Navigate Through the Challenges

ANNUAL REPORT 2022
CEYLON PETROLEUM CORPORATION

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Navigate Through the Challenges

In the midst of a tumultuous economic downturn that swept across the nation, CPC was not exempt from its effects. Despite the daunting hurdles that lay before us, we, the unrivaled market leader, made every effort to ensure the accessibility of petroleum products to the country step by step. Certainly, the road was far from smooth, but our unwavering reimagine, innovative thinking, and unwavering commitment played a pivotal role in triumphing over adversity and fueling the nation's progress. Consequently, we successfully navigate our operations through these formidable challenges, ultimately contributing to the recovery of the national economy.

Table of Contents

“despite all these challenges, we are happy to note that diligent effort of our team successfully restored the business in to normal operation with contributing to the recovery of the national economy.”

CHAIRMAN’S MESSAGE -15

“a new strategy called the ex-storage modality method was introduced, which proved to be effective in ensuring the availability of crude oil and refined petroleum products while balancing dollar outflows”

MD’S REVIEW -18

About Us

Vision

To be a sustainable entity in the petroleum and related industries; pioneer new opportunities and deliver value to our stakeholders.

Mission

Competitiveness – Strive to be a market leader by procuring and supplying petroleum and related products at competitive prices.
Sustainability – Be a financially, socially, and environmentally sustainable business that places emphasis in long run gains.
Continuous Improvement – Drive growth through continuous improvement of process and people. Always monitor the Corporation's growth for potential areas of improvement.
Integrity – Act in a reliable manner ensuring the Corporation's best interest at all times.
Public Focus – Aim to support the growth of the country.

Values

Competitiveness
Sustainability
Continuous Improvement
Integrity
Public Focus

Ceylon Petroleum Corporation

Ceylon Petroleum Corporation (CPC) is a public corporation incorporated under Ceylon Petroleum Corporation Act, No. 28 of 1961. Our primary objective is to import, refine, and distribute petroleum products throughout Sri Lanka. Our extensive network of distribution channels spans the entire country, ensuring that the nation's fuel requirements are met.

As the market leader, we currently hold a leading market share of over 80%. This is made possible by our network of 1,140 filling stations strategically located across the island, which allows us to maintain our position in the market.

Throughout our successful six-decade journey, CPC has been the primary source of energy supply for the country, contributing to its economic development. Our key strategic asset, the CPC Refinery, has played a crucial role in creating value for the nation over the past 50 years. We refine and supply 30% (2022 - 14%) of CPC sales through our refinery, while the remaining gap is supplied through the importation of refined products.

Our workforce of 2232 skilled individuals plays a vital role in delivering value to our stakeholders throughout our journey.

Our business lines encompass various sectors, including fuel for transportation, aviation, power generation, industries, agrochemicals, lubricants, and bunkering.

In 2022, CPC met the sale of 4,050 million liters, generating revenue of Rs. 1,154 billion. Despite the significant economic and social challenges faced in 2022 due to the severe economic recession, CPC took every turn for fuel supply to the nation by implementing various new strategies to navigate uncertainties.

Our subsidiary, Ceylon Petroleum Storage Terminals Limited (CPSTL), holds over 2/3 of the stake, plays a significant role in our operations. CPSTL was established with the objective of storing and distributing petroleum products, as well as providing information technology services. As part of our business diversification, CPC has invested in the joint venture company Trinco Petroleum Terminal (Pvt) Limited, where we hold a 51% stake.

Segment	Products
Transport	Petrol 92 Petrol 95 Auto Diesel Super Diesel
Power generation	Auto Diesel Furnace oil Naphtha
Aviation	Jet A -1 Av Gas
Industries	Furnace oil Industrial Kerosene Lubricants Bitumen Solvent
Agro Chemical	Agro Chemical products
Bunkering & exports	Furnace oil Diesel

Our Journey

1961

Ceylon Petroleum Corporation was established as a State Owned Enterprise under Act. No. 28 of 1961

1962

CPC commenced business competing with other Oil Companies which were operating in the country at that time.

1964

Became the only business to import, sell and distribute petroleum products in the country.

1968

CPC built a 38,000 BPD Refinery

Refinery

1969

Commenced Refinery operations. CPC added a lubricant oil blending plant at Kollonnawa Installation. CPC entered to Agro Chemical sector

1971

Bunkering operations and aviation re-fuelling activities were added to the Corporation's scope through amendments to the CPC Act.

1978

CPC built a plant for the manufacture of Nylon 6 yarn for textile, tires and fishing industries

1979

The capacity of the Refinery increased to 50,000 BPD by increasing the crude distiller capacity in 1979.

Buoy

1987

A Single Point Buoy Mooring (SPBM) facility was installed 9.2 km away from the Colombo port; commissioned together with an intermediate crude oil storage tank farm at Orugodawatta.

1992

CPC revamped the crude distiller unit to improve refinery process flexibility and efficiency

1994

De-regulation of import and distribution of solvents and lubricants.

1995

Rehabilitation of Kollonnawa and Orugodawatta Tank Farms which are damaged due to a terrorist attack.

1999

The tanks damaged due to a fire were reconstructed along with a new delivery terminal at Sapugaskanda. CPC improved the capacity of the platformer unit which produced blending stock for Petrol.

2002

Modification done for reduction of the Sulphur level in Auto Diesel. Revamping of existing Diesel Hydrotreater (04 unit) and conversion of Kerosene Hydrotreater (07 unit) into a Diesel Hydrotreater.

2003

Formed Common User facility company (CPSTL) which would be equally owned by CPC, GoSL and LIOC. CPC Commissioned a state of the art aviation refueling facility and Fuel Hydrant System at the BIA

2010

Cabinet decided to allocate the 107 filling stations and the 1/3 share of the CPSTL to CPC. CPC introduced super diesel (10ppm) to the market.

2011

head office relocated to a new building in Colombo 09. Construction works on the Fuel Hydrant System under stage-1 at the Hambantota International Airport at Mattala began.

2012

Completed the rerouting/ replacement of the submarine crude oil pipeline and the pipeline end manifold at the Colombo Port, as part of the Colombo Port expansion project. Construction works on the Aviation Terminal under stage-2 at the HIA at Mattala commenced.

2013

Upgraded the 90 Octane petrol to 92 Octane petrol.

2014

An aviation refueling terminal and the Fuel Hydrant System at the HIA at Mattala was commissioned. CPC's Aviation function managed to obtain "Good" given by JIG. CPC introduced 500 ppm fuel specification for imports.

2016

CPC came to an agreement with Hyrax to operate a lubricant blending plant in Sri Lanka on a BOT basis. Recorded highest profit in history.

2018

Commencement of development and upgration of Refueling Terminal and the Existing Fuel Hydrant System at new Apron-E in par with the PhaseII Stage 2 Development Project of the BIA, CPC re-entered into liquid bitumen production. CPC introduced Diesel Euro 4 and Petrol Euro 4.

2019

Celebration of 50 year Anniversary of the Refinery.

2020

Commencement of LNG section.

2021

Re-enter in to the Bunkering business.

2022

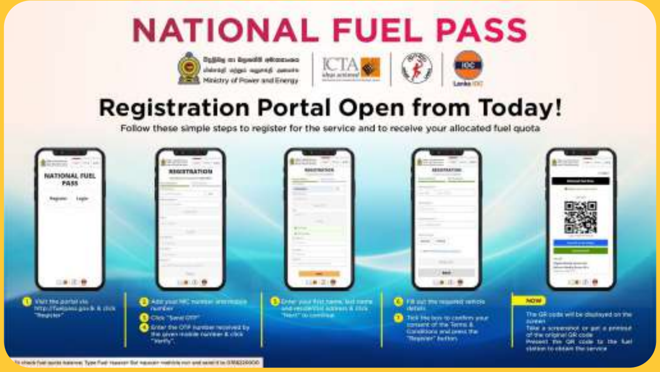
Investment in TPTL. Highest Revenue of Rs. 1,154 bn. The Government took the Debt stock of USD 2.4 bn.

Year at a Glance

CPC entered in to a Modality Agreement between GOSL, LIOC and TPTL for the lease of 24 tanks in upper tank farm in Trincomalee.

The implementation of a fuel card for foreign visitors aims to increase the dollar inflows into the country and ensure a steady fuel supply for tourists, thereby boosting tourism.

The formation and investment in a joint venture firm of TPTL, which will be a subsidiary with a 51% equity stake and will run operations connected to storage and other related industries. 61 storage tanks have been leased by TPTL for use in the company's energy and storage operations.



Introduction of QR system to manage the fuel distribution with a proper and equitable mechanism.

CPC invested for the renovation of the 24 tanks obtained on lease term at the Trincomalee tank farm.

CPC was awarded the 'Certificate of Recognition in Best Management Practices' at the Best Management Practices Company Awards 2023 organized by the CPM Sri Lanka.

- The introduction of fuel sales denominated in USD enabled the collection of more foreign currency from exporting companies, which was used toward the settlement of cost of fuel imports.

- Implementation of the cost reflective pricing mechanism since May 2022 enabling to sale petroleum products by passing the cost and benefits to the general public.

- The revision of the domestic selling prices in-line with the movement of the international fuel prices and exchange rate increased the Revenue by 94.4% to Rs. 1,154 bn.

- Introduction of the ex-storage fuel supply method for the crude oil and refined products facilitating to continuous fuel availability.

- As proposed by the government in National budget 2023, the foreign currency loans and bills amounting to USD 2.4 billion under the guarantees issued by the General Treasury has been transferred to the government balance sheet as government debt stock at the end.

About Our Report

Our integrated Annual Report for the year 2022 has been prepared in integrated approach to showcase our commitment to transparency in reporting our activities. This report aims to provide detailed insights into the Corporation's strategy, performance, governance, risk management, and the art of value creation.

Scope and Boundaries

This annual report presents comprehensive information regarding the business model, operating environment, strategies, significant risks and opportunities, governance, and operational performance of Ceylon Petroleum Corporation for the period spanning from January 1, 2022, to December 31, 2022. The report encompasses the performance of our strategic business units throughout this period.

Reporting Framework
Sri Lanka Financial Reporting Standards (SLFRS / LKAS) issued by the Institute of Chartered Accountants of Sri Lanka
Public Enterprises Guidelines for Good Governance
Finance Act No. 28 of 1971
Ceylon Petroleum Corporation Act No. 28 of 1961 and subsequent amendments.
Integrated Reporting (IR) Framework published by the International Integrated Reporting Council
Sustainable Development Goals (SDGs) reporting
Code of Best Practice on Corporate Governance issued by CA Sri Lanka
Global Reporting Initiatives (GRI)

Materiality

This report presents pertinent information regarding the application of the materiality principle, which we consider to be of significant interest to both current and potential stakeholders seeking to make informed evaluations of Ceylon Petroleum Corporation's capacity to generate value in the short, medium, and long term. Our aim has been to ensure that all the information included in this report pertains to factors that impact value creation at CPC.

Furthermore, we have included the annual audited financial statements along with the audit report. The financial information is presented in accordance with regulatory requirements, and the non-financial information included in the report, unless explicitly stated otherwise, pertains solely to the CPC and excludes its subsidiary as the CPC accounts for over 90% of Total Operating Income, Total Assets, and Total Liabilities.

The reporting framework for all our reports has been guided by the principles and requirements outlined, considering how interactions with the external environment and the various capitals have influenced the ability to create value in the short, medium, and long term.

Gaining a comprehensive understanding of our organization entails reviewing the sections on our business (pages 2 to 14), business model (pages 49 to 50), and activities and impacts throughout our value chain (pages 51 to 82). This analysis serves as the foundation for recognizing how CPC generates value and identifying the factors that influence this value. Our ability to create value is contingent upon our operating context (pages 31 to 34) and our response to the associated risks and opportunities (pages 83 to 88).

Furthermore, this report presents our performance (pages 35 to 44), leadership team (pages 21 to 28), and governance practices (pages 89 to 99). For stakeholders seeking additional information, our annual reports offer supplementary details that may be of interest.

Our Audit Committee provides internal assurance to the Board on timely basis on the execution of the combined assurance plan. The Audit & Management Committee report is on pages 94 to 95.

The Auditor General provided the relevant assurance on our Annual Financial Statements 2022 (see pages 102 to 128).

The established procedures offer confidence in the integrity of our Integrated Report 2022, encompassing both financial and non-financial data.

Navigation to Our Report

Capitals

- Financial Capital
- Manufactured Capital
- Intellectual Capital
- Human Capital
- Social & Relationship Capital
- Natural Capital

Stakeholders

- Customers
- Regulators
- Shareholders
- Community
- Employees
- `Suppliers

Strategies

- Profitable Growth
- Operational Excellence
- Technological Advancement
- Sustainability
- Investment in Human Capital
- Supply Chain Management

Feedback

CPC dedicated for enhancing the readability and relevance of our report. We welcome your suggestions, inquiries and feedback on CPC Annual Report 2022. Please forward your feedback to,

Dy. General Manager (Finance)
No. 609, Dr. Danister De Silva Mw.
Colombo 09.

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+94115455147

Financial Highlights

	CPC		Group	
	2022 *Rs. Mn*	2021 Restated *Rs. Mn*	2022 *Rs. Mn*	2021 Restated *Rs. Mn*
Operating Result				
Revenue - Gross	1,154,449.058	593,833.049	1,151,962.688	594,097.874
Gross Profit / (Loss)	39,849.197	(4,068.172)	33,566.509	(11,779.404)
Operating (Loss)/Profit	(6,156.989)	(41,320.133)	(7,030.011)	(39,968.942)
Finance Income	37,650.487	18,369.081	37,935.768	18,570.652
Exchange rate variation	(527,009.983)	(33,220.081)	(527,009.983)	(33,220.081)
Profit /(Loss) for the year	(615,053.142)	(81,816.434)	(616,026.021)	(80,666.559)
Total comprehensive income	(615,209.821)	(81,904.158)	(615,894.816)	(80,428.543)
Financial Position				
Total Assets	492,448.384	423,002.103	515,003.275	443,990.686
Inventories	149,303.332	41,915.633	150,161.303	42,470.504
Cash & Cash Equivalent	17,566.560	141,607.205	19,670.847	143,864.134
Equity	(85,712.305)	(354,595.870)	(63,446.604)	(331,694.175)
Non current liabilities	15,036.900	9,645.090	18,645.768	12,864.225
Non-current borrowings	11,833.486	5,893.394	11,833.486	5,893.394
Short term borrowings	316,874.548	510,268.933	316,874.548	510,268.933
Total Borrowings	328,708.034	516,162.327	328,708.034	516,162.327

Key Ratios — CPC	2022	2021	2020	2019
Gross Profit Ratio	3.47%	-0.70%	12.95%	0.68%
Operating Profit Margin	-0.54%	-7.07%	6.49%	-3.02%
Net Profit Ratio	-53.28%	-13.78%	0.44%	-1.88%
Return on Total Assets	-1.25%	-9.77%	10.42%	-5.81%
Inventory Turnover Ratio	7.43	14.05	8.66	9.53
Assets Turnover Ratio	2.33	1.38	1.57	1.93
Current Ratio	0.77	0.48	0.45	0.47
Quick Ratio	0.51	0.42	0.36	0.36
Interest Cover	(0.05)	(1.61)	1.62	(1.30)

1,154
(Rs. Bn.)
Revenue

39,849
(Rs. Mn.)
Gross Profit

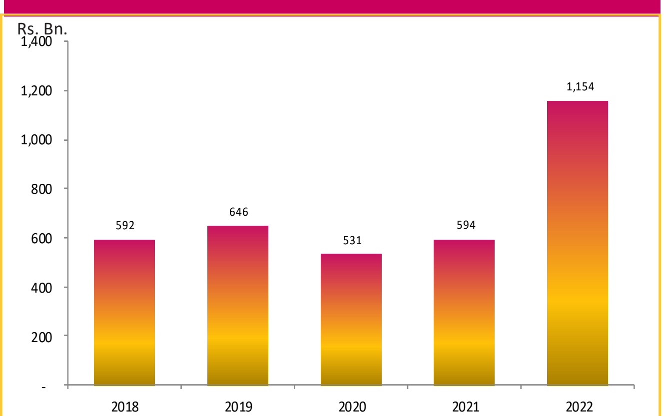
127,078
(Rs. Mn.)
Contribution to the Government

492,448
(Rs. Mn.)
Total Assets

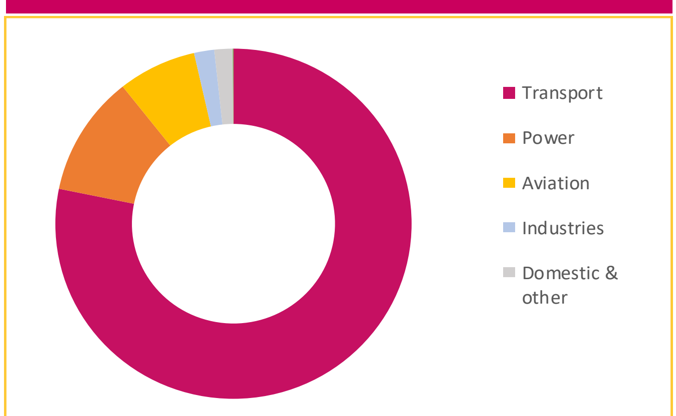
4,580
(Rs. Mn.)
Capital Investments

37,650
(Rs. Mn.)
Finance Income

Revenue



Revenue Mix



Operational Highlights

	Metric	2022	2021
Sales	M.Ltrs.	4,050	5,130
Stock at the year end	M. Ltrs.	269.549	278.113
Total filling stations (operating in 2022)	No.	1,140	1,343
New filling Stations	No.	25	21
Total workforce	No.	2,360	2,377
Staff cost	Rs. Mn.	6,595	6,891
Training cost	Rs. Mn.	4.75	4.08
Cumulative service experience	years	37,600	38,270
Operating Time Efficiency - Crude Distiller	%	38.17	85.54
Expected loss	MT	3,034	7,519
Specific energy consumption	MMK Cal/Crude T	.5669	.5106
Water consumption	MT	559,874	566,838
Health & Safety at Refinery			
Lost time accidents	No.	-	-
First aid accidents	No.	-	2
Minor fire reported	No.	-	-
Lost days	No.	-	-

