INDEPENDENT AUDITOR'S REPORT

Building a better working world

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lanka IOC PLC ("the Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

Description of the key audit matter	How our audit addressed the key audit matter
Revenue recognition Considering the distribution network and volume of transactions we believe a higher risk is associated with revenue recognition. Further the Company adopted SLFRS 15 Revenue from Customer Contracts (New Revenue Standard) with effect from 1 April 2018 and management was required to evaluate compliance of existing revenue recognition policies with the new Revenue Standard. Accordingly, the recognition of revenue was considered a Key Audit Matter.	Our audit procedures which included, amongst others, the following: • Reviewing the revenue recognition policy applied by the Company and management's impact assessment to ensure its compliance with SLFRS 15 Revenue from Customer Contracts. • Testing the operating and design effectiveness of critical controls over revenue recognition. • Performing substantive procedures on revenue including revenue cut off, observing revenue process by way of site visit. • Assessing the adequacy of related disclosures in Note 3 to the financial statements.

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Other information included in the Company's 2018/19 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

06 May2019
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	2019 LKR '000	2018 LKR '000
Revenue	3	86,321,616	91,343,335
Cost of Sales		(82,188,504)	(89,542,911)
Gross Profit		4,133,112	1,800,424
Other Operating Income	4	189,984	444,358
Administrative Expenses		(1,432,315)	(1,152,092)
Selling and Distribution Expenses		(2,036,844)	(2,477,564)
Operating Profit/(Loss)		853,937	(1,384,874)
Finance Income	5.1	429,505	914,999
Finance Expenses	5.2	(952,582)	(306,018)
Profit/(Loss) Before Tax	6	330,860	(775,893)
Income Tax	7.1	72,567	31,704
Profit/(Loss) for the Year		403,427	(744,189)
Other Comprehensive Income /(Loss)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on Defined Benefit Obligations	8.4	1,111	(13,384)
Income tax on other Comprehensive income/(loss)	9.2	(167)	2,008
Other Comprehensive Income for the Year, Net of Tax		944	(11,376)
Total Comprehensive Income/(Loss) for the Year, Net of Tax		404,371	(755,565)
Earnings Per Share	10	0.76	(1.40)

The accounting policies and notes on pages 112 through 145 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2019 LKR '000	2018 LKR '000
ASSETS			
Non Current Assets			
Property, Plant and Equipment	11	4,294,395	4,268,729
Investment	12	4,394,000	4,394,000
Intangible Assets	13	675,417	675,966
Other Receivables	15.1	127,308	106,450
Deferred Tax Asset (Net)	9.1	203,161	-
		9,694,281	9,445,145
Current Assets			
Inventories	14	13,996,480	10,110,006
Trade and Other Receivables	15	3,267,244	4,551,221
Income Tax Receivables		341,876	445,475
Short Term Investments	19.2	672,950	7,962,438
Cash and Bank Balances	16.1	271,974	444,871
		18,550,524	23,514,011
Total Assets		28,244,805	32,959,156
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	17	7,576,574	7,576,574
Retained Earnings		11,850,814	11,792,546
Total Equity		19,427,388	19,369,120
Non Current Liabilities			
Defined Benefit Obligation (Net)	8.2	6,515	19,902
		6,515	19,902
Current Liabilities			
Trade and Other Payables	18	6,483,631	8,552,305
Interest Bearing Borrowings	19.1	2,327,271	5,017,829
		8,810,902	13,570,134
Total Equity and Liabilities		28,244,805	32,959,156

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

Senior Vice President (Finance)

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

Director *Director*

The accounting policies and notes on pages 112 through 145 form an integral part of the Financial Statements.

06 May 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March	Stated Capital LKR '000	Retained Earnings LKR '000	Total LKR '000
As at 1 April 2017	7,576,574	13,213,693	20,790,267
Dividends Paid	-	(665,582)	(665,582)
Profit /(Loss) for the Year	-	(744,189)	(744,189)
Other Comprehensive Income/(Loss)	-	(11,376)	(11,376)
As at 31 March 2018	7,576,574	11,792,546	19,369,120
Dividends Paid	-	(346,103)	(346,103)
Profit /(Loss) for the Year	-	403,427	403,427
Other Comprehensive Income/(Loss)	-	944	944
As at 31 March 2019	7,576,574	11,850,814	19,427,388

