KPMG

IOCL Singapore Pte. Ltd. and its subsidiary
Registration Number: 201613003E

Special Purpose Financial Information
Year ended 31 March 2019

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KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statements of financial position – Group and Company
As at 31 March 2019

	Note	Group		Company	
		2019 US$	2018* US$	2019 US$	2018 US$
Non-current assets					
Investment in joint ventures	4	1,048,148,973	1,129,058,224	1,048,148,973	1,129,058,224
Investment in subsidiary	5	–	–	329,000,000	–
Financial assets, at FVOCI	6	20,002,017	–	20,002,017	–
Office equipment and furniture		25,654	31,967	25,654	31,967
Intangible assets	7	209,066,125	–	–	–
Tangible assets	8	189,316,000	–	–	–
Loan receivable from joint ventures	27	–	20,923,638	–	20,923,638
Other assets	11	–	52,038	–	52,038
		1,466,558,769	1,150,065,867	1,397,176,644	1,150,065,867
Current assets					
Trade receivable from holding company	27	64,277,097	65,579,207	64,277,097	65,579,207
Trade receivable from third parties	9	21,472,874	–	21,472,874	–
Loan receivable from joint ventures	27	28,151,142	29,065,940	28,151,142	29,065,940
Inventory	10	42,287,000	–	–	–
Other assets	11	3,474,034	113,065	147,916	113,065
Other financial assets	12	52,539,495	–	–	–
Cash and cash equivalents	13	80,492,969	16,097,388	23,516,969	16,097,388
		292,694,611	110,855,600	137,565,998	110,855,600
Total assets		1,759,253,380	1,260,921,467	1,534,742,642	1,260,921,467
Equity					
Share capital	14	1,079,991,988	730,990,970	1,079,991,988	730,990,970
Retained earnings		158,403,965	56,366,912	145,580,534	56,366,912
Other reserves		(75,133,577)	110,701,729	(75,133,577)	110,701,729
		1,163,262,376	898,059,611	1,150,438,945	898,059,611
Non-current liabilities					
Borrowings	15	297,234,791	296,313,895	297,234,791	296,313,895
Provisions	16	128,582,695	–	–	–
Deferred tax liability	18	64,157,000	–	–	–
		489,974,486	296,313,895	297,234,791	296,313,895
Current liabilities					
Trade and other payables	17	105,794,690	66,547,961	86,847,078	66,547,961
Income tax payable		221,828	–	221,828	–
		106,016,518	66,547,961	87,068,906	66,547,961
Total liabilities		595,991,004	362,861,856	384,303,697	362,861,856
Total equity and liabilities		1,759,253,380	1,260,921,467	1,534,742,642	1,260,921,467

The accompanying notes form an integral part of these financial statements.

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Statements of financial position – Group and Company (cont'd)
As at 31 March 2019

* For financial year ended 2018, there is no difference in the Group (IOCL Singapore and subsidiary) and the Company financial numbers as the Company has its first set of consolidated financial statements for the Group due to acquisition of a subsidiary.

Tan Tow Siang
Director

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David Stone
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David John Stone
Director

[Date of signing]

02 MAY 2019

The accompanying notes form an integral part of these financial statements.

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Consolidated statement of comprehensive income
Year ended 31 March 2019

	Note	2019 US$	2018* US$
Revenue – sale of goods	19	1,229,330,969	262,736,629
Cost of sales:			
Purchases	20	(1,007,699,034)	(262,313,522)
Exploration and production expenses	20	(90,846,959)	–
Depreciation	22	(15,168,000)	–
Gross profit		115,616,976	423,107
Share in profit of joint ventures	4	99,325,955	51,171,848
Interest income from banks and related parties		2,420,366	682,611
Other income	21	160,613	5,092
Expenses:			
- Depreciation and depletion expense	22	(23,045,426)	(3,818)
- Other operating expenses	20	(2,983,885)	(686,895)
- Finance costs	23	(12,548,718)	(7,769,522)
Profit before tax		178,945,881	43,822,423
Tax expense	25	(76,908,828)	–
Profit after tax		102,037,053	43,822,423
Other comprehensive income			
Item that are or may be reclassified subsequently to profit or loss			
Share of other comprehensive (loss)/income of joint ventures		(185,835,306)	75,828,842
Total other comprehensive (loss)/income, net of tax		(185,835,306)	75,828,842
Total comprehensive (loss)/income for the year		(83,798,253)	119,651,265

* For financial year ended 2018, there is no difference in the Group (IOCL Singapore and subsidiary) and Company financial numbers as the Company has its first set of consolidated financial statements for the Group due to acquisition of a subsidiary.

