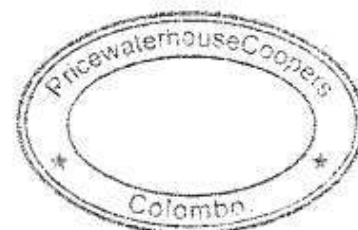


# LANKA IOC PLC

## Income Statement

(all amounts in Indian Rupees)

	Notes	Year ended 31 March	
		2010	2009
Revenue	3	20,949,581,209	19,215,975,155
Cost of sales	4	(21,104,535,067)	(19,397,332,401)
Gross (loss) / profit		(154,953,858)	(181,357,246)
Other operating income	5	181,571,568	197,906,665
Selling and distribution costs		(14,428,728)	(9,942,032)
Administrative expenses		(345,453,509)	(255,451,216)
Write back of disallowed input VAT	6	242,743,045	Nil
Operating loss	7	(90,521,483)	(248,843,829)
Net finance costs	8	(75,060,012)	(196,570,010)
Loss before tax		(165,581,495)	(445,413,839)
Tax	9	(10,772,694)	(54,083,385)
<b>Net loss after tax</b>		<b>(176,354,188)</b>	<b>(499,497,224)</b>
Loss per share	10	(0.33)	(0.94)



The notes on pages 7 to 21 form an integral part of these financial statements.

Auditors' report - pages 1 and 2.

**LANKA IOC PLC****Balance sheet**

(all amounts in Indian Rupees)

	Notes	31 March	
		2010	2009
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	11	1,319,882,865	1,436,561,698
Long term investment	12	1,728,424,200	1,951,501,155
Goodwill	13	265,076,145	299,287,874
		<u>3,313,383,210</u>	<u>3,687,350,727</u>
<b>Current assets</b>			
Inventories	14	1,351,150,584	4,714,131,751
Current tax receivable		37,111,740	Nil
Receivables and prepayments	15	1,865,914,545	474,636,942
Cash and cash equivalents	16	426,862,682	208,047,747
<b>Total current assets</b>		<u>3,681,039,551</u>	<u>5,396,816,440</u>
<b>Total assets</b>		<u><b>6,994,422,761</b></u>	<u><b>9,084,167,167</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	17	3,464,244,597	3,464,244,597
Retained earnings		298,213,660	524,436,898
Exchange equalisation reserve		(483,922,868)	(99,271,289)
<b>Total capital and reserves</b>		<u>3,278,535,389</u>	<u>3,889,410,206</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations	18	18,211,709	11,768,018
<b>Current liabilities and provisions</b>			
Trade and other payables	19	1,378,927,885	2,659,629,618
Current tax payable		Nil	11,701,384
Borrowings	20	2,318,747,779	2,511,657,942
<b>Total current liabilities and provisions</b>		<u>3,697,675,664</u>	<u>5,182,988,943</u>
<b>Total liabilities</b>		<u>3,715,887,373</u>	<u>5,194,756,961</u>
<b>Total equity and liabilities</b>		<u><b>6,994,422,761</b></u>	<u><b>9,084,167,167</b></u>

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by Board of Directors on 12/05/2010.

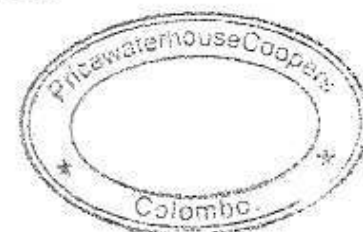
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

.....  
**Managing Director**

.....  
**Director**

The notes on pages 7 to 21 form an integral part of these financial statements.

Auditors' report - pages 1 and 2.

