LANKA IOC PLC

FINANCIAL STATEMENTS

31 MARCH 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LANKA IOC PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lanka IOC PLC ("the Company"), which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issue by The Institute of Chartered Accountant of Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

(Contd..2/-)

Description of the key audit matter	How our audit addressed the key audit matter
Revenue recognition Company's revenue consists of sale of petroleum products and due to volume of transactions and magnitude of revenue reported, we believe a higher risk is associated with revenue recognition. Accordingly, the recognition of revenue was considered a Key Audit Matter.	Our audit procedures which included, amongst others, the following: • Reviewing the revenue recognition policy applied by the Company and its compliance with SLFRS 15 Revenue from Contracts with Customers. • Testing the effectiveness of controls over revenue recognition. • Assessing the reasonableness of selling price for key products by comparing average price per unit derived by dividing product wise monthly revenue by quantity sold with respective approved sales prices for the period • Assessing the adequacy of related disclosures in Note 3 to the financial statements.

Other information included in the Company's 2019/20 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information. Other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

(Contd..3/-)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(Contd..4/-)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.

11 May 2020
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020 (In LKR '000s)

	Note	2020 Rs.	2019 Rs.
Revenue	3	81,947,054	86,321,616
Cost of Sales		(77,840,925)	(82,180,156)
Gross Profit		4,106,129	4,141,460
Other Operating Income	4	83,240	189,984
Administrative Expenses		(1,505,307)	(1,432,884)
Selling and Distribution Expenses		(2,049,375)	(2,044,623)
Operating Profit		634,687	853,937
Finance Income	5.1	941,564	429,505
Finance Expenses	5.2	(977,628)	(952,582)
Profit Before Tax	6	598,623	330,860
Income Tax	7.1	(176,849)	72,567
Profit for the Year		421,774	403,427
Other Comprehensive Income /(Loss) **Items that will not be reclassified to profit or loss:**			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.4	(4,239)	1,111
Income tax on other Comprehensive income/(loss)	9.2	636	(167)
Other Comprehensive Income for the Year, Net of Tax		(3,603)	944
Total Comprehensive Income for the Year, Net of Tax		418,171	404,371
Earnings Per Share	10	0.79	0.76

The accounting policies and notes on pages 09 through 40 form an integral part of the Financial Statements.

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Lanka IOC PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020 (In LKR '000s)

ASSETS	Note	2020 Rs.	2019 Rs.
Non Current Assets			
Property, Plant and Equipment	11	4,113,205	4,294,395
Investment	12	4,394,000	4,394,000
Intangible Assets	13	674,876	675,417
Right -of-use Assets	14	90,868	-
Other Receivables	16.1	148,842	127,308
Deferred Tax Asset (Net)	9.1	188,657	203,161
		9,610,448	9,694,281
Current Assets			
Inventories	15	13,295,317	13,996,480
Trade and Other Receivables	16	3,956,274	3,267,244
Income Tax Receivables		185,941	341,876
Short Term Investments	20.2	12,660,488	672,950
Cash and Bank Balances	17.1	51,333	271,974
		30,149,353	18,550,524
Total Assets		39,759,801	28,244,805
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	18	7,576,574	7,576,574
Retained Earnings		11,869,635	11,850,814
Total Equity		19,446,209	19,427,388
Non Current Liabilities			
Defined Benefit Obligation (Net)	8.2	10,629	6,515
Right -to-use- Lease Liability	14.2	63,485	-
		74,114	6,515
Current Liabilities			
Trade and Other Payables	19	3,250,663	6,483,631
Right -to-use- Lease Liability	14.2	34,243	-
Interest Bearing Borrowings	20.1	16,954,572	2,327,271
		20,239,478	8,810,902
Total Equity and Liabilities		39,759,801	28,244,805

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

....

Senior Vice President (Finance)

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

.... Director

.... Director

The accounting policies and notes on pages 09 through 40 form an integral part of the Financial Statements.

Ernst & Young Chartered Accountants Colombo

11 May 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020 (In LKR '000s)

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
As at 1 April 2018	7,576,574	11,792,546	19,369,120
Dividends Paid		(346,103)	(346,103)
Profit for the Year		403,427	403,427
Other Comprehensive Income/(Loss)		944	944
As at 31 March 2019	7,576,574	11,850,814	19,427,388
Dividends Paid		(399,350)	(399,350)
Profit for the Year		421,774	421,774
Other Comprehensive Income/(Loss)		(3,603)	(3,603)
As at 31 March 2020	7,576,574	11,869,635	19,446,209

The accounting policies and notes on pages 09 through 40 form an integral part of the Financial Statements.

