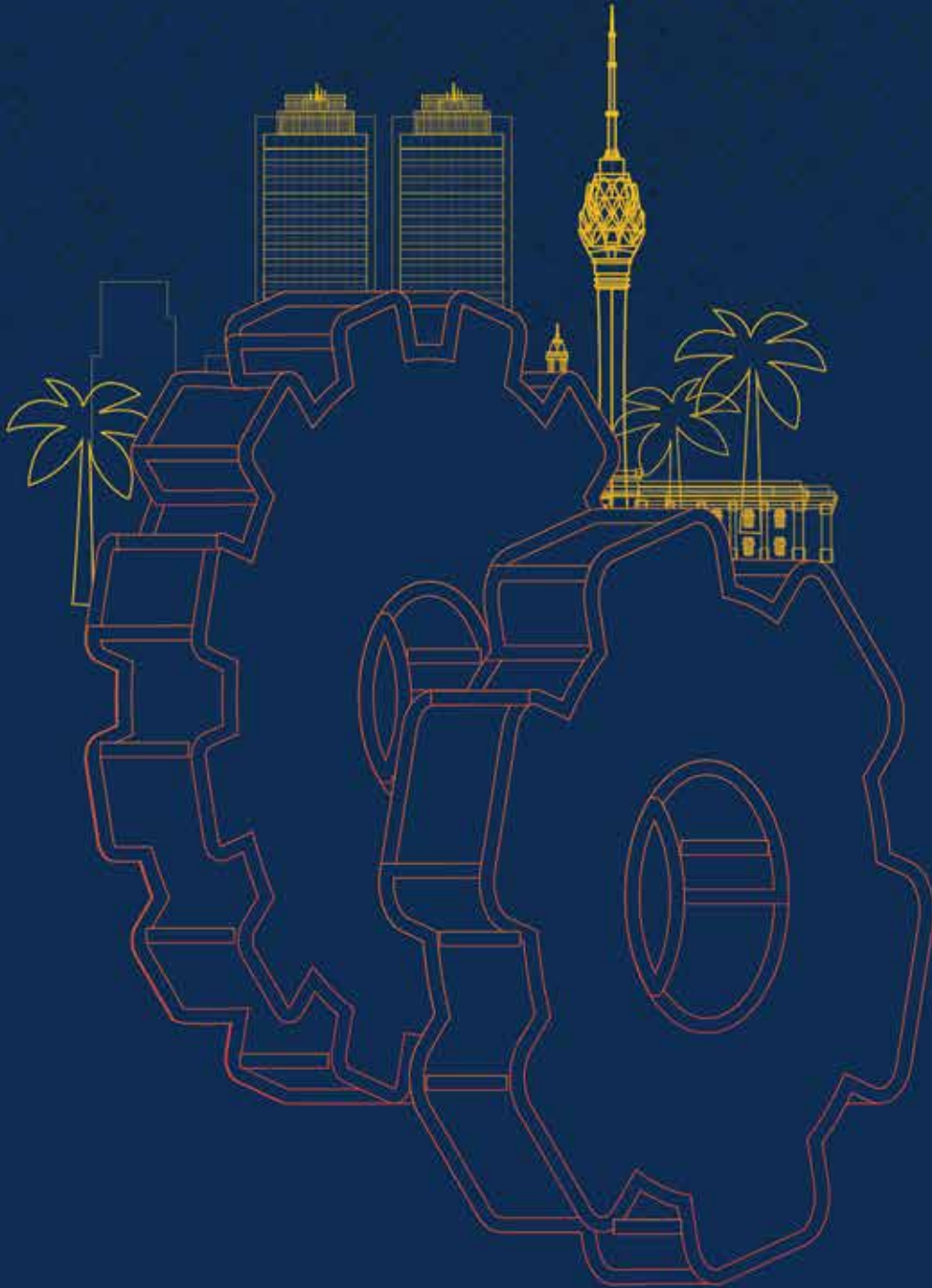


Amitha Gooneratne

Chairman- Related Party Transaction Review
Committee

11th May 2020

We have demonstrated resilient performance despite the challenging business environment creating value for our stakeholders.



FINANCIAL CALENDAR

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

Period	Published on
April-June 2019	25th July 2019
July-September 2019	25th October 2019
October-December 2019	24th January 2020
January-March 2020	12th May 2020

ANNUAL REPORTS

Period	Published on
2018-19 (Fourth Integrated Report)	28th May 2019
2017-18 (Third Integrated Report)	05th June 2018
2016-17 (Second Integrated Report)	02nd June 2017

ANNUAL GENERAL MEETING

Meeting	Date of meeting
18th Annual General Meeting	03rd November 2020
17th Annual General Meeting	19th June 2019
16th Annual General Meeting	29th June 2018

Statement of Directors' Responsibility

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

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

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

The Directors confirm that in preparing the financial statements exhibited on pages 113 to 150 inclusive, appropriate accounting policies have been selected and applied on a consistent basis, reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

The Directors have taken action to safeguard the assets of the Company by having appropriate internal control systems to prevent and detect fraud and other irregularities.

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

By Order of the Board



Manoj Gupta
Managing Director

11th May 2020

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

The financial statements of Lanka IOC PLC as at March 31, 2020 are prepared and presented in conformity with the requirements of the following:

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

The Significant Accounting Policies applied in the preparation of the Financial Statements are appropriate and are consistently applied as revealed in the Notes to Financial Statements. There are no material deviations from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Company has adopted New Sri Lanka accounting standards which is effective from 01st January 2019, during the year.

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

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

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

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

The Financial Statements were audited by M/s. 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 23.22 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.



Manoj Gupta
Managing Director



Pramod Jain
Senior Vice President (Finance)

11th May 2020

Independent Auditor's Report



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

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

TO THE SHAREHOLDERS OF LANKA IOC PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lanka IOC PLC ("the Company"), which comprise the statement of financial position as at 31 March 2020, 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 2020 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
<p>Revenue recognition</p> <p>Company's revenue consists of sale of petroleum products and due to volume of transactions and magnitude of revenue reported, we believe a higher risk is associated with revenue recognition.</p> <p>Accordingly, the recognition of revenue was considered a Key Audit Matter.</p>	<p>Our audit procedures which included, amongst others, the following:</p> <ul style="list-style-type: none"> • Reviewing the revenue recognition policy applied by the Company and its compliance with SLFRS 15 Revenue from Contracts with Customers. • Testing the effectiveness of controls over revenue recognition. • Assessing the reasonableness of selling price for key products by comparing average price per unit derived by dividing product wise monthly revenue by quantity sold with respective approved sales prices for the period. • Assessing the adequacy of related disclosures in Note 3 to the financial statements.

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

Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Independent Auditor's Report



Other information included in the Company's 2019-20 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

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



11 May 2020
Colombo

Statement of Comprehensive Income

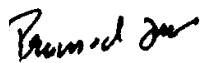
Year ended 31 March ('000s)		2020	2019
	Note	Rs	Rs
Revenue	3	81,947,054	86,321,616
Cost of Sales		(77,840,925)	(82,180,156)
Gross Profit		4,106,129	4,141,460
Other Operating Income	4	83,240	189,984
Administrative Expenses		(1,505,307)	(1,432,884)
Selling and Distribution Expenses		(2,049,375)	(2,044,623)
Operating Profit		634,687	853,937
Finance Income	5.1	941,564	429,505
Finance Expenses	5.2	(977,628)	(952,582)
Profit Before Tax	6	598,623	330,860
Income Tax	7.1	(176,849)	72,567
Profit for the Year		421,774	403,427
Other Comprehensive Income /(Loss)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.4	(4,239)	1,111
Income tax on other Comprehensive income/(loss)	9.2	636	(167)
Other Comprehensive Income for the Year, Net of Tax		(3,603)	944
Total Comprehensive Income for the Year, Net of Tax		418,171	404,371
Earnings Per Share	10	0.79	0.76

The accounting policies and notes on pages 120 through 150 form an integral part of the Financial Statements.

