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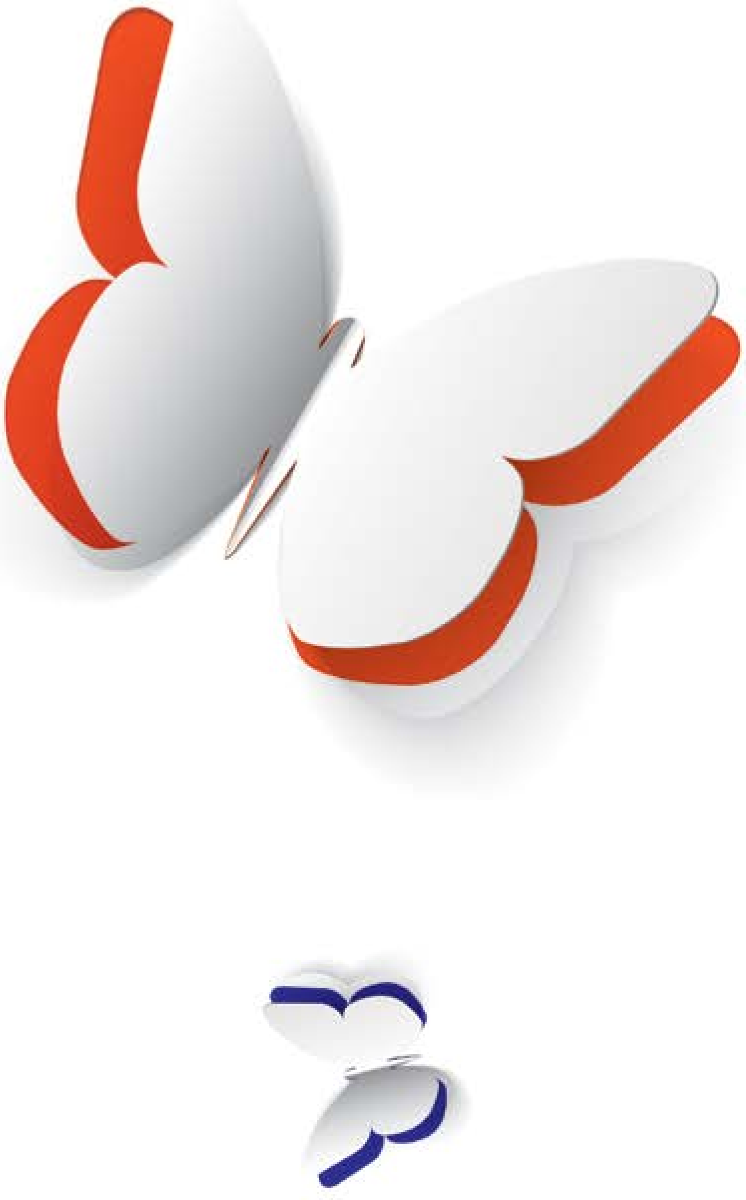


Pipeline from the Jetty to the Storage Tank at Trincomalee

Long Services Award

Employees who received long service Award Certificate with Gold coins are seen with Mr S Pradeep Senior Vice President (Operations and Lube Blending Plant) and Mr S Marimuthu Vice President (Operations) Trincomalee

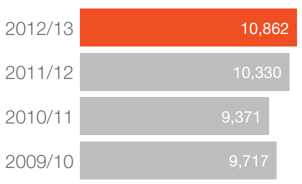
Here at LIOC, people are our greatest asset and we strive to appreciate them in every way possible. Therefore in recognition of the staff who have been a longstanding part of our company, LIOC distributed awards to 14 employees. The ceremony was held at Lanka IOC PLC Trincomalee Terminal on the 1st of January 2013 and was attended by the award winners as well as their family members. The employees were presented certificates as well as 16 gram gold coins in honour of their dedication to the company. The ceremony was a great success which saw the participation of all employees.

We care

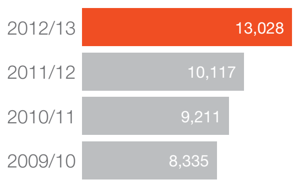
Financial Highlights

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Performance Parameters (All amounts in LKR million)									
Sales	27,586	37,493	32,796,	44,173	47,617	50,214	51,743	60,436.47	75,110.53
Gross Profit	2,503	2,282	909	3,652	(449)	(371)	1526	2,954	5,389
Net Profit/(Loss) Before Tax	2,331	(1,718)	(636)	2,516	(1,104)	(397)	893	930	2,991
As a % of Sales	8%	(5%)	(2%)	6%	(2%)	(1%)	2%	2%	4%
Net Profit / (Loss) After Taxation	2,329	(1,722)	(686)	2,340	(1,238)	(423)	877	906	2,909
Return on Capital Employed	18%	(21%)	(8%)	23%	(14%)	(5%)	10%	9%	22%
Shareholders' Funds	10,563	8,340	7,655	9,995	8,757	8,335	9,211	10,117	13028
Key Ratios									
Earning Per Share (LKR)	5.24	(3.23)	(1.29)	4.40	(2.32)	(0.79)	1.65	1.70	5.46
Price Earning Ratio	10.06	(9.05)	(23.29)	5.57	(6.90)	(22.99)	10.67	11.40	3.74
Net Assets Per Share	19.20	15.66	14.38	18.77	16.45	15.65	17.30	19.00	24.47
Current Ratio	1.38	1.06	0.63	0.80	1.04	1.00	1.09	1.15	1.41
Quick Assets Ratio	0.84	0.78	0.14	0.19	0.13	0.62	0.40	0.41	0.53
Price Movement LKR									
Market Value Per Share (Highest)	54.50	56.00	37.25	31.25	28.00	20.50	21.50	21.50	23.00
Market Value Per Share (Lowest)	38.00	25.00	23.00	19.00	14.00	15.75	17.20	15.00	15.00
Last Traded Price Record	47.75	29.25	30.00	24.50	16.00	18.25	17.60	19.40	20.40
Other Information									
No. of Employees	201	202	170	170	171	172	173	171	175

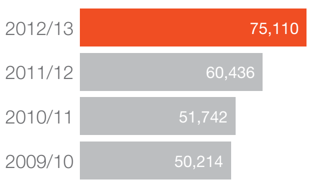
Mkt. Capitalisation Rs.Mn



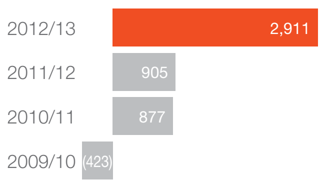
Net Assets Value Rs. Mn



Turnover Rs.Mn



Net Profit Rs. Mn



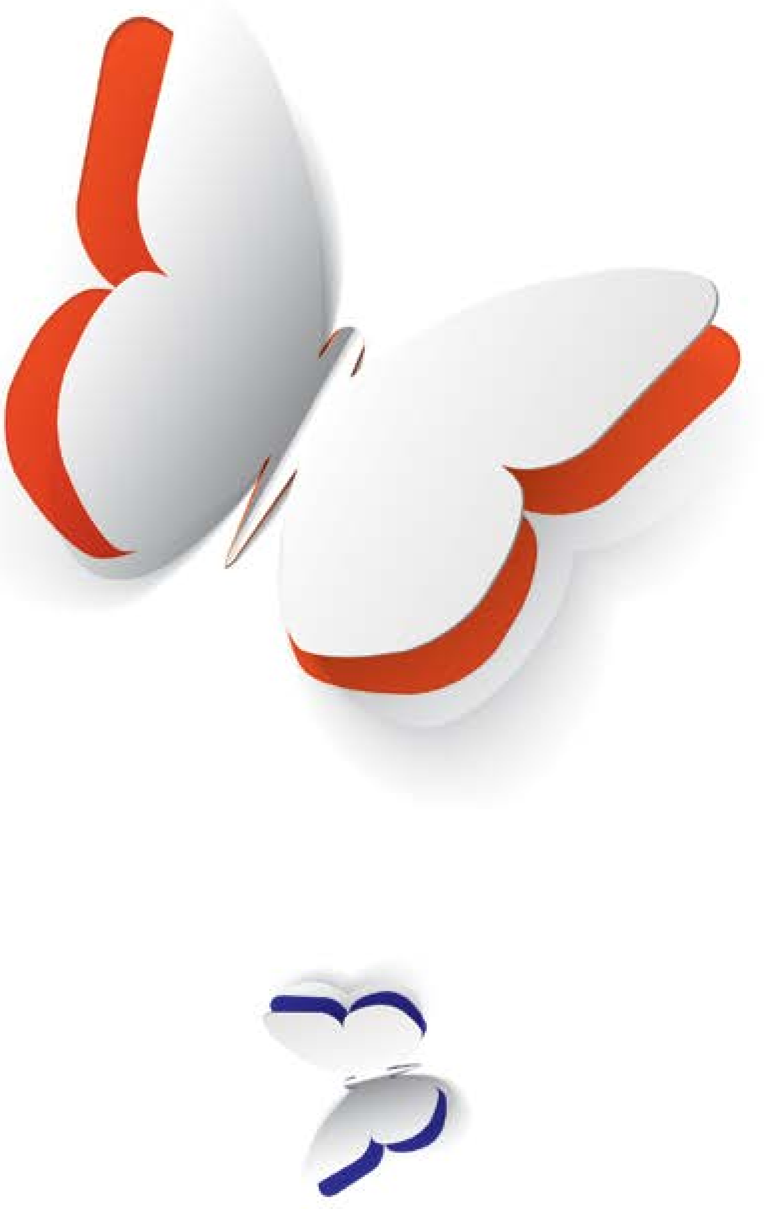
Turnover
75.11 Bn

Gross Profit
5.39 Bn

Profit Before Tax
2.99 Bn

Income Tax
0.08 Bn

Profit After Tax
2.91 Bn



Fuel Storage Tanks at Trincomalee

Chairman's Message

LIOC's turnover for the year grew sharply by 24%, in large part due to the growth in sales of LP 90, LAD and the Company's bunkering operations.

Chairman's Message

DEAR SHAREOWNERS,

On behalf of the Board of Directors of Lanka IOC PLC (LIOC), it is my privilege to present to you the 11th Annual Report of the Company, together with the Audited Accounts for the financial year ended 31st March 2013.

The year 2012-13 was indeed a memorable one for LIOC, with many exceptional milestones and admirable accomplishments. In addition to being the most successful year till date 2012-13 proved to be doubly rewarding for LIOC, as we completed a decade of successful operations in Sri Lanka in August 2012 and embarked on a new journey in pursuit of higher achievements and bigger accomplishments.

GLOBAL TRENDS

Even as the global economic growth decelerated during the year, with overall subdued activity, the oil industry remained one of the most active and resilient sectors amidst the heightening Eurozone debt crisis and intensifying violence in the Middle East. The global oil scenario continued to be volatile, with crude oil and product prices ruling high. The price of Brent crude stood firm at US$ 112 per barrel at the end of the year, higher than the US$ 100-110 per barrel forecast at the outset.

Global oil demand grew by 0.8 million barrels per day in 2012 to reach 89.2 million barrels per day by the end of the year.

Encouraging signs of macro-economic revival emerging from the US and China in the second half of 2012, followed by escalating tensions in the Middle East, drove up the demand for oil during the latter part of the year. Consequently, global oil demand grew by 0.8 million barrels per day in 2012 to reach 89.2 million barrels per day by the end of the year. Spurred by the gradually strengthening global economy, oil demand is expected to grow by a further 0.9 million barrels per day in the current year.

STRIVING FOR BALANCE

Consequent to the economic slowdown in Europe, Sri Lanka began to feel the impact right from the beginning of the financial year 2012. As Europe's demand for imports from Sri Lanka continued to dwindle, the country began to feel the crushing burden of the cost of imported fuels. This worrying scenario led the Government to introduce widespread macro-economic policy changes in the first half of 2012. The reforms were intended to arrest the burgeoning trade deficit, while simultaneously creating a framework supportive of sustainable economic growth for the future. The measures proved successful in achieving the desired results, with the country posting a modulated 6.7% GDP growth for the year, a relatively disciplined performance compared with 8.3% growth recorded in 2011.

INDUSTRY PERFORMANCE

Given the volatility that persisted in the global oil markets throughout 2012, the Government of Sri Lanka worked to ensure a measure of stability to the pricing structure of the petroleum products. These efforts were aimed at achieving the twin goals of mitigating the impact on the end-consumer while at the same time ensuring that the profitability of energy companies are maintained at acceptable levels.

However, there is an urgent need to put in place a stable pricing formula for the long-term. The ideal pricing structure should provide an adjustment mechanism that accounts for duties, levies and price revisions in line with international oil price movements. Furthermore, the pricing structure should also ensure sufficient margins for the oil companies that can be channeled towards infrastructure development. Lack of adequate infrastructure can have a direct bearing on the cost of imports and security of supplies, which in turn can hamper the growth of the economy in the longer term.

PERFORMANCE HIGHLIGHTS

Against this backdrop, LIOC's turnover for the year grew sharply by 24%, in large part due to the growth in sales of LP 90, Lanka Auto Diesel (LAD) and the Company's bunkering operations. Consequently, the turnover reached Lankan Rupees (LKR) 75.1 billion for 2012-13 as compared to LKR 60.4 billion registered in the preceding year.

The niche market for the eco-friendly XtraPremium Petrol (LP 91 – Euro 3) proved to be highly lucrative, as the demand for the high-octane product continued to soar, leading to notable growth in volumes for the year under review.

In the local lubricants market too, even as the competition intensified yet again, LIOC's range of SERVO brand lubricants performed well during the year, to record steady growth in terms of sales value and profitability. Moreover, having ventured into regional markets to promote the SERVO range, the Company made considerable headway in

Chairman's Message

expanding its presence outside Sri Lanka. With LIOC's efforts to aggressively pursue the regional markets in the Maldives and Nepal yielding positive results during the year, lubricant exports more than doubled in 2012-13 as compared to the previous year. Buoyed by this success, the Company hopes to make inroads into the Southeast Asian regional markets as well, in the year ahead.

As infrastructure development continued countrywide for the third consecutive year, the road network in particular grew progressively well throughout the year, yet again resulting in increased demand for bitumen. As a key supplier, LIOC's sales of bitumen continued to grow in tandem with this escalating demand, leading to a staggering growth in volumes.

Boosted by healthy contributions from all revenue streams, LIOC's profit after tax registered an increase of nearly LKR 2 billion for the year, a monumental increase of 221% over the comparative figure in the previous year.

As part of our continuing endeavour to strengthen LIOC's island-wide reach, we added a new franchise outlet during the year, bringing the total number to 157. In line with our goal of delivering LIOC's premier service standards to a greater island-wide populace, particularly in currently unrepresented areas, we are working towards setting up 10 more stations in the current year.