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STATEMENT OF CASH FLOWS

Year ended 31 March 2020 (In LKR '000s)

	Note	2020 Rs.	2019 Rs.
Cash Flows From/(Used in) Operating Activities			
Profit /(Loss)before Income Tax Expense		598,623	330,860
Adjustments for			
Finance Income	5.1	(941,564)	(429,505)
Finance Expenses	5.2	977,628	952,582
Dividends Income	4	-	(75,000)
Increase/(Decrease) in Allowances for Impairment	16.6	10,160	37,956
Loss/ (Profit) on disposal of property, Plant and Equipment	4	125	(2,454)
Defined Benefit Plan Cost	8.3	3,623	5,540
Depreciation	11.2	400,671	422,416
Amortisation of Intangible Asset	13.2	541	549
Amotisation Right to use Assets	14	30,289	-
Interest Cost of Right to use Assets	14	11,510	-
Exchange (Gain)/ Loss on borrowing		452,026	(8,277)
Operating Profit/(Loss) before Working Capital Changes		1,543,632	1,234,667
(Increase)/ Decrease in Inventories		701,163	(3,886,474)
(Increase) /Decrease in Trade and Other Receivables		(720,724)	1,225,163
Increase/ (Decrease) in Trade and Other Payables		(3,232,968)	(2,073,290)
Cash Generated From/(Used in) Operations		(1,708,897)	(3,499,934)
Income Tax		(5,773)	(26,054)
Finance Expenses		(977,628)	(952,582)
Defined Benefit Paid		(20,410)	(3,477)
Net Cash Flows From Operating Activities		(2,712,708)	(4,482,047)
Cash Flows from Investing Activities			
Finance Income		941,564	429,505
Dividends Income		-	75,000
Acquisition of Property, Plant and Equipment	11.1	(220,006)	(448,937)
Proceeds from Property, Plant and Equipment		400	3,311
Net Investment in Gratuity Fund		16,662	(15,451)
Net Cash Flows From/(Used in) Investing Activities		738,620	43,428
Cash Flows From Financing Activities			
Proceed from Interest bearing borrowings		53,892,049	30,628,774
Repayments of Interest bearing borrowings		(39,716,774)	(33,311,054)
Dividends Paid		(399,350)	(341,486)
Payment of Lease Creditor	14.2	(34,940)	-
Net Cash Flows From/(Used in) Financing Activities		13,740,985	(3,023,766)
Net Increase / (Decrease) in Cash and Cash Equivalents		11,766,897	(7,462,385)
Cash and Cash Equivalents at the Beginning of the Year	17.1	944,924	8,407,309
Cash and Cash Equivalents at the End of the Year		12,711,821	944,924

ANALYSIS OF CASH AND CASH EQUIVALENTS

Short Term Investments	12,660,488	672,950
Cash in Hand and at Bank	51,333	271,974
	12,711,821	944,924

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The accounting policies and notes on pages 09 through 40 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

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

1.3 Parent Entity and Ultimate Controlling Party

The Company's immediate and ultimate parent enterprise is Indian Oil Corporation Limited headquartered in India and ultimate controlling party is Government of India.

1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2020 was authorized for issue in accordance with a resolution of the Board of Directors on 11 May 2020.

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2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for defined benefit obligation and investment in unit trust which is measured at present value of the obligation and at fair value respectively.

2.3 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees, which is the functional currency of the Company. All values are rounded to the nearest rupees thousand (LKR '000) except when otherwise indicated.

2.4 Going Concern

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future with no interruptions or curtailment of operations. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Financial Statements are prepared on the going concern basis.

2.5 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realised or intended to be sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
• Expected to be realised within twelve months after the reporting period
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period
Or
•It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6 Segment Reporting

Company is dealing only in the Petroleum products. There are no separate activities other than the petroleum segment in the Company.

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2.7 Changes in Accounting Policies

Other than adoption of SLFRS 16 and as disclosed in note 14 to the financial statements, the accounting policies adopted are consistent with those of the previous year.

2.8 Comparative Information

Other than disclosed in Note 26, there is no changes to the comparative figures.

2.9 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Other disclosures relating to the Company's exposure to risks and uncertainties includes:
• Capital management Note 27
• Financial instruments risk management and policies Note 27
• Sensitivity analyses disclosures Notes 8 and 27.

2.9.1 Critical Judgments in Applying the Accounting Policies

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

a) Investment in Ceylon Petroleum Storage Terminal Limited

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

2.9.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a) Estimation of net realizable value for inventory

Inventory disclosed in Note 15 is stated at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

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b) ***Impairment losses on Trade & Other Receivables***

The Company reviews its individually significant Receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

In accordance with SLFRS 9, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the Trade Receivables.

Simplified Approach

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates provision on trade receivables at the reporting date. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense.

The impairment loss on Trade & Other Receivables is disclosed in Notes 16

c) ***Defined Benefit Obligations***

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

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

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

d) ***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Further information is disclosed in Note 13.

e) ***Estimation of Useful Lives of Property, Plant and Equipment***

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

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2.10 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.10.1 Foreign Currency Translation

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

2.10.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue that are in the scope of SLFRS 15:

a) ***Sale of goods***

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods; with the Company not retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. There is no contract asset as at reporting date.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company executed performance obligations under the contract.

b) **Rental Income**

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

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The lease term is the fixed period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognised in the Statement of Comprehensive Income when they arise.

c) ***Finance Income***

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

d) ***Dividend income***

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

e) ***Others***

Other income is recognized on an accrual basis.