The accounting policies and notes on pages 112 through 145 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March	Note	2019 LKR '000	2018 LKR '000
Cash Flows From/(Used in) Operating Activities			
Profit /(Loss)before Income Tax Expense		330,860	(775,893)
Adjustments for			
Finance Income	5.1	(429,505)	(914,999)
Finance Expenses	5.2	952,582	306,018
Dividends Income	4	(75,000)	(352,000)
Increase/(Decrease) in Allowances for Impairment	15.6	37,956	(6,038)
Loss/ (Profit) on disposal of property, Plant and Equipment	4	(2,454)	(14,480)
Defined Benefit Plan Cost	8.3	5,540	6,519
Depreciation	11.2	422,416	359,307
Amortisation of Intangible Asset	13.2	549	606
Exchange (Gain)/ Loss on borrowing		(8,277)	46,000
Operating Profit/(Loss) before Working Capital Changes		1,234,667	(1,344,960)
(Increase)/ Decrease in Inventories		(3,886,474)	(5,288,108)
(Increase) /Decrease in Trade and Other Receivables		1,225,163	(137,376)
Increase/ (Decrease) in Trade and Other Payables		(2,073,290)	4,890,951
Cash Generated From/(Used in) Operations		(3,499,934)	(1,879,493)
Income Tax		(26,054)	(569,833)
Finance Expenses		(952,582)	(306,018)
Defined Benefit Paid		(3,477)	(3,283)
Net Cash Flows From Operating Activities		(4,482,047)	(2,758,627)
Cash Flows from Investing Activities			
Finance Income		429,505	914,999
Dividends Income		75,000	352,000
Acquisition of Property, Plant and Equipment	11.1	(448,937)	(521,917)
Acquisition of Intangible Assets		-	(2,498)
Proceeds from Property, Plant and Equipment		3,311	22,806
Net Investment in Gratuity Fund		(15,451)	(62,375)
Net Cash Flows From/(Used in) Investing Activities		43,428	703,015
Cash Flows From Financing Activities			
Proceed from Interest bearing Borrowings		30,628,774	27,172,040
Repayments of Interest bearing Borrowings		(33,311,054)	(23,086,236)
Dividends Paid		(341,486)	(597,895)
Net Cash Flows From/(Used in) Financing Activities		(3,023,766)	3,487,909
Net Increase / (Decrease) in Cash and Cash Equivalents		(7,462,385)	1,432,297
Cash and Cash Equivalents at the Beginning of the Year	16.1	8,407,309	6,975,012
Cash and Cash Equivalents at the End of the Year		944,924	8,407,309
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short Term Investments		672,950	7,962,438
Cash in Hand and at Bank		271,974	444,871
		944,924	8,407,309

The accounting policies and notes on pages 112 through 145 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 2019 was authorized for issue in accordance with a resolution of the Board of Directors on 06 May 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

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

2.4 Going Concern

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

2.5 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

2.6 Segment Reporting

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

2.7 Comparative Information

Changes to Comparative information due to first year of adoption of SLFRS 9 and 15 are disclosed in Note 2.9.16. Whenever necessary, comparative figures have been reclassified to maintain comparability of financial statements in order to provide a better presentation.

2.8 Significant Accounting Judgments, Estimates and Assumptions

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

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

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management Note 26
- Financial instruments risk management and policies Note 26
- Sensitivity analyses disclosures Notes 8 and 26.

2.8.1 Critical Judgments in Applying the Accounting Policies

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

a) Investment in Ceylon Petroleum Storage Terminal Limited

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

2.8.2 Estimates and Assumptions

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

a) Estimation of net realizable value for inventory

Inventory disclosed in Note 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) Impairment losses on Trade & Other Receivables

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

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

Simplified Approach

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

The impairment loss on Trade & Other Receivables is disclosed in Notes 15

c) *Defined Benefit Obligations*

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

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

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

d) *Impairment of non-financial assets*

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

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

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

f) *Deferred tax*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. More information regarding deferred tax assets is given in Note 9 and 2.9.4.

2.9 Summary of Significant Accounting Policies

2.9.1 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.

2.9.2 Revenue Recognition

The Company is in the business of providing the Petroleum products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

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 and sales taxes and value added tax. The following specific recognition criteria are used for the purpose of recognition of following sources which are in the scope of SLFRS 15:

a) *Sale of goods*

The sale of good is generally expected to be the only performance obligation and the Company has determined that it will be satisfied at the point in time when control transfers.

This will be consistent with current practice. As a result, no adjustment is expected on transition to SLFRS 15. for those contracts currently recognized over time. Selling and distribution of petroleum products are considered single performance obligation

Contract balances

Contract assets

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company executed performance obligations under the contract. There is no contract liability as at reporting date.