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The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity
Year ended 31 March 2019

	Share capital US$	Retained earnings US$	Other reserves* US$	Total equity US$
At 1 April 2017	712,758,450	12,544,489	34,872,887	760,175,826
Profit for the year	–	43,822,423	–	43,822,423
Other comprehensive income				
Foreign currency translation reserve of equity-accounted investees	–	–	75,828,842	75,828,842
Total other comprehensive income	–	–	75,828,842	75,828,842
Total comprehensive income for the period	–	43,822,423	75,828,842	119,651,265
Transactions with owners, recognised directly in equity				
Contributions by and distributions to owners				
Issue of shares	18,232,520	–	–	18,232,520
Total contributions by owners of the Group	18,232,520	–	–	18,232,520
At 31 March 2018	730,990,970	56,366,912	110,701,729	898,059,611
At 1 April 2018	730,990,970	56,366,912	110,701,729	898,059,611
Profit for the year	–	102,037,053	–	102,037,053
Other comprehensive income				
Foreign currency translation reserve of equity-accounted investees	–	–	(185,835,306)	(185,835,306)
Total other comprehensive income	–	–	(185,835,306)	(185,835,306)
Total comprehensive income for the period	–	102,037,053	(185,835,306)	(83,798,253)
Transactions with owners, recognised directly in equity				
Contributions by and distributions to owners				
Issue of shares	349,001,018	–	–	349,001,018
Total contributions by owners of the Group	349,001,018	–	–	349,001,018
At 31 March 2019	1,079,991,988	158,403,965	(75,133,577)	1,163,262,376

*Other reserves pertain to the Group's share of currency translation reserve from investment in joint ventures

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Consolidated statement of cash flows
Year ended 31 March 2019

	2019 US$	2018 US$
Cash flows from operating activities		
Profit for the year	102,037,053	43,822,423
Adjustments for:		
- Share in profit of joint ventures	(99,325,955)	(51,171,848)
- Depreciation expense	15,175,454	3,818
- Depletion expense	23,037,972	–
- Interest expense	8,942,068	6,052,182
- Income tax expense	76,908,828	–
- Amortisation of facilities fees	942,295	920,895
- Interest income	(1,455,788)	(682,611)
- Interest on unwinding discount	1,774,800	–
- Guarantee fees, commitment fees and bank charges	889,555	796,445
	128,926,282	(258,696)
Changes in working capital:		
- Other assets	39,484,486	(121,556)
- Other financial assets	(52,539,494)	–
- Inventory	2,113,000	–
- Trade receivables from holding company	1,302,110	(65,579,207)
- Trade receivables from third parties	(21,472,874)	–
- Provisions	5,508,895	–
- Trade and other payables	8,454,478	65,296,708
Cash from/(used in) operating activities	111,776,883	(662,751)
- Income tax paid	(28,330,000)	–
Net cash from/(used in) operating activities	83,446,883	(662,751)
Cash flows from investing activities		
Investment in joint ventures	(5,600,100)	–
Acquisition of subsidiary, net	(294,900,000)	–
Purchase of financial assets, at FVOCI	(20,002,017)	–
Dividends received from joint venture	–	27,470,000
Repayment of loan from joint ventures	22,780,000	(23,553,756)
Additions to tangible assets	(62,511,000)	–
Disposals of tangible assets	646,000	–
Interest received	475,311	682,611
Additions to office equipment and furniture	(1,141)	(35,785)
Net cash (used in)/from investing activities	(359,112,947)	4,563,070
Cash flows from financing activities		
Proceeds from shares issuance	349,001,018	18,232,520
Interest paid	(8,810,235)	(6,002,110)
Bank charges and commitment fees paid	(129,138)	(36,028)
Net cash from financing activities	340,061,645	12,194,382
Net increase in cash and cash equivalents	64,395,581	16,094,701
Cash and cash equivalents at 1 April	16,097,388	2,687
Cash and cash equivalents at 31 March	80,492,969	16,097,388

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 2 May 2019.

1 Incorporation and principal activities

IOCL Singapore Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore and has its registered office at 8 Cross Street, #24-03/04, Manulife Tower, Singapore 048424.

The financial statements of the Group as at and for the financial year ended 31 March 2019 comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group entities" and the Group's interest in equity-accounted investees.

The Group's principal activities are investment holding and trading of crude oil. The Group's immediate holding company is Indian Oil Corporation Limited, which is incorporated in India.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRS").

This is the first set of the Company's annual financial statements in which FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise disclosed in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in United States ("US") dollars (unless otherwise stated), which is the Company's functional currency.

2.4 Use of judgements and estimates

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 – Investment in Joint Ventures.
- Note 5 – Investment in subsidiary
- Note 8 – Tangible assets
- Note 16 – Provisions
- Note 28 – Business combinations

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes an independent third party valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of the Group.

The independent third party valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the independent third party valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Board of Director.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- ***Level 1***: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ***Level 2***: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ***Level 3***: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in accounting policies

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 April 2018:

- FRS 115 *Revenue from Contracts with Customers*; and
- FRS 109 *Financial Instruments*.

The adoption of these FRSs did not have a material effect on the Group's financial statements.

FRS 115 *Revenue from Contracts with Customers*

The Group has adopted the new standard using the modified retrospective approach with the cumulative impact of the adoption recognised in the opening retained earnings at 1 April 2018. Comparative information for 2018 are not restated.

As the primary income of the Group is from investment holdings, the adoption of FRS 115 has no material impact to the Group's previously adopted accounting policies.

FRS 109 *Financial Instruments*

Classification and measurement of financial assets

The Group has adopted the new standard retrospectively from 1 April 2018, in line with the transition provision permitted under the standards. Comparatives for financial year ended 2018 are not restated and the Group has recognised any difference between the carrying amounts at 31 March 2018 and 1 April 2018 in the opening retained earnings.

For financial assets held by the Group on 1 April 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under FRS 109. There is no impact on classification of financial assets and liabilities other than the change from loans and receivables to financial assets at amortised cost. There is no change in the measurement of the financial assets between these two classifications.

