Independent
Auditor's Report

Building a better working world

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TO THE SHAREHOLDERS OF LANKA IOC PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka IOC PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

a) The basis of opinion, Scope and Limitations of the audit are as stated above.

b) In our opinion :

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and

- the financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 7 of 2007.

09 May 2017
Colombo

Statement of
Comprehensive Income

Year ended 31 March 2017 (In LKR '000s)

	Note	Mar - 17	Mar - 16
Revenue	3	81,039,277	71,306,673
Cost of Sales		(73,981,564)	(65,489,333)
Gross Profit		7,057,713	5,817,340
Other Operating Income	4	140,493	98,963
Administrative Expenses		(1,455,382)	(1,197,357)
Selling and Distribution Expenses		(2,594,773)	(2,168,865)
Operating Profit		3,148,051	2,550,081
Finance Income	5.1	632,910	547,646
Finance Expenses	5.2	(180,362)	(422,832)
Profit/(Loss) Before Tax	6	3,600,599	2,674,895
Income Tax Expense	7.1	(535,316)	(435,552)
Profit/(Loss) for the Year		3,065,283	2,239,343
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.1	5,993	(6,630)
Deferred Tax Effect	9.2	(899)	995
Other Comprehensive Income for the Year, Net of Tax		5,094	(5,635)
Total Comprehensive Income for the Year, Net of Tax		3,070,377	2,233,708
Earnings Per Share	10	5.76	4.21

The accounting policies and notes on pages 129 through 155 form an integral part of the Financial Statements.

Statement of
Financial Position

As at 31 March 2017 (In LKR '000s)

	Note	**Mar - 17**	Mar - 16
Assets			
Non Current Assets			
Property, Plant and Equipment	11	4,114,443	4,056,485
Investment	12	4,394,000	4,394,000
Intangible Assets	13	674,074	674,538
Other Receivables	15.1	107,382	100,003
		9,289,899	9,225,026
Current Assets			
Inventories	14	4,821,898	7,265,492
Trade and Other Receivables	15	4,406,875	1,464,556
Short Term Investments	19.2	6,407,876	5,795,023
Cash and Bank Balances	16	567,136	1,317,786
		16,203,785	15,842,857
Total Assets		25,493,684	25,067,883
Equity and Liabilities			
Capital and Reserves			
Stated Capital	17	7,576,574	7,576,574
Retained Earnings		13,213,693	10,808,898
Total Equity		20,790,267	18,385,472
Non Current Liabilities			
Defined Benefit Obligation	8	65,657	65,347
Deferred Tax Liabilities	9.1	111,429	89,109
		177,086	154,456
Current Liabilities			
Trade and Other Payables	18	3,593,667	4,216,680
Income Tax Payable		46,641	108,431
Interest Bearing Borrowings	19.1	886,023	2,202,844
		4,526,331	6,527,955
Total Equity and Liabilities		25,493,684	25,067,883

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

Senior Vice President (Finance)

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

Director

Director

09 May 2017
Colombo

The accounting policies and notes on pages 129 through 155 form an integral part of the Financial Statements.

Statement of *Changes in Equity*

Year ended 31 March 2017 (In LKR '000s)

	Stated Capital	Retained Earnings	Total
As at 01 April 2015	7,576,574	10,548,096	18,124,670
Super Gain Tax paid	-	(1,440,440)	(1,440,440)
	7,576,574	9,107,656	16,684,230
Profit for the Year	-	2,239,343	2,239,343
Other Comprehensive Income/(Loss)	-	(5,635)	(5,635)
Total Comprehensive Income	-	2,233,708	2,233,708
Dividends Paid	-	(532,466)	(532,466)
As at 31 March 2016	7,576,574	10,808,898	18,385,472
Profit for the Year	-	3,065,283	3,065,283
Other Comprehensive Income/(Loss)	-	5,094	5,094
Total Comprehensive Income	-	3,070,377	3,070,377
Dividends Paid	-	(665,582)	(665,582)
As at 31 March 2017	7,576,574	13,213,693	20,790,267

The accounting policies and notes on pages 129 through 155 form an integral part of the Financial Statements.

