

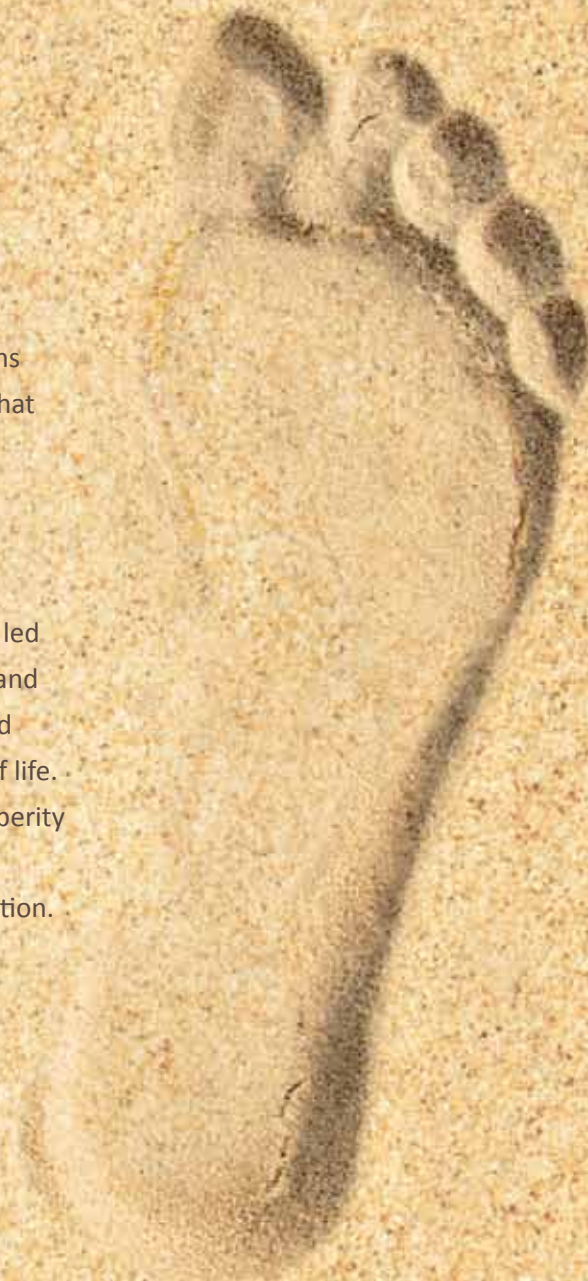
A Step Ahead, Always.



Lanka IOC

Annual Report 2013/2014

A journey of a thousand miles begins with a single step. Lanka IOC took that first step years ago and we haven't looked back since. For years, we've steadfastly made our path towards prosperity and we've done so with an entire nation by our side. We've led the way with many breakthroughs and strived to find new paths that would benefit Sri Lankans from all walks of life. Today, as our journey towards prosperity continues, we move forward with renewed dedication and determination. A step ahead for us, is a step in the right direction towards growth and prosperity.



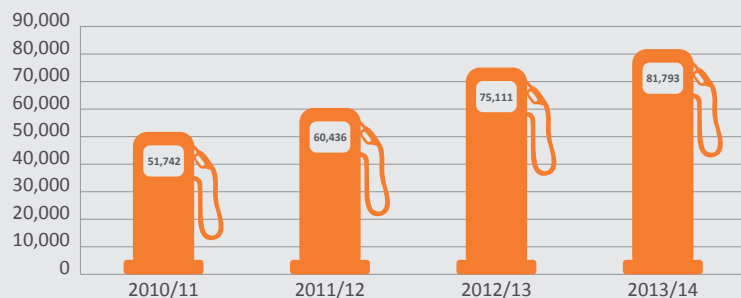
Contents	02	Financial Highlights
	06	Chairman's Message
	10	Managing Director's Message
	15	Board of Directors
	20	Senior Management
	22	Management Discussion and Analysis
	32	Sustainability Review
	36	Recognition
	38	Staff Photo
	39	Corporate Governance
	41	Compliance of CSE Rules on Corporate Governance
	43	Annual Report of The Board of Directors on the Affairs of the Company
	49	Statement of Directors' Responsibility
	50	CEO's & CFO's Responsibility Statement
	51	Remuneration Committee Report
52	Audit Committee Report	

Financial Information	56	Independent Auditors' Report
	57	Statement of Comprehensive Income
	58	Statement of Financial Position
	59	Statement of Changes in Equity
	60	Cash Flow Statement
	61	Notes to the Financial Statements
	87	Extents, Locations and the No. of Buildings of Lanka IOC's Landholdings [CSE RULES 7.6 (viii)]
	90	Shareholders' Information
	98	Notice of Meeting
	99	Form of Proxy
	101	Notes
	103	Corporate Information

FINANCIAL HIGHLIGHTS

Turnover

LKR.Mn

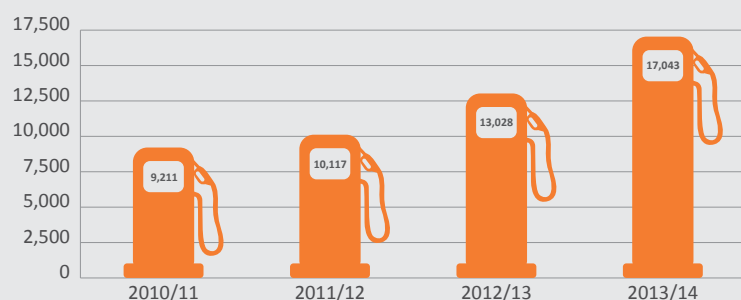


Turnover

81.79 Bn

Net Assets

LKR.Mn

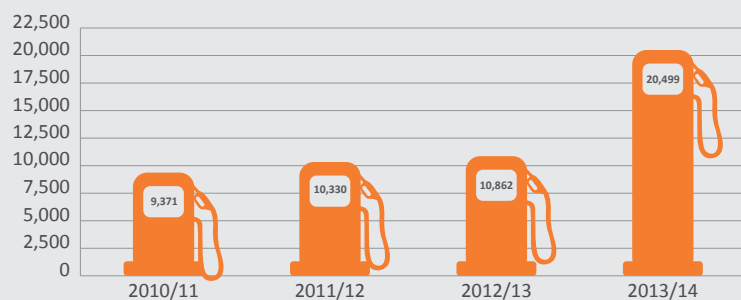


Gross Profit

8.31 Bn

Mkt Capitalisation

LKR.Mn

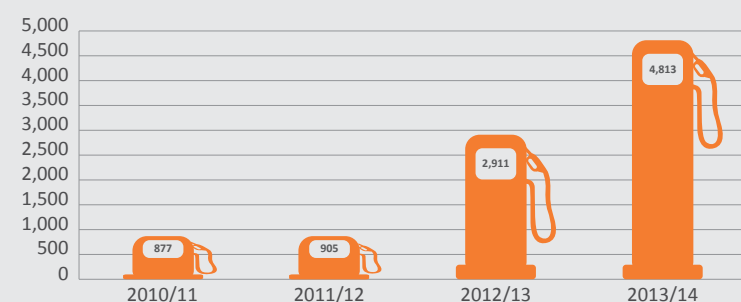


Profit Before Tax

5.76 Bn

Net Profit

LKR.Mn



Income Tax

0.95 Bn

Profit After Tax

4.81 Bn

FINANCIAL HIGHLIGHTS

(contd)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Performance Parameters (All amounts in LKR million)									
Sales	37,493	32,796	44,173	47,617	50,214	51,742	60,436	75,111	81,793
Gross Profit	2,282	909	3,652	(449)	(371)	1526	2,954	5,389	8,312
Net Profit/(Loss) Before Tax	(1,718)	(636)	2,516	(1,104)	(397)	893	930	2,991	5,762
As a % of Sales	(5%)	(2%)	6%	(2%)	(1%)	2%	2%	4%	7%
Net Profit / (Loss) After Taxation	(1,722)	(686)	2,340	(1,238)	(423)	877	906	2,911	4,813
Return on Capital Employed	(21%)	(8%)	23%	(14%)	(5%)	10%	9%	22%	28%
Shareholders' Funds	8,340	7,655	9,995	8,757	8,335	9,211	10,117	13,028	17,043
Key Ratios									
Earning Per Share (LKR)	(3.23)	(1.29)	4.40	(2.32)	(0.79)	1.65	1.70	5.46	9.04
Price Earning Ratio (P/E)	(9.05)	(23.29)	5.57	(6.90)	(22.99)	10.67	11.40	3.74	4.26
Net Assets Per Share	15.66	14.38	18.77	16.45	15.65	17.30	19.00	24.47	32.00
Current Ratio	1.06	0.63	0.80	1.04	1.00	1.09	1.15	1.41	1.88
Quick Assets Ratio	0.78	0.14	0.19	0.13	0.62	0.40	0.41	0.53	1.08
Price Movement LKR									
Market Value Per Share (Highest)	56.00	37.25	31.25	28.00	20.50	21.50	21.50	23.00	40.50
Market Value Per Share (Lowest)	25.00	23.00	19.00	14.00	15.75	17.20	15.00	15.00	19.00
Last Traded Price Record	29.25	30.00	24.50	16.00	18.25	17.60	19.40	20.40	38.50
Other Information									
No. of Employees	202	170	170	171	172	173	171	175	177



Stepping towards a greener future...

Our journey towards a greener Sri Lanka began when we installed eco-friendly LED lighting at several of our retail outlets. It's one of our many initiatives for a greener future.







CHAIRMAN'S MESSAGE

“Last year’s global GDP growth of 2.9 percent is expected to rise to 3.6 percent in 2014, and with it world oil demand is also forecast to rise by one million b/d.

This strong positive trend is expected to continue in the future.”

CHAIRMAN'S MESSAGE

ANNUAL
REPORT
2013/14

Dear Shareholder,

It is my utmost pleasure to write to you at the end of our most successful financial year to date, and as we continue to grow in our second decade of operations.

Positive drift

The global economic picture is slowly, but surely, improving, and, in tandem, world oil demand continues to grow. Despite a short-lived downward trend in April-June 2013, the second half of 2013 saw increasing stability in the market, which was a reflection of the gradual recovery in the world economy.

Global oil prices which picked up in June continued to remain stable through the rest of the financial year.

countries with IT services, exports and tourism playing a role in overall growth. The economy is expected to grow at a rate in excess of 8% in 2014.

Pricing System

With the Ceylon Petroleum Corporation having finally increased their diesel selling price in line with Lanka IOC in February 2013, our retail sales of diesel grew by 41% in quantity and 46% in value this financial year. However, it is of great importance that the Sri Lanka Government evolves a transparent pricing system for fuels which would not only benefit the public but would also pave way for systematic infrastructure development in the energy sector.

Lanka IOC's vision has always been to be more than just to sell petroleum products. The year 2014/15 will see Lanka IOC commence a major expansion drive, opening over forty new petrol sheds with greater focus on the outstations and refurbishing fifty-five others.

Global supplies in 2013 increased by 605 thousand barrels per day (b/d) to average 91.6 million b/d, with non-OPEC growth of 1.36 million b/d more than offsetting a decline of 860,000 b/d in OPEC crude. Further, exceptionally strong US demand in the fourth-quarter of 2013 offset reduced Chinese demand in the same quarter.

Last year's global GDP growth of 2.9 percent is expected to rise to 3.6 percent in 2014, and with it world oil demand is also forecast to rise by one million b/d.

This strong positive trend is expected to continue in the future. OPEC's latest annual World Oil Outlook projects that demand will increase up to 2035.

The Sri Lankan economy too is very much a part of this positive upward trend and in 2014 is expected to show all characteristics of growth of small developing

More than sales

Lanka IOC's vision has always been to be more than just to sell petroleum products. The year 2014/15 will see Lanka IOC commence a major expansion drive, opening over forty new petrol sheds with greater focus on the outstations and refurbishing fifty others.

It is our mission to offer quality products keeping in mind the environment and in the coming year we will introduce more premium products and greener fuels and better service for the ever-increasing segment of new generation vehicles.

In 2013/14, Lanka IOC unveiled one such premium product with its SERVO Futura range of advanced 100% synthetic and hybrid lubricants that marked a distinct technological milestone in the forty-year history of our SERVO brand and saw it join the elite group of brands

CHAIRMAN'S MESSAGE

(contd)

that offer fully synthetic engine oils. These lubricants meet the most current specifications of the American Petroleum Institute, Volvo and Mercedes Benz, as well as the latest European standards. The Futura range of lubricants consists of SERVO Futura Synth, SERVO Futura P, SERVO Futura P Plus and SERVO Futura D.

SERVO enjoys more than 40% share of the Indian market of approximately 1.4 million metric tons served by more than 40 lubricant companies representing all the leading brands worldwide. It is fast becoming Sri Lanka's preferred choice of lubricants ahead of its competitors due to the unmatched quality and range of its products. Today, SERVO is the second largest selling brand in Sri Lanka.

Despite severely increased competition with several licences being issued, Lanka IOC continued to retain its 50% market share in the area of bitumen and even recorded a volume growth of 3.2% in 2013-14. We are confident of continuing to retain the number one ranking and continue to post growth by differentiating our services and other value additions. We will be proud

to closely associate ourselves in the massive road development activities in the island nation undertaken by the Government.

We will also be reworking our strategy to address the issue of drastic reduction in bunkering sales in Sri Lanka, with nearby Indian ports now offering cheaper fuel and marine gas oils.

Human Capital

Lanka IOC has always believed in the paramount importance of human capital and in the past year engaged our staff in several training programmes, so that they improve as individuals and to also inculcate better teamwork. I am most pleased with the opportunity now provided to each and every employee to have a one-to-one dialogue with the Managing Director.



Lanka IOC continued to expand its retail sector - newly refurbished Petrol Shed of Lanka IOC - M/S S. Selvaraja filling station, Batticaloa, as well as opening several new SERVO shops

CHAIRMAN'S MESSAGE

(contd)

Sustain Ahead

Fossil fuels are a limited resource and it is imperative that these are systematically conserved for use over a longer term as well as to reduce foreign exchange leaving the country. It is with this intent that Lanka IOC organised a Fuel Awareness Programme amongst schoolchildren of an impressionable age who will not only take this important message home but practice it throughout the rest of their lives.

Lanka IOC also continued with its corporate social responsibilities in the arenas of healthcare and providing English education to the underprivileged. This particular endeavour has received the blessings of His Excellency The President of Sri Lanka Mahinda Rajapaksa.

Appreciation

I would like to take this opportunity to extend my heartfelt gratitude to all Lanka IOC staff for their hard work, belief and commitment to this organisation. I also extend my thanks to our valued Shareholders, as well as the

Ministry of Petroleum Industries, the Board of Investment of Sri Lanka, the Ministry of Finance and Planning, the Ministry of Investment Promotion, Sri Lanka Customs, the Central Bank of Sri Lanka, the Department of Inland Revenue, the Ministry of Transport and Highways, Sri Lanka Ports Authority and every one else who partnered with us and helped us grow in this financial year.

Of course, we could have never achieved our highest profit yet if it wasn't for the ever helpful hand extended to us by the Government of Sri Lanka. Ever since our entry into Sri Lanka, the Government of Sri Lanka has always been encouraging, and the Mahinda Chinthana in particular has helped illuminate our path in becoming not only economically successful but an ethical and responsible Sri Lankan entity. Our future prosperity, is directly intertwined with the nation's prosperity because Lanka IOC is a truly Sri Lankan company.

With best wishes,



Makrand Nene
Chairman



MANAGING DIRECTOR'S MESSAGE

“Our turnover has been steadily increasing over the past years and in 2013/14 it grew by 9% (over LKR 75.1 billion in 2012/13) to LKR 81.8 billion. We also netted our highest profit to date of LKR 4.8 billion, an increase of 65% over the profit of LKR 2.9 billion recorded in 2012/13.”

MANAGING DIRECTOR'S MESSAGE

ANNUAL
REPORT
2013/14

Dear Shareholder,

It is with great pleasure that I write to you, as we celebrate Lanka IOC's most successful financial year to date. We entered the Sri Lankan petroleum sector in 2002, as the second and only other player next to CEYPETCO (Ceylon Petroleum Corporation), and went public in December 2004. We were the largest IPO at that time, with 24.88% of shares issued to the public and over a decade later we are still the third largest listed company in Sri Lanka based on turnover. Thus, it is now for the tenth time that we publish our Annual Report.

Facts and figures

Our turnover has been steadily increasing over the past years and in 2013/14 it grew by 9% (over LKR 75.1 billion

while as always improving on both our top line and bottom line.

Fuel products continued to be our highest profit centre, garnering 75% of the total profit and accounting for 73% of the total turnover. Sales of petrol grew by 3% in 2013/14 to over 200,000 kilolitres while with price parity finally being reached, diesel sales grew by an incredible 41% to over 222,000 kilolitres.

In 2013/14 we also partnered with Laugfs Holdings Limited to sell petrol and our SERVO range of lubricants at three of their LPG stations. The partnership has proven to be quite successful for our company and we will be looking to expand upon this partnership and sell our products at more Laugfs LPG stations in the coming financial year.

We believe that human resources is our biggest resource. In 2013/14 we instituted functional, outbound training programmes to build core competencies, values, ethics and teamwork among our employees. We also held motivational training programmes for our Trincomalee Terminal employees.

in 2012/13) to LKR 81.8 billion. We also netted our highest profit to date of LKR 4.8 billion, an increase of 65% over the profit of LKR 2.9 billion recorded in 2012/13.

Our constant toiling for improved management efficiency and lowering cost of sales – our administrative expenses for 2013/14 actually declined in comparison to the previous financial year while distribution and finance costs increased only slightly – together with even better understanding of the local environment and stable oil prices in the international market have enabled us to create even more value for you.

Sri Lanka is running on the engine of growth and we will not lag behind. We expect to increase our turnover to LKR 85-87 billion and maintain a steady growth of 7-8%,

We continued to expand our retail sector in 2013/14, opening ten new outlets in locations where fuel filling stations were most needed, increasing our number of filling stations to one-hundred-and-sixty-seven, and refurbishing a number of existing stations. In 2014/15 however we plan to kickstart our expansion drive by opening over forty new outlets and refurbishing a further fifty. We plan to spread our footprint across the country in a major way, by increasing our presence in the unrepresented areas of the island nation.

Lubricants continued to record profits, recording a growth of 31% in sales volumes to over 8,000 kilolitres in 2013/14 and recording a turnover of LKR 2.25 billion over LKR 1.74 billion the previous financial year. The sector also continued to retain 16% market share and remain

MANAGING DIRECTOR'S MESSAGE

(contd)

ANNUAL
REPORT
2013/14

the number two player, as it continued to compete against thirteen other competitors.

In May 2013 we launched our SERVO Futura range of world-class high performance lubricants - SERVO Futura Synth, SERVO Futura P, SERVO Futura P Plus, and SERVO Futura D – which meet the latest American and European specifications. The synthetic premium lubricants ensure high-quality maintenance and reduced operating costs resulting in simplified and smoother running of domestic vehicles.

We continued to serve our main customer base of regular vehicle owners, having extended our network of islandwide dedicated SERVO shops to ninety-five in 2013/14. In the coming financial year, to better service our main customer base and also increase our market share, Lanka IOC is planning to increase the number of

SERVO shops islandwide by another hundred.

On the corporate end, we were already supplying our lubricant products to Sri Lanka Railways, the Ceylon Electricity Board, the Sri Lanka Security Forces - Sri Lanka Air Force, Sri Lanka Army, Sri Lanka Navy - and in 2013/14, our acquisition of the business to supply lubricant products to the Sri Lanka Transport Board can be counted upon as a major achievement.

In the global arena, we continue to export our lubricant products to the Maldives and Nepal. Enthused by the prospects of other international markets, we enlisted an internationally reputed consulting agency to map the lubricant markets in Indonesia and Myanmar. We are pleased with the successful mapping and the exciting prospects offered by the two emerging lubricant markets. This will be a way forward for Lanka IOC to further expand



Managing Director lighting the oil lamp with the Deputy Minister of Investment Promotion Faiszer Musthapha and Secretary to the Ministry of Investment Promotion K. Amunugama at the launch of 'English for Young Learners' CSR project

MANAGING DIRECTOR'S MESSAGE

(contd)

its global footprint as well as to increase the amount of foreign exchange brought into the country. Furthermore we are also looking into the prospects offered by the Vietnam lubricant market.

Despite increased competition in the bitumen sector, with our commitment towards quality coupled with excellent after sales service, we could maintain our market share. Issuance of licences to a number of companies did affect the margins, yet we could notch a reasonable profit in the bitumen segment.

We are geared up to face competition in the future by realigning our strategies and creating differentiation through our product and services.

With the increase in bunkering activity in nearby Indian ports, offering cheaper fuel oil and marine gas oil, the bunkering sector in the island as a whole experienced a steep fall in sales. Nevertheless, Lanka IOC battled hard to post a relatively modest profit. We will be unveiling, in the coming financial year, new strategies to address this.

People first

We believe that human resources is our biggest resource. In 2013/14 we instituted functional and outbound development training programmes to build core competencies, values, ethics and teamwork among our employees. We also held motivational training programmes for our Trincomalee Terminal employees. The Lanka IOC Sports Club continues to function actively, bringing in increasing participation. We further instituted a programme to ensure that each and every employee gets an opportunity to contribute meaningfully in improving the functioning of the organisation. All in all, we are happy to report that morale amongst our employees is at an all-time high and we will continue to foster camaraderie as well as a sense of ownership amongst the employees.