Following revenue source which are outside the scope of SLFRS 15 are recognise as follows:

b) *Rental Income*

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

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

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

c) *Finance Income*

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

d) *Dividend income*

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

e) *Others*

Other income is recognized on an accrual basis.

Net gains and losses on the disposal of property, plant & equipment have been accounted for in the statement of comprehensive income, 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.

2.9.3 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 Statement of comprehensive income for the period.

2.9.4 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.

2.9.5 Financial Instruments

2.9.5.1 Financial Assets

Initial Recognition and Measurement

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

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

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component. Refer to the accounting policies in section 2.9.16 Changes in Accounting Policies and Disclosures.

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

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

Subsequent Measurement

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

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

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

a) *Financial assets at amortised cost (debt instruments)*
The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

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

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

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

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

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

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

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

- Trade receivables, including contract assets Note 15.

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

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

The Company's financial liabilities include trade and other payables, 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 19.1.

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

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

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

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

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

- Quantitative disclosures of fair value measurement hierarchy Note 27
- Financial instruments (including those carried at amortised cost) Note 15, 16 &19.

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

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

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

2.9.7 Property Plant and Equipment

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

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

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

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

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

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

2.9.8 Intangible assets

a) Goodwill

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

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

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

2.9.9 Investment in Ceylon Petroleum Storage Terminal Limited

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

2.9.10 Cash and Short-Term Deposits

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

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

2.9.11 Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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.

2.9.12 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.

Accounting for leases - where the Company is the lessor

Refer note 2.9.2 (b)

2.9.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income 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.

2.9.14 Dividend Distribution

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

2.9.15 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method by an independent qualified actuaries firm, MessrsK. A. Pandit consultant and actuaries who carried out actuarial valuation as at 31 March 2019.

Recognition of Actuarial Gains and Losses

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

Recognition of Interest cost and current service cost

Interest cost and current service cost are recognized in Statement of Comprehensive Income in the year in which they arise.

b) Defined Contribution Plans

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

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 (Ex-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.

2.9.16 Changes in Accounting Policies and Disclosures
New and amended standards and interpretations

The Company applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time, but do not have an impact on the Financial Statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 15 Revenue from Contracts with Customers
The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted SLFRS 15 using the full retrospective method of adoption. The Company did not apply any of the other available optional practical expedients. There is no material effects to Financial Statements due to the adoption of SLFRS 15.

SLFRS 9 Financial Instruments
SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The nature of these adjustments are described below:

a) *Classification and Measurement*
Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of SLFRS 9 did not have a significant impact on the Company.

The Company continued measuring at fair value all financial assets previously held at fair value under LKAS 39.

The following are the changes in the classification of the Company's financial assets:

- Trade receivables and Other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

b) *Impairment*

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a simplified approach, on expected credit loss which is based on (ECL) SLFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

2.10 Effect of Sri Lanka Accounting Standards (SLFRS) Issued But Not Yet Effective:

SLFRS 16- Leases

The Institute of Chartered Accountant of Sri Lanka issued the new standard for accounting for leases - SLFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-off - use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The company has performed an impact assessment of SLFRS 16 and quantification is not yet concluded as of date of this report.

3. REVENUE

Revenue from contracts with the customers - revenue recognised at a point in time

Year ended 31 March	2019 LKR '000	2018 LKR '000
Lanka Auto Diesel	21,001,064	26,837,936
Xtramile	1,941,704	3,112,517
Lanka Super Diesel	2,641,126	2,321,752
Lanka Petrol 92 Octane	24,463,657	25,246,083
Xtrapremium Euro 3	3,871,492	4,841,198
Xtrapremium 95	6,895,669	6,051,508
Lubricants	3,058,735	3,254,312
Bunkering	20,865,188	18,175,699
Bitumen	1,567,914	1,487,425
Petrochemical	15,067	14,905
Total Revenue	86,321,616	91,343,335

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
Rental Income	65,439	51,151
Dividend Income	75,000	352,000
Sundry Income	47,091	26,727
Profit on sale of Property Plant and Equipment	2,454	14,480
	189,984	444,358

5. FINANCE INCOME AND EXPENSES

5.1 Finance Income

Year ended 31 March	2019 LKR '000	2018 LKR '000
Income from Short term Investment	319,294	865,882
Interest on Others	110,211	49,117
	429,505	914,999

5. FINANCE INCOME AND EXPENSES CONTD.

5.2 Finance Expenses

Year ended 31 March	2019 LKR '000	2018 LKR '000
Interest on Short Term Loans	207,981	131,964
Exchange (Gain)/Loss	744,601	174,054
	952,582	306,018

