LANKA IOC PLC
COLOMBO - 01

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST MARCH 2024

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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 31st March 2024, 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 material accounting policies as set out on pages 05 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2024, and of 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 for Professional Accountants issued by CA 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 the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Refer note 2.13.16 of the financial statements for disclosures of related significant accounting policies and 3 for the disclosure of revenue from contracts with customers. The Company's revenue consists of the sale of petroleum products. The Company's most significant revenue stream from petroleum products involves the sales of automotive fuels. In line with IFRS 15, the Company recognises revenue when a performance obligation is satisfied by transferring control over promised goods to the customer.	Our audit procedures which included, amongst others, the following procedures: • Reviewed the revenue recognition policy applied by the Company and its compliance with SLFRS 15 Revenue from Contracts with Customers. • Tested the effectiveness of relevant controls over revenue recognition relating to sale of automotive fuels. • Performed cut off procedures to ensure that the automotive fuel sales are recorded in the proper accounting period.

Key audit matter	How our audit addressed the key audit matter
For sale of automotive fuel, the point of revenue recognition is when the invoice is raised and the customer acknowledges the goods. A significant proportion of automotive fuel revenue is generated at the delivery point of Ceylon Petroleum Storage Terminals Limited (CPSTL), which is a State-Owned Entity and in the business of storage and distribution of petroleum products. The original source documents (i.e., invoice and customer acknowledgement) pertaining to each sale generated at CPSTL's location on behalf of the Company are placed at CPSTL to which the management does not have access. However, the management gets comfort over the occurrence of a sales transaction initiated at the delivery point of CPSTL by way of accessing and referring to the details of the ERP (i.e SAP) which is also outsourced to and managed by CPSTL. Due to the magnitude of automotive fuel revenue generated at CPSTL, we assessed that a higher risk is associated with point of revenue recognition and measurement. Accordingly, the recognition and measurement of automotive fuel revenue was considered a Key Audit Matter.	• Performed test of details on the automotive fuel revenue generated through the period by checking source documents in the ERP. • Performed test of details to ensure the occurrence of automotive sales transactions by checking the customer settlements for samples of sales transactions in the bank statements. • Reviewed the credit notes issued before and after the period end to ensure automotive fuel sales were recorded in the correct accounting period. • Assessed the reasonableness of selling price for key products including automotive fuel by comparing average price per unit derived by dividing product wise monthly revenue by quantity sold with respective approved sales prices for the period. • Assessed the adequacy of related disclosures on revenue in the financial statements with reference to the disclosure requirements given in SLFRS 15.

Other Matter

The financial statements of Lanka IOC PLC for the year ended 31st March 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29th April 2023.

Other Information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 identified above and, in doing so, consider whether the other information is materially consistent with the financial statements and our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of 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.

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 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 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of the 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 it appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4324.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo
18th April 2024
HSR/cc

LANKA IOC PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2024

	Note	2024 Rs '000	2023 Rs '000
Revenue from Contracts with Customers	3	263,568,721	281,487,600
Cost of Sales		(239,550,439)	(227,305,669)
Gross Profit		24,018,282	54,181,931
Other Operating Income	4	235,857	115,541
Administrative Expenses		(3,548,774)	(3,313,625)
Selling and Distribution Expenses		(7,896,403)	(6,806,931)
Operating Profit		12,808,962	44,176,916
Finance Income	5.1	5,033,468	3,453,888
Finance Expenses	5.2	(759,070)	(2,928,709)
Finance Income - Net		4,274,398	525,179
Profit Before Tax	6	17,083,360	44,702,095
Income Tax Expenses	7.1	(3,138,366)	(7,006,455)
Profit for the Year		13,944,994	37,695,640
Other Comprehensive Income /(Loss) **Items that will not be reclassified to profit or loss:**			
Actuarial Loss on Defined Benefit Obligations	8.3	(37,084)	(10,541)
Changes in the Fair Value of Equity Investment at Fair Value Through Other Comprehensive Income		454,000	458,000
Income Tax on Other Comprehensive Income	9.2	5,563	1,581
Other Comprehensive Income / (loss) for the Year, Net of Tax		422,479	449,040
Total Comprehensive Income for the Year, Net of Tax		14,367,473	38,144,680
Earnings Per Share	10	26.19	70.79

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 47 form an integral part of these Financial Statements.

18th April 2024
Colombo

BDO PARTNERS
Chartered Accountants

LANKA IOC PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2024

	Note	2024 Rs '000	2023 Rs '000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	4,899,713	3,903,723
Financial Assets at Fair Value Through Other Comprehensive Income	12	5,404,000	4,901,000
Intangible Assets	13	673,876	673,876
Right-of-use Assets	14.1	46,899	47,881
Financial Assets at Amortised Cost	17.2	162,621	148,463
		11,187,109	9,674,943
Current Assets			
Inventories	15	26,302,202	38,027,406
Trade Receivables	16	8,975,607	4,514,979
Financial Assets at Amortised Cost	17.1	9,385,817	805,632
Other Current Assets	18	738,372	2,153,779
Short-Term Investments	22.2	38,928,945	21,045,631
Cash and Bank Balances	19.1	6,277,439	5,990,257
		90,608,383	72,537,684
Total Assets		101,795,492	82,212,627
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	20	7,576,574	7,576,574
Other Reserve	12	912,000	458,000
Retained Earnings		64,981,583	53,197,972
Total Equity		73,470,157	61,232,546
Non-Current Liabilities			
Defined Benefit Obligation (Net)	8.2	26,533	15,171
Lease Liabilities	14.2	48,669	49,539
Deferred Tax Liability (Net)	9.1	28,775	541,161
		103,977	605,871
Current Liabilities			
Trade and Other Payables	21	22,682,361	14,826,759
Lease Liabilities	14.2	4,347	1,684
Interest Bearing Borrowings	22.1	4,306,616	4,468,346
Income Tax Payable		1,228,034	1,077,421
		28,221,358	20,374,210
Total Equity and Liabilities		101,795,492	82,212,627

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 47 form an integral part of these Financial Statements.

I certify that, 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**

18th April 2024
Colombo

BDO PARTNERS Chartered Accountants

LANKA IOC PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2024

	Note	Stated Capital Rs '000	Other Reserve (Financial Assets at FVOCI) Rs '000	Retained Earnings Rs '000	Total Rs '000
As at 1st April 2022		7,576,574	-	16,709,340	24,285,914
Dividends Paid	27	-	-	(1,198,048)	(1,198,048)
Profit for the Year		-	-	37,695,640	37,695,640
Other Comprehensive Loss		-	458,000	(8,960)	449,040
As at 31st March 2023		7,576,574	458,000	53,197,972	61,232,546
Dividends Paid	27	-	-	(2,129,863)	(2,129,863)
Profit for the Year		-	-	13,944,994	13,944,994
Other Comprehensive Income		-	454,000	(31,521)	422,479
As at 31st March 2024		7,576,574	912,000	64,981,583	73,470,157

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 47 form an integral part of these Financial Statements.