Social conscience

Lanka IOC has and will always be committed to the nation of Sri Lanka. Our success is entwined with that of the nation, and as a socially responsible corporate citizen of Sri Lanka, the empowerment of the Sri Lankan people is a top priority. We continue to do our utmost to empower the needy, the underprivileged and the young. We wish to see Sri Lanka become a self-reliant, educated and healthy country.

Our **"We Care"** initiatives continued through the financial year 2013/14 as well. We partnered HelpAge Sri Lanka to hold a health screening camp. We also contributed to set up two libraries at rural schools in the District of Anuradhapura under the patronage of His Excellency The President of Sri Lanka Mahinda Rajapaksa. On a much larger scale we provided the gift of certified English language education to underprivileged children with our English for Young Learners Project (EYLP). The third instalment of the project which took place in January 2014 in coordination with the Faiszer Musthapha Foundation and with the blessings of His Excellency The President of Sri Lanka Mahinda Rajapaksa, saw 1,500 children chosen from Dhamma schools in the Colombo District provided six-month long EYLP training.

As a responsible corporate citizen, we understand that petroleum is a limited resource and that wastage of such a non-renewable resource in any form is not sustainable in the long-term. Keeping this in mind, in early 2014, we organised a fuel conservation awareness programme for students of both middle and senior schools that saw the enthusiastic participation of students and the appreciation of their parents. Children are the future leaders of the nation. To create awareness of conservation in their minds would definitely go a long way in sustaining a clean and healthy environment.

MANAGING DIRECTOR'S MESSAGE

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ANNUAL
REPORT
2013/14

Honours

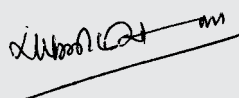
The year 2013/14 also saw Lanka IOC being recognised at the National Business Excellence Awards 2013 – an annual awards event organised by the National Chamber of Commerce of Sri Lanka to recognise corporate excellence. We were awarded the Gold Trophy in the Trading category. We also bagged the Bronze for Annual Report in the Energy sector by the Institute of Chartered Accountants of Sri Lanka for our previous year's report.

Furthermore, we are proud to note that we were recognised by LMD once again in its Top 10 businesses rankings, taking the third spot in 2013. We were also ranked 19th in the Business Today Top 25 rankings.

Acknowledgements

As always we are grateful to the Government of Sri Lanka for constantly extending its support and encouraging us in our endeavours and in particular to the Ministry of Petroleum Industries, the Board of Investment of Sri Lanka, the Ministry of Finance and Planning, the Ministry of Investment Promotion, Sri Lanka Customs, the Central Bank of Sri Lanka, the Department of Inland Revenue, the Ministry of Transport and Highways, Sri Lanka Transport Board and Sri Lanka Ports Authority and of course not forgetting our valued Shareholders, employees, channel partners, customers and suppliers.

With Best wishes,



Subodh Dakwale
Managing Director



Mr. Makrand Nene
Chairman

Mr. Makrand Nene is Director (Marketing) of oil major Indian Oil Corporation Limited, since 5 October 2011.

Mr. Nene has also been appointed Chairman of IOC's subsidiary – Lanka IOC PLC in Sri Lanka, IOC's joint venture companies - Indian Oil Petronas Pvt. Ltd. (IPPL) and IndianOil Skytanking Ltd. (IOSL) respectively.

Prior to his appointment as Director (Marketing), Mr. Nene was Executive Director (Supplies) at IOC's Marketing headquarters in Mumbai.

A mechanical engineer by profession, Mr. Nene has over 34 years' experience in the downstream petroleum business. Joining IOC in 1978, he held several key portfolios and handled varied assignments in core business functions such as LPG, Supply and Distribution (S&D), Operations, Shipping, Commercial, etc. He was also responsible for supplies of all petroleum products to the neighbouring state of Nepal.

Mr. Nene's stint in S&D brought him very close to the working of refineries and pipelines. Not only did he coordinate with them on day-to-day working, he also took it upon himself to learn all the nuances of refineries and pipeline operations and other allied issues. This was reflected in his astute handling of refineries and pipeline issues in Inter Divisional Coordination meetings.

As head of Operations and S&D, Mr. Nene piloted the introduction of Euro-III and Euro-IV green fuels through IOC's countrywide marketing network, which despite complex logistics was executed ahead of schedule. He was also instrumental in rationalising the Corporation's supply and distribution zones, paving the way for IOC to emerge as the least-cost supplier in the industry.

Mr. Nene has the rarest of rare opportunity to work in all regions, handling all product groups, heading the most critical assignments. His people-oriented approach, networking with both internal and external stakeholders and continuous thriving for learning has provided him the leadership position in corporate governance.

As head of the marketing fraternity, his area of priorities are focused on human resource reorientation towards business needs of the division, intervention of technology and automation and infrastructure development/augmentation.

During his leadership at Lanka IOC PLC, since 1 October 2011, he turned around the fortune of the company in the best interest of all stakeholders.

BOARD OF DIRECTORS

(contd)



Mr. Subodh Dakwale **Managing Director**

Mr. Subodh Dakwale has wide-ranging and rich experience in the petroleum field having worked for more than 29 years in Indian Oil Corporation Ltd, which is a Global Fortune 500 Company.

During a long and illustrious career he has worked in different divisions of Indian Oil like Engineering, LPG, Lubes and Sales & Marketing. This has given him hands-on experience and depth of knowledge in the gamut of areas in the petroleum industry.

His career in Indian Oil has taken him to various postings in India such as Nagpur, Ahmedabad, Jaipur and Bhopal. Prior to assuming office as Managing Director of Lanka IOC, Mr. Dakwale headed the Retail Sales Department in the Madhya Pradesh State of India. He was actively involved in various social and employee welfare organisations in India. He has carried the same passion in Sri Lanka also through various CSR activities.

A result-oriented Executive, Mr. Dakwale with his out-of-box thinking and strategic initiatives has steered Lanka IOC to a path of progress creating value for each stakeholder. The company has recorded huge profits during his two-year tenure in Sri Lanka. A natural leader with great networking skills, Mr. Dakwale has carved a niche for himself among industry leaders.

A Civil Engineer from the Government Engineering College in Rewa, Mr. Dakwale is a sports enthusiast and a keen Golfer.

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

(as at 31.03.2014)

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), and Fellow of the Chartered Institute of Management Accountants of UK (FCMA UK).

He served as a Qualified Assistant at Turquand Youngs (Ernst & Young), Chairman and Managing Director of Ceylon Leather Products Corporation, Chairman and Managing Director of the State Mining and Mineral Development Corporation, 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, Chairman of Pan Asia Bank Ltd, Director of South West Asia Informatics Holdings Ltd., Singapore, Deputy Chairman and Executive Director of the Singapore Informatics Computer Institute (Pvt) Ltd., and the Chairman of the National Insurance Trust Fund.

He currently serves on the company Directorates of Richard Pieris PLC., Gestetner Ceylon PLC., Lake House Printers & Publishers PLC., and Abans Electricals PLC. He is also the Chairman of the Audit Committee of these companies.

He also serves as a Committee Member of the Ceylon Chamber of Commerce, is the President of the Institute of Certified Management Accountants of Sri Lanka and its Founder; was the Past President of the Institute of Chartered Accountants of Sri Lanka; Past President of the South Asian Federation of Accountants (SAFA), Founder President of the Association of Accounting Technicians of Sri Lanka (AAT) and Past President of the Organisation of Professional Associations of Sri Lanka (OPA). He has been appointed by the Supreme Court of Sri Lanka to the Committee of Chartered Accountants to assist the Supreme Court in the repayment of depositors of certain specified failed companies. He was inducted into the Hall of Fame of CA Sri Lanka in November 2013.



BOARD OF DIRECTORS

(contd)



Mr. Vijay Kumar Gupta
Non-Executive Director

(ceased office on 31.07.2013)

Mr. V.K. Gupta has over 33 years' multifarious experience in the oil industry. A Chartered Accountant by qualification, he has served IndianOil in various challenging roles. He has vast experience, both at grassroots refinery level as well as Head Office and Corporate level, in finance function with responsibility for preparation of balance sheets, annual accounts, budgeting and financial policy issues, interaction with government agencies, etc.

Mr. V.K. Gupta has headed the Project Appraisal Group of IndianOil wherein he was responsible for issues relating to policy making as well as proposals relating to major capital investment in the Corporation. He has served the Business Development Group where he was responsible for financial due diligence and monitoring of the various projects right from conceptual stage to implementation stage. He has also worked in the Oil Coordinating Committee of the Government of India. Mr. V.K. Gupta held the post of Executive Director (Corporate Affairs) and was directly involved in matters relating to major investment decisions, strategic issues, issues related to joint ventures and subsidiaries, corporate legal issues, etc. He also served as Director on the boards of various joint venture Companies.

Mr. Amitha Gooneratne
Independent Non-Executive Director

(as at 31.03.2014)

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



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

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

BOARD OF DIRECTORS

(contd)



Mr. B. Ashok
Non-Executive Director

(ceased office on 10.06.2014)

A Mechanical Engineer from Guindy Engineering in Chennai, he has a management qualification from the prestigious National Management Programme of MDI, Gurgaon, Mr. Ashok joined IndianOil after a two year stint in the private sector and has over 33 years' experience in Indian Oil Corporation Limited (IOC).

He began his tenure in IOC in Lubes Technical Services in which he continued until 1991. Subsequently he has seen various disciplines such as Training & Development, Divisional Head, Corporate Communications, Business Development, State Head, Kerala and State Head, Karnataka, India before taking over as Executive Director (Retail Sales) based at Mumbai, with pan India responsibilities. Besides Chennai, Kochi, Coimbatore and Bangalore in South India, he has worked at IOC's Head Office, Mumbai, Corporate Office, Delhi and an international tenure at Kuala Lumpur, Malaysia, as Regional Manager, SE Asia, handling the Asean Region between 2001 and 2004.

While he has established several benchmarks in IOC, some key initiatives include the innovation of pilfer proof Abloy locks for tank trucks, when he was the Divisional Manager at Coimbatore in 1997 and across the state Auto LPG dispensing stations in Kerala between 2004 and 2008. As the person in-charge of the retail fuel business of IndianOil, he has played a key role in strategy formulation and implementation of retail initiatives across the organisation's retail network.

At present, he holds the position of Chairman at Indian Oil Corporation Ltd., India - a Fortune 500 Company.

Mr. Rajiv Khanna
Non-Executive Director

(ceased office on 10.06.2014)

Mr. Rajiv Khanna, Executive Director (Pricing) at Indian Oil Corporation Limited, India, excelled from a young age by winning the Government of India Merit Scholarship for admission to Public Schools. He graduated in Commerce, securing fourth position in the Merit List of Punjab University with distinction in Higher Accountancy, Statistics and 100% marks in Mathematics. He was also awarded the College Gold Medal and Role of Honour. A Chartered Accountant by profession, he joined Indian Oil Corporation Ltd. in India in 1982.



With over 31 years of experience in various fields of Indian Oil Corporation Ltd. and on deputation to the Ministry of Petroleum and Natural Gas, he has vast experience in pricing of petroleum products, insurance, product accounting, imports, exports and cost audit. During his deputation to the Ministry of Petroleum and Natural Gas, he was actively involved in the process of dismantling of the administered pricing mechanism of petroleum products in India.

During his stint in the Ministry of Petroleum and Natural Gas, he was one of the key persons who interacted with the International Monetary Fund (IMF) for providing inputs and necessary assistance on working of the Oil Pool Account, including the nuances of subsidies.

A widely-travelled person, both nationally and internationally, Mr. Khanna has been a keen sportsman captaining his school basketball team as well as being the vice captain of his College basketball team, for which he was awarded School Colours and College Colours. He has also been socially active and has several key positions in the Leo Club, Chandigarh, Digboi Club and Indian Oil Club, NOIDA.

BOARD OF DIRECTORS

(contd)



Mr. Indrajit Bose
Non-Executive Director

(with effect from 10.06.2014)

A Chemical Engineer from Jadavpur University, Kolkatta, he worked briefly in UHDE Gmbh, caustic soda plant specialists, as a Project Engineer.

He joined IOC in 1981 as Sales Engineer and worked in the Lubes Department at various locations in Madhya Pradesh, Bihar, West Bengal and North East for the first fifteen years.

Thereafter he worked as Divisional Manager in Dhanbad and Jamshedpur Divisional Offices. He headed State Retail at West Bengal from 2004 to 2007. After a brief stint in Head Office Retail, he was posted as State Head at Uttara Pradesh State Office-II from 2008 to 2011 and State Head, WBSO from 2011 to 2014.

He joined as Executive Director (Retail Sales), Head Office of Indian Oil Corporation Ltd., in April 2014.

Mr. P.M. Mohan
Non-Executive Director

(with effect from 10.06.2014)

Mr. P.M. Mohan is a CA and Gold Medalist in MBA from IIPM, affiliated to the University of Ljubljana, Slovenia. He has 29 years' experience at Indian Oil Corporation and has worked in various fields, including Management Accounting, Product Accounting, Planning & Economic Studies, International Trade, as well as Optimisation where he was actively involved in the building of the optimisation models and was in-charge of the marketing side of the supply chain as well as evaluation of long-term infrastructure requirements. He is currently posted as Executive Director (Pricing) at the Head Office of Indian Oil Corporation Ltd., Marketing Division in Mumbai, where he handles issues connected with the pricing of petroleum products and interactions with the Government and other industry players on various matters.



Ms. Rajanie Balakrishnan
Company Secretary

Ms. Rajanie Balakrishnan is a Fellow Member of the Institute of Chartered Secretaries and Administrators (UK) and a Fellow Member of the Institute of Chartered Corporate Secretaries (Sri Lanka). She was appointed as the Company Secretary of Lanka IOC PLC in year 2009.

SENIOR MANAGEMENT

ANNUAL
REPORT
2013/14



Ms. Rajanie Balakrishnan
Company Secretary

Mr. Subodh Dakwale
Managing Director

Mr. Pradeep Sukumaran
Senior Vice President
(Operations & Lube Blending Plant) Trinco

Mr. Rajkumar Chowdhary
Vice President (Finance)

Mr. Dhananjay Srivastava
Senior Vice President (Retail Sales & HR)



Mr. Sunil G. Kaleshwari
Vice President
(Operations & Bunkering)

Mr. Soumen Ganguly
Senior Vice President
(Lubes - Marketing & Productions)

Mr. D. N. Badarinarayan
Senior Vice President (Engineering)

Mr. Saurav Mitra
Senior Vice President (Finance)

Mr. Sunil Kumar Nagdawne
Vice President (Operations) Trinco

Global Economic Outlook

IMF Global expects the global economy to grow at an accelerated rate of 3.6% in 2014 compared to the growth rate of 2.9% recorded in 2013. Advanced economies such as the US and the EU displayed modest stabilisation compared to previous years while the emerging markets remained volatile. The EU has been predicted to grow by 1% and the US by 2.8% in 2014. It appears that the past financial turmoil is over and the world economy has started to pick up the pace with the advanced economies leading the way.

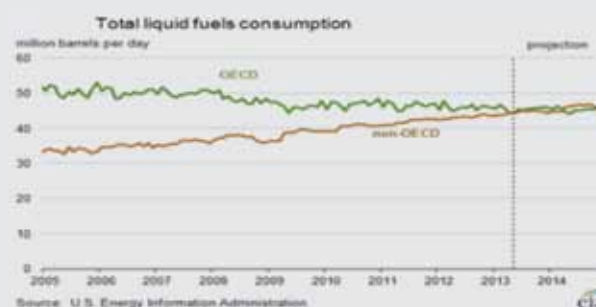
In a long-term perspective, China and India will be the key players in the global economy due to the large population and economic growth in the years to come. It has been predicted that more than 85% of the increase in global energy demand will come from developing countries because the growth rates of developed countries are expected to be lower than developing countries. Even in the past decade, the developing countries have accounted for almost 100% of the growth in energy demand while accounting for 80% of the growth in the previous year.

The Economic Intelligence Unit 2014 expects the energy demand to increase with most demand from the countries outside the OECD. China seems to maintain its position as the largest consumer of energy followed by the US. Based on a research conducted by the EIU the coming decade will see a gradual transition to natural gas from other fossil fuels (oil and coal). This shift will be driven by the proliferation of delivery options for natural gas such as liquefied natural gas, development of unconventional gas resources such as shale gas and the promotion of low-carbon transition fuel while renewable energy alternatives are being developed. Wind and solar power generation is forecasted to show an impressive growth even though the fraction remains small.

Global Oil Industry

Demand

Oil demand is expected to show steady growth up to the year 2020. However, oil's share in the global energy mix will continue to slip moderately. Emerging economies in Asia, Latin America, the Middle East and North Africa will account for almost all of the forecasted oil demand growth whilst the demand will contract in Western Europe and decline slightly in North America. Growth will be particularly robust in China and other emerging economies in Asia, as well as in the Middle East.



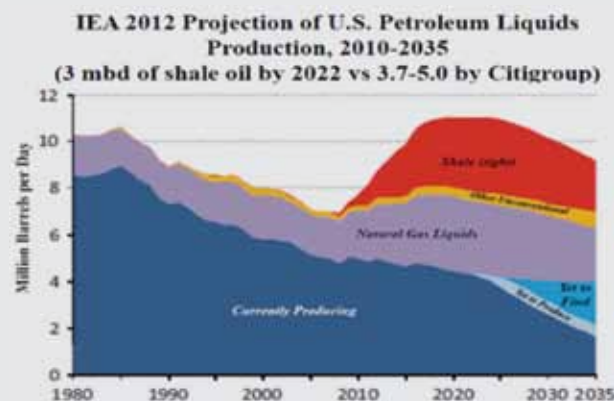
There is greater divergence between OECD and non-OECD demands due to faster economic growth rise in living standards and greater potential for increase in vehicle sales in the emerging economies. With fuel efficiency of vehicles in industrialised economies improving, encouraged by taxation of transport fuels, legislation to encourage fuel efficiency and the elevated global oil prices, the demand growth in Western Europe, Japan and North America is expected to remain tepid. Prolific oil exporters such as Saudi Arabia are also experiencing domestic oil consumption growth higher than any economy in Europe as per the International Energy Agency (IEA). Fuel consumption in the rest of the Middle East and Latin America is stimulated by the transport-fuel subsidies that insulate them from the impact of high crude oil prices.

MANAGEMENT DISCUSSION AND ANALYSIS

(contd)

Supply

The largest oil producer remains the Middle East which produces nearly half of world oil supplies while the other parts of the world are catching up fast. As the demand for oil increases and technology develops, the deposits previously considered uneconomical will also become viable. Countries like Canada, Venezuela and the United States all possess extremely large deposits of heavy oil and oil shale. With easily obtainable oil deposits now being emptied, most of the future demand is expected to be produced by unconventional sources where technological expertise would play a vital role.



The EIU 2014 report identifies three main contributors to the oil supply growth in 2014-2020 as in the western hemisphere (the US, Canada and Brazil), as well as a Middle Eastern OPEC producer, Iraq. However, in the short-term Iran and Libya will struggle: in Iran, owing to ongoing sanctions on oil exports and Libya because of internal civil turmoil. Provided the sanctions are lifted the Asian buyers will be able to purchase Iranian oil without complications returning production to pre-sanction levels. The fall in output in Libya and Iran in recent years has taken around 2m b/d of oil off the market.

Sri Lanka's Economy

According to the Central Bank Report of year 2013, the annual real GDP grew by 7.3% in 2013 and is expected to grow by 8% in 2014. By the end of 2013, the headline inflation was 4.7% on a year-on-year basis. The labour

force has expanded by 4.1% and the unemployment rate has slightly increased up to 4.4% in 2013. The fiscal deficit was at 5.9% and the debt to GDP ratio improved to 78% during the year.

Overall economic outlook of the country seems very positive except for the slight increase in unemployment. The growth momentum has been maintained while keeping inflation under control.

Petroleum Industry Performance in Sri Lanka

The geopolitical tensions in oil producing countries like Iran and Syria prevented the oil prices from declining



within the year 2013. The value of total oil imported has gone up to LKR 182 billion from LKR 157 billion rupees. However, the value of refined products imported reduced to LKR 353 billion from LKR 467 billion. Nonetheless, the oil prices remained unchanged within the year and sales of petrol grew by 4% and diesel grew by 2%.

An apparent optimism can be seen in the industry as both Ceylon Petroleum Corporation and Lanka IOC have rapidly expanded their retail outlets. Especially to cater to the diverse locations and increased demands placed on the duopoly, due to the 5 Hub plus tourism strategic outlook of the Government of Sri Lanka.

However, there remains minimal correlation of local prices to International world market prices, which

MANAGEMENT DISCUSSION AND ANALYSIS

(contd)

exposes the industry to an acute risk of incurring significant financial losses due to sudden price fluctuations. Hence, there is a need for greater transparency in the formulation of a method to correlate to global prices.

LIOC'S Business Review

Operational Review

Auto Fuel

The company showed an overall growth in petrol with substantial growth in branded fuels. XtraPremium Euro3 which is an intrinsically superior fuel most suited for new generation vehicles grew by 16.7% with average monthly volumes of nearly 4200 KL in 2013/14. Sales volume of XtraPremium 95, the premium fuel introduced in 2010 to cater to the high-end vehicle market, also increased by 33.2% with an average volume of 1525 KL per month.