Statement of
Cash Flows

Year ended 31 March 2017 (In LKR '000s)

	Note	Mar - 17	Mar - 16
Cash Flows From/(Used in) Operating Activities			
Profit before Income Tax Expense		3,600,599	2,674,895
Adjustments for			
Finance Income	5.1	(632,910)	(547,646)
Finance Expenses	5.2	180,362	422,832
Dividends Income		(100,000)	(62,500)
Increase/(Decrease) in Allowances for Impairment	15.6	41,053	68,794
Loss/ (Profit) on disposal of property, Plant and Equipment		23,730	1,747
Defined Benefit Plan Cost	8.1	12,038	9,323
Depreciation	11.2	327,172	291,286
Amortisation of Intangible Asset	13.2	464	473
Operating Profit/(Loss) before Working Capital Changes		3,452,508	2,859,204
(Increase)/ Decrease in Inventories		2,443,596	(1,677,733)
(Increase)/ Decrease in Trade and Other Receivables		(2,990,749)	(463,042)
Increase/ (Decrease) in Trade and Other Payables		(623,013)	2,913,748
Cash Generated From/(Used in) Operations		2,282,342	3,632,177
Income Tax Paid		(575,688)	(49,935)
Super Gain Tax Paid		-	(1,440,440)
Finance Expenses Paid		(180,362)	(422,832)
Defined Benefit Paid		(5,735)	(11,694)
Net Cash Flows From/(Used in) Operating Activities		1,520,557	1,707,276
Cash Flows from Investing Activities			
Finance Income	5.1	632,910	547,646
Dividends Income	4	100,000	62,500
Acquisition of Property, Plant and Equipment	11.1	(418,448)	(630,599)
Proceeds from Property, Plant and Equipment		9,586	1,079
Net Cash Flows From/(Used in) Investing Activities		324,048	(19,376)
Cash Flows From Financing Activities			
Repayments of Borrowings		(22,212,107)	(27,373,815)
Proceeds from Borrowings		20,895,287	25,578,888
Dividends Paid		(665,582)	(532,466)
Net Cash Flows From/(Used in) Financing Activities		(1,982,402)	(2,327,393)
Net Increase / (Decrease) in Cash and Cash Equivalents		(137,797)	(639,493)
Cash and Cash Equivalents at the Beginning of the Year	16	7,112,809	7,752,302
Cash and Cash Equivalents at the End of the Year	16	6,975,012	7,112,809
Analysis of Cash and Cash Equivalents			
Short Term Investments	19.2	6,407,876	5,795,023
Cash in Hand and at Bank	16.1	567,136	1,317,786
		6,975,012	7,112,809

The accounting policies and notes on pages 129 through 155 form an integral part of the Financial Statements.

Notes to the *Financial Statements*

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

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

1.3 Parent Entity and Ultimate Controlling Party

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

1.4 Date of Authorization for Issue

The Financial Statements of Lanka IOC PLC for the year ended 31 March 2017 was authorized for issue in accordance with a resolution of the Board of Directors on 09 May 2017.

2. BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis, except for defined benefit obligation which is measured at present value of the obligation.

These Financial Statements are presented in Sri Lankan Rupees. All values are rounded to the nearest rupees thousand (LKR '000) except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.1 Changes in Accounting Policies

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

2.1.2 Comparative Information

Whenever necessary, comparative figures have been reclassified to maintain comparability of financial statements in order to provide a better presentation.

2.2 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.

2.2.1 Critical Judgments in Applying the Accounting Policies

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

a) Impairment of Trade Receivables

The Company assesses at the date of statement of financial position whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual are anticipated impairments. Further information is disclosed in Note 15.

b) Investment in Ceylon Petroleum Storage Terminal Limited

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

c) Defined Benefit Obligations

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

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

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

d) Impairment of goodwill

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. The recoverable amount of cash generating unit have been determined based on value - in - use calculation. These calculations required the use of estimates. Further information is disclosed in Note 13.

2.2.2 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 adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements

a) Estimation of net realizable value for inventory

Inventory disclosed in Note 14 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) 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.

2.3 Summary of Significant Accounting Policies

2.3.1 Foreign Currency Translation

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

2.3.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, returns, rebates and sales taxes(value added taxes and Nation Building Tax).

