LANKA IOC PLC

FINANCIAL STATEMENTS

31 MARCH 2021

Building a better working world

Ernst & Young
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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 2021, 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 2021 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/)

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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 the magnitude of revenue reported, we believe a higher risk is associated with revenue recognition and measurement. Accordingly, the recognition and measurement of revenue was considered a Key Audit Matter.	Our audit procedures 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 key 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 2020/21 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.

10 May 2021
Colombo

Lanka IOC PLC

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	Note	2021 Rs '000	2020 Rs '000
Revenue from Contracts with Customers	3	66,685,892	81,947,054
Cost of Sales		(63,572,855)	(77,840,925)
Gross Profit		3,113,037	4,106,129
Other Operating Income	4	252,430	83,240
Administrative Expenses		(1,400,609)	(1,505,307)
Selling and Distribution Expenses		(1,803,430)	(2,049,375)
Operating Profit		161,428	634,687
Finance Income	5.1	1,302,596	941,564
Finance Expenses	5.2	(476,276)	(977,628)
Profit Before Tax	6	987,748	598,623
Income Tax	7.1	(105,114)	(176,849)
Profit for the Year		882,634	421,774
Other Comprehensive Income /(Loss)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.3	(6,882)	(4,239)
Income tax on other Comprehensive income/(loss)	9.2	1,032	636
Other Comprehensive Income for the Year, Net of Tax		(5,850)	(3,603)
Total Comprehensive Income for the Year, Net of Tax		876,784	418,171
Earnings Per Share	10	1.66	0.79

The accounting policies and notes on pages 09 through 42 form an integral part of the Financial Statements.

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Lanka IOC PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

ASSETS	Note	2021 Rs '000	2020 Rs '000
Non Current Assets			
Property, Plant and Equipment	11	4,019,364	4,113,205
Investment	12	4,394,000	4,394,000
Intangible Assets	13	674,376	674,876
Right -of-use Assets	14.1	62,565	90,868
Other Receivables at Amortized Cost	17.2	118,675	148,842
Bank Deposits	22.3	10,222,477	-
Deferred Tax Asset (Net)	9.1	261,416	188,657
		19,752,873	9,610,448
Current Assets			
Inventories	15	9,625,050	13,295,317
Trade Receivables	16	2,585,212	3,568,421
Other Receivables at Amortized Cost	17.1	1,707,035	322,631
Other Current Assets	18	78,902	65,222
Income Tax Receivables		18,173	185,941
Short Term Investments	22.2	12,040,810	12,660,488
Cash and Bank Balances	19.1	598,950	51,333
		26,654,132	30,149,353
Total Assets		46,407,005	39,759,801
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	20	7,576,574	7,576,574
Retained Earnings		12,347,070	11,869,635
Total Equity		19,923,644	19,446,209
Non Current Liabilities			
Defined Benefit Obligation (Net)	8.2	13,692	10,629
Right -of-use Lease Liability	14.2	38,205	63,485
		51,897	74,114
Current Liabilities			
Trade and Other Payables	21	5,808,435	3,250,663
Right -of-use Lease Liability	14.2	33,476	34,243
Interest Bearing Borrowings	22.1	20,589,553	16,954,572
		26,431,464	20,239,478
Total Equity and Liabilities		46,407,005	39,759,801

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 42 form an integral part of the Financial Statements.

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10 May 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021

	Stated Capital Rs '000	Retained Earnings Rs '000	Total Rs '000
As at 1 April 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
Dividends Paid		(399,349)	(399,349)
Profit for the Year		882,634	882,634
Other Comprehensive Income/(Loss)		(5,850)	(5,850)
As at 31 March 2021	7,576,574	12,347,070	19,923,644

The accounting policies and notes on pages 09 through 42 form an integral part of the Financial Statements.