Refinery operations	Crude Intake in MT	Days for year	MT per calendar day
2022	529,779	140	3,790
2021	1,269,938	314	4,452
2020	1,685,441	362	4,605
2019	1,864,817	357	5,109
2018	1,675,245	327	5,141
2017	1,646,041	351	4,510

4,050
(Mn. Ltrs.)
Sales

1,140
Filling Stations

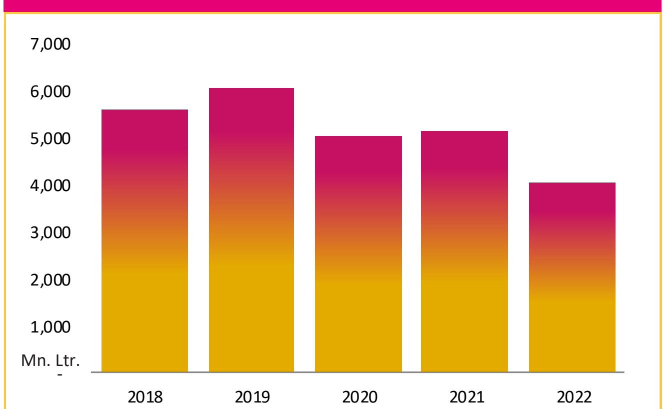
529,779
(MT)
Crude Intake

6,595
(Rs. Mn.)
Staff Cost

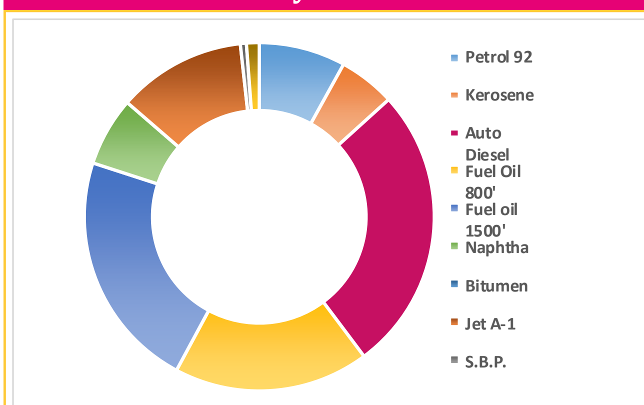
2,232
Employees

1861 371
Permanent Employees

Sales



Refinery Production



Chairman's Message

I am delighted to present the Annual Report for the year 2022 of Ceylon Petroleum Corporation.

We are pleased to report that our dedicated team worked diligently to ensure the fuel supply to the nation, despite the numerous challenges faced throughout the year, including scarcity of dollar and supplier constraints. The difficulties faced were immense, but we refused to be defeated and successfully managed the supply issues by gradually implementing innovative systems and strategies for the importation and distribution of fuel.

Global environment

In 2022, the global economy faced a diverse challenges, including a slow-down in economic activity and peak in inflation, which was largely driven by the ongoing Russia-Ukraine war and its geopolitical tensions. According to the IMF, global output decreased from 6.2 percent to 3.4 percent. Inflation reached its peak in 2022, driven by high energy and supply costs resulting from geopolitical unrest and increased financial expenses. However, GDP growth remained modest. The world's fuel demand reached an average of 99.5 million barrels per day in 2022, with fuel prices surging due to the political unrest caused by the war between Russia and Ukraine.

Commodity prices, particularly oil prices, increased by 38.62% compared to 2021. The average price of WTI crude oil rose significantly from $67.99 per barrel in 2021 to $94.25 per barrel in 2022. Similarly, the average price of Murban crude oil, utilized by the CPC, grew by 41.28% from $69.91 per barrel in 2021 to $98.77 per barrel in 2022. The IMF estimates that global growth will decline to 2.9 percent in 2023. In parallel, oil prices are expected to decrease by 16.2% in 2023 and 7.1% in 2024.

Local Environment

As noted by CBSL, the contraction of all three sectors has resulted in the most severe economic crisis in history, with a recorded GDP contraction of 7.8 percent in 2022. This crisis initially caused disruptions in the supply chain, leading to shortages of consumer goods, energy sources, and inputs for various industries. These shortages were a result of a significant depletion of foreign exchange liquidity in the market, leading to substantial price increases. The contraction of the economy is reflected in the reduction of the GDP value to $77.1 billion and a decrease in per capita GDP to $3,474 in 2022, resulting in a decrease in the purchasing power of the population.

Inflation, as measured by the CCPI and NCPI, reached new highs in September 2022, with rates of 69.8 percent and 73.7 percent, respectively. The instability of the external sector, high inflation rate, and macroeconomic factors have led to a significant depreciation of the Sri Lankan rupee against US dollar.

Despite the numerous challenges faced by our business, the implementation of a new pricing mechanism by the government that aligns domestic prices with international prices and costs had a significant impact on our ongoing operations and has helped to normalize distribution activities to some extent. The transfer of CPC debt to the government's balance sheet has been a positive development for CPC, reducing our financial costs and providing optimism for our future operations.

Despite the difficulties faced in 2022, CPC remains a key contributor to the government's revenue, with duties and taxes amounting to Rs. 127 billion, which are much needed for sustaining government activities.

Navigate through the challenges

For the past six decades, CPC has proudly held the crown as the reigning champion of the petroleum industry in our beloved nation. Through thick and thin, we have tirelessly strived to meet the insatiable fuel demands of our society, even in the face of seemingly insurmountable obstacles. We have left no stone unturned, taking every conceivable action to restore the economy of our country by navigating the fuel supply through the challenges we faced. Having survived this difficult period, we are confident we can steer ahead any challenge in the years ahead.

Performance

In the exceptional year of 2022, the suppliers were not participated for the fuel tenders due to the massive long outstanding fuel bills resulted to non–availability of both refined and crude oil led to Refinery Shutdowns and public unrest due to fuel shortages making the worst economic crisis in the history. Further, country downgrading and shortages of foreign currency impacted for the high premium resulting to high fuel cost. Despite all these challenges, we are happy to note that diligent effort of our team successfully restored the business in to normal operation with contributing to the recovery of the national economy.

Despite a decrease in demand resulting from the fuel shortages, our revenue experienced a substantial increase of 94.41% on a year-on-year basis, thanks to price revisions that aligned with international market trends, introduced by the government. Almost all our sectors saw an increase in revenue, and we were able to regain our position in the agrochemical business following the government's relaxation of agrochemical imports.

We achieved a gross profit of Rs. 39.8 billion. However, the significant amount of finance costs and exchange variations ultimately led to a massive loss for CPC in the year 2022.

We are pleased to report that our remarkable strategic measures were taken to address the fuel shortages in the country, including the importation of crude and refined fuel on an ex-storage basis through modality agreements.

Furthermore, the successful implementation of the QR system and Tourist Fuel Card system has greatly benefited both CPC and the national economy.

CPC also made investments in a joint venture company the TPTL, diversifying our business lines. Additionally, we have taken over 24 tanks at the Trincomalee tank farm on a lease basis to enhance our fuel storage arrangements, and we are currently progressing with development activities in this regard.

Sustainable Operations

Our strategies are deeply rooted in sustainability, with a fervent dedication to ensuring the longevity of our business operations. We take a holistic approach, embracing every facet of our operations to ensure they are sustainable. At CPC, we actively promote environmentally friendly fuels, encouraging responsible consumption and the preservation of our precious environment. We continuously invest in improving our processes for agro chemical products and refinery operations, ensuring that our products meet the highest international quality standards. Our commitment to sustainability extends to our sourcing practices, which play a vital role in our overall mission. We are dedicated to making a positive socio-economic impact, benefiting both society and the economy. From top down, our entire operation is driven by our unwavering commitment to sustainability, ensuring that our stakeholders can trust in our sustainable contributions.

Awards and Accolades

The exceptional difficulties presented us with the chance to showcase the skills and competencies possessed by our team, enabling CPC to excel and achieve the esteemed accolade for the year 2022.

We are pleased to announce that CPC has been honored with the 'Certificate of Recognition in Best Management Practices' at the Best Management Practices Company Awards 2023, organized by The Institute of Chartered Professional Managers of Sri Lanka. This achievement serves as evidence that CPC has effectively utilized its expertise to emerge victorious and reclaim its position at the forefront.

Future Outlook

As always, our commitment remains steadfast in providing the country with energy security through the availability of high-quality petroleum products that meet industry standards. We are highly optimistic about the government's actions in addressing CPC's debt and implementing the pricing mechanisms, as they have resulted in significant interest cost savings. This, coupled with the alignment of domestic selling prices with international fuel prices, ensures the profitability and sustainability of CPC as a business venture. In 2022, we have made an investment of Rs. 4.6 billion towards the development of infrastructure in the petroleum industry. Our operations are conducted in a sustainable manner, thereby enhancing our distribution and ensuring the accessibility of petroleum products to our target consumers.

Despite the exceptional circumstances of 2022, we remain committed to investing in various short-term and long-term strategic projects that are essential for the availability of infrastructure in the country. These endeavors aim to create value for our stakeholders and guarantee the country's energy security in the future.

Acknowledgement

During the most challenging period in mid of 2022, Hon. Minister of Power & Energy provided guidance and instructions by conducting reviews on daily basis to ensure the fuel availability in the country. Additionally, the Hon. Minister and Hon. State Ministers personally engaged to coordinate with the General Treasury and Central Bank of Sri Lanka to secure foreign currency for fuel imports and obtain necessary approvals from the Cabinet of Ministers. We believe that CPC would not be able to restore its operation in to normalcy without the continuous guidance, policy decisions and fruitful contribution from the Hon. Minister and Hon. State Ministers.

Hence, I would like to extend my heartfelt thanks to the Honorable Minister, Honorable State Ministers, and Secretary & officials of the Ministry of Power & Energy for their invaluable advice, guidance, and support and their dedication has been instrumental in our progress.

I also would like to express my sincere gratitude to my esteemed and experienced colleagues on the Board for their exceptional leadership. The efforts of the Corporate team, under the guidance of the Managing Director, deserve special recognition for their unwavering commitment to achieving the goals of our organization despite the challenges posed by economic recession.

Overall, we remain optimistic and firmly believe that our team has the ability to overcome the current situation and transform our organization into a profitable and sustainable strategic enterprise.

M. Uvais Mohamed
Chairman
26.07.2023

Managing Director's Review

Operating Environment

I am pleased to present the Annual Report 2022 of the Ceylon Petroleum Corporation together with the audited financial statements for the year ending 31 December 2022.

Despite facing various challenges, including balance of payment issues, exchange rate depreciation, and supplier constraints, as a result of the unprecedented economic recession experienced by the national economy in 2022, CPC diligently endeavored to ensure the provision of fuel to the nation while remaining aligned with the national interest. Ultimately, we were able to restore the fuel supply to the nation.

The global economy is currently facing instability due to geopolitical tensions and high inflation rates, resulting in a slowdown of economic activities. Many countries have responded by increasing exchange rates and price levels to align with these global economic trends. According to the IMF's forecast, commodity prices, particularly oil, have skyrocketed by a staggering 39.8% compared to last year and 65.8% compared to 2020. However, there is a glimmer of hope on the horizon as they predict a 16.2% decline in oil prices by 2023. The world's insatiable demand for fuel has surged by 2.54%, reaching a staggering 99.5 million barrels per day in 2022.

In 2022, the average price of WTI crude oil surged from $67.99 per barrel to $94.25 per barrel. Similarly, the average price of crude oil (Murban) used by the CPC increased by 41.28% to $98.77 per barrel.

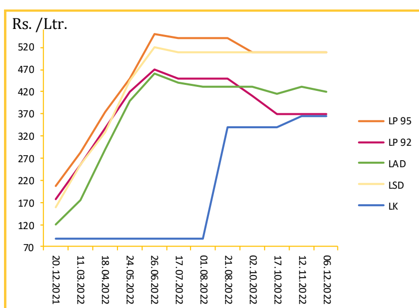
In the midst of this economic turmoil, the Sri Lankan economy has hit rock bottom, plunging into the depths of the worst economic crisis in its history. Inflation has also reached unprecedented heights in 2022, mirroring the surge in interest rates.

The depreciation of the Sri Lankan rupee has been significant due to the relaxation of the exchange rate and balance of payments difficulties. By the end of 2022, the Sri Lankan rupee had depreciated by 81.16% against the US dollar and this depreciation has had a devastating impact on the CPC, as we hold billions of dollars in loans and bills, resulting in a whopping exchange variation of Rs. 527 billion.

Domestic Pricing Mechanism

The government introduced a pricing mechanism at the end of May to adjust the domestic selling prices of petroleum products in accordance with international fuel prices and other cost factors. The selling prices of petrol, diesel, and kerosene were revised multiple times throughout the year, leading to the generation of profits starting from July.

Price revisions



Our Operations

The decrease in sales quantities attributed to a decline in demand caused by the economic downturn and fuel supply constraints resulting from supplier limitations and foreign currency shortages. However, there has been a significant increase in revenue, amounting to a 94% growth compared to the previous year. This attributed to the adjustment of petroleum sales prices in accordance with the new price revision mechanism.

Despite facing challenges in crude oil supply that hindered refinery production, our unwavering efforts allowed us to deliver a staggering 482,875 metric tons of petroleum products. Our innovative supply strategies, particularly the implementation of ex-storage basis, played a significant role in achieving this production.

The transport sector saw a remarkable increase in revenue, reaching Rs. 902.77 billion, a staggering 98% growth compared to the previous year. This substantial revenue boost was supported by higher selling prices throughout the year, even though sales volume experienced a 17% decline.

"a new strategy called the ex-storage modality method was introduced, which proved to be effective in ensuring the availability of crude oil and refined petroleum products while balancing dollar outflows"

Although there was a decrease in sales to the power sector by 6% due to lower demand and fuel shortages in certain months, the increase in fuel prices multiple times during the year resulted in a remarkable 171% revenue growth in 2022. As aviation activities returned to normalcy, we made a triumphant return to the aviation fuel business, leading to a 167% year-on-year revenue increase to Rs. 82 billion in 2022. It's worth noting that we also regained the agrochemical business as the government eased restrictions on agrochemical imports.

Strategic focus

The CPC faced challenges in importing petroleum products due to changes in the global oil market and the significant depreciation of the Sri Lankan Rupee. This made more difficult for the CPC to settle outstanding payments to suppliers due to a lack of available funds. To address this issue, the CPC implemented strategies such as the Non-Resident Rupee Account or escrow account for payment, but these methods were not attractive to suppliers. As a result, a new strategy called the ex-storage modality method was introduced, which proved to be effective in ensuring the availability of crude oil and refined petroleum products while balancing dollar outflows.

In order to effectively manage fuel distribution, the CPC collaborated with the Ministry of Power and Energy and other institutions to implement the National Fuel Pass (QR system). Additionally, the Tourist Fuel Pass (TFP) was introduced to support the tourism industry and collect foreign currency. Furthermore, the CPC started selling diesel and furnace oil on USD terms to exporters, allowing them to conduct their operations without restrictions and generating US dollars for fuel imports.

Investments

CPC has made a significant investment in the joint venture company of TPTL, in collaboration with Lanka IOC. TPTL currently operates 61 leased tanks at the Trincomalee tank farm for their operations.

As the leading player in the petroleum industry, CPC has allocated Rs. 4,580 million towards enhancing the efficiency and effectiveness of our operations. We have acquired 24 tanks on lease term from the Trincomalee tank farm and are investing in their development to improve our storage facilities.

Additionally, CPC is actively pursuing refinery projects that align with internationally recognized standards to ensure smooth operations. Our strategies are also focused on promoting sustainability in our operations. Upholding integrity, reputation, and regulatory compliance remains of utmost importance to CPC. We are committed to maintaining proper industrial relations and adhering to health and safety standards while contributing to the nation's development goals.

Looking Ahead

It is noteworthy to indicate that the government took over the CPC foreign currency debt stock to the government and we are very optimistic that the future finance cost will be saved. Furthermore, the continuation of the pricing mechanism together with the reduced debt stock will generate future profits to CPC.

Appreciation

I would like to express my sincere appreciation to the Chairman, Board of Directors, for their unwavering dedication to the operations of CPC. Despite the immense pressure from the highly volatile internal and external environment, particularly the global and local economic downturn and political uncertainties in the middle of the year, their contributions have been invaluable. I would also like to extend my gratitude to my Corporate and Senior Management team for their hard work in resolving disputes and maximizing the potential of our exceptional workforce, thereby strengthening inter-organizational relationships and achieving our desired outcomes.

Additionally, I would like express my sincere appreciation to the Hon. Minister of Power & Energy, Hon. State Minister, Secretary & Officials of Ministry of Power & Energy for their invaluable guidance and mentorship throughout our journey. We would also like to extend our gratitude to Ministry of Finance, Central Bank, Bankers, Auditors, our Customers & Suppliers and all our other stakeholders for their unwavering support.

Admiral Ravindra C Wijegunaratne (Retd.)