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

a) Sale of goods

Sales of goods are recognised on delivery of products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

b) Finance Income

Finance Income is recognized 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 recognized on an accrual basis.

2.3.3 Expenditure Recognition

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

2.3.4 Taxation

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

Current Taxes

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

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

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

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

Deferred Taxation

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

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

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

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

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

Sales Tax (Value Added Tax and Nations Building Tax)

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

2.3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.5.1 Financial Assets

The company's financial assets include cash and short-term deposits, trade and other receivables, and amount due from related parties.

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales 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

The subsequent measurement of financial assets depends on their classification as follows:

a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition

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

- The rights to receive cash flows from the asset have expired
- 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.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Asset that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present values of the estimated future cash flows are discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

2.3.5.2 Financial Liabilities

The Company's financial liabilities include trade and other payables, due to related parties, bank overdrafts and interest bearing loans and borrowings.

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. Any difference between initial fair value and the nominal amount is included as component of operating lease income and recognised on a straight line basis over the applicable time period.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.3.6 Fair Value Measurement

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

- In the principal market for the asset or liability

Or

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

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

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

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

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

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

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

2.3.7 Inventories

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

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

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

2.3.8 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 whthat cost is incurred, if the recognition criteria are met.

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

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

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

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

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

2.3.9 Intangible assets

a) Goodwill

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

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

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

b) License fees on computer software

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

2.3.10 Investment in Ceylon Petroleum Storage Terminal Limited

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

2.3.11 Cash and Short-Term Deposits

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

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

2.3.12 Impairment of non-financial assets

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

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

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

2.3.13 Accounting for leases - where the Company is the lessee

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

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

2.3.14 Provisions

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

2.3.15 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.

2.3.16 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, Messrs K. A. Pandit consultant and actuaries who carried out actuarial valuation as at 31 March 2017.

Recognition of Actuarial Gains and Losses

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

b) Defined Contribution Plans

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

The Company contributes to the following Schemes:

Employees' Provident Fund

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

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees'

Trust Fund maintained by the Employees Trust Fund Board.

2.4 Effect of Sri Lanka Accounting Standards (SLFRS) Issued but not yet Effective:

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Company/ Group has not early adopted the following new or amended standards in preparing these financial statements.

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 16 Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Management believes that the SLFRS 9 would not have significant impact to the financial statements of the Company due to their business model. The preliminary evaluation of impact analysis of SLFRS 15 and 16 carried out by the management reveals that there will not be a significant change to the current practice. However, the Management is in the process of evaluating and quantifying the accounting impact.

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

- Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate
- LKAS 7 Disclosure Initiative - Amendments to LKAS 7
- LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12
- SLFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to SLFRS 2
- Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts - Amendments to SLFRS 4

3. REVENUE

	Mar - 17	Mar - 16
Lanka auto diesel	28,107,352	23,665,881
Xtramile	2,542,464	2,238,463
Lanka super diesel	1,722,402	1,133,319
Lanka petrol 92 octane	25,669,913	22,847,001
Xtrapremium Euro 3	3,793,119	3,392,762
Xtrapremium 95	5,016,071	3,730,377
Lubricants	2,741,681	2,558,194
Bunkering	9,101,025	9,248,366
Bitumen	2,338,511	2,492,310
Petrochemical	6,739	-
Total Revenue	81,039,277	71,306,673

3.1 Segment Information

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

4. OTHER OPERATING INCOME

	Mar - 17	Mar - 16
Rental Income	23,531	20,565
Dividend Income	100,000	62,500
Sundry Income	16,962	15,898
	140,493	98,963

5. FINANCE INCOME AND EXPENSES

5.1 Finance Income

	Mar - 17	Mar - 16
Income from Short term Investment	603,934	499,344
Interest on Others	28,976	48,302
	632,910	547,646

5.2 Finance Expenses

	Mar - 17	Mar - 16
Interest on Short Term Loans	81,651	66,987
Exchange (Gain)/Loss	98,711	355,845
	180,362	422,832