18th April 2024
Colombo

BDO PARTNERS Chartered Accountants

LANKA IOC PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2024

	Note	2024 Rs '000	2023 Rs '000
Cash Flows From Operating Activities			
Profit Before Income Tax Expense		17,083,360	44,702,095
Adjustments for:			
Finance Income	5.1	(5,033,468)	(3,453,888)
Finance Expenses	5.2	759,070	2,928,709
Dividends Income	4	(120,000)	-
Increase in Allowances for Impairment	16.1	107,174	20,534
Gain in Disposal of Property, Plant And Equipment	4	(116)	(862)
Defined Benefit Plan Cost	8.3	5,435	4,551
Depreciation	11.2	427,121	421,531
Amortisation of Intangible Asset	13.2	-	-
Amortisation of Right-of- use Assets	14.1	982	32,265
Interest on Lease Liabilities	14.2	6,147	9,573
Exchange Loss on Borrowings		(77,080)	13,573
Operating Profit before Working Capital Changes		13,158,626	44,678,081
Increase in Inventories		11,725,203	(10,770,373)
Increase in Trade Receivable, Other Receivables and Other Current Assets		(11,746,738)	(2,761,174)
Increase in Trade and Other Payables		7,855,601	322,289
Cash Generated From / (Used in) Operations		20,992,693	31,468,823
Income Taxes Paid		(3,531,660)	(5,789,025)
Interest Received		5,033,468	3,453,888
Interest Paid	5.2	(759,070)	(2,928,709)
Defined Benefit Paid		(10,899)	(38,108)
Net Cash Flows From / (Used in) Operating Activities		21,724,532	26,166,869
Cash Flows from Investing Activities			
Dividends Income		120,000	-
Acquisition of Property, Plant and Equipment	11.1	(1,423,118)	(468,595)
Proceeds from Property, Plant and Equipment		122	1,128
Net Withdrawal in Gratuity Fund		16,826	26,655
Withdrawal of Bank Deposits		-	5,731,000
Investment In TPTL		(49,000)	
Investments in Short-Term Investments		(17,883,314)	(5,422,962)
Net Cash Used in Investing Activities		(19,218,484)	(132,774)
Cash Flows From Financing Activities			
Proceeds From Interest Bearing Borrowings	22.1.1	98,378,748	127,445,045
Repayments of Interest Bearing Borrowings	22.1.1	(98,463,397)	(148,768,497)
Dividends Paid	27	(2,129,863)	(1,198,048)
Payment of Lease Creditor	14.2	(4,354)	(46,087)
Net Cash (Used in) / From Financing Activities		(2,218,867)	(22,567,587)
Net Increase in Cash and Cash Equivalents		287,182	3,466,508
Cash and Cash Equivalents at the Beginning of the Year		5,990,257	2,523,749
Cash and Cash Equivalents at the End of the Year	19.1	6,277,439	5,990,257

ANALYSIS OF CASH AND CASH EQUIVALENTS

Cash in Hand and at Bank		6,277,439	5,990,257
		6,277,439	5,990,257

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 47 form an integral part of these Financial Statements.

18th April 2024
Colombo

BDO PARTNERS

1. CORPORATE INFORMATION

1.1 General

Lanka IOC PLC ("the 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 distributing 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 22nd January 2024 and renewable thereafter.

1.3 Parent Entity and Ultimate Controlling Party

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

1.4 Date of Authorisation for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31st March 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 18th April 2024.

1.5 RESPONSIBILITY FOR FINANCIAL STATEMENT.

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007and in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka.

These financial statements include the following components;

- a statement of profit or loss and other comprehensive income providing the information on the financial performance of the Company for the year under review,
- a statement of financial position providing the information on the financial position of the Company as at the year end,
- a statement of changes in equity depicting all changes in shareholders' funds during the year under review of the company,
- a statement of cash flows providing the information to users, on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilize those cash flows, and
- notes to the financial statements comprising accounting policies and other explanatory information.

BDO PARTNERS Chartered Accountants

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, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprise Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines 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 Preparation

The Financial Statements have been prepared on a historical cost basis, except for defined benefit obligation which is measured at the present value of the obligation and investment in unit trust and equity instruments which are at fair value.

2.3 Changes in accounting standards

(a) New standards, interpretations and amendments adopted from 1st January 2023

(i) **Disclosure of Accounting Policies (Amendments to LKAS 01 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgments)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Financial Statements of the Company but affect the disclosure of accounting policies of the Company.

(ii) **Definition of Accounting Estimates (Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)**

The amendments to LKAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the Financial Statements of the Company.

BDO PARTNERS Chartered Accountants

(iii) **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)**

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. These amendments had no effect on the annual Financial Statements of the Company.

International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules. Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

(b) **New standards and amendments issued but not yet effective or early adopted in 2024**

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases) - Mandatorily effective for periods beginning on or after 1st January 2024
- Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1 Presentation of Financial Statements) - Mandatorily effective for periods beginning on or after 1st January 2024)
- Non-current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements) - Mandatorily effective for periods beginning on or after 1st January 2024
- Supplier Finance Arrangements (Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures) - Mandatorily effective for periods beginning on or after 1st January 2024

(c) **The following amendments are effective for the period beginning 01st January 2025**

- Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates) - Mandatorily effective for periods beginning on or after 1st January 2025

2.4 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.

2.5 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.

2.6 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 transfering cash or other assets for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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

2.7 Segment Reporting

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

2.8 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.9 Comparative information

The presentation and classification of the Financial Statements of the previous years have been amended, where it is relevant for better presentation and to be comparable with those of the current year.

BDO PARTNERS Chartered Accountants

2.10 Materiality and aggregation

Each material class of similar items has been presented separately in the Financial Statements. Items of a dissimilar nature or function have been presented separately unless they are immaterial.

2.11 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 recognised 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 include:

- Capital risk management Note 28.5
- Financial instruments risk management and policies Note 28
- Sensitivity analysis disclosures Notes 8.8 and 28.1

2.12.1 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 have the most significant effect on the amounts recognised 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 fair value through other comprehensive income 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 12.1

b) *Investment in Trinco Petroleum Terminal (Pvt) Limited*

The Company owns a 49% of stake in Trinco Petroleum Terminal (Pvt) Limited. The management has decided to carry the investment at fair value through other comprehensive income on the grounds that the Company has no significant influence on the financial and operating decisions of Trinco Petroleum Terminal (Pvt) Limited due to the government influence and the sensitivity of the industry towards the national economy. Further information is disclosed in Note 12.2.

c) *Critical judgments in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings and motor vehicles, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Company is typically and reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Company is typically and reasonably certain to extend (or not terminate), and
- otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in buildings and motor vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.12.2 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 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 realisable 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 Comprehensive income. 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.