The accounting policies for financial instruments under FRS 109 are disclosed in Note 3.8.

Impairment of financial assets

The Group has the following financial assets classified under financial assets at amortised cost are subjected to the expected credit loss impairment model under FRS 109:

- Cash and cash equivalents, including Fixed deposits
- Other assets
- Other financial assets
- Trade receivables from holding company
- Trade receivables from third parties; and
- Loan receivable from joint venture.

The impairment methodology for each of these classes of financial assets under FRS 109 are different as disclosed in Note 3.8 and Note 29.

At 1 April 2018 on adoption of FRS 109, no additional impairment allowances was recognised.

3 Significant accounting policies

3.1 Basis of consolidation

(i) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. It is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its investments in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Joint operations

The Group's exploration, development and production activities are generally conducted in joint arrangements with other companies. The Group recognises its assets and liabilities relating to its interests in joint operations, including its share of assets held jointly and liabilities incurred jointly with other parties.

The production sharing agreements (PSA) binds the participating parties for the entitlement in the produced oil (usually in proportion to each party's equity interest). Under this, parties take their shares of output in a given period which are different from their entitlement. This results in under liftment/over liftment.

The under/over liftment quantity is valued at Official Selling Price (OSP) published by Ministry of Oil & Gas (MOG), Oman less Quality adjusted price. The adjustment towards these under/over liftment is recognised against cost of sales in P/L account.

(v) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) **Subsidiaries, associates and joint ventures in the separate financial statements**

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss as net foreign exchange gain or losses, except for the differences arising on the retranslation of financial instruments at fair value through profit or loss ("FVTPL"), which are recognised as a component of net gain or loss from financial instruments at FVTPL.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States Dollars (USD) at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States Dollars (USD) at average exchange rates for the reporting period.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 Intangible assets

Mineral rights is initially recognised at cost and is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset is amortised based on unit of production method over proved developed reserves of the field.

3.4 Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its extended use. A review for the potential impairment of a fixed asset id carried out if events or changes in circumstances indicate that the carrying of a fixed asset may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating united based on separately identifiable and largely independent cash inflows. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of a fixed asset increases because of a change in economic conditions or in the extended use of the asset, the resulting reversal of the impairment loss is recognised in the current year to the extent that it increases the carrying amount of the fixed asset up to the amount it would have been had the original impairment not occurred.

Depreciation and impairment are not normally charged on assets under construction or on freehold land. In the case of these assets, an impairment review would only be undertaken if, and only if, there was a change in circumstances indicating that the carrying amount of the asset may not be recoverable.

The Group's share of General Property is depreciated on straight-line basis over a period of five years. The depletion for development cost of Facilities is being calculated under the unit of production method over proved developed reserves of the field.

Changes in estimates are accounted for prospectively over the remaining reserves of the field.

Depreciation is provided n the following basis:

General property	-	Over a period of five years straight line basis
Development costs well	-	Unit of production method over proved developed reserves of the field
Development costs facilities	-	Unit of production method over proved developed reserves of the field
Assets under construction	-	Not depreciated

3.5 Exploration, appraisal and development costs

Exploration and appraisal costs are accounted for under the successful efforts method.

Exploration costs are charged to profit or loss when incurred, except that exploratory drilling costs are included in tangible fixed assets, pending determination of proved reserves. Exploration wells that are more than 12 months old are expensed unless:

- they are in an area requiring major capital expenditure before production can begin and
- they have found commercially producible quantities of reserves and
- they are subject to further exploratory or appraisal activity in that either drilling of additional exploratory wells is under way or firmly planned for the near future, or
- proved reserves are booked within 12 months following the completion of exploratory drilling.

3.6 Decommissioning and restoration costs

The Group follows the requirements of IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*". The total estimated cost of decommissioning and restoration, discounted to its net present value, is provided for and also recognised as a cost of each field, onshore terminal or main trunkline and capitalised within tangible fixed assets. The capitalised cost is amortised over the life of the field on a unit-of-production basis for offshore facilities and on a straight-line basis for onshore terminals and main trunklines. The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates result in an equal and opposite movement in the provision and the associated asset. If a decrease in the provision exceeds the asset's carrying amount, the excess is recognised in the profit and loss. Changes in estimates of assets are depreciated prospectively over the remaining reserves of the field or the remaining life of the onshore terminal or pipeline as appropriate.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.8 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets

Trade receivables and Accrued income are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at amortised cost or FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 April 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 April 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 April 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investment at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial assets – Policy applicable before 1 April 2018

The Company classifies non-derivative financial assets into the category of loans and receivables.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 April 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, other assets, trade receivables from holding company, trade receivables from third parties and loan receivable from joint venture.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised trade and other payables and borrowings.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.9 Office equipment and furniture

(i) Recognition and measurement

Items of office equipment and furniture are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of office equipment and furniture.

The gain or loss on disposal of an item of office equipment and furniture is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of office equipment and furniture are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of office equipment and furniture, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the office equipment and furniture are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

• Office equipment	3 – 6 years
• Furniture	6 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.10 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 April 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 April 2018

A financial asset not carried at FVTPL, including an interest in an associate, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline1 in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.12 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.13 Revenue recognition

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

Revenue may be recognised at a point in time following the timing of satisfaction of the PO.