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Mar - 17	Mar - 16
Stated after Charging /Crediting		
Directors' Emoluments	23,187	22,949
Salaries and Wages	448,311	385,665
Increase/(Decrease) in Allowances for Impairment	41,053	68,794
Loss/(Gain) on disposal of Property, Plant and Equipment	23,730	1,747
Exchange (Gain) / Loss	98,711	355,845
Defined Benefit Obligation : Charge for the year	12,038	9,323
Audit Fee - Current year	1,500	1,300
Rent	61,175	63,126
Depreciation Charge for the year	327,172	291,286
Amortisation Charge for the year	464	473

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2017 and 31 March 2016 are as follows :

7.1 Income Statement

	Mar - 17	Mar - 16
Current Income Tax:		
Current Tax Expense	481,508	449,182
Under/(Over) Provision of Current Taxes in respect of Prior Year	32,387	(48,936)
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 9.2)	21,421	35,306
Income Tax Expense / (Credit) Reported in the Income Statement	535,316	435,552

Notes to the
Financial Statements

7. TAX EXPENSES (Contd..)

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 March 2017 and 31 March 2016 are as follows :

	Mar - 17	Mar - 16
Accounting Profit before tax	3,600,599	2,674,895
Tax calculated at a tax rate of 15% (2016 - 15%)	540,090	401,234
Adjustments in respect of prior years	32,387	(48,936)
Tax impact of expenses deductible/not deductible for tax purpose	(9,966)	(13,871)
Tax impact of income not subject to tax	(77,086)	(9,375)
Tax impact of income taxable at different rate	(32,850)	(82,147)
Adjustment due to the estimated deferred tax base in previous year	21,421	35,306
Tax charge on profit from trade or business	473,995	282,211
Interest income	219,003	547,645
Tax calculated at a tax rate of 28% (2016 - 28%)	61,321	153,341
Total tax charge for the year	535,316	435,552

8. DEFINED BENEFIT OBLIGATION

	Mar - 17	Mar - 16
Balance as at 01 April	65,347	61,088
Current Service Cost	4,196	4,076
Interest Cost	7,842	5,247
Actuarial (Gain) / Loss (8.2)	(5,993)	6,630
Benefits Paid	(5,735)	(11,694)
Balance as at 31 March	65,657	65,347

8.1 Expenses on Defined Benefit Plan

	Mar - 17	Mar - 16
Income Statement		
Current Service Cost for the year	4,196	4,076
Interest Cost for the year	7,842	5,247
	12,038	9,323
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.2)	(5,993)	6,630
	(5,993)	6,630

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

	Mar - 17	Mar - 16
Changes in Financial Assumptions	(3,709)	(6,254)
Changes in Demographic Assumptions	(7,027)	1,792
Experience Adjustments	4,743	11,092
	(5,993)	6,630

8.3 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2017 was carried out by Messrs. K A Pandit Consultants & Actuaries, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

8.4 Principle Actuarial Assumptions

	Mar - 17	Mar - 16
Principle Actuarial Financial Assumptions underlying the valuation are as follows:		
Discount Rate	13.00%	12.00%
Salary Incremental Rate	2-8%	2-8%
Staff Turnover	2-5%	5%
Retirement Age	60 years	60 years

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

8.5 Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 March 2017. 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	Sensitivity Effect on Defined Benefit Obligation
1%	-	-	3,346	(3,346)
-1%	-	-	(3,709)	3,709
-	1%	-	(4,032)	4,032
-	-1%	-	3,678	(3,678)
-	-	1%	(3,018)	3,018
-	-	-1%	3,258	(3,258)

8.6 Maturity Profile of the Defined Benefit Obligation Plan

Maturity Profile of the Defined Benefit Obligation Plan as at the reporting date is given below:

	Years
Weighted Average Duration of the Defined Benefit Obligation	14

Notes to the
Financial Statements

9. DEFERRED TAX LIABILITIES

9.1 Deferred Tax

	Mar - 17	Mar - 16
Deferred Tax Relates to the Following:		
Deferred Tax Assets Arising on:		
Retirement Benefit Obligation	9,849	9,802
	9,849	9,802
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(121,278)	(98,911)
Net Deferred Tax Asset/(Liability)	(111,429)	(89,109)

9.2

	Mar - 17	Mar - 16
Balance brought forward	89,109	54,798
Deferred Income Tax (Credit)/Charge- Income Statement	21,421	35,306
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	899	(995)
Net Deferred Tax (Asset)/Liability	111,429	89,109