Managing Director

26.07.2023

Board of Directors

Mr. M. Uvais Mohamed
Chairman

Mr. Mohamed appointed as the Chairman of the CPC on 06.06.2022.

Mr. Mohamed has accumulated around two decades of experience in leadership positions during his career. Currently, he functions as the Chairman of Ceylon Petroleum Storage Terminals Limited, the subsidiary of the Corporation. He also the Director, Strategic Business Development at Brantel Lanka (Pvt) Limited.

Mr. Mohamed holds a Master of Business Administration from the University of Wales, UK, BA (Hons) in Business Accounting at the University of London Metropolitan, UK, BA in Business Administration at the International University of America, MBCS, Final Level of the Chartered Institute of Management Accountant (CIMA), ACB at Toastmaster International.

During his eminent career, he has functioned as the Chairman & Managing Director of Ceylon Petroleum Storage Terminals Limited during 2019 to 2021. Mr. Mohamed was the Head of ERP & BI Unit of the Aberdeen Holdings (Pvt) Ltd. during 2015-2016, Manager ERP & Finance at Expolanka Holding PLC during 2006 to 2015. He was the General Manager at London Collage of Business in United Kingdom during 2003 to 2006. He further functioned the Director at National Apprentice and Industrial Training Authority (NAITA), Founder Advisory Member in Sri Lanka Youth Parliament.

Mr. Mohamed is a visionary, results -driven, high-level professional caliber with years of verifiable success in the areas of business development, financial performance, strategic planning , marketing , and multi-unit operations management. Proven leader with a solid reputation and extensive experience in a wide range of industries. He possess strong ability to utilize a wide range of transferable skills and knowledge to consistently exceed expectations and dedicated for driving and improving operational excellence and successfully guide organizations through continuous development.

Admiral (Rtd.) Ravindra Wijegunaratne
WV, RWP & Bar , RSP, VSV , USP , NI(M) , ndc , psn
Managing Director

Admiral Wijegunaratne (Rtd.) appointed as the Managing Director of the CPC on 15.02.2023.

Presently he serving as the chairman of of Trinco Petroleum Terminal (Pvt) Ltd.

He holds a Bachelor of Science (Hon) (War Studies), Karachi University and MPhil (Defense and Strategic Studies), Madras University. He also specialized in Anti-Submarine Warfare. He has studied at Royal Collage, Colombo. He has attended Sea Power Symposiums in Rhode Island, USA.

Has won number of awards of Wirodhara Vibushanaya (WV) – Highest Gallantry Medal For non-military nature, Rana Wickrama Medal (RWP) for two times, Rana Soora Medal (RSP), Uttama Seva Medal, Vishista Seva Medal and Nishan-e-Imtiyaz Medal From Pakistan during his carrer.

He joined Sri Lanka Navy in 1980 and rose to the Rank Of Admiral /Chief Of Defense Staff (Tri-Forces Commander). 40 Years active service in Sri Lanka Armed Forces. He was also First Secretary/Defense Adviser of Sri Lanka High Commission, New Delhi from 2001 – 2005.

Admiral Wijegunaratne (Rtd.) is currently at the helm of the CPC, a significant state-owned entity operating under the Ministry of Power & Energy. The corporation's primary objective is to ensure a consistent supply of fuel to the nation. Additionally, it is entrusted with the responsibility of maintaining and enhancing the infrastructure necessary for the growth of the petroleum industry in Sri Lanka. With his extensive experience of over four decades in managing large human resources within the Navy, Admiral Wijegunaratne has proven to be a highly effective leader. Under his guidance, the organization transforms into a profitable enterprise, while ensuring the provision of high-quality petroleum products to the general public.

Mrs. R.M.D.K Rathnayake
Director

Ms. Rathnayake was appointed as the Director/Treasury Representative of CPC on 13.01.2020.

Currently she serves as Actg. Additional Director General of Department of Treasury Operations. Also serving as the Treasury representative of Gal Oya Plantation Ltd.

Ms. Rathnayake holds a Bachelor of Science (Business Administration) from University of Sri Jayewardenepura. She also holds Master of Arts (Economic Development) from University of Colombo and a Master of Arts (Public Policy) from Australian National University and Diploma in Economic Development at the University of Colombo. She is a Finalist of the Institute of Chartered Accountants of Sri Lanka.

During her eminent career she has held a number of key state positions namely Director (Cash Flow Management Division), Department of Treasury Operations, Director (Public Debt management Division), Deputy Director of Department of Public Enterprises, Assistant Director of Department of Public Finance. She has served as Acting General Manager/ Chief Executive Officer of National Savings Bank from February 2020 to October 2020, Acting General Manager/Chief Executive Officer – Regional Development Bank from November 2020 to January 2022.

She has served governing Boards representing Secretary to the Treasury of Peoples Bank, State Pharmaceuticals Corporation, Ceylon Petroleum Storage Terminals Limited, State Engineering Corporation, Sri Lanka Carbon Fund, Agriculture and Agrarian Insurance Board, Wayamba Development Bank, Ceylon Fertilizer Company Limited, Sri Lanka Technical Training Collage.

Further, Ms. Rathnayake served as a member of Various Technical Evaluation Committees including Cabinet Appointed Technical Evaluation Committees for the Procurement of Oil products and Fertilizer.

Mr. Manoj Gamage
Director

Mr. Manoj appointed as the Director of the CPC on 12.12.2022.

He is currently serving as Director -Legal to His Excellency President, Director of National Medicine Regulatory Authority (NMRA) and Director of Ceylon Petroleum Storage Terminals Ltd.

Mr. Manoj is An Attorney at Law in Supreme Court of Sri Lanka who was a senior council member of the BAR. He studied at the Prince of Wales College. Followed a course in Higher Diploma in Computer Software Engineering at the London Tec international (Passed with a higher distinction).

He is the former President of the Moratuwa Lawyers Association. He was the Council Member – Bar Association of Sri Lanka 2008-2019, President – Lawyers Association, Moratuwa 2018-2020 and Secretary – Lawyers Association, Moratuwa 2008-2018. A well experienced Journalist who was working in both Sri Lanka National Rupavahini Coperation and TV Derana for many years. As the President of the Lawyers For Justice Associations engages in major civil activities taking part as a professional and social activist. He has 20 years of experience in both Civil and Criminal Law.

During his career, he has served as Director -Legal to Former President, Coordinating Secretary to Former Prime Minister, Member of Private Health Regulatory Council (PHRC), Director of National Livestock Development Board (NLDB), Director of Industrial Technology Institute (ITI).

Mr. Gihan Rashantha
Director

Mr. Gihan appointed as the Director of the CPC on 23.03.2023.

He also is serving as the Managing Director/CEO of Giyan Global Corp Pvt. Ltd a Ceylon Fine Gems exporting company and Non-executive Director of Trinco Petroleum Terminal (Pvt) Ltd. since March 2023.

Mr. Gihan has graduated Bachelor of Science Business Administration with Management Emphasis (AACSB Accredited), Minnesota state university in the United States of America. Shortly after graduating he followed in his father's footsteps, taking up a career in international gem trade. Being responsible for the American clientele of the business, he quickly gained experience in the logistical and technical aspects of international trade, as well as the skills required in negotiating lucrative business deals. Following his stint in the U.S, he was transferred to Australia to further expand operations prior to returning to Sri Lanka to take the helm. Since then, he has diversified his interests and is currently the founder and the Managing Director of a multi-faceted company.

He was also an Advisor/Coordinating secretary to the State Minister of Aviation and Export Zones Development. Under the guidance of the Hon. State minister he oversaw and liaise between Board of Investment of Sri Lanka, Sri Lankan Airlines, Airport and Aviation Services (Sri Lanka) (Private) Limited, Civil Aviation Authority - Sri Lanka; which were the gazette institutions under the Hon. state minister and the state ministry. He also served as the Director of Airport and Aviation Services (Sri Lanka) (Private) Limited.

Mr. Nilanka Jayawardena
Director

Mr. Nilanka appointed as the Director of CPC on 23.03.2023.

He currently serving as Chairman of Ceylon Fishery Harbours Corporation (2021 – Todate), Managing Director of Merx Capital Holdings (PVT) Ltd., Director Human Resource and Administration – Unilanka Group of Companies Pvt Ltd.

Mr. Nilanka holds Bachelor of Commerce Specialization in Human Resource, Economics & International Trade at Deakin University (Australia) and Master of Business Administration (International) at Edith Cowan University (Australia). Further, he has gained) Diploma in Business (Specialization in Marketing Management) at Melbourne Institute of Business (Deakin College).

During his eminent career he served as the Board Director of Ceylon Fisheries Corporation, Business Consultant– Eunmin S&D Lanka Pvt Ltd (Subsidiary of Eunmin S&D Korea).

In his top level capacities, he is implementing the strategy for marketing, sales and all commercial functions for the diversified organization which deals mainly in Construction materials, turnkey Projects and commercial supplies, heading the marketing and sales team for the company and taking the organization to new feats given the dynamic business environment, monitoring the progress and maintaining the KPI's set for the organization.

Mr. Sudeepa Rathnaweera
Director

Mr. Rukmal appointed as the Director of CPC on 23.03.2023.

Presently Mr. Rukmal is serving as the Director of Tuli Global Pvt. Ltd. since 2019 to present.

He holds a Bachelor of Science Management Information Systems at North Dakota State University, Fargo, ND, United State of America and also obtained a Masters in Software Engineering at the same university.

During his eminent career he has served as the ECM/ Project Manager at Sanford Health. Also he was the IT Consultant of NDSU Information Technology Services. He is a Hyland Software Solution's certified IT/ Business Consultant; OCSA and OCWA and manages large-scale projects. Innovative-designers of stand up organizations known; for squeezing budgets while, increasing productivity. Recognized for creative leveraging of cross-cultural teams and lines of business creating cohesive units; builds synergy among disparate and competing interests. Accomplished and recognized technical and leadership expert; Award winning collaboration with federal agencies and private sector in health care of United State of America.

Corporate Management

Mr. L G M R Perera
Actg. Refinery Manager

Mr. Perera holds a bachelor degree in Electronics & Telecommunication Engineering from University of Moratuwa.

He started his career at CPC Refinery as an Instrument Engineer in 1992.He has more than 29 years of experienced in the field of process control instrumentations and held various positions in the Instrument Department. In his last position as Deputy Refinery Manager (Electrical & Instruments), he is heading Electrical, Instrument & Materials Departments of the Refinery. Presently, he is overseeing as Actg. Refinery Manager with taking responsibility for overall refinery management.

Mr. M K Garusinghe
Deputy General Manager
(Commercial & Supply Chain)

Mr. Garusinghe obtained a bachelors in Science from the University of Colombo and a masters in Maritime Affairs from the World Maritime University, Malmo, Sweden. He also holds an MBA from the University of Sri Jayewardenepura, Sri Lanka. He is a Member of the Institute of Chartered Shipbrokers (MICS) U.K), and a Corporate Member of the Institute of Supply & Material Management (MISMM), Sri Lanka.

He is at present, the Deputy General Manager, Commercial and Supply Chain and he oversees the procurement of petroleum products as well as other procurement s.

Mr. W M K R B Wickremasinghe
Deputy General Manager
(Marketing)

Mr. Wickremasinghe holds a bachelors in science from the University of Peradeniya as well as an MBA from the UOC. He is also a member of the Institute of Chemistry, Ceylon and a Certified Member of the Sri Lanka Institute of Marketing. In addition, he has obtained professional training through reputed local & international institutes.

He worked from 1999-2008 as Senior Product Manager of Chemical Industries (Colombo) Limited. He also has deep practical experience in Balanced Score Card implementation, monitoring, research and development aspects of emulsion plants.

In his current position as DGM-Marketing at the CPC, he is tasked with controlling and coordinating the Marketing Operations of CPC including domestic fuel markets, Agro Chemical, Bitumen, Lubricants and Special Products and subunits of CCU & SSE workshop.

Mr. V N Weerasooriya
Deputy General Manager
(Finance)

Mr. Weerasooriya obtained a bachelors in Business Administration from the USJP and an MBA from the Postgraduate Institute of Management of the same university. He is a fellow of the Institute of Chartered Accountants of Sri Lanka, an associate member of CPA (ASA) and a fellow of the CMA (FCMA).

He commenced his career at B.R. De Silva & Co, in 1994 as an Audit Clerk and Tax Supervisor. Subsequently, he joined as an accountant for Microcells Limited, Finance Manager for the Institute of Bankers of Sri Lanka, Management Accountant for Tuwade Brothers, Group Finance and Administration Manager for Vcom International, Group Finance Manager for Nkar Travels and Tours Limited, Finance and Administrative Manager for Fez Freez Private Limited in Melbourne, Australia. Finance Manager for Hunter & Company PLC before joining CPC as Deputy General Manager of Finance in 2017.

He oversees all accounting and finance related activities, compliance, drafting policies in line with government regulations and reporting norms and guiding to obtain various types of approvals for the activities of CPC.

Mr. M A D Mallikarachchi
Deputy General Manager (Technical Services & Corporate Affairs)

Mr. Mallikarachchi brings over 26 years of experience, with 23 years in the oil and gas industry. He holds a Bachelors in Engineering (Production) from UOP and is a Corporate Member of the Institution of Engineers, Sri Lanka, as well as a member of the Project Management Institute of USA. His expertise encompasses diverse areas including Project Quality Assurance, Inspection, Project and Contract Management, Operations, Engineering, and Technical Support for Aviation & Marine fuel operations including infrastructure development and HSE awareness. He has also completed post-graduate training in management and leadership from esteemed local and international institutions.

He joined CPC in 1999 as a Mechanical Engineer and subsequently he held various positions at the CPC including Project Engineer, Deputy Manager Aviation Operations, Project Manager and Manager Aviation Operations. At present he is serving as the Deputy General Manager of Technical Services & Corporate Affairs while serving as a Director of Trinco Petroleum Terminals (Pvt) Ltd.

Mr. D M P Dissanayake
Deputy Refinery Manager (Maintenance & Projects)

Mr. Dissanayake has a bachelor in Mechanical Engineering, is a chartered engineer and a member of the Institute of Engineers of Sri Lanka. He also holds a bachelors in Laws and is an Attorney-at-Law.

He joined the CPC in 1988 as a mechanical engineer at the CPC Refinery. During his three decade long career at the CPC Refinery, he held the positions of Deputy Engineering Manager, Engineering Manager (Mechanical), Senior Engineering Manager (Maintenance and Projects), and from 2016 onwards, as the Deputy Refinery Manager (Maintenance and Projects).

Mr. K W S Pushpalal
Deputy General Manager (HR & A)

Mr. Pushpalal has a bachelor of Art Degree (political Science Special) at the University of Colombo. He is a Certified Professional Member of AHRI, Australia and a member of the Institute of Certified Professional Manager in Sri Lanka. Mr. Pushpalal has completed number of locally and internationally recognized training programs.

Mr. Pushpalal has joined CPC as a Management Trainee in the year 1997 counting 21 years of service. During his career, he held the various positions at the CPC including Deputy Personnel Manager, Administration Manager, Human Resource Manager and currently he hold the position of Deputy General Manager (HR & A) overseeing human resources and admin duties.

Mr. C R K Gamage
Deputy Refinery Manager (Technical Services)

Mr. Gamage holds a bachelor degree in Engineering from University of Moratuwa and he is a Chartered Engineer and a corporate member of the Institution of Engineers of Sri Lanka. He has further obtained certifications of UT, PT, DT, MT, RT, IR Level –II, Certified Vibration Analyst Level-I - Mobius Institute, U.S.A. and the Society for Non Destructive Testing.

He started his career at CPC Refinery as Mechanical Engineer in year 1993. He poses more than 27 years of experience in the field of engineering in Projects, Maintenance, inspection & technical services at the Refinery.

He held the positions of Deputy Engineering Manager (Inspection) and Engineering Manager (inspection) before he appointed as Actg. Deputy Refinery Manager (Technical services) in October 2018. Presently he is heading the Technical Services Department consisting of Inspection, Laboratory, and Technical Service Department.

Mr. K G H Kodagoda
Deputy Refinery Manager
(Manufacturing and Operations)

Mr. Kodagoda holds a bachelor degree with first class honors in Chemical and Process Engineering from University of Moratuwa (UOM) and has obtained two Masters in Petroleum Technology and Business Administration from Chulalongkorn University, Thailand and UOM Sri Lanka. He is a Chartered Engineer and a Corporate Member of the IESL and a Corporate Member of Sri Lanka Energy Managers Association. He has done international publications and presentation on his research activities and has served as the president of the Chemical and Process Engineering Section of IESL and has represented the Council for two years.