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STATEMENT OF CASH FLOWS

Year ended 31 March 2021

	Note	2021 Rs '000	2020 Rs '000
Cash Flows From/(Used in) Operating Activities			
Profit /(Loss)before Income Tax Expense		987,748	598,623
Adjustments for			
Finance Income	5.1	(1,302,596)	(941,564)
Finance Expenses	5.2	476,276	977,628
Dividends Income	4	(120,000)	-
Increase/(Decrease) in Allowances for Impairment	16.1	-	10,160
Loss/ (Profit) on disposal of property, Plant and Equipment	4	(3,317)	125
Defined Benefit Plan Cost	8.3	5,701	3,623
Depreciation	11.2	402,889	400,671
Amortisation of Intangible Asset	13.2	500	541
Amotisation Right-of- use Assets	14.1	32,275	30,290
Lease Interest - Right of - use Assets	14.2	9,957	11,510
Exchange (Gain)/ Loss on borrowing		125,703	452,026
Operating Profit/(Loss) before Working Capital Changes		615,136	1,543,632
(Increase)/ Decrease in Inventories		3,670,267	701,163
(Increase) /Decrease in Trade receivable, Other Receivables and Other Current Assets		(384,708)	(720,724)
Increase/ (Decrease) in Trade and Other Payables		2,557,772	(3,232,968)
Cash Generated From/(Used in) Operations		6,458,467	(1,708,897)
Income Tax		(13,798)	(5,773)
Finance Expenses		(476,276)	(977,628)
Defined Benefit Paid		(7,639)	(20,410)
Net Cash Flows From Operating Activities		5,960,754	(2,712,708)
Cash Flows from Investing Activities			
Finance Income		1,302,596	941,564
Dividends Income		120,000	-
Acquisition of Property, Plant and Equipment	11.1	(309,659)	(220,006)
Proceeds from Property, Plant and Equipment		3,928	400
Net Investment in Gratuity Fund		(1,128)	16,662
Investment in Bank Deposits		(10,222,477)	-
Net Cash Flows From/(Used in) Investing Activities		(9,106,740)	738,620
Cash Flows From Financing Activities			
Proceed from Interest bearing borrowings		55,863,217	53,892,049
Repayments of Interest bearing borrowings		(52,353,939)	(39,716,774)
Dividends Paid		(399,349)	(399,350)
Payment of Lease Creditor	14.2	(36,004)	(34,940)
Net Cash Flows From/(Used in) Financing Activities		3,073,925	13,740,985
Net Increase / (Decrease) in Cash and Cash Equivalents		(72,061)	11,766,897
Cash and Cash Equivalents at the Beginning of the Year		12,711,821	944,924
Cash and Cash Equivalents at the End of the Year	19.1	12,639,760	12,711,821

ANALYSIS OF CASH AND CASH EQUIVALENTS

	2021 Rs '000	2020 Rs '000
Short Term Investments	12,040,810	12,660,488
Cash in Hand and at Bank	598,950	51,333
	12,639,760	12,711,821

The accounting policies and notes on pages 09 through 42 form an integral part of the Financial Statements.

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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 2021 was authorized for issue in accordance with a resolution of the Board of Directors on 10 May 2021.

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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 (Rs '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.

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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.

2.7 Changes in Accounting Policies

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

2.8 Comparative Information

Other than disclosed in Note 31, 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 28.5
• Financial instruments risk management and policies Note 28
• Sensitivity analyses disclosures Notes 8 and 28.

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.

b) Impairment losses on Trade 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 Receivables is disclosed in Notes 16

c) Defined Benefit Obligations

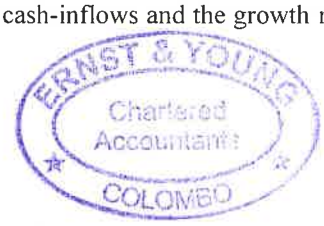
The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount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

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 2.7 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.

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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

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flow from the sale of collateral held or other credit enhancement that are integral to the contractual terms.

ECLs are recognised in two stages, for credit exposures for which there has not been a significant increase in credit risk since initial recognition. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining lift of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 22.1

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.

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.

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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 29
• Financial instruments (including those carried at amortised cost) Note 16, 17,19 & 22.

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 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.

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, deposits in banks net of outstanding bank overdrafts and Investments with original maturities of three months or less.

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.

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2.10.12 Accounting for leases - where the Company is the lessee

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).

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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 Prime Actuarials Solutions who carried out actuarial valuation as at 31 March 2021.

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.

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2.11 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There are no changes in accounting policies and disclosures during the period.

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: *SLFRS 17 - Insurance Contracts*

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16,if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020.

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3. REVENUE FROM CONTRACT WITH CUSTOMERS

	2021 Rs '000	2020 Rs '000
Lanka petrol 92 octane	19,807,769	18,839,482
Lanka auto diesel	19,589,059	17,898,247
Bunkering	11,004,075	26,712,367
Lubricants	4,073,459	2,903,242
Xtrapremium 95	3,388,347	5,348,335
Xtrapremium Euro 3	3,283,132	3,974,091
Xtramile	2,857,608	2,343,402
Lanka super diesel	1,397,747	2,087,434
Bitumen	1,173,731	1,815,062
Petrochemical	110,965	25,392
Total Sales of Petroleum Products	66,685,892	81,947,054

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

	2021 Rs '000	2020 Rs '000
Trade Receivables (Note 16)	2,585,212	3,568,421
Contract Liabilities (Note 21)	85,568	71,164

4. OTHER OPERATING INCOME

	2021 Rs '000	2020 Rs '000
Dividend Income	120,000	-
Rental Income	65,032	69,811
Sundry Income	64,081	13,429
Gain/(Loss) on Disposal of Property, Plant and Equipment	3,317	-
	252,430	83,240