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Simplified Approach

The Company follows a '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 recognises 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 historically 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) recognised 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, future salary increase and staff turnover ratio. 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.

2.13 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.13.1 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 the 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.

2.13.2 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 the carrying amount and are included in the Statement of comprehensive income.

2.13.3 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 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.

2.13.4 Intangible assets

a) 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.

2.13.5 Investment in Ceylon Petroleum Storage Terminal Limited and Trinco Petroleum Terminal (Private) 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.

2.13.6 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:

- Trinco Tank Farm - Lease Period 50 years

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

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

ii) Lease liabilities

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

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

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

2.13.7 Financial Instruments

2.13.7.1 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, but transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in Note 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 the 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 recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in three 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)

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
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely the 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 include cash and short-term deposits, trade and other receivables and other financial assets.

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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 and investment through portfolio management services

c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the Company considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely the principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

The Company's financial assets at fair value through other comprehensive income include investments in equity instruments of Ceylon Petroleum Storage Terminal Limited and Trinco Petroleum Terminal (Private) Limited.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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 recognised to the extent of the Company's continuing involvement in it.

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

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

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2.13.7.2 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 where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, 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.

2.13.7.3 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.

BDO PARTNERS
Chartered Accountants

2.13.7.4 Financial Liabilities

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.

2.13.7.5 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 recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.13.7.6 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 to 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.

2.13.7.7 Fáir Value of Measurement

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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

- Quantitative disclosures of fair value measurement hierarchy Note 29
- Financial instruments (including those carried at amortised cost) Note16, 17,19, 21& 22.

2.13.8 Inventories

Inventories are valued at the lower of cost and net realisable 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 their present location and conditions is accounted using the following cost formulae:

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

2.13.9 Trade and other receivables

Trade and other receivables are recognised at the amounts they are estimated to realise net of provisions for impairment. Other receivables and dues from related parties are recognised at fair value less provision for impairment. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income. Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment.

2.13.10 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 are subject to and insignificant risk of changes in value.

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

2.13.11 Liabilities and provisions

2.13.11.1 Liabilities

Liabilities classified under current liabilities in the statement of financial position are those expected to fall due within one year from the statement of financial position date. Items classified as non-current liabilities are those expected to fall due at a point in time after one year from the reporting date.

Trade and other payables

Trade creditors and other payables are stated at amortised cost. Trade payables are the aggregate amount of obligations to pay for goods and services, that have been acquired in the ordinary course of business.

2.13.11.2 Short-term borrowing

Short-term borrowings are interest bearing borrowings of the Company which fall due within 12 months of the end of the financial year.

2.13.12 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the recovery will be received and the amount of the receivable can be measured reliably.

All the contingent liabilities are disclosed as notes to the Financial Statements unless the outflow of resources is remote.

2.13.13 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 Actuarial Solutions who carried out actuarial valuation as at 31 March 2024.

Recognition of Actuarial Gains and Losses

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

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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 10% 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 recognised as an employee benefit expense in profit or loss when they are due.

2.13.14 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.

PARTNERS

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 recognised 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 recognised 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 utilised 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 utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised 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 Social Security Levy)

Revenues, expenses and assets are recognised 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 recognised 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.

IFRIC Interpretation 23 uncertainly over income tax treatment

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

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

BDO PARTNERS Chartered Accountants

The company apply significant judgment in identifying uncertainties over income tax treatments. Since the Company operate in a complex environment, it assessed whether the interpretation had an impact on its financial statements.

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

2.13.15 Commitments

All material commitments as at the reporting date have been identified and disclosed in the notes to the financial statements.

2.13.16 Revenue Recognition

Sales are recognised when the performance obligation is satisfied, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified.

The Company determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Company would achieve by selling the same goods and or services included in the obligation to a similar customer on a standalone basis. Where the Company does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Company maximizes the use of external input; observing the standalone prices for similar goods and services when sold by Ceylon Petroleum Corporation or using a cost-plus reasonable margin approach.

a) Sale of goods

Revenue from sale of goods is recognised 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 executes performance obligations under the contract.

a) **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.

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.

b) **Finance *Income***

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

c) **Dividend *income***

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

d) **Others**

Other income is recognised on an accrual basis.

Net gains and losses on the disposal of property, plant and 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.

2.13.17 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 statement of comprehensive income for the period.

2.13.18 Finance Cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value through OCI financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the statement of profit or loss and other comprehensive income. Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

2.13.19 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where the borrowing costs, which are directly attributable to the acquisition, construction or production of qualifying assets which are the assets that necessarily take a substantial period of time to get ready for their intended purpose, are added to the cost of those assets until such time, as the assets are substantially ready for their intended use or sale.

Investment income, earned on temporary investment of specific borrowings pending their expenditure on qualifying assets, is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

2.13.20 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.

2.13.21 Events after the reporting period

All material events occurring after the statement of financial position date have been considered and where necessary, adjustments or disclosures, have been made in the respective notes to the Financial Statements.

2.13.22 Related party transactions

Disclosures are made in respect of the transactions in which the Company has the ability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of whether a price is charged.

Transactions with related parties are carried out in the ordinary cause of business. Sales and purchases from related parties are made on terms equivalent to those that prevail in arm's length transaction. Intercompany interest bearing borrowings/receivables are included in the Financial Statements.

2.13.23 Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of voting or non-voting ordinary shares.

		2024	2023
		Rs '000	Rs '000
3.	**REVENUE FROM CONTRACT WITH CUSTOMERS**		
	Lanka Auto Diesel	88,105,865	111,767,849
	Lanka Petrol 92 Octane	91,370,281	78,420,041
	IFO380/ LSFO	47,359,609	36,115,285
	Xtrapremium Euro 3	6,230,374	14,406,891
	Lubricants	9,978,062	10,390,408
	Marine Gas Oil	5,057,537	10,328,614
	Xtramile	3,137,156	7,856,804
	Xtrapremium 95	7,751,728	7,843,015
	Lanka Super Diesel	3,520,430	2,461,261
	Bitumen	747,769	1,494,431
	Petrochemical	309,911	403,000
	Total Sales of Petroleum Products	263,568,721	281,487,600

3.1 Segment Information

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

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

		2024	2023
		Rs '000	Rs '000
3.3	**Contract balances**		
	Trade Receivables (Note 16)	8,975,607	4,514,979
	Contract Liabilities (Note 21)	(585,012)	(1,083,099)
4.	**OTHER OPERATING INCOME**		
	Dividend Income	120,000	-
	Rental Income	89,892	63,086
	Sundry Income	25,849	51,593
	Gain on Disposal of Property, Plant and Equipment	116	862
		235,857	115,541
5.	**FINANCE INCOME AND EXPENSES**		
5.1	**Finance Income**		
	Income from Short-term Investments and Deposits	4,754,898	3,286,542
	Interest on others	278,570	167,346
		5,033,468	3,453,888
5.2	**Finance Expenses**		
	Interest Expenses	484,705	2,027,925
	Exchange Loss	274,364	900,785
		759,070	2,928,709