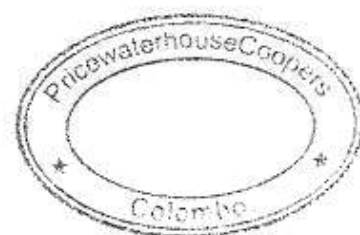


## LANKA IOC PLC

### Statement of changes in equity

(all amounts in Indian Rupees)

	Stated capital	Exchange equalisation reserve	Retained earnings	Total
Balance at 1 April 2008	3,464,244,597	(662,671,642)	894,311,585	3,695,884,540
Currency translation difference	-	563,400,353	129,622,538	693,022,891
Net loss for the year	-	-	(499,497,224)	(499,497,224)
<b>Balance at 31 March 2009</b>	<b>3,464,244,597</b>	<b>(99,271,289)</b>	<b>524,436,898</b>	<b>3,889,410,206</b>
Balance at 1 April 2009	3,464,244,597	(99,271,289)	524,436,898	3,889,410,206
Currency translation difference		(384,651,579)	(49,869,050)	
Net loss for the year		-	(176,354,188)	(176,354,188)
<b>Balance at 31 March 2010</b>	<b>3,464,244,597</b>	<b>(483,922,868)</b>	<b>298,213,660</b>	<b>3,713,056,018</b>



The notes on pages 7 to 21 form an integral part of these financial statements.

Auditors' report - pages 1 and 2.

# LANKA IOC PLC

## Cash flow statement

(all amounts in Indian Rupees)

	Notes	Year ended 31 March	
		2010	2009
<b>Operating activities</b>			
Cash generated / (used in) from operations	23	438,929,160	(2,693,982,060)
Economic Service Charge and income tax paid		(61,126,192)	(87,037,527)
Interest received		31,650,021	(99,769,849)
Interest paid		(146,104,417)	166,198,878
Defined benefit obligations paid	18	(2,572,366)	(905,169)
<b>Net cash generated from / (used in) operating activities</b>		<b>260,776,206</b>	<b>(2,715,495,727)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	11	(127,791,056)	(71,159,909)
Proceeds from disposal of investment		Nil	1,649,402,579
Proceeds from sale of property, plant and equipment		272,487	Nil
<b>Net cash generated from / (used in) investing activities</b>		<b>(127,518,569)</b>	<b>1,578,242,670</b>
<b>Financing activities</b>			
Repayment of borrowings		(13,045,661,313)	(8,301,370,786)
Proceeds from borrowings		13,383,491,416	8,554,504,792
<b>Net cash generated from financing activities</b>		<b>337,830,102</b>	<b>253,134,006</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>471,087,739</b>	<b>(884,119,051)</b>
<b>Movement in cash and cash equivalents</b>			
At the beginning of the year		(185,119,538)	698,999,513
Increase / (decrease) during the year		471,087,740	(884,119,051)
<b>At the close of the year</b>	16	<b>285,968,202</b>	<b>(185,119,538)</b>



The notes on pages 7 to 21 form an integral part of these financial statements.

Auditors' report - pages 1 and 2.

# LANKA IOC PLC

## Notes to the financial statements

(In the notes all amounts are shown in Indian Rupees unless otherwise stated)

### 1 General information

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

The Company has been granted a Petroleum Products License by the Minister of Power and Energy which gives authority to Import, Export, Store, Distribute, Sell and Supply Petrol, Auto Diesel, Heavy Diesel (Industrial Diesel), Furnace Oil and Kerosene, Naphtha and other mineral petroleum including Premium Petrol and Premium Diesel but excluding Aviation and Liquid Petroleum Gas. The license is valid for a period of 20 years from 22 January 2004 and renewable thereafter.

The financial statements were authorised for issue by the Board of Directors on 13 May 2010.

### 2 Summary of significant accounting policies

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

#### 2.01 Basis of preparation

The financial statements are prepared in accordance with Sri Lanka Accounting Standards on the historical cost basis of accounting except for the revaluation of land. The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report of amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

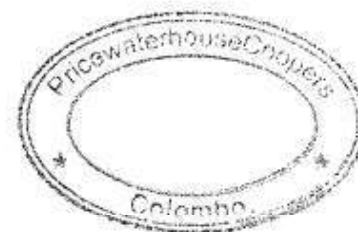
#### 2.02 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is the Sri Lankan Rupee and its presentation currency is the Indian Rupee.