I firmly believe that LIOC's unfailing professionalism and steadfast commitment to stake-holder value have been instrumental in the Company achieving its corporate goals and delivering success. Buoyed by these achievements, LIOC stands tall amongst Sri Lanka's corporate elite as a pivotal force in propelling the country's economy.

STAKEHOLDER VALUE

Since inception, it has been LIOC's goal to maximise stakeholder value. As a consequence, assured and consistent supply of petroleum products has always taken precedence over profit margins. In fact, over the years, the Company has resolutely focussed on developing all aspects of its operational platform that would support this goal, and has reinvested all its profits in developing infrastructure and growing the business.

LIOC is committed to upholding the rights of its stakeholders at all times. In doing so, the Company fulfills all the statutory and mandatory compliance criteria and reporting standards. These parameters form the basis of the transparent business practices and an ethical code of conduct in all aspects of LIOC's operations. The Company is guided by the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

Chairman, Lanka IOC PLC Mr. Makrand Nene together with Managing Director Mr. Subodh Dakwale and Director Mr. B Ashok made a courtesy call on Honorable Minister of Petroleum Industries Anura Priyadharshana Yapa.

Chairman's Message

SHARING & CARING

LIOC remains committed to nurturing a sustainable business model that would accurately reflect its corporate goals and long-term business aspirations, while creating meaningful change for the future. Driven by certain indelible values, the Company hopes to infuse a sustainable business culture across all aspects of its operations. Accordingly, LIOC would look to systematically strengthen its environmental credentials through resource efficiency and effective waste management. Moreover, highly focused CSR efforts are expected to foster broader socio-economic change for the future.

LOOKING AHEAD

Inspired by a decade of success, LIOC has made ambitious plans for the future that are deemed critical in distinguishing it as a top-tier corporate in Sri Lanka. The primary focus for the coming years would be to enhance LIOC's brand identity and customer access to the Company's product portfolio on an island-wide scale. Accordingly, in the year ahead, the Company hopes to expand its customer touch points across the country in a big way with particular focus on the north and east. Moreover, LIOC would also look into the possibility of automating a number of fuel stations at identified strategic locations across the country. While building on existing strengths at home, the Company also hopes to explore the potential lubricant markets in Myanmar and Indonesia.

As part of its coordinated efforts to prepare for the future, LIOC hopes to develop an integrated sustainability policy that would be ingrained into all aspects of its business model. The sustainability ethos so derived would then be used as a benchmark to measure both the qualitative and quantitative performance of the organisation in the years ahead.

ACKNOWLEDGEMENTS

In conclusion, I wish to express my sincerest appreciation of the Board of Directors for the support and wise counsel extended to me at all times. I also take this opportunity to compliment the CEO, the senior management and the entire staff of LIOC for their loyalty and commitment in working towards a common goal. I also wish to extend my sincere thanks to the Government of Sri Lanka, including all government institutions, for the support and cooperation extended to us in all our business endeavours. My gratitude also goes out to all our valued customers, bankers and other business partners for their continued support. I look forward to your continued patronage in the years ahead.

With best wishes,

Makrand Nene
Chairman

Managing Director's Message

The year under review stands out as the most financially successful year to date, with the company continuing to retain the existing 20% market share for petroleum products.

Managing Director's Message

DEAR SHAREHOLDER,

The year was a memorable one for the company, with August 2012 heralding the landmark 10th year of successful operations in Sri Lanka. In retrospect, the past decade was indeed an eventful one for Lanka IOC PLC (LIOC). Your company ventured into Sri Lanka's petroleum market with an initial investment of USD 75 million and over the past decade, and further substantial investments have been made towards upgrading and enhancing operational infrastructure to support its operations in the country.

With 95% of the workforce drawn from within the country, LIOC contributes positively to Sri Lanka's economic progress by providing direct as well as indirect employment to over 4,000 people.

KEY BUSINESS HIGHLIGHTS

The financial year 2012/2013 proved to be doubly rewarding for LIOC. Underscoring the decade of service, the year under review stands out as the most financially successful year to date, with the company continuing to retain the existing 20% market share for petroleum products. The fuel price hike initiated in February 2012 by the Government of Sri Lanka, which brought price parity in diesel with the other petroleum product marketing company, was realised in the current year, leading to an overall increase in sales value as at 31st March 2013. Sales volumes also grew marginally by 10% during the year, signaling the company's growing island-wide presence. Consequently, total sales for the year experienced a sharp 24% increase from Rs. 60.436 billion recorded in the previous year, to Rs. 75.11 billion for the year under review.

Your company has also been using various cushioning strategies from time to time to tide over the forex fluctuation which is reflected in the form of exchange gain in the financial statements of the current year. This was a remarkable turnaround from the steep exchange loss that negatively impacted the financial performance of the preceding year. As such, profit after tax grew from Rs. 907.26 million recorded in the previous year, to Rs. 2.90 billion for the year under review, a staggering increase of 221%.

The wave of aftershocks following erratic global oil markets, yet again underscored the importance of having a standard pricing formula for petroleum products. As world oil market prices continued to fluctuate throughout the year, import tariffs for petroleum products spiraled upward. Unable to respond with an appropriate pricing mechanism, LIOC was forced to absorb the shock losses. Lanka Auto Diesel and Xtra-mile were particularly affected by price increases in the current year and as a result of not being able to increase prices to the consumer the company had to suffer substantial financial losses in these two product categories, during 2012.

However, it is heartening to note that the unpredictable behavior of world oil markets did not have any material bearing on LIOC's share value during the year. The growth in the share price from Rs. 16.90 at the start of the financial year, to Rs. 20.40 as at 31st March 2013, denotes the company's growing strength as a driving force in Sri Lanka's economy.

KEY OPERATIONAL HIGHLIGHTS

Since entering the Sri Lankan petroleum market in 2003, your company has worked diligently to create a reliable island-wide retail network of delivery stations. LIOC's iconic retail fuel stations have forever changed customer perceptions about accessibility to petroleum services in the country.

Having successfully challenged customary protocols, LIOC's revolutionary approach has raised the bar and reengineered the future of the local petroleum industry. Your company has continued to function independently as a truly and fully integrated Sri Lankan corporate entity to make progressive contributions to the country's economic development. With 95% of the workforce drawn from within the country, LIOC contributes positively to Sri Lanka's economic progress by providing direct as well as indirect employment to over 4,000 people.

Aligned to the Company's vision of taking customer convenience to a whole new level, in this year too, the company went ahead with the expansion agenda to develop the retail sector. As in the past, customer ease and convenience continued to underpin

Managing Director's Message

the entire expansion strategy, with more recent developments aiming to infuse the retail chain with a sustainable operational model. This new angle would drive energy conservation efforts and resource efficiency at all levels of the retail business. As such, plans are afoot that the Retail Outlets would be revamped with a new concept design showcasing a range of energy efficient lighting solutions. Accordingly, the company has invested over Rs. 40 million in 2012 to revamp selected retail outlets across the island. Plans are also underway to gradually introduce the new sleek look to the entire network in the future.

Spearheaded by LIOC's objective to cultivate closer regional relationships, the company expanded its reach to the Maldives during the year under review to promote LIOC's range of branded lubricants, thereby reinforcing efforts to make a stronger regional presence.

LOOKING AHEAD

Guided by the strength and stability of your company's performance over the past decade, I am confident that the company is destined for even greater things in the years to come. Always a pioneer in many areas, automation of fuel stations would be a core area of focus for the future. Designed on a highly customer-centric format, these new automated stations would not only provide ease of access and customer convenience but yet again transform the country's petroleum service platform, elevating it on par with international standards. New initiatives would be introduced concurrently with the retail network expansion agenda, thereby facilitating the dual goals of providing customer convenience together with widespread island-wide accessibility.

Having successfully penetrated the lubricant market in the Maldives, the company expects to use this advantage to gain a firmer foothold in the South-East Asian region, in the forthcoming year. Initial endeavour would see LIOC's range of lubricants being introduced to Myanmar and Indonesia, in the year ahead.

In pursuance of the goal to diversify the corporate business platform, your company would be looking into a number of new revenue streams, in the years ahead. Exploring the possibilities of fuel bunkering in Trincomalee as a potentially lucrative business prospect remains a top priority. Sri Lanka's strategic location at the heart of the "Silk Route" connecting Australasia to the Middle East and Europe together with the country's stable geo-political presence in the region, prove to be ideal pre-requisites that support large scale fuel bunkering. However, the lack of infrastructure and inadequate bonded storage space continue to be major constraints restricting the country's ability to pursue

Managing Director, Mr. Subodh Dakwale lighting the traditional oil lamp at the launch of the "We Care" programme to commemorate the 10th anniversary of lanka IOC PLC. In attendance are the guests and the senior officials of Lanka IOC PLC.

Managing Director's Message

this highly profitable business channel. A proposal in this regard has already been forwarded to the Government of Sri Lanka and I believe the government will positively consider the same to explore this commercially viable area, in the years ahead.

Your company also hopes to aggressively pursue measures to reduce its carbon footprint, wherever possible. Underpinning these objectives are the company's efforts to introduce "Greener" petroleum product variants to the market in the forthcoming year, which would significantly reduce potential emissions to the environment. Moreover, in the forthcoming year, the company also plans to introduce to the local market, a range of environmentally compatible petro-chemical products. These petro-chemicals, to be introduced under the LIOC banner, would be a boon to the local plastic bags manufacturing industry by providing a reliable eco-friendly raw material source.

APPRECIATIONS

To conclude, I take this opportunity to extend my appreciation to the management and staff for their commitment and dedication to deliver LIOC's decade of success. My grateful thanks also go out to the Chairman and the Board of Directors for their support and wise counsel at all times. I would also like to thank the various government institutions, in particular The Central Bank of Sri Lanka, The Department of Inland Revenue, Sri Lanka Customs, The Sri Lanka Ports Authority, Board of Investments, Ministry of Finance & Planning and The Ministry of Petroleum Industries for the unfailing support granted to us over the years.

A special thank you goes to LIOC's valued shareholders for their continued support and confidence in the company. We thank also our bankers, and external auditors for their valuable input. Finally, I wish to thank our customers and other stakeholders for their trust and confidence. I rely on your continued support in the years ahead.

Best wishes

Subodh Dakwale
Managing Director

Board of Directors

Mr Makrand Nene
Chairman

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

Mr. Nene has also been appointed Chairman of IOC's subsidiary – Lanka IOC PLC(LIOC) in Sri Lanka, IOC's joint venture companies - IndianOil 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 33 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 & Distribution (S&D), Operations, Shipping, Commercial etc. He was also responsible for supplies of all petroleum products to the neighboring state of Nepal.

Mr. Nene's stint in S&D brought him very close to the working of Refineries & Pipelines. Not only did he coordinate with them on day-to-day working, he also took it upon himself to learn the total nuances of refineries & pipeline operations & other allied issues. This was reflected in his astute handling of Refineries & 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 rationalizing the Corporation's supply & 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 most critical assignments. His people-oriented approach, networking with both internal & external stake-holders and continuous thrive for learning has provided him the unenviable leadership position in the 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 & automation & infrastructure development/augmentation.

Board of Directors

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, Sales & Marketing. This has given him hands-on experience and depth of knowledge in the functioning of the different areas of the 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 Madya Pradesh State of India.

A Civil Engineer from the Government Engineering College in Rewa, Mr Dakwale is a sports enthusiast and an avid golf player. He was actively involved in various social and employee welfare organizations in India.

Mr Vijay Kumar Gupta
Non- Executive Director

Mr V.K. Gupta, has over 32 years' multifarious experience in Oil Industry in various Departments. A Chartered Accountant by profession, 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 stream with responsibility for preparation of Balance sheets, Annual Accounts, Budgeting and Financial policy issues, interaction with Govt. 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 also served the Business Development Group where he was responsible for financial due diligence and monitoring of the various projects right from conceptual stage to the implementation stage. He has also worked in Oil Coordinating Committee (OCC). Presently, Mr V K Gupta is holding the post of Executive Director (Corporate Affairs) and is directly involved in matters relating to major investment decisions, strategic issues, issues related to Joint Ventures and Subsidiaries, Corporate legal issues, etc. He is also serving as Director on the Boards of various Joint Venture Companies.

Board of Directors

Prof. Lakshman Ravendra Watawala
Independent Non-Executive Director

Prof. Lakshman R Watawala is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA); Fellow of the Institute of Certified Management Accountants of Sri Lanka (FCMA). Fellow of the Chartered Institute of Management Accountants of UK (FCMA UK)

He served as a Qualified Assistant at Turquand Youngs (Ernst & Young); Chairman & Managing Director of the Ceylon Leather Products Corporation; Chairman & Managing Director of the State Mining and Mineral Development Corporation; Chairman Peoples' Bank; Chairman Peoples' Merchant Bank; Chairman & Director General of the Board of Investment of Sri Lanka; Advisor of the Ministry of Finance; Chairman of the Pan Asia Bank Ltd., Director South West Asia Informatics Holdings Ltd., Singapore; Deputy Chairman and Executive Director of the Singapore Informatics Computer Institute (Pvt) Ltd; Chairman & Director of the General Board of Investment of Sri Lanka (2005 – 2007) and the Chairman of the National Insurance Trust Fund.

He currently serves on the company Directorates of Richard Peiris PLC., Gestetner Ceylon PLC., Lake House Printers & Publishers PLC., and 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; 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 Organization 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.

Mr Amitha Gooneratne
Independent Non-Executive Director

Mr. Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow member of The Institute of Chartered Accountants, United Kingdom and Wales and a Fellow member of The Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd. 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 Sri Lankan Air Lines during 2002–2004 by the Government of Sri Lanka.

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

Board of Directors

Mr B. Ashok
Non- Executive Director

A Mechanical Engineer from Guindy Engineering, Chennai and 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 32 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 the current assignment 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 IOCs 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 in-charge of 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.

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 the Lanka IOC PLC in year 2009.

Senior Management

Mr. Subodh Dakwale
Managing Director

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

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

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

Mr. Haresh J. Manshani
Senior Vice President (Operations & Bunker)

Senior Management

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

Mr. Saurav Mitra
Senior Vice President (Finance)

Mr. Sunil Kumar Nagdawne
Vice President (Operations) Trinco

Ms. Rajanie Balakrishnan
Company Secretary

Mr. Rajkumar Chowdhary
Vice President (Finance)

JAYASINGHE
IOC
HIGHLY FLAMMABLE
SERVO
LUBRICANTS
9254

View of Bowser
Filling Operations
at Trincomalee

Management Discussion and Analysis

OVERVIEW OF GLOBAL ECONOMIC PERFORMANCE

Yet again the performance of the global economy fell short of expectations recording only dull growth of just over 1% for 2012. Underpinning this poor performance was the dismal performance of many advanced economies. As the sovereign debt crisis continued to plague the Eurozone for the third consecutive year, countries in the 17 nation block remained stuck in low gear. The introduction of austerity measures amidst rising unemployment and shrinking factory output resulted in mounting recessionary pressures for the region. The prognosis for many of these economies remains grim for the year ahead, with recovery being a very distant prospect.