5. FINANCE INCOME AND EXPENSES

5.1 Finance Income

	2021 Rs '000	2020 Rs '000
Income from Short term Investments & Deposits	1,278,979	925,428
Interest on Others	23,617	16,136
	1,302,596	941,564

5.2 Finance Expenses

	2021 Rs '000	2020 Rs '000
Interest Expenses	642,895	499,330
Exchange (Gain)/Loss	(166,619)	478,298
	476,276	977,628

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	2021 Rs '000	2020 Rs '000
Stated after Charging /Crediting		
Directors' Emoluments	35,772	32,909
Salaries and Wages	536,301	550,403
Allowances for Impairment	-	10,160
Loss/(Gain) on disposal of Property, Plant and Equipment	(3,317)	125
Exchange (Gain)/ Loss	(166,619)	478,298
Defined Benefit Obligation : Charge for the year	5,701	3,623
Audit Fee - Current year	1,750	1,750
Rent	36,143	41,106
Depreciation Charge for the year	402,889	400,671
Depreciation of right-of-use assets	42,232	41,799
Amortisation Charge for the year	500	541

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2021 and 31 March 2020 are as follows :

7.1 Income Statement

	2021 Rs '000	2020 Rs '000
Current Income Tax:		
Current Tax Expense	178,017	187,236
Under/(Over) Provision of Current Taxes in respect of Prior Year	(1,176)	(25,527)
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 9.2)	(71,727)	15,140
Income Tax Expense / (Credit) Reported in the Income Statement	105,114	176,849

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 March 2021 and 31 March 2020 are as follows :

	2021 Rs '000	2020 Rs '000
Accounting Profit (Loss) before tax	987,748	598,623
Tax calculated at a statuary income tax rate of 15% (2020 - 15%)	148,162	89,793
Tax impact of expenses deductible/not deductible for tax purpose	(90,093)	73,153
Tax impact of income taxable at different rate	(112,011)	(124,506)
Tax impact of income not subject to tax	(82,775)	(16,728)
Adjustment due to the estimated deferred tax base in previous year	64,990	(6,572)
Tax charge on profit from trade or business	**(71,727)**	**15,140**
Taxable Interest Income	741,739	705,888
Tax calculated at a tax rate of 28% (2020 - 28%)	-	124,764
Tax calculated at a tax rate of 24%	178,017	62,472
Adjustments in respect of prior years	(1,176)	(25,527)
Tax charge on Interest Income	**176,841**	**161,709**
Total tax charge for the year	**105,114**	**176,849**

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8. DEFINED BENEFIT OBLIGATION

	2021 Rs '000	2020 Rs '000
Balance as at 01 April	97,124	98,731
Current Service Cost	5,374	4,534
Interest Cost	9,797	11,354
Actuarial (Gain) / Loss (8.4)	7,001	2,915
Benefits Paid	(7,639)	(20,410)
Balance as at 31 March	111,657	97,124

8.1 Reconciliation Of Fair Value Of Plan Assets

	2021 Rs '000	2020 Rs '000
Balance as at 01 April	86,495	92,216
Contribution by employer	9,794	5,409
Expected return	9,196	10,604
Remeasurement	119	(1,324)
Benefit Paid	(7,639)	(20,410)
Balance as at 31 March	97,965	86,495

8.2 Reconciliation Of Fair Value Of The Plan Assets And Defined Benefit Obligation

	2021 Rs '000	2020 Rs '000
Defined Benefit Obligation at the end of the year	111,657	97,124
Fair value of the plan assets at the end of the year	(97,965)	(86,495)
Amount recognised in statement of financial position	13,692	10,629

8.3 Expenses recognised on Defined Benefit Plan

	2021 Rs '000	2020 Rs '000
Income Statement		
Current Service Cost for the year	5,566	4,534
Net Interest Cost for the year	602	750
Transfers	(467)	(1,661)
	5,701	3,623
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.4)	7,001	2,915
Remeasurement	(119)	1,324
	6,882	4,239

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

	2021 Rs '000	2020 Rs '000
Changes in Financial Assumptions	(9,577)	5,401
Changes in Demographic Assumptions	-	(668)
Experience Adjustments	16,578	(1,818)
	7,001	2,915

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8. DEFINED BENEFIT OBLIGATION (Contd...)