Net gains and losses on the disposal of property, plant & equipment have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.10.3 Expenditure Recognition

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

2.10.4 Taxation

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

Current Taxes

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

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

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

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

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Deferred Taxation

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

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

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

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

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

Sales Tax (Value Added Tax and Nations Building Tax)

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

2.10.5 Financial Instruments

2.10.5.1 Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in section 2.6 Changes in Accounting Policies and Disclosures.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through Other Comprehensive Income (FVTOCI)
- Financial assets at fair value through profit or loss (unless measured at amortised cost or FVTOCI)
- Financial assets at fair value through profit or loss

However, the financial assets of the company are limited to the categories of financial assets at amortised cost (debt instrument) and financial assets through profit or loss

a) Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and short-term deposits, trade and other receivables and other financial assets.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The company's financial assets at fair value through profit or loss includes investment in unit trust.

Derecognition

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

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

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

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

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

2.10.5.2 Impairment of Financial Assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

•Trade receivables, including contract assets Note 16.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.10.5.3 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, Right -to-use- Lease Liability, bank overdrafts and loans and borrowings.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

a) Loans and Borrowings (Financial Liabilities at Amortised cost)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 14.2 and 20.1.

Derecognition

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

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2.10.5.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.10.5.5 Fair Value of Measurement

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Quantitative disclosures of fair value measurement hierarchy Note 28
- Financial instruments (including those carried at amortised cost) Note 14.2, 16, 17,19 & 20.

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2.10.6 Inventories

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

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

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

2.10.7 Property Plant and Equipment

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

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

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

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

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

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

2.10.8 Intangible assets

a) Goodwill

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

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

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

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b) License fees on computer software

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

2.10.9 Investment in Ceylon Petroleum Storage Terminal Limited

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

2.10.10 Cash and Short-Term Deposits

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

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

2.10.11 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10.12 Accounting for leases - where the Company is the lessee

Prior to 01 April 2019

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

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

After 01 April2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

•Building - Lease Period 4 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Right -to-use- Lease Liability (see Note 14.2).

2.10.13 Provisions

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

2.10.14 Dividend Distribution

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

2.10.15 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs K. A. Pandit consultant and actuaries who carried out actuarial valuation as at 31 March 2020.

Recognition of Actuarial Gains and Losses

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

b) Defined Contribution Plans

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

Employees' Provident Fund

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

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognized as an employee benefit expense in profit or loss when they are due.

2.11 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Company applied SLFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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SLFRS 16 supersedes LKAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*,SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied prospectively from 01 April 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.
The effect of adoption SLFRS 16 as at 1 April 2019 (increase/(decrease)) is, as follows:

	LKR'000
Assets	
Right-of-use assets	121,158
Total assets	121,158
Liabilities	
Interest-bearing loans and borrowings	121,158
Total liabilities	121,158

There is no material impact on equity, cash flows, other comprehensive income or the basic and diluted earnings per share.

The Company has lease contracts for various items of property and plant. Before the adoption of SLFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2.10.12 Leases for the accounting policy prior to 1 April 2019.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions where the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

2.12 EFFECT OF SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 3: *Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in SLFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarifythe minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: *Definition of Material*

In October 2018, the IASB issued amendments to LKAS 1 *Presentation of Financial Statements* and LKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

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Year ended 31 March 2020 (In LKR '000s)

3. REVENUE

Revenue from Contracts from Customers

	2020 Rs.	2019 Rs.
Lanka auto diesel	17,898,247	21,001,064
Xtramile	2,343,402	1,941,704
Lanka super diesel	2,087,434	2,641,126
Lanka petrol 92 octane	18,839,482	24,463,657
Xtrapremium Euro 3	3,974,091	3,871,492
Xtrapremium 95	5,348,335	6,895,669
Lubricants	2,903,242	3,058,735
Bunkering	26,712,367	20,865,188
Bitumen	1,815,062	1,567,914
Petrochemical	25,392	15,067
Total Revenue	81,947,054	86,321,616

3.1 Segment Information

Company is dealing only in the Petroleum products. There are no separate activities other than the petroleum segment in the Company.

3.2 The Revenue from contracts with customers are recognised at a point in time upon satisfying the performance obligation.

3.3 Contract balances

	2020 Rs.	2019 Rs.
Trade Receivables (Note 16)	3,568,421	2,579,302
Contract Assets	-	-
Contract Liabilities (Note 19)	71,164	53,644

4. OTHER OPERATING INCOME

	2020 Rs.	2019 Rs.
Rental Income	69,811	65,439
Dividend Income	-	75,000
Sundry Income	13,429	47,091
Profit on sale of Property Plant and Equipment	-	2,454
	83,240	189,984

5. FINANCE INCOME AND EXPENSES

5.1 Finance Income

	2020 Rs.	2019 Rs.
Income from Short term Investment	925,428	319,294
Interest on Others	16,136	110,211
	941,564	429,505

5.2 Finance Expenses

	2020 Rs.	2019 Rs.
Interest Expense	499,330	207,981
Exchange (Gain)/Loss	478,298	744,601
	977,628	952,582

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Year ended 31 March 2020 (In LKR '000s)