##### (b) Transactions and balances

Foreign currency transactions are translated into the measurements currency using the exchange rates prevailing at the dates of transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at the year-end exchange rates.



## LANKA IOC PLC

### Notes to the financial statements (contd)

#### 2 Summary of significant accounting policies (contd)

##### 2.03 Property, plant and equipment

Land and buildings comprise mainly retail outlets and terminals. Land is shown at valuation by independent valuers carried out on 1 May 2005. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives commencing from the month after the month of purchase as follows:

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

Land is not depreciated as it is deemed to have an indefinite life.

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

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

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

Gains and losses on disposal are determined by the comparing proceeds with carrying amount and are included in operating profit.

Increase in the carrying amount arising on revaluation of land, within one year from date of acquisition, is credited to goodwill arising on acquisition.

##### 2.04 Impairment of 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).



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 2 Summary of significant accounting policies (contd)

#### 2.05 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalised as part of that asset. The amount of borrowing costs eligible for capitalisation is determined in accordance with SLAS 20 - Borrowing Costs - Allowed Alternative Treatment.

#### 2.06 Goodwill

Goodwill represents the excess of the costs of acquisition over the fair values of the retail outlets at the date of acquisition. Surplus arising from revaluation of land of 100 retail outlets, is set off against the goodwill on acquisition of 100 retail outlets.

Up to year ended 31 March 2006, Goodwill was amortised using the straight line method over a period of 20 years based on the Petroleum Products License. According to the revised Accounting Standards (SLAS 25, 41) Goodwill is not amortised but is tested annually for impairment.

#### 2.07 Investments in associates

Investment in the associate company is accounted for at cost and is classified as a long term investment in the balance sheet. The Company has no significant influence in the financial and operating policy decisions of the investee and hence the adoption of the equity method is inappropriate.

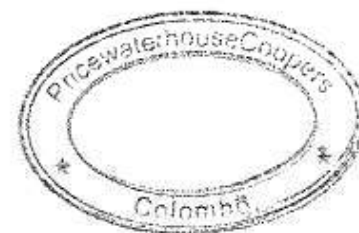
#### 2.08 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method for lubricant finished goods and first-in first-out (FIFO) method for other products. This includes direct costs on transport, handling costs and insurance.

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

#### 2.09 Trade receivables

Trade receivables are carried at anticipated realisable value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default payments are considered indicators that the trade receivable is impaired. 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 within distribution cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written-off are credited against distribution cost in the income statement.



**LANKA IOC PLC****Notes to the financial statements (contd)****2 Summary of significant accounting policies (contd)****2.10 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

**2.11 Stated capital**

Ordinary shares are classified as equity.

**2.12 Trade payables**

Trade payables are recognised initially at cost.

**2.13 Taxation**

The tax expense for the year comprise current tax and deferred tax.

**(a) Current taxes**

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 Inland Revenue Act and amendments thereto. Calculated on the basis of the tax laws enacted at the balance sheet date.

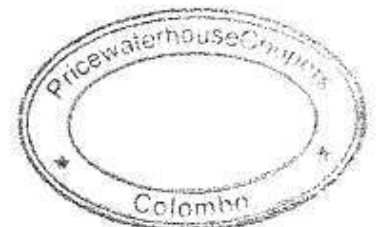
**(b) Deferred income taxes**

Deferred taxation is computed using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, provisions for retirement benefit obligations and tax losses carried forward.

Tax rates enacted by the balance sheet date are used to determine deferred income tax. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2.14 Defined contribution plans**

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



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 2 Summary of significant accounting policies (contd)

#### 2.15 Retirement benefit obligations

The Company has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is unfunded. Provision for gratuity is made by the Company taking account of the recommendation of an independent qualified actuaries firm, Messrs Actuarial & Management Consultants (Private) Limited [Formerly Messrs Watson Wyatt Lanka (Private) Limited] who carried out actuarial valuation as at 31 March 2010. Change in the accounting policy was not considered as a prior year adjustment since the amount concerned is not material.