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2021 was carried out by Messrs.Prime Acturials Solutions, 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**	**2020**
Discount Rate	10.5%	10.5%
Salary Incremental Rate	0.3-4%	1-7%
Staff Turnover	0-3%	0-3%
Retirement Age	60 years	60 years
Return on Plan Assets	10.5%	10.75%

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	**2021 Rs '000**	**2020 Rs '000**
Less than 1 Year	9,080	6,295
Between 2-5 years	71,008	53,059
Beyond 5 years	157,765	48,878

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 2021. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Increase/ (Decrease) in Staff Turnover Rate	Sensitivity Effect on Statement of Comprehensive Income Rs '000	Sensitivity Effect on Defined Benefit Obligation Rs '000
1%			5,630	(5,630)
-1%			(6,250)	6,250
	1%		(6,782)	6,782
	-1%		6,178	(6,178)
		25%	(866)	866
		-25%	938	(938)

8.9 Defined Benefit Plan

As per company policy, plan assets is maintained under the assets liability matching strategy. Plan asset is invited to fund management entity and that entity is responsible for the administration of plan assets and for definition of the investment strategy.

A major catagories of Plan assets is as follows :

	2021	**2020**
Insurer-managed funds	100%	100%

8.10 The weighted average duration of defined benefit Obligation is 8.16 years

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9. DEFERRED TAX ASSETS - NET

9.1 Deferred Tax

Deferred Tax Relates to the Following:	2021 Rs '000	2020 Rs '000
Deferred Tax Assets Arising on:		
Brought forward tax losses	446,147	315,018
Retirement Benefit Obligation	16,749	14,568
ECL Provision	7,217	-
	470,113	329,586
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(126,547)	(140,929)
Unrealized Exchange (Loss)/ Gain	(82,150)	-
	(208,697)	(140,929)
Net Deferred Tax Asset/(Liability)	261,416	188,657

9.1.1 Deferred tax asset on account of taxable loss works out to Rs 446 million (2020- Rs 315 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 2021.

9.2 Deferred Tax Movement

	2021 Rs '000	2020 Rs '000
Balance brought forward	(188,657)	(203,161)
Deferred Income Tax (Credit)/Charge- Income Statement	(71,727)	15,140
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	(1,032)	(636)
Net Deferred Tax (Asset)/Liability	(261,416)	(188,657)

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.

	2021 Rs '000	2020 Rs '000
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	882,634	421,774
Number of Ordinary Shares used as the Denominator:	**2021**	**2020**
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earning Per Share	1.66	0.79

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11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2020 Rs '000	Additions Rs '000	Transfers Rs '000	Disposals Rs '000	Balance as at 31.03.2021 Rs '000
Freehold Land	1,960,347	-	-	(603)	1,959,744
Building and Fixtures	2,291,316	-	60,158	-	2,351,474
Plant and Equipment	3,480,371	777	127,222	(7,960)	3,600,410
Office Equipment	46,571	4,182	24,384	(6,678)	68,459
Furniture and Fittings	254,150	939	51,541	-	306,630
Motor Vehicles	43,971	-	-	(3,514)	40,457
Capital Work-In- Progress	82,772	303,761	(263,305)	-	123,228
	8,159,498	309,659	-	(18,755)	8,450,402

11.2 Depreciation

At Cost	Balance as at 01.04.2020 Rs '000	Charge for the year Rs '000	Transfers Rs '000	Disposals Rs '000	Balance as at 31.03.2021 Rs '000
Building and Fixtures	1,442,953	106,493	-	-	1,549,446
Plant and Equipment	2,391,459	247,962	-	(7,960)	2,631,461
Office Equipment	35,541	5,427	-	(6,670)	34,298
Furniture and Fittings	137,838	41,053	-	-	178,891
Motor Vehicles	38,502	1,954	-	(3,514)	36,942
	4,046,293	402,889	-	(18,144)	4,431,038

11.3 Net Book Value

	2021 Rs '000	2020 Rs '000
Freehold Land	1,959,744	1,960,347
Building and Fixtures	802,028	848,363
Plant and Equipment	968,949	1,088,912
Office Equipment	34,161	11,030
Furniture and Fittings	127,739	116,312
Motor Vehicles	3,515	5,469
Capital Work-In- Progress	123,228	82,772
Total Carrying Value of Property, Plant & Equipment	4,019,364	4,113,205

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of Rs 310 Mn (2020 - Rs 220 Mn).

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

	2021	2020
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

	2021 Rs '000	2020 Rs '000
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.

13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

	Goodwill Rs '000	License fees on computer software Rs '000	Total Rs '000
As at 01.04.2020	759,298	14,437	773,734
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2021	759,298	14,437	773,734

13.2 Amortisation

	Goodwill Rs '000	License fees on computer software Rs '000	Total Rs '000
As at 01.04.2020	85,421	13,437	98,858
Charge for the year	-	500	500
As at 31.03.2021	85,421	13,937	99,358

	Goodwill Rs '000	License fees on computer software Rs '000	Total Rs '000
13.3 Net Book Value as at 31.03.2020	673,877	1,000	674,876
13.4 Net Book Value as at 31.03.2021	673,876	500	674,376

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 Rs 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.