6. PROFIT/LOSS FROM OPERATING ACTIVITIES

Year ended 31 March	2019 LKR '000	2018 LKR '000
Stated after Charging /Crediting		
Directors' Emoluments	39,815	26,606
Salaries and Wages	518,818	430,822
Increase/(Decrease) in Allowances for Impairment of Receivables	37,956	(6,038)
Loss/(Gain) on disposal of Property, Plant and Equipment	(2,454)	(14,480)
Exchange (Gain) / Loss	744,601	174,054
Defined Benefit Obligation : Charge for the year	5,540	6,519
Audit Fee - Current year	1,650	1,500
Rent Paid	74,704	66,174
Depreciation Charge for the year	422,416	359,307
Amortisation Charge for the year	549	606

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are as follows :

7.1 Income Statement

Year ended 31 March	2019 LKR '000	2018 LKR '000
Current Income Tax:		
Current Tax Expense	120,261	17,858
Under/(Over) Provision of Current Taxes in respect of Prior Year	-	24,659
WHT on Dividend Income	10,500	35,200
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 9.2)	(203,328)	(109,421)
Income Tax Expense / (Credit) Reported in the Income Statement	(72,567)	(31,704)

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 March 2019 and 31 March 2018 are as follows :

Year ended 31 March	2019 LKR '000	2018 LKR '000
Accounting Profit (Loss) before tax	330,860	(775,893)
Tax calculated at a tax rate of 15% (2018 - 15%)	49,629	N/A
Adjustments in respect of prior years	-	24,659
Tax impact of expenses deductible/not deductible for tax purpose	22,753	N/A
Tax impact of income taxable at different rate	(75,676)	N/A
Adjustment due to the estimated deferred tax base in previous year	(200,034)	(109,421)
Tax charge on profit from trade or business	(203,328)	(84,762)
Taxable Interest Income	429,505	63,777
Tax calculated at a tax rate of 28% (2018 - 28%)	120,261	17,858
Taxable Dividend income	75,000	352,000
Tax calculated at a tax rate of 14% (2018 - 10%)	10,500	35,200
Total tax charge for the year	(72,567)	(31,704)

8. DEFINED BENEFIT OBLIGATION

Year ended 31 March	2019 LKR '000	2018 LKR '000
Balance as at 01 April	87,870	65,657
Current Service Cost	4,518	3,577
Interest Cost	10,105	8,535
Actuarial (Gain) / Loss (8.4)	(285)	13,384
Benefits Paid	(3,477)	(3,283)
Balance as at 31 March	98,731	87,870

8. DEFINED BENEFIT OBLIGATION CONTD.

8.1 Reconciliation of Fair Value of Plan Assets

Year ended 31 March	2019 LKR '000	2018 LKR '000
Balance as at 01 April	67,968	-
Contribution by employer	19,082	65,658
Expected return	7,816	5,593
Remeasurement	827	-
Benefit Paid	(3,477)	(3,283)
Balance as at 31 March	92,216	67,968

8.2 Reconciliation of Fair Value of the Plan Assets and Defined Benefit Obligation

Year ended 31 March	2019 LKR '000	2018 LKR '000
Defined Benefit Obligation at the end of the year	98,731	87,870
Fair value of the plan assets at the end of the year	(92,216)	(67,968)
Amount recognised in Statement of Financial Position	6,515	19,902

8.3 Expenses recognised on Defined Benefit Plan

Year ended 31 March	2019 LKR '000	2018 LKR '000
Income Statement		
Current Service Cost for the year	4,518	3,576
Net Interest Cost for the year	2,289	2,943
Transfers	(1,267)	-
	5,540	6,519
Other Comprehensive Income		
Actuarial (Gain) / Loss (8.4)	(1,111)	13,384
	(1,111)	13,384

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
Changes in Financial Assumptions	14,283	916
Changes in Demographic Assumptions	(1,616)	(3,867)
Experience Adjustments	(13,778)	16,335
	(1,111)	13,384

8.5 Actuarial valuation of Retirement Benefit Obligation as at 31 March 2019 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'.