10. EARNINGS PER SHARE

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

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

	Mar - 17	Mar - 16
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	3,065,283	2,239,343

	Mar - 17	Mar - 16
Number of Ordinary Shares used as the Denominator:		
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

At Cost	Balance as at 01.04.2016	Additions	Transfers/ Reclassification	Disposals/ Deductions	Balance as at 31.03.2017
Freehold Land	1,970,520	-	-	(2,104)	1,968,416
Building and Fixtures	1,885,934	-	111,951	(51,562)	1,946,323
Plant and Equipment	2,481,522	-	284,057	(5,219)	2,760,360
Office Equipment	36,482	8,144	(53)	(8,218)	36,355
Furniture and Fittings	68,654	24,472	38,084	(29,954)	101,256
Motor Vehicles	45,554	5,869	-	(11,352)	40,071
Capital Work-In- Progress	246,975	379,963	(434,039)	-	192,899
	6,735,641	418,448	-	(108,409)	7,045,680

11.2 Depreciation

At Cost	Balance as at 01.04.2016	Charge for the year	Transfers/ Reclassification	Disposals/ Deductions	Balance as at 31.03.2017
Building and Fixtures	960,865	128,885	(14,953)	(42,087)	1,032,710
Plant and Equipment	1,626,510	167,353	6,275	(4,506)	1,795,632
Office Equipment	28,020	5,203	(20)	(8,218)	24,985
Furniture and Fittings	28,048	20,731	8,698	(8,930)	48,547
Motor Vehicles	35,713	5,001	-	(11,351)	29,363
	2,679,156	327,172	-	(75,092)	2,931,237

11.3 Net Book Value

	Mar - 17	Mar - 16
Freehold Land	1,968,416	1,970,520
Building and Fixtures	913,613	925,069
Plant and Equipment	964,728	855,012
Office Equipment	11,370	8,462
Furniture and Fittings	52,709	40,606
Motor Vehicles	10,708	9,841
Capital Work-In- Progress	192,899	246,975
Total Carrying Value of Property, Plant & Equipment	4,114,443	4,056,485

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of LKR 418 Mn (2016 - LKR 630 Mn).

11.5 During the financial year the Company has reclassified capital stores amounting to LKR 68 mn (2016 - LKR 47 Mn) in Capital WIP which was previously classified as an inventory.

11. PROPERTY, PLANT AND EQUIPMENT (Contd..)

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

	Mar - 17	Mar - 16
Building and Fixtures	15 Years	15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

12. LONG TERM INVESTMENT

	Mar - 17	Mar- 16
At the beginning and end of the year	4,394,000	4,394,000

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

13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

	Goodwill	License fees on computer software	Total
As at 01.04.2016	759,298	11,938	771,236
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2017	759,298	11,938	771,236

13.2 Amortisation

	Goodwill	License fees on computer software	Total
As at 01.04.2016	85,421	11,277	96,698
Charge for the year	-	464	464
As at 31.03.2017	85,421	11,741	97,162

13.3	Net Book Value as at 31.03.2017	673,877	197	674,074
13.4	Net Book Value as at 31.03.2016	673,877	661	674,538

13.5 Goodwill represents the excess of purchase consideration paid in 2003 to the Government of Sri Lanka over the net assets value representing applicable shares allotted in the acquisition of the retail outlets, which were vested with Independent Petroleum Marketers Limited (IPML). The IPML was subsequently amalgamated in 2004 with Lanka IOC PLC and dissolved. Goodwill represents future economic benefits arising from other assets which were acquired from the above business combination that were not able to individually identified and separately recognised. Accumulated amortisation as at the balance sheet date amounting to LKR 85 Mn which were amortised up to 2007 based on 20 years useful life. However, as per the revised accounting standards goodwill is tested annually for impairment and carried at cost less amortisation up to 2007.

13.6 The Company has determined recoverable amount of cash generating unit based on value in use by considering following key assumptions, which are most sensitive to the value in use: EBIT to Sales ratio - 4%, Growth rate - 5%, Discount rate of 12%.

