



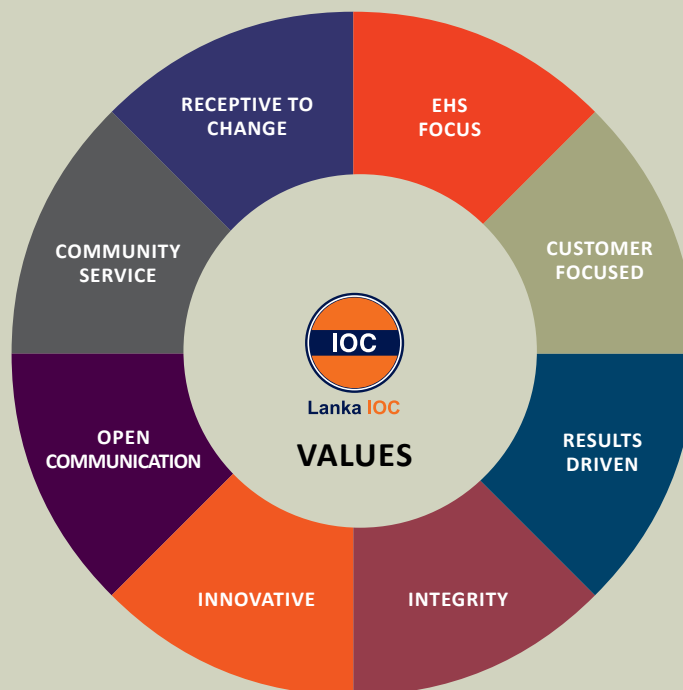
LANKA IOC | ANNUAL REPORT 2014-15

A Journey Shared



VISION

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



MISSION

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

To maximize creation of wealth, value and satisfaction of the stakeholders.

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

To provide technology and services through sustained research and development.

To foster of culture of participation and innovation for employee growth and contribution.

To cultivate high standards of business ethics and total quality management for a strong corporate identity and brand equity.

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



A Journey Shared...

**WE AT LANKA IOC HAVE ALWAYS
ALIGNED OURSELVES WITH SRI
LANKA IN ITS JOURNEY TOWARDS
SUCCESS, AND AS WE PROGRESS
INTO THE YEARS AHEAD, OUR
STORY WILL CONTINUE TO BE
INTERTWINED WITH THAT OF
THIS GREAT NATION AND ITS
POTENTIAL FOR EXCELLENCE.**

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ABOUT THIS REPORT

This annual report is our first attempt at sustainability reporting and has been compiled 'In Accordance' with the Global Reporting Index (GRI) GRI 4, 'Core' reporting standards. The report also conforms to the statutory disclosure requirements for listed companies in Sri Lanka. This annual report is limited to the period of 1 April 2014, to 31 March 2015. No external assurances have been obtained for this report.

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High Priority Aspects

- ◆ Economic performance
- ◆ Compliance
- ◆ Employment
- ◆ Procurement practices

High Priority for Internal Stakeholders & Mid-Priority for External Stakeholders

- ◆ Grievance mechanisms
- ◆ Transport (Fuel)

High Priority for Internal Stakeholders & Low Priority for External Stakeholders

- ◆ Equal remuneration for women and men
- ◆ Child labour, forced or compulsory labour

High Priority For External Stakeholders & Mid-Priority for Internal Stakeholders

- ◆ Customer health and safety
- ◆ Labour/management relations
- ◆ Energy
- ◆ Product and service labelling
- ◆ Local communities

Mid-Priority Aspects

- ◆ Indirect Economic impacts
- ◆ Occupational health and safety
- ◆ Training and education
- ◆ Marketing communications

High Priority For External Stakeholders & Low Priority for Internal Stakeholders

- ◆ Effluents and waste
- ◆ Biodiversity

MATERIAL ASPECTS AND BOUNDARIES

G4-17: All entities listed in the financial statements: This information can be viewed in the financial statements of this report.

G4-18: Process of defining content and aspect boundaries : A number of meetings were held with Lanka IOC senior management to define the content and aspect boundaries of this report. Material aspects from the GRI G4 list of topics and aspects were identified by management personnel, based on the Company's strategic objectives and also stakeholder responses/feedback. Therefore, the material aspects discussed in this report reflects stakeholder interests and expectations. The identified aspects were grouped according to perceived priorities of internal and external entities. In general, aspects that were considered material to all entities, were treated as high priority, while others were grouped as medium level or low level priorities. (Refer materiality map)

In addition, this report includes disclosures required to fulfil national regulatory requirements for listed companies. Therefore, the contents of this report comprise:

- ◆ Identified material aspects from the G4 list of topics and aspects (These account for the major share of information in this report).
- ◆ Statutory disclosures required for companies listed at the Colombo Stock Exchange on governance and compliance aspects. These disclosures go beyond the G4 Core framework.
- ◆ Financial statements
- ◆ Notes to the financial statements

G4 -19 and G4-20: Material aspects covered by this report and aspect boundaries

For the purpose of setting aspect boundaries, internal stakeholders have been identified as

- ◆ Employees

External stakeholders have been identified as:

- ◆ Shareholders
- ◆ Customers
- ◆ Suppliers
- ◆ Government and statutory bodies
- ◆ Non Governmental Organisations
- ◆ Media
- ◆ Dealers and distributors
- ◆ Contractors
- ◆ Auditors
- ◆ Lawyers
- ◆ Bankers
- ◆ The company share registrar

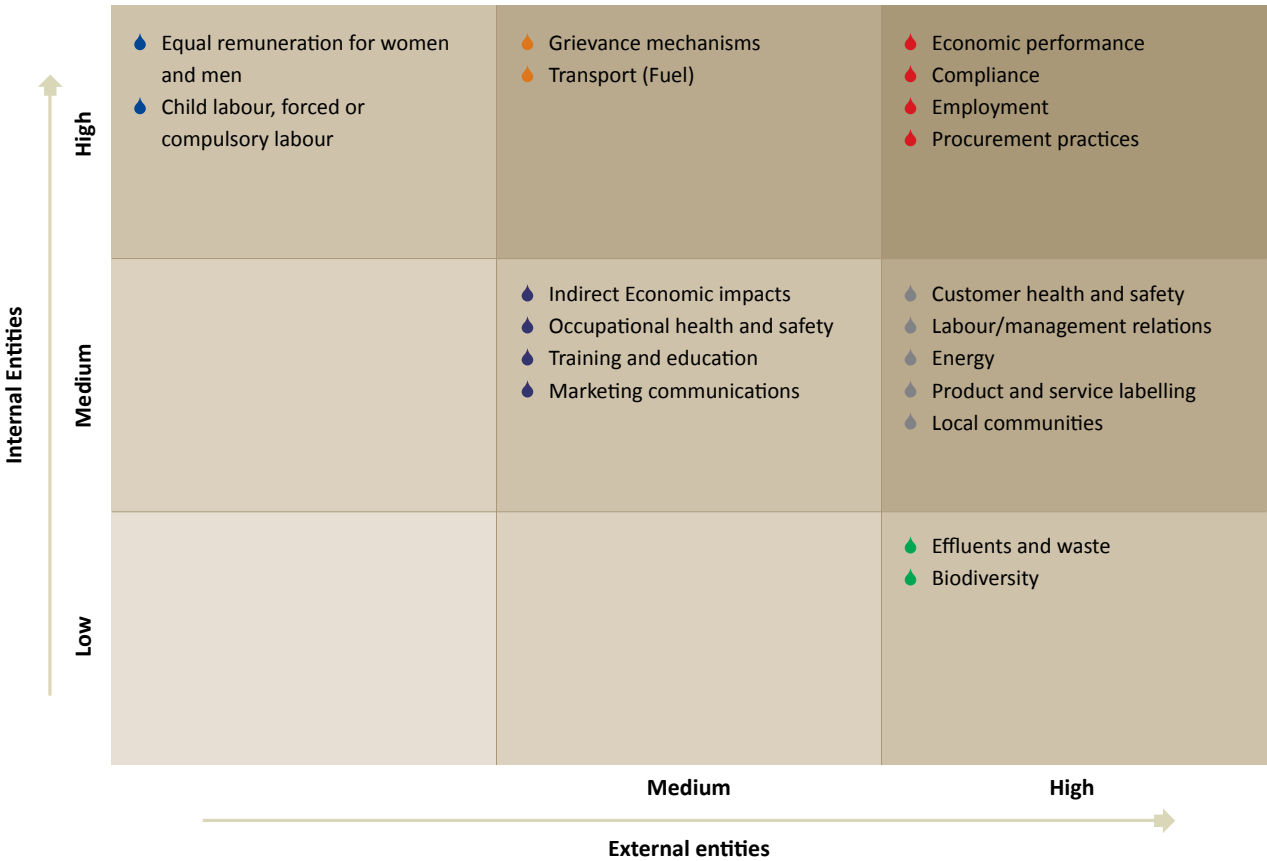
ABOUT THIS REPORT

G4-21

*Shareholders are impacted by all material aspects

Material Aspect *	Aspect boundary	
	Within the organisation material to:	Outside the organisation material to:
Economic Performance	Employees	All entities
Indirect Economic Impacts	Not material	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Non Governmental Organisations 🔴 Media 🔴 Customers
Procurement Practices	Employees	<ul style="list-style-type: none"> 🔴 Suppliers 🔴 Customers 🔴 Bankers 🔴 Government and statutory bodies
Energy	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies
Biodiversity	Not material	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Non Governmental Organisations 🔴 Media
Effluents and Waste	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Non Governmental Organisations 🔴 Media 🔴 Public at large
Compliance	Employees	<ul style="list-style-type: none"> 🔴 All entities
Transport (Fuel)	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Media
Employment	Employees	<ul style="list-style-type: none"> 🔴 All entities
Labour/Management Relations	Employees	<ul style="list-style-type: none"> 🔴 All entities
Grievance Mechanisms	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies
Occupational Health and Safety	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies
Training and Education	Employees	<ul style="list-style-type: none"> 🔴 Customers
Diversity and Equal Opportunity	Employees	<ul style="list-style-type: none"> 🔴 Dealers & Distributors 🔴 Government and statutory bodies 🔴 Non Governmental Organisations
Equal Remuneration For Women and Men	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Non Governmental Organisations
Child Labour, Forced Or Compulsory Labour	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Non Governmental Organisations
Local Communities	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Non Governmental Organisations 🔴 Media
Customer Health and Safety	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Media 🔴 Customers
Product and Service Labelling	Employees	<ul style="list-style-type: none"> 🔴 Government and statutory bodies 🔴 Customers 🔴 Suppliers 🔴 IndianOil
Marketing Communications	Employees	<ul style="list-style-type: none"> 🔴 Customers 🔴 Non Governmental Organisations 🔴 Government and statutory bodies 🔴 Media

MATERIALITY MAP








G4-22

We state that there have been no restatements of information from previous reports and there are no significant changes to scope and aspect boundaries, as this is our first GRI report.

ORGANIZATIONAL PROFILE

G4-3	Name of the organization.	Lanka IOC PLC	
G4-4	Primary brands, products, and services.	<p>Primary brands and products;</p> <p>Petrol</p> <ul style="list-style-type: none"> ♦ Lanka Petrol 92 octane ♦ Xtra Premium 95 octane ♦ Xtra Premium Euro 3 <p>Diesel</p> <ul style="list-style-type: none"> ♦ Lanka Auto Diesel ♦ Xtra Mile ♦ Lanka Super Diesel <p>Other Products</p> <ul style="list-style-type: none"> ♦ Lubricants ♦ Bitumen ♦ Bunker fuel <p>Services:</p> <ul style="list-style-type: none"> ♦ 'SERVO' service stations for motor vehicle servicing ♦ Convenio Stores ♦ Nitrogen facility 	   
G4-5	Location of headquarters.	Level 20, West Tower, World Trade Centre Colombo 1 Sri Lanka	
G4-6	Countries where the organization operates	Lanka IOC is based in Sri Lanka. Its major activities are in Sri Lanka itself, except lubricants which are exported to the Maldives.	
G4-7	Nature of ownership and legal form.	<p>Legal Form</p> <p>Lanka IOC is a public limited company, listed at the Colombo Stock Exchange</p> <p>Ownership</p> <p>The Indian Oil Corporation Ltd holds 75.12% of the shares of the company. The balance shares are held by individuals and institutional shareholders. The Company has one associate company - Ceylon Petroleum Storage Terminals Ltd (CPSTL). Lanka IOC holds one third of total shares of CPSTL and is represented by three directors on the Board of CPSTL</p>	
G4-8	Markets served	<p>Geographic markets</p> <ul style="list-style-type: none"> ♦ Island wide ♦ Bunkering services are made available for ships visiting the Port of Colombo and Trincomalee 	

G4-9	 Total number of employees	174		
	 Total number of operations	One listed company in Sri Lanka with head office in Colombo and oil installation in Trincomalee. LIOC has 179 fuel stations. The Company also has 17 lube distributors and 144 ‘SERVO’ Shops spread across the island.		
	 Net sales	LKR 79,901 million		
	 Total capitalization	Equity: LKR 18,125 million Debt : Nil		
	 Quantity of products or services provided	584,436 MT		
G4-10	a. Total employees by employment contract and gender.			
			Permanent	Probation
		Male	149	1
	Female	22	2	
	b. Total permanent employees by employment type and gender.			
		Category	Male	Female
		Senior Management	9	0
		Managers & Executives	31	8
		Non executives	110	16
	c. Total workforce by employees and supervised workers and by gender.			
			Male	Female
		Employees	150	24
		The Company does not have supervised workers		
	d. Total workforce by region and gender			
		No of Employees		
		Province	Male	Female
		Central	19	0
		Eastern	82	7
		Southern	5	1
Western		30	15	
Others incl. Expatriates		14	1	
	150	24		
e. Whether a substantial portion of the organization’s work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers	A major portion of the Company’s operations and management are carried out by our own employees			
f. Significant variations in employment numbers	N/A			
G4-11	a. Percentage of total employees covered by collective bargaining agreements.	N/A		
G4-13	a. Significant changes during the reporting period	During the financial year 2014 -15, Lanka IOC expanded its distribution network with the addition of 12 new retail outlets and 50 ‘SERVO’ Shops.		

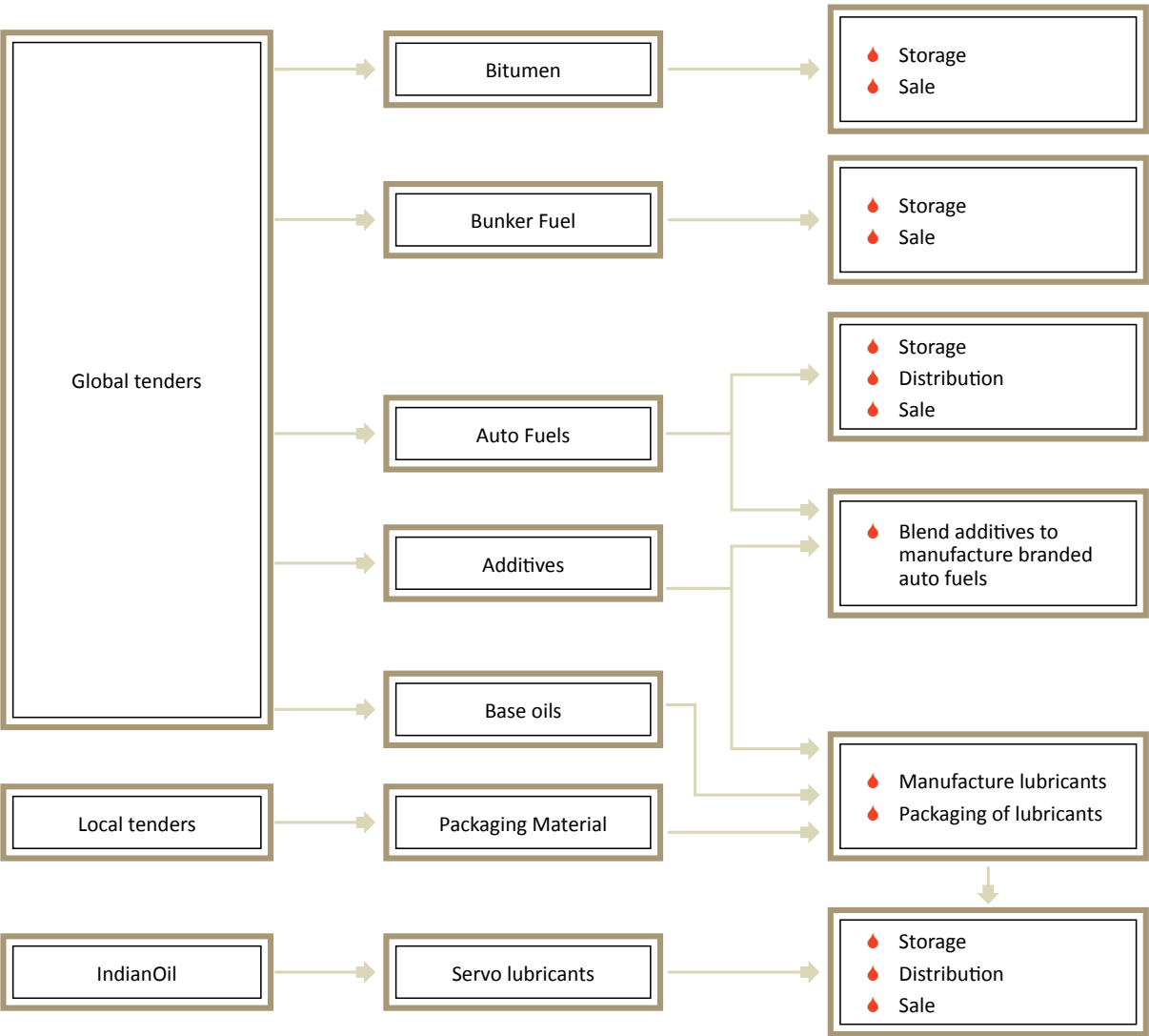
ORGANIZATIONAL PROFILE

G4-14	a. How the precautionary approach or principle, is addressed by the organization.	<p>Lanka IOC is involved in the sale of auto fuels, bunker fuel, lubricants and bitumen in Sri Lanka. Manufacturing activity is limited to production of lubricants and blending of high performance additives to make branded fuels at Lanka IOC's Trincomalee terminal.</p> <p>However, the Company observes the precautionary principle at all times by integrating environmental impact considerations into business planning and into all business activities. Environmental impacts are considered prior to any new business activity, and environmental regulations are complied with fully. Safety measures are implemented at storage points and during transportation, to prevent leakages and/or emissions to the environment. In addition, the Company promotes environmental conservation through more environmentally friendly fuels and lubricants, awareness creation and sponsorship of tree planting.</p>
G4-15	a. Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	<p>The Ministry of Environment of Sri Lanka has appointed Lanka IOC as a Responsible Agency for the 'Haritha Lanka Program' for 'Clean Air Everywhere'.</p>
G4-16	a. List memberships in associations	<ul style="list-style-type: none"> 🔥 The Ceylon Chamber of Commerce 🔥 The National Chamber of Commerce of Sri Lanka 🔥 The Sri Lanka Greater Mekong Sub region Business Council 🔥 The Indo-Lanka Chamber of Commerce and Industry 🔥 The Employer's Federation of Ceylon 🔥 The Managing Director holds membership in the Sri Lanka Institute of Directors 🔥 The Managing Director holds membership in the Indian CEO Forum

G4-12 Supply chain

Refined, bulk fuel, is sourced from international market. The bulk petrol and diesel is retailed as auto fuels. Marine fuels are sold to ships calling at the Port of Colombo and Trincomalee. Base oils are purchased from the parent company IndianOil and also from the international market. Bitumen is purchased through international tenders and is retailed in Sri Lanka. Additives are also purchased through international tenders and are used to manufacture lubricants and premium petrol & diesel. Packaging materials are purchased locally and used for lubricant packaging.

Lanka IOC Supply Chain



FINANCIAL HIGHLIGHTS

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Performance Parameters (All amounts in LKR million)									
Sales	32,796,	44,173	47,617	50,214	51,743	60,436	75,111	81,793	79,901
Gross Profit	909	3,652	(449)	(371)	1526	2,954	5,389	8,312	4,733
Profit/(Loss) Before Tax	(636)	2,516	(1,104)	(397)	893	930	2,991	5,762	2,251
As a % of Sales	(2%)	6%	(2%)	(1%)	2%	2%	4%	7%	3%
Net Profit / (Loss) for the Year	(686)	2,340	(1,238)	(423)	877	906	2,909	4813	1,880
Return on Capital Employed	(8%)	23%	(14%)	(5%)	10%	9%	22%	28%	10%
Shareholders' Funds	7,655	9,995	8,757	8,335	9,211	10,117	13,028	17,043	18,125
Key Ratios									
Earning Per Share (LKR)	(1.29)	4.40	(2.32)	(0.79)	1.65	1.70	5.46	9.04	3.54
Price Earning Ratio (P/E)	(23.29)	5.57	(6.90)	(22.99)	10.67	11.40	3.74	4.26	11.38
Net Assets Per Share (LKR)	14.38	18.77	16.45	15.65	17.30	19.00	24.47	32.00	34.00
Current Ratio (No. of Times)	0.63	0.80	1.04	1.00	1.09	1.15	1.41	1.88	2.78
Quick Assets Ratio (No. of Times)	0.14	0.19	0.13	0.62	0.40	0.41	0.53	1.08	1.71
Price Movement LKR									
Market Value Per Share (Highest)	37.25	31.25	28.00	20.50	21.50	21.50	23.00	40.50	68.30
Market Value Per Share (Lowest)	23.00	19.00	14.00	15.75	17.20	15.00	15.00	19.00	37.30
Last Traded Price	30.00	24.50	16.00	18.25	17.60	19.40	20.40	38.50	40.30
Other Information									
No. of Employees	170	170	171	172	173	171	175	177	174

Figures in LKR/ Billion



PROFIT BEFORE TAX

2.25 Bn

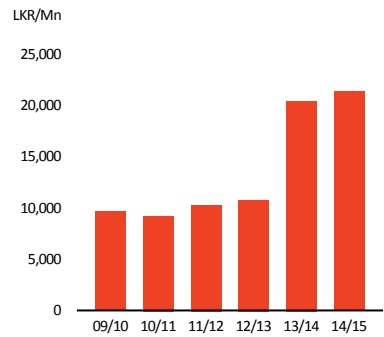
INCOME TAX

0.37 Bn

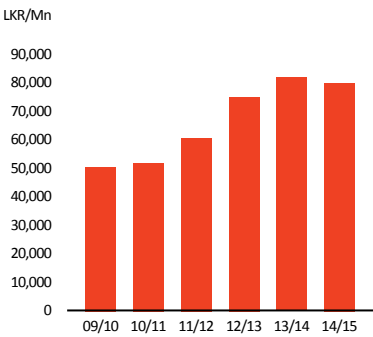
NET PROFIT

1.88 Bn

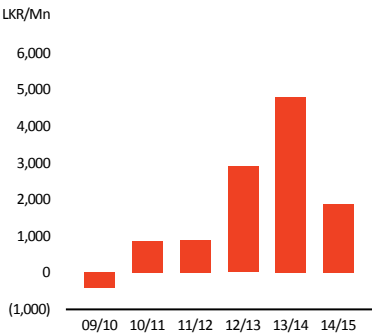
Market Capitalization



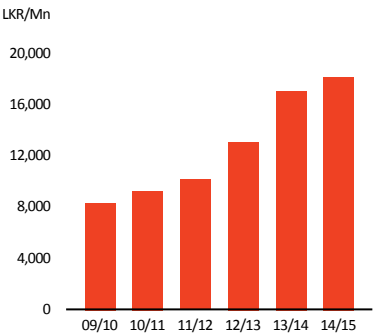
Turnover



Net Profit



Shareholders' Fund







CHAIRMAN’S MESSAGE



“TRANSITION AND TRANSFORMATION: THAT WAS 2014. VALUE AND SUSTAINABILITY: THIS IS 2015. FOCUS ON THE FUTURE”

“LANKA IOC ASPIRES TO BE SRI LANKA’S MOST VALUED PETROLEUM & LUBRICANT COMPANY TO ALL ITS STAKEHOLDERS. THIS REINFORCES OUR TWIN FOCUS OF BALANCING OUR PURSUIT OF SUSTAINABLE PERFORMANCE IN THE LONG TERM, WITH MEANINGFUL IMPROVEMENTS TO OUR PERFORMANCE IN THE SHORT RUN”

Dear Shareholders,
I am happy to present Lanka IOC’s first attempt at sustainability reporting using the GRI’s G4 framework. Our report focuses on our accomplishments over the past fiscal year as a result of our commitment to our vision of creating a more comfortable, safe and sustainable world .

We continued to work hard in 2014 to achieve solid results for our stakeholders. This year, Lanka IOC increased its focus on customers, leadership and talent, while reducing its structural costs. Lanka IOC’s proven strategy – well executed by a strong management team and more than 165 employees, contributed to consistent earnings growth for all its shareholders.

THE ENVIRONMENT

Global

The energy landscape has fundamentally transformed during the last one year. Technological advances have enabled a surge in gas and oil production from deep beneath the ocean and unlocked important new shale resources over the last few years.