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognized past service cost. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard 16; Employee Benefits. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognized income and expense in the period in which they arise.

Past service costs are recognized immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

#### 2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount

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

#### 2.17 Revenue recognition

Revenue comprises the invoiced value for sale of goods net of Value Added Tax, and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income is recognised on a time proportionate basis, taking account of principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

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



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 2 Summary of significant accounting policies (contd)

#### 2.18 Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control.

### 3 Revenue

	Year ended 31 March 2010		Year ended 31 March 2009	
	Qty Litres	Value	Qty Litres	Value
<b>Domestic sales</b>				
Super petrol	7,497,600	380,103,428	10,322,400	590,870,303
Lanka petrol	167,049,500	7,534,322,002	166,026,300	8,774,124,848
Auto diesel	314,065,500	9,252,488,535	260,057,060	9,060,678,061
Super diesel	871,200	31,157,595	554,400	19,600,259
Lubricants	5,661,822	453,739,892	4,806,899	376,041,653
Bitumen	2,275,920	77,886,780	-	-
<b>Total domestic sales</b>	<b>497,421,542</b>	<b>17,729,698,232</b>	<b>441,767,059</b>	<b>18,821,315,124</b>
Bunkering operations	149,098,264	3,219,882,976	21,080,845	394,660,031
<b>Total sales</b>	<b>646,519,806</b>	<b>20,949,581,209</b>	<b>462,847,904</b>	<b>19,215,975,155</b>

Sales can be further analysed as follows:

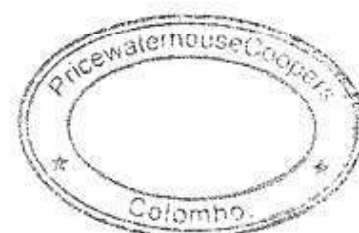
	2010	2009
Sales	21,455,923,996	19,788,330,153
Dealer commission / discounts on lubricants	(301,908,925)	(317,459,129)
Evaporation allowance	(44,825,151)	(48,696,469)
Turnover tax	(159,608,711)	(206,199,400)
<b>Net sales</b>	<b>20,949,581,209</b>	<b>19,215,975,155</b>

### 4 Cost of sales

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

### 5 Other operating income

	2010	2009
Dividend income from Ceylon Petroleum Storage Terminal Limited	93,871,250	68,099,274
Income from Ceylon Petroleum Corporation	78,981,140	122,801,398
Loss on disposal of property, plant and equipment	(1,413,967)	(2,421)
Others	10,133,145	7,008,415
<b>Total</b>	<b>181,571,568</b>	<b>197,906,665</b>



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 6 Disallowed input VAT

This represents a reversal of disallowed input VAT which was provided in 2007/2008, as the Company has successfully obtained an acknowledgement from the Inland Revenue Department that the amount will be adjusted against future liabilities.

### 7 (a) Operating loss

The following items have been charged in arriving at operating loss:

	2010	2009
Directors' emoluments	9,891,917	4,116,144
Auditors' remuneration		
- audit	434,543	396,110
- non-audit	70,549	47,103
Depreciation (Note 11)	75,687,855	67,843,410
Staff costs [Note 7 (b)]	93,761,398	49,495,969
Lease rent - Trincomalee	4,696,327	4,413,690
Donations	208,603	80,710
Payments under voluntary retirement scheme	4,023,366	678,503

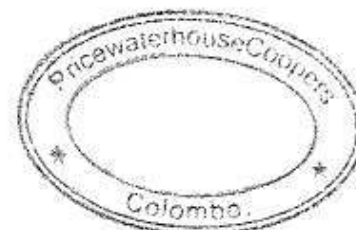
### 7 (b) Staff costs

	2010	2009
Salaries and wages	82,927,971	56,616,019
Defined benefit plan (Note 18)	10,833,427	(7,120,051)
	<b>93,761,398</b>	<b>49,495,969</b>

The average number of employees employed by the Company during the year was 175 (2009 - 171 ).