BDO PARTNERS

	2024 Rs '000	2023 Rs '000
6. PROFIT FROM OPERATING ACTIVITIES		
Stated after Charging /Crediting		
Directors' Emoluments	88,925	83,686
Salaries and Wages	1,200,734	883,061
Defined Benefit Obligation : Charge for the year (Note 8)	5,606	6,142
Audit Fee - Current year	1,500	1,680
Rent	87,472	68,699
Depreciation Charge for the year (Note 11.2)	427,121	421,531
Depreciation of Right-of-Use Assets (Note 14.1)	982	32,265
Provision for doubtful debts	107,175	20,534

7. INCOME TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2024 and 31 March 2023 are as follows :

	2024 Rs '000	2023 Rs '000
7.1 Income Statement		
Current Income Tax:		
Current Tax Expense	3,645,922	6,844,202
Under/(Over) Provision of Current Taxes in respect of Prior Year	(733)	-
Deferred Tax:		
Deferred Taxation (Reversal)/Charge (Note 9.2)	(506,823)	162,253
Income Tax Expense Reported in the Income Statement	3,138,366	7,006,455

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 March 2024 and 31 March 2023 are as follows :

	2024 Rs '000	2023 Rs '000
Accounting Profit Before Tax	17,083,359	44,702,095
Tax calculated at a statuary income tax rate of 15% (2023 - 15%)	2,562,504	6,705,314
Tax impact of expenses deductible/not deductible for tax purpose	593,753	184,364
Tax impact of income taxable at different rate	(673,508)	(346,545)
Tax impact of income not subject to tax	(98,613)	(312,069)
Adjustment due to the estimated deferred tax base in previous year	-	165,039
Tax charge on profit from trade or business	**2,384,136**	**6,396,103**
Taxable Other Income	189	-
Taxable Interest Income	4,145,762	2,110,302
Tax calculated at a tax rate of 24%	-	90,956
Tax calculated at a tax rate of 30%	1,243,786	519,396
Tax charge on Interest Income	**1,243,786**	**610,352**
Taxable Dividend income	120,000	-
Tax calculated at a tax rate of 15% (2023 - 14%)	18,000	-
Tax charge on Dividend Income	**18,000**	-
Total tax charge for the year	**3,645,922**	**7,006,455**

BDO PARTNERS Chartered Accountants

		2024	2023
		Rs '000	Rs '000
8.	**DEFINED BENEFIT OBLIGATIONS**		
	Balance as at 01st April	92,714	114,138
	Current Service Cost	5,679	5,541
	Interest Cost	13,090	11,410
	Actuarial Loss / (Gain) (8.4)	51,566	(268)
	Benefits Paid	(10,899)	(38,108)
	Balance as at 31st March	152,150	92,713
8.1	**Reconciliation of Fair Value of Plan Assets**		
	Balance as at 01st April	77,543	102,606
	Contribution by Employer	31,327	10,611
	Expected Return	13,163	10,809
	Remeasurement	14,482	(10,809)
	Benefit Paid	(10,899)	(35,674)
	Balance as at 31st March	125,616	77,543
8.2	**Reconciliation of Fair Value of the Plan Assets and Defined Benefit Obligations**		
	Defined Benefit Obligation at the end of the year	152,149	92,713
	Fair value of the plan assets at the end of the year	(125,616)	(77,543)
	Amount recognised in statement of financial position	26,533	15,171
8.3	**Expenses recognised on Defined Benefit Plan**		
	Income Statement		
	Current Service Cost for the year	5,679	5,541
	Net Interest Cost for the year	(74)	601
	Transfers	(170)	(1,591)
		5,435	4,551
	Other Comprehensive Income		
	Actuarial (Gain) / Loss (8.4)	51,566	(268)
	Remeasurement	(14,482)	10,809
		37,084	10,541
8.4	**Actuarial Loss during the year has resulted from the following:**		
	Expected maturity analysis of undiscounted retirement benefit obligations:		
	Changes in Financial Assumptions	25,921	(8,726)
	Changes in Demographic Assumptions	-	-
	Experience Adjustments	25,645	8,458
		51,566	(268)

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31st March 2024 was carried out by Messrs. Prime Actuarial Solutions, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

BDO PARTNERS Chartered Accountants

8. DEFINED BENEFIT OBLIGATIONS (CONTD...)

8.6 Principle Actuarial Assumptions

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

	2024	2023
Discount Rate	12.4%	15.0%
Salary Incremental Rate	1-10%	1-10%
Staff Turnover	0-3%	0-3%
Retirement Age	60 years	60 years
Return on Plan Assets	14.00%	15.0%

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

	2024 Rs '000	2023 Rs '000
Less than 1 year	10,045	9,420
Between 2-5 years	70,050	50,336
Beyond 5 years	511,738	326,641

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 Obligation measurement as at 31st March 2024. 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%			11,041	(11,041)
-1%			(12,564)	12,564
	1%		(13,054)	13,054
	-1%		11,643	(11,643)
		1%	(1,302)	1,302
		-1%	1,421	(1,421)

8.9 Defined Benefit Plan

As per Company policy, plan asset is maintained under the assets liability matching strategy. Plan asset is invested in a fund management entity and that entity is responsible for the administration of plan assets and for definition of the investment strategy.

A major category of Plan assets is as follows :

	2024	2023
Insurer-managed funds	100%	100%

8.10 The weighted average duration of Defined Benefit Obligations is 8.91 years.

	2024 Rs '000	2023 Rs '000
9. DEFERRED TAX ASSETS - NET		
9.1 Deferred Tax		
Deferred Tax relates to the Following:		
Deferred Tax Assets Arising on:		
Brought Forward Tax Losses	-	-
Retirement Benefit Obligation	22,822	13,907
ECL Provision	26,374	10,298
Unrealized Exchange Loss	48,050	-
	97,246	24,205
Deferred Tax Liability Arising on:		
Property Plant and Equipment	(126,021)	(107,373)
Unrealised Exchange Gain	-	(457,992)
	(126,021)	(565,365)
Net Deferred Tax Liability	(28,775)	(541,161)
9.2 Deferred Tax Movement		
Balance brought forward	541,161	380,488
Deferred Income Tax (Reversal)/Charge - Income Statement	(506,823)	162,253
Deferred Income Tax Reversal - Statement of Other Comprehensive Income	(5,563)	(1,581)
Net Deferred Tax Liability	28,775	541,161

10. EARNINGS PER SHARE

10.1 Earnings Per Share is calculated by dividing the net profit for the year 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.