6. PROFIT/LOSS FROM OPERATING ACTIVITIES

	2020 Rs.	2019 Rs.
Stated after Charging /Crediting		
Directors' Emoluments	32,909	39,815
Salaries and Wages	550,403	518,818
Allowances for Impairment	10,160	37,956
Loss/(Gain) on disposal of Property, Plant and Equipment	125	(2,454)
Exchange Loss	478,298	744,601
Defined Benefit Obligation : Charge for the year	3,623	5,540
Audit Fee - Current year	1,750	1,650
Rent	41,106	74,704
Depreciation Charge for the year	400,671	422,416
Amortisation Charge for the year	541	549

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2020 and 31 March 2019 are as follows :

7.1 Income Statement

	2020 Rs.	2019 Rs.
Current Income Tax:		
Current Tax Expense	187,236	120,261
Under/(Over) Provision of Current Taxes in respect of Prior Year	(25,527)	-
WHT on Dividend Income	-	10,500
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 9.2)	15,140	(203,328)
Income Tax Expense / (Credit) Reported in the Income Statement	176,849	(72,567)

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 March 2020 and 31 March 2019 are as follows :

	2020 Rs.	2019 Rs.
Accounting Profit (Loss) before tax	598,623	330,860
Tax calculated at a tax rate of 15% (2019 - 15%)	89,793	49,629
Tax impact of expenses deductible/not deductible for tax purpose	73,153	22,753
Tax impact of income taxable at different rate	(124,506)	(75,676)
Tax impact of income not subject to tax	(16,728)	-
Adjustment due to the estimated deferred tax base in previous year	(6,572)	(200,034)
Tax charge on profit from trade or business	15,140	(203,328)
Taxable Interest Income	705,888	429,505
Tax calculated at a tax rate of 28% (2019 - 28%)	124,764	120,261
Tax calculated at a tax rate of 24%	62,472	-
Adjustments in respect of prior years	(25,527)	-
	161,709	120,261
Taxable Dividend income	-	75,000
Tax calculated at a tax rate of 14% (2019 - 14%)	-	10,500
Total tax charge for the year	176,849	(72,567)

8. DEFINED BENEFIT OBLIGATION

	2020 Rs.	2019 Rs.
Balance as at 01 April	98,731	87,870
Current Service Cost	4,534	4,518
Interest Cost	11,354	10,105
Actuarial (Gain) / Loss (8.4)	2,915	(285)
Benefits Paid	(20,410)	(3,477)
Balance as at 31 March	97,124	98,731

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8. DEFINED BENEFIT OBLIGATION (Contd...)

8.1 RECONCILIATION OF FAIR VALUE OF PLAN ASSETS

	2020 Rs.	2019 Rs.
Balance as at 01 April	92,216	67,968
Contribution by employer	5,409	19,082
Expected return	10,604	7,817
Remeasurement	(1,324)	826
Benefit Paid	(20,410)	(3,477)
Balance as at 31 March	86,495	92,216

8.2 RECONCILIATION OF FAIR VALUE OF THE PLAN ASSETS AND DEFINED BENEFIT OBLIGATION

	2020 Rs.	2019 Rs.
Defined Benefit Obligation at the end of the year	97,124	98,731
Fair value of the plan assets at the end of the year	(86,495)	(92,216)
Amount recognised in statement of financial position	10,629	6,515

8.3 Expenses recognised on Defined Benefit Plan

	2020 Rs.	2019 Rs.
Income Statement		
Current Service Cost for the year	4,534	4,518
Net Interest Cost for the year	750	2,289
Transfers	(1,661)	(1,267)
	3,623	5,540
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.4)	2,915	(285)
Remeasurement	1,324	(826)
	4,239	(1,111)

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

	2020 Rs.	2019 Rs.
Changes in Financial Assumptions	5,401	15,109
Changes in Demographic Assumptions	(668)	(1,616)
Experience Adjustments	(1,818)	(13,778)
	2,915	(285)

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2020 was carried out by Messrs. K A Pandit Consultants & Acturies, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

8.6 Principle Actuarial Assumptions

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

	2020 Rs.	2019 Rs.
Discount Rate	10.50%	11.50%
Salary Incremental Rate	1-7%	1-7%
Staff Turnover	0-3%	0-5%
Retirement Age	60 years	60 years
Return on Plan Assets	10.75%	10.45%

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

8.7 Maturity Profile of the Defined Benefit Obligation Plan

	2020 Rs.	2019 Rs.
Less than 1 Year	6,295	18,853
Between 1-2 years	7,207	6,361
Between 2-5 years	45,852	45,729
Beyond 5 years	48,878	51,888

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8. DEFINED BENEFIT OBLIGATION (Contd...)

8.8 Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 March 2020. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Increase/(Decreas e) in Staff Turnover Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
1%			5,401	-5,401
-1%			-6,057	6,057
	1%		-6,456	6,456
	-1%		5,832	-5,832
		1%	-3,516	3,516
		-1%	803	-803

8.9 The plan asset represents the Employee's Group Gratuity Fund maintained with an insurance company.

8.10 The weighted average duration of defined benefit Obligation is 8 years

9. DEFERRED TAX LIABILITIES

9.1 Deferred Tax

Deferred Tax Relates to the Following:	**2020 Rs.**	**2019 Rs.**
Deferred Tax Assets Arising on:		
Brought forward tax losses	315,018	332,475
Retirement Benefit Obligation	14,568	14,810
	329,586	347,285
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(140,929)	(144,124)
Net Deferred Tax Asset/(Liability)	188,657	203,161

9.1.1 Deferred tax asset on account of taxable loss works out to LKR 315 million (2019-LKR 332 million). Management is in view that taxable losses can be set off in future and entire amount has been recognised as an deferred tax assets as on 31 March 2020.