14. LEASES

As a lessee

The Company has lease contracts for the office building which has lease terms 4 years. The Company's obligation under its leases are secured by the lessor's title to the leases assets.

The Company also has certain leases with lease term of 12 months or less and leases with low value. The Company applies the 'short-term lease' and lease of low - value assets' recognition excemptions for these leases.

14.1 Right-of-use assets

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

Cost	**2021 Rs '000**	**2020 Rs '000**
Balance As at 01 April	121,158	-
Effect of Adoption of SLFRS 16 as at 01 April 2019	-	121,158
Addition and Improvement	3,971	-
Balance As at 31 March	125,129	121,158

Accumulated Amotisation	**2021 Rs '000**	**2020 Rs '000**
Balance As at 01 April	30,289	-
Charge for the year	32,275	30,289
Balance As at 31 March	62,564	30,289
Net Book Value As at 31st March	62,565	90,868

14.2 Right -of-use Lease Liability

Set out below are the carrying amounts of lease liabilities and the movements during the period

	2021 Rs '000	**2020 Rs '000**
Balance As at 01st April	97,728	-
Effect of Adoption of SLFRS 16 as at 01st April 2019	-	121,158
Accretion of Interest	9,957	11,510
Payments	(36,004)	(34,940)
Balance As at 31st March	71,681	97,728
Current liability	33,476	34,243
Non current liability	38,205	63,485
	71,681	97,728

14.3 Maturity Analysis of Lease Liability

	2021 Rs '000	**2020 Rs '000**
Not later than one month	3,357	3,125
Later than one month and not later than three months	6,714	9,374
Later than three months and not later than one year	30,213	24,998
Later than one year and not later than five years	41,836	79,641
	82,120	117,138

14.4 Following are the amounts recorgnized in profit or loss:

	2021 Rs '000	**2020 Rs '000**
Depreciation expenses of right-of-use assets	32,275	30,289
Interest expenses on lease liability	9,957	11,510
Expenses relating to short term and low value leases included in administrative expenses	36,143	41,106
Total amount recorgnised in profit or loss	78,375	82,905

The total cashflows made with respect to leases is Rs 36 Mn. (2020 - Rs. 35 Mn)

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15. INVENTORIES

	2021 Rs '000	2020 Rs '000
Auto Fuel	5,223,909	8,414,354
Base oil and other raw materials	2,684,500	928,021
Bunker Fuel	1,254,043	2,184,405
Lubricants	258,684	383,205
Bitumen	3,734	524,290
Petrochemical	-	110,020
Goods In Transit	200,180	751,022
	9,625,050	13,295,317

16. TRADE RECEIVABLES

	2021 Rs '000	2020 Rs '000
Trade Receivable from third- party customers	2,695,852	4,031,837
Allowance for Impairment	(110,640)	(463,416)
	2,585,212	3,568,421

16.1 Set out below is the movement in the allowance for expected credit losses of trade receivables

	2021 Rs '000	2020 Rs '000
As at 01 April	463,416	453,256
Provision for the the expected credit losses	-	10,160
Write off	(352,776)	-
As at 31 March	110,640	463,416

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

	Total Rs '000	Neither Past due nor Impaired Rs '000	Past Due but not Impaired: Less than 30 days Rs '000	31-90 days Rs '000	91-180 days Rs '000	181-365 days Rs '000	>365 days Rs '000
2021	2,585,212	2,573,224	7,252	336	551	2,337	1,512
2020	3,568,421	2,438,566	935,517	85,373	54,121	2,579	52,265

16.3 Allowance for impairment Rs 111 Mn (2020 Rs 463 Mn) Includes provision for Expected Credit Loss line with accounting policy applicable for trade receivale for which Company has applied the simplified approach. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 28.2

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

	2021 Rs '000	2020 Rs '000
US Dollars	1,635,648	1,991,404
Sri Lankan Rupees	949,564	1,577,017
	2,585,212	3,568,421

17. OTHER RECEIVABLE AT AMORTIZED COST

17.1 Other Receivable At Amortized Cost - Current

	2021 Rs '000	2020 Rs '000
Claims, Refunds, Staff loans and Others	992,821	238,306
VAT Receivables	632,851	4,086
Deposits	81,363	80,239
	1,707,035	322,631

17.2 Other Receivable At Amortized Cost - Non Current

	2021 Rs '000	2020 Rs '000
Staff Loan	97,247	124,433
Prepaid-deferred employee benefit	21,428	24,409
	118,675	148,842

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17. OTHER RECEIVABLE AT AMORTIZED COST (Contd...)