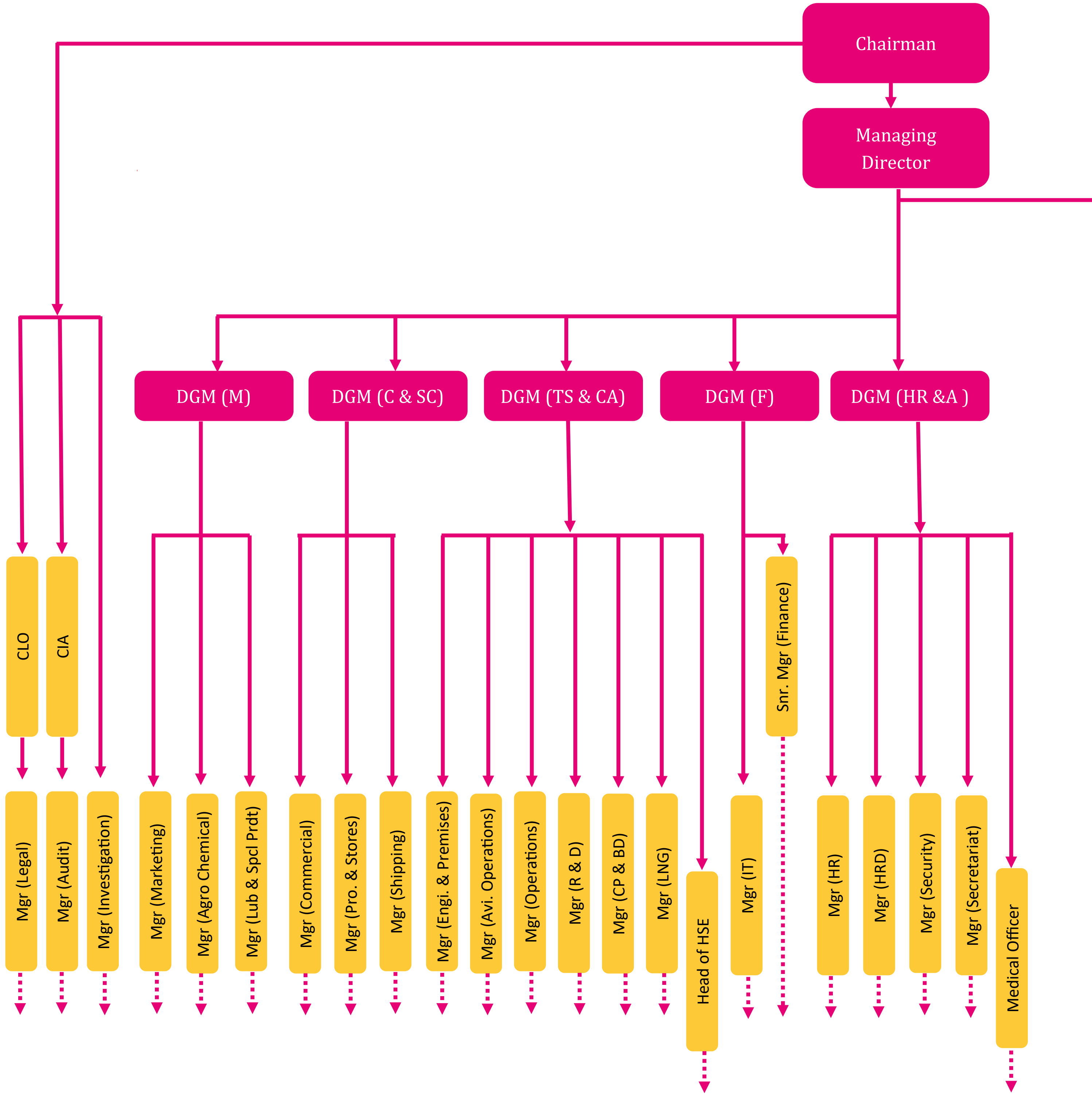
Mr. Kodagoda has started his engineering career in 2002 at Piramal Glass PLC and started the career in petroleum industry as an experienced Chemical Engineer at CPC in 2006. He poses more than 20 years of industrial experience including the fields of Process Technical Services and Manufacturing and Operations in the petroleum refinery. He held the positions of Chemical Engineer, Head of Utilities Operations, Manager (Refinery Operations) before he appointed as the Deputy Refinery Manager (M & O) in February 2021.

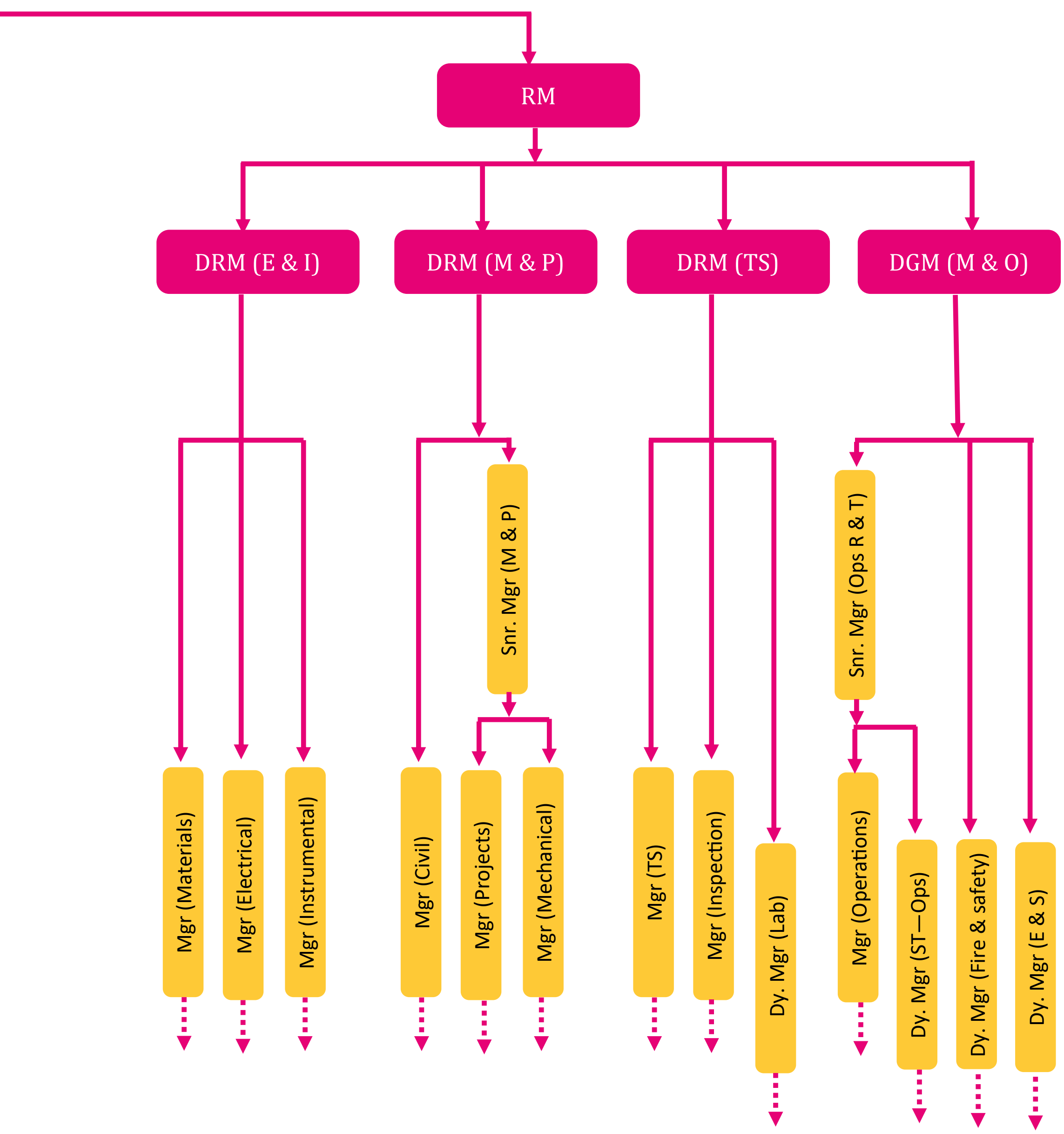
Presently, Mr. Kodagoda is heading the Manufacturing and Operations function of the Refinery consisting of Operations Department, Fire and Safety Department, Economics and Scheduling Department and Sapugaskanda Distribution Terminal.

Senior Management Team

Ms. R A K C Ariyaratne - Chief Legal Officer, Ms. M C D Perera - Senior Manager (Finance), Mr. G P Upananda - Manager (Human Resources), Maj. M R S P Samarasinghe - Manager (Security & Investigation), Mr. S M C P Samarakoon - Manager (Marketing), Mr. G P K Wijekoon - Manager (Engineering & Premises), Mr. R A T I Ranasinghe - Manager (Audit), Mr. K K A Jayawickrama - Manager (Commercial), Mr. A G D Bandara Manager (Shipping), Mr. B S S Perera - Manager (Agro Chemicals), Mr. A I Wansekara - Manager (Aviation Operations), Mr. N B M P Jeewasiri - Manager (Operations – Stocks & Terminal Operations), Ms. W A A C Weerasinghe - Manager (Human Resource Development), Mr. M G A J Somadasa - Manager (Corporate Planning & Business Development), Mr. G M U W Doloswala - Manager (Lubricant & Special Products), Mr. W K S Gunawardhane - Manager (Research & Development), Mrs. M S R Fernando - Manager (Information Technology), Ms. Y S Dissanayake - Manager (Legal), Ms. H G Kumudini - Manager (Procurement & Stores) (Actg), Mr. A B Koralegedara - Ast. Manager (Secretariat) (Actg.), Mr. A H Kanchana – Head of HSE, Mr. P F W Dayanath - Manager (Engineering - Civil), Mr. R A S Rajapakshe - Manager (Materials), R A B Thilanga - Manager (Engineering - Mechanical), Mr. K V J Chandrawanka - Manager (Engineering -Electrical), Mr. W S Rabel - Manager (Engineering - Instrument), Mr. W A N R Wickramasinghe - Manager (Technical Services), Ms. A S Premakanthi - Manager (Economic & Scheduling), Mr. A M W W S K Wataketiya - Deputy Manager (Technical Services - Laboratary), Mr. R M M W Bandara - Deputy Manager (Fire & safety), Mr. W A D C R Wijesinghe - Actg. Manager (Refinery Operations), Mr. R M L Ranathunga – Actg. Manager (Engineering – Projects), Mr. M. Rajapaksha – Actg. Manager (Engineering – Inspection), Mr. A M C W Abeykoon – Asst. Manager (ST - Operations), Ms. I K W Pathinayake – Medical Officer.

Organizational chart





RM - Refinery Manager
DGM - Deputy General Manager
DRM - Deputy Refinery Manager
Snr. Mgr. - Senior Manager
CIA - Chief Internal Auditor
CLO - Chief Legal Officer
Mgr - Manager
Dy. Mgr. - Deputy Manager
M - Marketing
TS & CA - Technical Services & Corporate Affairs
C & SC - Commercial & Supply Chain
F - Finance
HR & A - Human Resources & Administration
E & I - Electrical & Instrument
M & P - Maintenance & Projects
M & O - Manufacturing & Operations
Lub & Spcl Prdt - Lubricant & Special Product
Pro. & Stores - Procurement & Stores
Engi. - Engineering
Avi. - Aviation
R & D - Research & Development
CP & BD - Corporate Planning & Business Development
LNG - Liquefied Natural Gas
IT - Information Technology
HSE - Health Safety Environment
HR - Human Resources
HRD - Human Resources Development
TS - Technical Services
Lab. - Laboratory
ST Ops. - Sapugaskanda Terminal Operations
E & S - Economic & Scheduling
Ops R & T - Operations Refinery Terminal

Operating Context

3.4
(per cent)
World Growth

99.5
(Mn. BL/D.)
World Oil Demand

-7.8
(per cent)
SL Growth

324.55
(Rs./US$)
Exchange Rate(avg)

Crude oil price

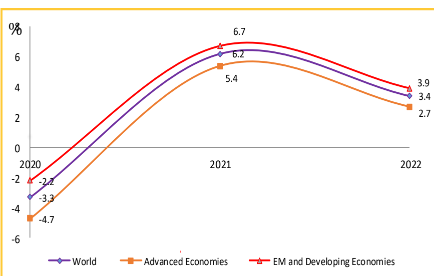
Outline - 2022

- Global GDP growth recorded to 3.4 per cent.
- Fuel prices reached highest in June 2022 over last few years.
- Sri Lankan economy contracted by 7.8 per cent.
- Exchange rate depreciated by 81.16%.
- Implementation of pricing mechanism for petroleum products .
- National Fuel Pass (QR system) to manage the fuel distribution.
- NCPI reached to new high of 73.7 per cent in September 2022.
- The government obtained the CPC US$ debt stock to government balance sheet.

Global Context

The globe faced diverse challenges in 2022 as global economic activity slowed, mostly owing to increased inflation, geopolitical implications due to the Russia-Ukraine war. In January 2023, the International Monetary Fund (IMF) released its World Economic Outlook (WEO), indicating that worldwide output had decreased from 6.2 percent to 3.4 percent from the previous year. The advanced economies grew at a 2.7 percent annual pace, down from a 5.4 percent annual rate in 2021. With a growth rate of 3.9 percent in 2022, emerging market and developing economies did better. World inflation was at peak level in 2022, but GDP growth was modest.

World GDP Growth

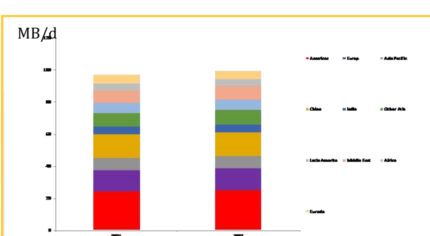


Source: WEO 2023 January - IMF

As forecasted by IMF, Commodity pieces (oil) increased by 39.8% compared to 2021, while it increased by 65.8% compared to 2020. Oil prices are expected to decline by 16.2% in 2023 and 7.1% in 2024.

According to OPEC, global oil consumption will average 99.5 mb/d in 2022, up from 97.1 mb/d in 2021, as demand recovers to pre-pandemic levels, resulting in a 2.54% YoY rise in demand.

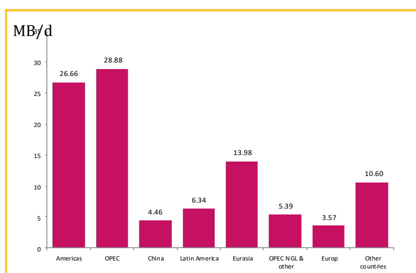
Global Fuel Demand



Source: OPEC monthly oil market report - January

The conflict between Russia and Ukraine heightened tensions in Europe, putting pressure on commodities prices and driving up across the globe oil prices. The restrictions implemented by the United States and Europe to buy crude oil from Russia put considerable amounts of pressure on the oil price since Russia delivers a significant amount of oil to the world supply. The implementation of a price ceiling for Russian crude oil by the G7 nations, as well as the announcement of a production cut by the Organization of the Petroleum Exporting nations (OPEC) and its allies in October 2022, caused oil prices to rise in the second half of 2022. However, the release of reserves by the United States partially mitigated these efforts to stabilize oil prices.

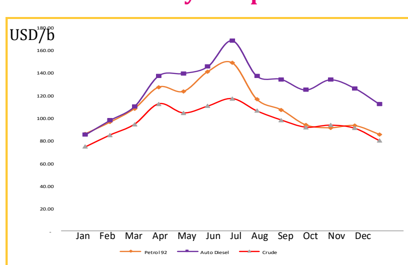
Global Fuel Supply



Source: OPEC monthly oil market report - January

As the global economy recovered, demand climbed, but supply-side tensions arose as a result of the Russia-Ukraine conflict, causing oil prices to rise. Nevertheless, fuel price escalations globally had an unprecedented impact on inflation, particularly affecting vulnerable populations in low-income and debt-burdened countries.

Monthly fuel prices



Global GDP growth recorded to 3.4%

International fuel prices increased by 38.62%

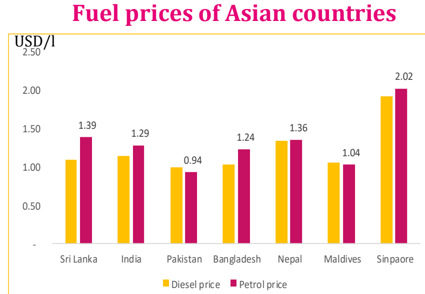
Average world demand in 2022 increased to 99.5 Mbbl/day.

Expected global growth 2023 is 2.9%

The average price of West Texas Intermediate (WTI) crude oil increased dramatically from 67.99 US dollars per barrel in 2021 to 94.25 US dollars per barrel in 2022. The average price of crude oil (Murban) utilized by CPC grew by 41.28% from 69.91 US dollars per barrel in 2021 to 98.77 US dollars per barrel in 2022.

According to the IMF, global growth would decline to 2.9 percent in 2023 before rising to 3.1% in 2024. However, this is still lower than the historical (2000-19) average of 3.8%. Furthermore, worldwide inflation is anticipated to decline from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, all of which are higher than the pre-pandemic average of 3.5 percent.

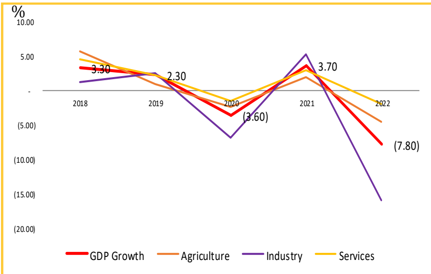
Fuel prices of Asian countries



Overall, financial challenges of 2022 have left an indelible mark on the global economy, emphasizing the importance of increased international collaboration and smart preparation to manage future crises.

Local Context

GDP growth



Source: CBSL Annual Report 2022

According to the CBSL, the Sri Lankan GDP has contracted by 7.8 percent year on year in 2022. The contraction of all three sectors, namely agriculture, industry, and services, contributed to the highest contraction, making this the worst economic crisis in history. According to the CBSL, the economic crisis initially caused supply disruptions in the form of severe shortages of consumer goods, energy sources such as fuel and electricity, and inputs for various industries, owing to a sharp depletion of market foreign exchange liquidity, which resulted in significant price increases. Agriculture, industry, and services all contracted by 4.6 percent, 16.0 percent, and 2.0 percent, respectively.