The company registered a growth of 48.5% in Lanka Auto Diesel during 2013-14 once price parity was maintained with CPC with effect from 23rd February 2013. Xtramile, the diesel branded fuel with multifunctional additives, recorded an increase in sale by 39.4 % during the year.

Value-Added Services

The company maintained its thrust on upgrading facilities at existing company-owned sheds by carrying out major refurbishment works. Also, planned retail expansion was done by adding new dealerships across the Island including adding petrol variants at Laugfs standalone auto LPG Stations. Additionally, Lanka IOC continued to provide a host of other value-added services in its petrol sheds such as nitrogen gas station for tyres, Cargills outlets, services of telecom providers, emission testing stations, ATM machines and LOLC centres, thereby making fuelling at Lanka IOC Petrol sheds a truly enriching experience.

Lubricants

Industry Overview

Sri Lanka's lubricant market is estimated at around 55 million litres an year. The market condition was stagnant during the year in review due to reduced vehicle imports, longer oil drain intervals and the reduced demand from thermal power sector. Also it is a very competitive market with 13 competitors, resulting in greater competition compared to other regional and global markets.

Lanka IOC Performance

In this stagnant environment, Lanka IOC has recorded a volume growth of 33.8% in turnover and has continued to retain its position as the second biggest company in lubricants with a 16% market share. Our objective has been to provide synthetic and semi-synthetic lubricant which assist in the efficient functioning of the components that result in the cost-effective, environmental-friendly and long-lasting operation of the mechanical systems our products are used for.

Consequently in May 2013 Lanka IOC released new advanced one-hundred percent synthetic and hybrid lubricants of the SERVO Futura range which consists of SERVO Futura Synth, SERVO Futura P, SERVO Futura P Plus and SERVO Futura D. These products meet the latest American and European specifications and cater to the evolving demands of customers and their engines.

In the industrial segment, we now serve the Sri Lanka Transport Board as the sole supplier and have supplied initial fills for Norochholoi Power Plant (2nd phase). There seems to be great potential in this segment as the demand for lubricant from coal plants is set to increase, as electricity production will increase in this growing economy.

The number of SERVO shops in our network will expand from 95 to 200 with an additional 105 being introduced, strengthening our SERVO brand and service to our customers. This will consequently create significant employment

MANAGEMENT DISCUSSION AND ANALYSIS

(contd)

ANNUAL
REPORT
2013/14

for local youth. We have also started toll blending on a limited scale thereby reducing the production cost in our plant. The above strategies will strengthen our position as a leader in the lubricant market.

Bitumen

Industry Overview

The demand for Bitumen has rapidly increased during the past few years, and the boost is expected to be continued due to the construction and rehabilitation projects carried out islandwide under the Mahinda Chintana programme, which has identified the development of road network as one of the seven key priority areas during 2011-2020. The market competition intensified as anticipated during the year under review, due to the liberalisation of the regulatory framework for import of bitumen and the subsequent entry of 16 new competitors. Nevertheless, the market size is expected to grow as the Government is expected to invest 6% of GDP in physical infrastructure.

Lanka IOC performance

Lanka IOC has retained its position as the market leader with over 50% market share. This segment faced intense competition due to the liberalization stated above; however, the business segment was able to retain its position as the second most profitable segment in the company after fuel products. Lanka IOC's steps to strengthen its brand position as the leading supplier of high-quality bitumen in the country have broadly succeeded and the company will continue to streamline its procurement and infrastructure to sustain its position as the market leader.

Fuel Bunkering

Global Overview

The global sales of bunker fuel are estimated to be around 350 million tons per annum. It is expected that bunker fuel demand in Asia to be about 1.45 million barrels

per day (bpd) in 2014, up from 1.39 million bpd in 2013, which is equivalent to an annual growth of about 2% which is due to Asia's increasing trade activities with other regions. More players will enter into the Asian market to develop bunkering ports in India, Malaysia, Indonesia, Singapore and China, increasing the competition we are already experiencing. Asian demand for marine fuel is expected to grow up by 2% in 2014 after stagnating for five years, as more goods and raw materials are shipped in the region. Nevertheless, markets are getting redefined, and opportunities are recreated as the industry continues to evolve.

Lanka IOC performance

Lanka IOC's bunkering volume has fallen by 16% due to the commissioning of bunkering operations at nearby Indian ports. These locations are more competitive in terms of price as India has 13 large-scale refineries. However, Lanka IOC expects volumes to stabilise at these levels depending on whether the Hambantota Port will bring in new demand instead of cannibalising existing volumes.

Lanka IOC is exploring long-term partnerships for product and logistic sourcing such as the agreement signed with Matrix Bharat. Additionally Lanka IOC continues to undertake charter activities with fuel oil vessels and to pursue product sharing arrangements with other bunker suppliers. The Company understands the strong competitive threats posed and will implement new strategies and practices to stay competitive.

Infrastructure Development

Lanka IOC has given greater emphasis to facility augmentation as it considers infrastructure development as a critical success factor in achieving its long-term objective of being an efficient and environmental-friendly provider of the energy needs of the country. In this process, facilities have been constructed, refurbished and realigned in our Chinabay Terminal and Retail Network, taking into consideration future customer demands such as availability, technological innovation, environmental footprint and cost optimisation.

MANAGEMENT DISCUSSION AND ANALYSIS

(contd)

The company has invested LKR 390 million towards creation of above facilities during the year and planned to invest in excess of LKR 1.5 billion in the year ahead.

Chinabay Terminal

The existing archaic jetty pipeline for receipt of petrol and diesel has been replaced with the latest technology. An additional jetty pipeline for receipt of low sulphur diesel (LSD) has been constructed and a storage tank has been modified to store LSD with additional features such as flow meters for filling bowsers. In the interest of increased safety, all tanks have been connected to an earth grid. The main office building which is 70 years old was also refurbished.

As part of our continued business expansion in this product line, additional base oil tanks with piping and pumping facilities have been constructed under the TIEP scheme. A new auto labelling machine has also been introduced in the lube plant, for labelling of lube cans and also bringing down cost.

Retail Network

A total of 10 new filling stations have been established in different parts of the country: at Karainagar, Biyagama, Gurugoda, Pottuvil, Ambalantota, Kinniya, Galle, Kurunegala, Wattala and Muthur. As part of further strengthening of our retail distribution network, the petrol sheds at Trincomalee, Kahatagasdigiliya and Batticaloa have been modernised. Additional dispensing units and tanks have been installed in 19 petrol sheds with a view to provide better services to our valued customers.

As a pilot project, we have undertaken total retail automation in two Colombo-based petrol sheds, which has received appreciation from our customers. The automation has created greater customer satisfaction by having automated billing and online quality assurance besides improving operational safety.

In our continued focus in reducing our carbon footprint, LED under canopy lighting has been introduced at 3 of

Colombo-based high-selling petrol stations. The new lighting has improved the brightness from the earlier level of 10 lux to 120 lux. The energy consumption has reduced by nearly 40% at these petrol sheds.

Financial Review

Sales

The Company has achieved LKR 81.79 billion in sales, up 9% from LKR 75.11 billion recorded in the previous year. We have managed to improve total revenue even though export revenue has declined slightly over the year in review.

Domestic Revenue

Domestic revenue for the year has increased by LKR 11.95 billion, which is a 20.9% growth from the previous year. The largest contribution was from diesel sales which increased by 53%. Petrol revenue only grew by 8% but it contributed 40% of the total revenue.

The lubricant revenue also went up by 34% generating additional revenue of LKR 560 million whilst facing fierce competition. Bitumen revenue has fallen by 2.4%, as we are positioning ourselves as a high-quality provider.

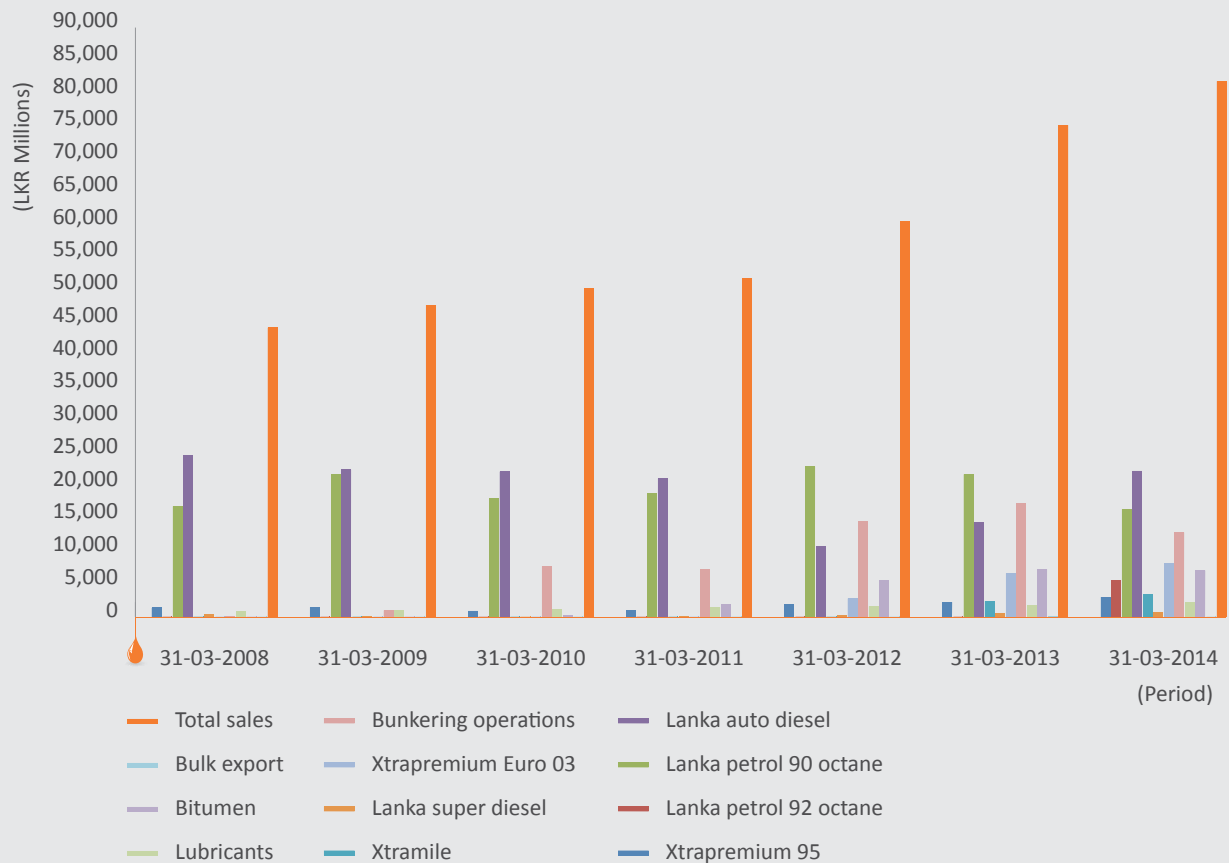
Export Revenue

Export revenue has reduced by 29% compared to the previous year. The decrease in revenue of Bunkering Operations has been 26% due to the cheaper supplies in Indian ports which benefit from large-scale refineries. We are adapting to this changing environment by streamlining our procurement strategies to meet the competition, as establishing such large-scale refineries in Sri Lanka is not economically viable.

MANAGEMENT DISCUSSION AND ANALYSIS

(contd)

Product Wise Performance



Costs and Expenses

Compared to the 9% increase in revenue, selling expenses have only increased by 4% during the year. Cost of storage and handling has increased by LKR 122 million. However, due to better recovery procedures provisioning for receivables has reduced by LKR 125 million compared to the previous year.

Administration expenses have decreased by 1.5% even amidst the expansion of our operations which is an impressive achievement.

The far-sighted cost management measurements and sensible financial control methods have led the Company to restrain expenses to the anticipated limits. We have increased the Corporate Social Responsibility expenses to LKR.19.2 million, 409% enlargement in comparison to the previous year with the blessing of His Excellency The President of Sri Lanka Mahinda Rajapaksa in the areas of English education and healthcare.

MANAGEMENT DISCUSSION AND ANALYSIS

(contd)

ANNUAL
REPORT
2013/14

Financial Performance

The company achieved an operating profit growth rate of 99.81% compared to 2012/2013, with an operating profit of LKR 5,719,196,985 which is mainly due to the dramatic increase of gross profit. This has trickled down to the operating profit due to the reason that the indirect expenses had not increased proportionate to the increase in revenue due to improved procurement practices, technological advancement and infrastructure development.

Lanka IOC has shown exceptional performance for the year, with its Return on Capital Employed of 34% which clearly highlights the exceptional value we have created for our Shareholders.

Return on Capital Employed

Lanka IOC has shown exceptional performance for the year, with its Return on Capital Employed of 28% which clearly highlights the exceptional value we have created for our Shareholders.

Share Performance and Dividends

The obvious outcome of the outstanding growth of profitability is the increase in earnings per share from LKR 5.46 per share in 2012/2013 to LKR 9.04 per share for the year under review. Consequently the Net Asset Value per share has risen to LKR 32, which is the highest in the Power and Energy sector in the Colombo Stock Exchange during the year under review. Cash per share is LKR 16.45, again the highest in the sector for the year under review.

For the financial year of 2013/2014, an interim dividend of LKR 0.50 has been paid and a final dividend of LKR 1.50 has also been proposed.

Investments

Heavy investments have been made in infrastructure development resulting in new filling stations, shops and storage facilities amounting to LKR 288 million. Our focus will be to invest in infrastructure to support our existing business lines and better cater the demand of our customers by investing approximately LKR 1.5 billion in the coming year.

Borrowings

The Company's borrowings are limited to short-term liabilities, which has increased by 40% during the year. Apart from mortgages over product inventories held at Kolonnawa, Trincomalee and Muthurajawala terminals against loans amounting to USD 47 million, all the other borrowings as at 31 March 2014 are unsecured. The company is in a very strong financial position as we are completely un-gearred, which in turn will provide a cushion against any unexpected events or shocks.

MANAGEMENT DISCUSSION AND ANALYSIS

(contd)

ANNUAL
REPORT
2013/14

Description	All figures in LKR millions			
	31 March 2011	31 March 2012	31 March 2013	31 March 2014
Net debt (Total borrowing less Cash and cash equivalents)	3,929	2,562	1,180	Nil
Total capital (Net Debt and Total equity)	13,141	12,679	14,209	17,043
Gearing Ratio	30%	20%	8%	0%

Cautionary Statement

Statements in the Management's Discussion and Analysis, describing the Company's focal objectives, expectations or anticipations may be forward-looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from the expectations. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of products, input availabilities and prices, changes in Government regulations/tax laws, economic developments within the country and factors such as litigation and industrial relations.



SERVO

Synth

FUTURA

1L



One step ahead...

Journey into the future with the SERVO Futura range of advanced fully synthetic and hybrid lubricants. It's the smart solution that combines high-quality maintenance and reduced operating costs.



A sustainable future is one in which a healthy environment, economic prosperity and social justice are pursued simultaneously to ensure the well-being and quality of life of present and future generations. Education is crucial to attaining that future. (Teaching and Learning for a Sustainable Future, UNESCO)

Lanka IOC PLC, in keeping with its parent organisation's principles, is a big believer in sustainability and being a socially responsible organisation, for an empowered population is paramount to the long-term success of both corporation and nation. Furthermore, it is guided by the United Nations' Guiding Principles on Businesses and Human Rights.

Investing in human capital

Charity begins at home, it is said, and Lanka IOC has engaged in several human resource initiatives that enrich and empower its human capital of 177 employees.

"A company is only as good as the people it keeps"
- Mary Kay Ash

Lanka IOC has in the past year engaged in functional training programmes for its employees based at both its Colombo (main) and Trincomalee offices conducted by Mr. Nalaka Hewamadduma of Toronto, Canada based,

Nalaka H. Consultancy. Mr. Hewamadduma is a renowned human resources trainer and consultant in peak performance and personal effectiveness. A number of handpicked employees were even sent to India for more intensive training with parent organisation Indian Oil Corporation. Lanka IOC will continue in this initiative of developing its human resources in the next year, helping its employees attain their own path of personal growth, success and fulfilment.

Most recently in 2014, in view of International Women's Day which falls on 8 March, Lanka IOC recognised the multifaceted contributions of its female employees to both the organisation and society at large by presenting them with a commemorative token of appreciation, and more importantly, a well-woman medical check-up free of charge.

Lanka IOC understands the importance of company outings in building and maintaining company culture, better relationships and thus unity among employees. In November 2013, the annual company picnic was held at Jetwing Blue, Negombo where employees spent a weekend, together with their families.

In April 2013, all employees came together to celebrate the Sri Lankan New Year, engaging in traditional games and activities at their very own Avurudu Uthsavaya. Lanka IOC's sports club, having begun in 2012, continued to function

actively in the past year with cricket, table tennis and carrom tournaments taking place, as well as athletic events.



Engrossed in table tennis during the lunch break

Greener future ahead

Lanka IOC is always aware that its operations are based on eco-friendly initiatives in the petroleum sector and thus always strives to make its operations greener.

That is one main reason for Lanka IOC to introduce XtraPremium Euro 3 petrol, the greenest fuel in the market at present. Xtra Premium conforms to international Euro III standards and with its intrinsic benefits improves the fuel efficiency of the vehicle by significantly reducing carbon monoxide and hydrocarbon emissions. It also contains much less benzene sulphur and other pollutants.

Lanka IOC continued its value additions at retail outlets by introducing energy efficient LED lighting to three of its retail outlets in city of Colombo – the Felix Pereira & Son filling station at Horton Place, the H.K.S. Ranasinghe filling station at Bambalapitiya, Swastika Mills filling station at Havelock Town. Lanka IOC will continue in this endeavour in the coming year, introducing eco-friendly CFL lighting to several of its retail outlets.

Cultural and trade relations

Lanka IOC continued to be a constructive partner in the Sri Lankan community, by treading into and providing impetus to the creative community. In January 2014, Lanka IOC, together with the India Sri Lanka Foundation

and SEHER – an organisation established to promote Indian arts and culture – presented ‘India-Sri Lanka Artists’ Week’, the first such artists camp between the two neighbouring countries, at the Taj Samudra hotel. The week-long camp culminated in an exhibition which was held at the Crystal Ballroom of the hotel on 23 January and inaugurated by His Excellency The High Commissioner of India in Sri Lanka Y.K. Sinha.

The artists also conducted educational sessions on Indian and South Asian arts at the Faculties of Visual Arts and Dance of the University of Colombo during the week.

The innovative cultural initiative was yet another impetus to strengthening Indo-Lanka ties.

Sustaining the community

Lanka IOC continued in its main corporate initiatives in being a socially responsible organisation, by empowering the community as a whole by improving the quality of life and providing the gift of education to both present and future generations, respectively.

Lanka IOC continued in its ‘We Care’ initiative to promote better health in the community and thus enhance the quality of life of the present generation, and consequently the future generation.

Partnering with Helpage Sri Lanka – an organisation dedicated to helping older people claim their rights, challenge discrimination and overcome poverty, so that they can lead dignified, secure, active and



At the Lanka IOC health screening camp in Marawila

SUSTAINABILITY REVIEW

(contd)

healthy lives – Lanka IOC held a free health screening camp in January 2014 at the Araliya filling station in Marawila in the Puttalam District. Over two-hundred residents of the area were screened for diabetes and glaucoma, general vision and cataracts, as well as underwent a general health screening with assessments for non-communicable diseases. Camp doctors prescribed for the residents their drugs requirements which were given away for free as well as free spectacles for those who required it.

Every year, on Company Day which falls on 29 August, Lanka IOC together with the National Blood Bank holds a blood donation camp. In 2013, Lanka IOC employees, stakeholders and members of the armed forces came together at the Lanka IOC Trincomalee terminal as well as the Colombo head office to donate over 250 pints of blood at each location.



Lanka IOC staff with well-wishers donating blood



Handing over the key of the ambulance to the Provincial Director of Health Services, Eastern Provincial Council

Continuing in its commitment to help and enhance the lives of the underprivileged, in June 2013, as part of its continued efforts to celebrate its 10th anniversary, Lanka IOC also formally donated an ambulance to Provincial Director of Health Services, Eastern Provincial Council, Dr. P.K. Gnanakunalan at an event held at the Taj Samudra hotel.

The ambulance was donated to the Divisional Hospital in Mahadivulwewa, Trincomalee, that provides healthcare services to over 10,000 people in the area. The Hospital had been in need of an ambulance to facilitate the transfer of patients requiring transfer to the General Hospital, Trincomalee, a distance of 40km.

Lanka IOC also continued with its commendable English for Young Learners Project (EYLP), expanding its efforts to hold two such programmes in the past financial year.

The English for Young Learners Project is an English language training programme for local schoolchildren who lack even basic English language skills designed with the expertise of the Cosmopolitan Learning Academy. The EYLP curriculum is a comprehensive course designed by the Cosmopolitan Learning Academy covering the four core language skills of listening, speaking, reading and writing. It is an interactive learning methodology that combines traditional teaching methods with audio-visual learning aids to ensure confident speakers with a comprehensive understanding of the English language.

In August 2013, Lanka IOC partnered with the Glorious Jaffna Foundation to provide 150 children from underprivileged families with the EYLP study course at the Inuvil Central Primary School in the Jaffna District. This batch of children was unique in that they were all orphans or hailed from single parent households. Consul General of India in Jaffna V. Mahalingam also attended this event.