17.3 The carrying amounts of other receivables are denominated in Sri Lankan Rupees

17.4 For the other receivable, the Company applies the three stage model approach permitted by SLFRS 9, which requires Company to follow 12 months expected credit loss method or life time expected credit loss method in assessing the losses to be recognised from initial recognition. On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 were immaterial.

18. OTHER CURRENT ASSETS

	2021 Rs '000	2020 Rs '000
Advance payments	42,589	34,884
Prepayments	36,313	30,338
	78,902	65,222

19. CASH AND CASH EQUIVALENTS

	2021 Rs '000	2020 Rs '000
19.1 Cash & Cash Equivalent balances		
Cash and Bank Balances	598,950	51,333
Short Term Bank Deposits (Note 22.2)	12,040,810	12,660,488
Total Cash & Cash Equivalent balances	12,639,760	12,711,821

20. STATED CAPITAL

	2021	2020
20.1 Stated Capital as at 31 March (Rs '000)	7,576,574	7,576,574
20.2 Number of Ordinary Shares	532,465,705	532,465,705

21. TRADE AND OTHER PAYABLES

	2021 Rs '000	2020 Rs '000
Trade Payables-Related Parties (21.2)	759,693	494,173
- Others	3,503,512	1,612,237
Other Payables- Related Parties (21.3)	932,343	553,043
Sundry Creditors Including Accrued Expenses	612,887	591,210
	5,808,435	3,250,663

21.1 Trade payables consist of Rs 85 Mn (2020- Rs 71 Mn) contract liability received from Customers

21.2 Trade Payables- Related Parties

	Relationship	2021 Rs '000	2020 Rs '000
Indian Oil Corporation Limited	Immediate Parent	759,693	494,173
		759,693	494,173

21.3 Other Payables- Related Parties

	Relationship	2021 Rs '000	2020 Rs '000
Indian Oil Corporation Limited	Immediate Parent	135,555	104,691
Ceylon Petroleum Storage Terminal Limited	Significant Investee	796,788	448,352
		932,343	553,043

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22. OTHER FINANCIAL ASSETS AND LIABILITIES

22.1 Interest Bearing Borrowings

	2021 Rs '000	2020 Rs '000
Short Term Loans from banks (Note 22.1.1)	20,589,553	16,954,572

22.1.1 Short Term Loans from Banks

	2021 Rs '000	2020 Rs '000
Balance as at 01 April	16,954,572	2,327,271
Proceed from bank loans	55,863,217	53,892,049
Repayments of bank loans	(52,353,939)	(39,716,774)
Exchange (Gain)/ Loss on bank loans	125,703	452,026
Balance as at 31st March	20,589,553	16,954,572

22.1.2 The short term loans from banks Rs 20,590 Mn (2020- Rs 16,955 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 2,383 Mn (2020- Rs 1,955 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

22.2 Short Term Investments

	2021 Rs '000	2020 Rs '000
Investment in Unit Trust (Note 22.4)	7,866,496	4,344,920
Investment Through Portfolio Management Services	3,437,671	770,894
Short Term Bank Deposits (Note 22.3)	736,643	7,544,674
	12,040,810	12,660,488

22.3 Bank Deposits

	2021 Rs '000	2020 Rs '000
Total Bank Deposits	10,959,120	7,544,674
Less: Short Term Bank Deposits	(736,643)	(7,544,674)
Long term Bank Deposits	10,222,477	-

22.4 Investment in Unit Trust - Fair Value Through Profit or Loss

	2021 Rs '000	2020 Rs '000
Balance as at 01 April	4,344,920	27,991
Additions / (Withdrawals) (Net)	3,003,451	3,702,862
Fair Value (Gain)/Loss	518,125	614,067
Balance as at 31 March	7,866,496	4,344,920

22.5 The interest rates are as follows:

Short term loans	LIBOR + Margin

22.6 The LIBOR rate (monthly) at the date of statement of financial position was 0.1085%

23. RELATED PARTY DISCLOSURES

23.1 Transactions with the Related Entities

23.1.1 Transactions with Parent

Nature of Transaction	2021 Rs '000	2020 Rs '000
Amounts Receivable as at 01 April	-	84,478
Amounts Payable as at 01 April	(598,864)	(35,383)
Fund Transfers/Payment Made	3,510,255	2,549,457
Purchases of Goods/Services	(3,746,320)	(3,284,270)
Sale of Goods	63,994	173,330
Expenses Reimbursed	(124,313)	(86,476)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(895,248)	(598,864)
Net Balance as at 31 March	(895,248)	(598,864)

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23.1.2 During the year, the Company paid a gross dividend of Rs 399 Mn with respect to the financial year ended 31 March 2020, out of which Rs 300 Mn was paid to Indian Oil Corporation Limited.