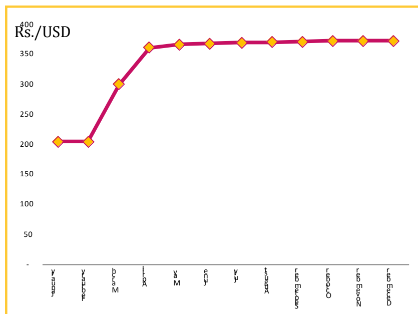
Year	GDP (Rs. tn.)	GDP (USD bn.)
2018	15.3	94.7
2019	15.9	89.0
2020	15.6	84.6
2021	17.6	88.5
2022	24.1	77.1

Source: CBSL Annual Report 2022

The severe economic crisis in 2022 caused the country's total size of the economy to contract to US dollars 77.1 billion, and per capita GDP to contract from US dollars 3,997 in 2021 to US dollars 3,474 in 2022, indicating decreased buying power of the population.

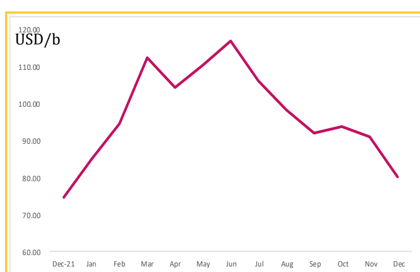
Due to pressures from major sources such as price increases in the food, energy, and transportation sectors, supply disruptions, quick modifications to administered prices, and the steep devaluation of the Sri Lanka rupee, headline inflation hit a historic high in September 2022. However, as a result of the execution of numerous initiatives by the government and CBSL, it began to decline in October and subsequently.

Monthly exchange rates



The Colombo Consumer Price Index (CCPI) has risen from 12.1 per cent in December 2021 to 57.2 percent in December 2022. The National Consumer Price Index (NCPI) grew to 59.2 percent by the end of 2022, up from 14.0 percent in December 2021. Both the CCPI and the NCPI reached new highs in September 2022, reaching 69.8 and 73.7 percent, respectively.

Monthly crude prices

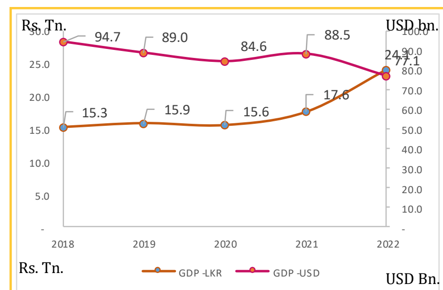


The external sector faced with severe challenges in 2022. Gross official reserves fell to US$1.9 billion at the end of 2022, down from US$3.1 billion in 2021. To handle balance of payment concerns and relieve the foreign currency crisis, the government imposed stringent limits on the entry of non-essential goods into the nation.

Although the negative balance of payments has decreased from USD 8,139 million in 2021 to USD 5,185 million in 2022, the inability to import necessary products has generated significant strain.

Despite market shortages of US dollars to import essential goods, the CBSL supplied US dollars to the market to fulfill foreign exchange requirements for importing basic commodities like as fuel, coal, gas, and so on. As a result, CPC also purchased a significant quantity of US dollars obtained from CBSL in order to organize fuel imports to supply the local market.

Value of the economy



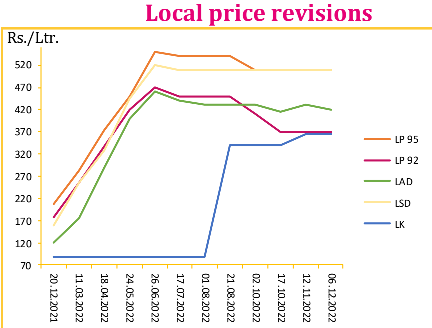
Source: CBSL Annual Report 2022

The exchange rate relaxation during the first quarter, exchange rate crisis, and BOP difficulties contribute to a significant depreciation of the currency. By the end of 2022, the Sri Lanka rupee has depreciated by 81.16% against the US dollar. During 2022, the yearly average exchange rate against the US dollar fell from Rs. 198.88 to Rs. 324.55. The year-end US dollar spot rate stood at Rs. 363.11, a increase from Rs. 200.43 in 2021 .

The sharp depreciation of the Sri Lankan rupee against US dollar put tremendous pressure on CPC, and it impacted all petroleum products by increasing fuel costs, forcing fuel prices to rise to cover the expenses. CPC recorded an exchange rate loss of Rs. 527 billion throughout the year due to massive foreign currency loans and invoices, as well as other US dollar transactions, while making every effort to limit the impact of the exchange rate differences.

As a policy decision, the government implemented a new pricing mechanism to determine local petroleum product prices in accordance with changes in international fuel prices and other key cost considerations. Prices were raised in May. International prices rose rapidly throughout the first half of the year, while local selling prices rose in line with international fuel prices from May onwards.

Local price revisions



Despite the CPC's attempts to hold the market, they eventually succumbed to the pressures of the economic recession, leading to several revisions in the retail price. This caused a shortage of petroleum products in the middle of the year, resulting in long queues at retail outlets, something that had never been witnessed in the Corporation's history.

Sharp depreciation of the Sri Lankan Rupee (LKR) against the US Dollar (USD), which further affected the retail price of petroleum products. This made it even more challenging for the CPC, as CPC was very difficult to make payments to suppliers due to a lack of foreign currency to import crude oil. As a result, the CPC Refinery had to be closed temporally, and suppliers began requesting advance payments, causing significant suffering for CPC. However, the adaptation of NRR/escrow and ex-storage basis helped to manage up to some extent.

As planned in the national budget 2023, the government has taken over the foreign currency debt stock to the government balance sheet, alleviating CPC's financial stress. A special tax of Rs. 25/- per liter of fuel has been imposed to repay such liabilities and reduce the large interest costs incurred by CPC to service the loans.

From December onwards, the government reintroduced the pricing method used in 2018, and it will be continued in 2023.

Way Forward

According to the IMF, while the global economy is forecast to grow by 2.9% in 2023 and 3.1% in 2024, these rates are still lower than pre-pandemic levels. Furthermore, high inflation and legal growth pose several issues to emerging countries with a large debt stock.

Estimated global growth rate		
Category	**2023**	**2024**
World	2.9	3.1
Advanced Economies	1.2	1.4
EM and Developing Economies	4.0	4.2

The Sri Lankan economy is anticipated to rebound from a 7% contraction to a 2% contraction in 2023, followed by a 3.3% expansion in 2024. As the government proceeds with the IMF facility, it is strongly anticipated that foreign reserves would be built up. Policy decisions are also being made to strengthen the national economy.

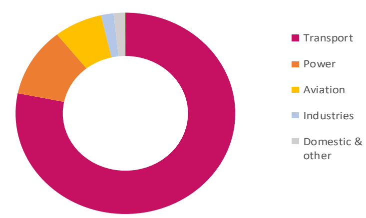
The government has transferred the CPC debt stock to the government balance sheet, CPC is considerably more relaxed about debt financing, resulting in enormous interest expense reductions. The continued use of the present pricing method will ensure CPC's profitability as well as long-term financial stability and sustainability.

Management Discussions & Analysis

1,154 (Rs. Bn.) **Revenue**

4,050 (Mn. ltr.) **Sales**

Revenue Mix



Outline - 2022

- Implementation of pricing mechanism for generic petroleum products .
- National Fuel Pass (QR system) to manage the fuel distribution.
- Introduction of Tourist Fuel Pass (TFP) to facilitate tourism.
- Launched the sales of Diesel and Furnace oil on USD terms.
- Investment in joint venture company of TPTL.
- Recapture the agrochemical business .

Looking for 2023

- Improvements for the storage and distribution activities.
- Renovation of the 24 tanks obtained on lease at the Trincomalee tank farm.
- Upgrade existing outlets.
- Introduction of lucrative agrochemical & lubricant products.
- Enter into new markets for the lubricant and agrochemicals.

In 2022, the year presented greater challenges as a result of various factors, including the rise in international fuel prices, the significant depreciation of the Rupee, economic recession, and political unrest of the country in the mid of the year. Particularly during the first half of the year, global geopolitical unrest greatly influenced the escalation of crude oil and refined fuel prices.

The Sri Lankan economy faced significant challenges in 2022, and the petroleum industry was no exceptions. The global market saw a rise in the prices of refined petroleum and crude oil, which directly impacted the prices of petroleum products in Sri Lanka. This posed a particular challenge for the CPC, as we had to import petroleum products at a higher cost due to price changes in the international oil market. Consequently, the increased cost of importing petroleum products resulted in higher retail prices for consumers in Sri Lanka.

Additionally, the sharp depreciation of the Sri Lankan Rupee exacerbated the situation, making it even more difficult for the CPC to settle outstanding payments to suppliers due to a lack of liquidity.

Considering the current CPC and country economic situation, suppliers have been demanding a high premium for cargo with upfront payment, resulting in delays and additional charges due to the inability to make timely payments. Despite the CPC's efforts to address this issue by exploring options such as using a Non-Resident Rupee Account or ESCROW account for payment, the lack of available funds has made these alternatives impractical.

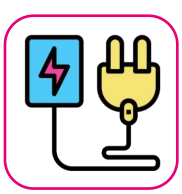
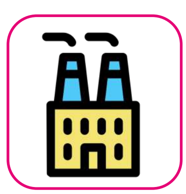
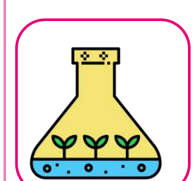
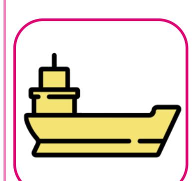
However, the CPC has successfully attracted suppliers by implementing new strategies, particularly the ex-storage modality payment option. This approach has proven to be effective in ensuring the availability of crude oil and refined petroleum products. As a result, the CPC has been able to effectively manage product security in the country, ensuring a steady supply of petroleum products at filling stations and airports, despite the challenging economic conditions.

Although the Refinery operated with minimal number of days due to the crude shortages, refinery provided the 14.43% of refined products of the total sales.


Refinery

The government's implementation of a new pricing mechanism had a significant impact on CPC's operations, resulting in improved liquidity conditions. Despite a decline in sales, revenue increased to Rs. 1,154.4 billion. It is worth noting that CPC achieved monthly operating and net profits following the implementation of the pricing mechanism.

As a result, the year concluded with a gross profit of Rs. 39.85 billion and a reduced operating loss of Rs. 6.15 billion. However, a substantial exchange variation of Rs. 527 billion and interest costs of Rs. 119.5 billion led to a net loss of Rs. 615.0 billion for the year 2022. Despite the sales decline due to supply constraints and economic recession, the increase in selling prices of petroleum products resulted in improved performance across all sectors.

Transport	Power	Aviation	Industries	Domestic	Agro	Bunkering
						
902,779.30 Rs. Mn.	**128,383.02** Rs. Mn.	**82,206.81** Rs. Mn.	**21,167.17** Rs. Mn.	**18,805.55** Rs. Mn.	**290.29** Rs. Mn.	**816.92** Rs. Mn.

Transport

The activities that fall under this sector include the distribution of petrol and diesel to our enormous island-wide dealer network of 1,140 fueling stations as well as distribution to direct customers except the fuel for generation of electricity. 2022 sales are much lower than those of the previous year due to supply interruptions caused by foreign currency shortages and constraints imposed by suppliers.

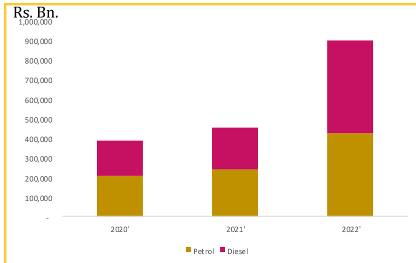
Outline - 2022
Implementation of pricing mechanism to revise the fuel prices monthly basis in-line with the international fuel prices.
With the contribution of Ministry of Power and Energy and other institutions, implemented National Fuel Pass (QR system) to manage the fuel distribution.
Implementation of Tourist Fuel Pass (TFP) .
Launched the sales of Diesel on USD terms to the exporters to facilitate the export operations without restrictions.
Revenue increased sharply to Rs. 903 bn.

However, the selling prices of petroleum products climbed in tandem with the rise in international fuel costs, as well as the influence of the exchange rate depreciation, which soared the year's sales revenue. This resulted in an increase in the total amount of revenue generated from sales.

Prices of petrol and diesel are sensitive due to the fact that even minute shifts in fuel costs have a direct impact on the public of the nation, causing shifts in their standard of living as well as their expenses associated with maintaining it. Because of this, a number of problems were brought about when fuel prices were raised.

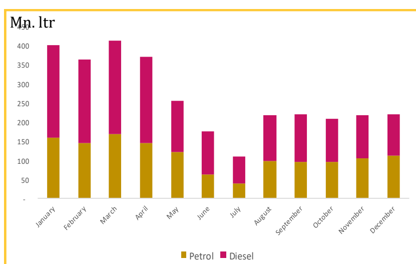
As a percentage of total revenue, this sector makes the largest contribution, with 902.77 billion rupees in 2022 (455.47 billion rupees in 2021), representing a 98% growth over the previous year. A considerable gain in revenue was supported by a rise in selling prices during the year, which occurred despite a fall in sales volume of 17% throughout the year.

Product-wise revenue



Reduced demand for diesel and petrol has led from supply restrictions and increased petroleum product prices. In comparison to 2021, demand for Petrol 92 fell by 12%, Petrol 95 fell by 46%, Auto Diesel fell by 19%, and Super Diesel fell by 13%. Despite supply challenges caused by a lack of foreign currency, the CPC took many steps to guarantee that fuel remained supplied across the country.

Product-wise sales



During the year, CPC added 25 new filling station to the existing fleet of outlets.

To regulate and manage the delivery of fuel to the general population, the Ministry of Power and Energy, Dialog , MIT, and other supporting organizations have established a national fuel pass (QR system).

The general public has been brought into the system to help simplify the restricted supply and manage the available foreign currency reserves, and weekly fuel limitations have been implemented.

CPC rigorously monitored whether the dealers correctly implemented the QR system, and the supply for the dealer outlet was halted for two weeks if CPC discovered any violations of the QR system by the dealers. Despite the dealers' unstable environment, dynamic efforts were taken to fix inadequacies detected from time to time in order to ensure strong client relationships and environmentally sustainable operations. Throughout the year, a dealer stock level monitoring system was created to monitor each dealer's stock level and to ensure product availability to outlets to disperse the limited stock. Furthermore, the technique aided in avoiding the depletion of rural arrears stockpiles.

Due to the price difference between diesel and kerosene up to August, strict measures were adopted to monitor and prevent the adulteration of kerosene by large carriers such as buses and lorries exploiting the kerosene subsidy provided for low-income households and the fishing community.

Filling station

Direct consumer sales

CPC distributes Diesel and Petrol to direct customers for use in transportation as well as for factories. This includes both government entities such as the armed forces and private organizations.

Sales on USD

Many export companies faced difficulties of arranging fuel for their operations such as fuel for electricity generators, transports and machineries. In order to provide fuel for their operations, CPC launched the fuel sales system on US Dollars basis creating the win-win situation for CPC as well as for the exporting companies. This process helped to collect foreign currency and which are used for the settlement of fuel bills for the suppliers.

Different protocols have been established to facilitate the installation of fuel storage tanks, taking into account both the storage requirements and the necessary precautions for health and safety of USD fuel customers.

These measures have been implemented to ensure the appropriate handling and management of fuel.

The exporting companies displayed great enthusiasm towards the availability of fuel in US Dollars, which significantly contributed to the smooth operation of these companies. CPC acknowledged the addition of several new customers falling under this category, and subsequently fulfilled their supply requirements.

In addition to the bulk sales of fuel on US Dollar terms, the facility further extended for the tourists.

As QR limits hampered the growth of the tourism business, the Tourist Fuel Pass (TFP) was established to provide unlimited fuel to the industry. The scheme allowed industry stakeholders to pump limitless fuel using TFP cards at designated outlets fitted with tap and go machines. The method aided the tourism industry and produced foreign currency for CPC.

Strategies for Transport Sector

- Improve visibility and operating capacity by upgrading the existing fleet of filling stations.
- The installation of new fueling stations at strategic places.
- Ongoing dealer training to improve customer satisfaction levels and risk managements.
- Improving dealer stock level monitoring systems to ensure adequate stock levels.
- Implementation of different compliance checks to increase and sustain client satisfaction.

Power Generation

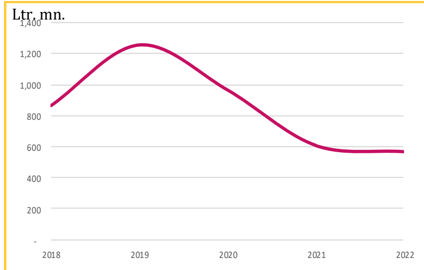
As a consequence of hydropower limits and limited coal and fuel supply for thermal power production, many power outages experienced in 2022. Despite the high demand for fuel for power production, limited supplies were given owing to low fuel availability. Every effort was made, however, to restrict the fuel supply to CEB and Independent Power Producers (IPPs) for their thermal power plants in order to provide the requisite energy while balancing the fuel demand from the general public and industrial group.

Outline - 2022
Revenue has increased to Rs. 128.38b.
Fuel prices revised few times.
Slight decline in quantity sales.

Despite increasing demand for energy -generating fuel, CPC was able to provide 568 million liters of fuel for power generation in order to provide electricity to the country. Due to supply restrictions, the supply for energy generation decreased by 6% compared to the previous year. CPC revised the fuel prices few times during the year to coverts the cost of fuel supply.

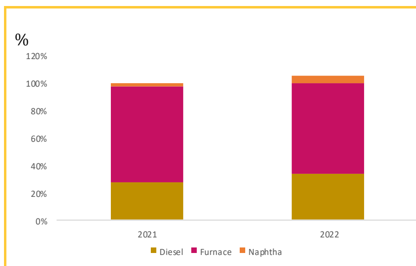
With a few price hikes during the year to counter the higher expenses caused by the rise in international fuel prices, industry revenue grew by 171% compared to 2021.