14. INVENTORIES

	Mar - 17	Mar - 16
Summary		
Auto Fuel	3,241,490	5,347,398
Bunker Fuel	498,276	247,079
Bitumen	413,509	305,516
Lubricants	222,982	278,248
Base oil and other raw materials	383,862	570,786
Goods In Transit	61,779	516,465
	4,821,898	7,265,492

15. TRADE AND OTHER RECEIVABLES

		Mar - 17	Mar - 16
Current Assets			
Summary			
Trade Receivables - Others (net of Allowance for Impairment)		2,072,889	1,268,766
VAT Receivables		11,586	9,943
Other Receivables	- Related Party (15.2)	51,547	29,972
	- Others	51,278	36,936
Deposits and Advances		2,190,958	84,639
Prepayments		28,617	34,300
		4,406,875	1,464,556

15. TRADE AND OTHER RECEIVABLES (Contd..)

15.1 Non Current Assets- Other Receivables

	Mar - 17	Mar - 16
Staff Loan	107,382	100,003
	107,382	100,003

15.2 Other Receivables- Related Parties

	Relationship	Mar - 17	Mar - 16
Indian Oil Corporation Limited	Immediate Parent	51,547	29,972
		51,547	29,972

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

			Past Due but not Impaired				
	Total	Neither Past due nor Impaired	Less than 30 days	31-90 days	91-180 days	181-365 days	More than 365 days
2017	2,072,889	1,915,196	106,259	34,845	4,739	6,845	5,005
2016	1,268,766	923,377	235,130	47,693	15,347	2,513	44,706

15.4 The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned in Note 15.5 below. The Company does not hold any collateral security.

15.5 The carrying amounts of trade and other receivables are denominated in following currencies:

	Mar - 17	Mar - 16
US Dollars	1,238,911	492,774
Sri Lankan Rupees	3,167,964	971,782

15.6 Allowance for impairment

Receivables of LKR 484 Mn (2016 LKR 443 Mn) were impaired, due to defaults. Movement in the allowance for impairment is as follows:

	Mar - 17	Mar - 16
As at 01 April	443,041	374,247
Charge for the year	41,053	68,794
As at 31 March	484,094	443,041

16. CASH AND CASH EQUIVALENTS

16.1 Cash & Cash Equivalent balances

	Mar - 17	Mar - 16
Cash and Bank Balances	567,136	1,317,786
Short Term investments (19.2)	6,407,876	5,795,023
	6,975,012	7,112,809

16.2 Bank Balances

	Rating	Mar - 17	Mar - 16
Citibank N.A	AAA	346,042	388,106
Standard Chartered Bank	AAA	88,307	709,363
People's Bank	AA+	4,155	6,001
Bank of Ceylon	AA+	2,087	4,111
Commercial Bank of Ceylon PLC	AA	100,733	27,439
ICICI Bank	AAA	26	414
State Bank of India	BBB-	11,072	171,416
Deutsche Bank A.G	A-	14,343	10,552
Hatton National Bank PLC	AA-	33	27
Axis Bank	BBB-	190	230
		566,988	1,317,659

17. STATED CAPITAL

		Mar - 17	Mar - 16
17.1	**Stated Capital as at 31 March**	7,576,574	7,576,574
17.2	**Number of Ordinary Shares**	532,465,705	532,465,705

18. TRADE AND OTHER PAYABLES

	Mar - 17	Mar - 16
Trade Payables -Related Parties (18.1)	19,783	25,617
-Others	2,708,737	3,565,409
Other Payables - Related Parties (18.2)	320,326	304,738
Sundry Creditors Including Accrued Expenses	544,821	320,916
	3,593,667	4,216,680

18. TRADE AND OTHER PAYABLES (Contd..)

18.1 Trade Payables- Related Parties

	Relationship	Mar - 17	Mar - 16
Indian Oil Corporation Limited	Immediate Parent	19,783	25,617
		19,783	25,617

18.2 Trade Payables- Related Parties

	Relationship	Mar - 17	Mar - 16
Ceylon Petroleum Storage Terminal Limited	Significant Investee	320,326	304,738
		320,326	304,738

19. OTHER FINANCIAL ASSETS AND LIABILITIES

19.1 Interest Bearing Loans and Borrowings

	Mar - 17	Mar - 16
Short Term Loans (19.3)	886,023	2,202,844
	886,023	2,202,844

19.2 Short Term Investments

	Mar - 17	Mar - 16
Unit Trust Investment (19.2.1)	6,407,876	-
Repurchase Agreements (REPO)	-	5,795,023
	6,407,876	5,795,023