Moreover the escalating political unrest in the middle-east also proved to have a negative impact on the already shaky global economy.

On the other hand, fuelled largely by the government led monetary stimulus package, US consumer spending picked up in the latter half of 2012, which led to GDP growth just over 2% in the US, for the year. This slight recovery in the US economy signaled a glimmer of hope for global recovery in the year ahead.

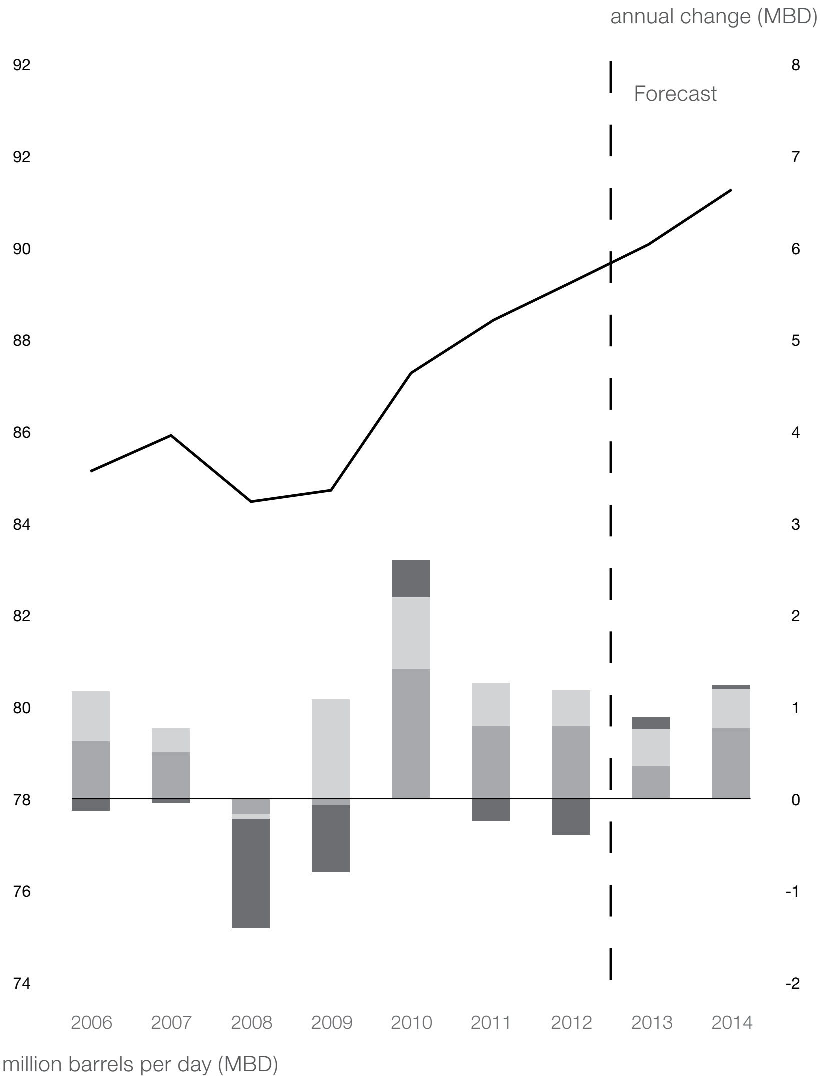
Emerging economies too demonstrated encouraging signs of growth for 2012. Deviating from the hyper-growth experienced in the past, China transitioned towards a more stable economic structure, to record a 7.8 % GDP growth for the year. Meanwhile India's GDP growth rate also slowed down but still managed to grow at the rate of 5% during the year under review.

OVERVIEW OF THE GLOBAL OIL INDUSTRY

Oil Production and Consumption Trends

As the world population continues to grow, greater numbers are becoming more affluent giving rise to an ever growing demand for products that are powered by fossil fuels, in particular oil. In China and India alone, the increase in the net population reached unprecedented levels, further driving up demand for oil in 2012. Regardless of the weak global economic climate, the global oil industry recorded brisk growth during 2012. The strong economic growth in both China and India heightened the demand for oil, with global oil consumption growing by 0.9% during 2012. In response global oil production also grew by more than 2% to reach 89.2 million barrels per day, by the end of the year.

World Liquid Fuels Consumption



Source of information: Short-Term Energy Outlook, July 2013

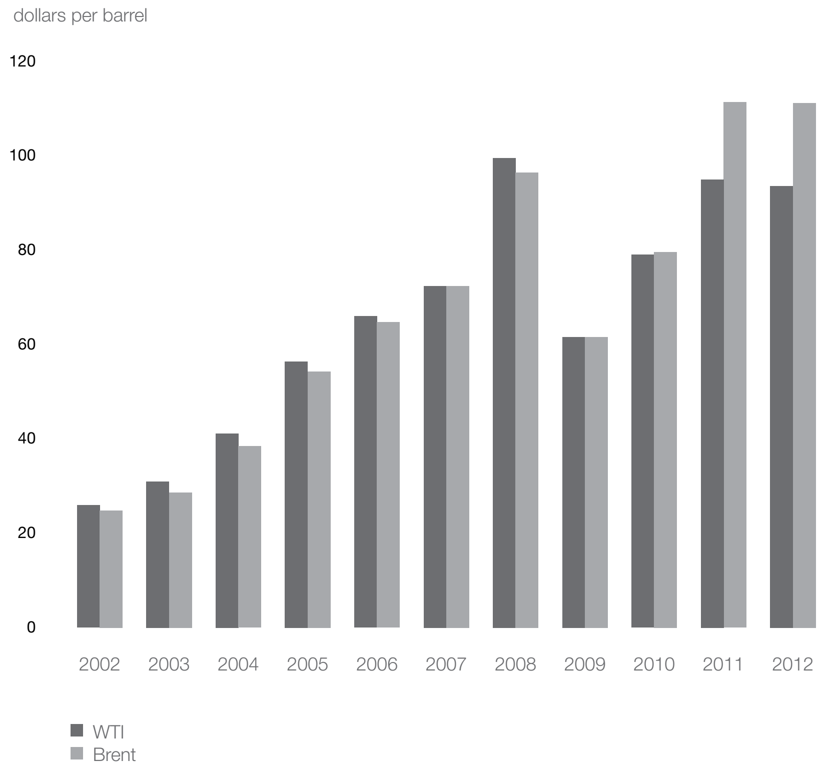
- Change in U.S. consumption (right axis)
- Change in China consumption (right axis)
- Change in other consumption (right axis)
- Total world consumption (left axis)

Management Discussion and Analysis

World Oil Prices

Average world crude oil prices in 2012 continued to remain at an all-time high, a trend continuing for the second consecutive year. As such, Brent crude oil averaged $111.67 per barrel, marginally edging out the 2011 average of $111.26.

Average annual spot price for Brent and WTI crude oil, 2002-2012



Source of information: U.S. Energy Information Administration

SRI LANKA'S ECONOMIC PERFORMANCE

Measured steps initiated by the government of Sri Lanka in early 2012, were intended to moderate the excessive growth patterns that had characterised the previous three years. Wide-ranging macro-economic changes to the country's monetary, fiscal and exchange rate policies sought to arrest the widening trade gap and control unrestrained credit growth within the country. Accordingly, the country transitioned towards a more managed growth model and recorded a stable 6.5% GDP growth for 2012. Having shed the unhealthy predispositions of the past, this managed growth model would no doubt be a prerequisite for sustainable future growth.

SRI LANKA'S PETROLEUM INDUSTRY PERFORMANCE

Sri Lanka's reliance on imported petroleum yet again continued to straddle the country's economy. With petroleum products accounting for more than 50% of the import bill, fluctuating global oil prices throughout the year negatively impacted the country's widening trade gap. This was further exacerbated by the rapid growth in import volumes. Consequently, Sri Lanka's total imports of petroleum products and crude oil in 2012 exceeded US$ 5037 million, a 5% YoY increase comparative to the previous year. [source of information: Central Bank of Sri Lanka Annual Report 2012]

Regardless of the local market duopoly between Ceylon Petroleum Corporation (CPC) and LIOC, local prices for petrol and diesel remained uneven with little or no correlation to changes in world market prices throughout the year. Hence the industry was left reeling in the face of severe price aftershocks even though the existing import duty structure on petroleum products remained unchanged for the year under review

LIOC'S BUSINESS REVIEW 2012

Operational Review

Performance Overview

With the continued reliance on imported diesel and petrol to sustain the retail business, the company was once again subject to the imminent price fluctuations of an import driven operation.

Management Discussion and Analysis

As cost of importing Diesel steadily spiraled during the year, LIOC was compelled to rethink its Diesel retailing strategy. In order to stem the negative impact on profit margins an upward revision of the retail price of Diesel was deemed necessary. Mindful that such a decision would invariably cause a disparity in the price of Diesel, between LIOC and its competitor, the Ceylon Petroleum Corporation (CPC), the company nevertheless went ahead with the revision strategy. As LIOC began retailing Diesel at Rs. 121/ per litre with effect from 02nd October 2012, CPC's price remained at Rs. 115/- per litre.

Price parity was re-established in the market when CPC also increased the price of diesel at par with that of Lanka IOC, with effect from 22nd February 2013.

Although overall Diesel volumes grew by 21% for the year under review, volume growth did suffer during the period when the price differential was in effect. However, following the removal of the price parity in February 2013, volume growth resumed its customary growth trajectory.

LIOC's retail petrol business accounts for sales from both Lanka Petrol 90 (LP90) and the high-octane XtraPremium Euro 3 variant. Notably, total petrol sales volumes for the year under review dipped marginally on account of the more expensive XtraPremium Euro 3 option entering the market in the latter part of the previous year. However, as an intrinsically superior fuel, most suited for the new generation of vehicles, XtraPremium Euro 3 has steadily grown in popularity, gaining wide acceptance across the country, leading to average monthly volumes of 4250 kl in 2013/14. Sales volumes of XtraPremium 95, the premium fuel introduced in 2010 to cater to a high-end niche market, also increased substantially to reach 1400 kl per month, in the current year.

Meanwhile, sales volumes of Lanka Petrol 90 continued in its usual pattern to record an increase of 3.13% during 2012/13, in comparison to 2011/12.

Infrastructure Development during the year

LIOC has always considered infrastructure development as a strategic priority, particularly when attempting to make inroads into a broader island-wide market. The company's unique self-styled fuel stations are now symbolic with the widespread transformation of Sri Lanka's petroleum sector in the past decade.

Always conscious of maintaining world class customer service standards, during the year the company focused on further upgrading and revamping identified fuel stations across the country. At a cost of over Rs 190 million, modernisation plans for the year primarily focused on creating a more customer-centric refueling service vis-à-vis state of the art equipment and storage procedures.

Of the total capital expenditure, a considerable amount was spent on modernising and revamping identified refueling stations across the island. Stations in Beruwala, Galewela, Galgamuwa, Minuwangoda, Chilaw & Matale were completely refurbished, with a view to delivering LIOC's renowned superior service platform to customers in these areas, while, the Battaramulla, Worakapola, Kehelella stations were also realigned to embrace a more customer-centric format. Meanwhile, additional product storage tanks were commissioned at the fuel stations at Passara, Thalawakkele, Galewela and Battaramulla to augment the storage capacity at each location. Moreover, during the year, the company also aimed to enhance its green credentials by implementing a more sustainable operational model for its fuel stations. Resource efficiency and energy management would form the basis of the new operational model, which was successfully piloted at the Felix Perera fuel station at Horton Place in Colombo 07.

The year also witnessed a series of modernization efforts at the Trincomalee receiving and storage terminal. As in the past, this year too, the company continued to ensure that the product transfer pipe lines are well maintained and fully operational at all times. Meanwhile, in its continued effort towards improving overall efficiency of product handling, one more product tank was redesigned as an internal floating roof tank at a cost of Rs. 24 million. This is in line with the company's goal to achieve green environment and fuel sustenance.

Lubricants

Performance Overview

In the face of high duties on the import of vehicles, the country's lubricant market remained dull during the year. Moreover the introduction of high-performance long drain lubricants also contributed somewhat to the slackening of the lubricant market. Regardless of the lackluster market growth, Sri Lanka's

Management Discussion and Analysis

lubricant sector remained highly competitive during the year with 14 players competing in the market.

LIOC's branded Servo range of lubricants firmly held on to its position as the second largest selling brand in the country, despite a marginal drop in sale volumes. However the lower volumes were compensated by a 9% increase in sales value along with an 18% growth in profitability for this segment, during the year under review. This success was driven by LIOC's focused strategy to build an optimum product mix together with an appropriate pricing structure for the Servo range. During the year the company launched a series of measures starting with the introduction of Group II base oils. These components would facilitate the local manufacture of high performance lubricants like turbine oils, API CH4/ API CI4 engine oils which until now have been imported at a prohibitively high cost. It is hoped that these measures would not only enable the LIOC to offer these products at more competitive prices but also allow the company to augment lubricant portfolio.

Distribution Network

Given that the success of LIOC"s lubricant range is dependent largely on the company's fuel distribution network, during the year, the company went ahead with moves to further strengthen the retail distribution arm. Accordingly the company's retail channel was re-conceptualised to embrace a unique new concept and showcase LIOC's Servo range of lubricants. To ease the dependency on fuel stations, a series of exclusive Servo outlets would form the basis of new branded distribution channel. Yet again, transforming traditional norms the proposed Lube Marts and Servo Shops would be the catalyst in delivering change to the customer. Through these Lube Marts and Servo Shops, customers across the island would have access to high quality Servo products at very competitive prices. In doing so, the company hopes to change customer perceptions in favour of the beneficial properties of the Servo range of lubricants.

Lubricant Exports

Growth in lubricant exports showed encouraging signs during the year, with volumes growing by 100%, particularly from exports to the Maldives and Nepal for the future prospects of lubricant exports.

Bitumen

Performance Overview

As expected, the post-war reconstruction requirements in Sri Lanka together with the general economic revival proved to be a massive boon to the construction sector. Driven largely by foreign direct investments in large scale infrastructure development projects, the construction sector has continued to grow for the past three years, surpassing average national GDP growth rates every time. With much of these investments channeled towards massive road development projects, the demand for Bitumen was also strongly correlated to this growth.