Product sales



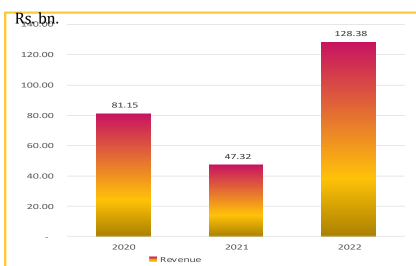
The fuel for electricity generation business remained CPC's second largest source of revenue, generating Rs. 128.38 billion (2021-Rs. 47.3 billion) during the year.

Product-wise sales



The fuel shortages created barriers for the continuous fuel supply to the power generation. Hoverer, action taken to balance between the fuel for transportation and fuel for the power generation as the transportation and electricity generation are equally important for the national economy.

Product-wise sales



The Refinery's lower operations posed quite a challenge in meeting the demand for fuel to power generation.

But fear not, CPC took bold measures to import Furnace oil, even going as far as prioritizing US Dollar arrangements to secure the much-needed fuel supplies for power generation.

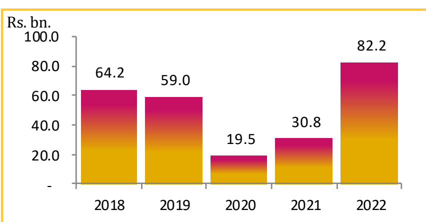
CEB and IPP's poor settlement patterns produced liquidity concerns on cash inflows, undermined CPC treasury management capabilities, and resulted in unnecessary finance expenditures. Given the importance of power to the national economy, the CPC made every effort to maintain maximum fuel supply, notwithstanding the CEB's and independent power suppliers' poor settlement patterns.

On a weekly basis, the Stock Review Committee assesses fuel demand from the power sector to ensure that the appropriate safeguards are in place. A cordial connection between CEB and the IPPs is maintained in order to accomplish the ultimate goal of continuous energy and power supply to the nation.

Aviation

CPC mainly supplies aviation fuel to Katunaike, Mattala, and Ratmalana airports. Other users, such as the Sri Lanka air force and training institutions, are also supplied with aviation fuel based on their needs. CPC places a strategic emphasis on this business area since aviation fuel supply to domestic and foreign aircraft is essential for international transportation.

Revenue



Following the Covid-19 pandemic, the aviation fuel market gradually recovered, and CPC made every effort to provide aviation fuel to flights, which helps the tourist industry thrive.

The supply of aviation fuel has also been hampered due to a scarcity of foreign currency to bring fuel into the country. The CPC made deliberate steps to develop a new means of distributing aviation fuel to the nation. CPC capitalized the income in foreign currency and established agreements with suppliers to provide the fuel on a flexible basis since the money from aviation fuel sales is obtained in US dollars. The suppliers import the fuel into the country and store it at CPC facilities. CPC sold on a cash basis, with the earnings used to pay the debts with the suppliers.

Outline - 2022

CPC has been recognized to the position of 'Good' (above average) for 2022 consecutively by GIC, suggesting that CPC's operational excellence builds trust in CPC aviation.

Revenue increased to Rs. 82 bn.

Despite being delayed due to the Covid-19 pandemic, the project had completed 76% of physical progress and 70% of financial progress by the end of 2022.

New Jet A1 supply mechanism under the modality agreement has been practiced for the continued fuel supply.

Beginning in August, the new supply mechanism contributed to a continuous supply of aviation fuel to airplanes. It offered great advantages to both CPC and the country by enabling international transportation to continue, hence boosting the tourism sector.

The aviation pricing plan calls for monthly rate updates, which CPC has done in parallel with the movement of international fuel prices to create a clear pricing system and a win-win situation for all stakeholders.

Despite substantial challenges in importing and providing fuel, our supply management approaches have increased fuel supply by 9.8% compared to 2021. This shows our dedication to economic revival and tourism facilitation.

The aviation sector's revenue increased by 167% year on year to Rs. 82 billion, due to a 69% increase in international fuel prices on average compared to 2021, an increase in the exchange rate, and a 9.8% increase in sales volumes.

As part of CPC's commitment to meeting compliances and international standards, the Joint Inspection Group (JIG) conducted yearly audits to ensure that the quality assurance criteria were satisfied. It is good to note that CPC has been recognized to the position of 'Good' (above average) for 2022 consecutively, suggesting that CPC's operational excellence builds trust in CPC aviation.

Fueling to aircraft

Way forward

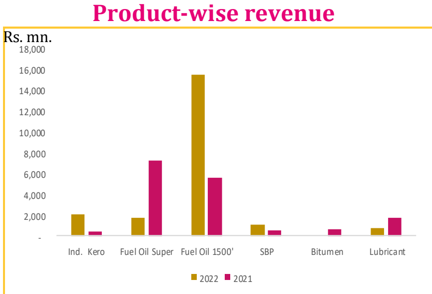
CPC has committed to supplying aviation gasoline that meets international quality and specifications at all Sri Lankan airports. To do this, investments are made to upgrade and modernize infrastructure, as well as to provide fuel using cutting-edge technology. At Bandaranaike International Airport and Jaffna Airport, projects to improve capacity and assure fuel continuity are now ongoing.

Along with the airport development project, CPC commenced the new hydrant system and extension project at Bandaranaike International Airport in January 2018. Despite being delayed due to the Covid-19 pandemic, the project had completed 76% of physical progress and 70% of financial progress by the end of 2022 and it is expected to commission in 2023.

Industries

This column includes the revenue generated by the sale of Industrial Kerosene, Fuel Oil to Industries, Lubricant and Solvent (SBP) to private customers. Overall income from the industry increased to Rs. 21.1 billion, up from Rs. 16.2 billion.

Product-wise revenue



Fuel Oil produced income of Rs. 17 billion in 2022, up from Rs. 12.9 billion in the previous year, and is the largest contributor to industrial revenue. Fuel supply constraints reduced the sales by 47.33 % during the year 2022.

Lubricant is one of our competitive and strategic business unit in the Industries sector. All our lubricating oils are blended in a blending plant having ISO 9001/2000 certification. Ceypetco brands of lubricants denote various lubricants types meeting the relevant international specifications such as American Petroleum Institute (API), MTU Friedrichshafen SmbH and European Automobile Manufacturers Association (ACEA) and fields of service both industrial and automotive applications.

Our devoted team of specialists, together with a dealer network that is both loyal and efficient, delivers entire solutions and services that go above and beyond what the consumer anticipates. They have made it a priority to exceed the expectations of the patrons.

The limited availability of lubricant goods led to a loss in income to Rs. 0.7 billion, which is a significant drop from the Rs. 1.7 billion that was recorded in the year 2021. However, CPC was able to recover its footing in the market in the latter half of the year, and supply problems were eventually resolved.

As diesel and domestic Kerosene shortages continued, there has been an upsurge in demand for industrial kerosene. In comparison to the year 2021, the CPC supply grew by 94%. During the year 2022, the revenue that was made from the sale of industrial kerosene escalated to a total of Rs. 2.0 billion. The sales prices of Industrial Kerosene increased number of times to cover the total cost. Accordingly, the revenue grew by 405.38% against the prior year.

CPC was successful in meeting the whole demand placed on SBP, which resulted in an increase of 107% in terms of income to Rs. 1.1 billion throughout the of the year. selling prices of SBP increased in parallel with the increase of production cost.

CPC temporarily paused the bitumen production in 2022 as a result of the fact that road building activities had not been restored and there was a lack of foreign currency available to import bitumen.

Lubricant stores

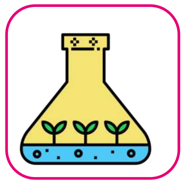
Domestic

The supply crunch driven CPC to decline the revenue generated from Kerosene and Liquefied Petroleum Gases (LPG). This sector continued to make losses on account of kerosene being sold at a highly subsidized price. The loss recorded in the sector has increased to Rs. 26.1 bn. during the year.

CPC sold kerosene at a heavily subsidized government-determined price of Rs. 87/- per liter in order to assist low-income households and fishing communities. As a government policy, Kerosene prices rise to compensate the costs of supplying Kerosene. As a result, the selling prices revised few times over the year.

Although sales volumes plummeted by 46.9% compared to the previous year, income decreased modest owing to a few price hikes. CPC determined that the kerosene subsidy for the year is Rs. 26.06 billion. We feel that, notwithstanding the loss to CPC, Kerosene contributes to social well-being and sustainable consumption for low-income households. The price difference between diesel and kerosene, several big carriers such as buses and trucks abuse the kerosene subsidies. Stringent measures have been adopted to restrict kerosene adulteration by certain heavy carriers in order to reduce subsidy leakages to undesired parties.

The Refinery closes many times during the year due to un-availability of crude to process resulting to less production of LPG. The sales revenue generated from the LPG declined in parallel with the lesser production and sales. The sales quantities and sales revenue from LPG sales decreased by 66.7% and 46.1% respectively.



Agrochemicals

CPC is in the agrochemical business over five decades. As the government entity, we stays in the market to operate as a price regulating party, protecting farmers from competitive exploitation and providing excellent agrochemical goods at a fair price.

The government policy to ban agro chemicals import resulted to decline in revenue.

CPC devoted to following standard procedures to assure product quality as well as a healthy and safe environment. Because agrochemicals are inherently risky, processes and controls are in place to enhance operations. ISO performance evaluations for ISO 9001-2015, ISO 14001-2015, and ISO 18001-2007 were done for this purpose.

As a sustainable organization, we are dedicated to upholding environmental responsibility and safeguarding against the potential dangers and misuse of agro chemicals. Additionally, we strive to support low-income farmers by offering high-quality agrochemicals at affordable prices, thereby ensuring their crops to meet expectations and contribute to their income levels.

Tea state that uses our Agrochemicals

The sector regaining with the policy of easing agrochemical import and manufacture in the later half of the year. CPC imported agrochemical goods in the fourth quarter, and sales increased accordingly.

Revenue from agrochemical goods was at Rs. 0.29 billion, a reduction from Rs. 0.44 billion in 2021.

Agro bottle filling

Way Forward

A proposal to build an agrochemical factory in Muthurajawela with all the necessary facilities and cutting-edge technology has been proposed. It is planned to construct a laboratory equipped with latest technological equipment in order to begin research and development operations.

Bunkering Business

CPC made the sales of Rs. 0.8 billion in bunkering at the beginning of 2022. As a result of the supply crunch that began in March, CPC suspended the bunkering operations until the import process returned to normal.

CPC sold 4.80 million liters of Marine Diesel to ships. However, once supply difficulties are resolved in early 2023, we are in the process of resuming the bunkering business.

Sapugaskanda Distribution Terminal

Sapugaskanda distribution terminal

Products such as Petrol 92, Auto Diesel, Kerosene, Furnace Oil, and Jet A-1 are delivered through the CPC's Sapugaskanda distribution terminal, which is owned and managed by the CPC. The terminal was supplied with some of the refined petroleum products that were manufactured at the Refinery so that they could be delivered.

Tank control unit at Terminal

The terminal distributed Rs. 47,844Mn. worth of fuel during the year including the delivery of Jet A-1.

Sapugasknda Distribution terminal mainly provides fuel for dealer’s own bowser fleet, resulting in cost savings on throughput charges. Additionally, this practice helped alleviate traffic congestion caused by the Kollonnawa installation. Furthermore, the distribution terminal facilitated the supply of furnace oil. However, the decline in refinery production throughout the year led to a decrease in overall terminal operations.

During the year, CPC made investments in various projects in distribution terminals. Implementation of gantry automation is one of notable initiative aimed at enhancing the efficiency of the gantry process and ensuring prompt filling of the bowsers. Additionally, efforts were undertaken to repair the fuel oil storage tank, which plays a crucial role in facilitating sales operations.

Refinery Operations

The Refinery at Sapugaskanda is our core asset that creates value to the nation since 1969. The Refinery catered country full demand in 1970s and with the present increased demand it covers around 30%-35% of CPC sales.

How it Creates Value ?

- Operating with 100% Sri Lankan staff.
- Provides direct employment opportunities for around 1000 citizens.
- Caters 30%-35% of the total CPC sales volume.
- Savings of foreign currency outflows.
- Successfully completed 52 years of continued operations.
- High recognition of the Refinery Training by overseas countries.

Year 2022 is the historic challenging year due to the number of shut downs caused by the shortages of crude oil. The refinery first time over last few decades, operated 140 days, least number of days and it discourages the value to the country.

Refinery

The refinery processed 529,779 MT of crude oil during the year 2022, a reduction of 58% over the prior year due to difficulties to find foreign currency to import crude and lack of suppliers during recession time.

Crude Type	Percentage (%)
Murban Crude oil	53.5
Siberian Light	14.1
Ural Crude oil	31.3
ESPO Crude oil	1.1

Refinery operation room

Refinery was operated at an average throughput of 1451 MT/Stream Day and 3790 MT per calendar day in year 2022. During the year, CPC tested & procured new crudes due to the lack of the crude suppliers and accordingly, Refinery processed Murban crude oil mainly with the mixture of Siberian Light, Ural and ESPO Crude oils.

The refinery catered 14.4% of total demand of the year. This helped to arrange the refined fuel even during period with supply challenges.

The refinery produced 482,875 MT of 08 petroleum products. Auto Diesel, Fuel Oil, Jet A-1, Petrol 92 and Kerosene were the main contributor from the refinery output. The Refinery has transferred these products to Kolonnawa Installation, Sapugaskanda Distribution Terminal and directly transferring to customers such as CEB and Independent Power Producers.

The Refinery shut down four times during the year due to non-availability of crude to process. The shut down period are 03rd January 2022 to 30th January 2022, 21st March to 01st June 2022, 25th June to 20th August 2022, 07th October to 16th December 2022.

Our Strategies

As the market leader in the petroleum business, CPC's short-term, medium–term, and long-term strategies are linked with our goals and objectives to satisfy the country's national ambitions. CPC operates in highly volatile environment due to the local and global economic conditions. With a holistic strategic view of the challenging environment, CPC has built its strategies while grasping opportunities that are key to our success.

The energy industry was the most essential and challenging sector in 2022, as a lack of foreign currency created a lack of energy in the country. Our policies designed to create a successful enterprise and a sustainable organization that plays an important part in the economy while also supporting the smooth operation of the national economy.

Profitable Growth

CPC is keen to develop creative tactics to identify issues and capitalize on potential to increase profitability for financial sustainability.

CPC focused on delighting its consumers and business partners in order to establish brand equity, make profits, and offer value to our stakeholders. Due to currency fluctuations, supply chain management was one of the primary challenges encountered in 2022, and with the assistance of the government and other regulatory organizations, every effort was made to ensure continuous supply. Ex-storage method used for the crude and refined fuel which contributed for the restoration of continuous supply of petroleum products. Furthermore, the government's implementation of the new pricing system made it easier to avoid the loss circumstance in the future. Strategies are in place to ensure the highest number of sales, since the current price mechanism ensures CPC profitability while also benefiting all stakeholders, including the general public. CPC is in the business diversification via investment in joint venture company of TPTL for the supply of storage facilities and ancillary services.

Key strategies such as addition of new filling stations at the strategic locations, renovation of the existing fleet of filling stations, introduction of new lucrative products, enhancement of storage capacities, refinery improvement to convert low -value products have been implemented.

Operational Excellence

Operational excellence is the cornerstone of our business activities, and we spend substantially in all capitals to improve operational excellence in order to boost efficiency and effectiveness, both of which are required to meet the corporation's strategic objectives. Continuous process improvements have been implemented at the refinery to refine petroleum products more economically, which leads to creation of value for stakeholders. There are several asset development operations in the works to increase process efficiency and cost optimization in order to produce greater value for society.

Distribution arm has been standardized and regularize to distribute the fuel under limited availability of stocks. The daily stock monitoring system has been developed to control the dealer stock levels.

Strategies such as investment on 24 tanks at the Trincomalee, interment on TPTL the subsidiary have been made, major infrastructure development initiatives to increase operational capacity, improve visibility and operating capacity by upgrading the existing fleet of filling stations, establishment of a Research and Development Unit, and implementation of a novel approach to supply chain management are being in the process.

Technological Advancement

The technological advancement is a key to manage year 2022 with turbulent environment due to the fuel shortages arose from importation barriers caused by the foreign exchange issues. The fuel distribution plan has been automated and regularized with system control to monitor and manage to supply fuel all over the island.

The technological application of dealer stock level monitoring system contributed to take most suitable decision to identify the dry areas and arrange for the fuel. The implementation of the QR system "National Fuel Pass" one great achievement to manage the fuel distribution under the fuel scarcity.

The information technology played a crucial role during the year. Addition of more banks for full automated settlement facilitated for the dealers to make the convenient settlements of the fuel bills. Tourist Fuel Card system introduced as a strategy to collect more US Dollars and to facilitate the promotion of tourism even under the fuel scarcity conditions.

Apart from the above investment on digital infrastructure and training, effective utilization of ERP system to provide onetime-real-time data, improvement to the dealer stock level monitoring systems to assure the required stock levels are implemented.

Sustainability

To ensure a sustainable entity, we have embedded sustainability into all of our activities, from the top to down. Despite supply chain difficulties, CPC was able to distribute kerosene and fuel to the fishing community and lower income level residents. We committed to reducing our carbon footprint, disposing of waste management in accordance with international standards, and adopting a more sustainable consumption pattern. CPC adopted energy usage and material/product procurement optimization and implementation of numerous compliance checks in order to increase customer satisfaction and legal compliance.