### 8 Net finance costs

	2010	2009
Interest expense	(140,303,899)	(99,769,849)
Interest income	31,650,021	166,198,878
Exchange gains / (losses)	54,081,771	(219,036,119)
Bank charges	(14,687,387)	(10,131,752)
Interest on deferred payments to suppliers	(5,800,518)	(33,831,167)
	<b>(75,060,012)</b>	<b>(196,570,010)</b>



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 9 Taxation

	2010	2009
Current tax	10,772,694	54,083,385

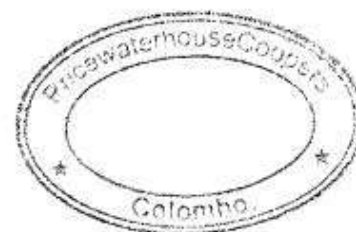
In terms of the agreement entered into with the Board of Investment (BOI) of Sri Lanka under Section 17 of the Board of Investment Law No. 4 of 1978, the Company is exempt from income tax for a period of ten years commencing from 14 February 2003.

The current year tax charge wholly consists of tax on non-exempt interest income at 33 1/3% (2009 -33 1/3%).

### 10 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue as at 31 March.

	2010	2009
Net loss attributable to shareholders	(176,354,188)	(499,497,224)
Weighted average number of ordinary shares in issue	532,465,700	532,465,700
Basic loss per share (INR)	(0.33)	(0.94)



## LANKA IOC PLC

## Notes to the financial statements (Contd)

## 11 (a) Property, plant and equipment

	Freehold land	Building and fixtures	Plant and equipment	Office equipment	Computer software	Lube plant	Capital work-in-progress	Furniture and fittings	Motor vehicles	Total
<b>Year ended 31 March 2009</b>										
Opening net book amount	728,306,345	282,265,865	46,111,296	775,275	-	123,982,751	11,774,278	409,892	2,354,223	1,195,979,926
Adjustments	-	-	-	-	-	(3,251,847)	-	-	-	(3,251,847)
Additions	-	14,835,020	6,863,117	1,903,847	1,000,882	387,575	42,817,934	379,288	2,972,242	71,159,905
Disposals	-	-	-	-	-	-	-	(2,421)	-	(2,421)
Transfers	-	9,906,052	15,882,074	-	-	1,085,394	(26,873,520)	-	-	-
Depreciation charge	-	(25,473,652)	(23,488,147)	(910,540)	(179,854)	(16,097,061)	-	(188,119)	(1,506,034)	(67,843,407)
Exchange equalization difference	146,463,454	56,690,410	9,198,344	255,788	82,556	23,135,672	3,971,046	101,408	620,866	240,519,543
Closing net book amount	874,769,799	338,223,695	54,566,684	2,024,370	903,584	129,242,484	31,689,738	700,048	4,441,297	1,436,561,698
<b>At 31 March 2009</b>										
Cost / valuation	874,769,799	463,746,894	395,738,349	6,251,385	1,101,522	170,789,896	31,689,738	4,959,466	9,756,425	1,958,803,474
Accumulated depreciation	-	(125,523,198)	(341,171,665)	(4,227,016)	(197,939)	(41,547,412)	-	(4,259,418)	(5,315,128)	(522,241,776)
Net book amount	874,769,799	338,223,695	54,566,684	2,024,370	903,584	129,242,484	31,689,738	700,048	4,441,297	1,436,561,698
<b>Year ended 31 March 2010</b>										
Opening net book amount	874,769,799	338,223,695	54,566,684	2,024,370	903,584	129,242,484	31,689,738	700,048	4,441,297	1,436,561,698
Adjustments	-	-	-	-	-	-	-	-	-	-
Additions	2,724,874	8,448,541	855,645	3,440,320	2,976,999	-	108,864,051	480,626	-	127,791,056
Disposals	(1,686,454)	-	-	-	-	-	-	-	-	-
Transfers	-	70,576,707	29,657,336	-	-	13,516,714	(113,750,757)	-	-	(0)
Depreciation charge	-	(31,919,265)	(20,181,267)	(1,350,181)	(272,377)	(20,476,975)	-	(254,838)	(1,232,952)	(75,687,855)
Exchange equalization difference	(100,054,672)	(41,354,852)	(6,828,053)	(350,869)	(257,872)	(14,375,950)	(3,343,167)	(92,928)	(437,217)	(167,085,580)
Closing net book amount	775,753,547	343,974,826	58,070,345	3,763,639	3,350,333	107,906,274	23,459,866	832,908	2,771,128	1,319,882,865
<b>At 31 March 2010</b>										
Cost / valuation	775,753,547	485,244,325	379,270,329	8,760,474	3,782,454	164,010,991	23,459,866	4,845,702	8,641,164	1,853,788,853
Accumulated depreciation	-	(141,269,499)	(321,199,984)	(5,016,835)	(432,121)	(56,104,718)	-	(4,012,795)	(5,870,936)	(533,905,988)
Net book amount	775,753,547	343,974,826	58,070,345	3,763,639	3,350,333	107,906,274	23,459,866	832,908	2,771,128	1,319,882,865