Statement of Financial Position

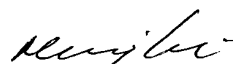
As at 31 March ('000s)		2020	2019
	Note	Rs	Rs
ASSETS			
Non Current Assets			
Property, Plant and Equipment	11	4,113,205	4,294,395
Investment	12	4,394,000	4,394,000
Intangible Assets	13	674,876	675,417
Right -of-use Assets	14	90,868	-
Other Receivables	16.1	148,842	127,308
Deferred Tax Asset (Net)	9.1	188,657	203,161
		9,610,448	9,694,281
Current Assets			
Inventories	15	13,295,317	13,996,480
Trade and Other Receivables	16	3,956,274	3,267,244
Income Tax Receivables		185,941	341,876
Short Term Investments	20.2	12,660,488	672,950
Cash and Bank Balances	17.1	51,333	271,974
		30,149,353	18,550,524
Total Assets		39,759,801	28,244,805
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	18	7,576,574	7,576,574
Retained Earnings		11,869,635	11,850,814
Total Equity		19,446,209	19,427,388
Non Current Liabilities			
Defined Benefit Obligation (Net)	8.2	10,629	6,515
Right -to-use- Lease Liability	14.2	63,485	-
		74,114	6,515
Current Liabilities			
Trade and Other Payables	19	3,250,663	6,483,631
Right -to-use- Lease Liability	14.2	34,243	-
Interest Bearing Borrowings	20.1	16,954,572	2,327,271
		20,239,478	8,810,902
Total Equity and Liabilities		39,759,801	28,244,805

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 120 through 150 form an integral part of the Financial Statements.

11th May 2020
Colombo

Statement of Changes in Equity

<i>Year ended 31 March ('000s)</i>	Stated Capital Rs	Retained Earnings Rs	Total Rs
As at 1 April 2018	7,576,574	11,792,546	19,369,120
Dividends Paid		(346,103)	(346,103)
Profit 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
Dividends Paid		(399,350)	(399,350)
Profit for the Year		421,774	421,774
Other Comprehensive Income/(Loss)		(3,603)	(3,603)
As at 31 March 2020	7,576,574	11,869,635	19,446,209

The accounting policies and notes on pages 120 through 150 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 March ('000s)		2020	2019
	Note	Rs	Rs
Cash Flows From/(Used in) Operating Activities			
Profit/(Loss) before Income Tax Expense		598,623	330,860
Adjustments for			
Finance Income	5.1	(941,564)	(429,505)
Finance Expenses	5.2	977,628	952,582
Dividends Income	4	-	(75,000)
Increase/(Decrease) in Allowances for Impairment	16.6	10,160	37,956
Loss/(Profit) on disposal of Property, Plant and Equipment	4	125	(2,454)
Defined Benefit Plan Cost	8.3	3,623	5,540
Depreciation	11.2	400,671	422,416
Amortisation of Intangible Asset	13.2	541	549
Amotisation Right to use Assets	14	30,289	-
Interest Cost of Right to use Assets	14	11,510	-
Exchange (Gain) / Loss on borrowing		452,026	(8,277)
Operating Profit/(Loss) before Working Capital Changes		1,543,632	1,234,667
(Increase)/ Decrease in Inventories		701,163	(3,886,474)
(Increase)/Decrease in Trade and Other Receivables		(720,724)	1,225,163
Increase/(Decrease) in Trade and Other Payables		(3,232,968)	(2,073,290)
Cash Generated From/(Used in) Operations		(1,708,897)	(3,499,934)
Income Tax		(5,773)	(26,054)
Finance Expenses		(977,628)	(952,582)
Defined Benefit Paid		(20,410)	(3,477)
Net Cash Flows From/(Used in) Operating Activities		(2,712,708)	(4,482,047)
Cash Flows from Investing Activities			
Finance Income		941,564	429,505
Dividends Income		-	75,000
Acquisition of Property, Plant and Equipment	11.1	(220,006)	(448,937)
Proceeds from Property, Plant and Equipment		400	3,311
Net Investment in Gratuity Fund		16,662	(15,451)
Net Cash Flows From/(Used in) Investing Activities		738,620	43,428
Cash Flows From Financing Activities			
Proceed from Interest bearing borrowings		53,892,049	30,628,774
Repayments of Interest bearing borrowings		(39,716,774)	(33,311,054)
Dividends Paid		(399,350)	(341,486)
Payment of Lease Creditor	14.2	(34,940)	-
Net Cash Flows From/(Used in) Financing Activities		13,740,985	(3,023,766)
Net Increase/(Decrease) in Cash and Cash Equivalents		11,766,897	(7,462,385)
Cash and Cash Equivalents at the Beginning of the Year	17.1	944,924	8,407,309
Cash and Cash Equivalents at the End of the Year		12,711,821	944,924
Analysis of Cash and Cash Equivalents			
Short Term Investments		12,660,488	672,950
Cash in Hand and at Bank		51,333	271,974
		12,711,821	944,924

The accounting policies and notes on pages 120 through 150 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 2020 was authorized for issue in accordance with a resolution of the Board of Directors on 11 May 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

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

2.4 Going Concern

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

2.5 Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

- It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current.

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

2.6 Segment Reporting

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

2.7 Changes in Accounting Policies

Other than adoption of SLFRS 16 and as disclosed in note 14 to the financial statements, the accounting policies adopted are consistent with those of the previous year.

2.8 Comparative Information

Other than disclosed in Note 26, there is no changes to the comparative figures.

2.9 Significant Accounting Judgments, Estimates and Assumptions

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

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

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

- Capital management Note 27.
- Financial instruments risk management and policies Note 27.
- Sensitivity analyses disclosures Notes 8 and 27.

2.9.1 Critical Judgments in Applying the Accounting Policies

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

a) Investment in Ceylon Petroleum Storage Terminal Limited

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

2.9.2 Estimates and Assumptions

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

a) Estimation of net realizable value for inventory

Inventory disclosed in Note 15 is stated at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

b) Impairment losses on Trade & 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

Notes to the Financial Statements

matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates provision on trade receivables at the reporting date. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense.

The impairment loss on Trade & Other Receivables is disclosed in Notes 16.

c) Defined Benefit Obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligation.

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

d) Impairment of non-financial assets

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

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

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

2.10 Summary of Significant Accounting Policies

2.10.1 Foreign Currency Translation

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

2.10.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue that are in the scope of SLFRS 15:

a) Sale of goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods; with the Company not retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before

the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. There is no contract asset as at reporting date.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company executed performance obligations under the contract.

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 income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

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

2.10.3 Expenditure Recognition

All expenditure incurred in the running of the business and in

maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the Income Statement for the period.

2.10.4 Taxation

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

Current Taxes

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

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

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

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

Deferred Taxation

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

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

Deferred income tax assets are recognized for all deductible

Notes to the Financial Statements

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

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

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

Sales Tax (Value Added Tax and Nations Building Tax)

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

2.10.5 Financial Instruments

2.10.5.1 Financial Assets

Initial Recognition and Measurement

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

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

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component.

Refer to the accounting policies in section 2.6 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 instrument) and financial assets through profit or loss

a) Financial assets at amortised cost (debt instruments)

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

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

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

financial assets.

b) Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

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

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

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

2.10.5.2 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 16.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.10.5.3 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, Right -to-use- Lease Liability, bank overdrafts and loans and borrowings.

Subsequent Measurement

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

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

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 14.2 and 20.1.

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

Notes to the Financial Statements

is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.10.5.4 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.

2.10.5.5 Fair Value of Measurement

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

- Quantitative disclosures of fair value measurement hierarchy Note 28.
- Financial instruments (including those carried at amortised cost) Note 14.2, 16, 17,19 & 20.

2.10.6 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

2.10.7 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 Income Statement.

2.10.8 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.

b) License fees on computer software

License fees represent costs pertaining to the licensing of

software applications purchased. License fees are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 5 years.

2.10.9 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.

2.10.10 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.

2.10.11 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 income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Notes to the Financial Statements

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

2.10.12 Accounting for leases - where the Company is the lessee

Prior to 01 April 2019

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.

After 01 April 2019

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

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

i) Right-of-use assets

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

- Building - Lease Period 4 years

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

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

ii) Lease liabilities

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

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

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

2.10.13 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 income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by

discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.10.14 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.

2.10.15 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, Messrs K. A. Pandit consultant and actuaries who carried out actuarial valuation as at 31 March 2020.

Recognition of Actuarial Gains and Losses

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

b) Defined Contribution Plans

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

The Company contributes to the following Schemes:

Employees' Provident Fund

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

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees'

Trust Fund maintained by the Employees Trust Fund Board.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions

to a defined contribution pension plan are recognized as an employee benefit expense in profit or loss when they are due.

2.11 Changes In Accounting Policies and Disclosures

New and amended standards and interpretations

The Company applied SLFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, 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 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied prospectively from 01 April 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption SLFRS 16 as at 1 April 2019 (increase/ (decrease)) is, as follows:

	Rs'000
Assets	
Right-of-use assets	121,158
Total assets	121,158
Liabilities	
Interest-bearing loans and borrowings	121,158
Total liabilities	121,158

There is no material impact on equity, cash flows, other comprehensive income or the basic and diluted earnings per share.