23. RELATED PARTY DISCLOSURES (Contd...)

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

23.1.3 Transactions with IOC Middle East FZE - Affiliated Company

Nature of Transaction	2021 Rs '000	2020 Rs '000
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	-	-

23.1.4 Transactions with Indian Oil (Mauritius) Ltd - Affiliated Company

Nature of Transaction	2021 Rs '000	2020 Rs '000
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	-	-
Fund Received	(4,065)	-
Sale of Goods	4,065	-
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	-	-

23.1.5 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL) - Significant Investee

Nature of Transaction	2021 Rs '000	2020 Rs '000
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(448,352)	(320,883)
Fund Transfers/Payment Made	189,289	658,285
Services Rendered	(657,725)	(784,754)
Dividend	120,000	-
Sponsorship	-	(1,000)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(796,788)	(448,352)

23.1.4 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).

23.2 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:

	2021 Rs '000	2020 Rs '000
Fees for Directors	2,800	2,875
Emoluments	30,014	26,846
Short Term Employment Benefits	2,958	3,188
	35,772	32,909

23. RELATED PARTY DISCLOSURES (Contd...)

23.3 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	2021 Rs '000	2020 Rs '000
(a) Items in Statement of Comprehensive Income	Finance Expenses	69,729	108,890
	Revenue	4,006	355,236
(b) Items in Statement of Financial Position	Interest bearing Loans and Borrowings	(2,362,813)	(1,955,187)
	Investment in Gratuity Fund	97,964	86,495
	Trade Receivables	-	318,378
(c) Off statement of financial position Items	Letters of credit	-	698,789

24. COMMITMENTS

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

24.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to Rs 137 Mn (2020- Rs 508 Mn).

24.2 Purchase Commitments

Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2021 amounted to Rs.5,415 Mn (2020 - Rs 4,022 Mn).

25. CONTINGENCIES

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

25.1 Guarantees issued by Banks on behalf of the Company as at 31 March 2021 amounted to Rs 620 Mn (2020- Rs 891 Mn)

25.2 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 Rs 101 Mn 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 Rs 740 Mn including interest & penalty. For the assessment period Jan 2016 to March 2018 amounting to Rs 818 Mn 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 Rs 329 Mn for which assessment orders have not yet been issued by Inland Revenue Department. NBT has been abolished with effective from 01.12.2019. Therefore, total Contingent liability for the period Jan 2012 to November 2019 is Rs 1,988 Mn."

26. ASSETS PLEDGED

The short term loans Rs 20,590 Mn (2020- Rs 16,955 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs 2,383 Mn (2020- Rs 1,955 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

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

27. DIVIDEND

	2021	2021	2020	2020
Equity Dividend on Ordinary shares	Per Share	Rs '000	Per Share	Rs '000
Declared and Paid during the year	0.75	399,349	0.75	399,350

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

28.1 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 2021	**Denominated in LKR Rs '000**	**Denominated in USD Rs '000**
Cash at bank and in hand	201,169	397,781
Interest Bearing Loans & Borrowings	10,793,241	9,796,312
Investment in Unit Trust	7,866,496	-
Investment Through Portfolio Management Services	3,437,671	-
Bank Deposits	-	10,959,120
Trade Receivables	949,564	1,635,648
Other Receivables at Amotised cost	1,825,710	-
Trade and Other Payables	2,287,852	3,520,583
As at 31 March 2020		
Cash at bank and in hand	30,478	20,855
Interest Bearing Loans & Borrowings	5,160,234	11,794,338
Investment in Unit Trust	4,344,920	-
Investment Through Portfolio Management Services	770,894	-
Bank Deposits	-	7,544,674
Trade Receivables	1,577,017	1,991,404
Other Receivables at Amotised cost	471,473	-
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.

2021	**Increase/ decrease in interest rate**	**Effect on Profit Before Tax Rs '000**
Sensitivity only using borrowings		
Increase	+1%	(205,896)
Decrease	-1%	205,896
Sensitivity using Investment in deposits		
Increase	+1%	222,633
Decrease	-1%	(222,633)

2020	**Increase/ decrease in interest rate**	**Effect on Profit Before Tax Rs '000**
Sensitivity only using borrowings		
Increase	+1%	169,546
Decrease	-1%	(169,546)
Sensitivity using Investment in deposits		
Increase	+1%	75,447
Decrease	-1%	(75,447)

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

28.1 Market Risk (Contd...)

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 investments, 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 Rs '000	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax Rs '000
2021				
Bank Deposits (USD)	10,959,120	199.38	+/- 1%	+/- 109,591
Interest Bearing Loans and Borrowings (USD)	9,796,312	199.38	+/- 1%	+/- 97,963
Trade Receivables (USD)	1,635,648	199.38	+/- 1%	+/- 16,356
Trade and Other Payables (USD)	3,520,583	199.38	+/- 1%	+/- 35,206
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

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.