Managing Director at the launch of EYLP in Jaffna

SUSTAINABILITY REVIEW

(contd)

The third and largest instalment of the English for Young Learners Project took place in January 2014 in the Colombo District under the patronage of His Excellency The President of Sri Lanka Mahinda Rajapaksa. Lanka IOC coordinated with the Faiszer Musthapha Foundation to provide 1,500 children chosen from 15 Dhamma Schools in the District a six-month long EYLP training. The programme was set up to be followed as an additional class at the Dhamma Schools and students were allocated to specific levels after sitting for an English language aptitude examination. A special feature at the event held to mark the beginning of the project was a speech by Atheek Ahamed, son of Lanka IOC employee J. Nizamdeen, who was one of the 140 first batch of students who received EYLP tutoring. Atheek not only spoke English with proper enunciation and confidence, but his training has enabled him to go on to win several awards at the district level.



His Excellency The President of Sri Lanka Mahinda Rajapaksa awarding a study pack to a student at the launch of EYLP in Colombo

Lanka IOC further committed to its endeavours to enhance education for underprivileged students by donating libraries to two rural schools in the Anuradhapure District. Based on the 'Shelter for Wisdom and Prosperity' section of the Mahinda Chinthanaya, Ippologama Vidyalaya in Udunuwara Janapadhaya, Nochchiyagama and Mudunegama Vidyalaya in Thalawa, Thambuthegama, were presented two complete libraries in November 2013. The keys to the libraries were handed over to the school principals by His Excellency The President of Sri Lanka Mahinda Rajapaksa.



His Excellency The President of Sri Lanka Mahinda Rajapaksa handing over the keys of the library to the principal of Mudunegama Vidyalaya Thambuthegama

In early 2014, Lanka IOC also conducted a fuel awareness programme for schoolchildren with the objective of educating and making aware students of grades 7 to 12 of the need for energy conservation in day to day life, the scarcity of natural energy resources and its impact on the global ecosystem. Lanka IOC provided students of chosen schools in grades 7 to 12 an opportunity to showcase their creative and critical thinking skills by taking part in an art and essay competition, respectively, that was held at the Western Province Aesthetic Resort. The top three winners of the competitions were awarded certificates and gift vouchers.

Lanka IOC is proud of its commitment to be an ethical organisation that respects human rights and treats its employees right, investing in each individual and opening up the floor for enhanced teamwork, like one tight-knit family. It is further committed to invest in becoming ever greener and more importantly, healthcare and quality of life, and education of children, the future leaders of this country. In the past year it has also reached out in a more cultural and national relations context, and is looking forward to extend a further hand to the arts.

It is Lanka IOC's mantra that the combination of knowledgeable employees, greener retail outlets that consume less energy and provide more value-added services to customers, together with an empowered populace will help ensure that Lanka IOC is always "One Step Ahead".



Gold award in the Trading Sector at the National Business Excellence Awards 2013

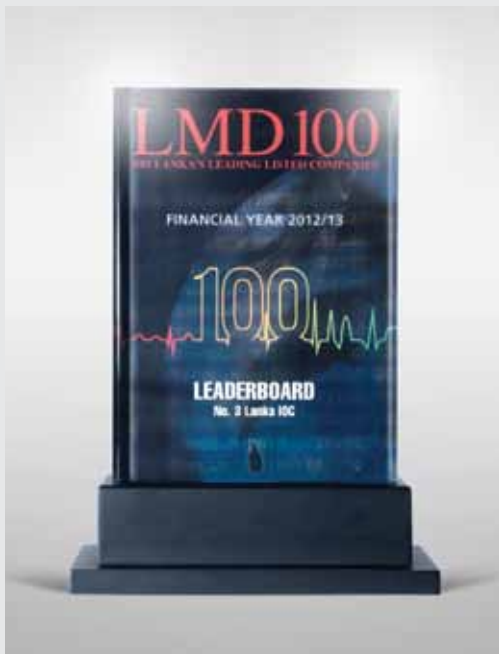
RECOGNITION *(contd)*



CMA Award of Appreciation by the Institute of Certified Management Accountants of Sri Lanka in 2014



Bronze award in the Power and Energy Sector at the Chartered Accountants Annual Report Awards 2013



Ranked No. 3 on the Leaderboard of LMD 100 for the financial year 2012/13



Ranked No. 19 on the Business Today Top Twenty Five for 2012/13

STAFF PHOTO



Section of employees who support the Head Office operations



Section of Trincomalee Oil Terminal employees

Corporate governance is the set of processes, customs, policies and laws affecting the way a company is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed.

The Board of Directors is committed to ensure accountability through a proper mechanism that enhances shareholder value whilst ensuring that proper internal control systems are in place to govern the day-to-day affairs of the company. The company endeavours to practice the principles of corporate governance to ensure transparency, integrity and accountability in its functions which are vital for achieving the business objectives of becoming a major, integrated energy Company with a strong environmental conscience and playing a national role in oil security.

The Company adheres to the requirements of the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and The Securities and Exchange Commission of Sri Lanka (SEC) for implementation.

Composition of the Board of Directors

Lanka IOC PLC is a public listed company and its affairs are governed by its Board of Directors. The Board comprises of one Executive and five Non-Executive Directors. The Managing Director is a full-time Director and functions as the CEO of the Company. The other Directors are professionals and experienced leaders of high repute in their respective functional areas.

The Non-Executive Directors include two independent Directors, Prof. Lakshman R. Watawala and Mr. Amitha Gooneratne who are acclaimed for their knowledge and experience in their respective fields. Their active participation in the Board deliberations has brought in an independent and pragmatic view to the Board deliberations and in taking decisions.

Board Meetings held during the Financial Year 2013-2014

S.No	Date	Strength of the Board	No. of Directors Present
1	17th May 2013	6	6
2	06th August 2013	6	5
3	11th November 2013	6	6
4	08th February 2014	6	6

Role of Chairman and Managing Director

The effectiveness of the Board is enhanced by the segregation of the position of the Chairman and the Managing Director to maintain a balance of power and authority. The Chairman is a Non-Executive Director while the Managing Director is an Executive Director. The Chairman provides leadership to the Board and ensures its effectiveness by ensuring that all Directors are properly briefed and make an active contribution in the best interest of the company.

Corporate Management

The Managing Director manages the Company's day-to-day affairs based on strategic direction, policy formation and procedures approved by the Board from time to time. Each function is headed by a Senior Vice President who assists the Managing Director in the day-to-day functioning of the Company. The team members are highly qualified with professional degrees, have long service experience and deal professionally in their respective functional areas.

Investor Relations

The Company maintains excellent relationships with its investors. The Managing Director meets the Institutional Shareholders when they wish to meet the management, on prior appointment. Through its Registrars, the Company strives to address the grievance of its shareholders on priority.

Accountability and Audit

The Board has reviewed in detail the contents of the Annual Financial Statements and has verified its adherence to principles of accounting, corporate laws and norms laid down for transparent disclosure and accepted accounting policies.

Internal Control

A professional firm of Chartered Accountants conducts the internal audit of the Company's transactions regularly. The audit reports and actions taken are placed before the Audit Committee on a periodic basis for a review and to ensure the adequacy and effectiveness of the internal controls.

Statutory Compliance

The Company has complied with the requirements of the Colombo Stock Exchange on all matters related to capital markets during the year. No penalties have been imposed on the Company by the authorities.

COMPLIANCE OF CSE RULES ON CORPORATE GOVERNANCE

Rule No.	Subject	Applicable requirement	Compliance status	Details
7.10.1a	Non-Executive Directors on the Board	Two Non-Executive Directors or one third of the total number of Directors should be Non-Executive Directors	Complied	Five out of Six Directors are Non-Executive Directors
7.10.2 a	Independent Directors	Two or one third of Non-Executive Directors (whichever is higher) should be Independent	Complied	Two of the Five Non-Executive Directors are Independent
7.10.2 b	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Complied	Non-Executive Directors have submitted the declaration in compliance with the CSE rules
7.10.3 a	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Complied	Please Refer pages 16 to 17
7.10.3 c	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including their expertise	Complied	Please Refer pages 15 to 19
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Names of members of Remuneration Committee are available on page 51
7.10.5 a	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be independent	Complied	Remuneration Committee consists of three Non-Executive Directors of which two are Independent. Chairman of the Remuneration Committee is an Independent Non-Executive Director
7.10.5 b	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration payable to Chief Executive Officer and Executive Officers	Complied	Please refer Remuneration Committee Report on page 51
7.10.5 c	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out;	Complied	Please refer page 51
		i) Names of Directors comprising the Remuneration Committee	Complied	Please refer page 51
		ii) Statements of Remuneration policy & Committee Report	Complied	Please refer page 51
		iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Complied	Please refer page 73

COMPLIANCE OF CSE RULES ON CORPORATE GOVERNANCE *(contd)*

Rule No.	Subject	Applicable requirement	Compliance status	Details
7.10.6	Audit Committee	The Company shall have an Audit Committee	Complied	Names of members of the Audit Committee are available on pages 52 to 53
7.10.6 a	Composition of the Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Complied	Audit Committee consists of three Non-Executive Directors, two of whom are Independent. Chairman of the Audit Committee is an Independent Non-Executive Director
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Complied	Chief Executive Officer and Chief Financial Officer attend meetings by invitation
		The Chairman of the Audit Committee or one Member should be a Member of a recognised professional accounting body	Complied	Chairman of the Audit Committee is a member of a professional accounting body
7.10.6 b	Functions of the Audit Committee	Should be as outlined in Section 7.10.6 b of the listing rules	Complied	The terms of reference of the Audit Committee adopted by the Board cover the areas described in the listing rules
7.10.6 c	Disclosure in the Annual Report relating to the Audit Committee	Names of Directors comprising the Audit Committee	Complied	Please refer pages 52 to 53
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Please refer Audit Committee report on pages 52 to 53
		The Annual Report shall contain a report by the Audit Committee setting out the manner of compliance of the functions	Complied	Please refer Audit Committee report on pages 52 to 53

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

ANNUAL
REPORT
2013/14

To the Shareholders

The Board of Directors has pleasure in presenting the 12th Annual Report and the Audited Accounts of the Company for the year ended 31 March 2014. The Directors confirm that the financial statements have been prepared in accordance with the Sri Lanka Accounting Standards, which have been consistently applied and supported by reasonable and prudent judgments and estimates.

The Audited Financial Statements were approved by the Directors at the Board Meeting held on 09 May 2014.

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 31 March 2014, which include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements, are given from page 57 onwards.

Principal Activities of the Company

The main activities of the Company are importing, blending, distributing and selling of petroleum products including lubricants and bitumen, and bunkering in Sri Lanka.

Auditors' Report

The Auditors' Report on the financial statements is set out on page 56.

Accounting Policies

The financial statements are prepared in accordance with

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

Accounting policies have been consistently applied by the Company in preparing the Financial Statements of the Company in conformity with SLFRS which requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note. 4 to the financial statements.

Changes in accounting policies are disclosed in the Note 2.2 in the financial statements.

Purchasing 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 on par with any other such supplying company without any preferences whatsoever.

The Government of Sri Lanka has not stipulated any restrictions on the retail pricing of petroleum products by Lanka IOC. Lanka IOC follows an independent policy for pricing its products in the market.

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY *(contd)*

ANNUAL
REPORT
2013/14

in the Interests Register and this is available for inspection under the terms of the Act. Particulars of entries in the Interests Register are given below:

Directors' Interests in Transactions

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No.07 of 2007. Note No. 28 to the Financial Statements deals with Directors' 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 4,800 ordinary voting shares respectively. There were no share dealings by any other Directors of the Company (Sec.200) during the accounting year.

Remuneration and Other Benefits of Directors

The aggregate remuneration and other benefits of Directors of the Company for the financial year 2013/14 amounts to LKR 19,666,529 (2012/13 - LKR 19,399,366).

Directors

The Directors of the Company as at 31 March 2014 were:

Mr. M Nene	(Chairman)
Mr. Subodh Dakwale	(Managing Director)
Prof. Lakshman R. Watawala	(Independent Non-Executive Director)
Mr. Amitha Gooneratne	(Independent Non-Executive Director)
Mr. B Ashok	(Non-Executive Director)
Mr. Rajiv Khanna	(Non-Executive Director)

Appointment of Auditors

A resolution to 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 2013/14 was fixed at LKR 1.2 million and a sum of LKR 1,276,500 was paid which includes the reimbursement of out-of-pocket expenses (2012/13 LKR 1,353,000) as disclosed in Note 8(a) to the Financial Statements on page 73 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. PricewaterhouseCoopers were also engaged as Tax Consultants and for other certifications/consultations at a remuneration of LKR 1,245,479 (2012/13 LKR 1,557,783) payable by the Company to the auditors for the additional services rendered to the Company. Ernst & Young were engaged as Internal Auditors and a remuneration of LKR 881,406 was paid for the services rendered by them for audit and allied services.

Changes in Property, Plant and Equipment

The movements in property, plant and equipment during the year ended 31 March 2014 and having begun on 31 March 2013 are set out in Note 14(a) 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 i.e. 75.12% are held by Indian Oil Corporation Limited, India. The total retained earnings of the Company as at 31 March 2014 amounted to LKR 9,466,314,499 (2012/13 - LKR 5,451,744,626).

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY *(contd)*

ANNUAL
REPORT
2013/14

Statutory Payments

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

Contribution to the Exchequer

Your Company has been making enormous contribution to the exchequer. During the year, LKR 11,637.419 million (2012-13 LKR 10,903.062 million) was paid to the exchequer in the form of various duties, taxes and other statutory levies to the relevant authorities.

Stated Capital and Control

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

Turnover

The turnover increased from LKR 75.111 billion in 2012/13 to LKR 81.793 billion showing a growth of 8.9%. The increase in the turnover came from increased sale of auto fuels compared to the previous year which is reflective of the growth in the economic activities of the country as a result of continued efforts from the Government of Sri Lanka towards economic development of the nation.

Operation

While the world's climate has always varied naturally, the vast majority of scientists now believe that rising concentrations of greenhouse gases in the Earth's atmosphere, resulting from economic and demographic growth over the last two centuries since the industrial revolution, are overriding this natural variability and leading to irreversible climate change. Since the Industrial Revolution, developed countries produced increasing quantities of greenhouse gases, due to burning of fossil

fuels such as coal, oil and natural gas to drive our vehicles and power our industries. If no climate policy interventions are implemented, future climate changes would have adverse impacts on developing countries such as Sri Lanka. The developmental sectors that emit most of CO₂ include industrial, power, transport, and agriculture sectors.

Oil is the world's primary fuel source for transportation. Oil poses major environmental problems, and the world's heavy reliance on it for transportation makes it difficult to reduce consumption. Besides the environmental degradation caused by oil spills and extraction, combustion of oil releases fine particulates which can lead to serious respiratory problems, and is a major source of greenhouse gas emissions.

European countries sensed the problem of vehicle emission in the 1960s and 70s and made various efforts to reduce the same. The world automobile industry is constantly inventing new technologies to make transport vehicles more fuel efficient and reduce emissions. Similarly, the world oil industry is continuously contributing towards producing cleaner fuels. A series of emission standards with regulatory framework have been defined with labelling as Euro 1, Euro 2, Euro 3, Euro 4 and Euro 5. Since 2005, vehicles meeting Euro 3 standards are being produced by all major auto manufacturers. The automobile sector in Sri Lanka is totally dependent on imported vehicles from Europe, Japan, Korea and India. The engines of such vehicles imported from these regions are designed for higher fuel standards.

Lanka IOC understands the importance of reducing the greenhouse gas emissions being contributed by the transport sector in our beloved country and commenced selling cleaner fuels from its petrol sheds from November 2011 by launching Euro 3 standard petrol.

We believe that most of the diesel vehicles in Sri Lanka have clean diesel combustion technology which is better able than ever before to help users improve efficiency and minimise environmental impacts. Taking a cue from this, Lanka IOC from March 2014 commenced selling Super

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY *(contd)*

ANNUAL
REPORT
2013/14

Diesel meeting the Euro 3 quality standards through its petrol sheds to contribute to cleaner and more efficient methods of transporting freight and people. By incorporating cleaner diesel usage in their operations, users can maintain or improve performance with reduced impact on the world around them.

Auto Fuel Sales

Performance of the auto fuel sector was exemplary during 2013/14 as this segment generated more than 72% of the topline during the year. While sale of petrol grew by 2%, the sale of diesel grew by 41% after price equalisation with CPC in February 2013. The Company maintained its thrust on branded fuels which are more environment-friendly and that ensure better pick-up of the vehicle and better performance of the engine.

While XtraPremium Euro3, the recommended fuel for new generation vehicles grew by 16.7%, XtraPremium 95 octane and XtraMile registered a growth of 33.2% & 39.4% respectively. The growth in the sale of the branded fuels is a clear indication that the customers have started deriving the benefits and have understood the added advantages branded fuels offer in enhancing engine performance and in improving the life of the engine.

The Company laid emphasis on taking value-added initiatives at its petrol sheds. While two of the high-selling Petrol sheds were fully automated, LED lighting was added in three of the Colombo city-based petrol sheds to enhance the level of services to the valued customers. Needless to mention, a host of other value-added services have been provided at the petrol sheds, namely Cargills Food City outlets, emission testing equipment, nitrogen facility, etc., making fuelling at Lanka IOC petrol sheds a truly enriching experience.

While 52 of the Company sheds were already refurbished, in 2013/14 the Company embarked upon a major drive for refurbishment of the remaining Company sheds at a huge cost and it is planned to complete the refurbishment of all Company sheds within 2014/15.

The Company also planned network expansion by setting up new petrol sheds in either unrepresented markets or where the existing petrol sheds are unable to properly cater to the fuel demands of the customers. As part of this expansion activity, petrol facility has also been added at 3 standalone Laugfs Auto LPG stations as part of a MOU with them.

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 are exempt from income tax for a period of 10 years from FY 2002/03 which expired in February 2013. Taxes at a concessional rate of 15% has been charged for the Financial Year 2013/14 as per the agreement with the BOI.

Earning of Foreign Exchange

During the financial year under review, your company has earned valuable foreign exchange amounting to approximately US Dollar 94.43 million through its operations.

Other Income

In continuous efforts to optimise its income from various sources, your company earned LKR 17.277 millions during the year, through rents from lease of hoardings, space and amenities at the various retail outlets.

Funding Operations

In keeping with its aim for basing its funding and other credit facilities with banks, the Company renewed facility agreements with different banks based in Colombo and Singapore at very attractive rates of interest. This has helped to reduce the interest cost considerably during the financial year under review.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY *(contd)*

ANNUAL
REPORT
2013/14

HR Initiatives

At Lanka IOC, it has been our constant endeavour to look after the welfare of the employees and in this direction, various steps/initiatives have been taken by the company during 2013/14.

While during the year, the entitlements/allowances were revised for the employees, efforts are also on to enhance the overall compensation package for all employees in the near future. Promotion to as many as 13 deserving employees was also given keeping in mind the career progression of the employees.

Continuing our focus on regularly improving the capability of the employees, we continued with imparting functional and developmental training to a maximum number of employees. While more than 25 functional programmes were arranged through various management institutions/bodies, many developmental programmes were also arranged through both local and internationally-renowned experts in this field. The benefits of such programmes has been tremendous to say the least. While the employees feel more empowered with the functional training they have undergone, the developmental programmes have been extremely useful in improving the bonding and cohesion amongst the employees and thereby the productivity.

Our emphasis on gender equality and women empowerment has been maintained and this year also International Women's Day was observed wherein the contribution of women employees in the company's progress was appreciated. As a special gesture, a comprehensive health check-up was also arranged at Lanka Hospital for them.

Continuing with the welfare measures, a one time lump-sum grant of LKR 1 million was made by the Company towards the Thrift Society of ex-CPC employees of Lanka IOC at Trincomalee.

As a step indicating the commitment of the organisation to conduct business with a strong environmental

conscience ensuring sustainable development, safety at workplace and enrichment of quality of life of employees, customers and community, the Health, Safety and Environment Policy was implemented during 2013/14.

CSR Project

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

Numerous projects covering education, environment, health etc., were carried out by the company and a detailed report on all activities are covered under Sustainability Report in the annual report.

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 and being evolved. The Internal Auditors of the Company are M/s Ernst and Young, Chartered Accountants, Colombo and the scope of their audit covers internal procedures, controls and systems, risk analysis, financial operations, etc. Auditors directly report their observations to the Audit Committee of the Board with recommendations. Monthly reports are presented to the Company Management, discussed and appropriate actions taken where necessary as recommended by the Internal Auditors. The Management Committee reviews the systems, practices and risks faced by the Company due to changes in the business environment, developments in the market, Government policies, etc. and regularly initiates appropriate actions to mitigate the risks and reorient business strategies.

The Management holds a Risk Management Meeting comprising of all its Heads of Departments every quarter to analyse the existing, new risks, etc., encountered by the Company and take appropriate mitigating measures to minimise the losses.

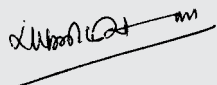
ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY *(contd)*

ANNUAL
REPORT
2013/14

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.

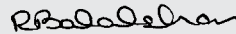
Signed on behalf of the Board



Subodh Dakwale
Managing Director



Prof. Lakshman R. Watawala
Director



Rajanie Balakrishnan
Company Secretary

5 August 2014

Events after the Reporting Period

No events have occurred since the Statement of Financial Position date which would require adjustments to, or disclosure, in the Financial Statements.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditors' 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.