The International Monetary Fund (IMF) estimates that the world economy grew by 3.3% in 2014, unchanged from 2013. In January 2015, the IMF revised its forecast

for 2015 down from 3.8% to 3.5%, pointing to concerns over the Russian and euro zone economies, combined with the slowing growth in China. Concerns over economic growth, coupled with buoyant global oil production, drove a decline in crude oil prices during the second half of 2014, ending a three-year spell of relatively high prices. Although the Brent crude oil price averaged \$99 per barrel in 2014, down from \$109 in 2013, it ended the year at \$55. But the short-term outlook for energy markets seems uncertain.

Against this background, Lanka IOC continued to evaluate carefully at how and where to allocate capital in an economic environment that remained fragile. A sustained period of low oil prices could, of course, challenge the economics of some of the planned projects but we continued to take a long-term view of a world where energy demand continues to rise.

Local

As per the Central Bank of Sri Lanka report, the growth momentum of the Sri Lankan economy continued, while inflation declined further to low single digit levels during the year. The economy that was initially projected to grow in real terms by 7.8 per cent, recorded a growth of 7.4 per cent in 2014, in comparison to the growth

CHAIRMAN'S MESSAGE

of 7.2 per cent in 2013. Amidst uneven developments in the global economy, continued domestic economic activity helped sustain the growth in the industry and services sectors. GDP growth positions Sri Lanka in the forefront as one of the fastest growing South Asian nations, ahead of the regional average of 5.3%.

In this environment, Lanka IOC maintained its strong growth potential and continued its quest for sustained growth. As per the latest ratings available, Lanka IOC is ranked the 2nd biggest listed company in Sri Lanka in terms of turnover by LMD for the year 2013-14 (moved one position above from the rank in 2012-13) and ranked 9th amongst the top 25 best Companies in Sri Lanka in 2013-14 by Business Today group (moving up from 19th position in 2012-13).

2014 MILESTONES

Overall, Lanka IOC gained value share in the industry in FY 2014-15, increasing its share of the total sales volume by 5% to touch 584,436 MT from 555,918 MT (during FY 2013-14) with a sales value of LKR 79,901 million during FY 2014-15 against LKR 81,793 million during FY 2013-14. The net profit during FY 2014-15 was LKR 1.88 billion against LKR 4.81 billion during FY 2013-14. The slump in profit is due to sharp drop in retail selling price of auto fuels coupled with increase in duties imposed by the Government. Obviously, despite operating in a challenging year, we were not satisfied with these numbers.

At the same time, we refused to let tough conditions determine our overall performance or set the course for the future. Highest ever share price (Rs 68.30 per share) of Lanka IOC was traded on the Colombo stock exchange during FY 2014-15 and the company was also assigned highest credit rating AAA rating by Lanka Rating Agency (associate of CRISIL - India).

In auto fuels, Lanka IOC registered a growth in both Petrol (2%) and Diesel (15%) with significant growth in XtraPremium 95 octane (15%) and Lanka Super Diesel (28%). In bunkering, there has been a growth of 24% in the sales volume during 2014-15. In lubes there is an overall growth of 11% during the fiscal.

In a major drive to expand the retail outlet network and consolidate its existing network, Lanka IOC commissioned 12 retail outlets and completed the raze and rebuild of 11 retail outlets during 2014-15. This is the highest number of commissioning/ refurbishments done during any single year.



Sandalankawa Old Fuel Station, Kurunegala



Sandalankawa New Fuel Station, Kurunegala



J. Wanigasekara Old Fuel Station, Akuressa



J. Wanigasekara New Fuel Station, Akuressa

A major drive was undertaken to improve Retail Outlet visibility by replacing building/ canopy fascia of 45 retail outlets and refurbishing main sign poles at nearly 30 retail outlets and we continued to serve our main customer base of regular vehicle owners by commissioning 50 'SERVO' shops during 2014-15 to touch 144 and taking the total distributorship to 17 from 14.

Lanka IOC signed High Sea Sale agreement with Board of Investment for overseas product trading. It also commenced import of Euro-5 compliant 10 ppm Gasoil from March 2015 for upgrading the LSD quality specifications.

STRATEGIC PRIORITIES AND KEY TOPICS FOR SHORT AND MID TERM

High priority to infrastructure development, facility upgradation of existing retail outlets and planned expansion in high potential and unrepresented markets, promoting sale of environment friendly premium fuels and improving brand visibility and accessibility by setting up 'SERVO' Shops shall remain high priority areas for Lanka IOC for the short and midterm period.

The demand for Bitumen is expected to increase in the near future with the large scale development of roads planned by the Sri Lankan Government and Lanka IOC is reworking its strategy to strengthen its supply chain with continued emphasis on quality.

One of the strategic priority for mid term in Bunkering, is to acquire state approval for bonded storage at Trincomalee Terminal. This will enable Lanka IOC to tap bunkering volumes at Trincomalee port which has a potential of around 8,000 MT 380 CST FO and 500 MT of MGO per month for in transit Vessels in Bay of Bengal.

PRUDENT PATH OF GROWTH

The fall in oil prices in 2014 was part of the volatility our industry has always faced. But it underlined the importance of being selective in our investments and keeping a tight vigil on costs.

Our three-pronged approach included, First, making targeted, and disciplined investments in our brands and our future. In 2014, this meant ramping up our spends on brand-building including 83 % increase in spent on sales promotion and focusing on our strongest, most promising opportunities.

Second we laid an added emphasis on revenue and profit growth, starting with more distinct and clearly segmentation of our market. In an emerging market like Sri Lanka, we are striving to achieve volume growth through improved awareness of our brands.

Third we aggressively stepped up our productivity efforts. While we are focussed on increasing the presence of 'SERVO' across the island nation, we are equally focussed on retaining our corporate lubricant business. On the corporate end, our major achievement during the year under review was the retention of the 1000 kl/annum lubricant business of Sri Lanka Transport Board.

PEOPLE, PROCESS AND COMMUNITY

Safety first

Our focus on safe operations, good governance and environmental stewardship is unflinching. I am proud to reiterate that the company successfully completed 12 years of accident-free operations during the period under review, which places us at the forefront of the other Sri Lankan corporates. We have also conducted behavioural safety programs, both internal and external on a regular basis for all our employees at Trincomalee during the year.

Sustainability vision

Lanka IOC has a vision of building a comprehensive fuel network that will boost the Nation's economy and safe guard it's environment. The company's ultimate aim is to support Sri Lanka's ambitions of achieving energy security.

Lanka IOC is determined to maximize the sales of environment friendly premium fuels and has recently commenced import of Euro-5 compliant 10 ppm Diesel from March 2015 which is being marketed as Lanka Super Diesel in Sri Lanka.

Recognizing that sustainability and success go hand in hand, the company's CSR programs focuses on three key areas - viz. education, health and the environment, by carrying out a range of activities under the "We Care" and "Go Green" banners.

Education

Lanka IOC believes in providing the gift of education to the needy and the underserved students. We plan to continue with projects like "The English for Young learners Project-an English language training program" meant for local school children who lack basic English Language skills.

Health

Lanka IOC has partnered with Helpage Sri Lanka for conducting free health screening camps, donation of ambulances for facilitating movement of patients and construction, renovation of health centres/ maternity homes in less developed areas for providing proper medical care.

Environment

The company has conducted series of environment awareness programs for school children with the objective of making the students aware about the scarcity of natural energy resources and the need for fuel conservation.

Community connect

We continue to sustain our focus on community projects. Lanka IOC renovated Jubilee Primary Health and Maternity Home in Jaffna which was subsequently inaugurated by the Chief Minister of Northern Province, apart from organising series of free medical camps conducted at our Retail Outlets all over Sri Lanka at Katugastota, Negombo, Ratnapura and Colombo.

DIVIDEND PAYOUT

Your Company declared payment of final dividend of LKR 1.50 per share for FY 2013-14, amounting to total dividend of LKR 799 million. Due to stupendous profits

earned in the year 2013-14, the company could pay a final dividend of LKR 1.50 per share after distributing interim dividend of LKR 0.50 per share. As mentioned earlier, due to steep reduction of selling prices coupled with increase in customs duty on Auto fuels, the profit for the year 2014-15 has taken a hit but still we propose a final dividend of LKR 1.00 per share subject to shareholder's approval at the AGM.

ACKNOWLEDGEMENTS

I take this opportunity to thank all the stakeholders, my fellow directors for their valuable contribution and guidance, our business partners, local and overseas distributors, customers, channel partners and shareholders for their continued support and confidence in the Company. I would take this opportunity to extend my heartfelt gratitude to all Lanka IOC management and staff for their hard work, belief and commitment to this organisation. I also extend my thanks to the Ministry of Power & Energy, the Board of Investment of Sri Lanka, the Ministry of Finance, the Ministry of Investment Promotion, Sri Lanka Customs, Central Bank of Sri Lanka, Department of Inland Revenue, the Ministry of Transport & Highways and Sri Lanka Port's Authority and all others who directly or indirectly partnered with us and helped us grow in this past year.

I am confident that the Company will be able to sustain value to the shareholders with its technological capabilities, brand strength and the talented workforce. Your company has now emerged an even stronger entity with the various operational improvements made during the year, which will accrue commensurate gains in the coming months and years.

While we are driving value addition to the economy, our future prosperity, is directly intertwined with the nation's prosperity because Lanka IOC is a truly Sri Lankan company.

Best wishes,



Indrajit Bose
Chairman

MANAGING DIRECTOR’S MESSAGE



“... WE PLANNED TO KICK START OUR EXPANSION DRIVE BY COMMISSIONING OVER 40 NEW OUTLETS AND REFURBISHING A FURTHER 50 EXISTING FUEL STATIONS. WE CONCLUDED THE YEAR BY ESTABLISHING 12 NEW FUEL STATIONS AT AN INVESTMENT OF APPROXIMATELY LKR 240 MILLION”

Dear shareholders,

I am happy to report that Lanka IOC operations made good progress in the year under review with the Company continuing to uphold its commitment to ensure energy security for the nation by providing the Sri Lankan public with affordable and high quality petroleum products. During the current financial year, Lanka IOC continued to retain 18% of the domestic fuel retail market through a network of 179 island wide fuel retail outlets. As we expand our footprint across the island, our scope to serve the people is constantly growing, making us a proud partner in the progress of the country.

Hence, it gives me great pleasure to announce that our contributions to the national economy are being recognised. During the current financial year, Lanka IOC was chosen as the Bronze Award Winner at the National Business Excellence Awards, organised by the National Chamber of Commerce of Sri Lanka (NCCSL), for our contributions to the nation and for our operational standards.

FINANCIAL PERFORMANCE

Following three years of sustained profits that culminated in a record profit of LKR 4.8 billion in the previous fiscal of 2013-14, and with no external signals to the contrary,

we anticipated commensurate bottom line growth in the current financial year also.

These positive sentiments were upheld for the first half of the year, with turnover for the first and second quarters outpacing that of the same period of the previous year.

December 2014 and January 2015, saw a reversal of the growth trajectory with the simultaneous increase of fuel import duties coupled with a steep reduction in retail prices. This dealt a double blow to the Company's top line as well as bottom line. The selling price of auto fuels were reduced basically to reflect the global fall in crude prices but the combined impact of higher taxes and reduced selling prices was much more than the actual reduction in procurement cost of auto fuels.

Between December and end-March 2015, the Company sustained a revenue loss of LKR 60 per every litre of petrol sold. Together with the lower incomes from diesel, overall earnings from the fuel portfolio, which accounts for approximately 75% of total revenues, contracted drastically. This sharp fall in revenues coupled with higher taxation, resulted in profits after tax falling to LKR 1.8 billion, which is a 61% erosion in net profits against the previous year.

MANAGING DIRECTOR'S MESSAGE

The effects on Company bottom line have now migrated into the new financial year also. We have been regularly taking up with all the concerned authorities for rationalisation of duties and a positive outcome is expected in the near future. The current situation has once more highlighted the urgent need for a transparent fuel pricing mechanism for the Sri Lankan petroleum retail sector, to ensure financial sustainability of the sector. I hope the national authorities will respond to this urgent need within the new financial year.

ANCILLARY PRODUCTS

Although the fuel portfolio registered a negative growth during the current financial year due to reasons explained above, our ancillary products such as lubricants and bunkering services continued to show positive progress in response to strategic growth initiatives of the Company.

Volume from the sale of lubricants registered a 11% increase year-on-year, responding to our growth strategy of market penetration through expansion of distribution channels. We continued to focus on expanding our footprint in the highly competitive lubricants market by adding three distributors and by enhancing retail sales through 'SERVO' shops. As at the end of the current financial year our distribution network comprised 17 distributors and 144 'SERVO' shops.

The bunkering business showed a marked improvement during the year despite intense competition from Indian ports. Although Indian ports enjoy a cost and time advantage of domestic supplies of fuel, Lanka IOC has been extremely successful in meeting this challenge through streamlined operations and higher efficiencies, for a volume growth of 24% during the year.

Meanwhile, with no road development activities by the government during the latter part of the financial year, the demand for Bitumen was severely impacted, causing overall volumes from this segment to contract by 44% year-on-year.

EXPANDING OUR REACH

Since inception as a Sri Lankan company, Lanka IOC has been dedicated towards enhancing value for the Sri Lankan economy and public. A key strategic priority in this regard has been to increase access to Lanka IOC products and services for greater numbers of Sri Lankans, particularly those living in rural parts of the island. I am confident increased accessibility to fuel at affordable prices, will also propel rural economies and social advancement through increased mobility, higher productivity and the creation of industries.

Therefore, we planned to kick start our expansion drive by commissioning over 40 new outlets and refurbishing a further 50 existing fuel stations. We concluded the year by establishing 12 new fuel stations at an investment of approximately LKR 240 million. The new outlets are located in key strategic locations for maximum economic impacts on local communities.



M T Wanniarachchi's Fuel Station, Embilipitiya

The refurbishment drive overhauled 11 fuel stations at a cost of approximately LKR 440 million. The upgraded fuel stations will improve our service delivery through a new design and layout that is aimed at increasing customer convenience, while also creating a more comfortable work environment for our employees. Progress with regards to expansion has been somewhat slower than anticipated due to our complete adherence to all national regulatory requirements, including provincial and local authority approvals.



H M B Herath's Fuel Station, Wariyapola

Our growth plans have not been limited to the domestic market. During the current financial year we concluded a study on entering export markets with our premium lubricants. We are currently in the process of testing the markets of Indonesia and Malaysia with the appointment of a limited number of distributors for Lanka IOC lubricants.

CLEANER ENERGY

A second strategic priority for Lanka IOC has been the introduction of cleaner fuels to the Sri Lankan market. Although petroleum is essential for economic growth and development, this is a natural resource that should be prudently deployed to ensure its availability into the future. Use of petroleum also has harmful environmental impacts. Therefore, conservation of petroleum based fuels serves a dual purpose of minimising environmental impacts, while preserving it for the future.

At Lanka IOC, we have continually invested in this philosophy of conservation throughout our operations. Our fuel storage facilities, domestic fuel transport, and lubricant manufacturing systems have been designed to minimise environmental impacts by preventing leakages and emissions. We are also in the process of introducing LED lighting and other energy saving mechanisms to all Lanka IOC fuel stations.

On a wider scale of impact, Lanka IOC pioneered the introduction of more efficient and environmentally friendly fuels to the local market. In 2011 we introduced

Euro 3 standard petrol to the country and in March 2014 we introduced Euro 3 standard diesel to local consumers as Lanka Super Diesel. In March 2015, we introduced Euro 5 compliant 10 ppm diesel, thereby upgrading Lanka Super Diesel quality specifications.

SOCIAL RESPONSIBILITY

Lanka IOC's business is people centric. We believe financial growth must necessarily create wider social benefits to augment brand equity. Therefore, Lanka IOC, as a corporate policy, places emphasis on social responsibility and giving back to society.

Our public welfare projects target the deprived and deserving, regardless of any demographic differences. During the current financial year, through the 'We Care' initiative, we sponsored free health care to underserved rural families in the vicinity of Lanka IOC fuel stations in Katugastota, Dematagoda, Ratnapura and Negombo. Acknowledging the hardships faced by the differently-abled population, we donated 25 wheel chairs to the disabled and the elderly, to lend a much needed helping hand.

The current cycle of Lanka IOC's flagship environmental education programme, the 'Go Green' initiative that targeted participation of school children to plant trees, was concluded in the current financial year. However, we continued our efforts at educating the next generation by facilitating access to English education for underprivileged children. Meanwhile, we hope to recommence another round of the Go Green programme in the new financial year.

PLANS FOR THE FUTURE

I am confident that demand for Lanka IOC products and services will continue to increase as Sri Lanka moves towards its target of becoming a middle income nation. Since entry into the Sri Lankan fuel retail sector in 2002, Lanka IOC has supported national growth plans through an expanded network of retail outlets that pumped

essential fuels into the economy. Within the next financial year we hope to invest a further LKR 400 million on adding another 20 fuel stations to the current network, while also completing refurbishments of the existing fuel outlets.

We will also continue to expand our market share of the lubricants sector through promotional campaigns and by utilising the growing fuel station network as retail points. We have already conducted extensive market surveys in this respect and revamped Lanka IOC lubricants will be launched in the new financial year. Meanwhile, plans for exporting lubricants will be unrolled during the year to test the markets of Indonesia and Malaysia. Although I do not anticipate significant revenue contributions from market development initiatives over the short term, I believe export markets will open up new revenue opportunities over the longer term.

Our bunkering operations are currently facing severe price competition from Indian ports that are able to offer lower prices due to domestic production of fuels, while Lanka IOC has to accommodate the additional costs related to fuel imports. However, I am confident our technical expertise and extensive range of services will continue to provide a competitive advantage to ensure sustained revenue growth in the new financial year.

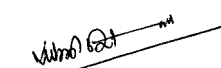
As Sri Lanka accelerates its developmental activities, including the construction and renovation of roads, demand for bitumen is set to increase. Therefore, I am hopeful of resurgence in demand for bitumen within the new financial year.

In concluding my message, I would once more like to bring to the notice of the authorities the pressing need for a transparent fuel pricing mechanism. A fuel pricing mechanism is essential for the protection of long term interest of the nation, by ensuring fair and flexible fuel prices to support sustainable economic

development. Such a mechanism would minimise the scope for price manipulations that are contrary to the public interest. Given the many public benefits of a fuel formula, I am confident the national authorities will pay their attention to this matter at their earliest. As Sri Lanka gradually accelerates its growth trajectory, Lanka IOC will stand ready to support the country on its forward journey.

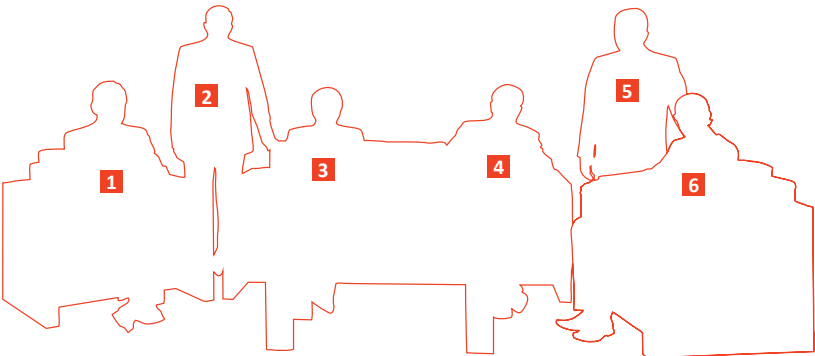
I would like to extend my sincere gratitude to the Government of Sri Lanka for its continuous support to the Company, in particular I would like to thank the Ministry of Power and Energy, the Board of Investment of Sri Lanka, the Ministry of Finance, the Ministry of Investment Promotion, Sri Lanka Customs, the Central Bank of Sri Lanka, the Department of Inland Revenue, the Ministry of Transport and Highways, Sri Lanka Transport Board and Sri Lanka Ports Authority. I would like to thank the Board of Directors for their advice and guidance during the year and all our valued shareholders for their confidence in me. I thank all our channel partners, customers and suppliers for their cooperation during the year. I conclude with my warm thanks also to all our employees for their hard work and dedication during the year.

Sincerely,



Subodh Dakwale
Managing Director

BOARD OF DIRECTORS





1. MR. AMITHA GOONERATNE
2. MR. D K SHARMA
3. MR. INDRAJIT BOSE
4. MR. SUBODH DAKWALE
5. MR. P.M. MOHAN
6. PROF. LAKSHMAN RAVENDRA WATAWALA

BOARD OF DIRECTORS



MR. MAKRAND NENE

Chairman [ceased office on 31.12.2014]

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

Mr. Nene was also appointed Chairman of IOC's subsidiary – Lanka IOC PLC in Sri Lanka on 1st October 2011.

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 36 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 areas of priorities are focused on human resource reorientation towards business needs of the division, intervention of technology & automation & infrastructure development/augmentation. Since Oct' 2011, he has steered IOCL's Marketing Division in the post turbulent period with changes both in market dynamics & government policies.

Consequent to his superannuation from the services of IndianOil, India Mr. Nene ceased office from the Board of Lanka IOC PLC on 31st December 2014.

MR. INDRAJIT BOSE*Chairman [with effect from 01.05.2015]*

Mr. Indrajit Bose, Executive Director, Corporate Communications and Branding, has taken over management of corporate communications for the Marketing Division of IndianOil since June 1, 2015. Besides internal and external communications, his area of responsibility also includes brand management for the company. Mr. Indrajit Bose is a Chemical Engineer from Jadavpur University, Kolkata.

Mr. Bose started his career with IndianOil in 1981 as a Sales Engineer after having a brief stint as Project Engineer in UHDE GmbH, a Caustic Soda Plant Specialist. During his first eighteen years, he took on increasing responsibilities, mainly in the Lube Retail area, and served the eastern markets of Raipur, Guwahati, Dhandbad and Kolkatta. As a key member of initial days of IndianOil's lubricant business, he has made significant contribution to the imposing growth of 'SERVO' brand of lubricants which is rated as a highly valued super brand today.

In 1998, he was transferred to petroleum fuels retail sales area and handled markets of Bihar and West Bengal mainly. From 2008 onwards, Mr. Bose led the Uttar Pradesh and subsequently West Bengal teams. His role as Head of State was to lead the entire handling of petroleum product movements as well as to spearhead various retail programs, customer activities, engineering initiatives, LPG sales and various community initiatives in semi urban and rural areas. His tenure saw emergence of IndianOil's popular rural retail initiative of "Kisan Seve Kendras" (KSKs) which have now become major rural retail strength for IndianOil's retail network.

He was appointed as Executive Director, West Bengal State Office in 2012 and took over charge of all India Head of Retail Sales in 2014. As Head of all India retail business which accounts for almost 50% of IndianOil's total business, Mr. Bose was In Charge of a large growing retail network of about 24000 retail outlets which included over 6000 KSKs.

As the all India Head of Corporate Communications and Branding, his rich and exhaustive experience in retail sales area will enable strategic positioning of ten brands under IndianOil umbrella. He leads pan India team of Executives who handle all internal and external communications, brand management and social media initiatives, through 16 State offices and 70 Divisional offices.

MR SUBODH DAKWALE*Managing Director*

Mr Subodh Dakwale has wide-ranging and rich experience in the petroleum field having worked for more than 30 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 IndianOil like Engineering, LPG, Lubes and Sales & Marketing. This has given him hands-on experience and in depth knowledge in the gamut of petroleum industry.

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

A result-oriented Executive, Mr Dakwale with his out-of-box thinking and strategic initiatives has steered Lanka IOC to a path of progress creating value for each stakeholder. The company has tremendously improved on its financials and has won many awards during his stint of three years in Sri Lanka. A natural leader with great networking skills, Mr Dakwale has carved a niche for himself among industry leaders.

An Engineer by profession, Mr Dakwale is an avid sportsman too. He has excelled in Badminton and Tennis and is now making his mark as a golfer also.

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) and a Chartered Global Management Accountant [CGMA].

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 of People's Bank; Chairman of People's Merchant Bank; Chairman & Director General of the Board of Investment of Sri Lanka; Advisor of the Ministry of Finance; Chairman of the Pan Asia Bank Ltd; Director of South West Asia Informatics Holdings Ltd., Singapore; Deputy Chairman and Executive Director of the Singapore Informatics Computer Institute (Pvt) Ltd; and 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. He was inducted into the Hall of Fame of CA Sri Lanka in November 2013.

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 Bankers' 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, and serves as an Alternate Director on the Boards of Distilleries Company of Sri Lanka and Aitken Spence PLC.

MR. P.M. MOHAN*Non-Executive Director*

Mr. P.M. Mohan is a CA and Gold Medalist in MBA from IIPM, affiliated to University of Ljubljana, Slovenia. He has 30 years experience at Indian Oil Corporation and has worked in various fields, including Management Accounting, Product Accounting, Planning & Economic Studies, International Trade, as well as Optimisation where he was actively involved in the building of the Optimization Models and was In-Charge of the marketing side of the Supply Chain as well as evaluation of long-term infra-structure requirements. He is currently posted as Executive Director (Pricing) at the Head Office of Indian Oil Corporation Ltd., Marketing Division in Mumbai, where he handles issues connected with the pricing of petroleum products and interactions with the Government and other Industry players on various matters.

MR D K SHARMA*Non-Executive Director*

Mr. Deepak Kumar Sharma holds an MBA with specialization in Marketing Management. He has over 32 years experience in downstream Petroleum sector in India. He presently heads Retail Function of IndianOil as Executive Director (Retail Sales).