19.2.1 Investments in Money Market Funds

		As At 01.04.2016	Additions/ (Withdrawals)	Fair Value Gain / (Loss)	As At 31.03.2017
Unit Trust Investment	Held for Trading	-	6,406,332	1,544	6,407,876

19.3 The short term loans USD 5.82 Mn (2016- USD 15.01Mn) are unsecured except for the loans from State Bank of India Colombo branch and Singapore branch amounting to USD 1.83 Mn (2016- USD 4 Mn) . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

19.4 The interest rates are as follows:

Short term loans	LIBOR + Margin

19.5 One month LIBOR rate at the date of statement of financial position was 0.98278%

20. RELATED PARTY DISCLOSURES

20.1 Transactions with the Related Entities

20.1.1 Transactions with Parent

	Mar - 17	Mar - 16
Nature of Transaction		
Amounts Receivable as at 01 April	29,972	-
Amounts Payable as at 01 April	(25,617)	(38,319)
Fund Transfers/Payment Made	424,822	635,239
Purchases of Goods	(622,569)	(691,830)
Sale of Goods	203,893	87,902
Expenses Reimbursed	21,263	11,364
Amounts Receivable as at 31 March	51,547	29,972
Amounts Payable as at 31 March	(19,783)	(25,617)
Net Balance as at 31 March	31,764	4,355

20.1.2 During the year, the Company paid a gross dividend of LKR 666 Mn with respect to the financial year ended 31 March 2016, out of which LKR 500 Mn was paid to Indian Oil Corporation Limited.

20.1.3 Transactions with Ceylon Petroleum Storage Terminal Limited

	Mar - 17	Mar - 16
Nature of Transaction		
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(304,738)	(104,932)
Fund Transfers/Payment Made	1,095,560	873,804
Dividend (Net of Tax)	90,000	56,250
Services Rendered	(1,201,148)	(1,129,860)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(320,326)	(304,738)

The above transactions are included in Current Liabilities as Amount due to Related Parties and in Current Assets as Amount due from Related Parties.

20. RELATED PARTY DISCLOSURES (Contd..)

20.1.4 Terms and Conditions

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

20.2 Transactions with Key Management Personnel of the Company

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:

	Mar - 17	Mar - 16
Fees for Directors	2,428	2,378
Emoluments	18,119	17,586
Short Term Employment Benefits	2,640	2,985
	23,187	22,949

21. COMMITMENTS

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

21.1 Capital Commitments

Capital expenditure contracted for at end of the reporting period but not yet incurred amounts to LKR104 Mn (2016 - LKR 268 Mn).

21.2 Operating lease commitments

The Company has a commitment to pay USD 100,000 per annum to Government of Sri Lanka as lease rental for storage tanks at Trincomalee used by the Company.

The future aggregate minimum lease payments of the operating leases according to the Memorandum of Understanding signed with the Government of Sri Lanka are as follows:

	Mar - 17	Mar - 16
No later than 1 year	15,217	14,673
Later than 1 year and no later than 5 years	60,870	58,690
More than 5 years	258,696	264,105
	334,783	337,468

21.3 Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2017 amounted to LKR 4,317 Mn (2016 - LKR 1,693 Mn)

22. CONTINGENCIES

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

22.1 Guarantees issued by Banks on behalf of the Company as at 31 March 2017 amounted to LKR 424 Mn (2016- LKR 101 Mn)

22.2 There is a disagreement on interpretation of NBT Act between Company and Inland Revenue Department. The case is pending before the Tax Appeal Commission for the assessment period Mar-2012 to Sept-2012 amounting to LKR 149 million. For the assessment period Dec-2012 to Jun-2015 amounting to LKR 564 million, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Sept-2015 to Mar-2017 is LKR 384 million for which assessment orders have not yet been issued by Inland Revenue Department. Therefore total Contingent liability as on 31st Mar-2017 is 1,097 million.

23. ASSETS PLEDGED

No assets have been pledged as at the reporting date except for those disclosed in Note 19.3.