The Directors are required by Sections 150 (1) and 151 (1) of the Companies Act No.07 of 2007, to prepare financial statements 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 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 the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

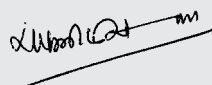
The Directors confirm that in preparing the financial statements exhibited on pages 57 to 86 inclusive, appropriate accounting policies have been selected and applied on a consistent basis, while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

The Directors are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy the financial position of the Company and enable them to ensure that financial statements comply with the Companies Act No. 07 of 2007.

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

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

By Order of the Board



Subodh Dakwale
Managing Director

5 August 2014

CEO'S & CFO'S RESPONSIBILITY STATEMENT

ANNUAL
REPORT
2013/14

The Financial Statements of Lanka IOC PLC as at 31 March 2014 are prepared and presented in conformity with the requirements of the following:

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

The Significant Accounting Policies were changed during the F/Y 2012-13 to conform with the new Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, which became effective from 1 January 2012. The Significant Accounting Policies applied in the preparation of the Financial Statements are appropriate and are consistently applied, except as stated in the notes accompanying the Financial Statements. New accounting standards issued but not effective for the F/Y 2013-14 had not been early adopted.

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

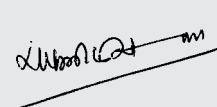
The Board of Directors and Management of our Company accept responsibility for the integrity and objectivity of these Financial Statements. The Estimates and Judgments relating to Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true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

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

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

The Financial Statements were audited by M/s. PricewaterhouseCoopers, 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.



Subodh Dakwale
Managing Director



Saurav Mitra
Senior Vice President
(Finance)

5 August 2014

REMUNERATION COMMITTEE REPORT

The Remuneration Committee consists of three Non-Executive Directors, namely Prof. Lakshman R. Watawala, Mr. Amitha Gooneratne and Mr. Rajiv Khanna of which the first two are Independent Directors. The Committee is chaired by Prof. Lakshman R. Watawala, an Independent Non-Executive Director. The Managing Director also participates in the Committee meetings as and when requested for by the Committee, and assists by providing relevant information during the deliberations. The Chairman and the other Members of the Committee are appointed by the Board.

The Committee lays down guidelines and parameters for the compensation structures of directly recruited Executives and Staff of the Company. The primary objective of the compensation packages is to attract and retain highly-qualified and experienced workforce 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 shareholder returns.

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



Prof. Lakshman R. Watawala

*Chairman,
Remuneration Committee*

5 August 2014

Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises of three Non-Executive Directors of which two are Independent Directors. The Committee is chaired by Prof. Lakshman R. Watawala, an Independent Director. The other two Committee Members comprise of Mr. Amitha Gooneratne, an Independent Director and Mr. Rajiv Khanna, a Non-Executive Director. Mr. Subodh Dakwale - Managing Director, Mr Saurav Mitra – Senior Vice President (Finance) and Mr. Raj Kumar Chowdhary - Vice President (Finance) attend the Audit Committee Meetings by invitation.

The Chairman of the Audit Committee is a senior Chartered Accountant, acclaimed for his professional knowledge and expertise in financial/company matters. The brief profile of the Audit Committee members is given on page 17. Their individual as well as collective knowledge on financial and legal matters and their business acumen are brought to bear in the deliberations and judgments on matters that come up in the Committee deliberations.

Functions of the Audit Committee

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

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with the management and statutory and internal auditors, the adequacy of internal control systems.
- Discussing with internal auditors on the Annual Internal Audit Programme, Significant Audit Findings and follow-up on such issues.
- Post-audit discussion to ascertain any concerns.
- Reviewing the Company's financial and risk management policies.

Tasks of the Audit Committee

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies and 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 and 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 has approved the actions to be taken by the Company so as to manage and mitigate the impact arising from such risks.

Internal Audit

The Committee reviews the accounting system and the scope and 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 Ernst & Young, Colombo. Follow-up reviews are scheduled periodically to ascertain that audit recommendations are being acted upon.

External Audit

The Committee also deliberates with the external auditors 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.

AUDIT COMMITTEE REPORT

(contd)

Appointment of External Auditors

The Audit Committee, as a good practice of corporate governance and considering the Auditor rotation policy, recommended to the Board of Directors the replacement of existing statutory auditors M/s PricewaterhouseCoopers after the Annual General Meeting on 16 September 2014. Further, the Audit Committee after evaluation of the proposals received from reputed auditors to undertake the Audit work for the ensuing year, has also recommended to the Board of Directors that M/s Ernst & Young be appointed as Auditors for the financial year ending 31 March 2015, subject to the approval of the Shareholders at the Annual General Meeting.

Meetings

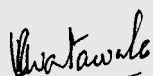
The Committee held four meetings during the financial year 2013/14 to discuss the matters within its purview. The Committee Members present at the meetings were as follows:

S/No	Date	Venue	Strength of the Committee	No. of Members Present	Names of the Members Present	Names of Members - excused
1	16.05.2013	Colombo	3	3	Prof. L.R. Watawala Mr. V.K. Gupta Mr. Amitha Gooneratne	---
2	06.08.2013	Mumbai	3	2	Prof. L.R. Watawala Mr. Rajiv Khanna	Mr. Amitha Gooneratne
3	11.11.2013	Negombo	3	3	Prof. L.R. Watawala Mr. Amitha Gooneratne Mr. Rajiv Khanna	---
4	07.02.2014	Nuwara Eliya	3	3	Prof. L.R. Watawala Mr. Amitha Gooneratne Mr. Rajiv Khanna	---

Conclusion

The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) effective from 1 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL). The financial statements are prepared under the historical cost convention except for defined benefit obligation which is measured at present value of the obligation.

The Audit Committee is satisfied that the Company's accounting policies and operational 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

Remuneration Committee

5 August 2014

PREMIUM 95
PERFORMANCE, FIRST TIME EVERY TIME



Lanka Petrol 92
ලංකා 92 බැන්ඩ් 92





XTRA PREMIUM
EURO 3
NO OZONE POTENTIAL, NO SULFUR, NO LEAD



Taking those Xtra steps...

Drive beyond your expectations with XtraMile and XtraPremium, high-quality branded fuel from Lanka IOC, designed for optimal engine performance.

INDEPENDENT AUDITORS' REPORT

ANNUAL
REPORT
2013/14



To the members of Lanka IOC PLC

Report on the Financial Statements

1 We have audited the accompanying financial statements of Lanka IOC PLC, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements as set out on pages 57 to 86.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

4 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2014 and of its results and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

5 These financial statements also comply with the requirements of Sections 151(2) of the Companies Act, No. 7 of 2007.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

CHARTERED ACCOUNTANTS

9 May 2014

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees)

ANNUAL
REPORT
2013/14

	Notes	Year ended 31 March	
		2014	2013
Sales	5	81,792,755,491	75,110,530,155
Cost of sales	6	(73,481,214,015)	(69,721,226,729)
Gross profit		8,311,541,476	5,389,303,426
Other operating income	7	31,228,188	38,109,710
Selling and distribution expenses		(1,748,268,910)	(1,675,863,662)
Administrative expenses		(875,303,769)	(889,165,513)
Operating profit	8	5,719,196,985	2,862,383,961
Finance income	9	301,045,004	267,033,857
Finance costs	9	(258,481,070)	(138,840,324)
Profit before tax		5,761,760,919	2,990,577,494
Tax	10	(948,399,926)	(81,398,595)
Profit for the year		4,813,360,993	2,909,178,899
Other comprehensive (loss) / income			
Actuarial (loss) / gain on retirement benefit obligations	21	(108,896)	2,327,318
Tax credit / (charge) on actuarial loss / gain	10	16,334	(349,098)
Other comprehensive (loss) / income - net of tax		(92,562)	1,978,220
Total comprehensive income for the year		4,813,268,431	2,911,157,119
Earnings per share attributable to the owners of the Company during the year			
(expressed in LKR per share)			
Basic earnings per share	11	9.04	5.46

The Notes on pages 61 to 86 form an integral part of these financial statements.

Report of the independent auditors on page 56.

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees)

ANNUAL
REPORT
2013/14

	Notes	31 March 2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,341,115,047	3,264,570,198
Investment	15	4,394,000,000	4,394,000,000
Intangible assets	16	676,571,878	678,414,226
		8,411,686,925	8,336,984,424
Current assets			
Inventories	17	7,928,943,431	10,240,468,187
Trade and other receivables	18	1,886,184,591	2,570,303,335
Income tax recoverable		-	365,370,909
Cash and cash equivalents	19	8,757,743,308	3,187,156,121
		18,572,871,330	16,363,298,552
Total assets		26,984,558,255	24,700,282,976
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	20	7,576,573,900	7,576,573,900
Retained earnings		9,466,314,499	5,451,744,626
		17,042,888,399	13,028,318,526
Non-current liabilities			
Retirement benefit obligations	21	47,185,447	41,038,013
Deferred tax liability	22	30,266,660	5,486,095
		77,452,107	46,524,108
Current liabilities			
Trade and other payable	23	3,213,040,673	7,257,968,175
Income tax payable		528,566,429	-
Borrowings	24	6,122,610,647	4,367,472,167
		9,864,217,749	11,625,440,342
Total liabilities		9,941,669,856	11,671,964,450
Total equity and liabilities		26,984,558,255	24,700,282,976

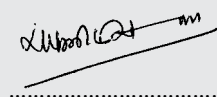
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.



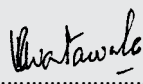
Senior Vice President (Finance)

Date : 09/05/2014

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue and signed on behalf by Board of Directors on 09/05/2014.



Managing Director
Date : 09/05/2014



Director
Date : 09/05/2014

The Notes on pages 61 to 86 form an integral part of these financial statements.
Report of the independent auditors on page 56.



STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lanka Rupees)

ANNUAL
REPORT
2013/14

	Stated capital	Retained earnings	Total
Balance at 1 April 2012	7,576,573,900	2,540,587,507	10,117,161,407
Profit for the year	-	2,909,178,899	2,909,178,899
Other comprehensive income for the year	-	1,978,220	1,978,220
Balance at 31 March 2013	7,576,573,900	5,451,744,626	13,028,318,526
Balance at 1 April 2013	7,576,573,900	5,451,744,626	13,028,318,526
Profit for the year	-	4,813,360,993	4,813,360,993
Other comprehensive loss for the year	-	(92,562)	(92,562)
Transaction with owners of the Company recognised directly in equity			
Dividend paid [Note 12]	-	(798,698,558)	(798,698,558)
Balance at 31 March 2014	7,576,573,900	9,466,314,499	17,042,888,399

The Notes on pages 61 to 86 form an integral part of these financial statements.
Report of the independent auditors on page 56.

CASH FLOW STATEMENT

(all amounts in Sri Lanka Rupees)

ANNUAL
REPORT
2013/14

	Notes	Year ended 31 March	
		2014	2013
Cash flows from operating activities			
Cash generated from operations	27	4,737,014,209	1,719,646,622
Interest paid	9	(91,117,945)	(116,024,224)
Interest received	9	301,045,004	104,254,019
Retirement benefits paid	21	(1,788,069)	(2,663,010)
Economic service charge and income tax paid		(29,665,689)	(130,078,382)
Net cash generated from operating activities		4,915,487,510	1,575,135,025
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(303,778,816)	(195,774,335)
Purchase of computer software	16	-	(2,064,227)
Proceeds from disposal of property, plant and equipment		2,438,571	4,379,697
Dividend paid		(798,698,558)	-
Net cash used in investing activities		(1,100,038,803)	(193,458,865)
Cash flows from financing activities			
Repayment of borrowing		(45,334,693,045)	(45,352,288,170)
Proceeds from borrowings		47,089,831,525	45,459,280,389
Net cash generated from financing activities		1,755,138,480	106,992,219
Net increase in cash and cash equivalents		5,570,587,187	1,488,668,379
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		3,187,156,121	1,698,487,742
Increase in cash and cash equivalents		5,570,587,187	1,488,668,379
Cash and cash equivalents at end of year	19	8,757,743,308	3,187,156,121

The Notes on pages 61 to 86 form an integral part of these financial statements.

Report of the independent auditors on page 56.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in notes are shown in Sri Lanka Rupees unless otherwise stated)

ANNUAL
REPORT
2013/14

1 General information

The Company commenced commercial operations of importing, selling and distribution of petroleum products on 14 February 2003.

The Company has been granted a Petroleum Products License by the Minister of Power and Energy which gives authority to import, export, store, 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.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with and comply with Sri Lanka Accounting Standards ("SLAS") under the historical cost convention except for defined benefit obligation which is measured at present value of the obligation.

The preparation of financial statements in conformity with SLAS 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. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

- (a) New and amended standards adopted by the Company.

There are no SLAS or IFRIC interpretations that are effective for the first time for the financial

year beginning on or after 1 April 2013 that would be expected to have a material impact on the Company.

- (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2013 and not early adopted.

SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and Financial liabilities. SLFRS 9 was issued in November 2009 and October 2010. It replaces the parts of LKAS 39 that relate to the classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess SLFRS 9's full impact and intends to adopt SLFRS 9 no later than the accounting period beginning on or after 1 January 2015.

SLFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess SLFRS 10's full impact and intends to adopt SLFRS 10 no later than the accounting period beginning on or after 1 January 2014.

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

SLFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess SLFRS 12's full impact and intends to adopt SLFRS 12 no later than the accounting period beginning on or after 1 January 2014.

SLFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs. The Company is yet to assess SLFRS13's full impact and intends to adopt SLFRS 13 no later than the accounting period beginning on or after 1 January 2014.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the statement of comprehensive income.

2.4 Property, plant and equipment

Land and buildings comprise mainly retail outlets and terminals. All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

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 principal annual rates used for this purpose are:

Buildings	15 years
Plant and equipment	8 years
Motor vehicles	5 years
Furniture and fittings and interior furnishing	5 years
Office equipment	4 years

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income in the statement of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.5 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 be individually identified and separately recognised. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) License fees on computer software

License fees represent costs pertaining to the licensing of software applications purchased. License fees are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 5 years.

2.6 Accounting for leases - where the Company is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.7 Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

2.8 Financial assets

(a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At the reporting date there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

(b) Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(c) Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. Cash flows relating to loans and receivables falling due within a period of less than one year are not discounted if the effect of discounting is immaterial.

Impairment testing of trade receivables is described in Note 2.11.

2.9 Investments in associates

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 and hence the adoption of the equity method is inappropriate.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

determined using the weighted average method for lubricant finished goods and first-in first-out (FIFO) method for other products. This includes direct costs on transport, handling costs and insurance.

Net realisable value is the estimate of selling price in the ordinary course of business, less the cost of completion and selling expenses. Provision is made where necessary for slow moving, defective and obsolete stocks.

2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. In the statement of financial position, bank overdrafts are

included in borrowings in current liabilities.

2.13 Stated capital

Ordinary Shares are classified as equity.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value (which is the purchase cost of the company) and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

2.16 Current and deferred income tax

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.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority

on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Defined contribution plans

All local employees of the Company are members of the Employees' Provident Fund and Employees' Trust Fund. The employer contributes to the above two funds at the rate of 15% and 3% respectively of such employees' basic or consolidated wage or salary and meal allowance, as applicable, for Trincomalee-based (erstwhile CPC) employees. The contribution of the employer to these funds for other employees is 12% and 3% respectively.

(b) Defined benefit obligation

A defined benefit plan is a plan that is not a defined contribution plan. Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Company has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is unfunded. Provision for gratuity is made by the Company taking account of the recommendation of an independent qualified actuaries firm, Messrs Actuarial & Management Consultants (Private) Limited [Formerly Messrs Watson Wyatt Lanka (Private) Limited] who carried out actuarial valuation as at 31 March 2014.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date, together with adjustments for unrecognized past service cost. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard-LKAS19; Employee Benefits. The present value of the defined benefit obligation

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

is determined by discounting the estimated future cash flows using the interest rates of long-term governments bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related gratuity liability. Past service costs are recognised immediately in the statement of comprehensive income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Actuarial gains and losses from experience adjustments and changes in actuarial assumptions are recognised under other comprehensive income of the statement of comprehensive income.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 21 to the financial statements.

2.18 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured,

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method unless collectability is in doubt.

2.20 Dividend income

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

2.21 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.

2.22 Comparatives

Where necessary, comparative figures have been adjusted to confirm with changes in presentation in the current year.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks. Market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

on the unpredictability of financial risks and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is performed by the finance department under policies approved by the board of directors.

The principal financial instruments of the Company comprise of short-term deposits, money market investments, and cash. The main purpose of these finance instruments is to raise and maintain liquidity for the Company's operations, and maximize returns on the Company's financial reserves. The Company has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

(a) Foreign exchange risk

The Company is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR). The Company's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances, trade receivables, and trade payables are denominated in foreign currencies.

The Company's financial statements which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect the Company's cost of materials purchased and services obtained from related companies in foreign currencies. In particular, depreciation of the LKR against the USD can impact the Company's operating results through its impact on cost of imported raw materials.

As at 31 March 2014, if LKR had weakened by 1% against USD with all other variables held constant, will result in foreign exchange loss of LKR 87,751,860 (2013 - LKR 78,045,186).

(b) Credit risk

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Trade receivables

The Company is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. The management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Management does not expect any losses from non-performance by these counterparties. Details of the credit risk is disclosed in Note 13 (b).

Bank balances

The Company invests in bank deposit and repo investments. The Company limits the concentration of financial exposure to any single financial institutions. Funds are invested in rated financial institutions as noted in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

(contd)

(c) Liquidity risk

Cash flow forecasting is performed by the finance division. The finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Surplus cash held over and above balance required for working capital management is invested in interest bearing savings accounts and short-term repo investments. At the reporting date, the Company held repo investments of LKR 7,915,000,000 (2013 - LKR 2,151,000,000) and other liquid assets of LKR 842,743,308 (2013 - LKR 1,036,156,121) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Total
At 31 March 2014		
Borrowings	6,122,610,647	6,122,610,647
Trade and other payables (excluding statutory liabilities)	2,651,180,217	2,651,180,217
At 31 March 2013		
Borrowings	4,367,472,167	4,367,472,167
Trade and other payables (excluding statutory liabilities)	7,143,613,958	7,143,613,958

(d) Interest rate risk

The Company's interest rate risks arises from the borrowings and repo investments.

The function in the London Inter Bank Offer Rate (LIBOR) and the Money Market rate results in the effective interest rate of borrowings and repo investments respectively, usually without a corresponding charge in the fair value.

The Company analyses the interest rate exposure on a dynamic basis monitoring LIBOR and Money Market rates.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

3.2 Capital risk management

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

	2014	2013
Total borrowings [Note 24]	6,122,610,647	4,367,472,167
Less :- cash and cash equivalents [Note 19]	(8,757,743,308)	(3,187,156,121)
Net debt	-	1,180,316,046
Total equity	17,042,888,399	13,028,318,526
Total capital	17,042,888,399	14,208,634,572
Gearing ratio	0%	8%

4 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

4.1 Estimated useful lives of property, plant and equipment (PPE)

The Company reviews annually the estimated useful lives of PPE 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 PPE would increase the recorded depreciation charge and decrease the PPE balance.

4.2 Income taxes

The Company is subject to income taxes in Sri Lanka. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax assessment issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and different from the amounts that were ideally recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.3 Provisions

The Company recognises provision when they have a present legal or constructive obligations arising as a result of past event, and if is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. The recording of provisions required the application of judgment about ultimate resolution of their obligations. As a result, the reviewed at each settlement of financial position date and adjusted to reflect the Company's best estimate.

4.4 Impairment of trade receivables

The Company assesses at the date of statement of financial position whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual are anticipated impairments.

4.5 Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in 2.5.

The recoverable amount of cash generating unit has been determined based on value-in-use calculation. These calculations required the use of estimates.

4.6 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 pension 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 pension obligation.

Other key assumptions for gratuity obligations are based in part on current market conditions, additional information is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

(contd)

ANNUAL
REPORT
2013/14

5 Revenue

	Year ended 31 March	
	2014	2013
Domestic sales		
Xtrapremium 95	3,032,791,236	2,243,599,239
Lanka petrol 92 octane	5,532,869,086	-
Lanka petrol 90 octane	16,452,703,713	21,770,109,979
Lanka auto diesel	22,289,935,140	14,358,167,397
Xtramile	3,397,173,352	2,391,669,019
Lanka super diesel	745,772,156	551,734,441
Xtrapremium Euro 03	8,096,972,781	6,653,567,258
Bunkering operations	94,274,167	101,659,395
Lubricants	2,216,018,379	1,655,858,866
Bitumen	7,086,365,632	7,262,357,310
	68,944,875,642	56,988,722,904
Export sales		
Lubricants	37,284,670	86,302,809
Bunkering operations	12,810,595,179	17,234,358,212
Bulk export	-	801,146,230
	12,847,879,849	18,121,807,251
Total sales	81,792,755,491	75,110,530,155

6 Cost of sales

The cost of sales includes the FOB, C & F, CIF and DAP cost (as applicable), customs/excise duties and taxes, port charges, terminal charges, blending expenses, transportation charges etc. incurred on import of raw materials and petroleum products.