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 11 Property, plant and equipment (contd)

(b) Capital work-in-progress at 31 March 2010 represents the following:

	2010	2009
Refurbishment work		
- Trincomalee	5,878,021	11,503,404
- Retail outlets	19,003,980	17,291,032
- Exchange translation loss	(1,422,136)	2,895,302
	<b>23,459,865</b>	<b>31,689,738</b>

(c) Valuation of land

The lands belonging to the retail outlets were valued on 1 May 2004 by professional independent valuers. The revaluation surplus of Rs 395,745,986 was credited against the goodwill recognised at the time of acquisition as permitted by SLAS 25 (Business Combinations).

If land was stated on a historical cost basis, the amount would be as follows :

	2010	2009
Cost	525,975,490	525,975,490
Accumulated depreciation	Nil	Nil
Disposal	(1,981,501)	Nil
Translation difference	(103,512,619)	(49,869,610)
<b>Net book amount</b>	<b>420,481,370</b>	<b>476,105,880</b>

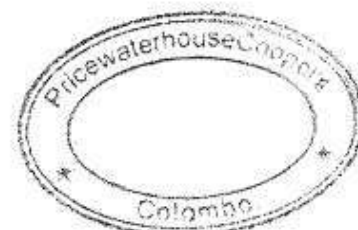
There are fully depreciated assets as at the balance sheet date amounting to INR 310,162,257 (2009- INR 81,721,015).

### 12 Investment

#### Long term investment

- (i) Lanka IOC PLC owns 1/3rd share of Ceylon Petroleum Storage Terminal Limited (CPSTL), also known as the "Common User Facility" (CUF).
- (ii) The Company paid US\$ 45 million to Ceylon Petroleum Corporation on 22 January 2004 to obtain 1/3 ownership of CPSTL (250,000,000 equity shares).

	2010	2009
At the beginning of the year	1,951,501,155	1,624,759,651
Translation difference	(223,076,955)	326,741,504
<b>Closing net book amount</b>	<b>1,728,424,200</b>	<b>1,951,501,155</b>



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 13 Goodwill

Goodwill is due to the excess of purchase consideration paid to the Government of Sri Lanka and Ceylon Petroleum Corporation over the net assets value representing applicable shares allotted in the acquisition of the retail outlets.

	2010	2009
Opening balance	299,287,874	249,177,850
Translation difference	(34,211,729)	50,110,024
<b>Closing balance</b>	<b>265,076,145</b>	<b>299,287,874</b>

Accumulated amortisation as at the balance sheet date amounted to INR 37,937,900.