8.6 Principle Actuarial Assumptions

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

Year ended 31 March	2019 LKR '000	2018 LKR '000
Discount Rate	11.50%	11.50%
Salary Incremental Rate	1-7%	1-6%
Staff Turnover	0-5%	0-7%
Retirement Age	60 years	60 years
Return on the plan Assets	10.45%	10.00%

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
Less than 1 Year	18,853	6,250
Between 1-2 years	6,361	11,623
Between 2-5 years	45,729	38,301
Beyond 5 years	51,888	55,339

8. DEFINED BENEFIT OBLIGATION CONTD.

8.8 Sensitivity of Assumptions in Actuarial Valuation of Retirement Benefit Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 March 2019. 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%			4,596	(4,596)
(1%)			(5,104)	5,104
	1%		(5,517)	5,517
	(1%)		5,026	(5,026)
		1%	(3,700)	3,700
		(1%)	657	(657)

9. DEFERRED TAX LIABILITIES

9.1 Deferred Tax

Deferred Tax Relates to the Following:

Year ended 31 March	2019 LKR '000	2018 LKR '000
Deferred Tax Assets Arising on:		
Income tax loss	332,475	130,811
Retirement Benefit Obligation	14,810	13,181
	347,285	143,992
Deferred Tax Liability Arising on:		
Property Plant & Equipment	(144,124)	(143,992)
Net Deferred Tax Asset/(Liability)	203,161	-

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
9.2 Balance brought forward	-	111,429
Deferred Income Tax (Credit)/Charge- Income Statement	(203,328)	(109,422)
Deferred Income Tax (Credit)/Charge- Statement of Other Comprehensive Income	167	(2,008)
Net Deferred Tax (Asset)/Liability	(203,161)	-

10. EARNINGS PER SHARE

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

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
Amounts Used as the Numerator		
Net Profit/(Loss) Attributable to Ordinary Shareholders for Basic Earnings Per Share	403,427	(744,189)

Number of Ordinary Shares used as the Denominator:

Number of Ordinary Shares used as the Denominator:	2019	2018
Weighted Average Number of Ordinary Shares	532,465,705	532,465,705
Basic Earning Per Share	0.76	(1.40)

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross Carrying Amounts

Year ended 31 March At Cost	Balance as at 01.04.2018 LKR '000	Additions LKR '000	Transfers LKR '000	Disposals LKR '000	Balance as at 31.03.2019 LKR '000
Freehold Land	1,960,529	-	-	(182)	1,960,347
Building and Fixtures	2,098,063	-	181,676	-	2,279,739
Plant and Equipment	2,991,753	-	360,995	(6,589)	3,346,159
Office Equipment	40,699	651	-	(768)	40,582
Furniture and Fittings	182,293	92	21,973	(808)	203,550
Motor Vehicles	40,071	-	-	-	40,071
Capital Work-In- Progress	230,989	448,194	(564,644)	-	114,539
	7,544,397	448,937	-	(8,347)	7,984,987

11.2 Depreciation

Year ended 31 March At Cost	Balance as at 01.04.2018 LKR '000	Charge for the year LKR '000	Transfers LKR '000	Disposals LKR '000	Balance as at 31.03.2019 LKR '000
Building and Fixtures	1,169,163	146,497	-	-	1,315,660
Plant and Equipment	1,972,392	235,103	-	(6,369)	2,201,126
Office Equipment	29,070	4,874	-	(315)	33,629
Furniture and Fittings	70,104	34,032	-	(808)	103,328
Motor Vehicles	34,939	1,910	-	-	36,849
	3,275,668	422,416	-	(7,492)	3,690,592

11.3 Net Book Value

Year ended 31 March	2019 LKR '000	2018 LKR '000
Freehold Land	1,960,347	1,960,529
Building and Fixtures	964,080	928,900
Plant and Equipment	1,145,033	1,019,361
Office Equipment	6,952	11,629
Furniture and Fittings	100,222	112,189
Motor Vehicles	3,222	5,132
Capital Work-In- Progress	114,539	230,989
Total Carrying Value of Property, Plant & Equipment	4,294,395	4,268,729

11.4 During the financial year, the company acquired Property, Plant and Equipment to aggregate value of LKR 449 Mn (2018 - LKR 522 Mn).

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

Year ended 31 March	2019	2018
Building and Fixtures	15 Years	15 Years
Plant and Equipment	8 Years	8 Years
Office Equipment	4 Years	4 Years
Furniture and Fittings	5 Years	5 Years
Motor Vehicles	5 Years	5 Years

12. INVESTMENT

Year ended 31 March	2019 LKR '000	2018 LKR '000
At the beginning and end of the year	4,394,000	4,394,000

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

13. INTANGIBLE ASSETS

13.1 Gross Carrying Amounts

	Goodwill LKR '000	License fees on computer software LKR '000	Total LKR '000
As at 01.04.2018	759,298	14,437	773,734
Additions	-	-	-
Disposals	-	-	-
As at 31.03.2019	759,298	14,437	773,734

13. INTANGIBLE ASSETS CONTD.

13.2 Amortisation

	Goodwill LKR '000	License fees on computer software LKR '000	Total LKR '000
As at 01.04.2018	85,421	12,347	97,768
Charge for the year	-	549	549
As at 31.03.2019	85,421	12,896	98,317

	Goodwill LKR '000	License fees on computer software LKR '000	Total LKR '000
13.3 Net Book Value as at 31.03.2018	673,877	2,090	675,966
13.4 Net Book Value as at 31.03.2019	673,877	1,541	675,417

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 for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised.