7 Other operating income

	Year ended 31 March	
	2014	2013
Income from Ceylon Petroleum Corporation	4,968,216	1,635,599
(Loss) / profit on disposal of property, plant and equipment	(4,262,898)	2,746,426
Rental income	17,277,464	21,507,560
Sundry income	13,245,406	12,220,125
	31,228,188	38,109,710

NOTES TO THE FINANCIAL STATEMENTS

(contd)

8 Operating profit

(a) Expenses by nature

	Year ended 31 March	
	2014	2013
Directors' emoluments	19,666,529	19,399,366
Auditors' remuneration		
- Statutory audit fee	1,276,500	1,353,000
- Other permitted services	1,214,219	1,236,103
Depreciation [Note 14]	220,532,498	205,129,040
Amortisation charge [Note 16]	1,842,348	2,216,857
Staff costs [Note 8 (b)]	324,086,698	321,875,166
Lease rent - Trincomalee	13,049,300	11,807,075
Corporate Social Responsibility Expenses	19,226,910	3,774,634
Payments under voluntary retirement scheme	-	1,896,180
Provision for receivables	-	125,067,375
Cost of goods sold	73,153,110,521	69,506,459,729
Storage and handling expenses	1,011,150,094	888,271,081
Direct expenses	328,103,495	214,767,000
Transport expenses	778,797,900	766,825,066
Advertising costs	16,119,435	20,767,514
Other expenses	216,610,247	195,435,718
Total cost of sales, distribution and administration cost	76,104,786,694	72,286,255,904

(b) Staff costs

	Year ended 31 March	
	2014	2013
Salaries and wages	298,383,905	298,928,467
Defined contribution plans	17,876,186	16,128,088
Defined benefit plan [Note 21]	7,826,607	6,818,611
	324,086,698	321,875,166
Number of staff	177	175

NOTES TO THE FINANCIAL STATEMENTS

(contd)

9 Net finance income

	Year ended 31 March	
	2014	2013
Finance income		
Interest income	301,045,004	104,254,019
Exchange gain	-	162,779,838
	301,045,004	267,033,857
Finance costs		
Interest expense	(91,117,945)	(116,024,224)
Exchange loss	(143,572,143)	-
Bank charges	(23,790,982)	(22,816,100)
	(258,481,070)	(138,840,324)
Net finance income	42,563,934	128,193,533

10 Tax

	Year ended 31 March	
	2014	2013
Current tax	923,511,065	76,261,598
Adjustments in respect of prior years	91,962	-
Deferred tax [Note 22]	24,796,899	5,136,997
	948,399,926	81,398,595

The tax on the Company's profit before tax differs from theoretical amount that would arise using the basic tax rate of the Company as follows:

	Year ended 31 March	
	2014	2013
Profit before tax	5,761,760,919	2,990,577,494
Tax calculated at a tax rate of 15% (2013 - 15%)	864,264,138	448,586,624
Adjustments in respect of prior years	91,962	-
Tax impact of expenses not deductible for tax purpose	37,283,183	5,455,295
Tax impact of income not subject to tax	(454)	(382,517,724)
Tax impact of interest income taxable at different rate	(45,156,297)	(15,638,103)
Adjustment due to the estimated deferred tax base in previous year	7,625,640	(3,669,463)
Tax charge on profit from trade or business	864,108,172	52,216,629
Interest income	301,041,977	104,221,308
Tax calculated at a tax rate of 28% (2013 - 28%)	84,291,754	29,181,966
Total tax charge for the year	948,399,926	81,398,595
Tax recognised in other comprehensive (loss) / income.		
Tax credit / (charge) on actuarial loss / (gain)	16,334	(349,098)

NOTES TO THE FINANCIAL STATEMENTS

(contd)

11 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the number of shares in issue as at end of the year.

	Year ended 31 March	
	2014	2013
Profit attributable to shareholders	4,813,360,993	2,909,178,899
Number of ordinary shares in issue at 31 March [Note 20]	532,465,705	532,465,705
Basic earnings per share	9.04	5.46

12 Dividends

During the year the Company paid a final dividend of LKR 1.00 per share amounting to LKR 532,465,705 in respect of 2012/2013.

The Company paid an interim dividend of LKR 0.50 per share amounting to LKR 266,232,853 for the year ended 31 March 2014.

13 (a) Financial instrument by category

	Loans and receivables	Total
31 March 2014		
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	1,868,401,128	1,868,401,128
Cash and cash equivalents [Note 19]	8,757,743,308	8,757,743,308
	10,626,144,436	10,626,144,436

	Other financial liabilities	Total
31 March 2014		
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	2,651,180,217	2,651,180,217
Borrowings [Note 24]	6,122,610,647	6,122,610,647
	8,773,790,864	8,773,790,864

	Loans and receivables	Total
31 March 2013		
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	2,556,318,062	2,556,318,062
Cash and cash equivalents [Note 19]	3,187,156,121	3,187,156,121
	5,743,474,183	5,743,474,183

NOTES TO THE FINANCIAL STATEMENTS

(contd)

13 (a) Financial instrument by category (contd)

	Other financial liabilities	Total
31 March 2013		
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	7,143,613,958	7,143,613,958
Borrowings [Note 24]	4,367,472,167	4,367,472,167
	11,511,086,125	11,511,086,125

13 (b) Credit quality of financial asset

	2014	31 March 2013
Neither past due nor impaired	1,446,289,986	2,083,837,584
Past due but not impaired	161,540,098	104,089,138
	1,607,830,084	2,187,926,722

The past due but not impaired balance relates to a number of independent customers for whom there is no recent history of default. The age analysis of past due but not impaired balance is as follows:

	2014	31 March 2013
Up to 3 months	62,659,377	5,520,010
3 to 6 months	6,013,817	7,272,338
Over 6 months	92,866,904	91,296,790
	161,540,098	104,089,138

The impaired receivables of LKR 607,410,035 (2013 - LKR 607,410,035) have been fully provided for.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivables

	2014	31 March 2013
Existing customers for more than 6 months	1,446,289,986	2,083,837,584
	1,446,289,986	2,083,837,584

NOTES TO THE FINANCIAL STATEMENTS

(contd)

13 (b) Credit quality of financial asset (contd)

Cash at bank and short-term deposits

	Rating	2014	31 March 2013
Citibank N.A.	AAA	2,383,772,833	2,692,497,186
Standard Chartered Bank	AAA	1,170	12,022
People's Bank	AA+	8,608,888	4,443,644
Bank of Ceylon	AA+	2,065,784	3,939,602
Commercial Bank of Ceylon PLC	AA	6,287,491,196	434,071,102
ICICI Bank	AAA	3,187,275	2,879,345
State Bank of India	BBB-	28,014,747	48,983,150
Deutsche Bank	A+	44,266,169	43,119
		8,757,408,062	3,186,869,170

NOTES TO THE FINANCIAL STATEMENTS

(contd)

14 Property, plant and equipment

(a)

	Freehold land	Building and fixtures	Plant and equipment	Office equipment	Lube plant	Capital work-in-progress	Furniture and fittings	Motor vehicles	Total
At 31 March 2012									
Cost / valuation	1,972,120,668	1,378,905,377	1,132,240,481	25,064,894	416,948,742	24,471,324	21,746,707	23,901,653	4,995,399,846
Accumulated depreciation	-	(539,778,095)	(878,692,015)	(20,370,545)	(246,866,597)	-	(13,686,288)	(20,464,554)	(1,719,858,094)
Net book amount	1,972,120,668	839,127,282	253,548,466	4,694,349	170,082,145	24,471,324	8,060,419	3,437,099	3,275,541,752
Year ended 31 March 2013									
Opening net book amount	1,972,120,668	839,127,282	253,548,466	4,694,349	170,082,145	24,471,324	8,060,419	3,437,099	3,275,541,752
Additions	-	-	-	1,933,837	-	169,879,813	4,405,685	19,555,000	195,774,335
Disposals	(1,600,245)	-	-	(266,395)	-	-	-	-	(1,866,640)
Cost of depreciation on disposals	-	-	-	249,791	-	-	-	-	249,791
Transfers	-	66,242,459	108,622,561	-	-	(174,865,020)	-	-	-
Depreciation charge (note 8)	-	(94,046,164)	(46,166,293)	(3,109,555)	(56,721,106)	-	(2,740,479)	(2,345,443)	(205,129,040)
Closing net book amount	1,970,520,423	811,323,577	316,004,734	3,502,027	113,361,039	19,486,117	9,725,625	20,646,656	3,264,570,198
At 31 March 2013									
Cost / valuation	1,970,520,423	1,445,147,836	1,240,863,042	26,732,336	416,948,742	19,486,117	26,152,392	43,456,653	5,189,307,541
Accumulated depreciation	-	(633,824,259)	(924,858,308)	(23,230,309)	(303,587,703)	-	(16,426,767)	(22,809,997)	(1,924,737,343)
Net book amount	1,970,520,423	811,323,577	316,004,734	3,502,027	113,361,039	19,486,117	9,725,625	20,646,656	3,264,570,198
Year ended 31 March 2014									
Opening net book amount	1,970,520,423	811,323,577	316,004,734	3,502,027	113,361,039	19,486,117	9,725,625	20,646,656	3,264,570,198
Additions	-	-	-	9,258,337	-	288,002,420	2,622,310	3,895,749	303,778,816
Disposals	-	-	(6,701,469)	(1,017,128)	-	-	-	(1,798,126)	(9,516,723)
Cost of depreciation on disposals	-	-	-	1,017,128	-	-	-	1,798,126	2,815,254
Transfers	-	51,540,511	206,147,569	-	3,481,479	(261,169,559)	-	-	-
Depreciation charge (note 8)	-	(96,839,706)	(55,320,204)	(2,559,538)	(57,515,560)	-	(3,470,458)	(4,827,032)	(220,532,498)
Closing net book amount	1,970,520,423	766,024,382	460,130,630	10,200,826	59,326,958	46,318,978	8,877,477	19,715,373	3,341,115,047
At 31 March 2014									
Cost / valuation	1,970,520,423	1,496,688,347	1,440,309,142	34,973,545	420,430,221	46,318,978	28,774,702	45,554,276	5,483,569,634
Accumulated depreciation	-	(730,663,965)	(980,178,512)	(24,772,719)	(361,103,263)	-	(19,897,225)	(25,838,903)	(2,142,454,587)
Net book amount	1,970,520,423	766,024,382	460,130,630	10,200,826	59,326,958	46,318,978	8,877,477	19,715,373	3,341,115,047



NOTES TO THE FINANCIAL STATEMENTS

(contd)

14 Property, plant and equipment (contd)

(b) Capital work-in-progress as at 31 March 2014 represents the following:

	2014	31 March 2013
Refurbishment work		
- Trincomalee	12,136,809	-
- Retail outlets	34,182,169	19,486,117
	46,318,978	19,486,117

(c) Land

In line with the Statement of Recommended Practice of Institute of Chartered Accountants of Sri Lanka, the revaluation done by independent chartered valuer on 01 May 2004 has been considered as cost of the assets at the time of acquisition on 30 December 2003.

(d) Fully depreciated assets still in use amounting to LKR 834,331,859 (2012 - LKR 807,327,114).

15 Long-term investment

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 Ceylon Petroleum Corporation 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.

	2014	31 March 2013
At the beginning and end of the year	4,394,000,000	4,394,000,000

NOTES TO THE FINANCIAL STATEMENTS

(contd)

16 Intangible assets

	Goodwill	License fees on computer software	Total
At 31 March 2012			
Cost	759,297,552	9,627,755	768,925,307
Accumulated amortisation and impairment	(85,420,976)	(4,937,475)	(90,358,451)
Net book amount	673,876,576	4,690,280	678,566,856
Year ended 31 March 2013			
Opening net book amount	673,876,576	4,690,280	678,566,856
Additions	-	2,064,227	2,064,227
Amortisation charge [Note 8]	-	(2,216,857)	(2,216,857)
Closing net book amount	673,876,576	4,537,650	678,414,226
At 31 March 2013			
Cost	759,297,552	11,691,982	770,989,534
Accumulated amortisation and impairment	(85,420,976)	(7,154,332)	(92,575,308)
Net book amount	673,876,576	4,537,650	678,414,226
Year ended 31 March 2014			
Opening net book amount	673,876,576	4,537,650	678,414,226
Amortisation charge [Note 8]	-	(1,842,348)	(1,842,348)
Closing net book amount	673,876,576	2,695,302	676,571,878
At 31 March 2014			
Cost	759,297,552	11,691,982	770,989,534
Accumulated amortisation and impairment	(85,420,976)	(8,996,680)	(94,417,656)
Net book amount	673,876,576	2,695,302	676,571,878

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.

Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not able to be individually identified and separately recognised. Accumulated amortisation as at the statement of financial position date amounting to LKR 85,420,976 which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards, goodwill is tested annually for impairment and carried at cost less amortisation up to 2007.

NOTES TO THE FINANCIAL STATEMENTS

(contd)

17 Inventories

	2014	31 March 2013
Petroleum products	6,618,221,716	9,589,352,461
Lubricants	317,570,751	326,588,220
Base oil and other raw materials	993,150,964	324,527,506
	7,928,943,431	10,240,468,187

(a) Inventory comprises of LKR 952,054,119 (2013 - LKR 617,768,174) worth of goods in transits.

18 Trade and other receivables

	2014	31 March 2013
Trade receivables - net	1,607,830,084	2,187,926,722
Receivable from related parties [Note 28 (c)]	-	3,761,170
VAT receivable	94,395,156	217,321,486
Advances and deposits	148,235,481	132,371,285
Other receivables	17,940,407	14,937,399
Prepayments	17,783,463	13,985,273
	1,886,184,591	2,570,303,335

(b) The carrying amounts of trade and other receivables are denominated in following currencies:

	2014	31 March 2013
US Dollars	812,862,755	1,839,017,892
Sri Lankan Rupees	1,073,321,836	731,285,443
	1,886,184,591	2,570,303,335

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 13 (b) above. The Company does not hold any collateral security.

19 Cash and cash equivalents

	2014	31 March 2013
Cash at bank and in hand	842,743,308	1,036,156,121
Short-term deposits	7,915,000,000	2,151,000,000
	8,757,743,308	3,187,156,121

For the purposes of cash flow statement, cash and cash equivalents comprise the above.

Short-term deposits mainly consist of repo deposits.

NOTES TO THE FINANCIAL STATEMENTS

(contd)

20 Stated capital

	Ordinary shares	
	Number of shares	Value of shares
At 31 March 2013	532,465,705	7,576,573,900
At 31 March 2014	532,465,705	7,576,573,900

All issued shares are fully paid and do not have a par value.

21 Retirement benefit obligations

	31 March	
	2014	2013
Present value of unfunded obligation	47,185,447	41,038,013
Liabilities in the statement of financial position	47,185,447	41,038,013

The movement in the defined benefit obligation over the year is as follows:

	31 March	
	2014	2013
At 1 April	41,038,013	39,209,730
Current service cost	3,004,640	2,723,562
Interest cost	4,821,967	4,166,034
Actuarial loss / (gain)	108,896	(2,327,318)
Benefits paid	(1,788,069)	(2,663,010)
Benefits to be paid by the CPC	-	(70,985)
At 31 March	47,185,447	41,038,013

The amounts recognised in the statement of comprehensive income are as follows:

	31 March	
	2014	2013
Comprehensive income		
Current service cost	3,004,640	2,723,562
Interest cost	4,821,967	4,166,034
Benefits to be paid by the CPC	-	(70,985)
Total included in the staff costs [Note 8(b)]	7,826,607	6,818,611
Other comprehensive loss / (income)		
Actuarial loss / (gain) on post-employment benefit obligation	108,896	(2,327,318)

NOTES TO THE FINANCIAL STATEMENTS

(contd)

21 Retirement benefit obligations (contd)

The principal actuarial assumptions used were as follows:

	2014	31 March 2013
Discount rate	10.60%	11.75%
Staff turnover	6%	6%
Retiring age	60 years	60 years
Future salary increases	2 - 4% per Annum	2 - 4% per Annum

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption:

	Impact on defined benefit obligation		
	Change in the assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 4.99%	Increase by 5.50%
Staff turnover	1%	Increase by 6.45%	Decrease by 5.91%
Future salary increases	1%	Increase by 2.70%	Decrease by 2.91%

22 Deferred tax liability

	2014	31 March 2013
Deferred tax assets	(7,077,817)	(6,155,702)
Deferred tax liabilities	37,344,477	11,641,797
Deferred tax liability - (net)	30,266,660	5,486,095

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 15%. The net movement on the deferred income tax is as follows :

	Accelerated tax depreciation	Retirement benefit obligation	Total
At 1 April 2012	-	-	-
Charge / (credit) to income statement	11,641,797	(6,504,800)	5,136,997
Charge to other comprehensive income	-	349,098	349,098
At 31 March 2013	11,641,797	(6,155,702)	5,486,095
At 1 April 2013	11,641,797	(6,155,702)	5,486,095
Charge / (credit) to income statement	25,702,680	(905,781)	24,796,899
Credit to other comprehensive income	-	(16,334)	(16,334)
At 31 March 2014	37,344,477	(7,077,817)	30,266,660

NOTES TO THE FINANCIAL STATEMENTS

(contd)

23 Trade and other payables

	2014	31 March 2013
Trade payables	2,188,165,975	6,993,782,267
Trade payable to related companies [Note 28 (b)]	657,478,552	208,357,892
Accruals and other payables	367,396,146	55,828,016
	3,213,040,673	7,257,968,175

24 Borrowings

	2014	31 March 2013
Current		
Short-term loans	6,122,610,647	4,367,472,167
Total borrowings	6,122,610,647	4,367,472,167

The short-term loans are unsecured except for the loans from State Bank of India Colombo branch and Singapore branch amounting to USD 30 Mn and USD 35 Mn respectively. These two loans are secured against mortgage over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

The interest rates are as follows:

Interest Rates

Short-term loans	LIBOR + Margin
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The monthly LIBOR rate at the date of the statement of financial position was 0.14850.

25 Contingent liabilities

There were no material contingent liabilities existing at the statement of financial position date.

26 Commitments

(a) Capital commitments

Capital expenditure contracted at the end of the reporting period not yet incurred amount to LKR 95.8 Mn (2013 - LKR 101.7 Mn).

(b) Operating lease commitments - where the Company is the lessee

The Company has a commitment to pay USD 100,000 per annum to Government of Sri Lanka as leased rental for storage tanks at Trincomalee used by the Company. There were no other material financial commitments as at the statement of financial position date. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

NOTES TO THE FINANCIAL STATEMENTS

(contd)

26 Commitments (contd)

(b) Operating lease commitments - where the Company is the lessee (contd)

	2014	31 March 2013
Non-cancellable		
Not later than one year	13,068,470	12,713,550
Later than 1 year and not later than 5 years	65,342,350	63,567,750
More than 5 years	248,300,930	254,271,000
	326,711,750	330,552,300

27 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2014	31 March 2013
Profit before tax	5,761,760,919	2,990,577,494
Adjustments for:		
Depreciation [Note 14]	220,532,498	205,129,040
Amortisation of intangible asset [Note 16]	1,842,348	2,216,857
Loss/(profit) on disposal of property, plant and equipment	4,262,898	(2,762,848)
Interest income [Note 9]	(301,045,004)	(104,254,019)
Interest expense [Note 9]	91,117,945	116,024,224
Changes in working capital		
- trade and other receivables	684,118,744	380,238,173
- inventories	2,311,524,756	(1,427,104,855)
- trade and other payables	(4,044,927,502)	(447,236,055)
Increase in retirement benefit obligation [Note 21]	7,826,607	6,818,611
Cash generated from operations	4,737,014,209	1,719,646,622

28 Directors' interest in contracts and related party transactions with the Company

Indian Oil Corporation Limited (incorporated in India) holds 75.12% of the Company's issued share capital.

Mr Subodh Dakwale - Managing Director, Mr Saurav Mitra - Senior Vice President (Finance) and Mr Sunil Kaleshwari - Vice President (Operation and Bunkering) were directors of Ceylon Petroleum Storage Terminal Limited (CPSTL) as at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

(contd)

28 Directors' interest in contracts and related party transactions with the Company (contd)

The following transactions were carried out with the related parties.

	2014	31 March 2013
(a) Purchases of goods and services		
Indian Oil Corporation Limited - (Marketing Division)		
- Petroleum products	1,221,800,945	360,617,051
- Others	6,102,838	7,535,135
Ceylon Petroleum Storage Terminal Limited	703,982,537	536,810,234
Indian Oil Corporation Limited (Middle East)	7,637,274	12,622,707
	1,939,523,594	917,585,127

The Company procures most of its raw materials (base oils and additives) from related parties on commercial terms and conditions.

Outstanding balances arising from purchase of goods and services

	2014	31 March 2013
(b) Amounts due to related companies		
Indian Oil Corporation Limited - (Marketing Division)		
- Petroleum products	552,741,992	58,516,760
- Others	9,168,192	1,945,585
Ceylon Petroleum Storage Terminal Limited (CPSTL)	95,568,368	147,895,547
	657,478,552	208,357,892

(c) Amounts due from related companies

Indian Oil Corporation Limited - (Marketing Division)		
- Non-Products	-	3,761,170

(e) Key management compensation

The compensation paid or payable to key management personnel consists of payment to executive and non-executive directors.