As a key supplier of Bitumen, LIOC's Bitumen segment enjoyed unprecedented success, with volumes growing by more than 20% for the year under review.

Developments During the Year

During the year, the government liberalized the regulatory framework governing Bitumen imports to allow large construction companies to import limited quantities of Bitumen for their requirements. It is likely that relaxing of the licensing policies could lead to the importation of sub-standard or adulterated products at a lower price. To arrest any possible loss of the Bitumen market, during the year LIOC initiated a series of measures that would reinforce its position as a leading supplier of high-quality Bitumen in the country. To support this aim, LIOC has planned to enhance the company's Bitumen storage infrastructure by constructing a number of large bitumen storage vessels.

Fuel Bunkering

Having identified the latent potential of fuel bunkering, the company continued to consolidate and streamline business operations in the Bunker fuels segment. In doing so, LIOC explored possible long-term partnerships for product sourcing and logistics that would ensure greater operational efficiency for this line of business.

Consequent to negotiations, a long term agreement was signed with Matrix Bharat for supplies of bunker fuels, for one year effective June 2012. Meanwhile,

Management Discussion and Analysis

LIOC undertook charter activities for the fuel oil vessel, during the year while pursuing product sharing arrangements with other bunker suppliers. While ensuring the efficient use of the vessel, these activities also meant that LIOC was able to justify the cost effectiveness of the initial investment. Moreover, it also helped in increasing bunker volume, which registered growth of more than 8% during the year.

Future Outlook

In the year ahead the company would be predominantly focus on infrastructure development in order to harness the full potential of its fuel distribution network, particularly in areas where LIOC representation remains low. Having already earmarked the locations deemed crucial for expansion, plans are underway to commission a further 40 fuel stations to add to the existing portfolio of 157 stations across the country. Moreover, to fulfill LIOC's aim of delivering ultimate convenience to the customer, automation of fuel stations would also be a major part of the overall expansion plan. Concurrently the company plans to expand the branded retail channel which has seen the opening of 35 branded Lube Marts or Servo Shops, exclusively dedicated to showcasing the Servo range of lubricants and engine oils.

Encouraged by the success of the potential for lubricant exports, the company plans to actively pursue alternative regional markets in a bid to strengthen LIOC's presence across the region. Moreover, the company remains committed to explore the emerging market for fuel bunkering. In this regard LIOC would actively support the government in national infrastructure development efforts that would facilitate commercially viable fuel bunkering.

In tandem with the global paradigm shift towards more eco-friendly products, LIOC hopes to introduce a range of "Greener" petroleum product variants. Post introduction of Euro 3 Petrol, the introduction of Euro 3 diesel would be a further step towards achieving environmental compatibility. Euro 3 diesel is a variant of diesel with a substantially lesser sulphur content of 350 ppm as compared to the current 2500 ppm of sulphur content of regular diesel. Moreover the cancer causing component produced by Euro 3 diesel is also significantly less than that of the diesel available in the market at present. The company has initiated plans to modernise the required infrastructure at a cost of Rs. 90 million to support of the introduction of Euro 3 diesel, which would be market ready by 2014. On a similar note, LIOC would look into the possibility of introducing other eco-friendly products to supplement the existing portfolio. Plans are already underway to introduce environmentally friendly petro chemicals to the Sri Lankan market. Once the required approvals have been obtained it is hoped these plans would become commercially active in the forthcoming year.

In the years ahead the company would look towards consolidating activities as the proposed infrastructure developments take shape. With the next five years being a critical growth period for the company, it is hoped that these ambitious plans would propel LIOC to the apex of Sri Lanka's corporate sector in the years ahead.

FINANCIAL REVIEW

Sales

Driven by increases in both domestic and export sales, total sales for the year reached Rs. 75.11 billion up 24% from Rs. 60.436 billion recorded in the previous year. Growth in all domestic revenue streams resulted in the increase in domestic sales by Rs. 10.46 billion for the year, a 22% growth comparative to the preceding year. Meanwhile, the company experienced a 30% growth in export sales an equivalent of Rs. 4.2 billion for the year under review.

Costs and Expenses

With cost of sales seemingly increasing in correlation to sales growth, gross profit for the year also grew by 23% from Rs. 4.36 billion in 2011/12 to Rs. 5.39 billion for 2012/13. There were no material changes to other operating income for the year. Moreover, prudent financial control and effective cost management, meant the company was able to successfully contain expenses within acceptable limits, despite considerable increases in some areas. The modest of 17% increase in the annual distribution costs together with the 12% decline registered in annual Administration expenses can be attributable to these preemptive measures.

Management Discussion and Analysis

Profitability

Consequently, operating profit increased from Rs. 1.956 billion in 2011/12 to Rs. 2.862 billion in the year under review, a massive 46% growth comparative to the previous year. By optimising on the rate mismatch window, together with careful evaluation and continuous monitoring, the company was able to benefit from a sizeable exchange gain in the year under review, in contrast to the exchange loss scenario witnessed in the previous year. The massive transformation led to a staggering 242% increase in finance income, followed by a major 87% YoY reduction in finance costs. These factors culminated to generate a net finance income of Rs. 128.19 million in the current year, compared to the net finance loss of Rs. 1.025 billion recorded in the preceding year. Consequently Profit before Tax (PBT) increased sharply from Rs. 930.86 million in 2011/12 to Rs. 2.990 billion in 2012/13, a phenomenal increase of 221%. Moreover, Profit after Tax (PAT) also jumped by an equivalent percentage from Rs. 905.94 million recorded in 2011/12 to Rs. 2.91 billion for the current year.

Share performance and Dividend

The increase in profitability augmented both the company's Earnings per Share (EPS) and Net Assets Value (NAV) per share. EPS increased to Rs 5.46 per share at the end of the current year, from Rs 1.70 recorded in the previous year, while NAV per share increased from Rs19.00 in 2011/12 to Rs24.47 in 2012/13.

The total number of shares issued remained unchanged as at 31st march 2013 and the company's shares trading consistently well in the stock market throughout the year with no material changes observed in the share price. The price per share was Rs. 20.40 as at 31st March 2013, while the highest recorded price of Rs. 23.00 was in January 2013 band the lowest price per share of Rs. 15.00 was recorded in July 2012.

Investments

The company prudently capitalised on the lucrative interest rate market and increased exposure in short term interest bearing deposits during the year. Significant investments were also made to upgrade the company's IT and software platform during the year.

Borrowings

As in the past the company's borrowings were restricted to short term liabilities, with no material changes taking place in the borrowing structure during the year. As such the company was able to maintain a healthy debt-equity ratio of 33% and a stable 50% liquidity ratio as at 31st March 2013, indicating the ability to comfortably fulfill all debt obligations.

Cautionary Statement

Statements in the Management's Discussion & 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 availability and prices, changes in Government regulations / tax laws, economic developments within the country and factors such as litigation and industrial relations.

Sustainability Review

Free Health Camp - Peliyagoda, LIOC Filling Station on 29.12.2012

COMMEMORATING A DECADE OF SERVICE

An empowered mass populace is the key to sustainable long term business success leading to nationwide progress. It is this fundamental belief that determines Lanka IOC PLC's (LIOC), CSR initiatives. To commemorate a decade of service the company engaged in a series of highly focused CSR measures in 2012 that would target broader socio-economic development and reshape the progress of society in the country.

Efforts for the year predominantly focused on promoting general health among a wider public in addition to an ambitious project to provide educational support to vulnerable communities, particularly in the North and East.

Blood Donation Campaign - Managing Director Mr. Subodh Dakwale donating blood.

"WE CARE" PROJECT

As part of LIOC's health focus the company actively engaged in promoting better general health practices among the mass population primarily through the "We Care" project launched in December 2012. This project which was launched to commemorate a decade of LIOC's operations in Sri Lanka, aims to conduct a series of free health camps at identified locations across the country to assess the health standards and general well-being of area residents in the target locations. The first endeavour was conducted in partnership with "Helpage Sri Lanka" and held at LIOC's retail outlet in Peliyagoda on 29th December 2012. This health camp was a tremendous success with nearly 300 area residents accessing the available onsite facilities for diabetes testing, general vision testing, cataract and glaucoma screening and general health screening, including assessments for non-communicable diseases. Patients attending the camp were prescribed with their medicinal requirements free of charge in addition to appropriate medical references where deemed necessary. Moreover, more than 150 pairs of spectacles were also donated in accordance with varying patient requirements for eye care.

Sustainability Review

LIOC officer helping an elderly woman at the health camp.

Donors at the Blood Donation Camp.

BLOOD DONATION CAMPAIGN

A blood donation campaign was also conducted in August 2012 with the aim of providing a donation to the National Blood Bank. The campaign, which was conducted under the supervision of a panel of eminent doctors and medical personnel proved to be a tremendous success with the voluntary participation of over 250 people consisting of LIOC's senior management, staff and well-wishers, including armed forces.

INVESTING IN EDUCATION TO ALLEVIATE POVERTY – LIOC'S ENGLISH FOR YOUNG LEARNERS PROJECT

LIOC's English for Young Learners Project (EYLP), is an introductory English language training programme crafted specifically for 11 – 16 year old school children who lack any form English language skills. It is an ambitious project that took wing under the banner "Investing in Education to Alleviate Poverty" and was piloted at China Bay Nalanda Maha Vidyalaya and the China Bay Tamil Vidyalayam in the Trincomalee district in March 2012. By targeting children resettled in the North, LIOC's EYLP programme expects to provide the necessary facilities for rural school children to learn the English language as a systematic means of communication. In the interest of ensuring completeness and relevance of the EYLP course content, LIOC contracted the expertise of The Cosmopolitan Learning Academy to develop and structure the required course material. Accordingly the comprehensive EYLP study course has been designed to develop the cognitive skills of the students through a structured study programme covering the four core language skills of listening, speaking, reading and writing. EYLP's unique study methodology combines conventional teaching techniques together with more modern audio visual learning aids. It is believed that this would stimulate the young mind towards a more interactive learning process that would ultimately nurture a new breed of confident English language speakers. The study agenda was enthusiastically received by the staff and students of both schools and successfully integrated into the regular curriculum. A total of 140 students from Grades 06 – 11, a good mix of boys and girls participated in this 9 month project which comprised of a total of 54 hours of spoken and written course work. Upon successful completion of the course the high achievers from both schools were presented with recognition certificates by LIOC, at a ceremony held in December 2012 under the patronage of many high profile officials. Mr. N. A. A. Pushpakumara, the Secretary to the Ministry of Education - Eastern Province and Navy Commander of Mahaweli Navy Camp, Trincomalee T S K Perera were among a number of VIP's who attended the event.

OTHER CSR INITIATIVES

In addition to the two major CSR initiatives, during the year LIOC also made significant donations of wheel chairs and other medical apparatus to needy individuals and also to upgrade facilities at care centers across the island. Cancer Hospital Maharagama, the Grace Care Center -Home for Elders, Trincomalee, Elders Home in Medirigiriya, Divisional Secretariat of Bakamoona and the Karuna Nivasa Old Age Home a member of the Mother Teresa's Missionaries of Charity, were some of the care centers that were recipients of LIOC's wheel chair donations for 2012.

TOWARDS A "GREENER" TOMORROW

Coinciding with commemorative celebrations to mark the 10th anniversary, LIOC launched a massive tree planting campaign entitled "Creating Greener Pastures", an ambitious undertaking that would see the planting of 10,000 saplings at identified nature parks across the country. While exemplifying LIOC's accountability as a corporate citizen, the project also aims to inculcate environmental responsibility among the general public and thereby inspire people to "give back to nature and the environment".

The first segment of the "Creating Greener Pastures" initiative was kicked off with much fanfare at the Bio Diversity Park located adjacent to the Parliamentary Complex in Sri Jayawardenepura, Kotte. The event which was held on 10th September 2012 was patronised by a number of high profile guests and invitees. The event was a resounding success with the company receiving many commendations from all those present. In what would be a continuing endeavor, LIOC expects a total of 1500 saplings to be planted at this location.

Sustainability Review

Best performers at the English for Young Learners receiving certificates from the Secretory to the Ministry of Education - Eastern Province.

SUSTAINABLE PRODUCT DEVELOPMENT

The paradigm shift towards a "Greener" planet has spurred global vehicle manufacturers to produce increasingly sophisticated emission control components and systems that conform to stringent tailpipe emission standards. Hence, vehicles of today produce less emission, optimise fuel economy and deliver better performance and power, in contrast to the "gas guzzlers" produced only a few years ago. With the tightening of international emission regulations, the strong correlation between new-age vehicles and the need for high-quality, low-emission fuel has also been thrown into sharp focus.

In Sri Lanka too, amidst escalating fuel costs, the demand for high-performance fuel efficient vehicles has continued to grow exponentially for the past three years. To effectively bridge the fuel- efficiency gap, in November 2011, LIOC pioneered Euro 3 Petrol in Sri Lanka, with the launch of LIOC's branded XtraPremium Euro 3 Petrol. With a higher octane rating of 91, Euro 3 petrol enhances the fuel efficiency of the vehicle by reducing carbon monoxide and hydrocarbon emission levels, qualities which are not present in the LP90 Petrol currently available in the market. In addition to the inherent advantages,

Wheel Chair Donation - Cancer Hospital, Maharagama.

XtraPremium Euro 3 Petrol also promotes the "Clean and Keep Clean" function vis-à-vis the super cleanser additive in XtraPremium. By reducing residue deposits, the XtraPremium factor is designed not only to optimise performance of new generation vehicles, but also rejuvenate old vehicles to perform better.

CREATING SUSTAINABLE BUSINESS CHANNELS

Having marked a decade of success, during the year LIOC diverted its focus on creating a sustainable business culture that would eventually be imbibed into all aspects of the company's operations. Deeply aware that the key to commercial success lies in achieving a sustainable business model, the company pursued different ways to strike the right balance. Resolving to reduce LIOC's carbon footprint wherever possible, as a first step, the company sought energy efficient solutions to power its retail distribution channel. This long term undertaking would see the phasing out of mercury and sodium vapour lamps presently used across the retail network in favour of LED lighting solutions

Sustainability Review

that not only serves as an energy efficient choice, but also acts as a more cost effective long lasting alternative. By using more energy efficient LED lighting solutions, the company aims to mitigate as much as possible the negative impact on the environment caused by traditional high energy lighting. The first segment of this exercise was launched during the year at the Felix Perera Distribution Station located at Horton Place. Successful completion of the initiative meant that all illumination requirements at this shed are now met entirely by LED lighting solutions. Substantial investments are ongoing to extend the program and install similar lighting solutions at all retail distribution stations across the island in the year ahead.