Notes to the Financial Statements

The Company has lease contracts for various items of property and plant. Before the adoption of SLFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2.10.12 Leases for the accounting policy prior to 1 April 2019.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions where the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in SLFRS 3 Business Combinations

to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

3. REVENUE

Revenue from Contracts from Customers

Year ended 31 March ('000s)	2020 Rs	2019 Rs
Lanka auto diesel	17,898,247	21,001,064
Xtramile	2,343,402	1,941,704
Lanka super diesel	2,087,434	2,641,126
Lanka petrol 92 octane	18,839,482	24,463,657
Xtrapremium Euro 3	3,974,091	3,871,492
Xtrapremium 95	5,348,335	6,895,669
Lubricants	2,903,242	3,058,735
Bunkering	26,712,367	20,865,188
Bitumen	1,815,062	1,567,914
Petrochemical	25,392	15,067
Total Revenue	81,947,054	86,321,616

3.1 Segment Information

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

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

3.3 Contract balances

As at 31 March ('000s)	2020 Rs	2019 Rs
Trade Receivables (Note 16)	3,568,421	2,579,302
Contract Assets	-	-
Contract Liabilities (Note 19)	71,164	53,644

4. OTHER OPERATING INCOME

Year ended 31 March ('000s)	2020 Rs	2019 Rs
Rental Income	69,811	65,439
Dividend Income	-	75,000
Sundry Income	13,429	47,091
Profit on sale of Property Plant and Equipment	-	2,454
	83,240	189,984

5. FINANCE INCOME AND EXPENSES

Year ended 31 March ('000s)	2020 Rs	2019 Rs
5.1 Finance Income		
Income from Short term Investment	925,428	319,294
Interest on Others	16,136	110,211
	941,564	429,505

Notes to the Financial Statements

<i>Year ended 31 March ('000s)</i>		2020	2019
		Rs	Rs
5.2	Finance Expenses		
	Interest Expense	499,330	207,981
	Exchange (Gain)/Loss	478,298	744,601
		977,628	952,582

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

<i>Year ended 31 March ('000s)</i>		2020	2019
		Rs	Rs
	Stated after Charging /Crediting		
	Directors' Emoluments	32,909	39,815
	Salaries and Wages	550,403	518,818
	Allowances for Impairment	10,160	37,956
	Loss/(Gain) on disposal of Property, Plant and Equipment	125	(2,454)
	Exchange Loss	478,298	744,601
	Defined Benefit Obligation : Charge for the year	3,623	5,540
	Audit Fee	1,750	1,650
	Rent	41,106	74,704
	Depreciation Charge for the year	400,671	422,416
	Amortisation Charge for the year	541	549

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2020 and 31 March 2019 are as follows :

7.1 Income Statement

<i>Year ended 31 March ('000s)</i>		2020	2019
		Rs	Rs
	Current Income Tax:		
	Current Tax Expense	187,236	120,261
	Under/(Over) Provision of Current Taxes in respect of Prior Year	(25,527)	-
	WHT on Dividend Income	-	10,500
	Deferred Tax:		
	Deferred Taxation Charge/ (Credit) (Note 9.2)	15,140	(203,328)
	Income Tax Expense /(Credit) Reported in the Income Statement	176,849	(72,567)

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

Year ended 31 March ('000s)	2020 Rs	2019 Rs
Accounting Profit (Loss) before tax	598,623	330,860
Tax calculated at a tax rate of 15% (2019 - 15%)	89,793	49,629
Tax impact of expenses deductible/not deductible for tax purpose	73,153	22,753
Tax impact of income taxable at different rate	(124,506)	(75,676)
Tax impact of income not subject to tax	(16,728)	-
Adjustment due to the estimated deferred tax base in previous year	(6,572)	(200,034)
Tax charge on profit from trade or business	15,140	(203,328)
Taxable Interest Income	705,888	429,505
Tax calculated at a tax rate of 28% (2019 - 28%)	124,764	120,261
Tax calculated at a tax rate of 24%	62,472	-
Adjustments in respect of prior years	(25,527)	-
	161,709	120,261
Taxable Dividend income	-	75,000
Tax calculated at a tax rate of 14% (2019 - 14%)	-	10,500
Total tax charge for the year	176,849	(72,567)

8. DEFINED BENEFIT OBLIGATION

('000s)	2020 Rs	2019 Rs
Balance as at 01 April	98,731	87,870
Current Service Cost	4,534	4,518
Interest Cost	11,354	10,105
Actuarial (Gain) / Loss (8.4)	2,915	(285)
Benefits Paid	(20,410)	(3,477)
Balance as at 31 March	97,124	98,731

8.1 Reconciliation of Fair Value of Plan Assets

('000s)	2020 Rs	2019 Rs
Balance as at 01 April	92,216	67,968
Contribution by employer	5,409	19,082
Expected return	10,604	7,817
Remeasurement	(1,324)	826
Benefit Paid	(20,410)	(3,477)
Balance as at 31 March	86,495	92,216

Notes to the Financial Statements

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

<i>As at 31 March ('000s)</i>	2020	2019
	Rs	Rs
Defined Benefit Obligation at the end of the year	97,124	98,731
Fair value of the plan assets at the end of the year	(86,495)	(92,216)
Amount recognised in statement of financial position	10,629	6,515

8.3 Expenses recognised on Defined Benefit Plan

<i>Year ended 31 March ('000s)</i>	2020	2019
	Rs	Rs
Income Statement		
Current Service Cost for the year	4,534	4,518
Net Interest Cost for the year	750	2,289
Transfers	(1,661)	(1,267)
	3,623	5,540
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.4)	2,915	(285)
Remeasurement	1,324	(826)
	4,239	(1,111)

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

<i>Year ended 31 March ('000s)</i>	2020	2019
	Rs	Rs
Changes in Financial Assumptions	5,401	15,109
Changes in Demographic Assumptions	(668)	(1,616)
Experience Adjustments	(1,818)	(13,778)
	2,915	(285)

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2020 was carried out by Messrs. K A Pandit Consultants & Acturines, 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:

<i>Year ended 31 March ('000s)</i>	2020	2019
	Rs	Rs
Discount Rate	10.50%	11.50%
Salary Incremental Rate	1-7%	1-7%
Staff Turnover	0-3%	0-5%
Retirement Age	60 years	60 years
Return on Plan Assets	10.75%	10.45%

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

<i>As at March ('000s)</i>	2020	2019
	Rs	Rs
Less than 1 Year	6,295	18,853
Between 1-2 years	7,207	6,361
Between 2-5 years	45,852	45,729
Beyond 5 years	48,878	51,888

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 2020. 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%			5,401	(5,401)
(1%)			(6,057)	6,057
	1%		(6,456)	6,456
	(1%)		5,832	(5,832)
		1%	(3,516)	3,516
		(1%)	803	(803)

8.9 The plan asset represents the Employee's Group Gratuity Fund maintained with an insurance company.

8.10 The weighted average duration of defined benefit Obligation is 8 years

9. DEFERRED TAX LIABILITIES

9.1 Deferred Tax

Deferred Tax Relates to the Following:

<i>As at 31 March ('000s)</i>	2020	2019
	Rs	Rs
Deferred Tax Assets Arising on:		
Brought forward tax losses	315,018	332,475
Retirement Benefit Obligation	14,568	14,810
	329,586	347,285
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(140,929)	(144,124)
Net Deferred Tax Asset/(Liability)	188,657	203,161

9.1.1 Deferred tax asset on account of taxable loss works out to Rs 315 million (2019-Rs 332 million). Management is in view that taxable losses can be set off in future and entire amount has been recognised as an deferred tax assets as on 31 March 2020.

Notes to the Financial Statements

<i>As at 31 March ('000s)</i>		2020	2019
		Rs	Rs
9.2	Balance brought forward	(203,161)	-
	Deferred Income Tax (Credit)/Charge- Income Statement	15,140	(203,328)
	Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	(636)	167
	Net Deferred Tax (Asset)/Liability	(188,657)	(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.