24. DIVIDEND

	Mar - 17	Mar - 16
Equity Dividend on Ordinary shares		
-Final Dividend for 2016 LKR 1.25 (2015 - LKR 1.00) Per Share	665,582	532,466

25. EVENTS AFTER THE REPORTING DATE

Final dividend

The Board of Directors of the Company has declared a final dividend of LKR 1.25 per share for the financial year ended 31 March 2017. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007,and has obtained a certificate from auditors, prior to declaring a final dividend.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as an liability in the financial statements as at 31 March 2017.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

26.1 Market Risk

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

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

	Denominated in LKR	Denominated in USD
Cash at bank and in hand	555,823	11,313
Interest Bearing Loans & Borrowings	-	886,023
Trade and Other Receivables (Current)	3,167,964	1,238,911
Other Receivables (Non Current)	107,382	-

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,REPO investments and Unit Trust 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.

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, Trade Receivables and Trade Payables.

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

	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
2017				
Interest Bearing Loans and Borrowings (USD)	886,023	152.17	+/- 1%	+/- 8,860
Trade and Other Receivables (USD)	1,238,911	152.17	+/- 1%	+/- 12,389
Trade and Other Payables (USD)	1,452,309	152.17	+/- 1%	+/- 14,523

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.

26.2 Credit risk

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

Trade receivables

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

The following policies are implemented within the group in order to manage credit risk related to receivables:

- Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.
- Contractual obligation to release assets only upon full payment of receivable, for related contracts and assets.

26.3 Liquidity risk

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

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

	Less than 1 year	More than 1 year	Total
Interest-bearing loans and borrowings	886,023	-	886,023
Trade and Other Payables	3,593,667	-	3,593,667
	4,479,690	-	4,479,690

26.4 Price Risk

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

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

26.5 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 gearing ratio.

	Mar - 17	Mar - 16
Total borrowings (Note 19)	886,023	2,202,844
Less :- Cash and cash equivalents (Note 16)	(6,975,012)	(7,112,809)
Net debt	-	-
Total equity	20,790,267	18,385,471
Total capital	20,790,267	18,385,471
Gearing ratio	0%	0%

27. FAIR VALUES

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements.

Company	Carrying Amount		Fair Value	
	Mar - 17	Mar - 16	**Mar - 17**	Mar - 16
Financial Assets				
Other Receivables (Non Current)	107,382	100,003	107,382	100,003
Trade and Other Receivables (Current)	4,366,673	1,420,313	4,366,673	1,420,313
Short Term Investments	6,407,876	5,795,023	6,407,876	5,795,023
Cash and Bank Balance	567,136	1,317,786	567,136	1,317,786
Total	11,449,066	8,633,125	11,449,066	8,633,125
Financial Liabilities				
Trade and Other Payables	3,048,846	3,895,763	3,048,846	3,895,763
Interest Bearing Loans and Borrowings (Current)	886,023	2,202,844	886,023	2,202,844
Total	3,934,869	6,098,607	3,934,869	6,098,607

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

A Cash and short-term deposits, short term investment, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

28. 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 LKAS 39 - Financial Instruments : Recognition and measurement and by Statement of Financial Position heading:

As at 31 March 2017	Financial Assets and Liabilities at Amortised Cost	Total
Financial Assets		
Other Receivables (Non Current)	107,382	107,382
Trade and Other Receivables (Current)	4,366,673	4,366,673
Short Term Investments	6,407,876	6,407,876
Cash and Cash Equivalents	567,136	567,136
Total Financial Assets	10,881,931	10,881,931
Financial Liabilities		
Trade and Other Payables	3,048,846	3,048,846
Interest Bearing Loans and Borrowings	886,023	886,023
Total Financial Liabilities	3,934,869	3,934,869

As at 31 March 2016	Financial Assets and Liabilities at Amortised Cost	Total
Other Receivables (Non Current)	100,003	100,003
Trade and Other Receivables (Current)	1,420,313	1,420,313
Short Term Investments	5,795,023	5,795,023
Cash and Cash Equivalents	1,317,786	1,317,786
Total Financial Assets	8,633,125	7,315,340
Financial Liabilities		
Trade and Other Payables	3,895,763	3,895,763
Interest Bearing Loans and Borrowings (Current)	2,202,844	2,202,844
Total Financial Liabilities	6,098,607	6,098,607