ENRICHING HUMAN CAPITAL

The company's commitment to human resource initiatives have always emphasised on developing a knowledge-based culture that would nurture resourceful individuals who are an asset to the nation. Amidst this backdrop, given its strong links to India, the company strives to overcome preconceived ideologies and create a suitable corporate environment conducive for individual growth. By promoting goal congruence whereby individual goals are aligned to corporate success, the company aims to deliver a common ground in which employees could mature and develop in an enriched progressive work environment.

LIOC reiterates the commitment to develop empowered individuals by creating a supportive environment in which employees are able to fully develop their personal and organizational skills, knowledge, and abilities. In doing so the company remains committed to its role as a mentor to its employees. Developmental aspects of training and employee career development form the basis of LIOC's performance management and succession plan that hopes to build a dynamic, motivated workforce that would drive the future of the company.

The company's functional and developmental based training agenda saw the successful completion of 36 programmes during the course of the year. Among them are regular field visits to the Trincomalee Plant intended to educate senior managers on process technicalities and enhance inter-departmental corporation between senior operational personnel.

The company also initiated an aggressive employee engagement programme during the year, under the aegis of LIOC's dynamic sports club. The following employee welfare efforts were implemented during the year, to promote greater social interaction between members of the sports club.

PROGRAMME DETAILS	DATE
Personal Grooming workshop for female members of Sports Club	28/04/2012
Organised Bowling competition followed by lunch at Excel World – Colombo	06/10/2012
Participation in the Mercantile Cricket Association (MCA) Annual Cricket Tournament 2012/13	March/ April 2012
Conducting LIOC's Inaugural Table Tennis tournament	February 2013
Annual Get-together for Sports Club members, held at Colombo City Hotel	18/12/2012
2nd Annual General Meeting – LIOC Sports Club	15/03/2013
Day outing to Bentota Beach Hotel by all Staff	19/01/2013
Terminal Operation Awareness Programme at Trinco Terminal for all female employees of LIOC	12/02/2013

The company remains committed to nurture a suitable organisational environment by instilling a communicative culture built on mutual trust. An independent Employee Survey conducted by "Great Place to Work" in December 2012, was meant to assess employee attitudes on the existing environment and determine areas deemed necessary for change. At the conclusion of the four day survey, the common consensus among employees at all levels was that LIOC was a "Great Place to work". Aside from the overall positive outcome, the results of the survey also revealed the need for change in certain areas. Having already identified the practicalities of change management, LIOC expects to incorporate the required changes in the forthcoming year.

CONCLUSION

LIOC expects to use the strength and stability garnered over the past ten years, as a launch pad to create a sustainable business model that would drive future success of the company. In doing so the company remains committed to rethink business strategies and ensure meaningful change is realised in all aspects of the business.

Urged by the public response to XtraPremium Euro 3 Petrol, in the forthcoming year, the company expects to introduce Euro 3 Diesel to the Sri Lankan market. Backed by the infrastructure and storage capabilities at the Trincomalee Plant along with the support of Research & Development Centre of Indian Oil Corporation, India, LIOC remains confident of once again revolutionising Sri Lanka's gasoline market with this high economy, eco-friendly fuelling option.

Moreover, LIOC would continue to nurture its CSR focus through its enduring commitment to the "We Care" and "EYLP" projects. It is hoped that these key initiatives would reach a wider general populace across the country in the years ahead. Concurrently, LIOC would remain committed to address any other potential areas that engender broader socio-economic development and lead to the progress of society as a whole.

Remains of the Burnt Tank during World War II at the Upper Tank Farm at Trincomalee

Corporate Governance

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.

Board of Directors is committed to ensure the accountability through proper mechanism that enhances the 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 environment 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).

Composition of the 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.

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 relationship with its investors. 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 & 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 periodic basis for a review and to ensure the adequacy and effectiveness of the internal controls.

BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2012-2013

S. No.	Date	Strength of the Board	No. Directors Present
1	10th May 2012	6	6
2	07th August 2012	7	6
3	31stOctober 2012	6	6
4	08th February 2013	6	6

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 page 18
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 page 16 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 45
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	The committee lays down guide lines and parameters for the compensation structures of executives and staff of the Company.	Please refer Remuneration Committee Report on page 45
7.10.5 c	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; i) Names of Directors comprising the Remuneration Committee	Complied	Please refer page 45
		ii) Statements of Remuneration policy & Committee Report	Complied	Please refer Remuneration Committee report for a brief statement of policy on page 45
		iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Complied	Please refer page 64

Compliance of CSE Rules on Corporate Governance

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 Audit Committee are available on page 46
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 recognized professional accounting body	Complied	Chairman of 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 page 46
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Please refer Audit Committee report on page 46
		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 page 46

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

TO THE SHAREHOLDERS

The Board of Directors has pleasure in presenting the 11th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2013. 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 17th May 2013.

REVIEW OF THE YEAR

The Chairman's statement describes in brief the Company's affairs and the performance during the year.

FINANCIAL STATEMENTS

The Financial Statements of the Company for the year ended 31st March 2013, 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 52 onwards.

PRINCIPAL ACTIVITIES OF THE COMPANY

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

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is set out on page No. 51.

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. These are the Company's first annual Financial Statements prepared in accordance with SLFRS as issued by the Institute of Chartered Accountants of Sri Lanka.

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.

The Financial Statements have been prepared in compliance with SLFRS/LKAS subject to certain transition elections and exceptions disclosed in Note 29.1 of the Financial Statements.

The Company's Financial Statements were prepared in accordance with previously applicable Sri Lanka Accounting Standards (SLASs) until 31st March 2012. The presentation and classification of figures for the corresponding period of the previous year have been amended to be comparable with those for the current year.

As disclosed in Note 29.2 to the Financial Statements no material impact has arised from Company's statement of financial position and cash flows presented under new Sri Lanka Accounting Standards (SLFRS/LKAS) and SLASs.

An explanation of how the transition to new SLFRS/LKAS has affected the reported financial performance of the Company is provided in Note 29.2.2 of the Financial Statements.

Changes in accounting policies are disclosed in the Note 2.2 of 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 are on purely commercial terms and conditions of contract that are applicable/applied to similar such other suppliers of the respective products. The parent company is treated at par with any other such supplying company without any preferences whatsoever.

Government of Sri Lanka 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 in the Interests Register and this is available for inspection in terms of the Act. Particulars of entries in the interests register are given below:

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

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.27 to the Financial Statements deals with Director's interests in contracts with the Company.

DIRECTORS' INTERESTS IN SHARES

Prof. Lakshman R Watawala, Independent Non-Executive Director of the Company has purchased 500 ordinary voting shares on 23rd November 2009 and Mr Amitha Gooneratne Independent Non-Executive Director of the Company holds 4800 ordinary voting shares. 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 2012-13 amounts to LKR.19,399,366/- (2011-12-LKR.14,558, 579/-)

DIRECTORS

The Directors of the Company as at 31st March 2012 were:

Mr Makrand Nene *(Chairman)*

Mr Subodh Dakwale *(Managing Director)*

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

Mr Amitha Gooneratne *(Independent Non-Executive Director)*

Mr V K Gupta *(Non-Executive Director)*

Mr B Ashok *(Non-Executive Director)*

APPOINTMENT OF AUDITORS

A resolution to re-appoint the present auditors PricewaterhouseCoopers who have expressed their willingness to continue, will be proposed at the Annual General Meeting.

The Auditors' remuneration for the year 2012-13 was fixed at LKR 1,2.Million and a sum of LKR.1,353,000/- was paid which includes the reimbursement of out of pocket expenses. (2011-12 LKR.1,200,000/-) as disclosed in note 8(a) to the Financial Statements on page 64.

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.1,557,783/- (2011-12 LKR.801,276/-) 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.801,278.40 (2011-12 LKR.801,278.40) 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 31st March 2013 and 31st March 2012 are set out in Note.13(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 ie: 75.12% are held by the Indian Oil Corporation Limited, India. The total retained earnings of the Company as at 31st March 2013 amounted to LKR. 5,451,744,626/- (2011-12 – LKR. 2,540,587,507/-)

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 reporting date, have been made.

CONTRIBUTION TO THE EXCHEQUER

Your Company has been making enormous contribution to the exchequer. During the year, 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 60.436 Billions in 2011-12 to LKR 75.110 Billions showing a growth of 24.28%. The increase in the Turnover came from increased sale of Bitumen and Bunker compared to the previous year. The increased sale of Bitumen and Bunker was due to growth in the economic activities of the country as a result of continued efforts from the Government of Sri Lanka towards the development of vital infrastructure.

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

EARNING OF FOREIGN EXCHANGE

During the financial year under review, you company has earned valuable foreign exchange amounting to approximately US Dollar 131.881 million through its operations.

OPERATIONS

ACHIEVEMENTS-Introduction of Euro 3 Petrol In Sri Lanka by Lanka IOC.
Transport sector is one of the major Green House gas emitting sector and source of atmospheric gas pollution. A single Vehicle may only emit small amount of pollutant but when multiplied with more than 1,800,000 vehicles in Sri Lanka, the total emission becomes very significant.

European countries sensed the problem of vehicle emission in 1960 and 70s and made various efforts to reduce the same . In 1970s for the first time vehicle emission requirements were defined, and catalytic converters were introduced, followed by 3 way catalytic converters. Series of Emission standards with regulatory framework have been defined with labeling as Euro 1, Euro 2, Euro 3, Euro 4 and Euro 5.

Vehicle manufacturers are continually producing more sophisticated emission control components and systems to meet more stringent tailpipe emission standards. Fuel, Ignition and Exhaust systems have all been modified to aid in this effort. Utilising electronic fuel injection and computerised engine control systems, today's vehicles produce less emission, get better fuel economy, and deliver better performance and power, than those produced only a few years ago.

In conjunction with the tightening of vehicle standards, fuel quality improvements have also been mandated. In some cases, the fuels modifications are necessary to allow the introduction of vehicle technologies that are required to meet the new vehicle emissions standards. For example, the adoption of Euro 1 standards for gasoline vehicles requires the use of unleaded gasoline. Further reductions in sulphur levels in both gasoline and petrol and diesel fuel are linked with Euro 3, 4 and Euro 5 standards.

Since 2005, all the vehicles meeting Euro 3 are being produced by all Major auto manufacturers. Recently changes in import duties of automobiles have lead to surge in import of new vehicles unlike earlier old and reconditioned vehicles. All such vehicles require at least Euro 3 Petrol.

Lanka IOC had taken a step in this direction by being the first company to import Euro 3 petrol in Sri Lanka with effect from November 2011 to provide the right fuel for the vehicles.

RETAIL SALES

Current Sri Lankan Standard Gasoline does not meet Euro 3 levels and hence can be termed not suitable for the new generation vehicles, including cars, motorcycles and Motor tricycles.

Euro 3 petrol is having better octane rating of 91 than existing LP90 petrol and also vehicles using appropriate fuel can get higher fuel efficiency, due to reduced carbon monoxide and hydrocarbon emission.

A basic comparison is given as under:

S. No.	Parameter	Unit	Current Gasoline Specifications	Euro 3 Gasoline Specifications	Benefits
1	Research Octane No (RON) minimum		90	91	Better pick up, power & better engine performance
2	Benzene (maximum)	% v/v	3	1	Environment friendly
3	Lead Content	g/l	0.013	0.005	Environment friendly
4	Sulphur (Max)	Ppm	500	150	Reduced corrosion
5	Total Aromatics	% v/v	45	42	Environment friendly
6	Existent Gum, g/m3, Max	g/m3	50	40	Lesser deposits on injection system/ plungers, better fuel flow.
7	Olefin content, percent by volume, Max	% v/v	Not defined	21	Storage stability leading to less gum formation

A very significant point to be noted is that the Euro 3 Petrol being marketed by Lanka IOC is in the form of XtraPremium Euro 3 implying that along with the inherent advantages of Euro 3 Petrol as highlighted above, the "Clean and Keep Clean" function of the super cleanser additive in XtraPremium reduces deposits at the port fuel injector, intake valve and controls combustion chamber deposits to maintain "like new" performance of the vehicle. Regular use of XtraPremium gives the vehicle a superior pick-up, smoother drive, better mileage and lower emission. XtraPremium is designed not only to optimise performance of new generation vehicles but it also rejuvenates old vehicles to perform better.

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

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 will expire in February 2013. Taxes will be charged at a concessional rate of 15% thereafter.

OTHER INCOME

In continuous efforts to optimise its income from various sources, your company earned LKR 21.508 millions during the year, through rents from lease of hoardings, space and amenities at the various retail outlets and from other resources.

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 and 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. Management committee reviews the systems and practices, risks faced by the company due to changes in the business environment, developments in the market, Govt policies etc, regularly initiates appropriate actions to mitigate the risks and reorient business strategies.

The Management holds 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.

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 with enhanced limits at very attractive rates of interest. This has helped to reduce the interest cost considerably during the financial year under review.

CSR PROJECT

The Company recognises the pivotal roles it has to play in the community in which it transacts business and the requirement to support 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.

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.

EVENTS AFTER THE REPORTING PERIOD

No events have occurred since the reporting period which would require adjustments to, or disclosure, in the Financial Statements.

Signed on behalf of the Board

Subodh Dakwale	Prof.Lakshman R Watawala	Rajanie Balakrishnan
Managing Director	*Director*	*Company Secretary*

Colombo
30th July 2013

Statement of Directors' Responsibility

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

The Directors are required by Sections 150 (1) and 151 (1) of the Companies Act No.07 of 2007, to prepare financial statement for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year. The Directors are required to prepare these financial statements on going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the said basis.

The Directors confirm that in preparing the financial statements exhibited from page 52 to 77 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 payment payable by the Company as at the reporting period, are paid or where relevant, provided for.

By Order of the Board

Subodh Dakwale
Managing Director

Colombo
30th July 2013

CEO's & CFO's Responsibility Statement

The Financial Statements of Lanka IOC PLC as at March 31, 2013 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 have been changed to conform with the new Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, which became effective from January 01, 2012.

The transition to the new reporting frame work from the previous frame work and the related adjustments has been presented in the Note 29.2.2 to the Financial Statements.

The new Significant Accounting Policies applied in the preparation of the Financial Statements are appropriate and are consistently applied, except as stated in the Note 4 accompanying the Financial Statements.

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

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

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

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

The Financial Statements were audited by M/s. 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)

30th July 2013

Remuneration Committee Report

The Remuneration Committee consists of three Non-Executive Directors, namely Prof. Lakshman R. Watawala, Mr Amitha Gooneratne and Mr V K Gupta 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 & Staff of the company. The primary objective of the compensation packages is to attract and retain highly qualified and experienced work force and reward performance. The remuneration package attempts to provide appropriate compensation commensurate with the employees' qualification and experience, bearing in mind the business performance and long term 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 & long term strategies.