9.2 Balance brought forward	**2020 Rs.**	**2019 Rs.**
	(203,161)	-
Deferred Income Tax (Credit)/Charge- Income Statement	15,140	(203,328)
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	(636)	167
Net Deferred Tax (Asset)/Liability	(188,657)	(203,161)

10. EARNINGS PER SHARE

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

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

	2020 Rs.	**2019 Rs.**
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	421,774	403,427
Number of Ordinary Shares used as the Denominator:	**2020**	**2019**
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earning Per Share	0.79	0.76

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11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2019 Rs.	Additions Rs.	Transfers Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
Freehold Land	1,960,347	-	-		1,960,347
Building and Fixtures	2,279,739	-	11,577		2,291,316
Plant and Equipment	3,346,159	-	175,727	(41,515)	3,480,371
Office Equipment	40,582	8,979	-	(2,990)	46,571
Furniture and Fittings	203,550	2,317	49,273	(990)	254,150
Motor Vehicles	40,071	3,900	-	-	43,971
Capital Work-In- Progress	114,539	204,810	(236,577)		82,772
	7,984,987	220,006	-	(45,495)	8,159,498

11.2 Depreciation

At Cost	Balance as at 01.04.2019 Rs.	Charge for the year Rs.	Transfers Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
Building and Fixtures	1,315,660	127,293	-		1,442,953
Plant and Equipment	2,201,126	231,559	-	(41,226)	2,391,459
Office Equipment	33,629	4,670	-	(2,758)	35,541
Furniture and Fittings	103,328	35,496	-	(986)	137,838
Motor Vehicles	36,849	1,653	-	-	38,502
	3,690,592	400,671	-	(44,970)	4,046,293

11.3 Net Book Value

	2020 Rs.	2019 Rs.
Freehold Land	1,960,347	1,960,347
Building and Fixtures	848,363	964,080
Plant and Equipment	1,088,912	1,145,033
Office Equipment	11,030	6,952
Furniture and Fittings	116,312	100,222
Motor Vehicles	5,469	3,222
Capital Work-In- Progress	82,772	114,539
Total Carrying Value of Property, Plant & Equipment	4,113,205	4,294,395

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of LKR 220Mn (2019 - LKR 449 Mn) and cash payment made with respect to these addition is LKR 220Mn (2019 - LKR 449 Mn).

11.5 The Useful Lives of the Assets are Estimated as Follows:

	2020	2019
Building and Fixtures	15 Years	15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

12. INVESTMENT

	2020 Rs.	2019 Rs.
At the beginning and end of the year	4,394,000	4,394,000

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

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13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

	Goodwill Rs.	License fees on computer software Rs.	Total Rs.
As at 01.04.2019	759,298	14,437	773,734
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2020	759,298	14,437	773,734

13.2 Amortisation

	Goodwill Rs.	License fees on computer Rs.	Total Rs.
As at 01.04.2019	85,421	12,896	98,317
Charge for the year	-	541	541
As at 31.03.2020	85,421	13,437	98,858
13.3 Net Book Value as at 31.03.2019	673,877	1,541	675,417
13.4 Net Book Value as at 31.03.2020	673,877	1,000	674,876

13.5 Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Accumulated amortisation as at the statement of financial position date amounting to LKR. 85 Mn which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods

13.6 Company assess the recoverable amount of the Goodwill using value in use calculation and found the recoverable amount exceeds its carrying value, as such Goodwill is not impaired.

The key assumptions used to determine the recoverable amount are as follows:

EBIT

The basis used to determine the value assigned to the budgeted EBIT is the EBIT achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates of one to five years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.

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14. RIGHT-OF-USE-ASSETS

Set out below are the carrying amount of Right to use Assets recognised and movements during the year.

14.1 Cost	**2020 Rs.**	**2019 Rs.**
Balance As at 01 April 2019	-	
Effect of Adoption of SLFRS 16 as at 01st April 2019	121,158	-
Addition and Improvement	-	-
Balance As at 31 March 2020	121,158	-

Accumulated Amotisation	**2020 Rs.**	**2019 Rs.**
Balance As at 01 April 2019	-	-
Charge for the year	30,289	-
Balance As at 31 March 2020	30,289	-
Net Book Value As at 31st March 2020	90,868	-

14.2 RIGHT TO USE -LEASE LIABILITY	**2020 Rs**	**2019 Rs**
Balance As at 01st April 2019	-	-
Effect of Adoption of SLFRS 16 as at 01st April 2019	121,158	-
Additions	-	-
Accretion of Interest	11,510	-
Payments	(34,940)	-
Balance As at 31st March 2020	97,728	-

14.3 Maturity Analysis of Lease Liability	**2020 Rs**	**2019 Rs**
not later than one month	3,125	-
later than one month and not later than three months	9,374	-
later than three months and not later than one year	24,998	-
later than one year and not later than five years	79,641	-
More than 5 years	-	-

14.4 For presentation purpose		
Current liability	34,243	-
Non currentliability	63,485	-
	97,728	-

14.5 Lease commitments disclosed as at 31 March 2019 is Rs. 350.6 Mn and lease liability recognised as of 01 April 2019 is Rs. 121 Mn. The balance lease commitment is not recognised as lease liability, since it doesn't meet the requirement of SLFRS 16.