	2024 Rs '000	2023 Rs '000
Amounts Used as the Numerator		
Profit for the year Attributable to Ordinary Shareholders for Basic Earnings Per Share	13,944,994	37,695,640
Number of Ordinary Shares used as the Denominator:		
	2024	**2023**
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earnings Per Share	26.19	70.79

LANKA IOC PLC
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31st MARCH 2024

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2023 Rs '000	Additions Rs '000	Transfers Rs '000	Disposals Rs '000	Balance as at 31.03.2024 Rs '000
Freehold Land	1,953,857	-	-	-	1,953,857
Building and Fixtures	2,273,227	-	72,670	-	2,345,898
Plant and Equipment	3,512,454	-	1,316,686	-	4,829,140
Office Equipment	85,189	17,547	-	(1,705)	101,031
Furniture and Fittings	421,900	1,469	51,353	(150)	474,572
Motor Vehicles	20,902	-	-	-	20,902
Capital Work-In- Progress	303,494	1,404,101	(1,440,709)	-	266,887
	8,571,023	1,423,118	-	(1,855)	9,992,286

11.2 Depreciation

At Cost	Balance as at 01.04.2023 Rs '000	Charge for the year Rs '000	Transfers Rs '000	Disposals Rs '000	Balance as at 31.03.2024 Rs '000
Building and Fixtures	1,483,803	106,020	-	-	1,589,823
Plant and Equipment	2,837,276	248,014	-	-	3,085,290
Office Equipment	55,273	19,023	-	(1,699)	72,598
Furniture and Fittings	271,126	53,284	-	(150)	324,260
Motor Vehicles	19,822	780	-	-	20,602
Capital Work-In- Progress	-	-	-	-	-
	4,667,300	427,121	-	(1,849)	5,092,572

11.3 Net Book Value

	2024 Rs '000	2023 Rs '000
Freehold Land	1,953,857	1,953,857
Building and Fixtures	756,075	789,424
Plant and Equipment	1,743,850	675,178
Office Equipment	28,433	29,915
Furniture and Fittings	150,312	150,774
Motor Vehicles	300	1,080
Capital Work-In- Progress	266,887	303,494
Total Carrying Value of Property, Plant and Equipment	4,899,713	3,903,723

11.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs 1,423 Mn (2023 - Rs 469 Mn).

11.5 The Useful Lives of the Assets are estimated as follows:

	2024	2023
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

BDO PARTNERS Chartered Accountants

	2024 Rs '000	2023 Rs '000
12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
At the beginning of the year	4,901,000	4,443,000
Add: Investment made in Trinco Petroleum Terminal (Private) Limited	49,000	-
Change in Fair value of CPSTL	454,000	458,000
Balance at the end of the year	5,404,000	4,901,000
12.1 INVESTMENT - CPSTL		
At the beginning and end of the year	4,852,000	4,394,000
Change in Fair value of CPSTL	454,000	458,000
At the end of the year	5,306,000	4,852,000

12.1.1 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 the 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. Accordingly, the investment is recorded at Fair value through OCI.

	2024 Rs '000	2023 Rs '000
12.2 INVESTMENT - TPTL		
At the beginning and end of the year	49,000	49,000
Add: Investment made in Trinco Petroleum Terminal (Private) Limited	49,000	-
At the end of the year	98,000	49,000

12.2.2 Lanka IOC PLC (LIOC) acquired 49% of the shares in newly formed Joint Venture Trinco Petroleum Terminal Pvt Ltd. (TPTL) for the development of Sixty-One (61) tanks, the related area, and allied facilities in the Upper Tank Farm of the China Bay Oil Tank Farm. LIOC has also entered into a Modalities Agreement with Ceylon Petroleum Corporation (CPC) and TPTL for the possession, development, and use of the China Bay Oil Tank Farm by LIOC, CPC and TPTL. The Company paid Rs 49 million for TPTL shareholding in Jan'22. The CPC owns 51% shares of TPTL and nominates four board members including Chairman out of the seven board members. LIOC nominates the balance three board members including Managing Director. As such, the investment is recorded at Fair value through OCI.

13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

	Goodwill Rs '000	License fees on computer software Rs '000	Total Rs '000
At the beginning and end of the year	759,298	14,437	773,734
At the end of the year	759,298	14,437	773,734

BDO PARTNERS Chartered Accountants

13. INTANGIBLE ASSETS (CONTD...)

13.2 Amortisation

	Goodwill Rs '000	License fees on computer software Rs '000	Total Rs '000
At the beginning and end of the year	85,421	14,437	99,858
At the end of the year	85,421	14,437	99,858
13.3 **Net Book Value as at 31.03.2023**	673,876	-	674,876
13.4 **Net Book Value as at 31.03.2024**	673,876	-	673,876

13.5 Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not individually identified and separately recognised. Accumulated amortisation cost of Rs 85 Mn as at the statement of financial position date includes the amortisation charge recognised up to 2007 based on 20 years useful life. Goodwill is tested for impairment annually. 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 The Company assesses the recoverable amount of the Goodwill using value in use calculation and has found the that 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 contract of 14 Tanks at Lower Tank Farm area of Trincomalee Terminal for a period of 50 years commencing 16 January 2022. 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 exceptions for these leases.

BDO PARTNERS Chartered Accountants

14. LEASES (CONTD...)

14.1 Right-of-use assets

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

	2024 Rs '000	2023 Rs '000
Cost		
Balance as at 01st April	174,238	174,238
Addition and Improvement	-	-
Balance as at 31st March	174,238	174,238
Accumulated Amortisation		
Balance as at 01st April	126,357	94,092
Charge for the year	982	32,265
Balance as at 31st March	127,339	126,357
Net Book Value as at 31st March	46,899	47,881

14.2 Lease Liabilities

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

	2024 Rs '000	2023 Rs '000
Balance as at 01st April	51,224	87,738
Addition	-	-
Accretion of Interest	6,147	9,573
Payments	(4,354)	(46,087)
Balance as at 31st March	53,016	51,224
Current Liability	4,347	1,684
Non Current Liability	48,669	49,539
	53,016	51,224

14.3 Maturity Analysis of Lease Liability

	2024	2023
Not later than one month	385	365
Later than one month not later than three months	1,155	1,103
Later than three months not later than one year	3,080	4,533
Later than a year not later than five years	25,568	26,250
Later than five years	426,353	427,770
	456,540	460,020

14.4 Following are the amounts recognised in profit or loss:

	2024	2023
Depreciation expenses of right-of-use assets	982	32,265
Interest expenses on lease liability	6,147	9,573
Expenses relating to short-term and low value leases included in administrative expenses	80,343	26,861
Total amount recognised in profit or loss	87,472	68,699

The total cashflow made with respect to leases is Rs.4 Mn. (2023 - Rs. 46 Mn).