Prof. Lakshman R Watawala
Chairman,
Remuneration Committee

30th July 2013

Audit Committee Report

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises of three Non-Executive Directors of which two are Independent Directors. The Committee is chaired by Prof. Lakshman R Watawala, an Independent Director. The other two committee members comprise of Mr Amitha Gooneratne, an Independent Director and Mr V K Gupta a Non-Executive Director, Mr Subodh Dakwale - Managing Director, Mr Saurav Mitra – Senior Vice President (Finance), Mr N K Modi erstwhile 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 18. Their individual as well as collective knowledge on financial & legal matters and their business acumen are brought to bear in the deliberations and judgments on matters that come up in the Committee deliberations.

FUNCTIONS OF THE AUDIT COMMITTEE

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

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing with the management and Statutory and Internal Auditors, the adequacy of internal control systems.
- Discussion with Internal Auditors on Annual Internal Audit Program, significant Audit findings and follow up on such issues.
- 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 & 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 AUDITS

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 AUDITS

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.

APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee upon reviewing the independence and performance of the Auditors has recommended to the Board of Directors that Messrs PricewaterhouseCoopers be appointed as Auditors for the financial year ending 31st March 2014, subject to the approval of the shareholders at the Annual General Meeting.

Audit Committee Report

AUDIT COMMITTEE MEETINGS

The Committee held 4 meetings during the financial year 2012-13 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	10.02.2012	Colombo	3	3	Prof. L R Watawala Mr Jaliya Medagama Mr V K Gupta	---
2	07.08.2012	Mumbai	4	4	Prof. L R Watawala Mr Jaliya Medagama Mr V K Gupta Mr Amitha Gooneratne	---
3	31.10.2012	New Delhi	3	3	Prof. L R Watawala Mr V K Gupta Mr Amitha Gooneratne	---
4	07.02.2013	Colombo	3	3	Prof. L R Watawala Mr V K Gupta Mr Amitha Gooneratne	---

CONCLUSION

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

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 - Audit Committee

30th July 2013

We care

Financial Information

Auditors Confirmation w.r.t Appointment

pwc

Confirmation from an Auditor Performing Work for a Listed Company of compliance with Guidelines issued by the Securities and Exchange Commission of Sri Lanka (SEC) for Appointment of Auditors of Listed Companies

I, Nishan Ravidu Gunasekera hereby confirm that PricewaterhouseCoopers, 100, Braybrooke Place, Colombo 2, is compliant with the Guidelines issued by SEC for Appointment of Auditors of Listed Companies with respect to Lanka IOC PLC.

17 May 2013

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Independent Auditor's Report

pwc

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 2013, 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 56 to 77.

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 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2013 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.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

17 May 2013
Colombo

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Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)

	Notes	Year ended 31 March	
		2013	2012
Sales	5	75,110,530,155	60,436,466,470
Cost of sales	6	(69,721,226,729)	(56,079,921,389)
Gross profit		5,389,303,426	4,356,545,081
Other operating income	7	38,109,710	35,955,428
Selling and distribution expenses		(1,675,863,662)	(1,424,977,076)
Administrative expenses		(889,165,513)	(1,011,148,531)
Operating profit	8	2,862,383,961	1,956,374,902
Finance income	9	267,033,857	78,035,712
Finance cost	9	(138,840,324)	(1,103,542,699)
Profit before tax		2,990,577,494	930,867,915
Tax	10	(81,747,693)	(23,607,169)
Profit for the year		2,908,829,801	907,260,746
Other comprehensive income / (loss)			
Actuarial gain / (loss) on retirement benefit obligations	20	2,327,318	(1,321,250)
Other comprehensive income / (loss) for the year		2,327,318	(1,321,250)
Total comprehensive income for the year		2,911,157,119	905,939,496
Earnings per share attributable to the owners of the Company during the year			
(expressed in LKR per share)			
Basic earnings per share	11	5.46	1.70

The Notes on pages 56 to 77 form an integral part of these financial statements.

Report of the Independent Auditors' on page 51.

Statement of Financial Position

(all amounts in Sri Lanka Rupees)

	Notes	31 March 2013	2012
ASSETS			
Non current assets			
Property, plant and equipment	13	3,264,570,198	3,275,541,752
Investment	14	4,394,000,000	4,394,000,000
Intangible assets	15	678,414,226	678,566,856
		8,336,984,424	8,348,108,608
Current assets			
Inventories	16	10,240,468,187	8,813,363,332
Trade and other receivable	17	2,570,303,335	2,950,541,508
Income tax recoverable		365,370,909	311,554,125
Cash and cash equivalents	18	3,187,156,121	1,698,487,742
		16,363,298,552	13,773,946,707
Total assets		24,700,282,976	22,122,055,315
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	19	7,576,573,900	7,576,573,900
Retained earnings		5,451,744,626	2,540,587,507
		13,028,318,526	10,117,161,407
Non-current liabilities			
Retirement benefit obligations	20	41,038,013	39,209,730
Deferred tax liability	21	5,486,095	-
		46,524,108	39,209,730
Current liabilities			
Trade and other payables	22	7,257,968,175	7,705,204,230
Borrowings	23	4,367,472,167	4,260,479,948
		11,625,440,342	11,965,684,178
Total liabilities		11,671,964,450	12,004,893,908
Total equity and liabilities		24,700,282,976	22,122,055,315

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 : 17.05.2013*

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 17th May 2013.

Managing Director
Date : 17.05.2013

Director
Date : 17.05.2013

The Notes on pages 56 to 77 form an integral part of these financial statements.

Report of the Independent Auditors' on page 51.

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees)

	Stated capital	Retained earnings	Total
Balance at 1 April 2011	7,576,573,900	1,634,648,011	9,211,221,911
Profit for the year	-	907,260,746	907,260,746
Other comprehensive loss for the year	-	(1,321,250)	(1,321,250)
Balance at 31 March 2012	**7,576,573,900**	**2,540,587,507**	**10,117,161,407**
Balance at 1 April 2012	7,576,573,900	2,540,587,507	10,117,161,407
Profit for the year	-	2,908,829,801	2,908,829,801
Other comprehensive income for the year	-	2,327,318	2,327,318
Balance at 31 March 2013	**7,576,573,900**	**5,451,744,626**	**13,028,318,526**

The Notes on pages 56 to 77 form an integral part of these financial statements.

Report of the Independent Auditors' on page 51.

Cash Flow Statement

(all amounts in Sri Lanka Rupees)

	Notes	Year ended 31 March 2013	2012
Cash flows from operating activities			
Cash generated from operations	26	1,719,646,622	1,669,774,020
Interest paid	9	(116,024,224)	(100,248,300)
Interest received	9	104,254,019	78,035,712
Retirement benefits paid	20	(2,663,010)	(5,445,021)
Economic service charge and income tax paid		(130,078,382)	(120,000,000)
Net cash generated from operating activities		1,575,135,025	1,522,116,411
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(195,774,335)	(154,745,655)
Purchase of computer software	15	(2,064,227)	(12,000)
Proceeds from disposal of property, plant and equipment		4,379,697	-
Net cash used in investing activities		(193,458,865)	(154,757,655)
Cash flows from financing activities			
Repayment of borrowings		(45,352,288,170)	(38,874,999,129)
Proceeds from borrowings		45,459,280,389	38,513,156,626
Net cash generated from / (used in) financing activities		106,992,219	(361,842,503)
Net increase in cash and cash equivalents		1,488,668,379	1,005,516,253
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		1,698,487,742	692,971,489
Increase in cash and cash equivalents		1,488,668,379	1,005,516,253
Cash and cash equivalents at end of year	18	3,187,156,121	1,698,487,742

The Notes on pages 56 to 77 form an integral part of these financial statements.

Report of the Independent Auditors' on page 51.

Notes to the Financial Statements

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

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 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. These are the Company's first annual financial statements prepared in accordance with SLFRSs as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation of financial statements in conformity with SLFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's Accounting Policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company's financial statements were prepared in accordance with previously applicable Sri Lanka Accounting Standards (SLASs) until 31 March 2012. The presentation and classification of figures for the corresponding period of the previous year have been amended to be comparable with those for the current year.

The financial statements have been prepared in compliance with SLFRS / LKAS, subject to certain transition elections and exceptions disclosed in Note 29.1.

As disclosed in Note 29.2 to the financial statements no material impact has arised from Company's statement of financial position and cash flows presented under new Sri Lanka Accounting Standards ('SLFRSs / LKASs') and SLASs.

An explanation of how the transition to new SLFRS / LKAS has affected the reported financial performance of the Company is provided in Note 29.2.2.

2.2 Changes in Accounting Policy and Disclosures

New standards, amendments and interpretations issued but not effective for the financial year and not early adopted

(i) 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.

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 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 asset's 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.

Notes to the Financial Statements

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

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 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).

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

Notes to the Financial Statements

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 Asset

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 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.

Notes to the Financial Statements

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 pre-payment 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 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 income statement, 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 2013.

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 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 pension 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.

Notes to the Financial Statements

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 20 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. Provision 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 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 maximise 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 2013, if LKR had weakened by 1% against USD with all other variables held constant, will result in foreign exchange loss of 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.

Notes to the Financial Statements

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.

(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 Rs 2,149,000,000 (2012 - Rs 760,000,000) and other liquid assets of Rs 2,334,283,280 (2012 - Rs 2,979,883,478) 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 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
At 31 March 2012		
Borrowings	4,260,479,948	4,260,479,948
Trade and other payables (excluding statutory liabilities)	7,705,204,230	7,705,204,230

(d) Interest Rate Risk

The Company's interest rate risks arises from the borrowing 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.

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.

	2013	2012
Total borrowing [Note 23]	4,367,472,167	4,260,479,948
Less cash and cash equivalents [Note 18]	(3,187,156,121)	(1,698,487,742)
Net debt	1,180,316,046	2,561,992,206
Total equity	13,028,318,526	10,117,161,407
Total capital	14,208,634,572	12,679,153,613
	8%	20%

Notes to the Financial Statements

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 recognise 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 have 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 20.

Notes to the Financial Statements

5 REVENUE

	Year ended 31 March	
	2013	2012
Domestic sales		
Lanka petrol 95 octane	2,243,599,239	1,916,074,945
Lanka petrol 90 octane	21,770,109,979	22,969,978,520
Lanka auto diesel	16,749,836,416	10,694,709,742
Lanka super diesel	551,734,441	246,676,762
LP 91 (Euro 03)	6,653,567,258	2,815,041,565
Bunkering operations	101,659,395	712,042,474
Lubricants	1,655,858,866	1,563,655,001
Bitumen	7,262,357,310	5,605,718,515
	56,988,722,904	46,523,897,524
Export sales		
Lubricants	86,302,809	37,178,032
Bunkering operations	17,234,358,212	13,875,390,914
Bulk export	801,146,230	-
Total sales	75,110,530,155	60,436,466,470

6 COST OF SALES

The cost of sales includes the FOB / C and F / CIF 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	
	2013	2012
Income from Ceylon Petroleum Corporation	1,635,599	1,539,128
Profit / (loss) on disposal of property, plant and equipment	2,746,426	(67,260)
Rental income	21,507,560	25,287,027
Sundry income	12,220,125	9,196,533
	38,109,710	35,955,428

Notes to the Financial Statements

8 OPERATING PROFIT

(a) Expenses by Nature

	Year ended 31 March 2013	2012
Directors' emoluments	19,399,366	14,558,579
Auditors' remuneration		
- Statutory audit fee	1,353,000	1,200,000
- Other permitted services	1,557,783	801,276
Depreciation [Note 13]	205,129,040	192,576,308
Amortisation charge [Note 15]	2,216,857	1,987,249
Staff costs [Note 8 (b)]	321,875,166	276,579,931
Lease rent - Trincomalee	11,807,075	11,285,000
Donations	25,000	15,000
Payments under voluntary retirement scheme	1,896,180	7,280,520
Provision for receivables	125,067,375	317,894,992
Cost of goods sold	69,506,459,729	55,913,701,000
Storage and handling expenses	888,271,081	839,316,691
Direct expenses	214,767,000	166,220,551
Transport expenses	766,825,066	563,469,000
Advertising costs	20,767,514	22,191,385
Other expenses	198,838,672	186,969,514
Total cost of sales distribution and administration cost	72,286,255,904	58,516,046,996

(b) Staff Costs

	Year ended 31 March 2013	2012
Salaries and wages	298,928,467	257,637,039
Defined contribution plans	16,128,088	16,375,637
Defined benefit plan [Note 20]	6,818,611	2,567,255
	321,875,166	276,579,931

9 NET FINANCE INCOME / (COST)

	Year ended 31 March 2013	2012
Finance income		
Interest income	104,254,019	78,035,712
Exchange gain	162,779,838	-
	267,033,857	78,035,712
Finance costs		
Interest expense	(116,024,224)	(100,248,300)
Exchange loss	-	(983,021,577)
Bank charges	(22,816,100)	(20,272,822)
	(138,840,324)	(1,103,542,699)
Net finance income / (costs)	128,193,533	(1,025,506,987)

Notes to the Financial Statements

10 TAX

	Year ended 31 March	
	2013	2012
Current tax	76,261,598	23,607,169
Deferred tax [Note 21]	5,486,095	-
	81,747,693	23,607,169

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	
	2013	2012
Profit before tax	2,990,577,494	930,867,915
Tax calculated at a tax rate of 15% (2012 - Nil)	448,586,624	-
Tax impact of expenses not deductible for tax purpose	5,804,393	-
Tax impact of income not subject to tax	(382,517,724)	-
Tax impact of interest income taxable at different rate	(15,638,103)	-
Deferred tax not recognised in previous years	(3,669,463)	-
Tax charge on profit from trade or business	52,565,727	
Interest income	104,221,308	84,311,317
Tax calculated at a tax rate of 28% (2012 - 28%)	29,181,966	23,607,169
Total tax charge for the year	81,747,693	23,607,169

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	
	2013	2012
Profit attributable to shareholders	2,908,829,801	907,260,746
Number of ordinary shares in issue at 31 March [Note 19]	532,465,705	532,465,705
Basic earnings per share	5.46	1.70

12 (A) FINANCIAL INSTRUMENT BY CATEGORY

	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 18]	3,187,156,121	3,187,156,121
	5,743,474,183	5,743,474,183

	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 23]	4,367,472,167	4,367,472,167
	11,511,086,125	11,511,086,125

	Loans and receivables	Total
31 March 2012		
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	2,935,793,783	2,935,793,783
Cash and cash equivalents [Note 18]	1,698,487,742	1,698,487,742
	4,634,281,525	4,634,281,525