### 14 Inventories

	2010	2009
Petroleum products	1,186,712,042	4,377,518,543
Lubricants	80,897,582	105,193,632
Base oil and other raw materials	83,540,960	231,419,576
	<b>1,351,150,584</b>	<b>4,714,131,751</b>

### 15 Receivables and prepayments

	2010	2009
Trade receivables	356,709,960	101,679,020
VAT receivables	352,335,311	58,220,142
Other receivables	1,036,619,837	263,038,841
Deposits	2,726,364	2,287,464
Advances	29,402,494	36,235,304
Prepayments	10,111,907	13,176,171
Amount due from related companies (Note 24)	78,008,673	Nil
	<b>1,865,914,545</b>	<b>474,636,942</b>

The other receivables includes income tax receivable of INR 123 million.

This amount paid as income tax on assessment issued by the Inland Revenue Department is included as receivable as the Company is of the opinion that the amount will be refunded.

### 16 Cash and cash equivalents

	2010	2009
Cash and bank balances	426,862,682	208,047,747
<b>At end of year</b>	<b>426,862,682</b>	<b>208,047,747</b>

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2010	2009
Cash and bank balances	426,862,682	208,047,747
Bank overdrafts (Note 20)	(140,894,481)	(393,167,285)
	<b>285,968,202</b>	<b>(185,119,538)</b>



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 17 Stated Capital

	Number of shares	Stated Capital	Total
At 31 March 2009	532,465,700	3,464,244,597	3,464,244,597
At 31 March 2010	532,465,700	3,464,244,597	3,464,244,597

### 18 Retirement benefit obligations

The amounts recognised in the balance sheet are determined as follows:

	2010	2009
Present value of unfunded obligation	19,315,702	11,768,018
<b>Balance recognised in the financial statements</b>	<b>18,211,709</b>	<b>11,768,018</b>

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

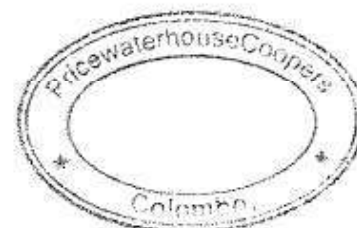
	2010	2009
At 1 April 2010	11,768,018	17,151,074
Current service cost	1,275,938	701,207
Interest cost	1,326,557	Nil
Net actuarial loss	8,230,932	Nil
Transitional adjustment	Nil	(7,821,258)
Benefits paid	(2,572,366)	(905,169)
Translation difference	(1,817,370)	2,642,164
<b>At 31 March 2010</b>	<b>18,211,709</b>	<b>11,768,018</b>

The amounts recognised in the income statement are as follows:

	2010	2009
Current service cost	1,275,938	701,207
Interest cost	1,326,557	Nil
Net actuarial loss recognized immediately	8,230,932	Nil
Transitional adjustment	Nil	(7,821,258)
<b>Total included in the staff cost</b>	<b>10,833,427</b>	<b>(7,120,051)</b>

The principal actuarial assumptions used were as follows.

	2010	2009
Discount rate	11%	12%
Staff turnover	10%	10%
Retiring age	60 years	60 years
Future salary increases	4-7% per annum	2-4% per annum



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 19 Trade and other payables

	2010	2009
Trade payables	1,208,787,850	1,630,976,419
Amount due to related companies (Note 24)	99,090,576	686,297,937
Accrued expenses	68,204,566	82,415,605
Other payables	2,844,893	259,939,657
	<b>1,378,927,885</b>	<b>2,659,629,618</b>

### 20 Borrowings

	2010	2009
<b>Current</b>		
Short term loans	2,177,853,299	2,118,490,657
Bank overdrafts	140,894,481	393,167,285
<b>Total borrowings</b>	<b>2,318,747,779</b>	<b>2,511,657,942</b>

The short term loans and bank overdrafts are unsecured except for the loans from State Bank of India - Sri Lanka Branch and State Bank of India - Singapore Branch amounting to INR 380,320,985 and INR 1,346,294,548. These two loans are secured against mortgage over trading stock held at Kollonnawa, Trincomalee and Muthurajawela terminals.