14.6 The total cashflows made with respect to leases is Rs. 34.94 Mn.

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15. INVENTORIES

	2020 Rs.	2019 Rs.
Auto Fuel	8,414,354	9,767,374
Bunker Fuel	2,184,405	1,116,064
Bitumen	524,290	457,114
Lubricants	383,205	402,154
Base oil and other raw materials	928,021	1,836,047
Petrochemical	110,020	56,664
Goods In Transit	751,022	361,063
	13,295,317	13,996,480

16. TRADE AND OTHER RECEIVABLES

Current Assets

	2020 Rs.	2019 Rs.
Trade Receivables - Others (net of Allowance for Impairment)	3,568,421	2,494,824
- Related Party	-	84,478
VAT/NBT Receivables	4,086	186,505
Deposits and Advances	353,429	479,424
Prepayments	30,338	22,013
	3,956,274	3,267,244

16.1 Non Current Assets- Other Receivables

	2020 Rs.	2019 Rs.
Staff Loan	124,433	108,573
Prepaid-deferred employee benefit	24,409	18,735
	148,842	127,308

16.2 Receivables- Related Parties

	Relationship		2020 Rs.	2019 Rs.
Indian Oil Corporation Limited	Immediate Parent	-Trade	-	84,478
			-	84,478

16.3 As at 31 March, the age analysis of trade receivables is set out below. (Other than Related Party)

	Total	Neither Past due nor Impaired	Past Due but not Impaired: Less than 30 days	31-90 days	91-180 days	181-365 days	>365 days
2020	3,568,421	2,438,566	935,517	85,373	54,121	2,579	52,265
2019	2,494,824	2,014,605	146,162	256,504	26,035	24,555	26,963

16.4 The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 16.5 below.

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

	2020 Rs.	2019 Rs.
US Dollars	1,991,404	1,211,362
Sri Lankan Rupees	1,577,017	1,283,462
	3,568,421	2,494,824

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16. TRADE AND OTHER RECEIVABLES (Contd..)

16.6 Allowance for impairment LKR 463 Mn (2019 LKR 453 Mn) Includes provision for Expected Credit Loss line with accounting policy applicable for trade and other receivables, for which Company has applied the simplified approach.

Allowance for impairment	2020 Rs.	2019 Rs.
As at 01 April	453,256	478,056
Provision for the year	10,160	37,956
Written off	-	(62,756)
As at 31 March	463,416	453,256

17. CASH AND CASH EQUIVALENTS

	2020 Rs.	2019 Rs.
17.1 Cash & Cash Equivalent balances		
Cash and Bank Balances	51,333	271,974
Short Term investments (Note 20.2)	12,660,488	672,950
Total Cash & Cash Equivalent balances	12,711,821	944,924

18. STATED CAPITAL

18.1 Stated Capital as at 31 March	7,576,574	7,576,574
18.2 Number of Ordinary Shares	532,465,705	532,465,705

19. TRADE AND OTHER PAYABLES

	2020 Rs.	2019 Rs.
Trade Payables-Related Parties (18.2)	494,173	5,610
- Others	1,612,237	5,582,795
Other Payables- Related Parties (18.3)	553,043	350,655
Sundry Creditors Including Accrued Expenses	591,210	544,571
	3,250,663	6,483,631

19.1 Trade payables consist of LKR 71 mn (2019- 54 mn) contract liability received from Customers

19.2 Trade Payables- Related Parties

	Relationship	2020 Rs.	2019 Rs.
Indian Oil Corporation Limited	Immediate Parent	494,173	5,610
		494,173	5,610

19.3 Other Payables- Related Parties

	Relationship	2020 Rs.	2019 Rs.
Indian Oil Corporation Limited	Immediate Parent	104,691	29,772
Ceylon Petroleum Storage Terminal Limited	Significant Investee	448,352	320,883
		553,043	350,655

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20. OTHER FINANCIAL ASSETS AND LIABILITIES

		2020 Rs.	2019 Rs.
20.1	**Interest Bearing Loans and Borrowings**		
	Short Term Loans (Note 20.1.1)	16,954,572	2,327,271
20.1.1	**Short Term Loans Movement**		
	Balance as at 01 April	2,327,271	5,017,829
	Proceed from Interest bearing borrowings	53,892,049	30,628,774
	Repayments of Interest bearing borrowings	(39,716,774)	(33,311,055)
	Exchange (Gain)/ Loss on borrowing	452,026	(8,277)
	Balance as at 31st March	16,954,572	2,327,271

20.1.2 The short term loans LKR 16,955 Mn (2019- LKR 2,327 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to LKR 1,955 Mn (2019- LKR 994 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals amounting to 8414.354 Mn.