Turnover represents amounts receivable (excluding value added tax) for sales of crude oil and refined products, for the supply of related services, and income from the trading of open contracts in respect of crude oil and refined products.

The income tax assumed and paid to the Government of Oman is considered as a tax expense with the corresponding receipt being treated as income and included in other allocated revenue.

The compensation payable to the non-Mukhaizna partners in respect of the blending of the Mukhaizna oil in the Main Oil Line in Oman results in a reduced sales price.

3.14 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, such reductions are reversed when the probability of future tax profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred taxes reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such a determination is made.

3.15 Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.16 Borrowing costs

Borrowing costs that are attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit or loss.

3.17 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 April 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning after 1 April 2019:

Applicable to 2020 financial statements

- FRS 116 *Leases; and*
- INT FRS 123 *Uncertainty over Income Tax Treatments.*

The Group has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. The Group's assessment of FRS 116, which is expected to have a more significant impact on the Group, is as described below.

FRS 116

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted.

The Group plans to apply FRS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

No significant impact is expected for the Group's operating leases. The Group does not expect the adoption of FRS 116 to impact its ability to comply with the revised maximum leverage threshold loan covenant.

4 Investment in joint ventures

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
At beginning of year	1,129,058,224	1,055,963,356	1,129,058,224	1,055,963,356
Share in profit	99,325,955	51,171,848	99,325,955	51,171,848
Share in other comprehensive (loss)/income	(185,835,306)	75,828,842	(185,835,306)	75,828,842
Additions to joint venture	5,600,100	–	5,600,100	–
Contribution to joint venture through interest-free loan	–	2,630,118	–	2,630,118
Dividends received	–	(27,470,000)	–	(27,470,000)
Reclassification to loan to joint venture	–	(29,065,940)	–	(29,065,940)
At 31 March	1,048,148,973	1,129,058,224	1,048,148,973	1,129,058,224

On 20 May 2016 and 23 May 2016, the Company entered into joint venture agreements with OIL India International Pte. Ltd. and BPRL International Singapore Pte. Ltd. to invest in two joint ventures.

On 12 February 2019, the Company in consortium with BPRL International Singapore Pte. Ltd. incorporated a new joint venture named Urja Bharat Pte Limited. The Company holds 50% of the share capital of said joint venture. Further, on 24 March 2019, Urja Bharat Pte. Limited has been awarded an exploration concession for Abu Dhabi Onshore Block 1 with a concession term of 35 years. The total consideration paid in respect of exploration activities in above block is USD 5,600,100.

Details of the joint ventures are as follows:

Name of joint venture	Principal activity	Country of incorporation/ Principal place of business	Percentage of equity interest 2019 %	2018 %
Directly held				
TAAS India Pte. Ltd. ("Taas India")*	Investment Holding	Singapore	33.5	33.5
Vankor India Pte. Ltd. ("Vankor India")*	Investment Holding	Singapore	33.5	33.5
Urja Bharat Pte. Limited	Extraction of oil and gas	Singapore	50	–

** KPMG LLP is the auditor of the joint ventures held by the Company.*

The Company has a residual interest in Taas India Pte. Ltd.'s and Vankor India Pte. Ltd's net assets. Accordingly, the Company has classified its interest in the investments as joint venture, which are equity-accounted.

Name of investee company	Principal activity	Country of incorporation/ Principal place of business	Percentage of effective equity interest 2019 %	2018 %
Indirectly held				
Held by Taas India: TYNGD LLC *	Oil production and exploration	Russian Federation	10.0	10.0
Held by Vankor India: JSC Vankorneft *	Oil production and exploration	Russian Federation	8.0	8.0

* *LLC Ernst and Young is the auditor of the investee companies held by the joint ventures.*

The Company has commitment to support Taas India for providing additional capital and financing of operating expenditures of TYNGD LLC in case it has a liquidity deficit. There is no such commitment provided to Vankor India as it is an operating company.

The following summarises the financial information of the Company's joint ventures based on the audited financial statements as at and for year ended 31 December 2018 prepared in accordance with FRS and modified for differences for alignment to the Company's accounting policies. No reliable financial information with respect of joint ventures was available for the period from 1 January to 31 March 2019. Management has assessed the movements for this period in the amounts of balances and transactions based on management accounts, changes in the business environment and any potential impairment indicators. As a result, management has concluded that no significant adjustment of share in net result of joint ventures is required.

Summarised financial information of joint ventures

Summarised balance sheet

	Taas India 31 December 2018 US$	Vankor India 31 December 2018 US$	Total 31 December 2018 US$
Current assets	56,336,046	326,613,054	382,949,100
Includes:			
- Cash and short-term deposits	56,132,577	326,474,274	382,606,851
- Other assets	203,469	138,780	342,249
Non-current assets	1,182,401,263	1,632,702,128	2,815,103,391
Current liabilities	(257,090)	(20,439,956)	(20,697,046)
Non-current liabilities	(65,269,260)	–	(65,269,260)

	Taas India 31 December 2017 US$	Vankor India 31 December 2017 US$	Total 31 December 2017 US$
Current assets	652,715	124,441,797	125,094,512
Includes:			
- Cash and short-term deposits	652,715	124,424,456	125,077,171
Other assets	–	17,341	17,341
Non-current assets	1,408,737,090	2,005,484,304	3,414,221,394
Current liabilities	(231,968)	(87,319,816)	(87,551,784)
Non-current liabilities	(81,441,065)	–	(81,441,065)