	2014	31 March 2013
Salaries and other short-term employee benefits	19,666,529	19,399,366

29 Events after the reporting period

No events have occurred after the reporting period which would 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 31.03.2014		NO. OF BUILDINGS
				Roods	Perches	
1	102389	SAMPATH ENTERPRISES	NO. 239, GALLE ROAD, MOUNT LAVINIA.	01R	00.03P	1
2	102432	CADILLAC IOC FILLING STATION PVT LTD	PALLIMULLA , MATARA.	01R	27.44P	1
3	102320	HOMAGAMA MULTI-PURPOSE CO-OPERATIVE SOCIETY LTD	NO. 57, HIGHLEVEL ROAD, HOMAGAMA.		32.30P	1
4	102313	S.S. KOTALAWALA & CO	NO. 570, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO.		25.29P	1
5	102357	A.W. DAVITH APPUHAMY & SONS	NO. 124, KOTUGODELLA VEEDIYA, KANDY.		30.70P	3 (Sales Room +Service station+Generator Room)
6	102362	PASSARA MULTI-PURPOSE CO-OPERATIVE SOCIETY LTD	BADULLA ROAD, PASSARA.		24.07P	3 (Sale Room +Wash Room+Generator Room)
7	102334	SINHA ASSOCIATES	NO. 02, MANGALA ROAD, GAMPAHA.		12.14P	1
8	102402	SINHA AUTO IOC SERVICES (PVT) LTD	NO. 22, PUTTALAM ROAD, CHILAW.		28.70P	1
9	102351	GAMPOLA MPSC LTD	NO. 182, NUWARA ELIYA ROAD, GAMPOLA.		26.00P	1
10	102317	LANKA IOC SERVICE MART (PVT) LTD	NO. 650, MARADANA 2ND DIVISION, MARADANA ROAD, COLOMBO 10.	01R	11.83P	1
11	102391	S & D ENTERPRISES	NO. 205, GALLE ROAD, PANADURA.		36.94P	1
12	102365	MRS. R.P. JAYASINGHE	BADULLA ROAD, WELIMADA.		16.57P	1
13	102350	DON DAMINDA JAYAMAL DIAS	NO. 54, BADULLA ROAD, BADULLA.	02R	00.72P	4 (Sales Room +Service Stn +Oil Room + Pumpers Room)
14	102361	W. PALIHAWADANA & SONS	NO. 14, KANDY ROAD, NUWARA ELIYA.		25.25P	1
15	102331	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 562, GEORGE R DE SILVA MAWATHA, COLOMBO 13.	01R	35.45P	1
16	102332	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 502, SIRIMAVO BANDARANAIKE MAWATHA, COLOMBO 14.		24.29P	1
17	102380	DERANIYAGALA PANAWELA MPSC LTD	NOORI ROAD, DERANIYAGALA.		25.05P	1
18	102431	MRS. WIMALA SIRISENA	BROADWAY, MATARA		27.35P	1
19	102424	DWM FERNANDO & SONS (PVT) LTD	GALLE ROAD, ALUTHGAMA		36.94P	1
20	102449	M/S. THILAKA FILLING STATION	NO. 183, BATTICALOA ROAD, KALMUNAI.		38.33P	1
21	102322	MAHARAGAMA MPSC LTD	NO. 79, HIGH LEVEL ROAD, MAHARAGAMA.	01R	2.16P	1
22	102324	KOLONNAWA MPSC LTD	NO. 253, AVISSAWELLA ROAD, WELLAMPITIYA.		29.73P	1
23	102383	HEWAGAM KORALE EAST MPSC LTD	HIGH LEVEL ROAD, PAHATHGAMA, HANWELLA.		20.00P	1
24	102390	HEWAGAM KORALE EAST MPSC LTD	INGIRIYA ROAD, PADUKKA.		34.76P	1
25	102406	MR. HARSHA D. WEERAKOON	OLD TOWN, MADAMPE.		38.56P	2 (Sales Room+ Service Stn)
26	102436	A.H.M. HUSSAIN HADJIAR SONS	MATARA ROAD, WELIGAMA.	01R	10.74P	1
27	102318	MRS. SOMA ABEYWARDHANA	NO. 169, HIGH LEVEL ROAD (NEAR MAYA AVENUE), COLOMBO – 05.		24.00P	1
28	102321	KOTTAWA LANKA FILLING STATION	NO. 41, HIGH LEVEL ROAD, KOTTAWA.		25.28P	1
29	102381	EHELIYAGODA MPSC LTD	RATNAPURA ROAD, EHELIYAGODA.		33.92P	1
30	102410	W. CALISTUS PERERA & SONS	NO. 66, GREENS ROAD, NEGOMBO.	01R	19.34P	2 (Sales Room+ Service Stn)
31	102434	TANGALLE MPSC LTD	MAHAWELLA ROAD, TANGALLE.		24.00P	1

EXTENTS, LOCATIONS & THE NO. OF BUILDINGS OF LANKA IOC'S LANDHOLDINGS [CSE RULES 7.6 (VIII)] (contd)

SR. NO	CUSTOMER CODE	NAME OF COMPANY-OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2014		NO. OF BUILDINGS
				Roods	Perches	
32	102412	KATANA MPCs LTD	NO. 437/439, NEGOMBO ROAD, SEEDUWA.		37.68P	1
33	102425	AMBALANGODA MPCs LTD	NEW GALEE ROAD, AMBALANGODA.		19.00P	1
34	102409	MR. K.H. JAYASINGHE	KULIYAPITIYA ROAD, NATTANDIYA.		22.44P	2 (Sales Room+ Pumpers Room)
35	102445	RANGIRI DAMBULLA MPCs LTD	KURUNEGALA JUNCTION, DAMBULLA.		22.23P	1
36	102316	SLIPTO AGENCIES (PVT) LTD	1141, PRADEEPA MAWATHA, MALIGAWATTE, COLOMBO 10.	01R	07.23P	2 (Sales Room+ Service Stn)
37	102394	M/S. LIYANAGE ASSOCIATES	491, GALLE ROAD, RATMALANA.		34.00P	2 (Sales Room+ Service Stn)
38	102450	MRS. C.R. SAMARASINGHE	PUTTALM ROAD, NOCHCHIYAGAMA.	02R	00.05P	1
39	102429	MR. DUDLEY PARANAGAMA	KATUGODA, MAGALLE, GALLE.		23.56P	1
40	102312	MINERAL SPRINGS (PVT) LTD	291, DR. DANISTER DE SILVA MAWATHA, COLOMBO 9.	01R	12.94P	2 (Sales Room+ Service Stn)
41	102314	MR. A.W. RANASINGHE	42, HAVELOCK ROAD, COLOMBO 05.		15.39P	2 (Sales Room+Panel Room)
42	102336	MR. C.J. ABEYRATNE	KANDY ROAD, KADAWATA.		17.20P	1
43	102426	MRS. K.A.A.H. DE SILVA	TANGALLE ROAD, BELIATTA.		20.10P	1
44	102341	MR. S.N. JAYASINGHE	NO. 107, NEGOMBO ROAD, PELIYAGODA.	01R	06.17P	1
45	102310	M/S. FELIX PEREIRA & SON	NO. 75, ALEXANDRA PLACE (DR. C.W.W. KANNANGARA MAWATHA), COLOMBO 7.	02R	01.15P	2 (Sales Room+ Service Stn)
46	102353	G.K. SAMIE & SONS	NO. 2, MAIN STREET, HATTON.		15.41P	1
47	102319	M.G. SAMSON & SONS	94, D.S. SENANAYAKE MW, COLOMBO 8.		36.78P	2 (Sales Room+Storeroom)
48	102444	MR. M. SELVARAJAH	NO. 56, TRINCOMALEE ROAD, BATTICALOA.		33.97P	1
49	102411	SANDALANKAWA NEW MPCs LTD	WETAKEWA, GONAWELA, SANDALANKAWA.	01R	08.36P	2 (Sales Room+ Service Stn)
50	102433	KOTAPOLA MPCs LTD	DENIYAYA ROAD, MORAWAKA.		13.27P	1
51	102385	RAIGAM UDAGAHAPATTU MPCs LTD	RATNAPURA ROAD, INGIPIYA.		22.23P	0
52	102384	B.D.P. GUNASEKERA & SON	NO. 53, RATNAPURA ROAD, HORANA.		27.36P	1
53	102358	MR. P.G.W. SAMARASEKERA	NO. 718, PERADENIYA ROAD, KANDY	01R	03.66P	1
54	102335	S.R.B. ENTERPRISES	NO. 141, KANUWANA, JA-ELA.		39.44P	1
55	102452	MRS. R.M. PULLEDRAN	MANNAR JUNCTION, VAVUNIYA.		23.62P	1
56	102387	KALUTARA MPCs LTD	NO. 326, GALLE ROAD, KALUTARA SOUTH, KALUTARA.		28.15P	2 (Sales Room+Panel Room)
57	102311	MR. H.K.S. RANASINGHE	NO.762 GALLE ROAD, COLOMBO 04.		38.83P	1
58	102395	MR. SARATH COLONNE	NO. 252, GALLE ROAD, RATMALANA.		35.50P	1
59	102379	BALANGODA MPCs LTD	BALAGAHAMULLA, BALANGODA.		34.39P	1
60	102356	W.A. PERERA & SONS	NO. 362, KATUGASTOTA ROAD, KANDY.	01R	14.84P	1
61	102396	RATNAPURA MPCs LTD	NO. 10, BANDARANAIKE MAWATHA, RATNAPURA.		34.90P	1
62	102451	MUTTUR AGA DIVISION MPCs LTD	NO. 45, KANDY ROAD, TRINCOMALEE.	01R	29.86P	2 (Sales Room + Service Stn)
63	102340	ATTANAGALLA MPCs LTD	KANDY ROAD, NITTAMBUWA.		12.10P	2 (Sales Room+Gen Room)
64	102342	LIANFIRM (PVT) LTD	NO. 301, NEGOMBO ROAD, PELIYAGODA.		36.89P	2 (Sales Room+ Gen Room)
65	102352	HALIELLA MPCs LTD	BADULLA ROAD, HALI ELA.		24.50P	2 (Sales Room + Storeroom)
66	102388	MR. S.P. GUNASINGHE	NO. 93, AGALAWATTA ROAD, MATUGAMA.	01R	02.02P	2 (Sales Room +Service Stn)

EXTENTS, LOCATIONS & THE NO. OF BUILDINGS OF LANKA IOC'S LANDHOLDINGS [CSE RULES 7.6 (VIII)] (contd)

SR. NO	CUSTOMER CODE	NAME OF COMPANY-OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2014		NO. OF BUILDINGS
				Roods	Perches	
67	102354	M/S. HUNNASGIRIYA AGENCIES	MAHIYANKANAYA ROAD, HUNNASGIRIYA.		12.58P	2
68	102447	GALGAMUWA MPCs LTD	KURUNEGALA ROAD, GALGAMUWA.		13.00P	1 (Gen Room)
69	102386	KALAWANA MPCs LTD	MANANA, KALAWANA.		12.89P	1
70	102343	POLGAHAWELA MPCs LTD	KURUNEGALA ROAD, POLGAHAWELA.		13.48P	1
71	102363	YATINUWARA MEDA PALATA MPCs LTD	NO. 387, COLOMBO ROAD, PILIMATALAWA.		31.04P	1
72	102323	WIJERAMA ENTERPRISE	NO. 678, WIJERAMA JUNCTION, GANGODAWILA, NUGEGODA.		24.62P	1
73	102339	MAWANELLA HEMMATHAGAMA MPCs LTD	KANDY ROAD, MAWANELLA.		24.24P	1
74	102423	A.H. WIMALATUNGE & SON (PVT) LTD	MONARAGALA ROAD, WELLAWAYA.		39.63P	1
75	102427	MRS. H.N.W. PRIYANGANI DE SILVA	GALLE ROAD, BERUWELA.		29.91P	1
76	102435	TISSAMAHARAMA MPCs LTD	DEBEREWEWA JUNCTION, TISSAMAHARAMA.	01R	00.00P	1
77	102401	BINGIRIYA MPCs LTD	HETTIPOLA ROAD, BINGIRIYA.		10.46P	1
78	102430	WELDISI (PVT) LTD	TANGALLE ROAD, HAMBANTOTA.	01R	03.58P	1
79	102377	SAMARANAYAKA SAHA SAMARANAYAKA	AGALAWATTA.		11.10P	1
80	102408	MR. L.P.P. PATHIRATNE	NO. 69, COLOMBO ROAD, MINUWANGODA.	01R	01.94P	1
81	102446	GALEWELA MPCs LTD	TRINCO ROAD, GALEWELA.		23.36P	1
82	102315	SWASTHIKA MILLS LTD	323, HAVELOCK ROAD, COLOMBO 06.	01R	03.96P	2 (Sales Room+ MiniMart)
83	102364	A.V. HINNIAPPUHAMY & COMPANY	NO. 98, NUWARA ELIYA ROAD, TALAWAKELE.		24.12P	1
84	102404	JOE PERERA & SONS	NO. 1, COLOMBO ROAD, KOCHCHIKADE.		14.81P	1
85	102355	NOOHU MARIKAR	NO. 2, RAGALA ROAD, KANDAPOLA.		22.20P	1
86	102403	DIVULAPITIYA MPCs LTD	NO. 45, COLOMBO ROAD, DIVULAPITIYA.		06.68P	1
87	102392	PELMADULLA MPCs LTD	RATNAPURA ROAD, PELMADULLA.		24.41P	1
88	102407	MAWATHAGAMA MPCs LTD	KANDY ROAD, MAWATHAGAMA.		11.93P	1
89	102337	KEGALLE MPCs LTD	NO. 96, GOLAHELA, KEGALLE.		15.3P	3 (Sales Room+Pumpers Room+Security Room)
90	102448	KAHATAGASDIGILIYA MPCs LTD	TRINCO ROAD, KAHATAGASDEGILIYA.		39.77P	1
91	102378	D.H.J. JAYAKODY BROTHERS	NO. 27, COLOMBO ROAD, AVISSAWELLA.		25.62P	2 (Service Station + Sales Room)
92	102393	MR. P.D.H.P. KARUNARATNE	NO. 174, HORANA ROAD, PILIYANDALA.		18.67P	1
93	102360	S.S. BANDARA ACQUIRING A LAND (13.75 P @ RS 475,000/-)	NO. 579, DAMBULLA ROAD, MATALE.		29.25P	1
94	102338	E.P.B. DE SOYSA (PVT) LTD	NO. 564, NEGOMBO ROAD, MAHABAGE.		13.00P	1
95	102359	MR. R.M. SENEVIRATNE	PASSARA ROAD, LUNUGALA.		24.56P	2 (Sales Room +Oil Room)
96	102428	WIPULA DHARMADASA	COLOMBO ROAD, KALUWELLA, GALLE.		16.06P	1
97	102333	M/S PERERA & SONS	NO. 84, MUTWAL DOCKLAND, COLOMBO		26.05P	1
98	102405	K.W. SUSIRIPALA ASSOCIATES	NO. 116, KANDY ROAD, KURUNAGELA.		17.20P	1
99	102344	ATTANAGALLA MPCs LTD	NEGOMBO ROAD, URAPOLA.		22.30P	2 (Sales Room +Storeroom)
		TOTAL				

SHAREHOLDERS' INFORMATION

20 Major Shareholders as at 31 March 2014

	Name	No. of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	Bank of Ceylon A/c Ceybank Unit Trust	17,524,839	3.29
3	Employees Provident Fund	15,911,915	2.99
4	National Savings Bank	12,980,951	2.44
5	J B Cocoshell (Pvt) Ltd	8,308,083	1.56
6	Mr Tarik Al-Nakib	3,000,000	0.56
7	Bank of Ceylon A/c Ceybank Century Growth Fund	2,689,663	0.51
8	Deutsche Bank AG – National Equity Fund	2,500,000	0.47
9	Sampath Bank PLC/Capital Trust Holders Private Limited	2,228,618	0.42
10	E W Balasuriya & Co (Pvt) Ltd	2,076,800	0.39
11	Janashakthi Insurance PLC	2,000,000	0.38
12	Deutsche Bank AG Trustee for JB Vantage Value Equity Fund	1,968,486	0.37
13	Pan Asia Banking Corporation PLC/Mr S A Gulamhusein	1,299,701	0.24
14	Waldock Mackenzie Ltd / Mr S A Gulamhusein	1,220,335	0.23
15	Seylan Bank Ltd/Govindasamy Ramanan	1,209,309	0.23
16	Hallsville Trading Group Inc	1,180,865	0.22
17	HSBC Intl Nom Ltd – Global Macro Capital Opportunities	1,127,000	0.21
18	Ceylon Investment PLC A/c No.1	1,110,000	0.21
19	Commercial Bank of Ceylon/Capital Trust Holdings Pvt Ltd	1,076,239	0.20
20	DFCC Vardhana Bank Ltd/A K Investments Pvt Ltd	1,065,000	0.20

Directors' Shareholding - 31 March 2014	No. of Shares
Mr M Nene	Nil
Mr Subodh Dakwale	Nil
Prof Lakshman R Watawala	500
Mr Amitha Gooneratne	4,800
Mr B Ashok	Nil
Mr Rajiv Khanna	Nil

Number of Shares representing the Stated Capital of Lanka IOC PLC is - 532,465,705

Public Holding as a % of issued Share Capital 24.88%

SHAREHOLDERS' INFORMATION

(contd)

20 Major Shareholders as at 31 March 2013

	Name	No. of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	Bank of Ceylon A/c Ceybank Unit Trust	19,447,682	3.65
3	National Savings Bank	15,365,100	2.89
4	Employees Provident Fund	9,374,100	1.76
5	Sri Lanka Insurance Corporation Ltd - Life Fund	7,939,250	1.49
6	J B Cocoshell (Pvt) Ltd	6,530,741	1.23
7	Mr Tarik Al Nakib	6,500,000	1.22
8	Sri Lanka Insurance Corporation Ltd - General Fund	5,730,300	1.08
9	Bank of Ceylon A/c Ceybank Century Growth Fund	3,057,355	0.57
10	E W Balasuriya & Co (Pvt) Ltd	2,026,800	0.38
11	Deutsche Bank AG -Trustee for JB Wantage Value Equity Fund	1,968,486	0.37
12	Pan Asia Banking Corporation PLC/Mr S A Gulamhusein	1,299,701	0.24
13	Mr Morarji Meghji Udeshi	1,179,870	0.22
14	DFCC Vardhana Bank Ltd / A K Investments Pvt Ltd	1,160,000	0.22
15	Mr Muhammad Jaffer Ismail	1,085,328	0.20
16	Hallsville Trading Group Inc - Switzerland	1,080,865	0.20
17	Waldock Machenzie Ltd / Mr S A Gulamhusein	1,036,007	0.19
18	Freudenberg Shipping Agencies Limited	1,000,000	0.19
19	Anverally and Sons (Pvt) Ltd A/c No.01	965,700	0.18
20	Gold Investments Limited	890,900	0.17

Directors' Shareholding - 31 March 2013	No. of Shares
Mr M Nene	Nil
Mr Subodh Dakwale	Nil
Prof Lakshman R Watawala	500
Mr V K Gupta	Nil
Mr Amitha Gooneratne	4,800
Mr B Ashok	Nil

Number of Shares representing the Stated Capital of Lanka IOC PLC is - 532,465,705

Public Holding as a % of issued Share Capital

24.88%

SHAREHOLDERS' INFORMATION

(contd)

Ordinary Shareholdings as at 31 March 2014

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31 March 2014: 9,627

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	Percentage %	No. of Shareholders	No. of Shares	Percentage %	No. of Shareholders	No. of Shares	Percentage %
1 to 1,000 Shares	5,211	2,456,085	0.46	20	12,370	0.00	5,231	2,468,455	0.46
1,001 to 10,000 Shares	3,806	10,094,037	1.90	62	271,998	0.05	3,868	10,366,035	1.95
10,001 to 100,000 Shares	381	11,994,955	2.25	28	1,073,625	0.20	409	13,068,580	2.45
100,001 to 1000,000 Shares	85	19,715,079	3.70	13	5,319,747	1.00	98	25,034,826	4.70
Over 1,000,000 Shares	17	76,219,939	14.32	4	405,307,870	76.12	21	481,527,809	90.44
Total	9,500	120,480,095	22.63	127	411,985,610	77.37	9,627	532,465,705	100.00

Categories of Shareholders

Category	No. of Shareholders	Percentage %	No. of Shares	Percentage %
Individual	9,279	96.39	37,465,309	7.04
Institutional	348	3.61	495,000,396	92.96
Total	9,627	100.00	532,465,705	100.00

SHAREHOLDERS' INFORMATION

(contd)

Ordinary Shareholdings as at 31 March 2013

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31 March 2013: 10,221

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	Percentage %	No. of Shareholders	No. of Shares	Percentage %	No. of Shareholders	No. of Shares	Percentage %
1 to 1,000 Shares	5,427	2,688,823	0.51	18	11,400	0.00	5,445	2,700,223	0.51
1,001 to 10,000 Shares	4,230	11,147,676	2.09	57	250,000	0.05	4,287	11,397,676	2.14
10,001 to 100,000 Shares	356	10,405,991	1.95	28	1,259,790	0.24	384	11,665,781	2.19
100,001 to 1,000,000 Shares	76	17,896,675	3.36	12	4,023,760	0.76	88	21,920,435	4.12
Over 1,000,000 Shares	13	76,115,392	14.29	4	408,666,198	76.75	17	484,781,590	91.04
Total	10,102	118,254,557	22.2	119	414,211,148	77.80	10,221	532,465,705	100.00

Categories of Shareholders

Category	No. of Shareholders	Percentage %	No. of Shares	Percentage %
Individual	9,851	96.38	39,359,756	7.39
Institutional	370	3.62	493,105,949	92.61
Total	10,221	100.00	532,465,705	100.00