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

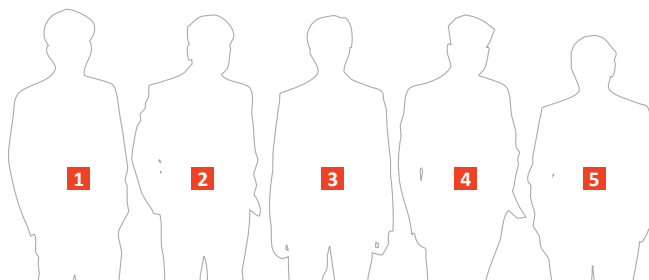
In his career span in IndianOil, he has handled several key portfolios and has had a good mix of exposure in Field and Back-office operations in Core Business functions such as Retail and Institutional Sales, Human Resource, and field assignments for approximately 12 years.

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

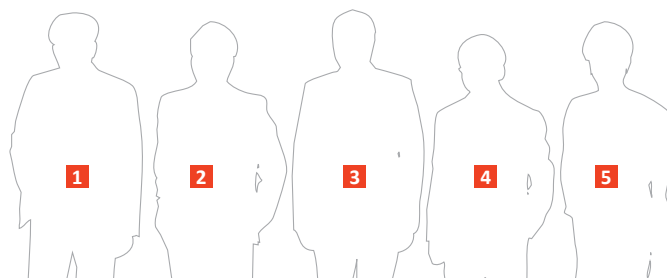
MS. RAJANIE BALAKRISHNAN*Company Secretary*

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

SENIOR MANAGEMENT TEAM



1. **Mr. Raj Chowdhary** - Vice President (Finance)
2. **Mr. Sunil Nagdawne** - Vice President (Operations) Trincomalee
3. **Mr. Faizan Ahmad** - Vice President (Engineering)
4. **Mr. Sunil Kaleshwari** - Senior Vice President (Operations & Bunkering)
5. **Mr. Pradeep Sukumaran** - Senior Vice President (Operations & Lube Blending Plant) Trincomalee



1. **Mr. Subodh Dakwale** - Managing Director
2. **Mr. Dhananjay Srivastava** - Senior Vice President (Retail Sales & HR)
3. **Mr. Anuj Jain** - Senior Vice President (Finance)
4. **Mr. BB Patra** - Senior Vice President (Lubes – Marketing & Productions)
5. **Ms. Rajanie Balakrishnan** - Company Secretary

AWARDS AND RECOGNITIONS

AWARDS

LANKA IOC PLC EXCELLED AT THE NATIONAL BUSINESS EXCELLENCE AWARDS 2014, CONDUCTED BY THE NATIONAL CHAMBER OF COMMERCE OF SRI LANKA, ON 16TH DECEMBER 2014.



Under Trading Category - Gold Award



Overall Winner - Bronze Award



Under Extra Large Category - 2nd Runner-Up

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC CONTRIBUTIONS

ECONOMIC PERFORMANCE

Within the past 13 years, Lanka IOC has enhanced its economic contributions to the country through increased economic value creation, increased employment, expansion of service delivery, and by facilitating the emergence and growth of domestic businesses. A wide group of stakeholders are impacted by the Company’s financial performance, including shareholders, the Government of Sri Lanka and the general public.

As Sri Lanka’s auto fuel retail sector is limited to two players - Lanka IOC and the Ceylon Petroleum Corporation - a strong and sustainable economic performance by Lanka IOC is essential to ensure energy security for the nation, through uninterrupted supplies of high quality fuel. In addition, Lanka IOC generates ancillary support to the domestic economy through supplies of bunker fuel, lubricants and bitumen. The provision of bunker fuels to ships calling on Sri Lanka, facilitates the domestic import-export trade and earn valuable foreign exchange, while lubricants are vital for efficient operations of machinery, automobiles and marine equipment. The continuous supplies of bitumen contribute towards infrastructure development of the country. All Lanka IOC products are of the highest quality following careful evaluation of product specifications from tried and tested suppliers. Therefore, Lanka IOC has a wide spread and deep economic impact on the nation with spill over social impacts in the form of improved quality of life of rural population.

Management of economic performance

Lanka IOC’s economic value creation is managed through an extensive review process that monitors performance of the Company, macro environmental trends and environmental impacts.

The business planning process includes:

- Identifying business opportunities
- Establishing the business environment
- Examining historical trends
- Market evaluation
- Confirming the sustainability of the project/business

Business plans are presented to the Board of Directors supported by the above information. Emphasis is placed on relevant regulations, regulatory compliance and possible environmental impacts and mitigatory measures. Business activities are viewed from a long term sustainability perspective, instead of short term profitability, in line with the Company’s objective of creating economic and social benefits for wider society.

Responsibilities are assigned to different departments to ensure smooth integration of different functions.

Effectiveness of Management Approach

Effectiveness of the management approach is measured through:

- Development and execution of business plans
- Achievement of targets
- Continuous review and monitoring of operations (Senior management updates the Board regularly)
- Analysis of any deviations to prevent repetition
- Review operations/projects at conclusion to identify further improvements

Lanka IOC Performance Evaluation Model



MANAGEMENT DISCUSSION AND ANALYSIS

LANKA IOC HAS A FAR GREATER INDIRECT ECONOMIC IMPACT IN SRI LANKA. THESE INDIRECT IMPACTS ACCRUE THROUGH ENCOURAGING OTHER, ECONOMIC ACTIVITIES THAT ADD TO OVERALL NATIONAL ECONOMIC GROWTH AND QUALITY OF LIFE ENHANCEMENTS OF THE PEOPLE

G4- EC1: Direct economic value generated and distributed

During the financial year 2014-15 the economic contribution by Lanka IOC totalled LKR 80 billion and was redistributed among the Government of Sri Lanka employees and community as per below.

Economic Value Statement (LKR million)	2015 LKR	2014 LKR
Direct economic value generated		
Revenue	79,901	81,793
Finance Income	488	301
Other Income	40	31
	80,429	82,125
Economic value distributed		
Operating costs	61,548	64,878
Employee wages and benefits	357	298
Payments to providers of funds	860	1,323
Payments to Government	16,039	11,637
Community investments	17	19
	78,821	78,155
Economic value retained		
Depreciation and Amortisation	260	222
Profit after dividends	1,348	3,748

INDIRECT ECONOMIC IMPACTS

In addition to Lanka IOC’s direct, measurable economic impacts described above, the Company has a far greater indirect economic impact in Sri Lanka. These indirect impacts accrue through the process of encouraging other unrelated, economic activities that add to overall national economic growth and quality of life enhancements of the people.

Management of Indirect Economic Impacts

Lanka IOC’s policy is to enhance positive economic impacts by:

- Enhancing public accessibility to fuel by expanding the number of retail outlets
- Providing more efficient and environmentally friendly fuels to reduce emissions and economise transportation costs
- Providing value added services, such as supermarkets, restaurants, ATM facilities and other amenities within Lanka IOC retail outlet premises
- Generating indirect employments
- Effecting exports to generate valuable foreign exchange
- Creating fair competitive environment resulting into benefit to end consumers
- Increasing community wealth by establishing and developing local business partnerships

G4-EC8: Significant Indirect Economic Impacts

Evaluation of indirect economic impacts

As the Company’s indirect economic impacts occur across a wide socio-economic spectrum, such impacts pose difficulties in quantification. However, qualitative assessments, through case studies, are indicative of these positive impacts. Lanka IOC’s current annual report features two case studies, one from the Northern Province and another from the Southern province to showcase these outcomes.



Padalangala Lanka IOC retail outlet



Padalangala Lanka IOC retail outlet

The Lanka IOC fuel retail outlet in Padalangala, in the Southern Province

Lanka IOC opened a franchisee retail outlet M/s M. T. W. Wanniarachchi in December 2014 through a Lanka IOC dealer agreement. Located on the Embilipitiya-Nonagama Road, the new fuel station is the closest fuel outlet for the entire neighbourhood. The agricultural economy of Padalangala and surrounding villages, is based on the cultivation and sale of paddy, banana and papaya. The agricultural produce must be transported four days per week, to the wholesale economic centre, located in Barawakumbuka, for sale. Therefore, access to fuel is essential to sustain the local economy.

Prior to commissioning of the Padalangala Lanka IOC retail outlet, villagers from surrounding villages had to travel up to 25 kms to Nonagama, or 14 kms to Embilipitiya, to access the nearest fuel stations. Due to the time and distance involved, villagers were forced to purchase fuel from unauthorised retailers, at higher than market rates. Buses plying from Ratnapura to Matara and Hambantota had to carry extra fuel in containers, to refuel on the way, as there was no intermediate fuel station.

Lanka IOC's entry into the scene has already caused a change for the better. Farming families have been able to reduce their fuel transaction costs, contributing to savings. Easy access to fuel prompted more frequent trade visits, enhancing revenue opportunities. Access to quality fuel, at affordable rates, has also encouraged families to purchase their own vehicles, which has enhanced mobility and facilitated trade. Buses are stopping to refuel, instead of carrying fuel cans. Within six months of opening, already nearly 10 shops have sprung up in close proximity to the fuel station, contributing to the development of the neighbourhood. The Mahaweli Authority is now planning to open a wholesale outlet opposite the fuel station, to purchase the agricultural produce of Mahaweli farmers, which will further boost the local economy.



Lanka IOC filling station, service station, supermarket and restaurant, in Nunavil, Jaffna



Lanka IOC filling station, service station, supermarket and restaurant, in Nunavil, Jaffna

Lanka IOC PLC, fuel outlet in Nunavil, in the Northern Province

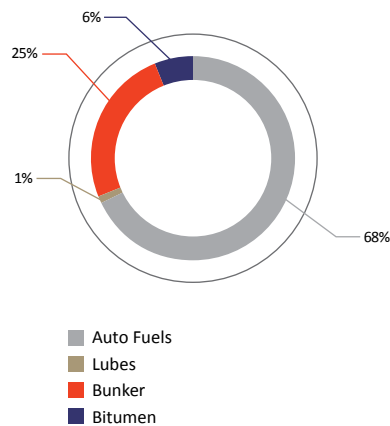
Lanka IOC opened a franchisee retail outlet M/s Siva filling station in Nunavil, Jaffna District in September 2013 which also has a service station, supermarket and restaurant through a dealership agreement. Located on the A9 road, 8kms from Jaffna Town, the 250 perch complex has now become a local landmark in Chavakachcheri, creating economic value through travel and tourism, and local agriculture and small business development.

The Lanka IOC fuel complex is contributing to the conflict recovery of the neighbourhood through continuous supplies of fuel to develop local businesses, agricultural activities and tourism. Prior to the Nunavil fuel complex, the nearest fuel outlet was a cooperative outlet which could not meet fuel demand in the neighbourhood. As a result, the predominantly agricultural local community was forced to purchase and store fuel, from Jaffna town. The difficulties in accessing fuel retarded the speed of local economic development.

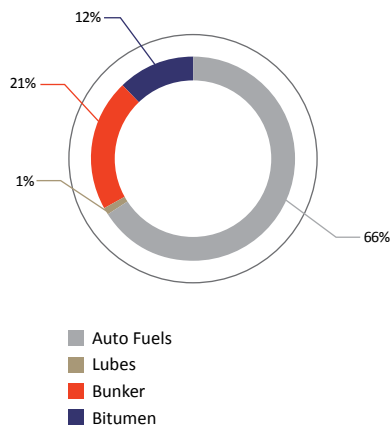
Since the entry of the Nunavil fuel complex, economic activities have gathered steam. A hotel and about 25 shops have opened close to the fuel station, indicating micro business revival. The supermarket in the Nunavil fuel complex adds to community convenience by saving a journey into Jaffna to access the nearest alternative supermarket and the restaurant is supporting tourism development. Access to fuel has encouraged more families to purchase their own vehicles leading to improved mobility and business activities. A bus stop has sprung up near the fuel station, providing transit traffic to the locality and the land value of the surrounding area has increased dramatically.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales Qty (KL / MT)-2014-15



Sales Qty (KL / MT)-2013-14



FINANCIAL REVIEW

Lanka IOC maintained sound and stable financial performance during the first two quarters of financial year 2014-15. The strategy of expanding our retail network also contributed to the increased sales volume. However, Revenues weakened from the end of the third quarter onwards of the year due to reduction in selling price of auto fuel and bunker, which impacted overall turnover and profitability.

SECTORAL ANALYSIS OF TURNOVER

Lanka IOC revenues are classified into four segments

- 1. Auto fuels
- 2. Bunker fuels
- 3. Bitumen
- 4. Lubricants

During the current financial year, sales volume of auto fuel, bunker fuel and lubricants continued to increase while volumes of bitumen sales declined sharply mainly due to the postponement of construction activities in the country. Against volume growth of 6%, there was a reduction in sales value by 2% mainly because of reduction in selling price of auto fuel and bunker fuel. However, despite the reduction in selling price, auto fuel and bunker fuel have registered growth in terms of value by 1% and 4% respectively. Lube sales value has gone up by 14% whereas bitumen sales value has gone down by 47% year on year.

ANALYSIS OF PROFITS

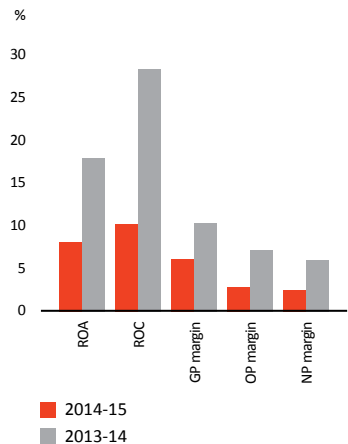
Profit margins shrank considerably during the year, due to the combined impact of increased import duties and lower retail sales prices of auto-fuels. The gross profit margin declined from 10% to 6% year on year, while the operating profit margin fell from 7% to 3% and the net profit margin fell from 6% to 2%. As a result, net profit fell from LKR 4.8 billion in 2013-14 to LKR 1.88 billion at the conclusion of the current financial year.

Reflecting the lower profitability, the return on assets declined from 18% to 8%, and the return on capital declined from 28% to 10% year-on-year.

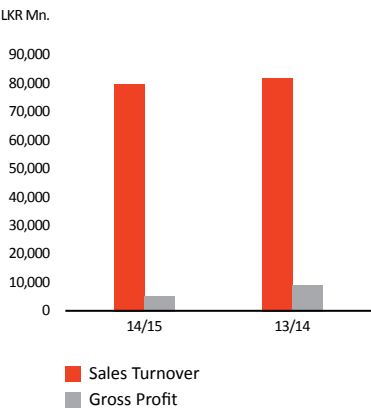
LIQUIDITY RATIOS

Lanka IOC continued to maintain healthy liquidity levels to discharge its short terms financial obligations. The current liabilities of the company has gone down from LKR 9,864 million, in the FY 2013-14 to LKR 5,301 million in FY 2014-15, mainly because of reduction in loan portfolio against imports, due to reduced prices of petroleum products in the

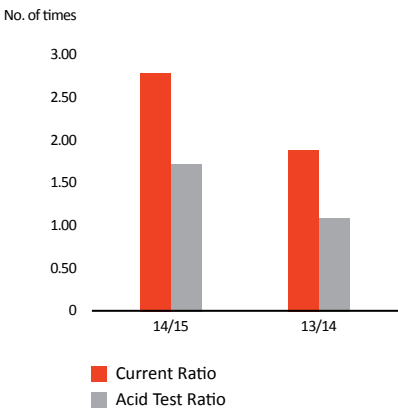
Profitability Ratios

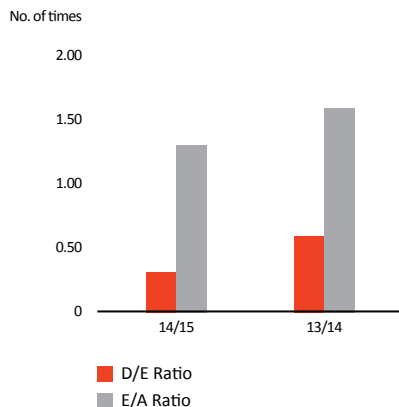


Turnover & Gross Profit



Current Ratio & Acid Test Ratio



D/E Ratio & E/A Ratio

international market. Current assets have also gone down from LKR 18,499 million in FY 2013-14 to LKR 14,714 in FY 2014-15, mainly because of reduction in inventory holding and reduced value of petroleum products.

Current Ratio

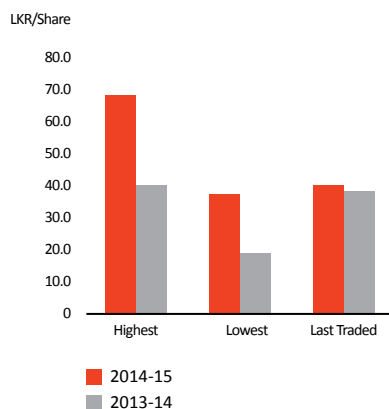
Overall, the current ratio has improved from 1.88 in FY 2013-14 to 2.78 in FY 2014-15.

Acid Test Ratio

The acid test ratio has improved from 1.07 in FY 2013-14 to 1.71 in FY 2014-15 because of substantial reduction in current liabilities.

EQUITY RATIOS

While the net asset value per share increased from LKR 32 to LKR 34, the earning per share declined from LKR 9.04 to LKR 3.54 due to the lower profit earned during the year. The proposed dividend payout for the year is LKR 532 million, compared to a total dividend payment of LKR 1,065 for the previous financial year. The dividend per share value fell from LKR 2 to LKR 1 in the current year. The dividend cover declined from 4.52 times to 3.54 times.

Share Price**Equity Assets Ratio**

The equity to assets ratio has declined from 1.58 to 1.30 because of reduction in current assets from LKR 18,499 million to LKR 14,714 million.

DEBT RATIOS

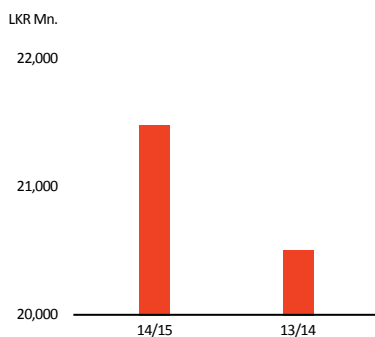
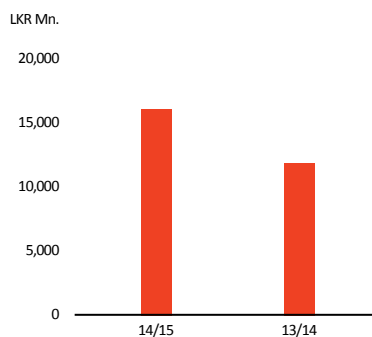
There has been substantial improvement in the debt to equity ratio from 0.58 in FY 2013-14 to 0.30 in FY 2014-15, mainly because of sizable reduction in short term borrowings.

MARKET CAPITALIZATION & SHARE PRICE

The market capitalization of the company increased from LKR 20.5 billion to LKR 21.5 billion, as on 31.03.2015. Lanka IOC share price touched the all time high level of LKR 68.3 per share during the year. However, lower profit during the year had an impact on market sentiments and the share price contracted to LKR 40.3 per share on 31.03.2015, as against LKR 38.5 per share as on 31.03.2014.

CONTRIBUTION TO THE GOVERNMENT

Lanka IOC's contribution to the national exchequer rose from LKR 11.6 billion to LKR 16.04 billion during the year mainly due to increase in volume and higher import duties on auto fuel.

Market Capitalization**Contribution to Government**

MANAGEMENT DISCUSSION AND ANALYSIS

PROCUREMENT PRACTICES

As Sri Lanka does not produce fossil fuels, all petroleum based fuels must be procured from external sources. Therefore, the standard of procurement practices is essential to ensure the quality, reliability and affordability of products entering the domestic market.

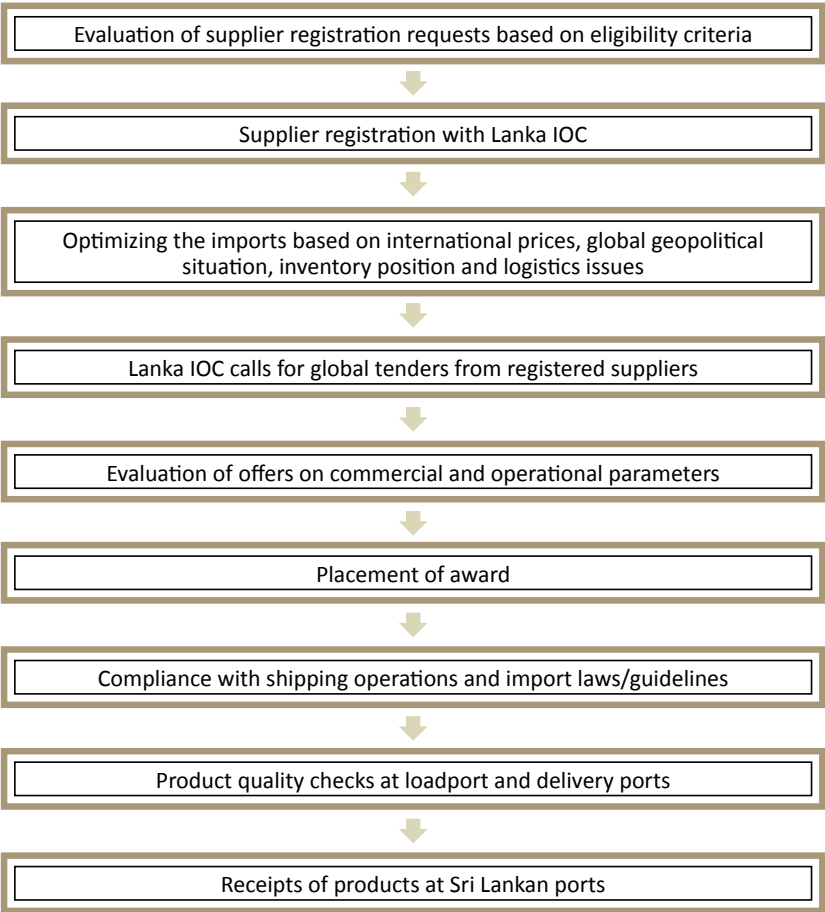
MANAGEMENT OF PROCUREMENT

A majority of Lanka IOC procurements are conducted through global tender procedures. International tendering has proven to be the most cost effective and transparent mechanism, to maximise benefits. Lanka IOC issues tenders, for bulk oil, base oils, additives and bitumen to a list of suppliers registered with Lanka IOC. A stringent registration process is practiced by Lanka IOC to ensure credibility of suppliers and legal compliance in procurements. Procurement prices of Lanka IOC are linked to international prices and Lanka IOC does not engage in paper trades. All purchases are limited to physical trades.

Lanka IOC Procurements

- Bulk fuels (Auto fuel - petrol & diesel and marine fuel) : Purchase through global tenders based on Sri Lankan Government stipulated standard product quality specifications. Lanka IOC endeavours to procure more efficient and environmentally friendly fuels to enhance public benefits. Therefore, certain fuels are above Sri Lankan standards in terms of emissions. For instance, Lanka IOC provide consumers the choice of three varieties of petrol - Lanka Petrol 92, which conforms to the national standard, and XtraPremium Euro 3 petrol and XtraPremium 95 Octane that are above the national emission standards.
- Bitumen: Purchased through international tenders
- Base oil and Additives: Purchased through international tenders (additives are used to manufacture lubricants by mixing with base oils)
- Packaging materials: Purchased through local tenders

LANKA IOC PROCUREMENT PROCESS



G4-EC9: Percentage of Products and Services Purchased Locally

Local purchases are very small in terms of value, and adds up to less than 5% of total purchase value for the year.



Two 10 kg / 9 kg DCP Fire Extinguishers are to be placed on each pump island.



Sand buckets (at least two per DU, minimum four)



Product packaging at lube blending plant



All packaged products are labelled in English

PRODUCT RESPONSIBILITY

CUSTOMER HEALTH AND SAFETY

Lanka IOC's main product category of fuel has high customer health and safety impacts due to the flammable nature of the product. Therefore, all safety precautions are observed at all times at all Lanka IOC retail outlets and storage locations. All national health and safety standards are maintained at customer contact points. Employees and all business associates are provided regular training to ensure correct handling, transportation and storage of products, to avoid any health hazards to customers.

In addition, all fuels imported and retailed by Lanka IOC complies with public health and safety standards stipulated by the national authorities. All lubricants are evaluated for health and safety standards by the world class R&D centre of IndianOil, which is perhaps Asia's finest. Health and safety instructions are printed on lubricant container labels. Product Data Sheets containing information on product characteristics, performance standards and application, can be accessed by retail customers through Lanka IOC channel partners.

G4-PR2: Compliance on Health and Safety Impacts

Lanka IOC has not faced any incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services to date since inception.

PRODUCT AND SERVICE LABELLING

Due to the flammable nature of petroleum products and serious health consequences if ingested by accident, correct product and service labelling is essential to safeguard public health and safety. Therefore, labelling is viewed as a social responsibility by the Company. Labelling of fuel products is also necessary for customers to obtain the correct product for their vehicle and to identify the Lanka IOC brand. Labelling is the primary means of marketing, branding and differentiating Lanka IOC products from the competition. Labelling is also instrumental in protecting consumers and Company from counterfeits.

Therefore, Lanka IOC observes clear signage at all petrol pumps, facilitating customer convenience in selecting the correct fuel for their vehicle. In addition, health and safety labelling, including hazard warnings, are observed at all fuel retail outlets and storage locations.

All packaged products are labelled in English. For lubricants, the Material Safety Data Set, on the correct use of the lubricant oils, is issued in the form of a handbook to all dealers and retailers. Customers can obtain a hard copy or softcopy directly from Lanka IOC. All lubricant labels provide the batch number, health and safety information, and manufacturer's information. Awareness programmes and trainings are conducted regularly to sales personnel at retail outlets and other channel partner premises.