14. INVENTORIES

Year ended 31 March	2019 LKR '000	2018 LKR '000
Auto Fuel	9,767,374	6,996,097
Bunker Fuel	1,116,064	1,290,563
Bitumen	457,114	474,773
Lubricants	402,154	311,037
Base oil and other raw materials	1,836,047	999,821
Petrochemical	56,664	-
Goods In Transit	361,063	37,715
	13,996,480	10,110,006

15. TRADE AND OTHER RECEIVABLES

Current Assets

Year ended 31 March		2019 LKR '000	2018 LKR '000
Trade Receivables	- Others (net of Allowance for Impairment)	2,494,824	3,387,197
	- Related Party	84,478	-
VAT/NBT Receivables		186,505	161,626
Other Receivables	- Related Party (15.2)	-	68,081
	- Others	-	11,427
Deposits and Advances		479,424	900,292
Prepayments		22,013	22,598
		3,267,244	4,551,221

15.1 Non Current Assets- Other Receivables

Year ended 31 March	2019 LKR '000	2018 LKR '000
Staff Loan	108,573	106,450
Prepaid-deferred employee benefit	18,735	-
	127,308	106,450

15.2 Receivables- Related Parties

Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
Indian Oil Corporation Limited	Immediate Parent - Trade	84,478	-
	Immediate Parent - Other	-	68,081
		84,478	68,081

15. TRADE AND OTHER RECEIVABLES CONTD.

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

Year ended 31 March	Total	Neither Past due nor Impaired	Past Due but not Impaired				
			Less than 30 days	31-90 days	91-180 days	181-365 days	>365 days
2019	2,494,824	2,014,605	146,162	256,504	26,035	24,555	26,963
2018	3,387,197	2,918,066	213,865	188,717	32,472	8,897	25,180

Related Party receivable LKR 84 Mn is within neither past due nor impaired

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.

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

Year ended 31 March	2019 LKR '000	2018 LKR '000
US Dollars	1,211,362	1,908,675
Sri Lankan Rupees	2,055,882	2,642,546
	3,267,244	4,551,221

15.6 Allowance for impairment LKR 453 Mn (2018 LKR 478 Mn) Includes provision for Expected Credit Loss line with accounting policy applicable for trade and other receivables, for which Company has applied the simplified approach.

Allowance for Impairment	2019 LKR '000	2018 LKR '000
As at 01 April	478,056	484,094
Provision/(Reversal)for the year	37,956	(6,038)
Written off	(62,756)	-
As at 31 March	453,256	478,056

16. CASH AND CASH EQUIVALENTS

16.1 Cash & Cash Equivalent balances

Year ended 31 March	Note	2019 LKR '000	2018 LKR '000
Cash and Bank Balances		271,974	444,871
Short Term investments	19.2	672,950	7,962,438
Total Cash & Cash Equivalent balances		944,924	8,407,309

17. STATED CAPITAL

	Year ended 31 March	2019	2018
17.1	Stated Capital as at 31 March (in LKR '000)	7,576,574	7,576,574
17.2	Number of Ordinary Shares (as at 31st March)	532,465,705	532,465,705

18. TRADE AND OTHER PAYABLES

Year ended 31 March		2019 LKR '000	2018 LKR '000
Trade Payables	- Related Parties (18.2)	5,610	27,602
	- Others	5,582,795	7,733,263
Other Payables	- Related Parties (18.3)	350,655	299,867
Sundry Creditors Including Accrued Expenses		544,571	491,573
		6,483,631	8,552,305

18.2 Trade Payables- Related Parties

Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
Indian Oil Corporation Limited	Immediate Parent	5,610	27,602
		5,610	27,602

18. TRADE AND OTHER PAYABLES CONTD.

18.3 Other Payables- Related Parties

Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
Indian Oil Corporation Limited	Immediate Parent	29,772	-
Ceylon Petroleum Storage Terminal Limited	Significant Investee	320,883	299,867
		350,655	299,867

19. OTHER FINANCIAL ASSETS AND LIABILITIES

19.1 Interest Bearing Loans and Borrowings

Year ended 31 March	2019 LKR '000	2018 LKR '000
Short Term Loans (19.1.2)	2,327,271	5,017,829
	2,327,271	5,017,829