LANKA IOC PLC
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31st MARCH 2024

15. INVENTORIES

	2024 Rs '000	2023 Rs '000
Auto Fuel	17,383,374	28,393,872
Base oil and other raw materials	5,045,442	5,147,313
Bunker Fuel	3,074,791	2,766,274
Lubricants	530,347	947,397
Bitumen	-	438,584
Goods in Transit	268,249	333,965
	26,302,202	38,027,406

16. TRADE RECEIVABLES

	2024 Rs '000	2023 Rs '000
Trade Receivable from third- party customers	9,213,955	4,646,152
Allowance for Impairment	(238,348)	(131,173)
	8,975,607	4,514,979

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

	2024 Rs '000	2023 Rs '000
As at 01st April	131,174	110,640
Provision for the Expected Credit Losses	107,174	20,534
As at 31st March	238,348	131,174

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

			Past Due but not Impaired				
	Total Rs '000	Neither Past due nor Impaired Rs '000	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
2024	8,975,607	7,898,865	924,618	70,140	36,621	32,197	13,166
2023	4,514,979	4,353,083	106,704	46,502	2,299	5,912	479

16.3 Allowance for impairment Rs. 238 Mn (2023 Rs. 131 Mn) includes provision for Expected Credit Loss line with accounting policy applicable for trade receivable for which the 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 the following currencies:

	2024 Rs '000	2023 Rs '000
US Dollars	5,850,499	3,863,111
Sri Lankan Rupees	3,125,108	651,868
	8,975,607	4,514,979

BDO PARTNERS Chartered Accountants

		2024 Rs '000	2023 Rs '000
17.	**FINANCIAL ASSETS AT AMORTISED COST**		
17.1	**Financial Assets At Amortised Cost - Current**		
	Claims, Refunds, Staff loans and Others	3,766	17,875
	VAT Receivables	9,258,627	669,314
	Deposits	123,425	118,444
		9,385,817	805,632
17.2	**Other Receivable At Amortised Cost - Non-Current**		
	Staff Loans	122,188	116,718
	Prepaid-deferred employee benefit	40,434	31,745
		162,621	148,463

17.3 The carrying amounts of financial assets at amortised cost are denominated in Sri Lankan Rupees.

17.4 For the other receivables, the Company applies the three stage model approach permitted by SLFRS 9, which requires the 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 31st March 2024 and 31st March 2023 was immaterial.

		2024 Rs '000	2023 Rs '000
18.	**OTHER CURRENT ASSETS**		
	Advance Payments	189,655	2,110,693
	Prepayments	548,716	43,086
		738,372	2,153,779
19.	**CASH AND CASH EQUIVALENTS**		
19.1	**Cash and Cash Equivalent balances**		
	Cash and Bank Balances	6,277,439	1,721,154
	Short-Term Bank Deposits	-	4,269,103
	Total Cash and Cash Equivalent balances	6,277,439	5,990,257

		2024	2023
20.	**STATED CAPITAL**		
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

	2024 Rs '000	2023 Rs '000
Trade Payables - Related Parties (21.2)	563,069	510,998
- Others (21.1)	11,059,559	11,346,638
Other Payables- Related Parties (21.3)	824,493	688,144
Sundry Creditors Including Accrued Expenses	9,206,410	1,252,150
Provision for NBT Assessment (25.2)	1,028,830	1,028,830
	22,682,361	14,826,759

21.1 Trade Payables - Others Consist of Rs. 585 Mn (2023- Rs. 1,083 Mn) contract liability received from Customers.

21.2 Trade Payables- Related Parties

	Relationship	2024 Rs '000	2023 Rs '000
Indian Oil Corporation Limited	Immediate Parent	563,069	510,998
		563,069	510,998

21.3 Other Payables - Related Parties

	Relationship		
Indian Oil Corporation Limited	Immediate Parent	507,607	410,195
Ceylon Petroleum Storage Terminal Limited	Affiliate	316,886	277,949
		824,493	688,144

22. OTHER FINANCIAL ASSETS AND LIABILITIES

22.1 Interest Bearing Borrowings

Short-Term Loans from Banks (Note 22.1.1)	4,306,616	4,468,346

The interest rates are as follows:

Short-term loans SOFR+ Margin

The SOFR rate (monthly) at the date of statement of financial position was 5.33%

22.1.1 Short-Term Loans from Banks Movement

	2024 Rs '000	2023 Rs '000
Balance as at 01st April	4,468,346	25,778,224
Proceed from bank loans	98,378,748	127,445,045
Repayments of bank loans	(98,463,397)	(148,768,497)
Exchange (Gain)/ Loss on bank loans	(77,080)	13,573
Balance as at 31st March	4,306,616	4,468,346

22.1.2 The short-term loans from banks Rs.4,359 Mn (2023- Rs.4,468 Mn) are unsecured except for the loans from the State Bank of India, Colombo branch amounting to Rs.1,560 Mn (2023- Rs.1,204 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

		2024 Rs '000	2023 Rs '000
22.	**OTHER FINANCIAL ASSETS AND LIABILITIES (Contd...)**		
22.2	**Short-Term Investments**		
	Investment in Unit Trust (Note 22.4)	14,842,272	2,654,504
	Investment through Portfolio Management Services	15,728,721	8,273,702
	Short-Term Bank Deposit(Note 22.3)	8,357,952	10,117,425
		38,928,945	21,045,631
22.3	**Bank Deposits**		
	Total Bank Deposits	8,357,952	14,386,528
	Less: Short-Term Bank Deposits	(8,357,952)	(14,386,528)
	Long term Bank Deposits	-	-

The short-term deposit is repayable within 12 months after the reporting date.

		2024 Rs '000	2023 Rs '000
22.4	**Investment in Unit Trust - Fair Value Through Profit or Loss**		
	Balance as at 01st April	2,654,504	2,447,538
	Net Investments	10,642,181	(85,760)
	Fair Value Gain	1,545,588	292,726
	Balance as at 31st March	14,842,272	2,654,504

23. RELATED PARTY DISCLOSURES

23.1 Transactions with Related Entities

23.1.1 Transactions with Parent

Nature of Transactions	2024 Rs '000	2023 Rs '000
Amounts Receivable as at 01st April	-	-
Amounts Payable as at 01st April	(921,193)	(532,302)
Fund Transfers/Payment Made	10,699,581	441,866
Purchases of Goods/Services	(10,724,170)	(614,678)
Expenses Reimbursed	(124,896)	(216,079)
Amounts Receivable as at 31st March	-	-
Amounts Payable as at 31st March	(1,070,677)	(921,193)
Net Balance as at 31st March	(1,070,677)	(921,193)

23.1.2 During the year, the Company paid a gross dividend of Rs 2,130 Mn with respect to the financial year ended 31st March 2024, out of which Rs.1,600 Mn was paid to Indian Oil Corporation Limited.