<i>Year ended 31 March ('000s)</i>	2020	2019
	Rs	Rs
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	421,774	403,427
Number of Ordinary Shares used as the Denominator:		
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earning Per Share	0.79	0.76

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts ('000s)

At Cost	Balance as at 01.04.2019	Additions	Transfers	Disposals	Balance as at 31.03.2020
	Rs	Rs	Rs	Rs	Rs
Freehold Land	1,960,347	-	-	-	1,960,347
Building and Fixtures	2,279,739	-	11,577	-	2,291,316
Plant and Equipment	3,346,159	-	175,727	(41,515)	3,480,371
Office Equipment	40,582	8,979	-	(2,990)	46,571
Furniture and Fittings	203,550	2,317	49,273	(990)	254,150
Motor Vehicles	40,071	3,900	-	-	43,971
Capital Work-In- Progress	114,539	204,810	(236,577)	-	82,772
	7,984,987	220,006	-	(45,495)	8,159,498

11.2 Depreciation ('000s)

At Cost	Balance as at 01.04.2019	Charge for the year	Transfers	Disposals	Balance as at 31.03.2020
	Rs	Rs	Rs	Rs	Rs
Building and Fixtures	1,315,660	127,293	-		1,442,953
Plant and Equipment	2,201,126	231,559	-	(41,226)	2,391,459
Office Equipment	33,629	4,670	-	(2,758)	35,541
Furniture and Fittings	103,328	35,496	-	(986)	137,838
Motor Vehicles	36,849	1,653	-	-	38,502
	3,690,592	400,671	-	(44,970)	4,046,293

11.3 Net Book Value

As at 31 March ('000s)	2020	2019
	Rs	Rs
Freehold Land	1,960,347	1,960,347
Building and Fixtures	848,363	964,080
Plant and Equipment	1,088,912	1,145,033
Office Equipment	11,030	6,952
Furniture and Fittings	116,312	100,222
Motor Vehicles	5,469	3,222
Capital Work-In- Progress	82,772	114,539
Total Carrying Value of Property, Plant & Equipment	4,113,205	4,294,395

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of Rs 220Mn (2019 - Rs 449 Mn) and cash payment made with respect to these addition is Rs 220Mn (2019 - Rs 449 Mn).

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

	2020	2019
Building and Fixtures	15 Years	15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

12. INVESTMENT

As at 31 March ('000s)	2020	2019
	Rs	Rs
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 less accumulated impairment if any.

Notes to the Financial Statements

13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

('000s)	Goodwill	License fees on computer software	Total
	Rs	Rs	Rs
As at 01.04.2019	759,298	14,437	773,734
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2020	759,298	14,437	773,734

('000s)	Goodwill	License fees on computer software	Total
	Rs	Rs	Rs
13.2 Amortisation			
As at 01.04.2019	85,421	12,896	98,317
Charge for the year	-	541	541
As at 31.03.2020	85,421	13,437	98,858
13.3 Net Book Value as at 31.03.2019	673,877	1,541	675,417
13.4 Net Book Value as at 31.03.2020	673,877	1,000	674,876

13.5 Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Accumulated amortisation as at the statement of financial position date amounting to Rs. 85 Mn which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods

13.6 Company assess the recoverable amount of the Goodwill using value in use calculation and found the recoverable amount exceeds its carrying value, as such Goodwill is not impaired.

The key assumptions used to determine the recoverable amount are as follows:

EBIT

The basis used to determine the value assigned to the budgeted EBIT is the EBIT achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

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

14. RIGHT-OF-USE-ASSETS

Set out below are the carrying amount of Right to use Assets recognised and movements during the year.

14.1 Cost

('000s)	2020 Rs	2019 Rs
Balance As at 01 April 2019	-	-
Effect of Adoption of SLFRS 16 as at 01st April 2019	121,158	-
Addition and Improvement	-	-
Balance As at 31 March 2020	121,158	-
Accumulated Amotisation		
('000s)	2020 Rs	2019 Rs
Balance As at 01 April 2019	-	-
Charge for the year	30,289	-
Balance As at 31 March 2020	30,289	-
Net Book Value As at 31st March 2020	90,868	-

14.2 Right to use -Lease Liability

('000s)	2020 Rs	2019 Rs
Balance As at 01st April 2019	-	-
Effect of Adoption of SLFRS 16 as at 01st April 2019	121,158	-
Additions	-	-
Accretion of Interest	11,510	-
Payments	(34,940)	-
Balance As at 31st March 2020	97,728	-

14.3 Maturity Analysis of Lease Liability

As at 31 March ('000s)	2020 Rs	2019 Rs
Not later than one month	3,125	-
Later than one month and not later than three months	9,374	-
Later than three months and not later than one year	24,998	-
Later than one year and not later than five years	79,641	-
More than 5 years	-	-

Notes to the Financial Statements

14.4 For Presentation Purpose

<i>As at 31 March ('000s)</i>	2020 Rs	2019 Rs
Current liability	34,243	-
Non current liability	63,485	-
	97,728	-

14.5 Lease commitments disclosed as at 31 March 2019 is Rs 350.6 Mn and lease liability recognised as of 01 April 2019 is Rs 121 Mn. The balance lease commitment is not recognised as lease liability, since it doesn't meet the requirement of SLFRS 16.

14.6 The total cashflows made with respect to leases is Rs 34.94 Mn.

15. INVENTORIES

<i>As at 31 March ('000s)</i>	2020 Rs	2019 Rs
Auto Fuel	8,414,354	9,767,374
Bunker Fuel	2,184,405	1,116,064
Bitumen	524,290	457,114
Lubricants	383,205	402,154
Base oil and other raw materials	928,021	1,836,047
Petrochemical	110,020	56,664
Goods In Transit	751,022	361,063
	13,295,317	13,996,480

16. TRADE AND OTHER RECEIVABLES

Current Assets

<i>As at 31 March ('000s)</i>	2020 Rs	2019 Rs
Trade Receivables - Others (net of Allowance for Impairment)	3,568,421	2,494,824
- Related Party	-	84,478
VAT/NBT Receivables	4,086	186,505
Deposits and Advances	353,429	479,424
Prepayments	30,338	22,013
	3,956,274	3,267,244

16.1 Non Current Assets- Other Receivables

<i>As at 31 March ('000s)</i>	2020 Rs	2019 Rs
Staff Loan	124,433	108,573
Prepaid-deferred employee benefit	24,409	18,735
	148,842	127,308

16.2 Receivables- Related Parties

<i>As at 31 March ('000s)</i>	2020	2019
	Rs	Rs
	Relationship	
Indian Oil Corporation Limited	-	84,478
	-	84,478

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

('000s)	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
2020	3,568,421	2,438,566	935,517	85,373	54,121	2,579	52,265
2019	2,494,824	2,014,605	146,162	256,504	26,035	24,555	26,963

16.4 The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 16.5 below.**16.5** The carrying amounts of trade receivables are denominated in following currencies:

<i>As at 31 March ('000s)</i>	2020	2019
	Rs	Rs
US Dollars	1,991,404	1,211,362
Sri Lankan Rupees	1,577,017	1,283,462
	3,568,421	2,494,824

16.6 Allowance for impairment Rs 463 Mn (2019 Rs 453 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*

('000s)	2020	2019
	Rs	Rs
As at 01 April	453,256	478,056
Provision for the year	10,160	37,956
Written off	-	(62,756)
As at 31 March	463,416	453,256

17. CASH AND CASH EQUIVALENTS**17.1** Cash & Cash Equivalent Balances

<i>As at 31 March ('000s)</i>	2020	2019
	Rs	Rs
Cash and Bank Balances	51,333	271,974
Short Term investments (Note 20.2)	12,660,488	672,950
Total Cash & Cash Equivalent Balances	12,711,821	944,924

Notes to the Financial Statements

18. STATED CAPITAL

('000s)		2020	2019
		Rs	Rs
18.1	Stated Capital as at 31 March	7,576,574	7,576,574
18.2	Number of Ordinary Shares	532,465,705	532,465,705

19. TRADE AND OTHER PAYABLES

As at 31 March ('000s)		2020	2019
		Rs	Rs
	Trade Payables - Related Parties (18.2)	494,173	5,610
	- Others	1,612,237	5,582,795
	Other Payables- Related Parties (18.3)	553,043	350,655
	Sundry Creditors Including Accrued Expenses	591,210	544,571
		3,250,663	6,483,631

19.1 Trade payables consist of Rs 71 Mn (2019- 54 Mn) contract liability received from Customers

19.2 Trade Payables - Related Parties

As at 31 March ('000s)		2020	2019	
		Rs	Rs	
		Relationship		
	Indian Oil Corporation Limited	Immediate Parent	494,173	5,610
			494,173	5,610

19.3 Other Payables- Related Parties

As at 31 March ('000s)		2020	2019	
		Rs	Rs	
		Relationship		
	Indian Oil Corporation Limited	Immediate Parent	104,691	29,772
	Ceylon Petroleum Storage Terminal Limited	Significant Investee	448,352	320,883
			553,043	350,655

20. OTHER FINANCIAL ASSETS AND LIABILITIES

As at 31 March ('000s)		2020	2019
		Rs	Rs
20.1	Interest Bearing Loans and Borrowings		
	Short Term Loans (Note 20.1.1)	16,954,572	2,327,271
20.1.1	Short Term Loans Movement		
	Balance as at 01 April	2,327,271	5,017,829
	Proceed from Interest bearing borrowings	53,892,049	30,628,774
	Repayments of Interest bearing borrowings	(39,716,774)	(33,311,055)
	Exchange (Gain)/ Loss on borrowing	452,026	(8,277)
	Balance as at 31st March	16,954,572	2,327,271

20.1.2 The short term loans Rs 16,955 Mn (2019- Rs 2,327 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 1,955 Mn (2019- Rs 994 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals amounting to 8,414.35 Mn.