19.1.1 Short Term Loans -Movement

Year ended 31 March	2019 LKR '000	2018 LKR '000
Balance as at 01 April	5,017,829	886,023
Proceed from Interest bearing borrowings	30,628,774	27,172,042
Repayments of Interest bearing borrowings	(33,311,055)	(23,086,236)
Exchange (Gain)/ Loss on borrowing	(8,277)	46,000
Balance as at 31 March	2,327,271	5,017,829

19.1.2 The short term loans LKR 2,327 mn (2018-LKR 5,018 mn) are unsecured except for the loans from State Bank of India Colombo branch amounting to LKR 994mn (2018- LKR 1,033 mn) . These loans are secured against hypothecation over trading stock held at Kolonnawa, Trincomalee and Muthurajawala terminals.

19.2 Short Term Investments

Year ended 31 March	2019 LKR '000	2018 LKR '000
Investment in Unit Trust	27,991	7,962,438
Investments Fixed Deposit	644,959	-
	672,950	7,962,438

19.2.1 Investment in Money Market Funds

		Apr-18 LKR '000	Additions / (Withdrawals) LKR '000	Fair Value Gain/ (Loss) LKR '000	Mar-19 LKR '000
Unit Trust Investment	FVTPL	7,962,438	(8,218,048)	283,601	27,991

19.3 The interest rates are as follows:

Short term loans LIBOR + Margin

19.4 The LIBOR rate (monthly) at the date of statement of financial position was 2.49450%

20. RELATED PARTY DISCLOSURES

20.1 Transactions with the Related Entities

20.1.1 Transactions with Parent

Nature of Transaction	2019 LKR '000	2018 LKR '000
Amounts Receivable as at 01 April	68,081	51,547
Amounts Payable as at 01 April	(27,602)	(19,783)
Fund Transfers/Payment Made	8,691,449	4,339,966
Purchases of Goods/Services	(8,776,085)	(4,353,500)
Sale of Goods	191,105	-
Expenses Reimbursed	(97,853)	22,249
Amounts Receivable as at 31 March	84,478	68,081
Amounts Payable as at 31 March	(35,383)	(27,602)
Net Balance as at 31 March	49,095	40,479

20.1.2 During the year, the Company paid a gross dividend of LKR 346 Mn with respect to the financial year ended 31 March 2018, out of which LKR 260 Mn was paid to Indian Oil Corporation Limited.

20. RELATED PARTY DISCLOSURES CONTD.

20.1.3 Transactions with Ceylon Petroleum Storage Terminal Limited

Nature of Transaction	2019 LKR '000	2018 LKR '000
Amounts Receivable as at 01 April	-	-
Amounts Payable as at 01 April	(299,867)	(320,326)
Fund Transfers/Payment Made	855,288	1,314,609
Services Rendered	(876,304)	(1,294,150)
Amounts Receivable as at 31 March	-	-
Amounts Payable as at 31 March	(320,883)	(299,867)

During the year, CPSTL paid a gross dividend of 75 mn (2018- LKR 352 mn) pertaining to financial years 2018.

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

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 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:

Short Term Employment Benefits	2019 LKR '000	2018 LKR '000
Fees for Directors	2,850	2,925
Emoluments	34,065	21,074
Others	2,900	2,607
	39,815	26,606

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

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

	Year ended 31 March	Relationship	2019 LKR '000	2018 LKR '000
a.	Items in Statement of Profit or Loss	Finance Expenses	74,217	13,560
b.	Items in Statement of Financial Position	Interest Bearing Loans and Borrowings	(993,740)	(1,033,132)
		Investment In Gratuity Fund	92,215	67,968
c.	Off Balance Sheet Items	Letters of credit	1,650,612	1,861,898

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 LKR 263 Mn (2018- LKR 301 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:

Year ended 31 March	2019 LKR '000	2018 LKR '000
No later than 1 year	17,531	15,592
Later than 1 year and no later than 5 years	70,124	62,369
More than 5 years	262,966	249,475
	350,621	327,436

21.3 Letters of Credit opened with Banks Favouring Suppliers as at 31 March 2019 amounted to LKR.2,274 Mn (2018 - LKR 3,919 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 2019 amounted to LKR 909 Mn (2018- LKR 520 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 June 2015 amounting to LKR 713.07 million. For the assessment periods Sep 2015 to Dec 2015 amounting to LKR 127.73 million, appeals have been filed before the Commissioner General of Inland Revenue. The estimated liability for the assessment period Mar-2016 to Mar-2019 is LKR 762.47 million for which assessment orders have not yet been issued by Inland Revenue Department. Therefore, total Contingent liability as on 31st Mar 2019 is 1,603.28. million.