	Other financial liabilities	Total
31 March 2012		
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	7,705,204,230	7,705,204,230
Borrowings [Note 23]	4,260,479,948	4,260,479,948
	11,965,684,178	11,965,684,178

Notes to the Financial Statements

12 (B) CREDIT QUALITY OF FINANCIAL ASSET

	31 March 2013	31 March 2012
Neither past due nor impaired	2,083,837,584	1,227,699,057
Past due but not impaired	104,089,138	252,857,369
	2,187,926,722	1,480,556,426

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:

	31 March 2013	31 March 2012
Up to 3 months	5,520,010	12,298,956
3 to 6 months	7,272,338	18,043,267
Over 6 months	91,296,790	222,515,146
	104,089,138	252,857,369

The impaired receivables 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

	31 March 2013	31 March 2012
Existing customers more than 6 months	2,187,926,722	1,480,556,426
	2,187,926,722	1,480,556,426

Cash at Bank and Short Term Deposits

	Rating	31 March 2013	31 March 2012
Citibank N.A	AAA	2,692,497,186	840,084,118
Standard Chartered Bank	AAA	12,022	130,244
People's Bank	AA+	4,443,644	5,389,119
Bank of Ceylon	AA+	3,939,602	152,744
Commercial Bank of Ceylon PLC	AA	434,071,102	75,493
ICICI Bank	AAA	2,879,345	2,570,604
State Bank of India	BBB-	48,983,150	849,841,405
Deutsche Bank	A+	43,119	15,177
		3,186,869,170	1,698,258,904

13 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 2011									
Cost	1,972,120,668	1,361,775,133	1,025,143,515	23,917,667	416,948,742	6,757,207	13,619,426	23,821,733	4,844,104,091
Accumulated depreciation	-	(446,244,209)	(844,561,505)	(16,425,766)	(194,748,005)	-	(10,988,728)	(17,696,214)	(1,530,664,427)
Net book amount	1,972,120,668	915,530,924	180,582,010	7,491,901	222,200,737	6,757,207	2,630,698	6,125,519	3,313,439,664
Year ended 31 March 2012									
Opening net book amount	1,972,120,668	915,530,924	180,582,010	7,491,901	222,200,737	6,757,207	2,630,698	6,125,519	3,313,439,664
Reclassification of fixed assets	-	(8,024,679)	6,555,778	185,432	-	-	1,283,469	-	-
Additions	-	-	-	961,795	-	153,089,720	614,220	79,920	154,745,655
Disposals	-	-	(3,449,900)	-	-	-	-	-	(3,449,900)
Cost of depreciation on disposals	-	-	3,382,641	-	-	-	-	-	3,382,641
Cost of depreciation of reclassified assets	-	1,094,225	(52,811)	(62,885)	-	-	(978,529)	-	-
Transfers	-	25,154,923	103,991,088	-	-	(135,375,603)	6,229,592	-	-
Depreciation charge [Note 8]	-	(94,628,111)	(37,460,340)	(3,881,894)	(52,118,592)	-	(1,719,031)	(2,768,340)	(192,576,308)
Closing 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
At 31 March 2012									
Cost	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	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

There are fully depreciated assets as at statement of financial position date amounting to Rs 807,327,114 (2012 - Rs 797,358,312)

Notes to the Financial Statements

13 Property, plant and equipment (Contd.)

(b) Capital work-in-Progress at 31 March 2013 represents the following:

	31 March 2013	2012
Refurbishment work		
- Trincomalee	-	2,095,287
- Retail outlets	19,486,117	22,376,036
	19,486,117	24,471,324

(c) Land

In line with the UITF ruling (case no. 68) of Institute of Chartered Accountant 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.

14 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 750,000,000 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.

	31 March 2013	2012
At the beginning and end of the year	4,394,000,000	4,394,000,000

15 INTANGIBLE ASSETS

	Goodwill	License fees on computer software	Total
At 1st April 2011			
Cost	759,297,552	9,615,755	768,913,307
Accumulated impairment and amortisation	(85,420,976)	(2,950,226)	(88,371,202)
Net book amount	673,876,576	6,665,529	680,542,105
Year ended 31 March 2012			
Opening net book amount	673,876,576	6,665,529	680,542,105
Additions	-	12,000	12,000
Amortisation charge [Note 8]	-	(1,987,249)	(1,987,249)
Closing net book amount	673,876,576	4,690,280	678,566,856
At 31 March 2012			
Cost	759,297,552	9,627,755	768,925,307
Accumulated impairment and amortisation	(85,420,976)	(4,937,475)	(90,358,451)
Net book amount	673,876,576	4,690,280	678,566,856

Notes to the Financial Statements

15 Intangible assets (Contd.)

	Goodwill	License fees on computer software	Total
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 impairment and amortisation	(85,420,976)	(7,154,332)	(92,575,308)
Net book amount	673,876,576	4,537,650	678,414,226

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 individually identified and separately recognised. Accumulated amortisation as at the statement of financial position date amounting to Rs 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 accumulated impairment losses.

16 INVENTORIES

	31 March	
	2013	2012
Petroleum products	9,589,352,461	7,877,023,317
Lubricants	326,588,220	298,001,247
Base oil and other raw materials	324,527,506	638,338,768
	10,240,468,187	8,813,363,332

(a) Inventory comprise of Rs.617,768,174 (2012 - Nil) worth of goods in transits.

17 TRADE AND OTHER RECEIVABLES

	31 March	
	2013	2012
Trade receivables - net	2,187,926,722	1,480,556,426
Receivable from related parties [Note 27 (c)]	3,761,170	281,342,224
VAT receivable	217,321,486	1,074,405,424
Advances and deposits	132,371,285	90,127,459
Other receivables	14,937,399	9,362,250
Prepayments	13,985,273	14,747,725
Total trade and other receivables	2,570,303,335	2,950,541,508

17 Trade and other receivables (Contd.)

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

	31 March 2013	31 March 2012
US Dollars	1,839,017,892	1,154,955,593
Sri Lankan Rupees	731,285,443	1,795,585,915
	2,570,303,335	2,950,541,508

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

18 CASH AND CASH EQUIVALENTS

	31 March 2013	31 March 2012
Cash at bank and in hand	1,036,156,121	936,487,742
Short term deposits	2,151,000,000	762,000,000
	3,187,156,121	1,698,487,742

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

Short term deposits mainly consist of repo deposits.

19 STATED CAPITAL

	Ordinary shares: Number of shares	Ordinary shares: Value of shares
At 31 March 2012	532,465,705	7,576,573,900
At 31 March 2013	532,465,705	7,576,573,900

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

20 RETIREMENT BENEFIT OBLIGATIONS

	31 March 2013	31 March 2012
Present value of unfunded obligation	41,038,013	39,209,730
Liability in the statement of financial position	41,038,013	39,209,730

Notes to the Financial Statements

20 Retirement benefit obligations (Contd.)

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

	31 March 2013	31 March 2012
At 1 April	39,209,730	40,766,246
Current service cost	2,723,562	1,435,798
Interest cost	4,166,034	3,465,131
Actuarial (gain) / loss	(2,327,318)	1,321,250
Benefits paid	(2,663,010)	(5,445,021)
Benefits to be paid by the CPC	(70,985)	(2,333,674)
At 31 March	41,038,013	39,209,730

The amounts recognised in the statement of financial position are as follows:

	31 March 2013	31 March 2012
Comprehensive income		
Current service cost	2,723,562	1,435,798
Interest cost	4,166,034	3,465,131
Benefits to be paid by the CPC	(70,985)	(2,333,674)
Total included in the employee benefit costs [Note 8]	6,818,611	2,567,255
Other comprehensive income		
Actuarial (gain) / loss on post employment benefit obligation	(2,327,318)	1,321,250

The principal actuarial assumptions used were as follows:

	31 March 2013	31 March 2012
Discount rate	11.750%	10.625%
Staff turnover	6%	5%
Retiring age	60 years	60 Years
Future salary increases	2 - 4% per Annum	2 - 4 % per Annum

21 DEFERRED TAX

	31 March 2013	31 March 2012
Deferred tax assets	(6,155,702)	-
Deferred tax liabilities	11,641,797	-
Deferred tax liabilities (net) [Note 10]	5,486,095	-

Notes to the Financial Statements

21 Deferred tax (Contd.)

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
At 1 April 2012	-	-
Charge / (credit) to the statement of comprehensive income	11,641,797	(6,155,702)
At 31 March 2013	11,641,797	(6,155,702)

22 TRADE AND OTHER PAYABLES

	31 March	
	2013	2012
Trade payables	6,993,782,267	6,793,981,848
Payable to related companies - Trade [Note 27 (b)]	208,357,892	177,160,219
Accruals and other payables	55,828,016	734,062,163
	7,257,968,175	7,705,204,230

23 BORROWINGS

	31 March	
	2013	2012
Current		
Short term loans	4,367,472,167	4,260,479,948
Total borrowings	4,367,472,167	4,260,479,948

The short term loans are unsecured except for the loans from State Bank of India - Sri Lanka branch and Singapore branch amounting to USD 30 Mn and USD 45 Mn respectively. These two loans are secured against mortgage over trading stock held at Kolonnawa, Trincomalee and Muthirajawala terminals.

The interest rates are as follows:

	Interest Rates
Short term loans	LIBOR + Margin

24 CONTINGENT LIABILITIES

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

Notes to the Financial Statements

25 COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted at the end of the reporting period not yet incurred amount to LKR 101.7 Mn (2012 - LKR 23.65 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:

	31 March	
	2013	**2012**
Non - cancellable		
Not later than one year	12,713,550	12,800,000
Later than 1 year and not later than 5 years	63,567,750	64,000,000
More than 5 years	254,271,000	256,000,000
	330,552,300	332,800,000

26 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	31 March	
	2013	**2012**
Profit before tax	2,990,577,494	930,867,915
Adjustments for:		
Depreciation [Note 13]	205,129,040	192,576,308
Amotisation of intangible asset [Note 15]	2,216,857	1,987,249
Profit on disposal of property, plant and equipment	(2,762,848)	67,260
Interest income [Note 9]	(104,254,019)	(78,035,712)
Interest expense [Note 9]	116,024,224	100,248,300
Changes in working capital		
- Decrease in receivable and prepayments	380,238,173	32,596,031
- Increase in inventories	(1,427,104,855)	(2,103,660,248)
- Increase in trade and other payables	(447,236,055)	2,590,559,662
Increase in retirement benefit obligation [Note 20]	6,818,611	2,567,255
Cash generated from operations	1,719,646,622	1,669,774,020

Notes to the Financial Statements

27 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 H J Manshani - Senior Vice President (Operation and HR) were directors of Ceylon Petroleum Storage Terminal Limited (CPSTL) as at 31 March 2013.

The following transactions were carried out with the related parties.

	31 March	
	2013	2012
(a) Purchases / (Sales) of Goods and Services		
Indian Oil Corporation Limited - (Marketing Division)		
- Petroleum products	360,617,051	891,652,028
- Others	7,535,135	14,612,493
Ceylon Petroleum Storage Terminal Limited	536,810,234	550,319,782
Chennai Petroleum Corporation Limited	-	3,840,216,875
Indian Oil (Mauritius) Limited	-	(3,220,485)
Indian Oil Corporation Limited (Middle East)	12,622,707	11,700,279
Indian Oil Corporation Limited - (Refineries Division)		
- Petroleum products	-	(364,428,722)
- Others	-	(1,609,037)
	917,585,127	4,939,243,213

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

Goods are sold based on the price list in force and terms that would be available to third parties.

Outstanding balances arising from purchases of goods and services

	31 March	
	2013	2012
(b) Amounts due to related companies		
Indian Oil Corporation Limited - (Marketing Division)		
- Petroleum products	58,516,760	18,324,355
- Others	1,945,585	16,730,268
Ceylon Petroleum Storage Terminal Limited (CPSTL)	147,895,547	142,105,596
	208,357,892	177,160,219
(c) Amounts due from related companies (Note 17)		
Indian Oil Corporation Limited - (Marketing Division)		
- Non Products	3,761,170	-
Indian Oil Corporation Limited - (Refineries Division)	-	281,342,224
	3,761,170	281,342,224

(e) Key Management Compensation

The compensation paid or payable to key management personnel consist of payment to Executive and Non-Executive Directors.

	31 March	
	2013	2012
Salaries and other short-term employee benefits	19,399,366	14,558,579

Notes to the Financial Statements

28 EVENTS AFTER THE REPORTING PERIOD

No events have occurred after the reporting period which would require adjustments to or disclosure in the financial statements.

29 EXPLANATION OF TRANSITION TO SLFRSs

These are the Company's first financial statements prepared in accordance with SLFRSs, as stated in Note 2.1.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2013, the comparative information presented in these financial statements for the year 31 March 2012 and in the preparation of an opening SLFRS Balance sheet at 1 April 2012 (the Company's date of transition).

29.1 Initial Elections upon Adoption

29.1.1 SLFRS Exemption Options

These exemptions do not apply to the Company.

29.1.1.1 Fair value as deemed cost.

29.1.1.2 Translation differences (LKAS 21), as SLAS's and the SLFRS's were already aligned as regard to these transactions.

29.1.1.3 Employee benefits (SLFRS 19) as SLASs and the SLFRSs were already aligned with regard to these transactions.

29.1.1.4 Share based payment transactions SLFRS 2 is not applicable for the Company.

29.1.1.5 Leases (LKAS 17) as SLAS and SLFRS were already aligned with regard to these transactions.

29.1.1.6 Insurance contracts (SLFRS 4), as this is not relevant to the Company's operations.

29.1.1.7 Investment in subsidiaries, jointly controlled entities and associates is not applicable for the Company.

29.1.1.8 Assets and liabilities of subsidiaries, associates and joint ventures under SLFRS 1.

29.1.1.9 Compound financial instruments (LKAS 32), because the Company does not have these types of financial instruments as at the date of transition to SLFRS.

29.1.1.10 Fair value measurement of financial assets or financial liabilities at initial recognition.

29.1.1.11 Borrowing costs (LKAS 23) is not applicable for the Company.

29.1.1.12 Transfers of assets from customers (IFRIC 18) is not applicable for the Company.

29.1.1.13 Effect of changes in the measurement of existing decommissioning and restoration liabilities (IFRIC 1) included in the cost of an item of property, plant and equipment, does not apply as the Company does not have liabilities of this type.

29.1.1.14 Financial assets of intangible assets accounted for under Service Concession Agreements (IFRIC 12), does not apply as the Company has not entered into public-to-private service concession agreements.

29.1.2 SLFRS Mandatory Exceptions

Set out below are the applicable mandatory exceptions in SLFRS 1 applied in the conversion from SLAS to SLFRS.