20.2 Short Term Investments

	2020 Rs.	2019 Rs.
Investment in Unit Trust (Note 20.3)	4,344,920	27,991
Investment through portfolio management services	770,894	-
Investments Fixed Deposit	7,544,674	644,959
	12,660,488	672,950

		2020 Rs.	2019 Rs.
20.3	**Unit Trust Investment - Fair Value Through Profit or Loss**		
	Balance as at 01 April	27,991	7,962,438
	Additions / (Withdrawals) (Net)	3,702,862	(8,218,048)
	Fair Value (Gain)/Loss	614,067	283,601
	Balance as at 31st March	4,344,920	27,991

20.4 The interest rates are as follows:
Short term loans LIBOR + Margin

20.5 The LIBOR rate (monthly) at the date of statement of financial position was 0.98938%

21. RELATED PARTY DISCLOSURES

21.1 Transactions with the Related Entities

		2020 Rs.	2019 Rs.
21.1.1	**Transactions with Parent**		
	Nature of Transaction		
	Amounts Receivable as at 01 April	84,478	68,081
	Amounts Payable as at 01 April	(35,383)	(27,602)
	Fund Transfers/Payment Made	2,549,457	8,691,449
	Purchases of Goods/Services	(3,284,270)	(8,776,085)
	Sale of Goods	173,330	191,105
	Expenses Reimbursed	(86,476)	(97,853)
	Amounts Receivable as at 31 March	-	84,478
	Amounts Payable as at 31 March	(598,864)	(35,383)
	Net Balance as at 31 March	(598,864)	49,095

21.1.2 During the year, the Company paid a gross dividend of LKR 399 Mn with respect to the financial year ended 31 March 2019, out of which LKR 300 Mn was paid to Indian Oil Corporation Limited.

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21. RELATED PARTY DISCLOSURES (Contd...)

21.1 Transactions with the Related Entities (Contd...)

21.1.3 Transactions with IOC Middle East FZE

Nature of Transaction	2020 Rs.	2019 Rs.
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Transfers/Payment Made	(6,345)	-
Sale of Goods	6,345	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

21.1.4 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL)

Nature of Transaction	2020 Rs.	2019 Rs.
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(320,883)	(299,867)
Fund Transfers/Payment Made	658,285	855,288
Services Rendered	(784,754)	(876,304)
Sponsorship	(1,000)	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(448,352)	(320,883)

21.1.4 Terms and Conditions

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

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

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

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

	2020 Rs.	2019 Rs.
Fees for Directors	2,875	2,850
Emoluments	26,846	34,065
Short Term Employment Benefits	3,188	2,900
	32,909	39,815

21.3 Apart from the transactions reported above, the company has transactions with other Government of India related entities, which includes but not limited to Goods/services etc. These transactions are conducted in the ordinary course of the company business on the terms comparable to other entities.

The Company enters into transactions, arrangements and agreements with the Government of India related entities and the Summary of transactions have been reported in follows,

	Nature of the transactions	2020 Rs.	2019 Rs.
(a) Items in Statement of Comprehensive Income	Finance Expenses	108,890	74,217
	Revenue	355,236	-
(b) Items in Statement of Financial Position	Interest bearing Loans and Borrowings	(1,955,187)	(993,740)
	Investment in Gratuity Fund	86,495	92,216
	Trade Receivables	318,378	-
(c) Off statement of financial position Items	Letters of Credit	698,789	1,650,612

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22. COMMITMENTS

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

22.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to LKR 508Mn (2019- LKR 263 Mn).

22.2 Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2020 amounted to LKR.4,022 Mn (2019 - LKR 2,274 Mn).

23. CONTINGENCIES

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

23.1 Guarantees issued by Banks on behalf of the Company as at 31 March 2020 amounted to LKR 891 Mn (2019- LKR 909 Mn)

23.2 There is a disagreement on interpretation of NBT Act between Company and Inland Revenue Department. The case was determined by the Tax Appeal Commission in favour of IRD for the assessment period Jan 2012 to June 2012 amounting to LKR 100.75 million including interest & penalty. Considering the merits of the case & expert opinion, LIOC filed the appeals in the Court of Appeal. The cases for the assessment period July 2012 to December 2015 is pending before the Tax Appeal Commission amounting to LKR 740.06 million including interest & penalty. For the assessment period Jan 2016 to March 2018 amounting to LKR 817.98 million including interest & penalty, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Apr 2018 to November 2019 is LKR 329.47 million for which assessment orders have not yet been issued by Inland Revenue Department. NBT has been abolished w.e.f. 01.12.2019. Therefore, total Contingent liability for the period Jan 2012 to November 2019 is 1,988.26 million."

24. ASSETS PLEDGED

The short term loans LKR 16,955 Mn (2019- LKR 2,327 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to LKR 1,955 Mn (2019- LKR 994 Mn) . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

Except above no assets have been pledged as at the reporting date.