Summarised statement of comprehensive income

	Taas India 31 December 2018 US$	Vankor India 31 December 2018 US$	Total 31 December 2018 US$
Share in profit of joint venture/associate	81,495,726	233,964,802	315,460,528
Interest income from banks and related parties	310,123	6,567,126	6,877,249
Other gain/(loss)	1,100,667	(3,940,893)	(2,840,226)
Expenses	(7,994,326)	(13,904,758)	(21,899,084)
Profit before tax	74,912,190	222,686,277	297,598,467
Income tax expense	(26,330)	(1,076,750)	(1,103,080)
Profit for the year	74,885,860	221,609,527	296,495,387
Other comprehensive loss	(229,391,673)	(325,340,586)	(554,732,259)
Total comprehensive loss	(154,505,813)	(103,731,059)	(258,236,872)

	Taas India 31 December 2017 US$	Vankor India 31 December 2017 US$	Total 31 December 2017 US$
Share in (loss)/profit of joint venture/associate	(21,071,399)	186,515,451	165,444,052
Interest income from banks and related parties	–	1,434,868	1,434,868
Other gain	2,061	641,748	643,809
Expenses	(1,773,134)	(12,780,250)	(14,553,384)
(Loss)/profit before tax	(22,842,472)	175,811,817	152,969,345
Income tax expense	–	(217,560)	(217,560)
(Loss)/profit for the year	(22,842,472)	175,594,257	152,751,785
Other comprehensive income	103,145,784	123,208,968	226,354,752
Total comprehensive income	80,303,312	298,803,225	379,106,537

Reconciliation of summarised financial information

	Taas India 31 December 2018 US$	Vankor India 31 December 2018 US$	Total 31 December 2018 US$
Net assets attributable to equity holders			
At 1 January 2018	1,327,716,772	2,042,606,285	3,370,323,057
Profit for the year	74,885,860	221,609,527	296,495,387
Other comprehensive loss for the year	(229,391,673)	(325,340,586)	(554,732,259)
At 31 December 2018	1,173,210,959	1,938,875,226	3,112,086,185
At 31 December 2018 – Carrying value			
Interest in joint venture (33.5%; 33.5%)			
Carrying value	393,025,672	649,523,201	1,042,548,873*

	Taas India 31 December 2017 US$	Vankor India 31 December 2017 US$	Total 31 December 2017 US$
Net assets attributable to equity holders			
At 1 January 2017	1,239,562,360	1,912,567,060	3,152,129,420
(Loss)/profit for the year	(22,842,472)	175,594,257	152,751,785
Other comprehensive income for the year	103,145,784	123,208,968	226,354,752
Dividends paid	–	(82,000,000)	(82,000,000)
Contribution from shareholders	7,851,100	–	7,851,100
Reclassification to loan from shareholder	–	(86,764,000)	(86,764,000)
At 31 December 2017	1,327,716,772	2,042,606,285	3,370,323,057
At 31 December 2017 – Carrying value			
Interest in joint venture (33.5%; 33.5%)			
Carrying value	444,785,119	684,273,105	1,129,058,224

* *The Company has invested 5,600,100 in Urja Bharat in March 2019. The summarised financial statements of the investee is not available as the investee's first financial year end is 31 December 2019.*

5 Investment in subsidiary

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Equity investment at cost				
At beginning of year	–	–	–	–
Addition during the year	–	–	329,000,000	–
At 31 March	–	–	329,000,000	–

Name of subsidiary	Principal activity	Country of incorporation/ Principal place of business	Percentage of equity interest 2019 %	2018 %
Directly held				
IOCL Exploration and Production Oman Limited (formerly known as Shell Exploration and Production Oman Limited)	Exploration and Production of Oil and Gas	United Kingdom	100	–

On 5th April 2018, the Company entered into an agreement with Shell Overseas Holding Ltd (Seller) to acquire 17% participating interest in the Mukhaizna Oil Field, Oman by acquiring 100% of the share capital in Shell Exploration and Production Oman Limited (SEPOL) and subsequently, the name of SEPOL changed to IOCL Exploration and Production Oman Limited (IEPOL) The acquisition was financed through issuance of shares to the immediate holding company.

6 Financial asset, at FVOCI

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Unquoted equity investment, at FVOCI				
At beginning of year	–	–	–	–
Addition during the year	20,002,017	–	20,002,017	–
At 31 March	20,002,017	–	20,002,017	–

During the financial year, the Company acquired minority stake in Lanzatech New Zealand Limited for a total consideration of USD 20,002,017.