BDO PARTNERS Chartered Accountants

23. RELATED PARTY DISCLOSURES (Contd...)

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

23.1.3 Transactions with Indian Oil Middle East - Affiliated Company

Nature of Transactions	2024 Rs '000	2023 Rs '000
Amounts Receivable as at 01st April	-	-
Amounts Payable as at 01st April	-	-
Fund Transfers/Payment Made	-	(129,538)
Purchases of Goods/Services	-	129,538
Amounts Receivable as at 31st March	-	-
Amounts Payable as at 31st March	-	-

23.1.4 Transactions with Ceylon Petroleum Storage Terminal Limited (CPSTL) - Affiliate

Nature of Transactions	2024 Rs '000	2023 Rs '000
Amounts Receivable as at 01st April	-	-
Amounts Payable as at 01st April	(277,948)	(269,755)
Fund Transfers/Payment Made	733,466	673,850
Services Rendered	(892,404)	(682,044)
Dividend	120,000	-
Amounts Receivable as at 31st March	-	-
Amounts Payable as at 31st March	(316,886)	(277,948)

23.1.5 Transactions with Trinco Petroleum Terminal Limited (TPTL) - Affiliate

Nature of Transactions	2024 Rs '000	2023 Rs '000
Amounts Receivable as at 01st April	12,369	12,369
Amounts Payable as at 01st April	-	-
Fund Transfers/Payment Made	(49,000)	-
Investments In Equity	49,000	-
Payment made on account of TPTL Tanks Lease Rental	(20,182)	-
Amounts Receivable as at 31st March	-	12,369
Amounts Payable as at 31st March	(7,813)	-

Lanka IOC PLC has invested Rs.49 Mn in the financial year 2023-24 in Equity of Trinco Petroleum Terminal Limited (TPTL) - Significant Investee to hold 49% of its equity value.

BDO PARTNERS Chartered Accountants

23. RELATED PARTY DISCLOSURES (Contd...)

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

23.1.6 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:

	2024 Rs '000	2023 Rs '000
Fees for Directors	2,800	2,850
Emoluments	78,198	75,419
Short-Term Employment Benefits	7,927	5,417
	88,925	83,686

23.3 Apart from the transactions reported above, the Company has transactions with other Government of India related entities, which includes but is not limited to Goods/services etc. These transactions are conducted in the ordinary course of the Company's business on 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 has been reported as follows.

	Nature of the transactions	2024 Rs '000	2023 Rs '000
(a) Items in Statement of Comprehensive Income	Finance Expenses	72,377	72,377
	Purchases	126,564	1,156,559
(b) Items in Statement of Financial Position	Interest Bearing Loans and Borrowings	1,559,644	1,331,553
	Investment in Gratuity Fund	125,616	77,543
	Trade Payable	23,011	140,511
(c) Off statement of Financial Position Items	Letters of credit	9,241	-

24. COMMITMENTS

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

24.1 Capital Commitments

Capital expenditure contracted for at end of the period but not yet incurred amounts to Rs.287 Mn (2023- Rs.1,202 Mn)

24.2 Purchase Commitments

Letters of Credit opened with Banks Favouring Suppliers as at 31st March 2024 amounted to Rs.21,266 Mn (2023 - Rs. 23,784 Mn).

25. CONTINGENCIES

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

25.1 Guarantees issued by Banks on behalf of the Company as at 31st March 2024 amounted to Rs.821 Mn (2023- Rs. 602Mn).

25.2 There is a disagreement on interpretation of National Building Tax (NBT) Act between Company and Inland Revenue Department (IRD). The case was determined by the Tax Appeal Commission (TAC) in favour of IRD for the assessment period Jan 2012 to Sept 2012 amounting to Rs. 149.12 Mn including interest and penalty. Considering the merits of the case and expert opinion, Lanka IOC PLC (LIOC) filed an appeals in the Court of Appeal (COA). Arguments of the appeals filed for the period of Jan 2012 to June 2012 are being heard by COA. COA gave the Judgement dated 15.12.2023 for the period of July 2012 to Sept 2012 and allowed the LIOC's appeal. IRD has appealed against the judgment of the COA before Supreme Court (SC). Subsequent to the COA judgment, TAC issued determinations for all pending periods before TAC (The Appeals for the assessment period Oct 2012 to Dec 2015 and April 2016 to Mar 2017) in favour LIOC which was against their previous determinations amounting to Rs. 1,052.18 Mn including interest and penalty. IRD is in the appeal process to appeal before COA against TAC determinations. For the assessment period April 2017 to March 2018 amounting to Rs. 376.68 Mn including interest & penalty, Commissioner General of Inland Revenue (CGIR) has issued the determinations confirming assessments, later on CGIR agreed to waive off the same which is yet to be updated in IRD system . The estimated liability for the assessment period Jan 2016 to Mar 2016 and Apr 2018 to November 2019 is Rs. 410.28 Mn for which assessment orders have not yet been received and no default in Inland Revenue Department . NBT has been abolished w.e.f. 01.12.2019.

Therefore, total amount for the period Jan 2012 to Nov 2019 is Rs. 1,988.26 Mn which includes principal demand of Rs.1,412 Mn and Interest & penalty of Rs. 576 Mn. Total principal amount for the assessed period Jan 2012 to Dec 2015 and April 2016 to March 2018 is Rs.1,028.83 Mn provided in the books of accounts while the balance Rs.959.43 Mn not been provided on the grounds that the assessment from IRD had not been received and no liability is shown in IRD and the management is unable to make a best estimate of the penalty required to settle the present obligation at the end of the reporting period.

26. ASSETS PLEDGED

The short-term loans from banks Rs.4,359Mn (2023- Rs.4,468 Mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to Rs.1,560 Mn (2023- Rs.1,204 Mn). These loans are secured against hypothecation over trading stock held at Kolonnawa, Muthurajawala and Trincomalee terminals.

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

27. DIVIDEND

	2024	2024	2023	2023
Equity Dividend on Ordinary shares	Per Share	Rs '000	Per Share	Rs '000
Declared and Paid during the year	4.00	2,129,863	2.25	1,198,048

BDO PARTNERS Chartered Accountants

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 so that the Company's financial risk-taking activities would be 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 in are as follows.

As at 31st March 2024	Denominated in Rs Rs '000	Denominated in USD Rs '000
Cash at bank and in hand	5,872,176	405,263
Interest Bearing Loans and Borrowings	24,304	4,282,312
Investment in Unit Trust	14,842,272	-
Investment Through Portfolio Management Services	15,728,721	-
Short-Term Bank And REPO Deposits	-	8,357,952
Trade Receivables	3,125,108	5,850,499
Other Receivables at Amortised cost	9,548,439	-
Trade and Other Payables	12,060,723	10,621,638
As at 31st March 2023		
Cash at bank and in hand	674,809	446,682
Interest Bearing Loans and Borrowings	2,539,900	1,328,788
Investment in Unit Trust	2,654,504	-
Investment Through Portfolio Management Services	8,273,702	-
Short-Term Bank And REPO Deposits	6,082,527	8,304,001
Trade Receivables	651,868	3,863,111
Other Receivables at Amortised cost	954,095	-
Trade and Other Payables	3,407,980	11,418,780

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 favourable rates on borrowings.