23. ASSETS PLEDGED

No assets have been pledged as at the reporting date except for those disclosed in Note 19.1.2

24. DIVIDEND

Year ended 31 March	2019 LKR Per Share	2019 LKR '000 Amount	2018 LKR Per Share	2018 LKR '000 Amount
Equity Dividend on Ordinary shares				
Declared and Paid during the year	0.65	346,103	1.25	665,582

25. EVENTS AFTER THE REPORTING DATE

Final dividend

The Board of Directors of the Company recommend a final dividend of LKR 0.75 per share for the financial year ended 31 March 2019. 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 will obtain a certificate from auditors, prior to declaring a final dividend. The dividend will be tax at the rate of 14%.

In accordance with LKAS 10, the final dividend has not been recognised as an liability in the financial statements as at 31 March 2019.

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.

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.

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).

Year ended 31 March	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax
2019				
Interest Bearing Loans and Borrowings (USD)	478,015	175.31	+/- 1%	+/- 4,780
Trade and Other Receivables (USD)	1,211,362	175.31	+/- 1%	+/- 12,113
Trade and Other Payables (USD)	4,796,421	175.31	+/- 1%	+/- 47,964
2018				
Interest Bearing Loans and Borrowings (USD)	4,847,382	155.92	+/- 1%	+/- 48,474
Trade and Other Receivables (USD)	1,908,675	155.92	+/- 1%	+/- 19,087
Trade and Other Payables (USD)	6,201,640	155.92	+/- 1%	+/- 62,016

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.

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

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

As at 31 March 2019	Denominated LKR '000	Denominated USD '000
Cash at bank and in hand	240,741	31,233
Interest Bearing Loans & Borrowings	1,849,256	478,015
Trade and Other Receivables (Current)	2,055,882	1,211,362
Other Receivables (Non Current)	127,308	-

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:

As at 31 March 2019	Less than 1 year LKR '000	More than 1 year LKR '000	Total LKR '000
Interest-bearing loans and borrowings	2,327,271	-	2,327,271
Trade and Other Payables	6,483,631	-	6,483,631
	8,810,902	-	8,810,902

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-19 LKR '000	Mar-18 LKR '000
Total borrowings (Note 19)	2,327,271	5,017,829
Less :- Cash and cash equivalents (Note 16)	(944,924)	(8,407,309)
Net debt	1,382,347	-
Total Equity	19,427,388	19,369,120
Total Capital	21,754,659	24,386,949
Gearing ratio	6%	-

27. FAIR VALUES

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

a) Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 March 2019, the Group held the following financial instruments carried at fair value on the statement of financial position:

27. FAIR VALUES CONTD.

b) Financial Assets measured at fair value

	2019 LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000
Short Term Investments (Note 19.2)	27,991	27,991	-	-

	2018 LKR '000	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000
Short Term Investments (Note 19.2)	7,962,438	7,962,438	-	-

During the reporting period ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

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 SLFRS 9 - Financial Instruments:

As at 31 March 2019	Financial Assets Held for Trading at Fair Value (FVTPL) LKR '000	Financial Assets and Liabilities at Amortised Cost LKR '000	Total LKR '000
Financial Assets			
Other Receivables (Non Current)	-	127,308	127,308
Trade and Other Receivables (Current)	-	3,058,726	3,058,726
Short Term Investments	27,991	644,959	672,950
Cash and Cash Equivalents	-	271,974	271,974
Total Financial Assets	27,991	4,102,967	4,130,958
Financial Liabilities			
Trade and Other Payables	-	6,483,631	6,483,631
Interest Bearing Loans and Borrowings	-	2,327,271	2,327,271
Total Financial Liabilities	-	8,810,902	8,810,902

As at 31 March 2018	Financial Assets Held for Trading at Fair Value (FVTPL)	Financial Assets and Liabilities at Amortised Cost	Total
	LKR '000	LKR '000	LKR '000
Financial Assets			
Other Receivables (Non Current)	-	106,450	106,450
Trade and Other Receivables (Current)	-	4,366,997	4,366,997
Short Term Investments	7,962,438	-	7,962,438
Cash and Cash Equivalents	-	444,871	444,871
Total Financial Assets	7,962,438	4,918,318	12,880,756
Financial Liabilities			
Trade and Other Payables	-	8,552,305	8,552,305
Interest Bearing Loans and Borrowings (Current)	-	5,017,829	5,017,829
Total Financial Liabilities	-	13,570,134	13,570,134