28.2 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.

For trade receivables, the Company has applied the simplified approach in SLFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Set out below is the information about the credit risk exposure on the Company's trade receivable using the provision matrix:

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

28.2 Credit risk (Contd...)

	2021		2020	
	Carring amount at default Rs '000	Expected credit loss Rs '000	Carring amount at default Rs '000	Expected credit loss Rs '000
Current	2,591,331	18,107	2,456,673	18,107
< 30 days	7,511	259	935,776	259
31-90 days	407	71	85,444	71
91-180 days	674	123	54,244	123
181-365 days	4,602	2,265	4,844	2,265
>365 days	91,327	89,815	494,856	442,591
	2,695,852	110,640	4,031,837	463,416

Other financial assets

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party. Counterparty credit limits are reviewed by the Company's board of directors on an annual basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

For other receivable at amortized cost, bank deposits and cash and Bank balances the Company applies the three stage model approach permitted by SLFRS 9, which requires Company to follow 12 months expected credit loss method or life time expected credit loss method in assessing the losses to be recognised from initial recognition. On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 were immaterial.

28.3 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 2021	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
Interest-bearing loans and borrowings	20,589,553	-	20,589,553
Right to Use-Lease Liability	33,476	38,205	71,681
Trade and Other Payables	5,808,435	-	5,808,435
	26,431,464	38,205	26,469,669

As at 31 March 2020	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
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

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

28.4 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.

28.5 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%.

	2021 Rs '000	2020 Rs '000
Total borrowings (Note 22.1)	20,589,553	16,954,572
Less :- Cash and cash equivalents (Note 19.1)	(12,639,760)	(12,711,821)
Net debt	7,949,793	4,242,751
Total Equity	19,923,644	19,446,209
Total Capital	40,513,197	36,400,781
Gearing ratio	20%	12%

29. 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

	2021 Rs '000	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000
Investment in Unit Trust (Note 22.4)	7,866,496	7,866,496	-	-

	2020 Rs '000	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000
Investment in Unit Trust (Note 22.4)	4,344,920	4,344,920	-	-

During the reporting period ended 31 March 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

30. 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 2021

Financial Assets	**Note**	**Financial Assets and Liabilities at FVTPL Rs '000**	**Financial Assets and Liabilities at Amortised Cost Rs '000**	**Total Rs '000**
Other Receivables at amortised cost	17	-	1,825,710	1,825,710
Trade Receivables	16	-	2,585,212	2,585,212
Bank deposits	22.3	-	10,959,120	10,959,120
Investment in Unit Trust	22.4	7,866,496	-	7,866,496
Investment Through Portfolio Management Services	22.2	-	3,437,671	3,437,671
Cash and Bank Balances	19	-	598,950	598,950
Total Financial Assets		7,866,496	19,406,663	27,273,159
Financial Liabilities				
Trade and Other Payables	21	-	5,808,435	5,808,435
Interest Bearing Loans and Borrowings	22.1	-	20,589,553	20,589,553
Total Financial Liabilities		-	26,397,988	26,397,988

As at 31 March 2020

Financial Assets	**Note**	**Financial Assets and Liabilities at FVTPL Rs '000**	**Financial Assets and Liabilities at Amortised Cost Rs '000**	**Total Rs '000**
Other Receivables at amortised cost	17	-	471,473	471,473
Trade Receivables	16	-	3,568,421	3,568,421
Bank deposits	22.3	-	7,544,674	7,544,674
Investment in Unit Trust	22.4	4,344,920	-	4,344,920
Investment Through Portfolio Management Services	22.2	-	770,894	770,894
Cash and Bank Balances	19	-	51,333	51,333
Total Financial Assets		4,344,920	12,406,795	16,751,715
Financial Liabilities				
Trade and Other Payables	21	-	3,250,663	3,250,663
Interest Bearing Loans and Borrowings	22.1	-	16,954,572	16,954,572
Total Financial Liabilities		-	20,205,235	20,205,235

31. RECLASSIFICATION

Reclassifications have been made to the prior year's statement of financial position to enhance comparability with the current year's financial statements. The items were reclassified as follows:

	Previously reported March-20 Rs '000	**Reclassification Rs '000**	**After classification March-20 Rs '000**
Trade and other receivables	3,956,274	(3,956,274)	-
Trade receivables		3,568,421	3,568,421
Other receivable at amortized cost - current	-	322,631	322,631
Other current assets	-	65,222	65,222

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32. EVENTS AFTER THE REPORTING DATE

32.1 COVID 19

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in year 2020 and early 2021, 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.

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.