20.2 Short Term Investments

<i>As at 31 March ('000s)</i>	2020 Rs	2019 Rs
Investment in Unit Trust (Note 20.3)	4,344,920	27,991
Investment through portfolio management services	770,894	-
Investments Fixed Deposit	7,544,674	644,959
	12,660,488	672,950

20.3 Unit Trust Investment - Fair Value Through Profit or Loss

<i>('000s)</i>	2020 Rs	2019 Rs
Balance as at 01 April	27,991	7,962,438
Additions / (Withdrawals) (Net)	3,702,862	(8,218,048)
Fair Value (Gain)/Loss	614,067	283,601
Balance as at 31st March	4,344,920	27,991

20.4 The interest rates are as follows:

Short term loans LIBOR + Margin

20.5 The LIBOR rate (monthly) at the date of statement of financial position was 0.98938%

21. RELATED PARTY DISCLOSURES

21.1 Transactions with the Related Entities

21.1.1 Transactions with Parent

Nature of Transaction

<i>('000s)</i>	2020 Rs	2019 Rs
Amounts Receivable as at 01 April	84,478	68,081
Amounts Payable as at 01 April	(35,383)	(27,602)
Fund Transfers/Payment Made	2,549,457	8,691,449
Purchases of Goods/Services	(3,284,270)	(8,776,085)
Sale of Goods	173,330	191,105
Expenses Reimbursed	(86,476)	(97,853)
Amounts Receivable as at 31 March	-	84,478
Amounts Payable as at 31 March	(598,864)	(35,383)
Net Balance as at 31 March	(598,864)	49,095

21.1.2 During the year, the Company paid a gross dividend of Rs 399 Mn with respect to the financial year ended 31 March 2019, out of which Rs 300 Mn was paid to Indian Oil Corporation Limited.

Notes to the Financial Statements

21.1.3 Transactions with IOC Middle East FZE

Nature of Transaction

('000s)	2020 Rs	2019 Rs
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	(6,345)	-
Sale of Goods	6,345	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

21.1.4 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL)

Nature of Transaction

('000s)	2020 Rs	2019 Rs
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(320,883)	(299,867)
Fund Transfers/Payment Made	658,285	855,288
Services Rendered	(784,754)	(876,304)
Sponsorship	(1,000)	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(448,352)	(320,883)

21.1.4 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 Company is to settle such related party dues within a short term (less than one year).

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

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

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

Year ended 31 March ('000s)	2020 Rs	2019 Rs
Fees for Directors	2,875	2,850
Emoluments	26,846	34,065
Short Term Employment Benefits	3,188	2,900
	32,909	39,815

- 21.3 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 ('000s)		2020	2019
		Rs	Rs
Nature of the transactions			
(a) Items in Statement of Comprehensive Income	Finance Expenses	108,890	74,217
	Revenue	355,236	-
(b) Items in Statement of Financial Position	Interest bearing Loans and Borrowings	(1,955,187)	(993,740)
	Investment in Gratuity Fund	86,495	92,216
	Trade Receivables	318,378	-
(c) Off statement of financial position Items	Letters of credit	698,789	1,650,612

22. COMMITMENTS

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

22.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to Rs 508Mn (2019- Rs 263 Mn).

- 22.2 Letters of Credit opened with Banks Favours Suppliers as at 31 March 2020 amounted to Rs 4,022 Mn (2019 - Rs 2,274 Mn).

23. CONTINGENCIES

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

- 23.1 Guarantees issued by Banks on behalf of the Company as at 31 March 2020 amounted to Rs 891 Mn (2019- Rs 909 Mn)

- 23.2 There is a disagreement on interpretation of NBT Act between Company and Inland Revenue Department. The case was determined by the Tax Appeal Commission in favour of IRD for the assessment period Jan 2012 to June 2012 amounting to Rs 100.75 million including interest & penalty. Considering the merits of the case & expert opinion, LIOC filed the appeals in the Court of Appeal. The cases for the assessment period July 2012 to December 2015 is pending before the Tax Appeal Commission amounting to Rs 740.06 million including interest & penalty. For the assessment period Jan 2016 to March 2018 amounting to Rs 817.98 million including interest & penalty, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Apr 2018 to November 2019 is Rs 329.47 million for which assessment orders have not yet been issued by Inland Revenue Department. NBT has been abolished w.e.f. 01.12.2019. Therefore, total Contingent liability for the period Jan 2012 to November 2019 is 1,988.26 million.

24. ASSETS PLEDGED

The short term loans Rs 16,955 Mn (2019- Rs 2,327 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 1,955 Mn (2019- Rs 994 Mn) . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

Except above no assets have been pledged as at the reporting date.

Notes to the Financial Statements

25. DIVIDEND

Year ended 31 March ('000s)	2020		2019	
	Per Share	Rs ('000)	Per Share	Rs ('000)
Equity Dividend on Ordinary shares				
Declared and Paid during the year	0.75	399,349	0.65	346,103

26. RECLASSIFICATION

Reclassifications have been made to the prior year's income statements to enhance comparability with the current year's financial statements. As a result, material handling costs have been amended in the statement of comprehensive income. The items were reclassified as follows:

Year ended 31 March ('000s)	After reclassification Mar-19 Rs	Previously reported Mar-19 Rs
Cost of sales	82,180,156	82,188,504
Selling and Distribution Expenses	2,049,375	2,036,844
Administrative Expenses	1,505,307	1,432,315

27. 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.

27.1 Market Risk

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

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

As at 31 March 2020 ('000s)	Denominated Rs	Denominated USD
Cash at bank and in hand	30,478	20,855
Interest Bearing Loans & Borrowings	5,160,234	11,794,338
Short Term Investments	5,115,814	7,544,674
Trade and Other Receivables (Current)	1,964,870	1,991,404
Trade and Other Payables	859,003	2,391,660

a) Interest Rate Risk

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

b) Foreign Currency Risk

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

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

As at 31 March 2020 ('000s)	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
2020				
Short Term Investments (USD)	7,544,674	189.73	+/- 1%	+/- 75,447
Interest Bearing Loans and Borrowings (USD)	11,794,338	189.73	+/- 1%	+/- 117,943
Trade and Other Receivables (USD)	1,991,404	189.73	+/- 1%	+/- 19,914
Trade and Other Payables (USD)	2,391,660	189.73	+/- 1%	+/- 23,916
2019				
Short Term Investments (USD)	644,959	175.31	+/- 1%	+/- 6,449
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

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.

27.2 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.

27.3 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.

Notes to the Financial Statements

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

<i>As at 31 March 2020 ('000s)</i>	Less than 1 year Rs	More than 1 year Rs	Total Rs
Interest-bearing loans and borrowings	16,954,572		16,954,572
Right to Use-Lease Liability	34,243	63,485	97,728
Trade and Other Payables	3,250,663	-	3,250,663
	20,239,478	63,485	20,302,963

27.4 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.

27.5 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the desired gearing ratio within 40%.