CPC provides more than 15000 of indirect employment opportunities through our island wide distribution network. we embedded sustainability in to our operations. CPC always assure fair trading and equity in distributing the fuel even under the scarcity of fuel during mid of the year 2022.

Development of Human Capital

Human capital is our core strategic asset that guides us in making our vision and mission in to a reality in this volatile operating environment, and we have continued to invest in training amounting to Rs. 4.75 mn. in human capital to build a motivated, engaged, and loyal staff that adds value to our stakeholders. We do not restrict our efforts to developing our own human capital, but also to developing the human capital of our business partners through training and ongoing communication in order to build expertise and satisfy clients.

Further, we enhanced our ethos and culture for tacit knowledge base that plays vital role for the betterment of CPC. CPC invested employee training and development with proper management even under restrictions.

Supply Chain Management

Our strategic focus has given on the supply chain management as the energy security is paramount important for the economic development. As CPC imports all the products (refined & crude) and our business depend on the importation of the petroleum products, supply chain management is our to prioritized strategy.

Due to currency shortages in Sri Lanka, the year 2022 was the most difficult for fuel supply management. Innovative techniques were included into the practice to ensure continued fuel supply even in the face of very low foreign currency availability. Ex-storage mechanism used to ensure fuel availability in the nation with minimum foreign currency outflows at once.

Additionally, modification of the ex-storage base to increase the country's economic worth and encourage more people to participate in the fuel supply tenders were addressed to be more competitive and transparent as well as to save more foreign currency within the country.

Challenges faced by CPC

Challenge	Impact	Link to Strategic pillar
Limitations on Dollar Transactions and exchange rate variation	CPC faces constant challenges in obtaining foreign currency to settle import bills, which are necessary to address its financial challenges. Availability of funds in rupees does not protect against exchange rate fluctuations or insufficient dollars in the market. The movement of the exchange rate affects to the pricing strategies ultimately linking to the profitable growth. The exchange variation for the year 2022 is Rs. 527 bn.	
Lack of Storage	Due to inadequate crude & refined storing capacity, different types of crude and the refined products imported cannot be stored . Restrictions to import required parcels due to inadequate space for the unloading.	
Supply constraints	Suppliers declined to accept the letters of credit (LCs) and instead insisted on advance payment, leading to substantial liquidity challenges for CPC and the nation as a whole. Additionally, this situation resulted in elevated costs due to the imposition of high premiums.	
Weak settlements by the SOEs	Despite supplying fuel to state enterprises such as SLA and CEB, CPC has faced difficulties in receiving payments on time, leading to the accumulation of unpaid invoices and significant liquidity issues.	
Pipelines with disrepair	The pipelines utilized for the transportation of imported petroleum products from the Colombo Port to the Terminals are currently in a considerable state of disrepair, leading to prolonged discharge times and potential fuel leakages.	
A Price Taker	As Sri Lanka does not have its own petroleum resources, it is reliant on importing all petroleum products at global market prices and no bargaining power for the prices. Therefore, fluctuations in international prices directly impact the cost of sales.	
Subsidized Fuel Prices	Until May 2022, total cost to supply petroleum products has not been covered due to the absence of a fully cost reflective pricing mechanism resulting to missive loss and accumulated loss.	

Opportunities

Geographical Storage capacity

CPC has entered into an agreement with the government to lease 24 tanks, which allows for the expansion of storage capacity at Trincomalee. CPC started to renovate the tanks. This expansion aims to improve operational efficiency and generate financial and competitive benefits. Start bunkering and local distribution from the Trincomalee.

Business diversification

CPC invested in the TPTL, joint venture (subsidiary) company that is engaging with the provision of storage and allied services. High potential for entering to new products and services.

Strengthened balances sheet

The government converted the CPC loans and outstanding bills amounting to USD 2.4 bn. to government debt stock and it created massive savings on interest cost and bank charges facilitating to proper working capital management.

Government pricing policy

The implementation of pricing mechanisms by the government pass the costs and benefits to the public by assuring the long -term economic sustainability of CPC.

Business Model

Input

Financial Capital
Shareholders funds
Borrowings
Capital management

Manufactured Capital
Filling stations network
Property, Plant & Equipment

Intellectual Capital
Technological Expertise
Branding
Process enhancements

Human Capital
Our People
Experience
Skills & Competencies
Training & development

Social & Relationship Capital
Stakeholder Management
Health & Safety Initiatives
Transparent procurement process

Natural Capital
Energy management
Water management
Other natural resources

Processes

Vision & Mission

Strategic Phillars

Primary Acctivities
Marketing
Importing
Refining
Distribution

Support Acctivities
Business strategy
Technical & Financial
People management
IT support

Corporate Governance
External Environment

Business Lines

- Transport
- Power Generation
- Aviation
- Industries
- Domestic
- Agro Chemicals
- Bunkering

Risk Management

Outputs

Gross Revenue
Rs. 1,154 Bn.

Sales Volume
4,050 Mn. Ltr.

Gross Profit
Rs. 39.85 Bn.

Net Loss
Rs. 615 Bn.

Staff Cost
Rs. 6.60 Bn.

Contribution to Government
Rs. 127 Bn.

Total Filling Stations
1,140

New outlets
25

Zero health & safety incidents at Refinery

Outcomes

Shareholders
Creation of Wealth
Financial Growth

Customers
Quality products
Availability of products across the Country
Fair price

Employees
Talented & Efficient workforce
Safe & Equitable environment

Regulators
Compliance
Energy security
Contribution for the economic development

Community
Sustainable relationships

Suppliers
Sustainable value chain

Financial Capital

Financial Capital

The pricing mechanism implemented in the middle of the year contributed in preserving a gross profit of Rs. 39.8 bn. and it is worth noting that CPC managed to generate profits from July to December. However, the substantial interest and the exchange rate variations ultimately led to a net loss for the year. In accordance with the government's arrangement, the foreign currency debt of USD 2.4 billion has been transferred from CPC's balance sheet to the government debt stock.

1,154
(Rs. Bn.)
Revenue

39.8
(Rs. Bn.)
Gross Profit

615
(Rs. Bn.)
Net Loss

329
(Rs. Bn.)
Loans & Borrowings

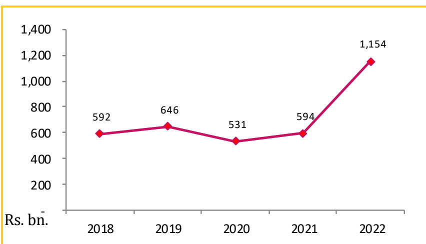
Outline - 2022

- Revenue increased by 94.4% compared to year 2021.
- As prices revised based on mechanism, CPC continued to generate profits from July onwards.
- Finance income of Rs. 37.6 bn. generated from interest income and charges on customer delayed settlement
- The government obtained the CPC US$ debt stock of USD 2.43 bn. to government debt stock.
- Negative equity position improved to Rs. 86 bn.

Revenue

The 2022 was a challenging year, marked by a financial crisis and an economic downturn. CPC also had several supply challenges as a result of high international fuel costs and a lack of foreign currency to import fuel into the country. As a consequence of all sectors reporting contractions, along with fuel supply disruptions, total demand fell by 21% year on year. Domestic sales remained the most significant driver of revenue, and since international fuel prices rose dramatically throughout the year, the government revised domestic selling prices many times.

Revenue

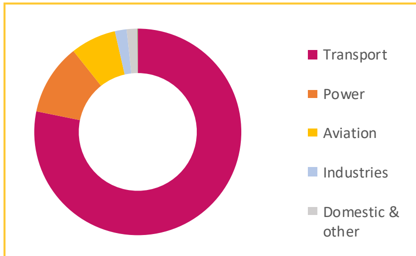


The government implemented a pricing mechanism for diesel and petrol, and the revision of selling prices in accordance with international fuel prices raised income by 94.4% year on year. The transportation industry supplied 78% of total income, while the electricity generating sector contributed 11%. Aviation and other industries provided 7% and 4% respectively.

In 2022, Auto Diesel continued to earn the highest amount of revenue, followed by Petrol 92, which generated the second most income. Auto Diesel generated Rs. 488 billion in total income. The aviation industry earned Rs. 82 billion, and since more than 90% of this money is generated in US dollars, it provides additional economic advantages to alleviate foreign currency concerns.

CPC began selling auto diesel and furnace oil to exporters in US dollar term, with income made in US dollars. The dollars obtained from the sales proceeds were utilized to purchase fuel and make it easier to arrange US dollars for import payments.

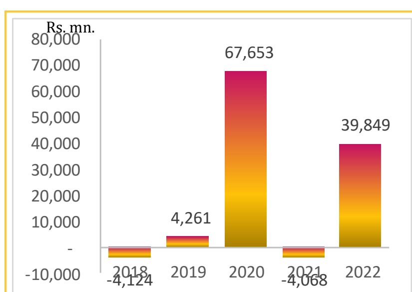
Revenue mix



Gross Profit

The revision of local selling prices in response to the rise in international fuel prices and other cost variables such as the exchange rate depreciation resulted in an increase in income. CPC generated a gross profit of Rs. 39.8 bn. during the year, compared to a loss of Rs. 4.1 bn. in 2021. With the adoption of the new pricing system in May, CPC began selling petrol and diesel with a gross margins. Furthermore, furnace prices have been revised to meet the incurably CPC cost of import/ manufacture and delivery.

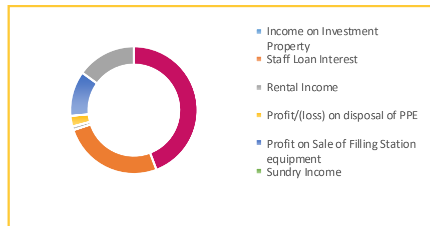
Gross profit



Other Income

Other revenue fell from Rs. 1.5 billion to Rs.1.2 billion in 2022. The reversal of some of the provisions added to increase the other operating income in 2021 and the therefore, the reduction in 2022 observed. The investment property income includes the monthly utility fee imposed on the CODO filling stations to the year 2022 and past years.

Other income



Income from investment properties, such as building rent and fees for CODO filling stations, staff loan interest, sale of filling station equipment, and other miscellaneous income, falls into this category.

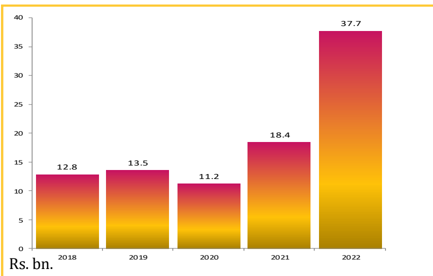
Exchange Rate Variation

The exchange rate depreciated substantially against US dollars, falling from Rs. 202.99 in 2021 to Rs. 371.61 in 2022 due to the foreign currency crisis, economic and debt crises. As a result, CPC incurred an exchange loss of Rs. 527 billion (2021 - Rs. 33 billion) in 2022. This net exchange variation of Rs. 527 bn. has derived from the exchange gain of Rs. 109 bn. and loss of Rs. 636 bn. The CBSL pegged the currency rate until February and then let to float resulting in a significant devaluation. The restricted availability of foreign currency in Sri Lanka to repay foreign currency loans to two state banks exacerbated CPC's negative situation.

Finance Income

Finance revenue is made up of investment income from fixed deposits, call deposits, money market investments, and charges on delayed customer settlements. CPC invests extra daily cash on a daily basis in interest-bearing sources to generate income without idling the money.

Other income



The increase in market interest rates, depreciation of exchange rate and increase in receivables led the finance revenue to doubled from Rs. 18.3 billion to Rs. 37.6 billion in 2022. The rupee collections accumulated in banks during the first half of 2022 as a consequence of the lack of US dollars in the market to acquire and pay existing loans resulted in higher interest income. The steep rise in trade receivable balances from Rs. 164 billion to Rs. 224 billion at year end, along with an increase in interest rates, resulting in an increase in interest on delayed payments from Rs. 10.5 billion to Rs. 25.1 billion in 2022.

Finance Expenses

The increase in the loan interest rate, the sharp depreciation of the Sri Lankan Rupee against the US dollar, the unsatisfactory settlements of trade receivables by the government enterprises (primarily CEB, IPPs, and SLA), and the non-availability of the foreign currency in the market to purchase and settle had a negative impact and resulted in an increase in the foreign currency loan outstanding as well as interest expenses.

The cost of interest was driven higher during the first half of the year by several rate hikes implemented by the banks as well as a depreciation of rupee. As a consequence, the interest expense went up to Rs. 119.5 billion, representing an increase of 366.12% during the year compared to Rs. 25.6 billion that was reported in 2021.

Income Tax Expenses

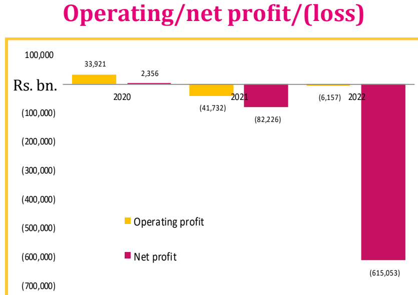
CPC recorded a tax loss for the year, and no income tax payment arisen during the year.

Due to the availability of carried forward tax losses, CPC does not recognize the differed tax in the financial statements. However, as the lands are subjected to the taxes on realization of assets as per the Inland Revenue Act, differed tax liability has been recognized for the revaluation of CPC lands.

Profitability

The new pricing method contributed to a improvement in the operational profits for the year 2022, which improved from Rs. 41 billion in 2021 to Rs. 6 billion. A net loss of Rs. 615 billion was incurred as a consequence of the severe depreciation of the Sri Lankan Rupee in comparison to the US Dollar resulting to exchange variation of Rs. 527 bn. and the rise in finance cost.

Operating/net profit/(loss)



Reasons for the loss
Increase of international oil prices.
Non-adjustment of domestic retail prices to cover the cost up to May 2022.
Sharp depreciation of Sri Lankan rupee against US dollars resulting to exchange variation of Rs. 527 billion.
Loans and high interest rate charged by the banks resulted to interest expense of Rs. 119.5 billion.
Non-settlement of outstanding invoices by the government enterprises creates liquidity issues.
Supply chain disturbances created fuel supply shortages.

Trade Receivables

To ensure the efficient running of the national economy, fuel deliveries to government institutions and government firms are supplied on credit. However, many state firms have failed to properly settle fuel purchases, resulting in an accumulation of trade receivable balance.

The trade and other receivable balance climbed by 46.6% to Rs. 268.8 billion at the concluding the financial year, with the trade receivable balance accounting for Rs. 223.7 billion. The trade receivable balance climbed by 36.2% from Rs. 164.3 billion to Rs. 223.7 billion, owing mostly to slow payments by Sri Lankan Airlines, CEB, and IPPs. Despite enormous overdue balances from these state-owned firms and others, the CPC supplied fuel continuously to these institutions to help the national economy to recover.

The rise in receivable amounts created several financial concerns, and current negotiations are being undertaken with the participation of line ministries and the General Treasury to recover the outstanding receivable sums.

As practiced previous years, CPC recovered trade receivables from Tri-forces, Sri Lanka Police, and the Railway Department totaling to Rs. 25.82 billion as a Treasury set-off against excise duties owed to the government during the year.

CPC changed its credit policy in order to limit credit facilities provided to private dealers and customers, and they encouraged the use of e-banking facilities for easy settlements. The usage of automated e-banking services facilitates the ordering and settlement procedure conveniently.

Loans and Borrowings

People's bank loan and self-financing Loans obtained to investment in the project for the construction of new hydrant system in parallel with the Bandaranaike International Airport expansion project finance caused to increase the loan balance by Rs. 5.94 bn. The revaluation of the loan amount using the year end exchange rate also contributed to increase the loan value. The loan amount will be increased based on the work in progress of the project.

The accumulated losses due to non-adjustment of selling prices during last decade has been financed through the short term loans obtained from the banks. The sharp depreciation of rupee against US dollars increased the loan balances to two banks. Further, massive losses and un-availability of US dollars in the market worsen the debt payment condition.

The government proposed to take over the CPC foreign currency debt under the guarantees issued by the General Treasury. Accordingly, the government recorded CPC debt as the central government debt and separate arrangements made to settle the loans to the banks using the special arrangement with effective from 01.01.2023.

The government taken over the loans and bills totaling to US dollars 2,434.78 mn. as at 31.12.2022 to government books of accounts and CPC treated as the equity infusion by the government.

CPC obtained the fuel during February to May on credits provided through the Indian credit/loan facilities and as CPC is with liquidity issues, the loan amounting to US dollar 697 mn. remained outstanding at the year end.

CPC started to obtain LKR loans from two banks at the latter part of the year to purchase US dollars and settle the bills. Accordingly, rupee loans and Indian credit line loans totaling to Rs. 316.5 bn. remained at the year end.

Equity Capital

CPC recorded massive accumulated losses due to absence of the proper pricing mechanism. Therefore, CPC had to report a massive loss and accordingly negative equity capital. However, the government took the CPC debt stock to the central government and the total amount has been considered as the equity infusion.

The same amount that the government obtained amounting to Rs. 884.093 billion was considered as the capital inflow to CPC, alleviating the financial strain and providing high hopeful prospect for the operating as a successful business. This helps the new pricing structure more easier and helped to ensure that the firm is being operated effectively.

Contributed Capital

Year	2022 (Rs. mn.)	2021 (Rs. mn.)
Opening balance	28,487	28,487
Capital infusion	884,094	-
Closing balance	**912,581**	**28,487**

Although the government provided the capital injection in the form of a loan conversion, it did not enough to cover the deficit equity of CPC. As of the 31st of December 2022, the negative equity capital is Rs. 85.7 billion.