Health and safety specifications for the correct use of bitumen, that is packaged in barrels, are provided in booklet form.

G4-PR4: Compliance on Labelling

Lanka IOC has faced no incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling to date.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKETING COMMUNICATIONS

Marketing communications by Lanka IOC is mainly with regards to lubricants due to the highly competitive and crowded lubricants market in Sri Lanka. Lubricants are marketed through radio and print advertising, events sponsorships, signage retail outlets and hoardings. In the next financial year the Company will launch a customer survey targeting all districts, to redesign the Lanka IOC lubricant containers and to gauge market perceptions regarding Servo lubricants. Marketing communications will be realigned based on the outcomes of the above initiatives. A follow up survey will be initiated after a period of six months to further improve the effectiveness of marketing communications.

Thrust is also being given by the Company in implementing a proper marketing communication strategy for branded auto fuels, which are more environmentally friendly and are intrinsically better fuels for new generation vehicles.

Lanka IOC is also fully committed towards energy conservation by highlighting the importance of energy conservation and its positive impact on our lives and global eco system. Through various initiatives, including regular media releases, our company creates awareness about depleting natural resources and ways to protect the environment which helps to improve the quality of life of the communities we serve.



G4-PR6

Whether the organization sells products that are:	
Banned in certain markets	No
The subject of stakeholder questions or public debate	No

G4-PR7: Compliance on Marketing Communications

Lanka IOC has faced no incidents of non-compliance with regulations and voluntary codes concerning marketing communications to date.

**AS A POLICY
LANKA IOC ALSO
INTRODUCED MORE
ENVIRONMENTALLY
FRIENDLY PREMIUM
FUELS TO THE
LOCAL MARKET
TO REDUCE FUEL
CONSUMPTION,
WHILE ALSO
REDUCING
ENVIRONMENTAL
IMPACTS**

ENVIRONMENTAL SUSTAINABILITY

ENERGY

Energy is essential for daily operations of the organisation including the operations of the head office in Colombo, the Lanka IOC terminal in Trincomalee and Lanka IOC retail outlets. Energy use at the Head Office is limited to electricity for lighting and air conditioning. The Trincomalee terminal on the other hand requires energy for production activities as well as lighting and other requirements, accounting for the highest energy consumption of the Company. The terminal uses its own diesel to operate back up generators and fire pumps. Furnace oil is consumed to generate steam for boiler operations.

Energy consumption by the organisation has an impact on the Company’s cost structure, while also impacting the environment through the utilisation of non renewable fossil fuels and emissions of gases to the environment. Lanka IOC makes all endeavours to reduce energy consumption in line with the Company’s commitment to conserve fossil fuels and mitigate operational costs to enhance it’s returns to shareholders. Therefore, the Company introduces many conservation measures at the operational location in Trincomalee. In Trincomalee, furnace oil consumption for lubricant production has been reduced by synchronising boiler operations with the Lube Blending kettle. Further, energy consumption at each operating unit is measured and efforts are made to reduce consumption.

Apart from energy conservation measures taken at the Trincomalee terminal, retail outlets are also advised constantly to switch over to more energy efficient systems. Recently three of the main Lanka IOC fuel stations in Colombo had energy conserving LED lights installed, in place of traditional mercury light bulbs.

As a policy Lanka IOC also introduced more environmentally friendly premium fuels to the local market to reduce fuel consumption, while also reducing environmental impacts.

G4-EN3: Lanka IOC energy consumption at the main operational terminal in Trincomalee

Trincomalee terminal	Consumption - Lube Production 2014-15
Fuel consumption from non renewable sources	15.8 Mega Joules per KL
Heating	177 Mega Joules per KL
Electricity	8.96 KWH/KL

Calculations for Trincomalee terminal

Oil Type	Total Consumption (Kg)	Enthalpy (MJ/Kg)	Energy Generated (MJ)
Furnace Oil	30,160	43	1,296,880
Diesel (for forklift)	2394	47	112,518

Fuel consumption working is based on the forklift operation for LBP. Furnace oil consumption is for the boiler operation for generating steam (shown under ‘heating’).

MANAGEMENT DISCUSSION AND ANALYSIS

BIODIVERSITY

The Lanka IOC terminal in Trincomalee is situated on the coastline of the China Bay, which is a natural non-tidal harbour opening up to the Indian Ocean. The terminal is used to receive, store, and blend petroleum products for distribution. The operational area is approximately 50 acres and includes the administrative building, laboratory, oil tank farm and the lubricants blending plant.

The bay waters are rich with marine life, including corals in the connected waters near the marble beach side. The water, although saline, is very clean and low in salinity. The neighbouring oceans are on the whale migratory route, making whale watching a popular tourist activity. Many fishing communities in the locality depend on the Trincomalee oceans for their livelihoods and the fishing harbour Cod Bay is a major fisheries outpost in the Trincomalee District. Pigeon Island, in the town of Trincomalee, is a protected Marine National Park. However, this is not close by to China Bay, as it is in Nilaveli. There are many mangrove plants in the waters near the connected areas like Kinniya making it a very eco-friendly area. Pigeon Island in Nilaveli, Trincomalee is a protected Marine National Park. Trincomalee’s beaches are among the most pristine in the world. Therefore, in addition to its biodiversity treasures, Trincomalee is a key tourist destination, generating foreign exchange for the country.

The Company’s operations of transferring and storing fuel may have negative impacts on the local biodiversity through oil spills from ships and storage, that could pollute the oceans and harm marine life within a wide radius of operations. However, due to stringent operational procedures this threat has been more or less mitigated. Marine life in the Bay will be affected in the event of an oil spill which floats on the water surface. Therefore, the Company takes all precautions and safety measures to minimise environmental impacts.

- Water from the Terminal Tank Farm is processed through the Oil Water Separator and released from the final chamber of the OWS only after ascertaining the level of Oil Content within permissible limits specified by MEPA/CEA.
- Water from the outer chamber of the oil water separator is tested for conformity every three months at a CEA - licensed laboratory.
- Utmost Care is taken to prevent oil leaks at the jetty during tanker discharge – The receipt pipelines and tanker unloading hoses are pressure tested before receipt of tanker to ensure that the pipelines are healthy.
- Further, in the event of any spillages, oil dispersant chemical is available at the Terminal, to mitigate minor oil spills.

G4-EN12: Nature of significant direct and indirect impacts on biodiversity

Business activity	Nature of impacts on biodiversity
Construction or use of manufacturing plants, mines, and transport infrastructure	Operations of the Trincomalee Terminal may impact the biodiversity of the China Bay through disturbances created through movement of tankers.
Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources)	Possible oil spills
Introduction of invasive species, pests, and pathogens	No such data recorded to date
Reduction of species	No such data recorded to date
Habitat conversion	No such data recorded to date
Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level)	No such changes observed over the past 13 years

b. Report significant direct and indirect positive and negative impacts with reference to the following:

Areas of potential impact	Positive and/or negative impacts
Species affected	No recorded impacts to date
Extent of areas impacted	No recorded impacts to date
Duration of impacts	No recorded impacts to date
Reversibility or irreversibility of the impacts	No recorded impacts to date

EFFLUENTS AND WASTE

Effluent discharges by Lanka IOC at the Trincomalee Terminal is limited to sea water that is used to flush the Tanker receipt pipelines being discharged back into the sea. Once the oil is stored in tanks, the sea water is released back into the ocean after processing through the OWS (Oil Water Separator) and confirming the Oil content with permissible limits. The discharged water is not reused by any another organization

Oil Sludge

Oil sludge, generated consequent to cleaning of oil storage tanks, is a hazardous waste. Oil storage tanks are cleaned every five years as per the Company QC norms and the sediment sludge is collected and stored in mild steel barrels, in a separate isolated area demarcated specifically for the purpose, in covered shed as per the MEPA stipulations. The sludge is disposed by selling to parties who are licensed by CEA for collection, transportation and disposal of waste oil sludge. This is the only approved manner of disposal of oil sludge in Sri Lanka.

G4-EN 22 : Water discharges

Destination	Quantity of released water	Quality of released water	Treatment method
Trincomalee terminal	The quantity of sea water released from our storage tanks after each tanker receipt would be approx 300 KL, which translates to 2400 KL per annum (considering maximum of 8 tanker receipts per year)	Within 10 ppm	By processing through the Oil Water Separator (OWS) and releasing the water from the final chamber after ascertaining that the oil content is within permissible limits.

Assumptions used: The Trincomalee terminal receives 2 types of products - diesel and petrol – Assuming a pipe line flushing of 3 times, the line content of receipt line (50 KL), the quantity works out to $150 \times 2 = 300$ KL.

- Planned discharge of Sea Water from the Oil Tanks after Tanker Receipts - 2400 KL per Annum
- Unplanned discharges of Rain Water from the Floating Roof Tanks/Tank Farm thru the OWS during the Rainy Season – 2000 KL

G4-EN 24: Avoiding oil spills

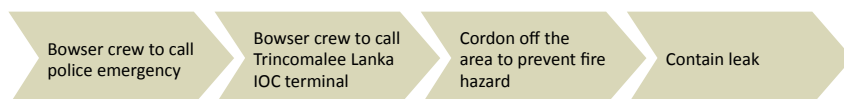
We are happy to note that Lanka IOC operations to date have not resulted in an oil spill, either at the Trincomalee Terminal, or at any Lanka IOC fuel station, or during transportation of fuel, which had an adverse impact on the eco system.

COMPLIANCE**G4- EN29: Compliance with environmental regulations**

To date, Lanka IOC operations have not faced any significant fines or non-monetary sanctions, for non-compliance with environmental laws and regulations

TRANSPORT (FUEL)

Lanka IOC transports petroleum products to filling stations across the country by tank trucks (bowzers) and as such we cannot rule out hazards on account of accidents/spillages/leakages enroute. However, contingency plans are available to mitigate such eventualities. Bowser crew are given adequate refresher training every year, on the safe transportation of petroleum products and the action to be taken in any emergency. Standard emergency procedures are formulated and will be triggered in case of emergency.

**G4-EN30: Managing environmental impacts of transporting products**

Significant environmental impacts of transporting products	<p>Environmental impacts are primarily on account of leaks/spillages in the event of an accident during transportation.</p> <ul style="list-style-type: none"> Only one such incident of leakage occurred during the current financial year, due to an accident at Habarna, in which about 12 KL of petrol was lost.
How environmental impacts of transporting products are mitigated.	<ul style="list-style-type: none"> Transport crews are trained every year in Emergency Response methods in the event of leaks/spills en route Transport crews are trained every year to liaise with the concerned authorities such as the Fire Brigade, Police, Oil Terminal etc. during such en route emergencies.
Criteria and methodology used to determine which environmental impacts are significant	<p>The criteria used by the Company to determine significant environmental impacts is based on</p> <ol style="list-style-type: none"> The potential/possible extent of negative environmental impacts The possibility of occurrence of the hazard <p>Based on the above criteria the most significant environmental impact with the highest possibility of occurrence would be :</p> <ul style="list-style-type: none"> Leakages/spillages on account of accidents en route, causing the product to flow into drains/streams with the potential of contaminating a wide area.

STAKEHOLDER ENGAGEMENT

G4-24 to G4-27

Lanka IOC has identified persons and groups that have a direct impact on business activities and strategic objectives, as stakeholders of the Company and has formal systematic processes to engage with them.

During the current financial year, the Company maintained its relationships with different stakeholder groups through regular and adhoc interactions and responded to all stakeholder inquiries and concerns. No significant or material concerns were raised by any stakeholder group. The table below presents a concise view of the Company's stakeholder engagement outcomes for the reporting period.

Lanka IOC Shareholders

1. Majority shareholder: Indian Oil Corporation Ltd
2. Minority shareholders: Individual and institutional shareholders

Shareholders are viewed by the Company as two distinct groups due to the different levels of impact on the Company by the two groups and the differences in expectations from the Company. For instance, the majority shareholder, Indian Oil Corporation, has a wider social and economic objective in the Company's operations, by ensuring energy security for Sri Lanka. Whereas, minority shareholder expectations are mainly in the form of financial returns.

Stakeholder	Engagement approach and frequency	Key topics and concerns raised by stakeholder in 2014-15	Response
Majority shareholder	<ul style="list-style-type: none"> AGM Quarterly Board Meetings The Directors contact the management regarding any queries or concerns 	Business updates and business direction	Submission of reports Presentations to the Board
Minority shareholders	<ul style="list-style-type: none"> AGM Quarterly financial results released to the public Shareholders also contact the company/Company Secretary for any queries 	<ul style="list-style-type: none"> Dividend payments Transfer of shares Transmission of shares Changes of address 	Institutional shareholders often have discussions with the management. In addition, minority shareholders have access to the Company Secretary.
Customers	<ul style="list-style-type: none"> Daily interactions 	No material concerns were raised	-
Suppliers	<ul style="list-style-type: none"> Tenders/ tender procedures 	No material concerns were raised	-
Government and statutory bodies <ul style="list-style-type: none"> Inland Revenue Department Colombo Stock Exchange Registrar of Companies Customs Board of Investment Sri Lanka Transport Board Air Force Ministry of Power and Energy Ministry of Finance Ministry of Investment Promotions Central Bank of Sri Lanka Ministry of Transport and Highways Sri Lanka Ports Authority 	<ul style="list-style-type: none"> Meetings are held as and when required Quarterly compliance reports are submitted Regular meetings are held with the Ministry of Power and Energy 	Lanka IOC has officially requested the Government for a national pricing formula to set fuel retail pricing in Sri Lanka	The Government is in the process of developing a pricing formula

Stakeholder	Engagement approach and frequency	Key topics and concerns raised by stakeholder in 2014-15	Response
Employees	<ul style="list-style-type: none"> ♦ The Employee Council ♦ Joint management-worker health and safety committee ♦ Employee events 	No material concerns were raised	-
Dealers and distributors	Regular interactions, monthly or more frequently adhoc meetings on request	Requests for credit for distributors	Lanka IOC responded to distributor requests by entering into an agreement with a Bank, to facilitate access of credit to distributors
Services providers ♦ Tank truck owners and bowser crew ♦ Contractors	Regular interactions and meetings as and when required	No material concerns were raised	-
Auditors	<ul style="list-style-type: none"> ♦ Management meets with auditors, both statutory and internal auditors, to respond to any queries. ♦ Any unresolved queries are taken up with the Audit Committee ♦ Auditors attend Audit Committee meetings, to present observations for the period 	No material concerns were raised	-
Lawyers	As and when required, for legal advise	No material concerns were raised	-
Bankers	On a daily basis for various banking transactions, such as sourcing of foreign currency, collection of sales proceeds, payments to vendors/ employees and investments in banking instruments.	No material concerns were raised	-
Company Share Registrar	Based on all activities related to shareholders including share transfers and transmissions	No material concerns were raised	-
Non Governmental Organisations (NGOs)	Lanka IOC engages with many suitable NGOs for social welfare projects	Requests for more projects	Lanka IOC is conducting a social impact evaluation prior to initiating more welfare projects.
Media	Lanka IOC maintains cordial media relations as an element of public accountability and transparency. Media personnel have direct access to the management	Media inquiries were mainly regarding fuel availability and fuel pricing in the country	Management responded to all media inquiries immediately

STAKEHOLDER ENGAGEMENT

ENGAGING WITH OUR EMPLOYEES

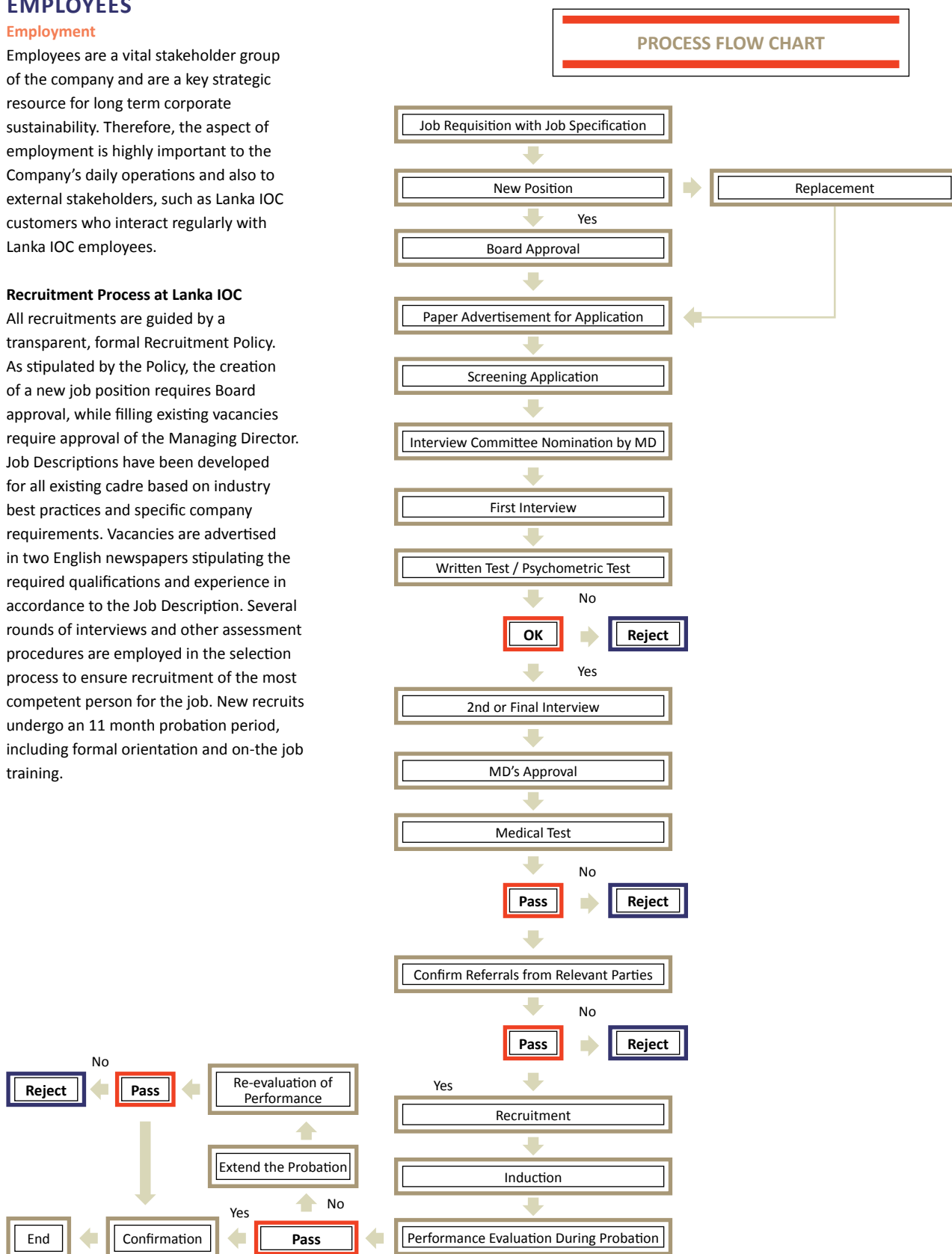
Employment

Employees are a vital stakeholder group of the company and are a key strategic resource for long term corporate sustainability. Therefore, the aspect of employment is highly important to the Company's daily operations and also to external stakeholders, such as Lanka IOC customers who interact regularly with Lanka IOC employees.

Recruitment Process at Lanka IOC

All recruitments are guided by a transparent, formal Recruitment Policy. As stipulated by the Policy, the creation of a new job position requires Board approval, while filling existing vacancies require approval of the Managing Director. Job Descriptions have been developed for all existing cadre based on industry best practices and specific company requirements. Vacancies are advertised in two English newspapers stipulating the required qualifications and experience in accordance to the Job Description. Several rounds of interviews and other assessment procedures are employed in the selection process to ensure recruitment of the most competent person for the job. New recruits undergo an 11 month probation period, including formal orientation and on-the job training.

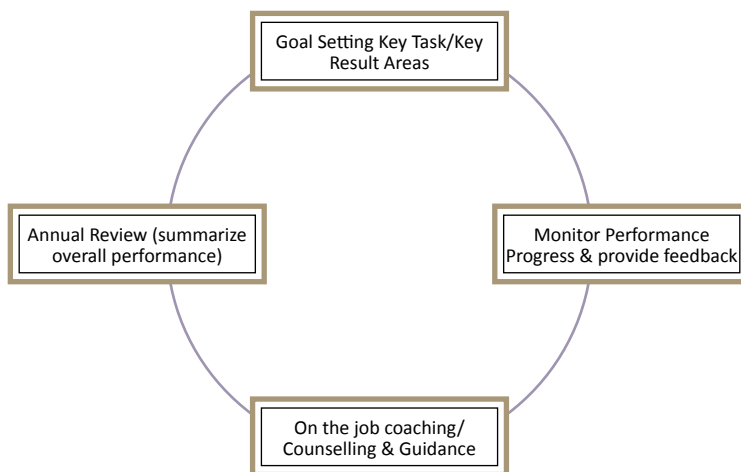
PROCESS : Recruitment & Selection



Evaluation of the Employment Process

- ◆ The primary indicator of effectiveness of Lanka IOC's recruitment process is the rate of confirmation of new recruits. To date the company enjoys a 100% confirmation rate.
- ◆ Individual employee performance is measured against Key Performance Indicators, which reveals the effectiveness of employee selection.

Lanka IOC Performance Management Process



For devising a suitable compensation package, the job levels were mapped to the comparator levels based on job descriptions of the sample job positions falling under each level and benchmark table was completed based on the Organization structure of Lanka IOC PLC. The relevant salary and benefits information was collected by them on a standard information questionnaire. Based on the survey data, proposal has been prepared for improving the compensation and benefits package of LIOC employees and making it competitive with the market standards. The salient features of the proposal are as under:

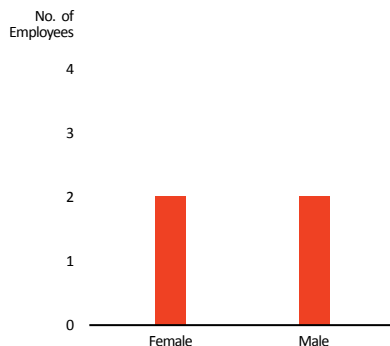
Goals	Targets for 2014-15	Actual performance 2014-15
Benchmark of LIOC's compensation and benefits with the leading companies of Sri Lanka	Conduct a market survey for the year 2014.	Hired the services of M/S Ernst & Young & completed the survey for the year 2014
Revise the compensation and benefits of Lanka IOC employees	Revise the salary structure with effect from January 1st 2015	Revised the salary structure and implemented on January 1st 2015.
To implement Performance Based Annual Increment System	Implement performance based annual increment with effect from April 1st 2015	Revised the increment process & implemented on April 1st 2015.

Improvements to Recruitment Process

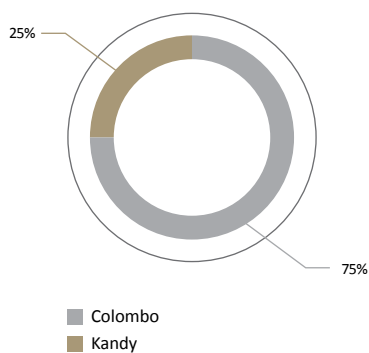
The existing recruitment process was further streamlined during the current financial year through the introduction of cross checks on referrals of applicants and in-house certification of copies of original certificates. This precautionary approach ensures professionalism and personnel quality of the Lanka IOC cadre, while also facilitating greater cultural congruence.

STAKEHOLDER ENGAGEMENT

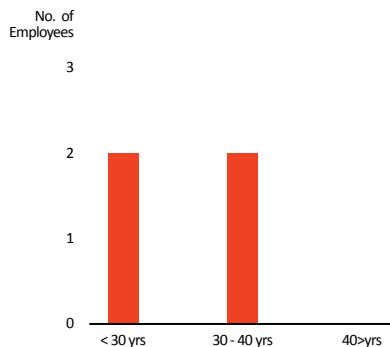
New Recruits by Gender 2014-15



New Recruits by District



New Recruits By Age



G4-LA1: New Employee Hires by Age group, Gender and Region 2014-15.

Age Group	Gender	Region	Number of employees
<30 Yrs	Female	Colombo District	2
30 to 40 Yrs	Male	Kandy District	1
	Male	Colombo District	1
40 > Yrs	-	-	-
Total Employees Hired			4

During the year, 4 new recruitments were made of 2 male and 2 female employees. A total of 7 employees left the Company excluding 1 retirement and 1 demise. Employee turnover for the year was 3.97% excluding retirement and demise.

Number of Employee Turnover by Age group, Gender and Region 2014-15

Age Group	Gender	Region	Number of employees	Remarks
<30 Yrs	Male	Colombo District	1	Resignation
30 to 40 Yrs	Male	Colombo District	2	Resignation
	Female	Colombo District	1	Resignation
	Male	Galle District	1	Resignation
	Male	Anuradhapura District	1	Resignation
	Male	Colombo District	1	Demise
40 > Yrs	Male	Colombo District	1	Resignation
	Male	Trincomalee District	1	Retirement
Total employees			9	

Employee Turnover Rate 2014-15*

	All Employees left	Without Retirement & Demise
Head Count as at 1/4/2014	179	179
Head Count as at 31/3/2015	174	174
No of leftover	9	7
Average	176.5	176.5
Employee Turnover	5.10%	3.97%

*Note on calculation: $\text{Employee Turnover} / (\text{Head Count as at 1/4/2014}) + (\text{Head Count as at 31/3/2015})/2) * 100$

G4-LA2: Employee Benefits

Contract and part time employment is not practiced at Lanka IOC. All employees belong to the permanent cadre, with the exception of new recruits. Employees benefit from a wide range of welfare measures, according to employment category, irrespective of whether they are located at the head office in Colombo or at the Trincomalee Terminal. Those on probation enjoy all benefits available within the relevant employment category, with the exception of access to housing loans.