<i>As at 31 March ('000s)</i>	2020 Rs	2019 Rs
Total borrowings (Note 20)	16,954,572	2,327,271
Less :- Cash and cash equivalents (Note 17)	(12,711,821)	(944,924)
Net debt	4,242,751	1,382,347
Total Equity	19,446,209	19,427,388
Total Capital	36,400,781	21,754,659
Gearing ratio	12%	6%

28. FAIR VALUES

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

a) Fair value hierarchy

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

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

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

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

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

b) Financial Assets measured at fair value

As at 31 March ('000s)	2020	Level 1	Level 2	Level 3
	Rs	Rs	Rs	Rs
Short Term Investments (Note 20.3)	4,344,920	4,344,920	-	-
	2019	Level 1	Level 2	Level 3
	Rs	Rs	Rs	Rs
Short Term Investments (Note 20.3)	27,991	27,991	-	-

During the reporting period ended 31 March 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

29. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyse the carrying amount of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

As at 31 March 2020 ('000s)	Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at Amortised Cost	Total
		Rs	Rs
Financial Assets			
Other Receivables (Non Current)	-	148,842	148,842
Trade Receivables	-	3,568,421	3,568,421
Short Term Investments	4,344,920	8,315,568	12,660,488
Cash and Cash Equivalents	-	51,333	51,333
Total Financial Assets	4,344,920	12,084,164	16,429,084
Financial Liabilities			
Trade and Other Payables	-	3,250,663	3,250,663
Interest Bearing Loans and Borrowings	-	16,954,572	16,954,572
Total Financial Liabilities	-	20,205,235	20,205,235

Notes to the Financial Statements

As at 31 March 2019 ('000s)	Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at Amortised Cost Rs	Total Rs
Financial Assets			
Other Receivables (Non Current)	-	127,308	127,308
Trade Receivables	-	2,579,302	2,579,302
Short Term Investments	27,991	644,959	672,950
Cash and Cash Equivalents	-	271,974	271,974
Total Financial Assets	27,991	3,623,543	3,651,534
Financial Liabilities			
Trade and Other Payables	-	6,483,631	8,060,732
Interest Bearing Loans and Borrowings	-	2,327,271	5,017,829
Total Financial Liabilities	-	8,810,902	8,810,902

30. EVENTS AFTER THE REPORTING DATE

30.1 COVID 19

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak have been taken and continues to be implemented by the Government of Sri Lanka. The Company will continue to pay close attention to the development of COVID-19 outbreak and its related impact on the Company's businesses and financials. As at the date of the financial statements, there is a drop in sales for the financial year ended 31 March 2020 and had an adverse effect on the financial statements as well.

The Government interventions including the curfew has resulted in contraction in our revenue. Since it's an essential goods and sooner the removal of curfew will improve our revenue. The ultimate extent of the impact of the COVID-19 outbreak on our business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, the short-term and long-term economic impact of the outbreak, the severity of the virus and the actions taken to contain the virus or treat, among others.

30.2 Except for above disclosure on COVID-19, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements

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 31.03.2020		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
1	102389	SAMPATH ENTERPRISES,	NO. 239, GALLE ROAD, MOUNT LAVINIA.	01R	00.03P	1	2 (Main + 2-3 wheeler 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 Strn)	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

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 31.03.2020		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 JUNCTION, DAMBULLA.		22.23P	1	1
36	102316	SLIPTO AGENCIES (PVT) LTD	1141, PRADEEPA MAWATHA, MALIGAWATTE, COLOMBO 10.	01R	07.23P	2 (Sales Room + Service Stn)	2 (Main+2-3wheeler)
37	102394	M/S. LIYANAGE ASSOCIATES	491, GALLE ROAD, RATMALANA.		34.00P	2 (Sales Room + Service Stn)	1
38	102450	MRS C R SAMARASINGHE	PUTTALM ROAD, NOCHCHIYAGAMA.	02R	00.05P	2 (Sales Room + Service Stn)	1
39	102429	MR DUDLEY PARANAGAMA	KATUGODA, MAGALLE, GALLE.		23.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
40	102312	MINERAL SPRINGS (PVT) LTD	291. DR.DANISTER DE SILVA MAWATHA, COLOMBO 9.	01R	12.94P	2 (Sales Room + Service Stn)	1
41	102314	MR A W RANASINGHE	42, HAVELOCK ROAD, COLOMBO 05.		15.39P	1	1
42	102336	MR C J ABEYRATNE	KANDY ROAD, KADAWATA.		17.20P	1	1
43	102426	MRS K A A H DE SILVA	TANGALLE ROAD, BELIATTA.		20.1P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
44	102341	MR S N JAYASINGHE	NO. 107, NEGOMBO ROAD, PELIYAGODA.	01R	06.17P	1	1
45	102310	M/S. FELIX PEREIRA & SON	NO 75, ALEXANDER PLACE (DR. C W W KANNANGARA MAWATHA), COLOMBO 07.	02R	01.15P	2 (Sales Room + Service Stn)	1
46	102353	G K SAMIE & SONS	NO. 02, MAIN STREET, HATTON.		15.41P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
47	102319	M G SAMSON & SONS	94, DS SENANAYAKE MW, COLOMBO 08.		36.78P	2 (Sales Room+Store Room)	1
48	102444	MR M SELVARAJAH	NO 56, TRINCOMALEE ROAD, BATTICALOW.		33.97P	1	1
49	102411	SANDALANKAWA NEW MPCs LTD	WETAKEWA, GONAWELA, SANDALANKAWA.	01R	08.36P	1	1
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

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2020		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	PULLEDRAN FUEL STATION	MANNER JUNCTION, VAUNIYA.		43.62P	1	1
56	102387	KALUTARA MPCs LTD	NO. 326, GALLE ROAD, KALUTARA SOUTH, KALUTARA.		28.15P	2 (Sales Room + Panel Room)	1
57	102311	MR H.K.S. RANASINGHE	NO.762 GALLE ROAD, COLOMBO 04.		38.83P	1	1
58	102395	MR SARATH COLONNE	NO. 252, GALLE ROAD, RATMALANA.		35.50P	1	1
59	102379	BALANGODA MPCs LTD	BALAGAHAMULLA, BALANGODA.		34.39P	1	1
60	102356	W A PERERA & SONS	NO. 362, KATUGASTOTA ROAD, KANDY.	01R	14.84P	3 (Sales Rooms + Service Stn)	1
61	102396	RATNAPURA MPCs LTD	NO. 10, BANDARANAYAKE MAWATHA, RATNAPURA.		34.9P	1	1
62	102451	MUTTUR AGA DIVISION MPCs LTD	NO 45, KANDY ROAD, TRINCOMALEE.	01R	29.86P	2 (Sales Room + Service Stn)	1
63	102340	ATTANAGALLA MPCs LTD	KANDY ROAD, NITTAMBUWA.		12.10P	2 (Sales Room + Gen Room)	1
64	102342	LIANFIRM (PVT) LTD	NO. 301, NEGOMBO ROAD, PELIYAGODA.		36.89P	1	1
65	102352	HALIELA MPCs LTD	BADULLA ROAD, HALI ELA.		24.50P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
66	102388	MR S P GUNASINGHE	NO. 93, AGALWATTA ROAD, MATUGAMA.	01R	02.02P	1	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	-	-
70	102343	POLGAHAWELA MPCs LTD	KURUNEGALA ROAD, POLGAHAWELA.		13.48P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
71	102363	YATINUWARA MEDA PALATA MPCs LTD	NO. 387, COLOMBO ROAD, PILIMATALAWA.		31.04P	1	1
72	102323	WIJERAMA ENTERPRISE	NO. 678, WIJERAMA JUNCTION, GANGODAWILA, NUGEGODA.		24.62P	1	1
73	102339	MAWANELLA HEMMATHAGAMA MPCs LTD	KANDY ROAD, MAWANELLA.		24.24P	2(PORTA CABIN + ELECTRICAL ROOM)	1
74	102423	A H WIMALATUNGE & SON (PVT) LTD	MONARAGALA ROAD, WELLAWAYA.		39.63P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
75	102427	MRS H N W PRIYANGANI DE SILVA	GALLE ROAD, BERUWELA.		29.91P	1	1
76	102435	TISSAMAHARAMA MPCs LTD	DEBEREWEWA JUNCTION, TISSAMAHARAMA.	01R	00.00P	1	1
77	102401	BINGIRIYA MPCs LTD	HETTIPOLA ROAD, BINGIRIYA.		10.46P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
78	102430	WELDISI (PVT) LTD	TANGALLE ROAD, HAMBANTOTA.	01R	03.58P	1	1
79	102377	SAMARANAYAKA SAHA SAMARANAYAKA	AGALAWATTA.		13.65P	1	1
80	102408	MR L P P PATHIRATNE	NO. 69, COLOMBO ROAD, MINUWANGODA.	01R	01.94P	1	1
81	102446	GALEWELA MPCs LTD	TRINCO ROAD,GALEWELA.		23.36P	1	1