7 Intangible assets

	Mineral rights US$	Total US$
Cost		
At 1 April 2018	–	–
Additions	232,104,097	232,104,097
At 31 March 2019	232,104,097	232,104,097
Accumulated depletion		
At 1 April 2018	–	–
Depletion charge for the year	23,037,972	23,037,972
At 31 March 2019	23,037,972	23,037,972
Net book value		
31 March 2019	209,066,125	209,066,125

8 Tangible assets

	General property US$	Development costs well US$	Development cost facilities US$	Assets under construction US$	Total US$
Cost					
At 1 April 2018	–	–	–	–	–
Effects of acquisition of subsidiary on 5 April 2018	913,000	104,876,000	15,718,000	21,112,000	142,619,000
Additions	387,000	47,647,000	102,000	14,375,000	62,511,000
Decapitalisation of Seismic cost	–	–	(646,000)	–	(646,000)
Transfers	–	–	18,940,000	(18,940,000)	–
At 31 March 2019	1,300,000	152,523,000	34,114,000	16,547,000	204,484,000
Accumulated depreciation					
At 1 April 2018	–	–	–	–	–
Effects of acquisition of subsidiary on 5 April 2018	–	–	–	–	–
Charge for the year	455,000	12,930,000	1,783,000	–	15,168,000
At 31 March 2019	455,000	12,930,000	1,783,000	–	15,168,000
Net book value					
31 March 2019	845,000	139,593,000	32,331,000	16,547,000	189,316,000

9 Trade receivables from third parties

The trade receivables from third parties are due within 30 days for March 2019 sales.

10 Inventory

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Finished goods and goods for resale	42,287,000	–	–	–

11 Other assets

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Non-current				
Deposits for office rental	–	52,038	–	52,038
Current				
Prepaid rental	56,965	53,154	56,965	53,154
Prepayments	3,283,511	–	–	–
Deposits for office rental	52,038	–	52,038	–
Other receivables	81,520	59,911	38,913	59,911
	3,474,034	113,065	147,916	113,065

12 Other financial assets

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Accrued income sales	19,205,101	–	–	–
Other receivables	33,334,394	–	–	–
	52,539,495	–	–	–

The other financial assets are classified as financial assets measured at amortised cost.

Included in other receivables are US$ 32,586,612 which are due to the difference between the financial year ends of the Company and its subsidiary.

13 Cash and cash equivalents

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Current				
Cash at bank	43,492,969	497,388	23,516,969	497,388
Fixed deposits	37,000,000	15,600,000	–	15,600,000
	80,492,969	16,097,388	23,516,969	16,097,388

14 Share capital

	2019 Ordinary shares No. of shares	2018 Ordinary shares No. of shares
At 1 April	730,990,970	712,758,450
Issued during the year	349,001,018	18,232,520
At 31 March	1,079,991,988	730,990,970

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital base to support its business and maximise shareholders' value.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

15 Borrowings

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Non-current				
Borrowings	297,234,791	296,313,895	297,234,791	296,313,895
Represented by:				
- Bank borrowings	300,000,000	300,000,000	300,000,000	300,000,000
- Transaction costs	(2,765,209)	(3,686,105)	(2,765,209)	(3,686,105)
	297,234,791	296,313,895	297,234,791	296,313,895

All bank borrowings are unsecured.

The bank borrowings taken by the Company will mature on 31 March 2022 and has an interest rate at LIBOR plus 0.68% per annum.

16 Provisions

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Opening balance	–	–	–	–
Effects of acquisition of subsidiary on 5 April 2018	121,299,000	–	–	–
Increase in existing provisions	5,508,895	–	–	–
Increase due to unwinding of discount	1,774,800	–	–	–
Closing balance	128,582,695	–	–	–

The provision in respect of the decommissioning and restoration obligation for wells for 2018 is estimated at US$250,000 per well as at 31 December 2018. The subsidiary considered 17% of its share out of the abandonment cost confirmed by Mukhaizna for facilities. The year of abandonment is 2035. Management expects the present value of the provision sufficient to meet the subsidiary's obligations at the end of the useful life of the project for assets put to use at 31 December 2018. The provision as at 31 December 2018 is determined by discounting the expected obligation at a real discount rate of 4% and is expected to be utilised from 2021. The real discount rate used for discounting the expected obligation is subject to review on an annual basis.

17 Trade and other payables

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Trade payable to third parties	65,024,597	65,470,375	64,181,597	65,470,375
Accrued expenses	25,226,972	137,649	236,972	137,649
Accrued interest	105,850	63,924	105,850	63,924
Amount payable to related parties	1,044,271	876,013	22,322,659	876,013
Other payables	14,393,000	–	–	–
	105,794,690	66,547,961	86,847,078	66,547,961

Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities	
	Accrued interest US$	Total US$
Balance at 1 April 2018	63,924	63,924
Changes from financing cash flows		
Interest paid	(8,810,235)	(8,810,235)
Total changes from financing cash flows	(8,810,235)	(8,810,235)
Other changes		
Liability-related		
Interest expense on bank borrowings	8,852,161	8,852,161
Total liability-related other changes	8,852,161	8,852,161
Balance at 31 March 2019	105,850	105,850

18 Deferred tax

	Group	
	2019 US$	2018 US$
At beginning of year	–	–
Effects of acquisition of subsidiary on 5 April 2018	15,825,000	–
Charged to profit or loss	48,332,000	–
At end of year	64,157,000	–

The provision for deferred taxation is made up as follows:

	Group			
	2018 US$	Effects of acquisition of subsidiary US$	Charged to profit or loss US$	2019 US$
Accelerated capital allowances	–	60,099,000	44,452,000	104,551,000
Provision for decommissioning and restoration not yet allowed for	–	(66,484,000)	(4,236,000)	(70,720,000)
Other items	–	22,210,000	8,116,000	30,326,000
	–	15,825,000	48,332,000	64,157,000