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

28.1 Market Risk (Contd...)

a) Interest rate risk (contd...)

2024	Increase/ decrease in interest rate	Effect on Profit Before Tax Rs '000
Sensitivity only using borrowings		
Increase	+1%	(43,066)
Decrease	-1%	43,066
Sensitivity using Investment in deposits		
Increase	+1%	389,289
Decrease	-1%	(389,289)

2023	Increase/ decrease in interest rate	Effect on Profit Before Tax
Sensitivity only using borrowings		
Increase	+1%	(38,687)
Decrease	-1%	38,687
Sensitivity using Investment in deposits		
Increase	+1%	192,322
Decrease	-1%	(192,322)

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
2024				
Bank Deposits (USD)	8,357,952	300.44	+/- 1%	+/- 83580
Interest Bearing Loans and Borrowings (USD)	4,282,312	300.44	+/- 1%	+/- 42823
Trade and Other Receivables (USD)	5,850,499	300.44	+/- 1%	+/- 58505
Trade and Other Payables (USD)	10,621,638	300.44	+/- 1%	+/- 106216
2023				
Bank Deposits (USD)	8,304,001	326.57	+/- 1%	+/- 83040
Interest Bearing Loans and Borrowings (USD)	1,328,788	326.57	+/- 1%	+/- 13288
Trade and Other Receivables (USD)	3,863,111	326.57	+/- 1%	+/- 38631
Trade and Other Payables (USD)	11,418,780	326.57	+/- 1%	+/- 114188

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

28.1 Market Risk (Contd...)

b) Foreign currency risk (Contd)

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. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

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 Company 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 receivables using the provision matrix:

	2024		2023	
	Carrying amount at default Rs '000	Expected credit loss Rs '000	Carrying amount at default Rs '000	Expected credit loss Rs '000
Current	7,955,734	56,880	4,388,061	28,917
< 30 days	970,480	45,862	107,789	4,655
31-90 days	75,606	5,466	47,616	270
91-180 days	43,555	6,935	2,406	550
181-365 days	58,251	26,054	6,127	3,018
>365 days	110,317	97,151	94,151	93,761
	9,213,944	238,348	4,646,150	131,171

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 the 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 31st March 2024 and 31st March 2023 were immaterial.

BDO PARTNERS

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

28.2 Credit risk (Contd...)

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 projecting 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, and 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 31st March 2024	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
Interest-Bearing Loans and Borrowings	4,306,616	-	4,306,616
Lease Liabilities	4,347	48,669	53,016
Trade and Other Payables	22,682,361	-	22,682,361
	26,993,324	48,669	27,041,993

As at 31st March 2023	Less than 1 year Rs '000	More than 1 year Rs '000	Total Rs '000
Interest-Bearing Loans and Borrowings	4,468,346	-	4,468,346
Lease Liabilities	1,684	49,539	51,224
Trade and Other Payables	14,826,759	-	14,826,759
	19,296,789	49,539	19,346,328

28.4 Price Risk

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

The Company monitors the price of petroleum products on a dynamic basis and adjusts 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%.

	2024 Rs '000	2023 Rs '000
Total borrowings (Note 22.1)	4,306,616	4,468,346
Less :- Cash and Cash Equivalents (Note 19.1)	(6,277,439)	(5,990,257)
Net debt	(1,970,823)	(1,521,912)
Total Equity	73,470,157	61,232,546
Total Capital	77,776,773	65,700,892
Gearing Ratio	6%	7%

BDO PARTNERS Chartered Accountants

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 prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

As at 31st 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	2024 Rs '000	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000
Financial Assets At Fair Value Through Profit or Loss				
- Investment in Unit Trust (Note 22.4)	14,842,272	14,842,272	-	-
Financial Assets At Fair Value Through Other Comprehensive Income				
- Investment in CPSTL (Note 12.1)	5,306,000	-	-	5,306,000
- Investment in TPTL (Note 12.2)	98,000	-	-	98,000
Investment Through Portfolio Management Services (Note 22.2)	15,728,721	14,842,272	-	5,404,000

	2023 Rs '000	Level 1 Rs '000	Level 2 Rs '000	Level 3 Rs '000
Financial Assets At Fair Value Through Profit or Loss				
- Investment in Unit Trust (Note 22.4)	2,654,504	2,654,504	-	-
Financial Assets At Fair Value Through Other Comprehensive Income				
- Investment in CPSTL (Note 12.1)	4,852,000	-	-	4,852,000
- Investment in TPTL (Note 12.2)	49,000	-	-	49,000
Investment Through Portfolio Management Services (Note 22.2)	8,273,702	2,654,504	-	4,901,000

During the reporting period ended 31st March 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

BDO PARTNERS

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 31st March 2024

Financial Assets	Note	Financial Assets and Liabilities at FVTPL Rs '000	Financial Assets and Liabilities at FVOCI Rs '000	Assets and Liabilities at Amortised Cost Rs '000	Total Rs '000
Financial Assets at Amortised Cost	17	-	-	9,548,438	9,548,438
Trade Receivables	16	-	-	8,975,607	8,975,607
Bank Deposits	22.3	-	-	8,357,952	8,357,952
Investment in Unit Trust	22.4	14,842,272	-	-	14,842,272
Financial Assets At Fair Value Through Other Comprehensive Income	12	-	5,404,000	-	5,404,000
Investment Through Portfolio Management Services	22.2	15,728,721	-	-	15,728,721
Cash and Bank Balances	19	-	-	6,277,439	6,277,439
Total Financial Assets		30,570,993	5,404,000	33,159,436	69,134,429
Financial Liabilities					
Trade and Other Payables	21	-	-	22,682,361	22,682,361
Interest Bearing Loans and Borrowings	22.1	-	-	4,306,616	4,306,616
Total Financial Liabilities		-	-	26,988,977	26,988,977

As at 31st March 2023

Financial Assets	Note	Financial Assets and Liabilities at FVTPL	Financial Assets and Liabilities at FVOCI Rs '000	Financial Assets and Liabilities at Amortised Cost Rs '000	Total Rs '000
Financial Assets at Amortised Cost	17	-	-	954,095	954,095
Trade Receivables	16	-	-	4,514,979	4,514,979
Bank Deposits	22.3	-	-	14,386,528	14,386,528
Investment in Unit Trust	22.4	2,654,504	-	-	2,654,504
Financial Assets At Fair Value Through Other Comprehensive Income	12	-	4,901,000	-	4,901,000
Investment Through Portfolio Management Services	22.2	8,273,702	-	-	8,273,702
Cash and Bank Balances	19	-	-	1,721,154	1,721,154
Total Financial Assets		10,928,206	4,901,000	21,576,756	37,405,961
Financial Liabilities					
Trade and Other Payables	21	-	-	14,826,759	14,826,759
Interest Bearing Loans and Borrowings	22.1	-	-	4,468,346	4,468,346