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 31.03.2020		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
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 ACQUIRING A LAND (13.75 P @ RS 475,000/-)	NO. 579, DAMBULLA ROAD, MATALE.		37.81	1	1
94	102338	E P B DE SOYSA (PVT) LTD	NO. 564, NEGOMBO ROAD, MAHABAGE.		13.00P	1	1
95	102359	MR R M SENEVIRATNE	PASSARA ROAD, LUNUGALA.		24.56P	2(PORTA CABIN + ELECTRICAL ROOM)	1
96	102428	WIPULA DHARMADASA	COLOMBO ROAD, KALUWELLA, GALLE.		15.06P	1	1
97	102333	M/S PERERA & CO & SONS	NO. 84, MUTWAL DOCKLAND, COLOMBO		26.50P	1	1
98	102405	K.W. SUSIRIPALA ASSOCIATES	NO. 116, KANDY ROAD, KURUNAGELA.		14.48P	2(PORTA CABIN + ELECTRICAL ROOM)	1
99	102344	ATTANAGALLA MPCs LTD	NEGOMBO ROAD, URAPOLA.		22.30P	2 (Sales Room + Store Room)	1

Shareholder's Information

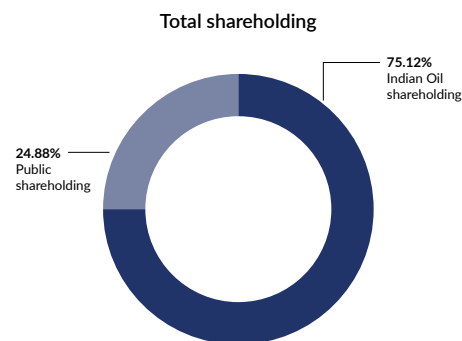
As at 31st March 2020

Share Range	Resident			Non Resident			Total	
	No. of Shareholders	No. of Shares	Share Holding %	No. of Shareholders	No. of Shares	Share Holding %	No. of Shares	Share Holding %
1-1,000	6,050	2,443,964	0.460	20	11,912	0.000	2,455,876	0.460
1,001-10,000	3,850	11,129,004	2.090	51	238,370	0.040	11,367,374	2.130
10,001-100,000	687	21,030,356	3.950	22	728,605	0.140	21,758,961	4.090
100,001-1,000,000	114	28,002,125	5.260	9	3,068,597	0.580	31,070,722	5.840
1,000,001 & Above	21	61,100,919	11.480	4	404,711,853	76.010	465,812,772	87.490
Total	10,722	123,706,368	23.240	106	408,759,337	76.770	532,465,705	100

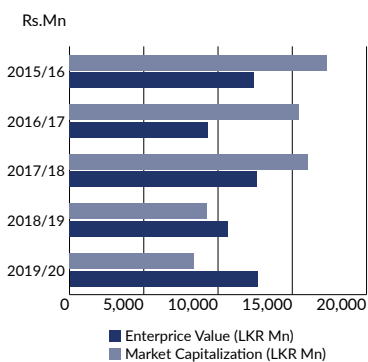
As at 31st March 2019

Share Range	Company			Individual			Total	
	No. of Shareholders	No. of Shares	Share Holding %	No. of Shareholders	No. of Shares	Share Holding %	No. of Shares	Share Holding %
1-1,000	53	25,667	0.000	6,017	2,430,209	0.460	2,455,876	0.460
1,001 - 10,000	145	673,008	0.130	3,756	10,694,366	2.010	11,367,374	2.140
10,001-100,000	127	4,708,190	0.880	582	17,050,771	3.200	21,758,961	4.080
100,001-1,000,000	45	12,605,566	2.370	78	18,465,156	3.470	31,070,722	5.840
1000001 & Above	21	460,623,940	86.510	4	5,188,832	0.970	465,812,772	87.480
Total	391	478,636,371	89.890	10,437	53,829,334	10.110	532,465,705	100

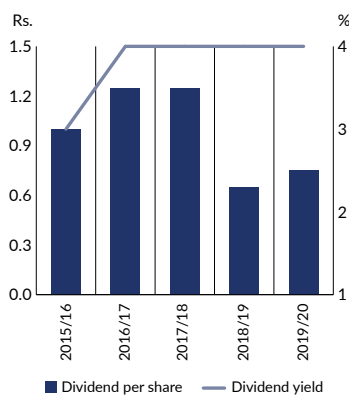
Financial Year	Resident Shareholders	Non Resident Shareholders	Institutional Shareholders
01.04.2015- 31.03.2016	10,297	130	429
01.04.2016- 31.03.2017	10,377	127	446
01.04.2017- 31.03.2018	10,080	110	378
01.04.2018- 31.03.2019	10,110	109	376
01.04.2019- 31.03.2020	10,722	106	391



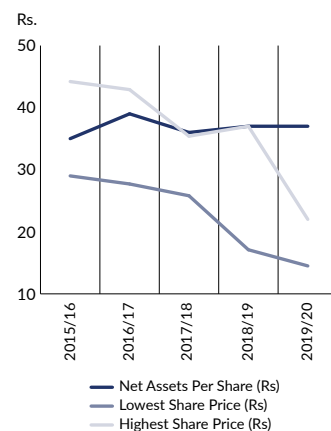
Market Capitalisation & Enterprise value



Dividends



Share Price Movement and Net Asset Value per share



Shareholder's Information

Twenty Major Shareholders as at 31.03.2020*

	Name	No. of Shares	Percentage of shareholding %
1	Indian Oil Corporation Limited	400,000,005	75.12
2	J B Cocoshell (Pvt) Ltd	15,985,566	3.00
3	Bank Of Ceylon A/C Ceybank Unit Trust	6,038,103	1.13
4	Deutsche Bank AG AS Trustee For JB Vantage Value Equity Fund	5,533,553	1.03
5	Assetline Leasing Co.Ltd/British American Technologies (Pvt) Ltd	5,095,175	0.96
6	Peoples Leasing & Finance PLC/Mr.D.M.P.Disanayake	2,973,186	0.56
7	E W Balasuriya & Co. (Pvt) Ltd	2,526,800	0.47
8	GF Capital Global Limited	2,426,980	0.46
9	Employees Trust Fund Board	2,346,851	0.44
10	Employees Provident Fund	2,346,558	0.44
11	Bank Of Ceylon A/C Ceybank Century Growth Fund	2,027,884	0.38
12	Askold (Pvt) Ltd	1,921,550	0.36
13	Hatton National Bank PLC/Karuna Ranaraja Ekanayaka Mudiyanseleage Dharshan Maduranga Bandara Jayasundara	1,758,550	0.33
14	Timex Garments (Pvt) Ltd	1,712,503	0.32
15	Mr M A Jafferjee	1,382,030	0.26
16	Mr K A S R Nissanka	1,380,519	0.26
17	Mr M M C Cooray	1,350,001	0.25
18	Hallsville Trading Group Inc.	1,280,865	0.24
19	Commercial Bank Of Ceylon PLC/S A Gulamhusein	1,260,867	0.24
20	Jafferjee Brothers (Exports) Limited	1,226,200	0.23
	Total	460,573,746	86.48

*Trading in Colombo Stock Exchange was suspended on 20th March 2020 due to the curfew imposed for COVID 19 pandemic which continued beyond 31st March 2020. Hence the shareholding as at 20th March 2020 remained same as at 31st March 2020.

Public Holding as a % of issued Share Capital	24.88%
Number of Public Shareholders	10,825

Directors' Shareholding as on 31 Mar 2020

Mr Ranjan Kumar Mohapatra	Nil
Mr Manoj Gupta (Appointed w.e.f 20.05.2019)	Nil
Mr Shyam Bohra (Resigned w.e.f 19.05.2019)	Nil
Prof. Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr Vigyan Kumar (Appointed w.e.f 12.04.2019)	Nil
Mr D R Paranjape (Appointed w.e.f 12.04.2019)	Nil

Twenty Major shareholders as at 31 Mar 2019

	Name	No. of Shares	Percentage of shareholding %
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 31 Mar 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
Mr N V N Ramsai	Nil

Shareholder's Information

LIOC Share Performance at Colombo Stock Exchange (CSE)	01.04.2019-31.03.2020
No. of Share transactions for the year	19,050
No. of Shares traded	57,376,367
Value of Shares Traded (Rs)	1,023,187,226.50
Price Movements (Rs)	
Highest (Rs)	22.00
Lowest (Rs)	14.50
Closing Price (Rs)	15.80
Market Capitalization (Rs Mn) (Closing Price * No.of Shares)	8,413
Float Adjusted Market Capitalisation (Rs Mn) (Compliant under Option - 5)	2,093