Exception for Estimates

SLFRS estimates as at 1 April 2012 are consistent with the estimates as at the same date made in conformity with Sri Lanka Accounting Standards.

The other compulsory exceptions of SLFRS 1 has not been applied as these are not relevant to the Company.

- Derecognition of financial assets and financial liabilities.
- Non-controlling interest
- Hedge accounting

29.2 Reconciliations between SLAS and SLFRS

In preparing SLFRS financial statements for previously reported financial periods, required adjustments have been made in accordance with the respective SLFRS. The effect of the transition from SLASs to SLFRS have been presented in the reconciliation statements and related notes to the material reconciliation items.

29.2.1 Reconciliation of Equity

No material impact has arised from statement of financial position for the previously reported periods under SLFRSs.

29 Explanation of transition to SLFRSs

29.2 Reconciliations between SLAS and SLFRS (Contd.)

29.2.2 Reconciliation of Statement of Comprehensive Income

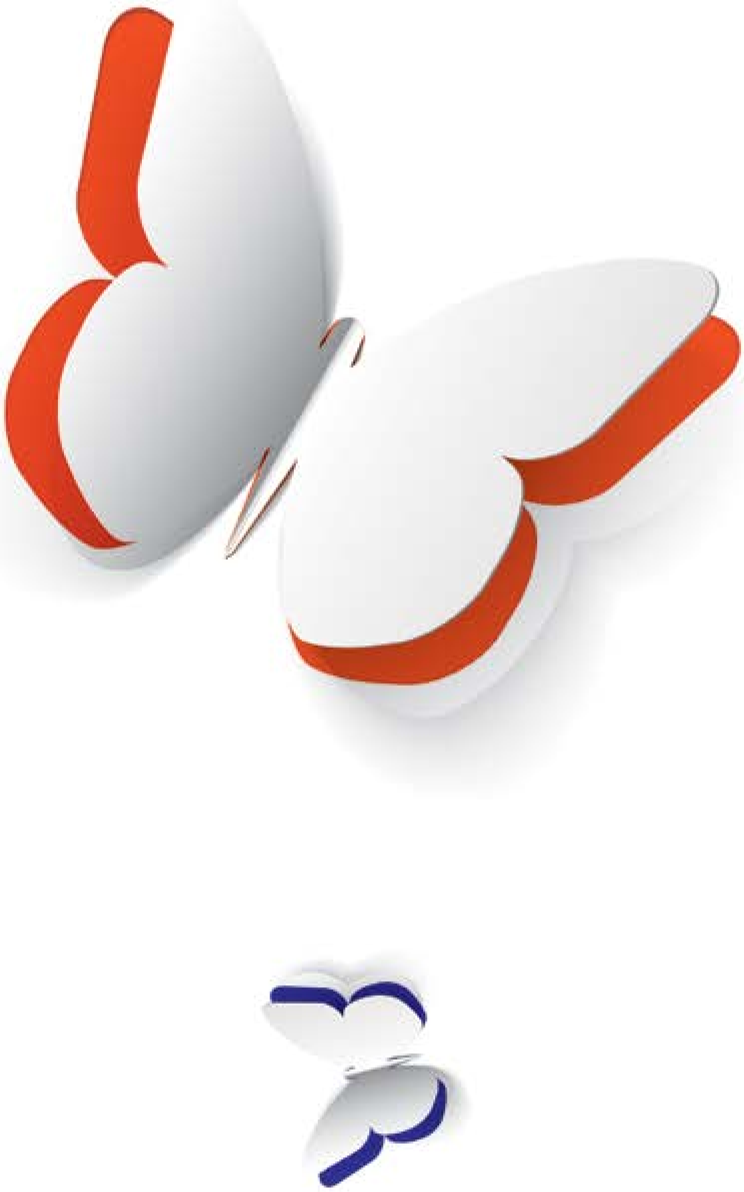
	Note	Under SLAS 31 March 2012	Adjustments	Under SLFRS 31 March 2012
Sales		60,436,466,470	-	60,436,466,470
Cost of sales		(57,482,707,093)	1,402,785,704	(56,079,921,389)
Gross profit		2,953,759,377	1,402,785,704	4,356,545,081
Other operating income		35,955,428	-	35,955,428
Distribution expenses		(22,191,372)	(1,402,785,704)	(1,424,977,076)
Administrative expenses	29.2.2.1	(1,012,469,781)	1,321,250	(1,011,148,531)
Operating profit		1,955,053,652	1,321,250	1,956,374,902
Finance income		78,035,712	-	78,035,712
Finance cost		(1,103,542,699)	-	(1,103,542,699)
Profit before tax		929,546,665	1,321,250	930,867,915
Tax		(23,607,169)	-	(23,607,169)
Profit for the year		905,939,496	1,321,250	907,260,746
Other comprehensive income / (loss)				
Actuarial gain on retirement				
- benefit obligations	29.2.2.1	-	(1,321,250)	(1,321,250)
Tax on other comprehensive		-	-	-
- (loss) / income				
Other comprehensive income / (loss)				
- for the year		-	(1,321,250)	(1,321,250)
Total comprehensive income for the year		905,939,496	-	905,939,496

29.2.2.1 Actuarial Gains / (losses) on Defined Benefit Plan

As per SLAS, actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognised in the income statement. However, as per SLFRS actuarial gains / losses are charged or credited to equity in other comprehensive income in the period in which they arise.

29.2.3 Reconciliation of Cash Flow Statement

There are no material differences between the Company statement of cash flows presented under SLFRS and the cash flows presented under SLASs.



The Laboratory at Trincomalee

Shareholders' Information

20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2013

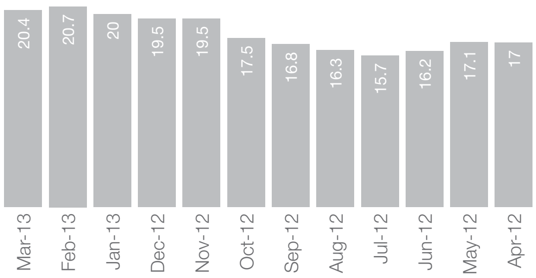
	Name	No. of Shares	Percentage
1	Indian Oil Corporation Limited, India	400,000,005	75.12
2	Bank of Ceylon A/c Ceybank Unit Trust	19,447,682	3.65
3	National Savings Bank	15,365,100	2.89
4	Employees Provident Fund	9,374,100	1.76
5	Sri Lanka Insurance Corporation Ltd - Life Fund	7,939,250	1.49
6	J B Cocoshell (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 Gulanhusein	1,299,701	0.24
13	Mr Udeshi Morarji Meghji	1,179,870	0.22
14	DFCC Vardana Bank Ltd / A K Investments Pvt Ltd	1,160,000	0.22
15	Mr Muhammad Jaffer Ismail	1,085,328	0.2
16	Hallsville Trading Group Inc - Switzerland	1,080,865	0.2
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 - 31st March 2013	No. of Shares
Mr Makrand 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%

Share Price Movements from 01.04.2012 to 31.03.2013



Shareholders' Information

20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2012

	Name	No. of Shares	Percentage
1	Indian Oil Corporation Limited	400,000,005	75.12
2	Bank of Ceylon A/c Ceybank Unit Trust	19,470,213	3.66
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	8,964,400	1.68
6	Mr Shanker Varadananda Somasunderam	7,039,600	1.32
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	2,767,300	0.52
10	Sampath Bank PLC A/c No.3	1,786,400	0.34
11	Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd	1,495,800	0.28
12	E W Balasuriya & Co (Pvt) Ltd	1,454,300	0.27
13	Mr Muhammad Jaffer Ismail	1,406,322	0.26
14	DFCC Vardana Bank Ltd / A K Investments Pvt Ltd	1,300,000	0.24
15	Mr Udeshi Morarji Meghji	1,179,870	0.22
16	J B Cocoshell (Pvt) Ltd	1,115,700	0.21
17	Freudenberg Shipping Agencies Limited	1,000,000	0.19
18	Anverally & Sons (Pvt) Ltd A/c No.1	965,700	0.18
19	Employees Trust Fund Board	774,200	0.15
20	Sampath Bank PLC A/c No.1	761,200	0.14

Directors' Shareholding - 31st March 2012	No. of Shares
Mr Makrand Nene	Nil
Mr K R Suresh Kumar	Nil
Prof. Lakshman R Watawala	500
Mr Jaliya Medagama	Nil
Mr H S Bedi	Nil
Mr V K Gupta	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

ORDINARY SHAREHOLDINGS AS AT 31ST MARCH 2013

Stated Capital representing 532,465,705 Ordinary shares
No. of Shareholders as at 31st 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 1000,000 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

	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

ORDINARY SHAREHOLDINGS AS AT 31ST MARCH 2012

Stated Capital representing 532,465,705 Ordinary shares
No. of Shareholders as at 31st March 2012 : 10,551

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	5,479	2,817,602	0.53	22	14,900	0.00	5,501	2,832,502	0.53
1,001 to 10,000 Shares	4,485	11,843,045	2.22	59	249,100	0.05	4,544	12,092,145	2.27
10,001 to 100,000 Shares	379	11,130,946	2.09	27	1,238,300	0.23	406	12,369,246	2.32
100,001 to 1000,000 Shares	73	17,082,202	3.21	11	3,140,200	0.59	84	20,222,402	3.8
Over 1,000,000 Shares	13	77,043,083	14.47	3	407,906,327	76.61	16	484,949,410	91.08
Total	10,429	119,916,878	22.52	122	412,548,827	77.48	10,551	532,465,705	100.00

Categories of Shareholders

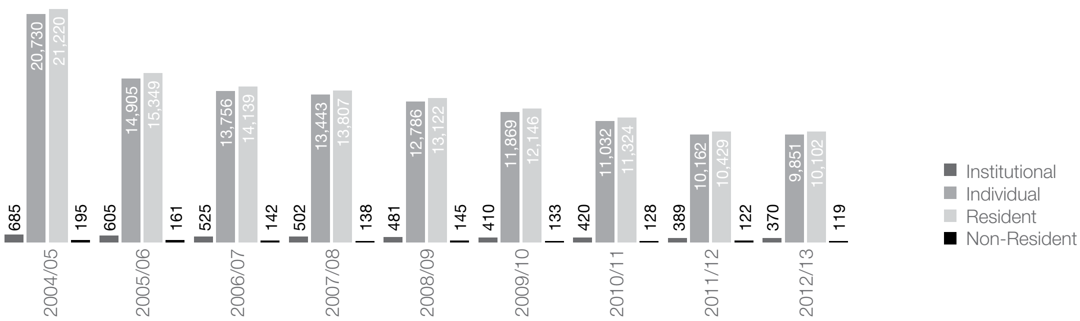
	No. of Shareholders	Percentage %	No. of Shares	Percentage %
Individual	10,162	96.31	46,107,171	8.66
Institutional	389	3.69	486,358,534	91.34
Total	10,551	100.00	532,465,705	100.00

Shareholders' Information

LIOC 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 (Rs)	23.00
Lowest (Rs)	15.00
Closing Price	20.40
Market Capitalisation (LKR Mln) (Closing Price * No. of Shares)	10,862

LIOC Share Performance at Colombo Stock Exchange (CSE)	01.04.2011 - 31.03.2012
No. of Share transactions for the year	5,586
No. of Shares traded	17,635,811
Value of Shares Traded (LKR)	328,534,958.80
Price Movements (LKR)	
Highest (Rs)	21.50
Lowest (Rs)	15.00
Closing Price	19.40
Market Capitalisation (LKR Mln) (Closing Price * No. of Shares)	10,329

Shareholding Pattern from 2004-2013



Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 11th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Friday, 13th September 2013 at 10.30 hours at the "Balmoral" The Kingsbury Hotel, No.48, Janadhipathi Mawatha Colombo 1, 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 31st March 2013 together with the Report of the Auditors thereon.

2. To declare a dividend of Rs.1/- per share for the financial year 2012/13 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 dividend of 10% on the face value of the equity share of LKR.10/- each (ie:LKR 1/- per share) to be distributed amounting to a total payment of a sum of LKR.532,465,705/-".

3. a) To re-elect Mr Makrand Nene, 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 Mr Amitha Gooneratne, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.

   c) To re-elect Mr Rajiv Khanna who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself to re-election.

4. a) To re-appoint Messrs. PricewaterhouseCoopers, 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

01st August 2013
Colombo

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

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

Shareholders/proxy holders are requested to bring with them their National Identity Cards or any other form of 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. ....] of ....whom failing:

Mr Makrand Nene	whom failing
Mr Subodh Dakwale	whom failing
Prof. Lakshman R Watawala	whom failing
Mr Amitha Gooneratne	whom failing
Mr B Ashok	whom failing
Mr Rajiv Khanna	

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 Eleventh Annual General Meeting of the Company to be held on Friday, 13th September 2013 at 10.30 hours at the "Balmoral" The Kingsbury Hotel, No.48, Janadhipathi Mawatha Colombo 1, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		FOR	AGAINST
1.	To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance and the Financial Statements of the Company for the financial year ended 31st March 2013 with the Report of the Auditors thereon.		
2.	To declare the recommended cash dividend of Rs.1/- per share for the F/Y 2012/13 along with the ordinary resolution set out in the Notice Convening the meeting.		
3. a)	To re-elect Mr Makrand Nene, 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 Mr Amitha Gooneratne, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.		
c)	To re-elect Mr Rajiv Khanna 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 re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as recommended by the Board of Directors as the Auditors of the Company for the ensuing year.		
b)	To authorize the Board of Directors to determine the remuneration of the Auditors for the ensuing year.		

In witness I/we set my/our hand/Seal hereto on this ……day of .... 2013.

……………..........… ……………..........……

NIC Number *Signature/s*

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

- Please perfect the Form of Proxy by filling in legibly your full name, NIC No and address, by signing in the space provided and filling in the Folio Number and 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

Corporate Information

Name of Company
Lanka IOC PLC

Company Registration Number
PQ 179

BOI Registration No.
2613/05/12/2002

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

Stock Exchange Listing
The Ordinary Shares of the Company listed on the Colombo Stock Exchange

Registered Office
Level 20, West Tower, World Trade Center
Echelon Square, Colombo 01, Sri Lanka
Telephone : + 94 11 2475720
Facsimile : + 94 11 2391490
Website : www.lankaioc.net

Associates
Ceylon Petroleum Storage Terminals Limited

Board of Directors
Mr M Nene (Chairman)
Mr Subodh Dakwale (Managing Director)
Prof.Lakshman R Watawala
Mr V K Gupta
Mr Amitha Gooneratne
Mr B Ashok

Company Secretary
(Ms) Rajanie Balakrishnan, FCIS [UK]

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
No;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

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