Employee Benefits Permanent and Probationers

Employee benefits	Permanent cadre	Probationers
Life insurance	N	N
Health care	Y	Y
Disability and invalidity coverage	Y	Y
Maternity leave	Y	Y
Retirement provision	Y	Y
Stock ownership	N	N
Housing loans	Y	N
Distress loan	Y	N
Car Loan	Y	Y
Medical leave	Y	N

G4-LA3: Maternity Leave

Lanka IOC does not provide parental leave, as this is not the custom in Sri Lanka. However, women employees are provided maternity leave, in accordance to the labour laws of Sri Lanka.

Maternity leave information	2014-15
Total number of employees entitled to maternity leave	Total number of women employees; 24
Total number of employees that took maternity leave	1
Total number of employees who returned to work after maternity leave ended	1
Total number of employees who returned to work after maternity leave ended who were still employed 12 months after their return to work	1
The return to work rates of employees who took maternity leave	100%
The retention rate of employees who took maternity leave	100%

LABOUR/MANAGEMENT RELATIONS

Uninterrupted and affordable supplies of petrol and diesel are vital for daily operations of the entire country. Therefore, as a supplier of essential products directly linked with the energy security of the nation, the management of industrial relations is vital not only for the company but for the entire country.

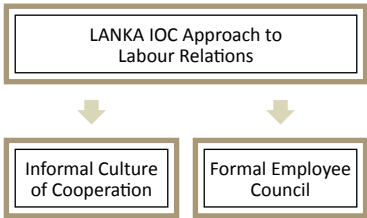
In the corporate context, maintaining amicable industrial relations with employees and unions of Lanka IOC is essential for uninterrupted operations, productivity, business continuity and for sustainable bottom line growth. The impact of industrial relations also extends beyond the organisation to external stakeholders such as customers, through quality and timeliness of service delivery. Therefore,

management of labour relations is considered a high priority at Lanka IOC.

‘Currently about 60% of the total workforce, comprising of employees of the Lanka IOC terminal in Trincomalee, is unionised through membership in two unions. An Employee Council has been established to facilitate direct and regular communications between union representatives and management, to ensure harmonious cooperation.

Mechanism for managing labour relations

Lanka IOC adopts a two pronged approach towards managing employee relations. The primary approach is encouragement of a culture of openness and cooperation. In addition, a formal mechanism has been established to engage with the two existing trade unions of the Lanka IOC terminal in Trincomalee.



1. Instilling a Culture of Cooperation

A culture of cooperation is encouraged at all levels amongst all employees to minimise conflict and promote mutual understanding. In addition, many employee events are organised regularly to promote friendship and team spirit.

Lanka IOC periodically reviews staff welfare services to uplift the quality of work-life balance amongst employees. The Company has organised cricket games and an annual family picnic for all employees, where everybody participated with full enthusiasm. The family picnic was held in Chilaw.



Employees of LIOC along with their family members participated in a Cricket match organized by LIOC Sports Club



Employees family picnic at Chilaw

STAKEHOLDER ENGAGEMENT

On International Women’s Day a workshop was conducted by Ms. Ramani Fernando on wellbeing and grooming for all the ladies at Lanka IOC, who were also given gifts of appreciation. During the year, employees also participated in a three day outing at a five Star hotel, took active part in the Annual Sports Day and enjoyed themselves during the New Year celebrations. These employee events contribute towards teambuilding and cooperation among all levels of employees.



International Women’s Day workshop

2. Employee Council

The Employee Council comprises of permanent employees of Lanka IOC who are selected from all organizational areas and employee levels by Divisional Heads. Council Representatives are rotated every year. The Executive Committee meets one week prior to the Council meeting and may be called for special meetings as needed. The Employee Council facilitates communication between former CPC employees and Lanka IOC Management, and serves as a consultative body to the Managing Director. Employee Council activities include:

- ◆ Representing staff concerns
- ◆ Employee Welfare
- ◆ Promote community-building programs and activities.

The effectiveness of the employee relationship management process is evidenced by the minimum incidents of labour unrest experienced by Lanka IOC since entry in 2002. During the current financial year there were no work interruptions or losses due to industrial action. During the current financial year,

following a demands for a salary increment in line with the Ceylon Petroleum Corporation, an agreement was negotiated amicably with the unions for a wage increase, which was implemented in May 2015.

G4-LA4

Minimum number of weeks’ notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them.	Any operational changes which affect employees are discussed at the ERC (Employee Relation Committee) or with employees of the relevant department. Generally a two week notice is given prior to any changes.
Whether the notice period and provisions for consultation and negotiation are specified in collective agreements.	No collective agreements

GRIEVANCE MECHANISMS

LIOC manages employee grievances through the Employee Relations Committee that meets every three months. The Committee has representation from all departments of the company and the management. In addition, all employees have immediate access to Heads of Departments and can directly meet or communicate with the Managing Director.

G4-LA16: Grievances

Grievances	2014
Total number of grievances about labour practices filed through formal grievance mechanisms	-
No. of grievances addressed	N/A
No. of grievances resolved	N/A
Number of grievances about labour practices filed prior to the reporting period that were resolved during the reporting period	-

OCCUPATIONAL HEALTH AND SAFETY

Lanka IOC’s health and safety standards are guided by the Lanka IOC’s Health, Safety and Environment Policy. As the Company is involved in the storage and distribution of petroleum products that may pose a public health and safety risk, due to their highly inflammable nature, international standards of health and safety are maintained at the Lanka IOC terminal in Trincomalee and at all retail fuel stations to ensure the safety of the public, employees and customers.

Retail Outlet Safety Handbook

Lanka IOC has developed a Retail Outlet Safety Handbook which is distributed to all the retail outlets. The handbook educates personnel on:

1. Fire
2. Safety equipment
3. Electrical safety
4. Correct procedure to unload from bowsters
5. Correct methods of filling fuel to vehicles
6. Fire safety procedures and fire fighting

Lanka IOC Joint Management-Worker Health and Safety Committee

The Committee comprises 50% executives and 50% workmen. The Committee members are nominated from executives as well as workmen from various departments and includes the Senior Vice President or Vice President to represent the management. Safety committee

meetings are conducted regularly to discuss issues pertaining to occupational health safety and environment. While taking stock of the safety considerations pertaining to various work stations, the Committee also reviews compliance with the previous month's points.

G4	Health and safety at work	2014-15
G4-LA5	Level at which each formal joint management-worker health and safety committee operates within the organization.	Contains management, executive and worker participation.
	Percentage of total workforce represented in formal joint management-worker health and safety committees.	50%
G4-LA6	Injury, Injury Rate (IR),	Nil
	Occupational Diseases Rate (ODR),	Nil
	Lost Day Rate (LDR),	Nil
	Absentee Rate	Nil
	Work-Related Fatalities	Nil
	Work-related injuries/fatalities for independent contractors	Nil
	System of recording and reporting accident statistics. Terminal has reported NIL accidents since inception. Accident register is maintained in the unit. Report is submitted to the District Factory Inspecting Engineer, Department of Labour, Anuradhapura, on half yearly basis.	
G4-LA7	Whether there are workers who have a high risk of specific diseases.	None
G4-LA8	Whether formal agreements (either local or global) with trade unions cover health and safety. If yes, report the extent, as a percentage, to which various health and safety topics are covered by these agreements.	Not applicable

TRAINING AND EDUCATION

Training is one of the means available to management to ensure that the human resources on which the organisation depends, have the necessary knowledge, skills, and attitude to perform their tasks by doing things right the first time. In a keenly competitive environment it is with this resource that an organization can get an edge over the competitor. As global competition becomes fierce, people truly become an organization's most important resource that must not only be managed but also trained and developed.

More than anything else, learning is an attitude an openness to change, a flexibility of thought and a commitment to apply the learning at work, leading to benefits, value addition, improvements and results. Therefore effective training and development forms part of the corporate and human resource strategy. Company policy in this regard is to ensure that training is used optimally to help achieve organisational goals.

On the job training is provided from the time of recruitment and opportunities for additional skills development opportunities are provided based on training needs mapping. Training needs are mapped against performance evaluations through dialogue between the employee, Head of Department and the Human Resources Department.

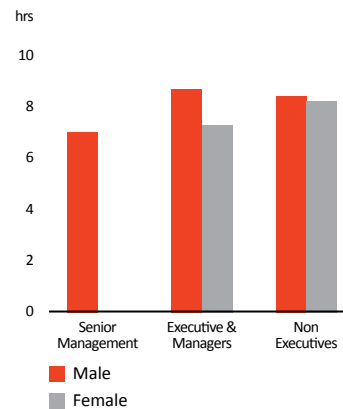
During the current financial year, a training effectiveness form was introduced to measure effectiveness of training programmes. In addition, performance evaluations are conducted to understand performance improvements following the training.

The effectiveness of the training effort is highly influenced by working relationships within the organization. Part of this effort should therefore, be directed towards the improvement of these relationships in order to maximize individual and organizational performance. Lanka IOC invested LKR 2,009,931 on employee training during the current financial year.

G4-LA9: Training Hours

Average hours of training per employee	Male	Female
Senior Management	7 hrs	0
Executives & Managers	12.4 hrs	6 hrs
Non Executives	23 hrs	20.9 hrs

Training Hours - 2014-15



STAKEHOLDER ENGAGEMENT

G4-LA10: Type and Scope of Training

- a. Type and scope of programmes implemented and assistance provided to upgrade employee skills.

	Type of the Training	Scope of Training program
1	Human Resources Management	HR as a Strategic Business Partner
		The Future of HR
		Change Management
		Dave Ulrich HR Forum
		Total Rewards Management
		Labour Law and Industrial Relations
		National HR Conference
2	Accounting & Finance	Beyond Accounting and Balance Sheet Management
		GRI New Standards Workshop
		Seminar on PAYE Scheme
		Tax Status 2014
		Role of Taxation on economic development
		Tax Laws
		General Average & it's implications
		Taxation & Labour Law
		International Trade Finance
		Budget Highlights
		Introduction to International Trade
3	Occupational Safety & Health	Program on Occupational Safety & Health
		Fire & Safety Training
		First Aid Training
4	Marketing	Effective Sales Negotiations
		Brand Management
		Journey to Excellence
		Telephone Etiquette and Customer Service
5	General Management & Leadership	Management Skills Development
		Advanced MS PowerPoint
		Employee Management Programme
		Board leadership of Innovation
		Minimizing Risk
		Advanced Business Writing
		Advanced MS XL
		Law Conference 2015
6	Shipping & Bunkering	Modern Developments in Maritime Industry

Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment:

G4-LA11 : Assessment reviews

Career Development Reviews in 2014-15	Male %	Female %
Senior management	100%	NA
Executives & Managers	100%	100%
Non Executives	100%	100%

All employees at LIOC face informal performance review discussions and all have APA's (Annual Performance Appraisal)

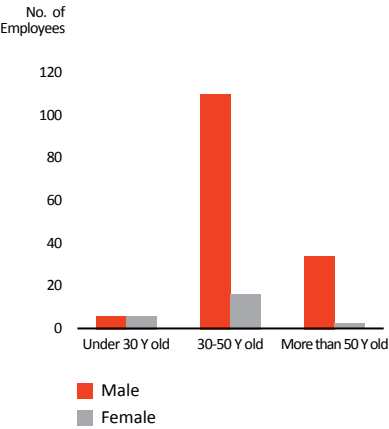
DIVERSITY AND EQUAL OPPORTUNITY

Lanka IOC is a non discriminatory, equal opportunity employer. Diversity of age, gender, experience, religion and ethnicity are accommodated on the basis of competence and suitability for the job. This policy is upheld across the corporate structure from the Board of Directors to employees. The Board comprises representation from the Sri Lankan as well as Indian community, while the work force comprise a health mix of age, experience and ethnicity.

G4-LA12: Diversity of Board

Composition of Board of Directors	Male	Female
Under 30 years old	0	0
30-50 years old	0	0
Over 50 years old	6	0
Indian	4	0
Sri Lankan	2	0

Employee Diversity by Gender



Employee Diversity By Race



Employee Diversity

Composition of employees	Male	Female
Under 30 years old	6	6
30-50 years old	110	16
Over 50 years old	34	2
Sinhala	75	17
Tamil	24	7
Indian	9	0
Other	42	0

EQUAL REMUNERATION FOR WOMEN AND MEN

Lanka IOC has an equal remuneration policy regardless of gender across all operations and employee categories. Both women and men, in the same employment category receive the same remuneration package. Wages, rewards and incentives are based on merit and not gender. The ratio of the basic salary and remuneration of women to men, for each employee category, is 1:1.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Sri Lanka is a signatory to the International Labour Organization’s convention on freedom of association and collective bargaining and upholds these rights through provisions in the labour laws. While Collective Bargaining is not practiced at Lanka IOC, as a responsible and law abiding corporate citizen, Lanka IOC makes all endeavours to establish open communications and build trust and confidence among unions and management.

Lanka IOC has signed an MOU with two Sri Lankan unions but does not enter into separate Collective Agreements with the unions. Under the MOU, Lanka IOC has agreed to extend erstwhile CPC employees, Salary Revisions, benefits, concessions etc. that are awarded to employees of the State owned Ceylon Petroleum Corporation from time to time.

G4-HR4

The Company has provided accommodation for union meetings and allocates work time for such meetings. Direct and regular communications are maintained through meetings of the Employee Council. During the current financial year four Council meetings were held to discuss employee and union concerns.

Operations in which employees rights to exercise freedom of association or collective bargaining may be violated or is at significant risk	No such operations at Lanka IOC
Suppliers in which employee rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of	Not Applicable

CHILD LABOUR, FORCED OR COMPULSORY LABOUR

Child labour, forced and compulsory labour are illegal under Sri Lankan law. All Lanka IOC employees are above the age of 18 years and the many of employees are unionised, acting as a deterrent to any violation of labour rights. The Company also does not subcontract or outsource any major operations. Lanka IOC does not advocate or support any form of child labour, or forced, or compulsory labour.

STAKEHOLDER ENGAGEMENT

SINCE ENTRY INTO THE DOMESTIC MARKET, LANKA IOC HAS ADOPTED THE TWO FOLD APPROACH OF BRAND BUILDING BY ADOPTING A CUSTOMER CENTRIC MODEL THAT IS INTERLINKED WITH COMMUNITY WELFARE ACTIVITIES

COMMUNITY ENGAGEMENT

COMPLIANCE

As a listed company, with many shareholders, the Board and management of Lanka IOC considers regulatory compliance a primary aspect of good governance and long term sustainability. This is viewed by the Board as a key component of ensuring reputational integrity of the Company and building stakeholder and investor confidence in the Company.

Internal Process to Ensure Compliance

A quarterly compliance report signed by the heads of departments, is submitted to the Audit Committee for examination. The minutes of the Audit Committee meeting are then submitted for review of the Board. In addition, all reports and documentation required by regulatory agencies of the country are submitted on time. We are proud to record zero missed deadlines in submissions of compliance reports.

G4-S08: Effectiveness of the Compliance Process

The effectiveness of the compliance process is evidenced by the zero incidence of fines, penalties or warnings by any national agency for non-compliance or late submissions of relevant documentation.

LOCAL COMMUNITIES

As an organisation that provides an essential public commodity, the Company’s brand equity is directly influenced by public perception. Therefore, community goodwill is imperative for the long term sustainability objective of mitigation of reputational risk and enhancement of positive brand image. Since entry into the domestic market, Lanka IOC has adopted the two fold approach of brand building by adopting a customer centric model that is interlinked with community welfare activities.

- The Company’s customer oriented model strives to reach above and beyond customer expectations through superior quality of product and service delivery, attained through rigorous training of Company personnel as well as dealers and petrol retail outlet employees. Customer service points have been designed to ensure maximum customer safety and convenience, to create a positive brand impression at all contact points.
- The above formal corporate public engagement processes are coupled with community welfare programmes, conducted in partnership with suitable government and non governmental agencies. Overall reach and impact of Lanka IOC welfare projects have been augmented through partnerships with suitable organisations through more focused targeting of beneficiaries and more efficient resource allocation.

G4-S01: Percentage of operations with implemented local community engagement, impact assessments, and development programs

All Lanka IOC operations are conducted with local community engagement as the Company serves the local market and partners with local business in dealership agreements for business expansion.

Lanka IOC Community Engagement Model

Stakeholder Group	Method of Engagement	Action
General public	Service delivery	<ul style="list-style-type: none">• Training of all employees for customer satisfaction• Design and layout of fuel retail outlets• Facilitating feedback
	Welfare projects	<ul style="list-style-type: none">• Supporting public health• Facilitating education for children• Environment conservation activities• Beneficiary feedback



Students are involved in the art competition in respect of fuel conservation awareness held in Colombo



Children under the theme "Go Green" project planting the saplings at Trincomalee



Participants at the Free Health Camp awaiting to collect their medicine



Doctors at the Free Health Camp examining the participants

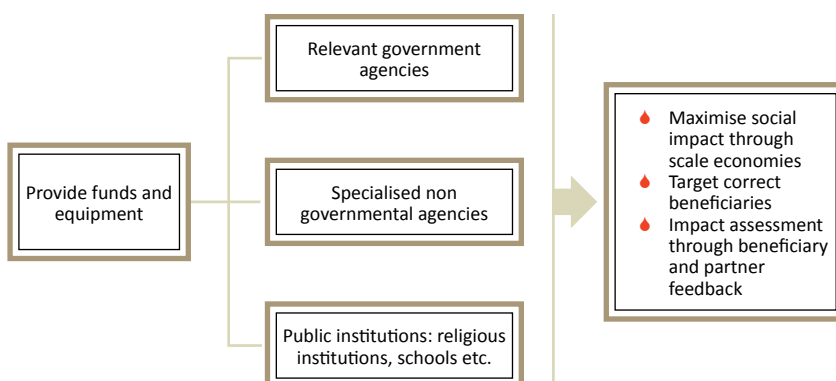
Facilitating Feedback

Feedback is a key element of Lanka IOC's community engagement. Lanka IOC maintains an open door policy for customer communications. Company contact information is displayed at all Lanka IOC retail outlets and the Company's website. Customers and any interest member of the public have the option of contacting the management through telephone, email or fax/letter. The Company responds to any complaints promptly.

Community Welfare Projects

As a policy, Lanka IOC believes in discharging its community responsibility through the provision of assistance to those in need. Therefore, the Company's annual budget, approved by the Board of Directors, makes formal provision towards charitable initiatives. During the current financial year, the Company contributed LKR 16.8 million on various public welfare projects. These projects are broadly targeted towards improvements in public health, education of children of underserved communities and environmental conservation activities, to improve opportunities for higher quality of life at present and in the future. Projects are implemented through selected partner organisations that play a key role in maximising project impacts and ensuring credibility.

Lanka IOC CSR Implementation Model



Improving Public Health

At Lanka IOC we believe public health is an aspect of national wealth through the creation of productive populations who have the mental and physical capacities to contribute to national development goals. Therefore, the Company supports many public health projects every year across the island, targeting underprivileged and underserved communities regardless of demographic difference.

Free Health Camps

During the current financial year Lanka IOC sponsored four, full day, health camps, with free medical consultations and medication, for underserved communities in the localities of Lanka IOC fuel stations in Katugastota, Ratnapura town, Dematagoda and Negombo. The health camps were implemented by the registered non-profit charity, Help Age Sri Lanka, that specialises in providing care and assistance to under privileged elders in the country. The programme provided the services of two volunteer doctors, one nurse, an Optometrist, and a pharmacist, to ensure maximum benefits for those attending the camp for medical aid.

It gives us great pleasure to record that each camp provided medical check-ups, referrals for further specialised treatment and dispensed free medication, to around 250 underprivileged persons and assisted about 1,000, elders, youth and children, in total.

STAKEHOLDER ENGAGEMENT



Blood donation campaign to mark the Company Day



Some of the donors at the blood donation campaign



Students participating in the fuel conservation essay contest



Children attending the placement test for the "English for Young Learners" Project

Donation of Wheel Chairs

Due to the aging population demographic and prolonged war of nearly 30 years, Sri Lanka has a sizeable population facing difficulties in mobility due to infirmity and disability. However, the country's public welfare system is not yet fully geared up through a formal mechanism to cater specifically to the needs of such populations. Therefore, the disabled are almost entirely depended on families and community for assistance and sustenance.

Disabled persons from poverty riddled communities often face great hardship in meeting their needs.

Lanka IOC responded to the country's disabled community during the current financial year with the donation of wheel chairs that were distributed to deserving persons through collaboration with national agencies and charitable organisation.

Annual Blood Donation Campaign

On Company Day August 29th Lanka IOC conducted a blood donation campaign in association with National Blood Bank. Over 250 pints of blood is donated every year through this campaign.

Facilitating Education for Children

English for Young Learners

Lanka IOC believes that education can alleviate poverty. English education is rapidly becoming important for employment and higher education in Sri Lanka. However, English teaching facilities, particularly in public schools located in underserved communities, are limited.

Therefore, children from such communities face a disadvantage in accessing English education. Lanka IOC has responded to this need by initiated English classes for underprivileged children in collaboration with selected school authorities, the Cosmopolitan Learning Academy and the Faizer Muszthapha Foundation, a non profit organisation formed by Faiszer Musthapha. The Foundation involvement is in identifying suitable schools, while the school Principals identify suitable children and ensures that children maintain a 100% attendance rate at the classes. The

Cosmopolitan Learning Academy provides specially trained English teachers to conduct the classes. Lanka IOC funds the teachers and provide all learning materials for the children including text books, stationary and school bags.

During the current financial year about 1,500 children between the age of 6 to 15 years from underprivileged localities in the Colombo District attended the 6-8 month English training.

Environment Conservation Activities

Lanka IOC Go Green Project

As a retailer of petroleum fuels, Lanka IOC has identified the negative environmental impact of indirect contributions to global warming through increased fossil fuel consumption by the public. The Go Green project, Lanka IOC's flagship environmental initiative, was created to contain global warming and climate change impacts through the business activities of the Company. The project attempts to address the concerns through regeneration of natural greenery within the country and by instilling environmental awareness among the next generation, by working with schools, to gain children's participation in planting and maintaining trees. Lanka IOC provides saplings for planting and makes an contribution of LKR 100 per child, per month, for the maintenance of the tree for a period of 3 years. The Company looks forward to re-commencing the Go Green in the new financial year.

Awareness on Fuel Conservation

Fossil fuels are a finite resource and are essential for the growth and development of emerging economies such as Sri Lanka. Rising fuel consumption also contributes towards global warming and climate change. Therefore, fossil fuel conservation has the dual benefit of reducing environmental impacts while conserving this precious natural resource. Therefore, Lanka IOC attempts to educate children and encourage greater understanding of the need to conserve fossil fuels.

During the year, the Company conducted an awareness programme in the form of a children's art and essay competition, under the theme of fuel conservation. About 100 children between the ages of 12 – 15 years participated in the competition.

Mangrove Cultivation in Trincomalee

Lanka IOC, in association with the MEPA (Marine Environment Protection Authority), has undertaken a massive programme to plant mangroves along the Nilaveli road in Trincomalee, as part of the World Ocean Day Celebrations in Trincomalee. The mangrove cultivation project will contribute towards preventing coastal erosion and protecting the coast from natural disasters such as tsunamis. The ecosystem these trees create provides a home for a great variety of other organisms.

Cleaning up Coral Reefs in Trincomalee

A massive clean-up operation of the coral reefs near Pigeon Island, in Nilaveli, was conducted with Lanka IOC participation under the direction of the MEPA.



Mangrove cultivation project



Clean-up operation of the coral reefs near Pigeon Island, in Nilaveli

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 stakeholder’s 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) for implementation.

COMPOSITION OF THE BOARD OF DIRECTORS

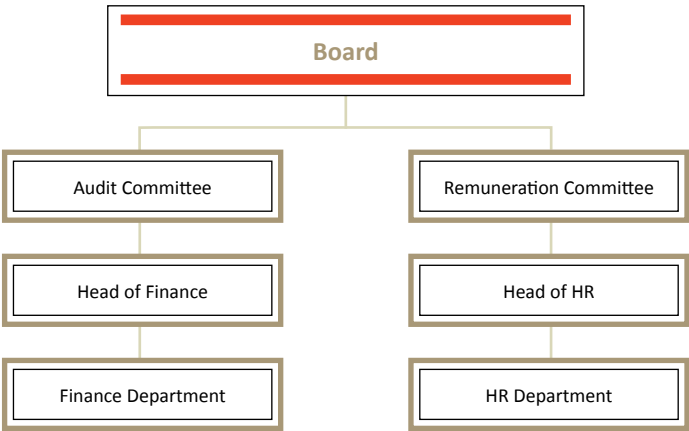
Lanka IOC PLC is a public listed company and its affairs are governed by the Board of Directors. The Board comprises of one Executive Director and five Non-Executive Directors. The Managing Director is a full time Director and functions as the CEO of the Company. The other Directors are professionals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

Mr Makrand Nene, Director Marketing of IOC, was the Chairman of the Company and ceased office w.e.f 31.12.2014. The company has immensely benefitted from his vast experience of over 30 years in Petroleum Industry and under his guidance, the company endeavoured to achieve the highest levels of various parameters of Corporate Governance.