25. DIVIDEND

	2020	**2020**	**2019**	**2019**
Equity Dividend on Ordinary shares	Per Share	LKR ('000)	Per Share	LKR ('000)
Declared and Paid during the year	0.75	399,349	0.65	346,103

26. RECLASSIFICATION

Reclassifications have been made to the prior year's income statements to enhance comparability with the current year's financial statements. As a result, material handling costs have been amended in the statement of comprehensive income. The items were reclassified as follows:

	After Mar-19 Rs.	**Previously Mar-19 Rs.**
Cost of sales	82,180	82,189
Selling and Distribution Expenses	2,045	2,037
Administrative Expenses	1,432	1,432

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

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

27.1 Market Risk

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

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

As at 31 March 2020	Denominated in LKR	Denominated in USD
Cash at bank and in hand	30,478	20,855
Interest Bearing Loans & Borrowings	5,160,234	11,794,338
Short Term Investments	5,115,814	7,544,674
Trade and Other Receivables (Current)	1,964,870	1,991,404
Trade and Other Payables	859,003	2,391,660

a) Interest rate risk

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

b) Foreign currency risk

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

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

	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
2020				
Short Term Investments (USD)	7,544,674	189.73	+/- 1%	+/- 75,447
Interest Bearing Loans and Borrowings (USD)	11,794,338	189.73	+/- 1%	+/- 117,943
Trade and Other Receivables (USD)	1,991,404	189.73	+/- 1%	+/- 19,914
Trade and Other Payables (USD)	2,391,660	189.73	+/- 1%	+/- 23,916
2019				
Short Term Investments (USD)	644,959	175.31	+/- 1%	+/- 6,449
Interest Bearing Loans and Borrowings (USD)	478,015	175.31	+/- 1%	+/- 4,780
Trade and Other Receivables (USD)	1,211,362	175.31	+/- 1%	+/- 12,113
Trade and Other Payables (USD)	4,796,421	175.31	+/- 1%	+/- 47,964

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

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

27.2 Credit risk

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

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

The following policies are implemented within the group in order to manage credit risk related to receivables:
• Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.
• Contractual obligation to release assets only upon full payment of receivable, for related contracts and assets.

27.3 Liquidity risk

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

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

As at 31 March 2020	**Less than 1 year Rs.**	**More than 1 year Rs.**	**Total Rs.**
Interest-bearing loans and borrowings	16,954,572		16,954,572
Right to Use-Lease Liability	34,243	63,485	97,728
Trade and Other Payables	3,250,663	-	3,250,663
	20,239,478	63,485	20,302,963

27.4 Price Risk

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

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

27.5 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the desired gearing ratio within 40%.

	Mar-20 Rs.	**Mar-19 Rs.**
Total borrowings (Note 20)	16,954,572	2,327,271
Less :- Cash and cash equivalents (Note 17)	(12,711,821)	(944,924)
Net debt	4,242,751	1,382,347
Total Equity	19,446,209	19,427,388
Total Capital	36,400,781	21,754,659
Gearing ratio	12%	6%

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28. FAIR VALUES

The carrying amounts of the Company's financial instruments by classes, that are not carried at fair value in the financial statements are not materially different from their fair values.

a) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March, the Company held the following financial instruments carried at fair value on the statement of financial position:

b) Financial Assets measured at fair value

	2020 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Short Term Investments (Note 20.3)	4,344,920	4,344,920	-	-

	2019 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Short Term Investments (Note 20.3)	27,991	27,991	-	-

During the reporting period ended 31 March 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

29. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyse the carrying amount of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

As at 31 March 2020	**Financial Assets and Liabilities at FVTPL**	**Financial Assets and Liabilities at Amortised Cost Rs.**	**Total Rs.**
Financial Assets			
Other Receivables (Non Current)	-	148,842	148,842
Trade Receivables	-	3,568,421	-
Short Term Investments	4,344,920	8,315,568	12,660,488
Cash and Cash Equivalents	-	51,333	51,333
Total Financial Assets	4,344,920	12,084,164	12,084,164
Financial Liabilities			
Trade and Other Payables	-	3,250,663	3,250,663
Interest Bearing Loans and Borrowings	-	16,954,572	16,954,572
Total Financial Liabilities	-	20,205,235	20,205,235

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29. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Contd..)

As at 31 March 2019

	Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at Amortised Cost Rs.	Total Rs.
Financial Assets			
Other Receivables (Non Current)	-	127,308	127,308
Trade Receivables	-	2,579,302	2,579,302
Short Term Investments	27,991	644,959	672,950
Cash and Cash Equivalents	-	271,974	271,974
Total Financial Assets	27,991	3,623,543	3,651,534
Financial Liabilities			
Trade and Other Payables	-	6,483,631	8,060,732
Interest Bearing Loans and Borrowings	-	2,327,271	5,017,829
Total Financial Liabilities	-	8,810,902	8,810,902

30. EVENTS AFTER THE REPORTING DATE

30.1 COVID 19

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak have been taken and continues to be implemented by the Government of Sri Lanka. The Company will continue to pay close attention to the development of COVID-19 outbreak and its related impact on the Company's businesses and financials. As at the date of the financial statements, there is a drop in sales for the financial year ended 31 March 2020 and had an adverse effect on the financial statements as well.

The Government interventions including the curfew has resulted in contraction in our revenue. Since it's an essential goods and sooner the removal of curfew will improve our revenue. The ultimate extent of the impact of the COVID-19 outbreak on our business, financial condition, liquidity, results of operations and prospects will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, the short-term and long-term economic impact of the outbreak, the severity of the virus and the actions taken to contain the virus or treat, among others.

30.2 Except for the above disclosure on COVID 19, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

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