19 Revenue

	Group	
	2019 US$	2018 US$
Sale of goods	1,201,204,969	262,736,629
Other allocated revenues	28,126,000	–
	1,229,330,969	262,736,629

20 Expenses

	Group	
	2019 US$	2018 US$
Purchases	1,007,699,034	262,313,522
Exploration and production expenses	90,846,959	–
Professional fees	199,606	63,767
Audit fees	171,691	17,428
Staff costs (Note 24)	581,514	392,612
Rental on operating leases	141,865	141,244
Demurrage expense	154,292	–
Stamp duty	1,641,006	–
Others	93,911	71,844
	1,101,529,878	263,000,417

21 Other income

	Group	
	2019 US$	2018 US$
Demurrage income	154,292	–
Foreign exchange gains - net	6,321	5,092
	160,613	5,092

22 Depreciation and depletion expenses

	Group	
	2019 US$	2018 US$
Depreciation	15,175,454	3,818
Depletion expense	23,037,972	–
	38,213,426	3,818

The depreciation expenses included the depreciation for office equipment and furniture of $7,454.

23 Finance costs

	Group	
	2019 US$	2018 US$
Interest expense on bank borrowings	8,942,068	6,052,182
Guarantee fees to holding company	760,417	760,417
Amortisation of facilities fees	942,295	920,895
Bank charges and commitment fees	129,138	36,028
Interest on unwinding of discount on long term provisions	1,774,800	–
	12,548,718	7,769,522

24 Staff costs

	Group	
	2019 US$	2018 US$
Wages, salaries and allowances	569,504	380,816
Other expenses	12,010	11,796
	581,514	392,612

Included in staff costs is costs recharged by holding corporation amounting to US$124,282.

25 Tax expense

	Group	
	2019 US$	2018 US$
Current tax expense		
- Current year	28,576,828	–
- Deferred tax expense	48,332,000	–
	76,908,828	–
Reconciliation of effective tax rate		
Profit before tax	178,945,881	43,822,423
Income tax using Singapore tax rate at 17% (2018: 17%)	30,420,800	7,449,812
Tax effect of:		
Effect of tax rates in foreign jurisdiction and other tax movements	29,261,000	–
Result of equity-accounted investee presented net of tax	(16,885,412)	(8,699,214)
Income not subjected tax	(160,066)	–
Non-deductible expenses	6,003,590	1,249,402
Double taxation relief	(4,504,000)	–
Tax imposed on foreign jurisdiction	28,126,000	–
Tax exemptions	(12,830)	–
Capital allowances	(11,025)	–
Others	4,670,771	–
	76,908,828	–

26 Related party balances and transactions

The following significant balances and transactions between the Group and its related parties took place during the year at terms agreed between the parties:

Loans receivable from joint ventures

	Group	
	2019 US$	2018 US$
Non-current		
Loan to Taas India Pte Ltd	–	20,923,638
Current		
Loan to Taas India Pte Ltd	21,865,202	–
Loan to Vankor India Pte Ltd	6,285,940	6,285,940

The loans to joint ventures are unsecured and interest free. Management expects the loan due from Taas India Pte Ltd to be repaid by 31 March 2020 and the loan due from Vankor India Pte Ltd to be repaid by 31 August 2019.

Transaction with Holding Company

	Group	
	2019	**2018**
	US$	**US$**
Revenue	944,180,750	262,736,629
Demurrage fees	154,292	–
Guarantee fees	760,417	760,417
Reimbursement of expenses	–	12,762
Staff cost	124,282	99,871
Balance with Holding Company		
Trade receivable	64,277,097	65,579,207
Other payables	1,044,271	876,013

Trade receivable due from Holding Company pertains to sale made on 30-day credit terms.

Key management personnel compensation is as follows:

	Group
	2019
	US$
Director's fees	25,546

27 Operating lease commitments

Operating lease commitments – where the Company is a lessee

The Company leases office space under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at 31 March 2019 but not recognised as liabilities, are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**US$**	**US$**
Not later than one year	130,251	146,975	130,251	146,975
Between one and five years	–	134,727	–	134,727
	130,251	281,702	130,251	281,702

28 Business combinations

On 5th April 2018, the Group entered into an agreement with Shell Overseas Holding Ltd (Seller) to acquire 17% participating interest in the Mukhaizna Oil Field, Oman by acquiring 100% of the share capital in IOCL Exploration and Production Oman Limited. The acquisition was financed through issuance of shares to the immediate holding company. Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	US$ million
Cash paid	329
Contingent consideration (Note (e) below)	–
Total purchase consideration	329
Less: Indemnification assets (Note (i) below)	–
Consideration transferred for the business	**329**

(b) Effect on cash flows of the Group

	US$ million
Cash paid (as above)	329
Less: cash and cash equivalents in subsidiary acquired	(34)
Cash outflow on acquisition	**295**

(c) Identifiable assets acquired and liabilities assumed

	At fair value US$ million
Cash and cash equivalents	34
Fixed assets	143
Trade and other receivables	43
Stock	44
Tax receivable	–*
Total assets	**264**
Trade and other payables	30
Deferred tax liabilities	16
Provisions	121
Total liabilities	**167**
Total identifiable net assets	**97**
Add: Intangible assets	232
Consideration transferred for the business	**329**

* *denotes less than US$10,000*

(d) Acquisition-related costs

No acquisition-related costs was incurred.