The other two non-executive Directors are Mr Indrajit Bose and Mr Prasad Madhava Mohan who are Executive Directors in IOC and have been nominated on the Board of Lanka IOC. Both the Directors have more than 30 years of experience in various fields of oil & gas industry and their wide and rich experience brings a tremendous value to the Board and immensely contributes in enhancing stakeholder value.

G4-34
The Board and Board Sub Committees of Lanka IOC PLC



BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2014-2015

S.No	Date	Strength of the Board	No.Directors Present
1	09th May 2014	6	6
2	16th June 2014	6	6
3	08th August 2014	6	5
4	16th September 2014	6	6
5	14th November 2014	6	5
6	10th February 2015	5	5

ROLE OF CHAIRMAN AND MANAGING DIRECTOR

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

CORPORATE MANAGEMENT

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

INVESTOR RELATIONS

The Company maintains excellent relationship with its investors. Managing Director & Senior Vice President [Finance] meet 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.

STATUTORY COMPLIANCE

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

COMPLIANCE OF CSE RULES ON CORPORATE GOVERNANCE

Rule No	Subject	Applicable requirement	Compliance Status	Details
7.10.1a	Non Executive Directors on the Board	Two non-executive Directors or one third of the total number of Directors should be Non Executive Directors	Complied	Five out of Six Directors are Non Executive Directors
7.10.2 a	Independent Directors	Two or one third of Non Executive Directors (whichever is higher) should be independent	Complied	Two of the Five Non Executive Directors are Independent
7.10.2 b	Independent Directors	Each Non Executive Director should submit a declaration of independence / non independence in the prescribed format	Complied	Non Executive Directors have submitted the declaration in compliance with the CSE rules
7.10.3 a	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report	Complied	Please Refer page 28
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 26 to 29
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee	Complied	Names of members of Remuneration Committee are available on page 70.
7.10.5 a	Composition of Remuneration Committee	Shall comprise of Non Executive Directors, a majority of whom shall be independent	Complied	Remuneration Committee consists of three Non Executive Directors of which two are independent. Chairman of the Remuneration Committee is an Independent Non Executive Director
7.10.5 b	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration payable to Chief Executive Officer and Executive Officers	Complied	Please refer Remuneration Committee Report on page 70.
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 70.
		ii) Statements of Remuneration policy & Committee Report	Complied	Please refer Remuneration Committee report for a brief statement of policy
		iii) Aggregate remuneration paid to Executive and Non Executive Directors	Complied	Please refer page 96.

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 71.
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 the Audit Committee is a member of a professional accounting body
7.10.6 b	Functions of the Audit Committee	Should be as outlined in Section 7.10.6 b of the listing rules	Complied	The terms of reference of the Audit Committee adopted by the Board cover the areas described in the listing rules
7.10.6 c	Disclosure in the Annual Report relating to the Audit Committee	Names of Directors comprising the Audit Committee	Complied	Please refer page 71.
		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
		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



FUELS TO PROPEL EVERY ENGINE



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EURO3
HI OCTANE PETROL WITH FRICTION BUSTERS

Superior Pick-up | Smoother Drive | Cleaner Engine | Lower Emissions

**Now, the best
petrol for your vehicle
is available here**



XTRAPREMIUM 95
XTRAORDINARY PERFORMANCE, FIRST TIME, EVERY TIME

- PEAK OUTPUT
- SUPERIOR PICKUP
- CLEANER ENGINE
- GREEN PERFORMANCE





SERVO® 4T
keeps engine, clutch & gear superfit.






SERVO® FUTURA SYNTHETICS

AS ADVANCED AS TOMORROW



- Synthetic Engine Oils • Outstanding Engine Protection and Longer Engine Life
- Superior All-weather Performance • Controls Sludge Formation



Lanka IOC

ATRA PREMIUM
EURO 3
HYDROGEN PETROL WITH PROTECTANT ADDITIVES

ATRA PREMIUM
55
EXTRAORDINARY PERFORMANCE, FUEL THIRTY EVERY DAY

ATRA MILE
DIESEL

SERVO
100% PERFORMANCE PROTECTION

Nitrogen
FROM LANKA IOC

SERVO Xpress

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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 13th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2015. 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 18th May 2015.

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 2015, which include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the Notes to the Financial Statements, are given from page 73 onwards.

PRINCIPAL ACTIVITIES OF THE COMPANY

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

AUDITORS' REPORT

The Auditors' Report on the financial statements is set out on page 73.

ACCOUNTING POLICIES

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

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

PURCHASING AND PRICING POLICY

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

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

ENTRIES IN THE INTERESTS REGISTER

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

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made the general disclosures provided for in section 192(2) of the Companies Act No.07 of 2007. Note No.21.2 to the Financial Statements deals with Director's interests in contracts and related party transactions with the Company respectively.

DIRECTORS' INTERESTS IN SHARES

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

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The aggregate remuneration and other benefits of directors of the Company for the financial year 2014-15 amounts to LKR.20,379,932/- (2013-14-LKR. 19,666,529/-)

DIRECTORS

The Directors of the Company for the F/Y 2014-15 were;

Mr Makrand Nene	(Chairman – ceased office on 31.12.2014)
Mr Subodh Dakwale	(Managing Director)
Prof. Lakshman R Watawala	(Independent Non-Executive Director)
Mr Amitha Gooneratne	(Independent Non-Executive Director)
Mr Indrajit Bose	(Non-Executive Director)
Mr P M Mohan	(Non-Executive Director)

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

APPOINTMENT OF AUDITORS

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

The Auditors' fee for the year 2014-15 was fixed at LKR 1.3 million and a sum of LKR 1.6 million was paid which includes the reimbursement of out of pocket expenses. (2013-14 LKR.1.3 million) as disclosed in note 6 to the financial statements on page 86 thereof.

AUDITORS RELATIONSHIP OR ANY INTEREST WITH THE COMPANY

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence. Auditors were also engaged as Tax Consultants for the additional consultancy services for which the company incurred a sum of LKR.0.64 million (2013-14 LKR 1.25 million).

A sum of LKR.3.03 million (2013-14 LKR 0.88 million) was incurred for the services rendered by internal auditors for internal audit and allied services.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year ended 31st March 2015 and 31st March 2014 are set out in Note.11 to the financial statements.

STATED CAPITAL AND RESERVES

There was no change in the stated capital of the Company during the year under review. Majority of the shares ie: 75.12% are held by the Indian Oil Corporation Limited, India. The total retained earnings of the Company as at 31st March 2015 amounted to LKR 10,548 million (2013-14 – LKR 9,466 million).

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the

employees and the Government, up to the balance sheet date, have been made.

CONTRIBUTION TO THE EXCHEQUER

Your Company has been making enormous contribution to the exchequer. During the year, LKR 16,039.329 million (2013-14 LKR 11,637.419 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 decreased from LKR 81.79 billion in FY 2013-14 to LKR 79.90 billion in FY 2014-15 showing a decline of 2.3%. The decrease in the turnover is mainly due to reduction in selling price of auto fuels compared to the previous year.

EARNING OF FOREIGN EXCHANGE

During the financial year under review, your company has earned valuable foreign exchange revenue amounting to approximately US Dollar 102.21 million through its operations.

RETAIL SALES

The retail sector continued to make major contribution to the growth of the company with 75% contribution to the top line of the company. Also, despite a double blow to the retail bottom line on account of increase in fuel import duty in December 2014 & reduction in retail selling price in January 2015, retail sector contributed 41% to the total profits of the company.

While sale of Petrol grew by 2%, the sale of diesel grew by 15% during the year. Also growth in Xtra Premium 95 sale by 15% and Lanka Super Diesel by 28% amply indicated that the customers have started deriving the benefits of Premium fuels and have understood the advantages these fuels offer of enhanced engine

performance, increased fuel efficiency, lesser maintenance cost, better pick up etc.

To ensure convenience to the customers, the company took a major step in setting up 12 nos new retail outlets with full fledged facilities in unrepresented markets and markets where the existing retail outlets are unable to meet the demand of the customers. Also in case of 11 existing retail outlets having limited operational space due to improper facilities layout, the available infrastructure has been razed and proper retail outlets have been rebuilt with well conceived layouts and all other facilities to ensure that fuelling becomes an enriching experience for the customers.

The company continued to lay emphasis in taking value added initiatives with superior canopy lighting and upgradation of other facilities at large number of retail outlets. Needless to mention, host of other value-added services have been provided at the retail outlets namely Cargills food stores, vehicle emission testing centres, service stations, Nitrogen facility, ATMs etc thereby ensuring fulfilment of customers' needs during visit to the retail outlets.

TAXATION

The Company is a Board of Investment [BOI] registered entity, registered under section 17 (2) of the BOI Act No 4, 1978. Under this registration, the Company's profits from the main business operations were exempt from Income Tax for a period of 10 years from FY 2002-03 which has expired in February 2013. Taxes at a concessional rate of 15% have been charged for the Financial Year 2014-15 as per the agreement with BOI.

OTHER INCOME

In continuous efforts to optimize its income from various sources, your company earned LKR 40.12 million during the year, through rents from lease of hoardings, space and amenities at the various retail outlets and from other resources.

FUNDING OPERATIONS

In order to have funding and other credit facilities with banks at most competitive rates and terms, the Company renewed Facility Agreements with different banks 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.

Internal Control

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

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

CSR PROJECT

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

Numerous projects covering education, environment, health etc., were carried out by the company and a detailed report on all activities is 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.

POST BALANCE SHEET EVENTS

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

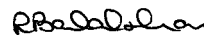
Signed on behalf of the Board



Subodh Dakwale
Managing Director



Prof. Lakshman R Watawala
Director



Rajanie Balakrishnan
Company Secretary

05th August 2015

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 on pages 73 to 101 inclusive, appropriate accounting policies have been selected and applied on a consistent basis, reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

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

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

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

By Order of the Board



Subodh Dakwale
Managing Director

Colombo
05th August 2015

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

The financial statements of Lanka IOC PLC as at March 31, 2015 are prepared and presented in conformity with the requirements of the following:

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

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

The Significant Accounting Policies applied in the preparation of the Financial Statements are appropriate and are consistently applied. There are no material departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. New accounting standards issued but not effective for the F/Y 2014-15 had not been early adopted.

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

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

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

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

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

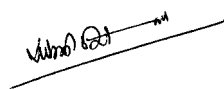
The Audit Committee of our company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence,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

We confirm to the best of our knowledge;

- ◆ The Company has complied with all applicable laws, regulations and prudential requirements and there are no material litigations that are pending against the Company.


Financial Statements

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



Subodh Dakwale
Managing Director

18th May 2015



Saurav Mitra
Senior Vice President (Finance)

REMUNERATION COMMITTEE REPORT

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

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

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

05th August 2015

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 P M Mohan a Non-Executive Director. Mr Subodh Dakwale - Managing Director, Mr Saurav Mitra – Senior Vice President (Finance), and Mr Raj Kumar Chowdhary - Vice President (Finance) attended the Audit Committee Meetings by invitation in the financial year 2014-15.

The Chairman of the Audit Committee is a senior Chartered Accountant, acclaimed for his professional knowledge and expertise in financial / Company matters. The brief profiles of the Audit Committee members are given on page 28 and 29. 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 true, sufficient and credible.
- ♦ Reviewing with the Management, Statutory and Internal Auditors, the adequacy of internal control systems.
- ♦ Discussion with Internal Auditors on Annual Internal Audit Program, Significant Audit Findings and follow up on such issues.

- ♦ Post-audit discussion to ascertain any concerns.
- ♦ Reviewing the Company's financial and risk management policies.

MEETINGS

The Committee held 4 meetings during the financial year 2014-15 to discuss the matters within its purview. The Committee members present at the meetings were as follows;

S/No	Date	Strength of the Committee	No. of Members Present	Names of the Members Present	Names of Members - excused
1	09.05.2014	3	3	Prof.L R Watawala Mr Rajiv Khanna Mr Amitha Gooneratne	---
2	08.08.2014	3	3	Prof.L R Watawala Mr Amitha Gooneratne Mr P M Mohan	---
3	13.11.2014	3	2	Mr Amitha Gooneratne Mr P M Mohan	Prof.L R Watawala
4	09.02.2015	3	3	Prof.L R Watawala Mr Amitha Gooneratne Mr P M Mohan	---

TASKS OF THE AUDIT COMMITTEE

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies & methods adopted and their compliance with the Sri Lanka Accounting Standards. The Committee also reviews the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. The Committee also reviews the adequacy of the internal controls and assesses the independence & performance of the external auditors. The Committee recommends the financial statements to the Board for its approval and issuance. The Committee also reviews the risks the company is exposed to and approves the actions to be taken by the company so as to manage and mitigate the impact arising from such risks.

INTERNAL AUDITS

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

STATUTORY AUDITS

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

AUDIT COMMITTEE REPORT

APPOINTMENT OF STATUTORY AUDITORS

The Audit Committee, upon reviewing the independence and performance of the Auditors has recommended to the Board of Directors that M/s Ernst & Young, Colombo be appointed as Auditors for the financial year ending 31st March 2016, subject to the approval of the shareholders at the Annual General Meeting scheduled for 18th September 2015.

CONCLUSION

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

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



Prof. Lakshman R Watawala
Chairman - Audit Committee

05th August 2015

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LANKA
IOC PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka IOC PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Other Matter

The financial statements of Lanka IOC PLC for the year ended 31 March 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on 09 May 2014.

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, Scope and Limitations of the audit are as stated above.
- b) In our opinion :
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 7 of 2007.

18 May 2015
Colombo

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2015	2014
		LKR	LKR
Sales	3	79,901,203,219	81,792,755,491
Cost of Sales		(75,168,245,486)	(73,481,214,015)
Gross Profit		4,732,957,733	8,311,541,476
Other Operating Income	4	40,124,566	31,228,188
Administrative Expenses		(841,282,634)	(875,303,769)
Selling and Distribution Expenses		(1,841,345,263)	(1,748,268,907)
Operating Profit		2,090,454,402	5,719,196,988
Finance Income	5.1	488,331,437	301,045,004
Finance Expenses	5.2	(327,881,786)	(258,481,072)
Profit Before Tax	6	2,250,904,053	5,761,760,920
Income Tax Expense	7.1	(365,209,035)	(948,399,926)
Profit for the Year		1,885,695,018	4,813,360,994
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.1	(6,135,658)	(108,896)
Deferred Tax Effect	9.2	920,349	16,334
Other Comprehensive (loss) for the year net of tax		(5,215,309)	(92,562)
Total Comprehensive Income for the Year Net of Tax		1,880,479,709	4,813,268,432
Earnings Per Share	10	3.54	9.04

The accounting policies and notes on pages 78 through 101 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

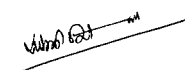
	Note	As at 31 March 2015 LKR	2014 LKR
ASSETS			
Non Current Assets			
Property, Plant and Equipment	11	3,672,928,802	3,341,115,047
Investment	12	4,394,000,000	4,394,000,000
Intangible Assets	13	674,764,517	676,571,878
Other Receivables	15.1	85,695,579	73,799,928
		8,827,388,898	8,485,486,853
Current Assets			
Inventories	14	5,635,073,925	7,928,943,431
Trade and Other Receivables	15	1,084,614,158	1,812,384,663
Income Tax Receivable		241,878,185	-
Cash and Cash Equivalents	16	7,752,301,400	8,757,743,308
		14,713,867,668	18,499,071,402
Total Assets		23,541,256,566	26,984,558,255
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	17	7,576,573,900	7,576,573,900
Retained Earnings		10,548,095,650	9,466,314,499
Total Equity		18,124,669,550	17,042,888,399
Non Current Liabilities			
Defined Benefit Obligation	8	61,087,735	47,185,447
Deferred Tax Liabilities	9.1	54,796,644	30,266,660
		115,884,379	77,452,107
Current Liabilities			
Trade and Other Payables	18	1,302,931,805	3,213,040,673
Income Tax Payable		-	528,566,429
Interest Bearing Borrowings	19	3,997,770,832	6,122,610,647
		5,300,702,637	9,864,217,749
Total Equity and Liabilities		23,541,256,566	26,984,558,255

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



Senior Vice President (Finance)

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



Managing Director



Director

The accounting policies and notes on pages 78 through 101 form an integral part of the Financial Statements.

18 May 2015
Colombo

STATEMENT OF CHANGES IN EQUITY

	Stated Capital LKR	Year ended 31 March 2015	
		Retained Earnings LKR	Total LKR
As at 01 April 2013	7,576,573,900	5,451,744,626	13,028,318,526
Profit for the Year	-	4,813,360,993	4,813,360,993
Other Comprehensive (Loss)	-	(92,562)	(92,562)
Total Comprehensive Income	-	4,813,268,431	4,813,268,431
Dividends Paid	-	(798,698,558)	(798,698,558)
As at 31 March 2014	7,576,573,900	9,466,314,499	17,042,888,399
Profit for the Year	-	1,885,695,018	1,885,695,018
Other Comprehensive (Loss)	-	(5,215,309)	(5,215,309)
Total Comprehensive Income	-	1,880,479,709	1,880,479,709
Dividends Paid	-	(798,698,558)	(798,698,558)
As at 31 March 2015	7,576,573,900	10,548,095,650	18,124,669,550

The accounting policies and notes on pages 78 through 101 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

		Year ended 31 March	
	Note	2015 LKR	2014 LKR
Cash Flows From/(Used in) Operating Activities			
Profit before Income Tax Expense		2,250,904,053	5,761,760,920
Adjustments for			
Finance Income	5.1	(488,331,437)	(301,045,004)
Finance Expenses	5.2	327,881,786	258,481,072
Reversal of Allowance for Impairment	15.4	(233,163,283)	-
Loss/ (Profit) on disposal of property, Plant and Equipment	4	(2,772,263)	4,262,898
Defined Benefit Plan Cost	8.1	8,618,805	7,826,607
Depreciation	11.2	258,530,402	220,532,498
Amortisation of Intangible Asset	13.2	1,807,361	1,842,348
Operating Profit/(Loss) before Working Capital Changes		2,123,475,424	5,953,661,339
(Increase)/ Decrease in Inventories		2,293,869,506	2,311,524,756
(Increase)/ Decrease in Trade and Other Receivables		949,038,137	684,118,744
Increase/ (Decrease) in Trade and Other Payables		(1,910,108,869)	(4,044,927,502)
Cash Generated From/(Used in) Operations		3,456,274,198	4,904,377,337
Income Tax Paid		(1,110,203,314)	(29,665,689)
Finance Expenses Paid		(324,909,472)	(258,481,072)
Defined Benefit Paid		(852,175)	(1,788,069)
Net Cash Flows From/(Used in) Operating Activities		2,020,309,236	4,614,442,507
Cash Flows from Investing Activities			
Finance Income	5.1	488,331,437	301,045,004
Acquisition of Property, Plant and Equipment	11.1	(590,403,820)	(303,778,816)
Proceeds from Property, Plant and Equipment		2,831,926	2,438,570
Net Cash Flows From/(Used in) Investing Activities		(99,240,457)	(295,242)
Cash Flows From Financing Activities			
Repayments of borrowings		(48,474,605,582)	(45,334,693,045)
Proceed from Borrowings		46,346,793,453	47,089,831,525
Dividends Paid		(798,698,558)	(798,698,558)
Net Cash Flows From/(Used in) Financing Activities		(2,926,510,687)	956,439,922
Net Increase / (Decrease) in Cash and Cash Equivalents		(1,005,441,908)	5,570,587,187
Cash and Cash Equivalents at the Beginning of the Year	16	8,757,743,308	3,187,156,121
Cash and Cash Equivalents at the End of the Year	16	7,752,301,400	8,757,743,308

The accounting policies and notes on pages 78 through 101 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

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

1.3 Parent Entity and Ultimate Controlling Party

The Company's immediate parent enterprise is Indian Oil Corporation Limited head-quartered in India.

1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2015 was authorized for issue in accordance with a resolution of the Board of Directors on 18 May 2015.

2. BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis, except

for defined benefit obligation which is measured at present value of the obligation.

These Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.1 Changes in Accounting Policies

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

2.1.2 Comparative Information

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

2.2 Significant Accounting Judgments, Estimates and Assumptions

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

2.2.1 Critical Judgments in Applying the Accounting Policies

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

a) Income Taxation

The Company is subject to income taxes in Sri Lanka. Significant judgment is required in determining the provision for income taxes presented in Note 7. There are many transactions and calculations for which the ultimate tax determination is uncertain as described in Note 23. 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.

b) 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.

c) Impairment of Trade Receivables

The Company assesses at the date of statement of financial position whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual are anticipated impairments. Further information is disclosed in Note 15.

d) Investment in Ceylon Petroleum Storage Terminal Limited

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

e) Defined Benefit Obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related defined benefit obligation.

Other key assumptions for gratuity obligations are based in part on current market conditions; additional information is disclosed in Note 8.

f) Impairment of Goodwill

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit (CGU) or (group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. The recoverable amount of cash generating unit have been determined based on value - in - use calculation. These calculations required the use of estimates. Further information is disclosed in Note 13.

2.2.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next

financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements

a) Estimation of Net Realizable Value for Inventory

Inventory disclosed in Note 14 is stated at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

b) Estimation of Useful Lives of Property, Plant and Equipment

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

2.3 Summary of Significant Accounting Policies**2.3.1 Foreign Currency Translation**

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to statement of comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Revenue Recognition

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

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

a) Sale of Goods

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

b) Finance Income

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

c) Dividend Income

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

d) Others

Other income is recognized on an accrual basis.

2.3.3 Expenditure Recognition

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

NOTES TO THE FINANCIAL STATEMENTS

2.3.4 Taxation

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

Current Taxes

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

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

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

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

Deferred Taxation

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

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

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

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

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

Sales Tax(Value Added Tax and Nations Building Tax)

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

of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

2.3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.5.1 Financial Assets

The company's financial assets include cash and short-term deposits, trade and other receivables, and amount due from related parties.

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or

premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition

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

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

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

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

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

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Asset that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated

future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows are discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement

2.3.5.2 Financial Liabilities

The Company's financial liabilities include trade and other payables, due to related parties, bank overdrafts and interest bearing loans and borrowings.

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised

NOTES TO THE FINANCIAL STATEMENTS

cost. This includes directly attributable transaction costs. Any difference between initial fair value and the nominal amount is included as component of operating lease income and recognised on a straight line basis over the applicable time period.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Derecognition

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

2.3.5.3 Fair Value Measurement

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature,

characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.6 Inventories

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

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

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

2.3.7 Property Plant and Equipment

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

Capital work in progress represents all amounts paid on work undertaken, and still in an unfinished state as at the end of the year.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from date of availability for use. On disposal of assets, depreciation ceases on the date that the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Income Statement.

2.3.8 Intangible Assets

a) Goodwill

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

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

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

b) License Fees on Computer Software

License fees represent costs pertaining to the licensing of software applications purchased. License fees are carried at

cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 5 years.

2.3.9 Investment in Ceylon Petroleum Storage Terminal Limited

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

2.3.10 Cash and Short-Term Deposits

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

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

2.3.11 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).

2.3.12 Accounting for Leases - where the Company is the Lessee

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

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

2.3.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.3.14 Dividend Distribution

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

NOTES TO THE FINANCIAL STATEMENTS

2.3.15 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs Actuarial & Management Consultants (Private) Limited [Formerly Messrs Watson Wyatt Lanka (Private) Limited] who carried out actuarial valuation as at 31 March 2015.

Recognition of Actuarial Gains and Losses

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

b) Defined Contribution Plans

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 15% and 8 % respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund for Trincomalee based (erstwhile CPC) and 12% and 8% for other employees.

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees'.

Trust Fund maintained by the Employees Trust Fund Board.

2.4 Effect of Sri Lanka Accounting Standards (SLFRS) Issued but not yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

a) SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. The Company will quantify the effect in due course.

This standard was originally effective for annual periods commencing on or after 01 January 2018. However effective date has been deferred subsequently.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

b) SLFRS 14 – Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

c) SLFRS 15- Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard is effective for the annual periods beginning on or after 01 January 2017.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonable estimable as at the date of publication of these Financial Statements.