The interest rates are as follows:

	Interest rates
Short term loans	LIBOR + Margin
Bank overdrafts	LIBOR + Margin

### 21 Contingent liabilities

There were no material contingent liabilities at the balance sheet date.

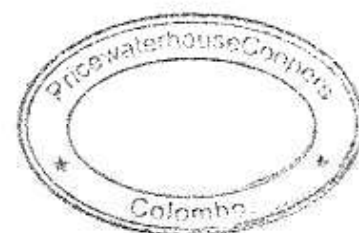
### 22 Commitments

#### (a) Financial commitments

The company has a commitment to pay USD 100,000 per annum to Government of Sri Lanka as leased rental for storage tanks at Trincomalee used by the company. There were no other material financial commitments as at the balance sheet date.

#### (b) Capital commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to INR 39.3 million.



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 23 Cash generated from / (used in) operations

Reconciliation of loss before tax to cash generated from / (used in) operations:

	2010	2009
Loss before tax	(165,581,495)	(445,413,839)
Adjustments :		
Depreciation (Note 11)	75,687,855	67,843,407
Adjustments to property, plant and equipment	Nil	3,251,847
Interest income (Note 8)	(31,650,021)	(166,198,878)
Loss on disposal of property, plant and equipment	1,413,967	2,421
Write back of disallowed input VAT provision	(242,743,045)	Nil
Interest expense (Note 8)	146,104,417	99,769,849
Exchange losses / (gains) on property, plant and equipment	167,095,580	(240,519,542)
Exchange translation (gains) / losses	(455,976,400)	757,757,455
Changes in working capital		
- Increase in receivables and prepayments	(1,070,525,886)	(272,007,541)
- Decrease / (increase) in inventories	3,362,981,167	(1,567,087,013)
- Decrease in trade and other payables	(1,358,710,406)	(924,260,174)
Provision for retirement benefit obligations (Note 18)	10,833,427	(7,120,051)
<b>Cash generated from / (used in) operations</b>	<b>438,929,160</b>	<b>(2,693,982,060)</b>

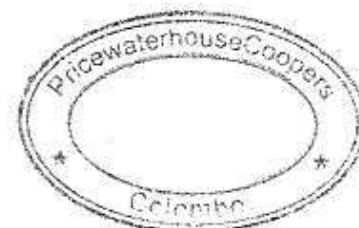
### 24 Directors' interests in contracts with the Company

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

Mr K R Suresh Kumar, Managing Director, Mr T C A Satagopan - Senior Vice President (Finance) and Mr V Sakthivel - Senior Vice President (Lubricant Marketing and Production) were directors of Ceylon Petroleum Storage Terminal Limited (CPSTL) as at 31 March 2010.

The following transactions were carried out with related parties :

	2010	2009
<b>Sales / purchases of goods and services</b>		
Indian Oil Corporation Limited		
- Petroleum products	76,448,887	368,332,103
- Others	1,313,213,665	98,335,477
Ceylon Petroleum Storage Terminal Limited	368,323,216	505,311,952
F J & G De Saram	Nil	911,673



# LANKA IOC PLC

## Notes to the financial statements (contd)

### 24 Directors' interests in contracts with the Company (contd)

	2010	2009
<b>Outstanding balances arising from purchases of goods and services</b>		
<b>Amounts due to related companies</b>		
Indian Oil Corporation Limited - Petroleum products	19,000,302	307,405,312
Indian Oil Corporation Limited - Others	80,120,948	287,379,698
Ceylon Petroleum Storage Terminal Limited (CPSTL)	Nil	78,040,905
Exchange difference	(30,674)	13,472,022
	<b>99,090,576</b>	<b>686,297,937</b>
<b>Amounts due from related companies</b>		
Ceylon Petroleum Storage Terminal Limited (CPSTL)	78,008,673	Nil

### 25 Related party transactions

There were no related parties or related party transactions other than those disclosed in Note 24 to the financial statements.

### 26 Post balance sheet events

No events have occurred since the balance sheet date which should require adjustments to or disclosures in the financial statements.