(e) Contingent consideration

The Group is not required to pay contingent consideration.

(f) Acquired receivables

No fair values of trade and other receivables.

(g) Provisional fair values

No provisional fair values are pending. There is no fair value of the acquired identifiable intangible assets (trademarks and licences) based on the valuation reports from the independent valuers.

(h) Contingent liability

No contingent liability has been recognised.

(i) Indemnification asset

No indemnification asset has been recognised.

(j) Non-controlling interests

The Group has no non-controlling interests as the Group is considered to be wholly owned by parent.

(k) Goodwill

There is no goodwill arising from the acquisition of subsidiary.

(l) Fair value measurement

Intangible assets comprising of mining rights of US$232.1 million was recognised upon the acquisition and the fair value was derived using the income approach.

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

29 Financial risk management

The Group has exposure to the following risks from financial instruments:

- market risk;
- credit risk; and
- liquidity risk.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Review of proposed investments and compliance with target asset allocations is monitored by the Board of Directors on a regular basis.

Market risk

Market risk is the risk that changes in market prices – such as interest rates, foreign exchange rates, other price changes – will affect the Group's income or the fair value of its holdings of financial instruments.

The Group's strategy for the management of market risk is driven by the Group's investment objective of making investments in income generating assets in target markets. Market risks are monitored regularly by the Board of Directors in accordance with the policies and procedures in place.

Interest rate risk

The Group's interest rate risk arises mainly from borrowings. Bank borrowings with variable interest rates expose the Group to interest rate risk. For details of the Group's borrowings, including interest rate profiles, refer to Note 15 of these financial statements.

A reasonably possible change of 50 basis points (2018: 50 basis points) in interest rates at the reporting date would have increased/(decreased) profit or loss by amounts shown below:

	Profit or (loss)	
	Increase	Decrease
	US$	US$
At 31 March 2019		
Variable-rate instruments	(1,500,000)	1,500,000
Sensitivity (net)	(1,500,000)	1,500,000
At 31 March 2018		
Variable-rate instruments	(1,500,000)	1,500,000
Sensitivity (net)	(1,500,000)	1,500,000

The Group periodically reviews its liabilities and monitors interest rate fluctuations to ensure that the exposure to interest rate risk is within acceptable levels.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument that will fluctuate because of changes in foreign exchange rates. The Group is not significantly exposed to the effects of changes in foreign exchange rates.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group, resulting in a financial loss to the Group. It arises principally from cash and cash equivalents and trade receivable from holding company.

For financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit rating

The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	**Definition of category**	**Basis for recognition of expected credit losses**
Performing	Borrower or issuer have a low risk of default and a strong capacity to meet contractual cash flows	12-month expected credit losses
Underperforming	Borrower or issuer for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/or principal repayment are 30 days past due	Lifetime expected credit losses
Non-performing	Interest and/or principal payment are 90 days past due	Lifetime expected credit losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

Impairment of financial assets

Impairment on cash and cash equivalents, other receivables, trade receivables from holding company and trade receivables from third parties has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. At the reporting date, there was no significant concentration of credit risk. Cash and cash equivalents are placed with banks and financial institutions which are regulated. Management does not expect the fellow associate company to fail to meet its obligations on the loan.

The Group's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with parties that meet the credit standards laid down in the Group's risk management policies. Further, the credit risk is monitored regularly by the Board of Directors in accordance with the policies and procedures in place.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its commitments associated with financial liabilities. Liquidity risk may emanate from inability to sell a financial asset quickly at an amount close to its fair value.

The Group monitors the liquidity risk and maintains adequate financing and obtains support from its immediate holding company for the Group's operations and to mitigate the effects of fluctuations in cash flows.

Contractual maturity for financial liabilities

The table below analyses the maturity profile of the financial liabilities of the Group based on contractual undiscounted cash flows:

		Contractual cash flows			
	Carrying value US$	Total US$	Between 1 and 3 months US$	Between 3 and 12 months US$	Between 1 and 5 years US$
At 31 March 2019					
Borrowings	297,234,791	328,980,067	2,406,192	7,271,458	319,302,417
Trade and other payables	105,794,690	105,794,690	105,794,690	–	–
	403,029,481	434,774,757	108,200,882	7,271,458	319,302,417
At 31 March 2018					
Borrowings	296,313,895	326,073,600	1,629,600	4,888,800	319,555,200
Trade and other payables	66,547,961	66,547,961	66,547,961	–	–
	362,861,856	392,621,561	68,177,561	4,888,800	319,555,200

30 Fair values of financial instruments

Financial assets and liabilities

The fair value of short term financial assets and liabilities approximate their carrying amounts.

The carrying amount of the bank borrowings approximates fair value as the interest rates are based on the prevailing market interest rate available to the Company.

The carrying amounts of the loans to joint ventures, denominated in United States Dollar, approximate fair value.

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
At 31 March 2019				
Financial assets, at FVOCI	–	20,002,017	–	20,002,017
Total assets	–	20,002,017	–	20,002,017

The fair value of financial asset, at FVOCI approximates their carrying amounts and are included in level 2 as there was transaction by a third party for the same price during the financial year.