3. REVENUE

	Year ended 31 March	
	2015 LKR	2014 LKR
3.1 Domestic Revenue		
Xtrapremium 95	3,284,578,219	3,032,791,236
Lanka petrol 92 octane	21,150,145,671	5,532,869,086
Lanka petrol 90 octane	-	16,452,703,713
Lanka auto diesel	24,666,568,039	22,289,935,140
Xtramile	3,153,887,352	3,397,173,352
Lanka super diesel	889,288,537	745,772,156
Xtrapremium Euro 3	7,102,169,162	8,096,972,781
Bunkering operations	10,200,118	94,274,167
Lubricants	2,520,780,789	2,216,018,379
Bitumen	3,723,193,550	7,086,365,632
Total Domestic Sales	66,500,811,437	68,944,875,642
3.2 Export Revenue		
Lubricants	37,734,461	37,284,670
Bunkering Operations	13,362,657,321	12,810,595,179
Total Export Sales	13,400,391,782	12,847,879,849
3.3 Total Revenue	79,901,203,219	81,792,755,491
3.4 Segment Information		

For management purposes, the Company is organized into business units based on its customer location and has two reportable segments, namely, local sales and export sales.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. However, financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

4. OTHER OPERATING INCOME

	2015 LKR	2014 LKR
Income from Storage facilities provided	1,579,723	4,968,216
Gain/(Loss) on disposal of Property, Plant and Equipment	2,772,263	(4,262,898)
Rental Income	16,600,606	17,277,464
Sundry Income	19,171,974	13,245,406
	40,124,566	31,228,188

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCE INCOME AND EXPENSES

	2015 LKR	2014 LKR
5.1 Finance Income		
Interest on Government Securities (REPO) and Savings Accounts	480,815,346	296,768,059
Interest on Staff Loan and Others	7,516,091	4,276,945
	488,331,437	301,045,004
5.2 Finance Expenses		
Interest on Short Term Loans	109,353,278	91,117,945
Exchange (Gain)/Loss	193,595,768	143,572,144
Letter of Credit and Bank Charges	24,932,740	23,790,982
	327,881,786	258,481,071

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	2015 LKR	2014 LKR
Stated after Charging /Crediting		
Directors' Emoluments	20,379,932	19,666,529
Salaries and Wages	357,460,731	298,383,905
Decrease in Allowances for Impairment	(233,163,282)	-
Gain/(Loss) on disposal of Property, Plant and Equipment	2,772,263	(4,262,898)
Exchange (Gain) / Loss	193,595,768	143,572,144
Defined Benefit Obligation : Charge for the year	8,618,805	7,826,607
Audit Fee - Current year	1,300,000	1,276,500
Depreciation Charge for the year	258,530,402	220,532,498
Amortisation Charge for the year	1,807,361	1,842,348

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2015 and 31 March 2014 are as follows :

7.1 Income Statement

	2015 LKR	2014 LKR
Current Income Tax:		
Current Tax Expense	392,357,178	923,511,065
Under/(Over) Provision of Current Taxes in respect of Prior Year	(52,598,476)	91,962
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 9.2)	25,450,333	24,796,899
Income Tax Expense / (Credit) Reported in the Income Statement	365,209,035	948,399,926

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 March 2015 and 31 March 2014 are as follows :

	2015 LKR	2014 LKR
Accounting Profit before tax	2,250,904,053	5,761,760,920
Tax calculated at a tax rate of 15% (2014 - 15%)	337,635,608	864,264,138
Adjustments in respect of prior years	(52,598,476)	91,962
Tax impact of expenses deductible/not deductible for tax purpose	(8,737,303)	37,283,183
Tax impact of income not subject to tax	-	(454)
Tax impact of income taxable at different rate	(73,273,695)	(45,156,297)
Adjustment due to the estimated deferred tax base in previous year	25,450,333	7,625,640
Tax charge on profit from trade or business	228,476,467	864,108,172
Interest income	488,330,599	301,041,977
Tax calculated at a tax rate of 28% (2014 - 28%)	136,732,568	84,291,754
Total tax charge for the year	365,209,035	948,399,926

8. DEFINED BENEFIT OBLIGATION

	2015 LKR	2014 LKR
Balance as at 01 April	47,185,447	41,038,013
Current Service Cost	3,617,148	3,004,640
Interest Cost	5,001,657	4,821,967
Actuarial (Gain) / Loss (8.2)	6,135,658	108,896
Benefits Paid	(852,175)	(1,788,069)
Balance as at 31 March	61,087,735	47,185,447

8.1 Expenses on Defined Benefit Plan

	2015 LKR	2014 LKR
Income Statement		
Current Service Cost for the year	3,617,148	3,004,640
Interest Cost for the year	5,001,657	4,821,967
	8,618,805	7,826,607
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.2)	6,135,658	108,896
	6,135,658	108,896

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

	2015 LKR
Changes in Financial Assumptions	3,369,903
Changes in Demographic Assumptions	(2,590,319)
Experience Adjustments	5,356,074
	6,135,658

NOTES TO THE FINANCIAL STATEMENTS

8.3 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2015 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

8.4 PRINCIPLE ACTUARIAL ASSUMPTIONS

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

	2015	2014
Discount Rate	10.09%	10.60%
Salary Incremental Rate	2-7.5%	2-4%
Staff Turnover	4%	6%
Retirement Age	60 years	60 years

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

8.5 Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 March 2015. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Increase/(Decrease) in Staff Turnover Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
			LKR	LKR
1%	-	-	3,159,797	(3,159,797)
-1%	-	-	(3,555,629)	3,555,629
-	1%	-	(4,036,906)	4,036,906
-	-1%	-	3,626,423	(3,626,423)
-	-	1%	(1,451,640)	1,451,640
-	-	-1%	1,571,026	(1,571,026)

8.6 Maturity Profile of the Defined Benefit Obligation Plan

Maturity Profile of the Defined Benefit Obligation Plan as at the reporting date is given below:

	Years
Weighted Average Duration of the Defined Benefit Obligation	8

8.7 Distribution of Defined Benefit Obligation over the future Working Life Time

The following table demonstrates the distribution of the future working lifetime of the Defined Benefit Obligation as at the reporting period.

	2015 LKR
Less than 1 Year	14,030,873
Between 1-2 years	9,642,441
Between 2-5 years	11,901,689
Between 5-10 years	15,472,208
Beyond 10 years	10,040,524
	61,087,735

9. DEFERRED TAX LIABILITIES**9.1 Deferred Tax****Deferred Tax Relates to the Following:**

	2015 LKR	2014 LKR
Deferred Tax Assets Arising on:		
Retirement Benefit Obligation	9,163,160	7,077,817
	9,163,160	7,077,817
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(63,959,804)	(37,344,477)
Net Deferred Tax Asset/(Liability)	(54,796,644)	(30,266,660)
	2015 LKR	2014 LKR
9.2 Balance brought forward	30,266,660	5,486,095
Deferred Income Tax (Credit)/Charge- Income Statement	25,450,333	24,796,899
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	(920,349)	(16,334)
Net Deferred Tax (Asset)/Liability	54,796,644	30,266,660

10. EARNINGS PER SHARE

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

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

	2015 LKR	2014 LKR
Amounts Used as the Numerator		
Net Profit for the Year	1,885,695,018	4,813,360,994
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	1,885,695,018	4,813,360,994
Number of Ordinary Shares used as the Denominator:	2015 Number	2014 Number
Weighted average number of ordinary shares in issue applicable to basic earnings per share	532,465,705	532,465,705

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2014 LKR	Additions LKR	Transfers LKR	Disposals LKR	Balance as at 31.03.2015 LKR
Freehold Land	1,970,520,423	-	-	-	1,970,520,423
Building and Fixtures	1,496,688,347	-	213,185,962	-	1,709,874,309
Plant and Equipment	1,440,309,142	-	311,952,639	(1,434,193)	1,750,827,588
Office Equipment	34,973,545	2,002,728	-	(3,628,865)	33,347,408
Lube Plant	420,430,221	-	-	(68,560)	420,361,661
Furniture and Fittings	28,774,702	7,316,595	-	-	36,091,297
Motor Vehicles	45,554,276	-	-	-	45,554,276
Capital Work-In- Progress	46,318,978	581,084,497	(525,138,601)	-	102,264,874
	5,483,569,634	590,403,820	-	(5,131,618)	6,068,841,836

11.2 Depreciation

At Cost	Balance as at 01.04.2014 LKR	Charge for the year LKR	Transfers LKR	Disposals LKR	Balance as at 31.03.2015 LKR
Building and Fixtures	730,663,965	106,691,602	-	-	837,355,567
Plant and Equipment	980,178,512	83,361,740	-	(1,433,997)	1,062,106,255
Office Equipment	24,772,719	3,341,949	-	(3,586,035)	24,528,633
Lube Plant	361,103,263	56,198,816	-	(51,924)	417,250,156
Furniture and Fittings	19,897,225	3,859,328	-	-	23,756,553
Motor Vehicles	25,838,903	5,076,967	-	-	30,915,870
	2,142,454,587	258,530,402	-	(5,071,956)	2,395,913,034

11.3 Net Book Value

	2015 LKR	2014 LKR
Freehold Land	1,970,520,423	1,970,520,423
Building and Fixtures	872,518,742	766,024,382
Plant and Equipment	688,721,333	460,130,630
Office Equipment	8,818,775	10,200,826
Lube Plant	3,111,505	59,326,958
Furniture and Fittings	12,334,744	8,877,477
Motor Vehicles	14,638,406	19,715,373
Capital Work-In- Progress	102,264,874	46,318,978
Total Carrying Value of Property, Plant & Equipment	3,672,928,802	3,341,115,047

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of LKR 590,403,820/- (2014 - 303,778,816).

11.5 Fully depreciated assets still in use amounted to LKR 862,851,448 (2014- LKR 834,331,859)

11.6 The Useful Lives Of the Assets are Estimated as Follows:

	2015	2014
Building and Fixtures	5-15 Years	5-15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Lube Plant	4-15 Years	4-15 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

12. LONG TERM INVESTMENT

	2015 LKR	2014 LKR
At the beginning and end of the year	4,394,000,000	4,394,000,000

12.1 Lanka IOC PLC owns 33 1/3% of the 750,000,000 shares of Ceylon Petroleum Storage Terminal Limited (CPSTL), also known as the "Common User Facility" (CUF). The Company paid US\$ 45 million to Treasury on 22 January 2004 for the acquisition of 250,000,000 shares. The Ceylon Petroleum Corporation owns 66 2/3% of 750,000,000 shares of CPSTL and controls through the nomination of six of the nine board members. Lanka IOC PLC nominates the balance three board members. Due to the government influence and the sensitivity of the industry towards the national economy, the directors nominated by Lanka IOC PLC do not have significant influence over decisions of CPSTL. As such, the investment is recorded at cost.

13. INTANGIBLE ASSETS**13.1 Gross Carrying Amounts**

	Goodwill	License fees on computer software	Total
At Cost	LKR	LKR	LKR
As at 01.04.2014	759,297,552	11,691,993	770,989,545
As at 31.03.2015	759,297,552	11,691,993	770,989,545

13.2 Amortisation

	Goodwill	License fees on computer software	Total
At Cost	LKR	LKR	LKR
As at 01.04.2014	85,420,963	8,996,703	94,417,666
Charge for the year	-	1,807,361	1,807,361
As at 31.03.2015	85,420,963	10,804,064	96,225,027

13.3 Net Book Value as at 31.03.2015	673,876,589	887,928	674,764,517
13.4 Net Book Value as at 31.03.2014	673,876,589	2,695,290	676,571,878

13.5 Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Accumulated amortisation as at the balance sheet date amounting to LKR 85,420,963 which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards goodwill is tested annually for impairment and carried at cost less amortisation up to 2007.

NOTES TO THE FINANCIAL STATEMENTS

14. INVENTORIES

	2015 LKR	2014 LKR
Summary		
Petroleum products (at lower of cost and net realisable value)	4,560,419,749	5,704,930,384
Lubricants	367,928,132	312,910,208
Base oil and other raw materials	677,806,303	959,048,720
Goods In Transit	28,919,741	952,054,119
	5,635,073,925	7,928,943,431

14.1 The short term loans are unsecured except for the loans from State Bank of India Colombo branch and Singapore branch amounting to USD 8.6 million and USD 5 million respectively. These two loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

15. TRADE AND OTHER RECEIVABLES

	2015 LKR	2014 LKR
Current Assets		
Summary		
Trade Receivables - Others (net of Allowance for Impairment)	910,319,450	1,607,830,083
VAT Receivables	11,083,471	94,395,157
Deposits, Prepayments, Advances and Other receivables	163,211,237	110,159,423
	1,084,614,158	1,812,384,663

15.1 Non Current Assets- Other Receivables

	2015 LKR	2014 LKR
Staff Loan (Note 20)	85,695,579	73,799,928
	85,695,579	73,799,928

15.1 As at 31 March, the age analysis of trade receivables is set out below.

	Total	Before 30 days	31-90 days	Past Due but not Impaired 91-180 days	181-365 days	More than 365 days
2015	910,319,450	777,869,096	18,238,100	67,428,780	5,356,453	41,427,021
2014	1,607,830,083	1,468,139,856	46,145,766	2,884,037	1,735,478	88,924,946

15.2 The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 15.3 below. The Company does not hold any collateral security.

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

	2015 LKR	2014 LKR
US Dollars	325,042,874	812,862,755
Sri Lankan Rupees	759,571,284	999,521,908
	1,084,614,158	1,812,384,663

15.4 Receivables of LKR 374,246,752/- (2014 LKR 607,410,035) were impaired, due to defaults. Movement in the allowance for impairment is as follows:

Allowance for impairment	2015 LKR	2014 LKR
As at 01 April	607,410,035	607,410,035
Charge for the year	-	-
Reversal during the year	(233,163,283)	-
As at 31 March	374,246,752	607,410,035

16. CASH AND CASH EQUIVALENTS

	2015 LKR	2014 LKR
16.1 Favourable Cash & Cash Equivalent balances		
Cash and Bank Balances	1,041,235,883	842,743,308
Repurchase Agreements	6,711,065,517	7,915,000,000
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	7,752,301,400	8,757,743,308

16.2 Cash at Bank and Cash Equivalents

	Rating	2015 LKR	2014 LKR
Citibank N.A	AAA	422,826,765	2,383,772,833
Standard Chartered Bank	AAA	579,490,166	1,170
People's Bank	AA+	4,782,105	8,608,888
Bank of Ceylon	AA+	2,485,353	2,065,784
Commercial Bank of Ceylon PLC	AA	4,652,520,642	6,287,491,196
ICICI Bank	AAA	410,672	3,187,275
State Bank of India	BBB-	3,807,306	28,014,747
Deutsche Bank A.G	A+	11,461,651	44,266,169
HNB	AA-	2,072,942,000	-
Axis Bank	BBB-	209,215	-
		7,750,935,875	8,757,408,062

17. STATED CAPITAL

	2015 LKR	2014 LKR
17.1 Stated Capital as at 31 March	7,576,573,900	7,576,573,900
17.2 Number of Ordinary Shares	532,465,705	532,465,705

NOTES TO THE FINANCIAL STATEMENTS

18. TRADE AND OTHER PAYABLES

	2015 LKR	2014 LKR
Trade Payables - Related Parties (18.1)	127,174,078	648,310,360
- Others	849,173,944	2,188,165,975
Other Payables- Related Parties (18.2)	16,077,152	9,168,192
Sundry Creditors Including Accrued Expenses	310,506,631	367,396,146
	1,302,931,805	3,213,040,673

18.1 Trade Payables- Related Parties

	Relationship	2015 LKR	2014 LKR
Indian Oil Corporation Limited	Immediate Parent	22,242,004	552,741,992
Ceylon Petroleum Storage Terminal Limited	Significant Investee	104,932,074	95,568,368
		127,174,078	648,310,360

18.2 Other Payables- Related Parties

	Relationship	2015 LKR	2014 LKR
Indian Oil Corporation Limited	Immediate Parent	16,077,152	9,168,192
		16,077,152	9,168,192

19. OTHER FINANCIAL LIABILITIES

19.1 Interest Bearing Loans and Borrowings

	2015 LKR	2014 LKR
Short Term Loans (19.2)	3,997,770,832	6,122,610,647
	3,997,770,832	6,122,610,647
Total Current	3,997,770,832	6,122,610,647
Total Non-Current	-	-
	3,997,770,832	6,122,610,647

19.2 The short term loans are unsecured except for the loans from State Bank of India Colombo branch and Singapore branch amounting to USD 8.6 million and USD 5 million respectively. These two loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

19.3 The interest rates are as follows:

Short term loans LIBOR + Margin

19.4 The LIBOR rate (monthly) at the date of statement of financial position was 0.17625%

20. RECLASSIFICATION OF COMPARATIVE INFORMATION

The following amounts have been reclassified in the Statement of Financial Position as at 31 March 2014 as to maintain the comparability of financial statements and to provide a better presentation.

a) STATEMENT OF FINANCIAL POSITION

	As Previously stated LKR	Adjustment LKR	Current Presentation LKR
Current Assets			
Trade and Other Receivables			
Deposits, Prepayments, Advances and Others	367,396,146	(73,799,928)	293,596,218
Non Current Assets			
Other Receivables	-	73,799,928	73,799,928
	367,396,146	-	367,396,146

Staff Loan Receivable for more than a year was previously classified under 'Current Assets' and now reclassified under Non Current Assets.

b) CASH FLOW STATEMENT

	As Previously stated LKR	Adjustment LKR	Current Presentation LKR
Cash Flows from Investing Activities			
Dividends Paid	(798,698,558)	798,698,558	-
Cash Flows From Financing Activities			
Dividends Paid	-	(798,698,558)	(798,698,558)
	(798,698,558)	-	(798,698,558)

Dividends paid previously classified in the Cash Flow Statement under 'Cash Flows From Investing Activities' were now reclassified as 'Cash Flows From Financing Activities'

21. RELATED PARTY DISCLOSURES**21.1 Transactions with the Related Entities****21.1.1 Transactions with Parent**

	2015 LKR	2014 LKR
Nature of Transaction		
Amounts Receivable as at 01 April	-	3,761,170
Amounts Payable as at 01 April	(561,910,184)	(60,462,345)
Fund Transfers/Payment Made	865,099,542	733,597,124
Purchases of Goods	(598,104,910)	(1,227,903,783)
Sale of Goods	301,132,820	-
Expenses Reimbursed	(44,536,424)	(10,902,350)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(38,319,156)	(561,910,184)

21.1.2 During the year, the Company paid a gross dividend of LKR 798,698,558/- with respect to the financial year ended 31 March 2014, out of which LKR 540,000,007/- was paid to Indian Oil Corporation Limited.

NOTES TO THE FINANCIAL STATEMENTS

21.1.3 Transactions with IOC Middle East FZE

Nature of Transaction	2015 LKR	2014 LKR
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	7,822,800	7,637,274
Purchases of Goods	(7,822,800)	(7,637,274)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

21.1.4 Transactions with Ceylon Petroleum Storage Terminal Limited

Nature of Transaction	2015 LKR	2014 LKR
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(95,568,368)	(147,895,547)
Fund Transfers/Payment Made	753,050,532	756,309,716
Services Rendered	(762,414,238)	(703,982,537)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(104,932,074)	(95,568,368)

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

21.1.5 Terms and Conditions

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

21.2 Transactions with Key Management Personnel of the Company or its Subsidiaries

a) The Key Management Personnel are the members of the Board of Directors, of the company.

Payments made to Key Management Personnel during the year were as follows:

	2015 LKR	2014 LKR
Fees for Directors	2,302,500	2,862,500
Emoluments	15,509,100	14,660,517
Short Term Employment Benefits	2,568,332	2,143,512
	20,379,932	19,666,529

22. COMMITMENTS

There were no material commitments as at the reporting date except the following:

22.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to LKR 375.3 million (2014 - LKR 95.8 million).

22.2 Operating lease commitments

The Company has a commitment to pay USD 100,000 per annum to Government of Sri Lanka as lease rental for storage tanks at Trincomalee used by the Company.

The future aggregate minimum lease payments of the operating leases according to the Memorandum of Understanding signed with the Government of Sri Lanka are as follows:

	2015 LKR	2014 LKR
No later than 1 year	13,360,020	13,068,470
Later than 1 year and no later than 5 years	66,800,100	65,342,350
More than 5 years	240,480,360	248,300,930
	320,640,480	326,711,750

22.3 Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2015 amounted to LKR 572,343,043/- (2014-Nil).

23. CONTINGENCIES

There were no material contingencies as at the reporting date except the following:

23.1 As per the interim Budget 2015 passed in the Parliament of Sri Lanka on 07th February 2015, the government proposed a one off 25% Super Gain Tax (SGT) be imposed on companies which have earned in excess of LKR 2,000 million profit before income tax on Group profit as per the Audited Financial Statement in the Financial Year 2013/14. The Gazette notification in respect of the above budget proposal was issued by the Government of Sri Lanka on 30th March 2015.

Accordingly, liable Companies will be assessed for SGT based on taxable income for the year of assessment 2013/14 and would be required to pay such SGT in three installments commencing from 15th May 2015. However, as of date, this bill has not been passed in the Parliament. In the event the Bill is enacted as a law in the future, the Company would become liable to pay the above SGT. The quantum of such have not yet been estimated by the company.

23.2 Guarantees issued by Banks on behalf of the Company as at 31 March 2015 amounted to LKR 83,890,357.09/-(2014-Nil)

24. ASSETS PLEDGED

No assets have been pledged as at the reporting date except for those disclosed in Note 19.2.

25. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

26.1 Market Risk

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

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

	Denominated in LKR	Denominated in USD
Cash at bank and in hand	7,747,911,685	4,389,715
Interest Bearing Loans & Borrowings	-	3,997,770,832
Trade and Other Receivables (Current)	706,458,613	325,042,874
Other Receivables (Non Current)	85,695,579	-

a) Interest rate risk

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

b) Foreign currency risk

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

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

	Average Value	Year End Exchange Rate	Change in US\$ Rate	Effect on Profit Before Tax (RS)
2015				
Interest Bearing Loans and Borrowings	3,997,770,832	133.60	+/- 1%	+/- 39,977,708
Trade and Other Receivables	325,042,874	133.60	+/- 1%	+/- 3,250,429
Trade and Other Payables	225,379,268	133.60	+/- 1%	+/- 2,253,793

The movement on the post-tax effect is a result of a change in the fair value of monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars.

26.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management."

The following policies are implemented within the group in order to manage credit risk related to receivables:

- Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.
- Contractual obligation to release assets only upon full payment of receivable, for related contracts and assets.

26.3 Liquidity risk

The Company monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and project cash flow requirements as per the project implementation period. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and financing for current operations is already secured.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 1 year LKR	More than 1 year LKR	Total LKR
Interest-bearing loans and borrowings	3,997,770,832	-	3,997,770,832
Trade and Other Payables	919,564,065	-	919,564,065
	4,917,334,897	-	4,917,334,897

26.4 Price Risk

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

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

26.5 Capital Risk Management

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

	2015 LKR	2014 LKR
Total borrowings (Note 19)	3,997,770,832	6,122,610,647
Less :- cash and cash equivalents (Note 16)	(7,752,301,400)	(8,757,743,308)
Net debt	-	-
Total equity	18,124,669,550	17,042,888,399
Total capital	18,124,669,550	17,042,888,399
Gearing ratio	0%	0%

NOTES TO THE FINANCIAL STATEMENTS

27. FAIR VALUES

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements.