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 (Rs)	604,936,930.60
Price Movements (Rs)	
Highest (Rs)	37.00
Lowest (Rs)	17.10
Closing Price (Rs)	17.40
Market Capitalization (Rs Mn) (Closing Price * No.of Shares)	9,265
Float Adjusted Market Capitalisation (Rs Mn) (Compliant under Option - 5)	2,305

GRI Context Index

GRI Standard	Disclosure	Page number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organization	4	-
	102-2 Activities, brands, products and services	5	-
	102-4 Location of operations	Inner back cover	-
	102-5 Ownership and legal form	4	-
	102-6 Markets served	68	-
	102-7 Scale of the organization	10	-
	102-8 Information on employees and other workers	59	-
	102-9 Supply chain	N/A	-
	102-10 Significant changes to the organization and supply chain	N/A	-
	102-11 Precautionary Principle	7	-
	102-12 External Initiatives	4	-
	102-13 Membership of associations	70	-
	102-14 Statement from senior decision maker	15	-
	102-16 Values, principles, norms and standards of behaviour	84	-
	102-18 Governance Structure	84	-
	102-40 List of stakeholder groups	29	-
	102-42 Identifying and selecting stakeholders	30	-
	102-43 Approach to stakeholder engagement	30	-
	102-44 Key topics and concerns raised	6	-
	102-45 Entities included in the consolidated financial statements	6	-
	102-46 Defining report content and topic boundary	6	-
	102-47 Material topics	34	-
	102-49 Changes in reporting	6	-
	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	7	-	
102-54 Claims of reporting in accordance with GRI Standards	6	-	
102-55 GRI context index	159	-	
Material Topics			
Economic Performance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	46	-
	103-2 The Management Approach and its components	46	-
	103-2 Evaluation of the Management Approach	46	-
GRI 201: Economic Performance 2016	201-1- Direct economic value generated and distributed	49	-
	201-3 Defined benefit plan obligations and other retirement plans	61	-

GRI Context Index

GRI Standard	Disclosure	Page number	Omission
Procurement Practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	70	-
	103-2 The Management Approach and its components	70	-
	103-2 Evaluation of the Management Approach	99	-
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	99	-
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75	-
	103-2 The Management Approach and its components	75	-
	103-2 Evaluation of the Management Approach	75	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	76	-
	302-4 Reduction of energy consumption	76	-
Water			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	77	-
	103-2 The Management Approach and its components	77	-
	103-2 Evaluation of the Management Approach	77	-
GRI 303: Water 2016	306-1 Water withdrawal by source	77	-
Effluents & Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	77	-
	103-2 The Management Approach and its components	77	-
	103-2 Evaluation of the Management Approach	77	-
GRI 306: Effluents and Waste 2016	GRI 306-1 Water discharge by quality and destination	77	-
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	77	-
	103-2 The Management Approach and its components	77	-
	103-2 Evaluation of the Management Approach	77	-
GRI 307 : Environmental Compliance	GRI 307-1 Non – compliance with environmental laws and regulations	77	-
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	60	-
	103-2 The Management Approach and its components	60	-
	103-2 Evaluation of the Management Approach	60	-
GRI 401: Employment 2016	401-1 Employee hires and turnover	60	-
	401-2 Benefits Provided to fulltime employees that are not provided to temporary or part time employees	61	-
Labour Management Relations			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	62	-
	103-2 The Management Approach and its components	62	-
	103-2 Evaluation of the Management Approach	62	-
GRI 402: Labour Management Relations	402-1 minimum notice periods regarding operational changes	62	-

GRI Standard	Disclosure	Page number	Omission
Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	63	-
	103-2 The Management Approach and its components	63	-
	103-2 Evaluation of the Management Approach	63	-
	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	63	-
	103-1 Explanation of material topics and its boundaries	60	-
Training and Education			
GRI 404: Training and education	103-2 The Management Approach and its components	60	-
	103-2 Evaluation of the Management Approach	60	-
	404-1 Average hours of training per year per employee	62	-
	404-2 Programs for upgrading skills and transition assistance programs	62	-
	404-3 Percentage of employees receiving regular performance and career development reviews	62	-
Diversity and Equal Opportunity			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	60	-
	103-2 The Management Approach and its components	60	-
	103-2 Evaluation of the Management Approach	60	-
GRI 405: Diversity and equal opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	60	-
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	71	-
	103-2 The Management Approach and its components	71	-
	103-2 Evaluation of the Management Approach	71	-
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programs	71,76	-
Customer Health and Safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	68	-
	103-2 The Management Approach and its components	68	-
	103-2 Evaluation of the Management Approach	68	-
GRI 416 Customer Health and Safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	68	-
Marketing Communications			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	69	-
	103-2 The Management Approach and its components	69	-
	103-2 Evaluation of the Management Approach	69	-
GRI 417: Marketing and Labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	69	-
	417-3 Incidents of non-compliance concerning marketing communications	70	-

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 18th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Tuesday, 03rd November 2020 at 10.45 a.m at Level 20, West Tower, World Trade Center Colombo 01 via audio-visual means 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 2020 with the Report of the Auditors thereon.
2. To declare a first & final dividend of Rs 0.75 per share for the Financial Year 2019-20 as recommended by the Board.
3. (i) To re-elect Mr Ranjan Kumar Mohapatra 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.
(ii) To re-elect Mr Vigyan Kumar 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 72 (w.e.f 17th March 2020) 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 72 years (w.e.f 17th March 2020) 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

18th September 2020
Colombo

Note:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Eighteenth (18th) Annual General Meeting of Lanka IOC PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means in the manner specified below:
 - i. The Chairman, the Board of Directors, the Company Secretary, the Registrars, the External Auditors and the Company Lawyers will be present at Lanka IOC PLC Level 20, West Tower, World Trade Center Colombo 01 at 10.45 a.m. on Tuesday, 03rd November 2020.
 - ii. Shareholder participation
 - a. The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
 - b. The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means only.
 - c. The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish their details by perfecting Annexure to the circular to shareholders and forward same to agmlankaiooc@gmail.com to reach the Company not less than five (05) days before to the date of the meeting so that the meeting login information could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.
 - d. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Forms of Proxy should be sent to reach the Company via e-mail to agmlankaiooc@gmail.com or facsimile on 011 2 391 490 or by post to the registered address of the Company Level 20, West Tower, World Trade Centre, Echelon Square, Colombo 01, not less than forty eight (48) hours before the time fixed for the meeting.
 - iii. Shareholders' queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company, via e-mail to agmlankaiooc@gmail.com not less than five (05) days before to the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year ended 2019-2020 will be available for perusal on the Company website, the Colombo Stock Exchange website and the social media sites of the Company.

Company website - <https://www.lankaiooc.com/investors/financial-reports/>

The Colombo Stock Exchange - <https://www.cse.lk/home/company-info/LIOC.N0000/financial>

The Annual Report and Financial Statements of Lanka IOC PLC for 2019-20 can also be accessed by scanning the QR code

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
- Mr Manoj Gupta 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 18th Annual General Meeting of the Company to be held on Tuesday 03rd November 2020 at 10.45 a.m at Level 20, West Tower, World Trade Centre, Echelon Square, Colombo 01 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 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a first & final dividend of Rs 0.75 per share for the Financial Year 2019-20.	<input type="checkbox"/>	<input type="checkbox"/>
3. a) To re-elect, Mr Ranjan Kumar Mohapatra who vacates the position of Director	<input type="checkbox"/>	<input type="checkbox"/>
b) To re-elect Mr Vigyan Kumar who vacates the position of Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Prof. Lakshman R Watawala, who vacates the position of Director	<input type="checkbox"/>	<input type="checkbox"/>
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.	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we set my/our hand/Seal hereto on thisday of 2020

.....
 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 Lanka IOC PLC, Level 20, West Tower, World Trade Centre, Echelon Square, Colombo 01 or emailed to agmlankaiooc@gmail.com 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 Centre Echelon Square, Colombo 01, Sri Lanka Telephone : + 94 11 2475720 Facsimile : + 94 11 2391490
Website :	www.lankaio.com
Associates :	Ceylon Petroleum Storage Terminals Limited
Board of Directors :	Mr Ranjan Kumar Mohapatra (Chairman) Mr Manoj Gupta (Managing Director) - w.e.f. 20.05.2019 Mr Shyam Bohra (Ceased to be Managing Director w.e.f 19.05.2019) 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 - Statutory :	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 HSBC Bank Bank of Ceylon People's Bank Commercial Bank of Ceylon Hatton National Bank National Development Bank Cargills Bank

This Annual Report is conceptualised, designed and produced by Redworks.

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