SHAREHOLDERS' INFORMATION

(contd)

Lanka IOC Share Performance at Colombo Stock Exchange (CSE)	01.04.2013 - 31.03.2014
No. of Share transactions for the year	14,213
No. of Shares traded	57,628,297
Value of Shares Traded (LKR)	1,744,164,488.00
Price Movements (LKR)	
Highest (LKR)	40.50
Lowest (LKR)	19.00
Closing Price	38.50
Market Capitalisation (LKR Mln) (Closing Price * No. of Shares)	20,499

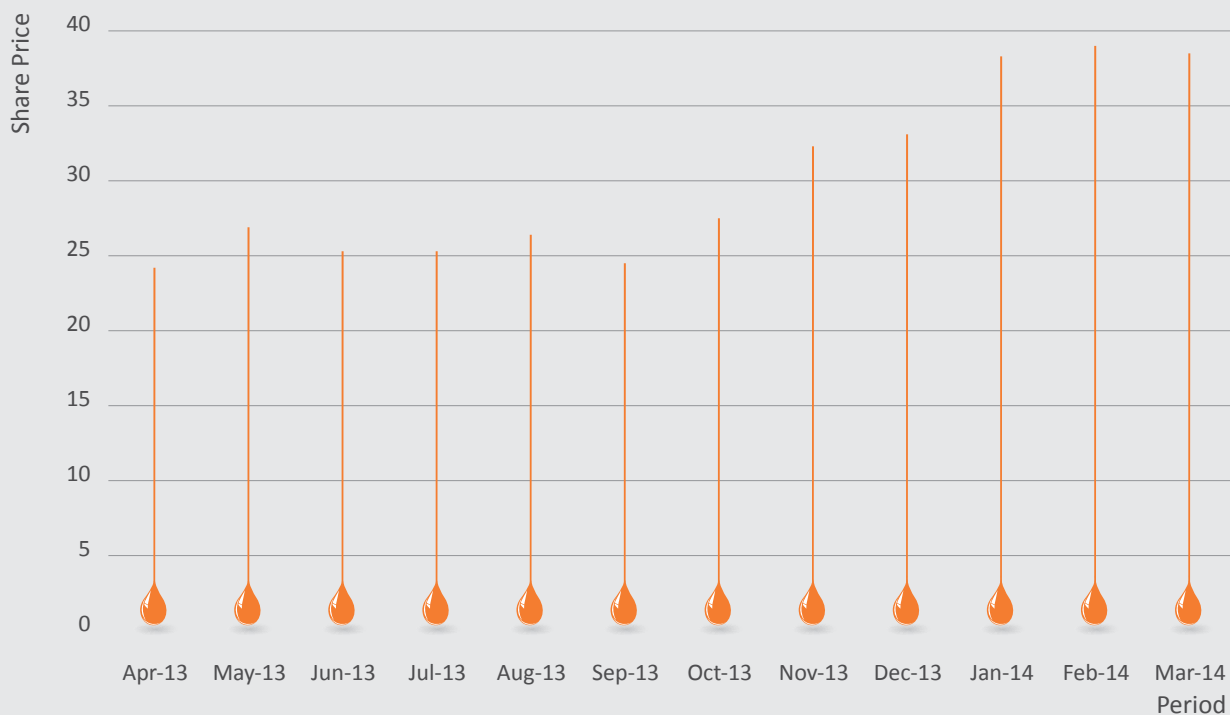
Lanka IOC Share Performance at Colombo Stock Exchange (CSE)	01.04.2012 - 31.03.2013
No. of Share transactions for the year	4,454
No. of Shares traded	23,243,471
Value of Shares Traded (LKR)	427,538,552.00
Price Movements (LKR)	
Highest (LKR)	23.00
Lowest (LKR)	15.00
Closing Price	20.40
Market Capitalisation (LKR Mln) (Closing Price * No. of Shares)	10,862

SHAREHOLDERS' INFORMATION

(contd)

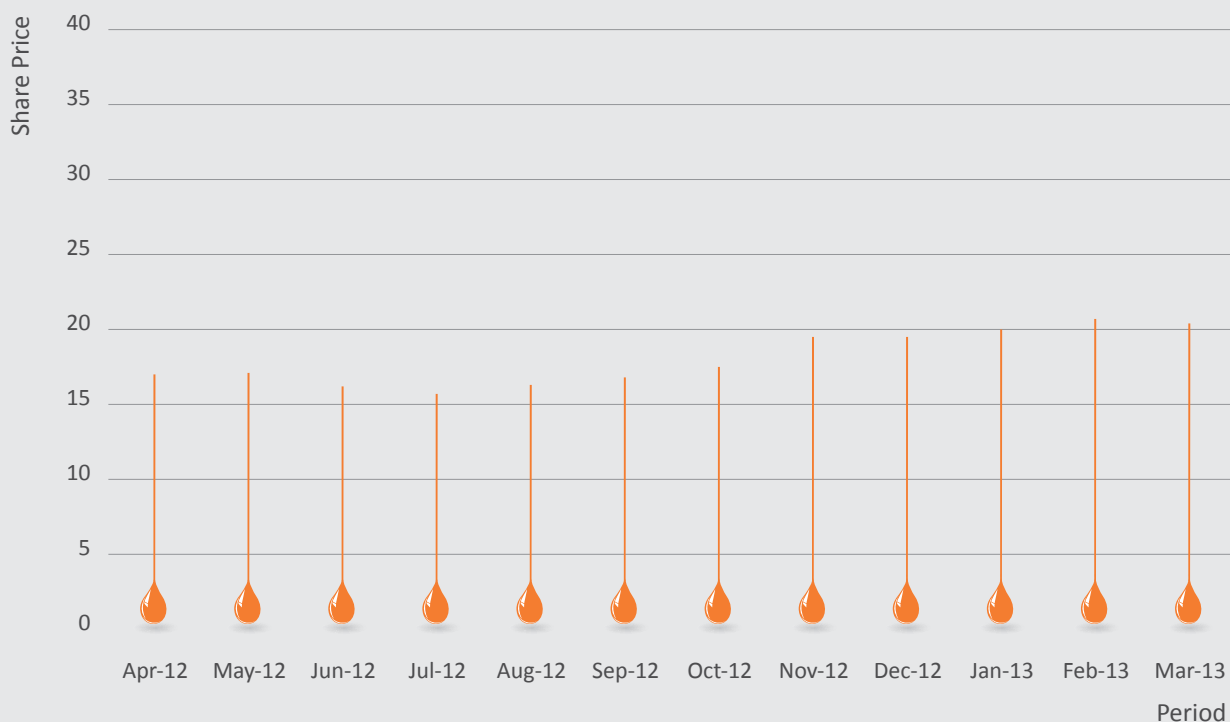
Share Price Movement 01.04.2013 to 31.03.2014

[Price per share in LKR - closing price]



Share Price Movement 01.04.2012 to 31.03.2013

[Price per share in LKR - closing price]

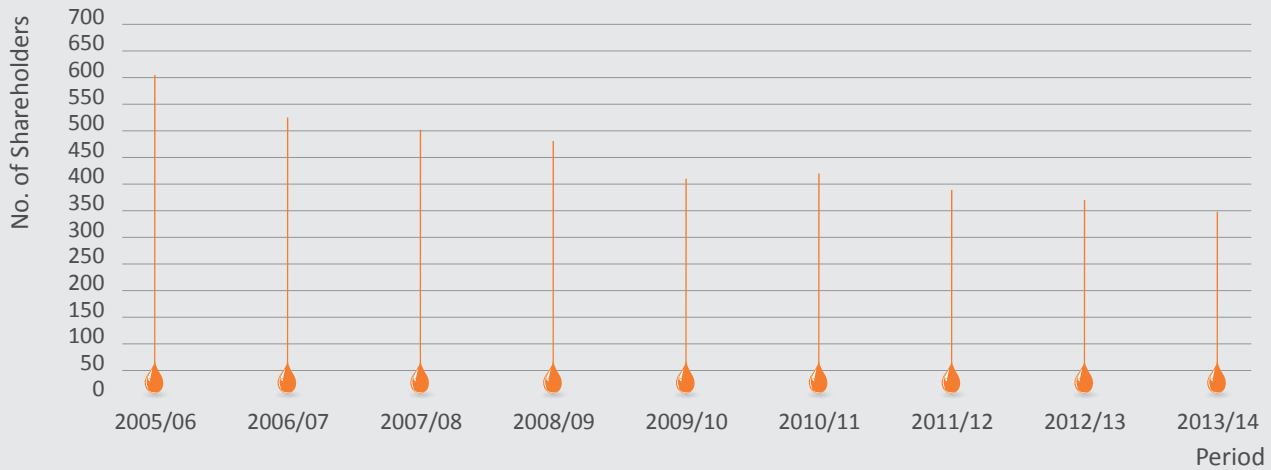


SHAREHOLDERS' INFORMATION

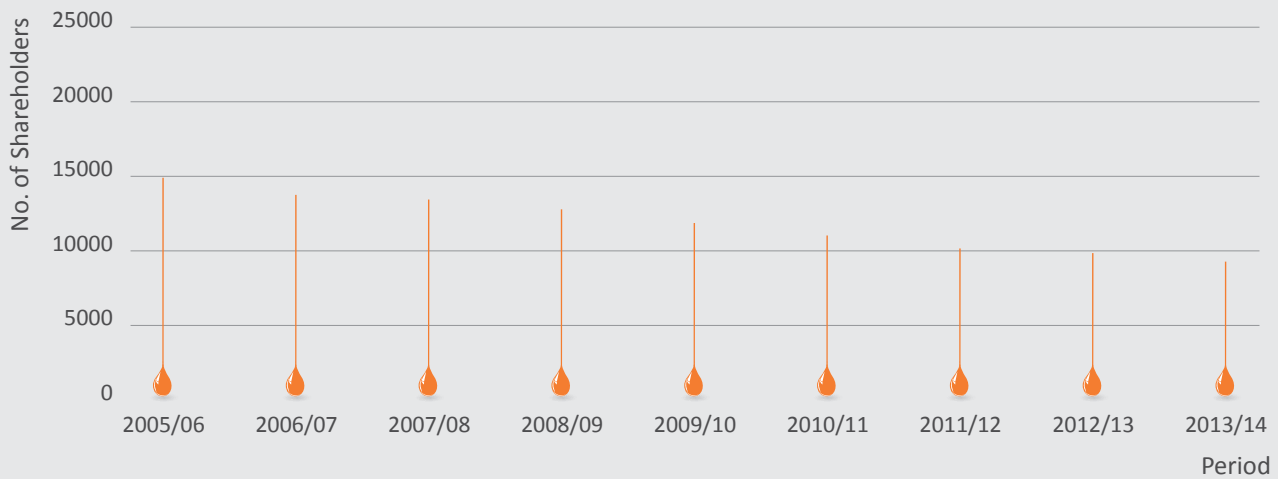
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Shareholding Pattern from 2004 - 2014

Institutional



Individual

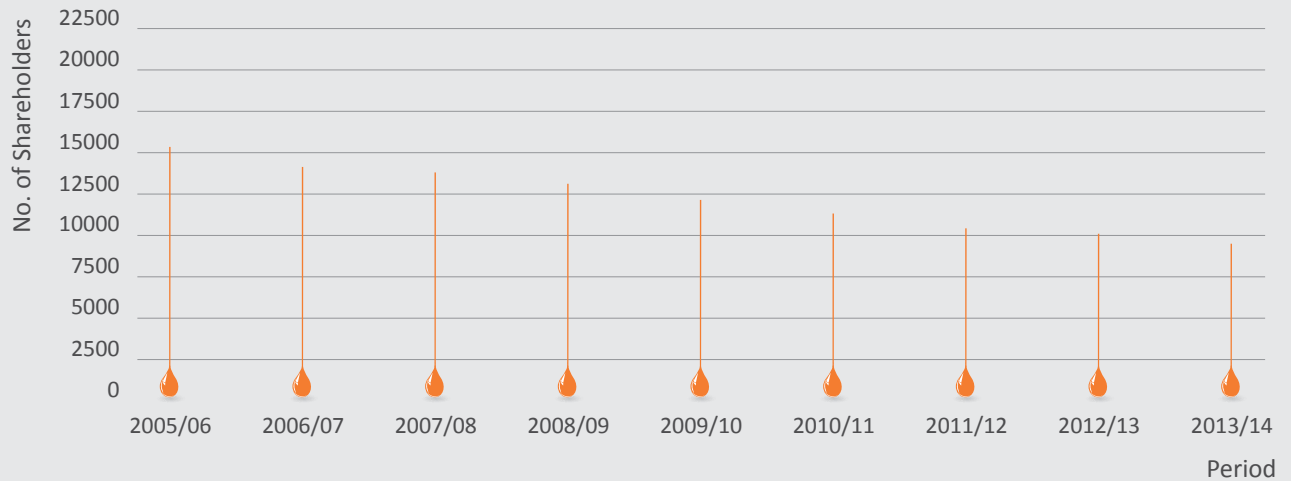


SHAREHOLDERS' INFORMATION

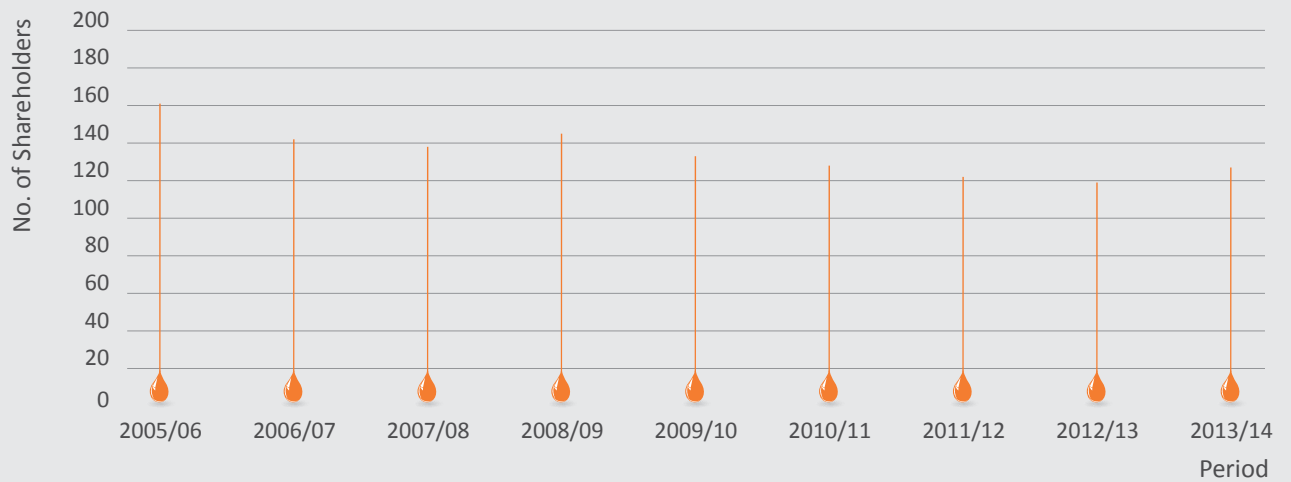
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Shareholding Pattern from 2004 - 2014 (contd)

Resident



Non-Resident

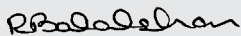


NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 12th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Tuesday, **16 September 2014 at 10:30 hours at the “Kings Court” Cinnamon Lakeside, No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2**, for the following purposes:

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements of the Company for the financial year ended 31 March 2014 together with the Report of the Auditors thereon.
2. To declare the recommended final dividend of LKR 1.50 per share for the financial year 2013/14 and therefore to consider and if thought fit to pass the following resolution by way of an Ordinary Resolution.
“IT IS HEREBY RESOLVED THAT a final dividend of LKR 1.50 per share to be distributed to the shareholders amounting to a total payment of a sum of LKR. 798,698,557.50”.
3.
 - a) To re-elect Mr. Amitha Gooneratne, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.
 - b) To re-elect Prof. Lakshman R. Watawala, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.
 - c) To re-elect Mr. P.M. Mohan who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.
 - d) To re-elect Mr. Indrajit Bose who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.
4.
 - a) To appoint Messrs. Ernst & Young, Chartered Accountants, as recommended by the Board of Directors, as the Auditors of the Company for the ensuing year.
 - b) To authorise the Board of Directors to determine the remuneration of the Auditors for the ensuing year.

By Order of the Board
Lanka IOC PLC



[Ms] Rajanie Balakrishnan

Company Secretary

10 August 2014

Colombo

Note: *Any member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his/her place. Such Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.*

Instruments appointing proxies must be lodged with the Company not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

Shareholders/proxyholders are requested to bring with them their National Identity Cards or any other form of clear/valid identification and present same at the time of registration.

FORM OF PROXY

I/We.....[NIC No.....] of
.....being
a member/s of Lanka IOC PLC, hereby appoint Mr/Mrs/Miss
[NIC No.....] ofwhom failing:

Mr Makrand Nene	whom failing
Mr Subodh Dakwale	whom failing
Prof. Lakshman R Watawala	whom failing
Mr Amitha Gooneratne	whom failing
Mr P M Mohan	whom failing
Mr Indrajit Bose	

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 12th Annual General Meeting of the Company to be held on Tuesday, 16 September 2014 at 10:30 hours at the “Kings Court” at Cinnamon Lakeside, No. 115, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance and the Financial Statements of the Company for the financial year ended 31 March 2014 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare the recommended final cash dividend of LKR 1.50 per share for the FY 2013/14 along with the ordinary resolution set out in the Notice Convening the meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3. a) To re-elect Mr. Amitha Gooneratne, who retires in terms of Article 29 (2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
b) To re-elect Prof. Lakshman R. Watawala, who retires in terms of Article 29 (2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
c) To re-elect Mr. P.M. Mohan who retires in terms of Article 27 (6) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
d) To re-elect Mr. Indrajit Bose who retires in terms of Article 27 (6) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. a) To appoint Messrs. Ernst & Young, Chartered Accountants, as recommended by the Board of Directors, as the Auditors of the Company for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
b) To authorise the Board of Directors to determine the remuneration of the Auditors for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we set my/our hand/Seal hereto on thisday of 2014.

.....
NIC Number

.....
Signature/s

FORM OF PROXY

(contd)

Instructions as to Completion

- Please perfect the Form of Proxy by filling in legibly your full name, NIC number and address, by signing in the space provided and filling in the date of signature.
- The completed Form of Proxy should be deposited at the Business office of Lanka IOC PLC at Level 20, West Tower, World Trade Center, Colombo 1, not less than 48 hours before the time appointed for the holding of the Meeting.
- If the appointer is a Company or Corporation, this Form must be executed under its Common Seal or the hand of a duly Authorised Officer of the Company, in accordance with its Articles of Association.
- If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

NIC No. :

Name :

Address :
.....
.....

Jointly with :

Tel No. :

Email ID :

NOTES

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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 29 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 listed on the Colombo Stock Exchange

Registered Office

Level 20, West Tower, World Trade Center
Echelon Square, Colombo 1, Sri Lanka
Telephone: + 94 11 2475720
Facsimile: + 94 11 2391490

Website

www.lankaio.com

Associates

Ceylon Petroleum Storage Terminals Limited

Board of Directors (as at 31.03.2014)

Mr M Nene (Chairman)
Mr Subodh Dakwale (Managing Director)
Prof Lakshman R Watawala
Mr Amitha Gooneratne
Mr B Ashok
Mr Rajiv Khanna

Company Secretary

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

Registrars

SSP Corporate Services (Private) Limited
101, Inner Flower Road, Colombo 03

Auditors - External

PricewaterhouseCoopers
P O Box-918, 100 Braybrooke Place, Colombo 02

Auditors - Internal

Ernst & Young
201, De Saram Place, Colombo 10

Lawyers

F J & G de Saram, Attorneys-at-Law
216, de Saram Place, Colombo 10

Bankers

Citibank N.A.
Deutsche Bank
State Bank of India
ICICI Bank
Standard Chartered Bank
Commercial Bank of Ceylon
People's Bank
Bank of Ceylon



Our Vision

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



Our Mission

To achieve international standards of excellence in all aspects of petroleum with focus on customer delight through value of products and services and cost reduction.

To maximise creation of wealth, value and satisfaction for the stakeholders.

To attain leadership in developing, adopting and assimilating state-of-the-art technology for 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.

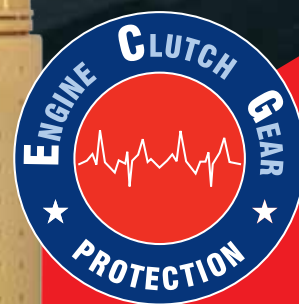
To cultivate high standards of business ethics and Total Quality Management for a strong corporate identity and brand equity.

To help enrich the quality of life of the community and preserve ecological balance and heritage through a strong environment conscience.

Keep your **Engine**, **Clutch** and **Gear** super fit.

RIDE SMART with SERVO 4T

Complete protection for Engine, Clutch & Gear | Lower maintenance cost | Better pickup | Minimizes engine stress caused by stop-start traffic



SMOOTHEST RIDE ON TWO WHEELS



Lanka IOC

Level 20, West Tower, World Trade Center, Echelon Square, Colombo 1, Sri Lanka.

Phone : +94-11-2475720 Fax : +94-11-2391490 www.lankaiooc.net

Scanning this QR code with your smartphone allows you to access the complete Lanka IOC Annual Report 2013/2014. Going paperless allows us and you to save trees and reduce our carbon footprint.