Company		Carrying Amount		Fair Value	
		2015	2014	2015	2014
		LKR	LKR	LKR	LKR
Financial Assets					
Other Receivables (Non Current)	A	85,695,579	73,799,928	85,695,579	73,799,928
Trade and Other Receivables (Current)	A	1,031,501,487	1,700,206,043	1,031,501,487	1,700,206,043
Cash and Cash Equivalents	A	7,752,301,400	8,757,743,308	7,752,301,400	8,757,743,308
Total		8,869,498,466	10,531,749,279	8,869,498,466	10,531,749,279
Financial Liabilities					
Trade and Other Payables	A	919,564,065	3,018,576,363	919,564,065	3,018,576,363
Interest Bearing Loans and Borrowings (Current)	A	3,997,770,832	6,122,610,647	3,997,770,832	6,122,610,647
Total		4,917,334,897	9,141,187,010	4,917,334,897	9,141,187,010

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

A - Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyse the carrying amount of financial assets and liabilities by category as defined in LKAS 39 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

As at 31 March 2015	Financial Assets and Liabilities at Amortised Cost LKR	Total LKR
Financial Assets		
Other Receivables (Non Current)	85,695,579	85,695,579
Trade and Other Receivables (Current)	1,031,501,487	1,031,501,487
Cash and Cash Equivalents	7,752,301,400	7,752,301,400
Total Financial Assets	8,869,498,466	8,869,498,466
Financial Liabilities		
Trade and Other Payables	919,564,065	919,564,065
Interest Bearing Loans and Borrowings	3,997,770,832	3,997,770,832
Total Financial Liabilities	4,917,334,897	4,917,334,897

As at 31 March 2014	Financial Assets and Liabilities at Amortised Cost LKR	Total LKR
Financial Assets		
Other Receivables (Non Current)	73,799,928	73,799,928
Trade and Other Receivables (Current)	1,700,206,043	1,700,206,043
Cash and Cash Equivalents	8,757,743,308	8,757,743,308
Total Financial Assets	10,531,749,279	10,531,749,279
Financial Liabilities		
Trade and Other Payables	3,018,576,363	3,018,576,363
Interest Bearing Loans and Borrowings (Current)	6,122,610,647	6,122,610,647
Total Financial Liabilities	9,141,187,010	9,141,187,010

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

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2015		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
1	102389	SAMPATH ENTERPRISES,	NO. 239, GALLE ROAD, MOUNT LAVINIA.	01R	00.03P	1	2 (Main + 2-3wheeler Canopy)
2	102432	CADILLAC IOC FILLING STATION PVT LTD	PALLIMULLA , MATARA.	01R	27.44P	1	1
3	102320	HOMAGAMA MULTIPURPOSE CO-OPERATIVE SOCIETY LTD	NO. 57, HIGH LEVEL ROAD, HOMAGAMA.		32.30P	1	1
4	102313	S.S. KOTALAWALA & CO	NO. 570, ELVITIGALA MAWATHA, NARAHENPITA, COLOMBO.		25.29P	1	1
5	102357	A.W. DAVITH APPUHAMY & SONS	NO. 124, KOTUGODELLA VEEDIYA, KANDY.		30.70P	3 (Sales Room +Service station+Generator Room)	Nil
6	102362	PASSARA MULTIPURPOSE CO- OPERATIVE SOCIETY LTD	BADULLA ROAD, PASSARA.		24.07	3 (Sale Room +Wash Room+Generator Room)	Nil
7	102334	SINHA ASSOCIATES	NO. 02, MANGALA ROAD, GAMPAHA.		12.14P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
8	102402	SINHA AUTO IOC SERVICES (PVT) LTD	NO. 22, PUTTALAM ROAD, CHILAW.		28.70P	1	1
9	102351	GAMPOLA MPSC LTD	NO. 182, NUWARA ELIYA ROAD, GAMPOLA.		26.00P	1	Nil
10	102317	LANKA IOC SERVICE MART (PVT) LTD	NO. 650, MARADANA 2ND DIVISION, MARADANA ROAD, COLOMBO 10.	01R	11.83P	1	2 (Main + Service Station canopy)
11	102391	S & D ENTERPRISES	NO. 205, GALLE ROAD, PANADURA.		36.94P	1	1
12	102365	MRS. R.P. JAYASINGHE	BADULLA ROAD, WELIMADA.		16.57	1	1
13	102350	DON DAMINDA JAYAMAL DIAS	NO. 54, BADULLA ROAD, BADULLA.	02R	00.72P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
14	102361	W. PALIHAWADANA & SONS	NO. 14, KANDY ROAD, NUWARA ELIYA.		25.25P	1	1
15	102331	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 562, GEORGE R DE SILVA MAWATHA, COLOMBO - 13.	01R	35.45P	1	1
16	102332	COLOMBO SOUTH COOPERATIVE SOCIETY LTD	NO. 502, SRIMAO BHANDRANAYAKA MAWATHA, COLOMBO 14.		24.29P	1	1
17	102380	DERANIYAGALA PANAWELA MPSC LTD	NOORI ROAD, DERANIYAGALA.		25.05P	1	Nil
18	102431	MRS. WIMALA SIRISENA	BROADWAY, MATARA		27.35P	1	1
19	102424	DWM FERNANDO & SONS (PVT) LTD	GALLE ROAD, ALUTHGAMA		36.94P	1	1
20	102449	M/S. THILAKA FILLING STATION	NO. 183, BATTICALOW ROAD, KALMUNAI.		38.33P	1	Nil
21	102322	MAHARAGAMA MPSC LTD	NO. 79, HIGHLEVEL ROAD, MAHARAGAMA.	01R	2.16P	1	1
22	102324	KOLONNAWA MPSC LTD	NO. 253, AWISSAWELLA ROAD, WELLAMPITIYA.		29.73P	1	1
23	102383	HEWAGAM KORALE EAST MPSC LTD	HIGHLEVEL ROAD, PAHATHGAMA, HANWELLA.		20.00P	1	Nil
24	102390	HEWAGAM KORALE EAST MPSC LTD	INGIRIYA ROAD, PADUKKA.		34.76P	1	1

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2015		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
25	102406	MR. HARSHA D. WEERAKOON	OLD TOWN, MADAMPE.		38.56P	2 (Sales Room+ Service Stn)	1
26	102436	A.H.M. HUSSAIN HADJIAR SONS	MATARA ROAD, WELIGAMA.	01R	10.74P	1	1
27	102318	MRS. SOMA ABEYWARDHANA	169, Highlevel Rd, Near Maya Avenue, Colombo 5		24.00P	1	1
28	102321	KOTTAWA LANKA FILLING STATION	NO. 41, HIGHLEVEL ROAD, KOTTAWA.		25.28P	1	1
29	102381	EHELIYAGODA MPSC LTD	RATNAPURA ROAD, EHELIYAGODA.		33.92	2 (Sales Room+ Service Stn)	1
30	102410	W. CALISTUS PERERA & SONS	NO 66, GREENS ROAD, NEGOMBO.	01R	19.34P	2 (Sales Room+ Service Stn)	1
31	102434	TANGALLE MPSC LTD	MAHAWELLA ROAD, TANGALLE.		24.00P	1	1
32	102412	KATANA MPSC LTD	NO.437/439, NEGOMBO ROAD, SEEDUWA.		37.68P	1	1
33	102425	AMBALANGODA MPSC LTD	NEW GALEE ROAD, AMBALANGODA.		19.00P	1	1
34	102409	MR. K.H. JAYASINGHE	KULIYAPITIYA ROAD, NATTANDIYA.		22.44P	2 (Sales Room+ Pumpers Room)	Nil
35	102445	RANGIRI DAMBULLA MPSC LTD	KURUNEGALA JUNTION, DAMBULLA.		22.23P	1	1
36	102316	SLIPTO AGENCIES (PVT) LTD	1141, PRADEEPA MAWATHA, MALIGAWATTE, COLOMBO 10.	01R	07.23P	2 (Sales Room+ Service Stn)	2 (Main+2-3wheeler)
37	102394	M/S. LIYANAGE ASSOCIATES	491, GALLE ROAD, RATMALANA.		34.00P	2 (Sales Room+ Service Stn)	1
38	102450	MRS. C.R. SAMARASINGHE	PUTTALM ROAD, NOCHCHIYAGAMA.	02R	00.05P	1	1
39	102429	MR. DUDLEY PARANAGAMA	KATUGODA, MAGALLE, GALLE.		23.56P	1	1
40	102312	MINERAL SPRINGS (PVT) LTD	291. DR.DANISTER DE SILVA MAWATHA, COLOMBO 9.	01R	12.94P	2 (Sales Room+ Service Stn)	1
41	102314	MR. A.W. RANASINGHE	42, HAVELOCK ROAD, COLOMBO 05.		15.39P	2 (Sales Room+Panel Room)	1
42	102336	MR. C.J. ABEYRATNE	KANDY ROAD, KADAWATA.		17.20P	1	1
43	102426	MRS. K.A.A.H. DE SILVA	TANGALLE ROAD, BELIATTA.		20.10	2 (PORTA CABIN + ELECTRICAL ROOM)	1
44	102341	MR. S.N. JAYASINGHE	NO. 107, NEGOMBO ROAD, PELIYAGODA.	01R	06.17P	1	1
45	102310	M/S. FELIX PEREIRA & SON	NO 75, ALEXANDER PLACE (DR. C W W KANNANGARA MAWATHA), COLOMBO 07.	02R	01.15P	2 (Sales Room+ Service Stn)	1
46	102353	G.K. SAMIE & SONS	NO. 02, MAIN STREET, HATTON.		15.41P	1	1
47	102319	M.G. SAMSON & SONS	94, DS SENANAYAKE MW, COLOMBO 08.		36.78P	2 (Sales Room+Store Room)	1
48	102444	MR. M. SELVARAJAH	NO 56, TRINCOMALEE ROAD, BATTICALOW.		33.97P	1	1
49	102411	SANDALANKAWA NEW MPSC LTD	WETAKEWA, GONAWELA, SANDALANKAWA.	01R	08.36P	2 (Sales Room+ Service Stn)	1

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

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2015		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
50	102433	KOTAPOLA MPCs LTD	DENIYAYA ROAD, MORAWAKA.		13.27P	1	1
51	102385	RAIGAM UDAGAHAPATTU MPCs LTD	RATNAPURA ROAD, INGIYIYA.		22.23P	0	1
52	102384	B.D.P. GUNASEKERA & SON	NO. 53, RATNAPURA ROAD, HORANA.		27.36P	1	1
53	102358	MR. P.G.W. SAMARASEKERA	NO. 718, PERADENIYA ROAD, KANDY	01R	03.66P	1	1
54	102335	S.R.B. ENTERPRISES	NO. 141, KANUWANA, JA-ELA.		39.44P	1	1
55	102452	MRS. R.M. PULLENDHAN	MANNER JUNCTION, VAUNIYA.		23.62P	1	1
56	102387	KALUTARA MPCs LTD	NO. 326, GALLE ROAD, KALUTARA SOUTH, KALUTARA.		28.15P	2 (Sales Room+Panel Room)	1
57	102311	MR. H.K.S. RANASINGHE	NO.762 GALLE ROAD, COLOMBO 04.		38.83P	1	1
58	102395	MR. SARATH COLONNE	NO. 252, GALLE ROAD, RATMALANA.		35.50P	1	1
59	102379	BALANGODA MPCs LTD	BALAGAHAMULLA, BALANGODA.		34.39P	1	1
60	102356	W.A. PERERA & SONS	NO. 362, KATUGASTOTA ROAD, KANDY.	01R	14.84P	1	1
61	102396	RATNAPURA MPCs LTD	NO. 10, BANDARANAYAKE MAWATHA, RATNAPURA.		34.9P	1	1
62	102451	MUTTURA AGA DIVISION MPCs LTD	NO 45, KANDY ROAD, TRINCOMALEE.	01R	29.86P	2 (Sales Room + Service Stn)	1
63	102340	ATTANAGALLA MPCs LTD	KANDY ROAD, NITTAMBUWA.		12.10P	2 (Sales Room+Gen Room)	1
64	102342	LIANFIRM (PVT) LTD	NO. 301, NEGOMBO ROAD, PELIYAGODA.		36.89P	2 (Sales Room+ GenRoom)	1
65	102352	HALIELA MPCs LTD	BADULLA ROAD, HALI ELA.		24.50P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
66	102388	MR. S.P. GUNASINGHE	NO. 93, AGALWATTA ROAD, MATUGAMA.	01R	02.02P	1 (Sales Room)	
67	102354	M/S. HUNNASGIRIYA AGENCIES	MAHIYANKANAYA ROAD, HUNNASGIRIYA.		12.58P	2	Nil
68	102447	GALGAMUWA MPCs LTD	KURUNEGALA ROAD, GALGAMUWA.		13.00P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
69	102386	KALAWANA MPCs LTD	MANANA, KALAWANA.		12.89P	1	1
70	102343	POLGAHAWELA MPCs LTD	KURUNEGALA ROAD, POLGAHAWELA.		13.48P	1	Nil
71	102363	YATINUWARA MEDA PALATA MPCs LTD	NO. 387, COLOMBO ROAD, PILIMATALAWA.		31.04P	1	1
72	102323	WIJERAMA ENTERPRISE	NO. 678, WIJERAMA JUNCTION, GANGODAWILA, NUGEGODA.		24.62P	1	1
73	102339	MAWANELLA HEMMATHAGAMA MPCs LTD	KANDY ROAD, MAWANELLA.		24.24P	1	Nil
74	102423	A.H. WIMALATUNGE & SON (PVT) LTD	MONARAGALA ROAD, WELLAWAYA.		39.63P	2 (PORTA CABIN + ELECTRICAL ROOM)	
75	102427	MRS H N W PRIYANGANI DE SILVA	GALLE ROAD, BERUWELA.		29.91P	1	1

SR. NO	CUSTOMER CODE	NAME OF COMPANY OWNED LOCATION	ADDRESS OF LANKA IOC PROPERTY	EXTENT OF THE AREA AS ON 31.03.2015		NO. OF BUILDINGS	NO. OF CANOPIES
				Roots	Perches		
76	102435	TISSAMAHARAMA MPCs LTD	DEBEREWEWA JUNCTION, TISSAMAHARAMA.	01R	00.00P	1	1
77	102401	BINGIRIYA MPCs LTD	HETTIPOLA ROAD, BINGIRIYA.		10.46P	1	Nil
78	102430	WELDISI (PVT) LTD	TANGALLE ROAD, HAMBANTOTA.	01R	03.58P	1	1
79	102377	SAMARANAYAKA SAHA SAMARANAYAKA	AGALAWATTA.		11.10P	1	1
80	102408	MR. L.P.P. PATHIRATNE	NO. 69, COLOMBO ROAD, MINUWANGODA.	01R	01.94P	1	1
81	102446	GALEWELA MPCs LTD	TRINCO ROAD, GALEWELA.		23.36P	1	1
82	102315	SWASTHIKA MILLS LTD	323, HAVELOCK ROAD, COLOMBO 06.	01R	03.96P	2 (Sales Room+ MiniMart)	2 (Main+2-3wheeler)
83	102364	A.V. HINNIAPPUHAMY & COMPANY	NO. 98, NUWARA ELIYA ROAD, TALAWAKELE.		24.12P	1	1
84	102404	JOE PERERA & SONS	NO. 01, COLOMBO ROAD, KOCHCHIKADE.		14.81P	2 (PORTA CABIN + ELECTRICAL ROOM)	1
85	102355	NOOHU MARIKAR	NO. 02, RAGALA ROAD, KANDAPOLA.		22.20P	1	Nil
86	102403	DIVULAPITIYA MPCs LTD	NO. 45, COLOMBO ROAD, DIVULAPITIYA.		06.68P	1	Nil
87	102392	PELMADULLA MPCs LTD	RATNAPURA ROAD, PELMADULLA.		24.41P	1	1
88	102407	MAWATHAGAMA MPCs LTD	KANDY ROAD, MAWATHAGAMA.		11.93P	1	Nil
89	102337	KEGALLE MPCs LTD	NO. 96, GOLAHOLA, KEGALLE.		15.3P	3 (Sales Room+Pumpers Room+Security Room)	Nil
90	102448	KAHATAGASDIGILIYA MPCs LTD	TRINCO ROAD, KAHATAGASDEGILIYA.		39.77P	1	1
91	102378	D.H.J. JAYAKODY BROTHERS	NO. 27, COLOMBO ROAD, AWISSAWELLA.		25.62P	2 (Service Station + Sales Room)	1
92	102393	MR. P.D.H.P. KARUNARATNE	NO. 174, HORANA ROAD, PILIYANDALA.		18.67P	1	Nil
93	102360	SS BANDARA	NO. 579, DAMBULLA ROAD, MATALE.		29.25P	1	1
94	102338	E.P.B. DE SOYSA (PVT) LTD	NO. 564, NEGOMBO ROAD, MAHABAGE.		13.00P	1	1
95	102359	MR. R.M. SENEVIRATNE	PASSARA ROAD, LUNUGALA.		24.56P	2 (Sales Room +Oil Room)	Nil
96	102428	WIPULA DHARMADASA	COLOMBO ROAD, KALUWELLA, GALLE.		16.06	1	1
97	102333	M/S PERERA & CO & SONS	NO. 84, MUTWAL DOCKLAND, COLOMBO		26.05P	1	1
98	102405	K.W. SUSIRIPALA ASSOCIATES	NO. 116, KANDY ROAD, KURUNAGELA.		17.2P	1	Nil
99	102344	ATTANAGALLA MPCs LTD	NEGOMBO ROAD, URAPOLA.		22.30P	2 (Sales Room +Store Room)	1
TOTAL							

SHAREHOLDERS' INFORMATION

ORDINARY SHAREHOLDINGS AS AT 31ST MARCH 2015

Stated Capital representing 532,465,705 ordinary shares

No. of Shareholders as at 31st March 2015 : 10,118

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	5,495	2,482,602	0.47	28	14,796	0.00	5,523	2,497,398	0.47
1,001 to 10,000 Shares	3,847	10,745,935	2.02	59	275,700	0.05	3,906	11,021,635	2.07
10,001 to 100,000 Shares	525	16,133,833	3.03	35	1,355,300	0.25	560	17,489,133	3.28
100,001 to 1000,000 Shares	98	26,282,459	4.94	9	3,851,260	0.72	107	30,133,719	5.66
Over 1,000,000 Shares	15	49,394,925	9.28	7	421,928,895	79.24	22	471,323,820	88.52
Total	9,980	105,039,754	19.74	138	427,425,951	80.26	10,118	532,465,705	100.00

Categories of Shareholders

	No.of Shareholders	Percentage %	No.of Shares	Percentage %
Individual	9,687	95.74	38,053,784	7.15
Institutional	431	4.26	494,411,921	92.85
Total	10,118	100.00	532,465,705	100.00

ORDINARY SHAREHOLDINGS AS AT 31ST MARCH 2014

Stated Capital representing 532,465,705 ordinary shares

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

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

Categories of Shareholders

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

20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2015

	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	10,780,364	2.02
3	Trading Partners [Pvt] Ltd	10,728,917	2.01
4	Wasatch Frontier Emerging Small Countries Fund	10,618,772	1.99
5	Acadian Frontier Markets Equity Fund	4,257,230	0.80
6	Deutsche Bank AG -National Equity Fund	3,975,000	0.75
7	Deutsche Bank AG -Trustee for JB Vantage Value Equity Fund	3,533,553	0.66
8	Deutsche Bank AG - Trustee for Namal Acuity Value Fund	3,100,000	0.58
9	Employees Provident Fund	3,000,170	0.56
10	Bank of Ceylon A/c Ceybank Century Growth Fund	2,444,439	0.46
11	GF Capital Global Limited	2,426,980	0.46
12	E W Balasuriya & Co [Pvt] Ltd	2,326,800	0.44
13	Janashakthi General Insurance Limited	2,000,000	0.38
14	CB London S/a Tundra Frontier Opportunities Fund	1,743,740	0.33
15	CB NY S/A Wasatch Frontier Emerging Small Countries Cit Fund	1,601,303	0.30
16	Timex Garments [Pvt] Ltd	1,462,503	0.27
17	Commercial Bank of Ceylon PLC / Mr S A Gulamhusein	1,421,701	0.27
18	Hallsville Trading Group Inc	1,280,865	0.24
19	Deutsche Bank AG - Namal Growth Fund	1,239,250	0.23
20	Cocoshell Activated Carbon Company Limited	1,173,802	0.22
		469,115,394	88.09

Directors' Shareholding - 31st March 2015	No.of Shares
Mr Subodh Dakwale	Nil
Mr Indrajit Bose	Nil
Prof.Lakshman R Watawala	500
Mr P M Mohan	Nil
Mr Amitha Gooneratne	4,800
	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%
Number of shareholders representing the public holding are 10,115

SHAREHOLDERS' INFORMATION

20 MAJOR SHAREHOLDERS AS AT 31ST MARCH 2014

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

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

Number of Shares representing the Stated Capital of Lanka IOC PLC is -	532,465,705
Public Holding as a % of issued Share Capital	24.88%
Number of shareholders representing the public holding are	10,218

LIOC Share Performance at Colombo Stock Exchange (CSE)

01.04.2014 - 31.03.2015

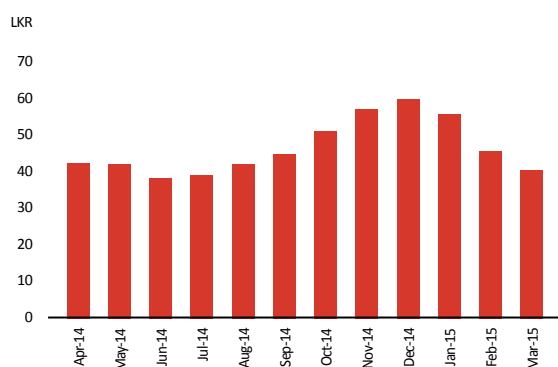
No. of Share transactions for the year	43,954
No. of Shares traded	151,912,786
Value of Shares Traded (LKR)	7,290,626,452.00
Price Movements (LKR)	
Highest (Rs)	68.30
Lowest (Rs)	37.30
Closing Price	40.30
Market Capitalization (LKR Mn) (Closing Price * No.of Shares)	21,458

LIOC Share Performance at Colombo Stock Exchange (CSE)

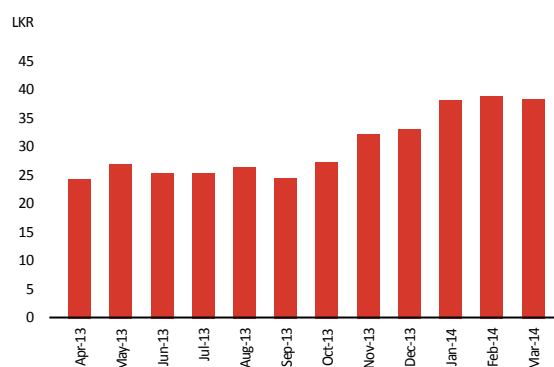
01.04.2013 - 31.03.2014

No. of Share transactions for the year	14,213
No. of Shares traded	57,628,297
Value of Shares Traded (LKR)	1,744,164,488.00
Price Movements (LKR)	
Highest (Rs)	40.50
Lowest (Rs)	19.00
Closing Price	38.50
Market Capitalization (LKR Mn) (Closing Price * No.of Shares)	20,500

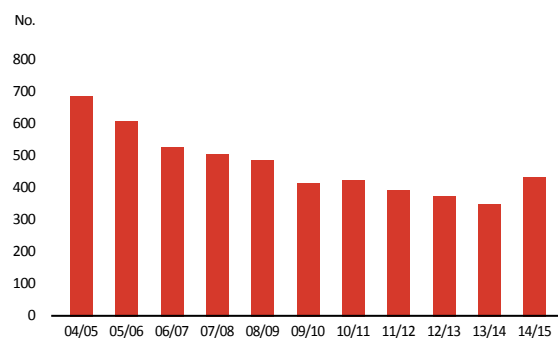
Share Price Movement 01.04.2014 to 31.03.2015
[Price per share in LKR - closing price]



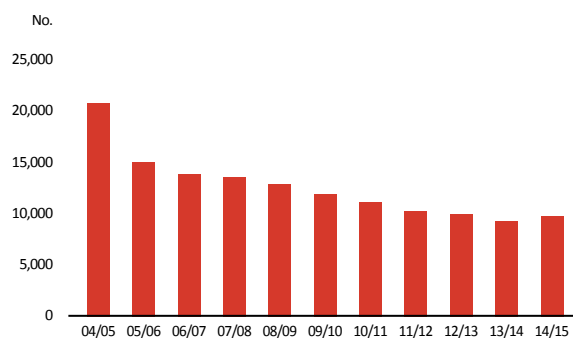
Share Price Movement 01.04.2013 to 31.03.2014
[Price per share in LKR - closing price]



Institutional Shareholders



Individual Shareholders



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 13th Annual General Meeting of the shareholders of Lanka IOC PLC will be held on Friday, 18th September 2015 at 10.30 hours at the **"Kings Court" Cinnamon Lakeside, No.115, Sir Chittampalam A Gardiner Mawatha Colombo 2**, for the following purposes:-

1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements of the Company for the financial year ended 31st March 2015 together with the Report of the Auditors thereon.
2. To declare the recommended first & final dividend of LKR 1.00 per share for the financial year 2014-15 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 first & final dividend of LKR 1.00 per share to be distributed to the shareholders amounting to a total payment of a sum of LKR.532,465,705".

- 3
 - a) To re-elect Mr Indrajit Bose, who retires by rotation 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 P M Mohan, who retires by rotation 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 D K Sharma 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. Ernst & Young, 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.

By Order of the Board
Lanka IOC PLC



Ms. Rajanie Balakrishnan
Company Secretary

05th August 2015
Colombo

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

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

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

FORM OF PROXY

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

Mr Indrajit Bose	whom failing
Mr Subodh Dakwale	whom failing
Prof. Lakshman R Watawala	whom failing
Mr Amitha Gooneratne	whom failing
Mr P M Mohan	whom failing
Mr D K Sharma	

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 13th Annual General Meeting of the Company to be held on Friday, 18th September 2015 at 10.30 hours at the **"Kings Court" Cinnamon Lakeside**, No.115, Sir Chittampalam A Gardiner Mawatha Colombo 2, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance and the Financial Statements of the Company for the financial year ended 31st March 2015 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare the recommended first & final dividend of LKR 1.00 per share for the F/Y 2014-15 along with the ordinary resolution set out in the Notice Convening the meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3. a) To re-elect Mr Indrajit Bose, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible. has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
b) To re-elect Mr P M Mohan, who retires in terms of Article 29(2) of the Articles of Association of the Company and being eligible, has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
c) To re-elect Mr D K Sharma who retires in terms of Article 27(6) of the Articles of Association of the Company and being eligible has offered himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. a) To re-appoint Messrs. Ernst & Young, Chartered Accountants, as recommended by the Board of Directors as the Auditors of the Company for the ensuing year; and	<input type="checkbox"/>	<input type="checkbox"/>
b) To authorize the Board of Directors to determine the remuneration of the Auditors for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>

In witness I/we set my/our hand/Seal hereto on thisday of 2015.

.....
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 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 Authorized Officer of the Company, in accordance with its Articles of Association.
- ◆ If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- ◆ If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

NIC No. :

Full Name :

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

Jointly with :

Tel No :

email ID :

CORPORATE INFORMATION

NAME OF COMPANY

Lanka IOC PLC

**COMPANY REGISTRATION NUMBER:
PQ 179**

BOI REGISTRATION NO.
2613/05/12/2002

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

STOCK EXCHANGE LISTING :
The Ordinary Shares of the Company are listed 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.lankaio.net

ASSOCIATES:
Ceylon Petroleum Storage Terminals Limited

BOARD OF DIRECTORS:
Mr Indrajit Bose (Chairman)
Mr Subodh Dakwale (Managing Director)
Prof.Lakshman R Watawala
Mr Amitha Gooneratne
Mr P M Mohan
Mr D K Sharma

COMPANY SECRETARY:
(Ms) Rajanie Balakrishnan,
FCIS [UK], FCCS [SL]

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

AUDITORS - EXTERNAL:
Ernst & Young
No;201, De Saram Place, Colombo 10

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

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, Colombo
State Bank of India, Singapore
ICICI Bank
Standard Chartered Bank
Commercial Bank of Ceylon
People's Bank
Axis Bank
Hatton National Bank PLC
Bank of Ceylon
HSBC