Cash Flows

During the year, CPC used the deposits it had available in order to purchase US dollars, settle debts, and pay bills. The government has taken over the debt stock, which will make the position of cash flows easier at the beginning in the coming year.

Value Added

Year	2022 (Rs. mn.)	2021 (Rs. mn.)
Net Sales Revenue	1,148,801	584,754
Other Income	38,839	19,900
Bought in materials & services	(1,546,819)	(546,054)
Depreciation	(2,645)	(2,682)
Value Added	**(361,824)**	**55,918**
Applied the following way		
To employees		
Wages & fringe benefits	6,595	6,891
To pay providers of capital		
Interest on loans	119,537	25,645
To the CPC		
Retained Profit	(615,022)	(81,816)
To the Government		
Taxes and duties	127,066	105,199
Value Added	**(361,824)**	**55,918**

Manufactured Capital

Manufactured Capital

The Refinery, distribution terminal, extensive network of 1,140 fuel outlets, and aviation equipment are the main physical strategic assets that make up our Manufactured Capital. The effective management and alignment of our Manufactured Capital are crucial in achieving the goals and objectives of CPC. We have prioritized the upgrading and maintenance of our infrastructure to ensure the sustainability of the petroleum industry in Sri Lanka. CPC has invested Rs. 4.5 billion in new fixed assets, adding to our existing asset portfolio.

4.6
(Rs. bn.)
Investments on Fixed Assets

492.4
(Rs. bn.)
Total Assets

1,140
Filling Stations

64.7
(Rs. bn.)
Fixed Assets

Outline 2022

- CPC invested Rs. 4,580 million on fixed assets during the year.
- Obtained 24 tanks in the upper tank farm at the Trincomalee on lease basis.
- Net book value of property, plant & equipment as at 31.12.2022 is Rs. 45,300 mn.
- 25 new filling stations.
- 76% and 70% of physical progress and financial progress has been reached in BIA expansion project .

Our manufactured capital consists of property, plant and equipment, investment properties, and intangible assets such as information technology (IT) systems and software, as well as a network of filling stations that is owned by CPC. We nurture of our manufactured capital so that we may refine the crude oil and distribute the petroleum products across the nation in order to ensure that the goods are easily accessible to both the general public and industry.

Refinery

CPC is the market leader in Sri Lanka's petroleum business and is responsible for the creation and maintenance of the industry's requisite infrastructure. For the sake of creating value for our stakeholders, we reinvest our manufactured capital into improving efficiency and effectiveness and connecting these two factors with operational excellence. We place strategic focus on investing in and caring for our manufactured capital for value creation.

Pump house at ST

Property, Plant & Equipment

Our PPE consists of the Refinery, aviation function assets at the airports, SPM facilities, distribution terminal, and the head office building. We have invested Rs. 4,580 million in fixed assets, which has been added to the existing fixed assets basket.

The new investment mainly represented by the development of the new hydrant and extension project at the Bandaranaike International Airport. The value of property, plant, and equipment, including investment properties, reached to Rs. 64,850 million, while net book value remained at Rs 45,350 million.

Our primary strategic asset is the Sapugaskanda Refinery.
The refinery was commissioned in 1969 and was capable of meeting the needs of the nation at the time of installation. At the moment, the refinery generates around 30% of overall demand. However, owing to crude oil constraints, the Refinery was not operational full capacity in 2022. The refinery production contributed 14% of the demand in 2022.

Energy security is critical for the effective running of the economy, and the Refinery contributes to the country's ongoing energy security. Many small and significant initiatives are in placed to maintain and upgrade the Refinery.

CPC Aviation operates around the clock, and the infrastructure available for fuel delivery is essential for ensuring aircraft operation. At the aircraft fueling operation, investments are made to keep up with the newest technical advancements.

Gas storage at Refinery

We mostly invest on increasing storage capacity as the available shortages create many challenges.

Investment Property

Investment assets include properties on Thurstan Road and Flower Road, as well as Corporation-owned filling stations. The Thurstan Road and Flower Road buildings have been leased to the Ministry of Power and Energy and the Prime Minister's office. During the year, rental/utility fee revenue of Rs. 525 million was generated from investment properties.

Flower road building

Distribution Channel

Our island-wide outlets are a critical strategic point for maintaining ties with ultimate customers. Filling stations are classified as Corporation Owned Dealer Operated (CODO) or Dealer Owned Dealer Operated (DODO). The overall number of operating outlets has fallen to 1,140 as a result of certain outlets not functioning owing to supply constraints faced throughout the year.

Filling station

During the year, 25 new outlets added to the existing fleet of outlets. Our geographical presence allows us to supply petroleum products to the general public in every region of the nation, and we place a high value on our outlet network, since filling stations generate the majority of our overall income.

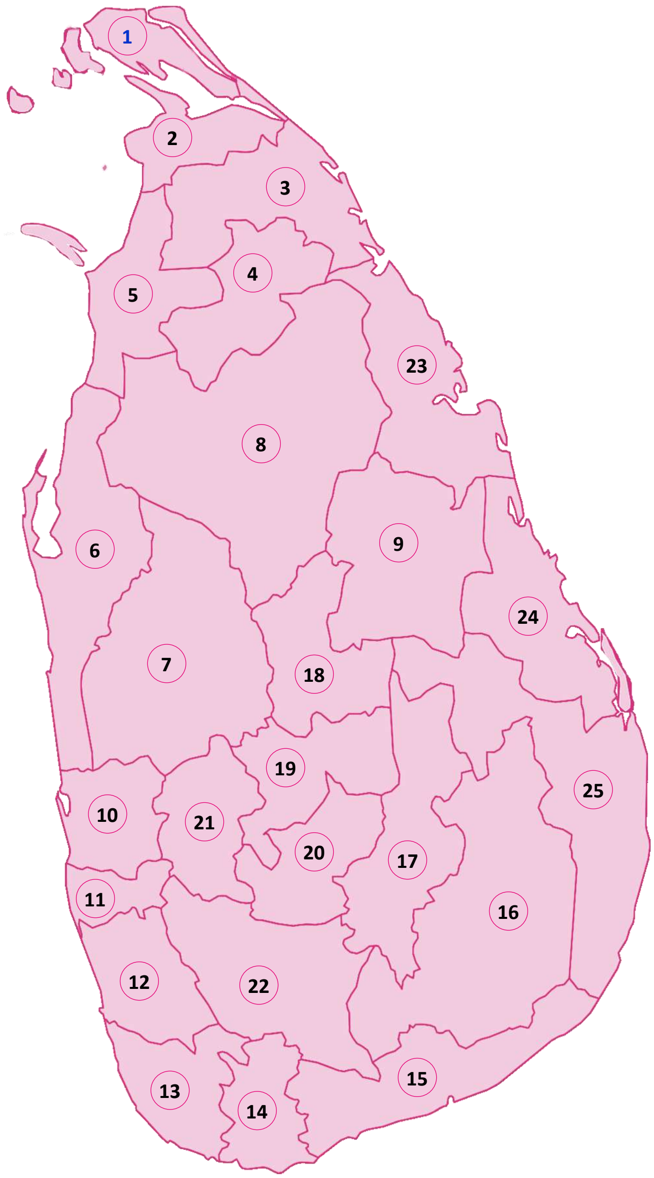
Auto Fuel Distribution Channel

Northern Province			
District	CODO	DODO	Total
1 Jaffna	21	39	60
2 Kilinochchi	4	4	8
3 Mullativ	1	9	10
4 Vavuniya	1	13	14
5 Mannar	3	10	13
Total	30	75	105

North Western Province			
District	CODO	DODO	Total
6 Putlam	7	62	69
7 Kurunegala	14	92	106
Total	21	154	175

North Central Province			
District	CODO	DODO	Total
8 Anuradhapura	12	36	48
9 Polonnaruwa	8	18	26
Total	20	54	74

Western Province			
District	CODO	DODO	Total
10 Gampaha	17	123	140
11 Colombo	37	82	119
12 Kalutara	11	40	51
Total	65	245	310



Eastern Province			
District	CODO	DODO	Total
23 Trincomalee	4	19	23
24 Batticoloa	4	36	40
25 Ampara	6	45	51
Total	14	100	114

Sabaragamuwa Province			
District	CODO	DODO	Total
21 Kegalle	6	27	33
22 Ratnapura	10	32	42
Total	16	59	75

Central Province			
District	CODO	DODO	Total
18 Matale	2	16	18
19 Kandy	17	41	58
20 Nuwara-eliya	11	5	16
Total	30	62	92

Southern Province			
District	CODO	DODO	Total
13 Galle	12	49	61
14 Matara	6	35	41
15 Hambantota	7	30	37
Total	25	114	139

Uva Province			
District	CODO	DODO	Total
16 Moneragala	6	17	23
17 Badulla	7	26	33
Total	13	43	56

Category	No. of Outlets
CODO	234
DODO	906
Total	1,140

Capital Progress & Way Forward

The year 2022 was essential to CPC as well as the nation, as it faced severe economic crises and political tensions, which hampered investments in infrastructures that are important for the industry's growth. Despite the hurdles, CPC spent significantly in capital projects to improve operational excellence. We continue to invest in manufactured capital, which is essential for operational excellence, efficiency, and effectiveness in order to achieve its vision and goals while assuring long-term resilient growth.

CPC, as a key strategic commercial entity, constantly acts to ensure the country's energy security, and investments in long-term large capital projects as well as short-term and medium-term strategic projects allow CPC to produce value for our stakeholders.

Although the government limits capital investments, a strategic focus has been given to short-term, mid-term, and long-term projects that are essential for the development and continuation of business operations, and actions are being taken to implement them with due procedures in order for operational excellence and industry development.


Repairing tank

The progress of the material projects are noted below.

- Development and upgrading of the aviation refueling terminal and the existing fuel hydrant system, as well as installation of a fuel hydrant system at the new apron - E in accordance with the phase ll stage 2 development project of Bandaranaike International Airport, Katunayake, began in January 2018 and is ongoing. The project has made 75.60% physical progress and 70.07% financial progress at the year end. With the newest state-of-the-art equipment, CPC will be able to seamlessly react to the airport's future increasing aviation fuel demand after the project is completed.
- CPC started the renovation of the 24 tanks obtained on lease basis from the Trincomalee tank farm.
- Replacement of a water line from the water intake to the refinery - Pipe laying is underway, with 95% of the scope has finished.
- CEB Stand by Supply Upgrade - Civil construction work is finished, and the electrical scope of work has been completed to 80%. Electrical commissioning is now underway.
- New Bitumen Tank Construction - Civil construction of the tank base completed. Approximately 40% of the construction is finished.
- New Kerosene Storage Tank No. 75 - The foundation's construction has been finished.

Construction at BIA project


Trincomalee tank repair

Capital Trade-off

CPC invests the majority of on manufactured goods via interest-bearing loans. As a consequence, CPC incurs significant financing expenses in order for invest, which in turn leads to higher project costs and, eventually, affects CPC's profitability.

Intellectual Capital

Intellectual Capital

Intellectual Capital encompasses intangible assets related to the ethos, culture, values, organizational knowledge, systems, processes, procedures, learning, and brand value. Our team is working on the in-house development of the salaries and wages system for CPC. The recognition of the Management Practice award demonstrates that CPC has effectively leveraged its intellectual capital to create value for our stakeholders. Number of system and process developments are in progress to enhance the operational control aspects.

916
Employees over 20 yrs Experience

37,600
Cumulative Service Experience

4.75
(Rs. mn.)
Training Cost

Outline 2022

- CPC was awarded the 'Certificate of Recognition in Best Management Practices' at the Best Management Practices Company Awards 2023.
- Conducted internal training arrangement for the knowledge upgrade.
- Development of salaries and wages system.
- Implementation of dealer stock monitoring system.

Intangibles associated with our ethos, culture, ethics, values, organizational knowledge, systems, processes & procedures, learning, and brand value comprise our intellectual capital. We nurture our resources in order to improve tacit knowledge, which is essential for meeting the vision and goals. Our own ethical principles and values are ingrained in CPC culture and contribute to the creation of value for our stakeholders.

Our tacit knowledge, along with our experience, made a significant contribution to the establishment of systems and procedures to manage fuel distribution with limited stocks in the middle of the year to ensure equal distribution. We focused heavily on information technology sectors to build new systems to explore preventative solutions to reduce the issues posed by economic instability.

Our Branding

With over 60 years of successful history, the Ceypetco brand remains incredibly close to the people since petroleum products play a significant role. Despite the issue experienced in the middle of the year 2022 owing to restricted supply of fuel due to a lack of foreign currency to import fuel into the nation, people continue to support us since we are a trusted partner for fair trade and a dedication to quality petroleum products.

Ceypetco Lubricant oils are mixed at an ISO 9001/2000 certified blending factory. Ceypetco lubricant products fulfill the required international criteria in the American Petroleum Institute (API), MTU Friedrichshafen SmbH, and European Automobile Manufacturers Association (ACEA) domains of service, as well as industrial and automotive applications.

Ceypetco Agrochemical has provided exemplary service in the Agrochemicals Market for over five decades. Since 2008, Ceypetco Agrochemical has received ISO Certification, namely ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System) in the Agrochemicals Business. Ceypetco Agrochemicals has been dedicated to providing efficient solutions to farms from preparation beds to harvest crops by completely controlling or eliminating pests, fungus, and weeds in cultivation in order to help farmers' cultivation develop.

Our Values

CPC has its own ethos and ideals that are deeply embedded in the Corporation's culture. The quality of petroleum products is an important aspect for sustainable consumption and environmental conservation, and we are maintaining standardized petroleum products that suit people's demands and desires.

Petroleum products pose inherent health and safety issues, and we adhere to international standards to provide high-quality products. To satisfy our clients and bring value to our stakeholders, we offer a wide variety of technical, operational, and customer handling services.

Process enhancements

Our online payment mechanism grew by adding more banks to the automated payment system, which aided in increasing the level of security and accuracy owing to the large value of transactions and further, provide convenience for dealers and other customers.

The government established the National Fuel Pass system (QR system) in the second half to manage available stocks and allow for equitable use. CPC also became a part of the system in order to eliminate excessive waits around the outlets and to ensure equitable access to fuel to all Sri Lankans who own vehicles and other equipment.

A dealer stock monitoring system has been implemented to monitor each dealer's stock level and distribute fuel to minimize fuel shortages in particular locations. Furthermore, it aided in the management of sales and the planning of quantity required for allocating limited-available fuel.

As present, salaries and wages system has outsourced to our sister company, new system is being developed utilizing the skills available in-house. The new technology allows for more accurate real-time data as well as cost savings.

~~Laboratory with latest equipments~~

Continuous Learning & Development

Knowledge base is a critical strategic asset in today's tumultuous corporate climate. Creating a knowledge-based company provides a competitive advantage, and CPC invests consistently in training and development of our people to improve value creation and sustainability. We spent Rs. 4.75 Mn. on training and development to improve their skills and capabilities even under many constraints.

Our knowledge base is the comprised of 918 workers with more than 20 years of continuous service, resulting in competence in the essential fields. The present available workforce's cumulative service experience exceeds 37,600 years. The Corporation's learning and supporting culture ensures that tacit knowledge is maintained in order to generate superior operational excellence, which is critical for a long-term sustainability.

Tacit knowledge is knowledge and information that has been acquired through experience and professional growth. It adds to CPC's operational excellence as well as meeting the mission and goals. Our distinctive knowledge base generated by the Refinery adds value to the national economy. Despite the fact that the refinery was established over 50 years ago with the technology prevalent at 1960s, it is still working well due to rigorous refinery maintenance by our competent employees with the tacit knowledge base.

The refinery petroleum laboratory is one of the most advanced laboratories in Sri Lanka, capable of testing petroleum and petrochemical specifications. Our knowledge foundation, together with the most recent technology breakthroughs, adds value to the national economy.

Awards & Recognition

We are delighted to note that, CPC was awarded the 'Certificate of Recognition in Best Management Practices' at the Best Management Practices Company Awards 2023 organized by The Institute of Chartered Professional Managers of Sri Lanka. The Best Management Practices Company awards 2023 ceremony was held at the Grand Ballroom, Galadari Hotel, Colombo.

Best Management Practices Company Awards 2023 is an initiative of CPM Sri Lanka organized with the aim of sharing proven best management practices of organizations for the years 2022 whilst rewarding such

practices, specially under current turbulent business and economic conditions. It's proven that CPC has performed it management practices for the value creation for its stakeholders even under the challenging environment.

Human Capital

Human Capital

Our incredible team of 2,232 individuals is the backbone of our organization. We see them as more than just workers; they are our secret weapons, driving us towards success. Their dedication and hard work are the key to achieving our goals and objectives at CPC. We invest in training and development, because we know that by nurturing our team, we can turn our wildest dreams into reality.

2,232
Number of Employees

6,595
(Rs. mn.)
Staff Costs

54
Service Awards

45
Recruitments

Outline 2022

- Recruited 45 new employees to CPC staff.
- Series of internal & external trainings were provided.
- 116 employees retired/resigned during the year.
- 54 service awards were given to the employees.
- 125 training opportunities are given for the external students at the year end.

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

As our achievements depends on our human capital - a key component of our organizational strategy, propelling us towards the realization of our vision and mission. Our workforce is our greatest pride; highly skilled, driven and committed, they have been instrumental in maintaining our position as the market leader in Sri Lanka's petroleum industry. Our human resource policy is centered on the well-being of our employees, ensuring a positive and satisfying work environment, accompanied by rewarding incentives, robust health and safety regulations and exciting career advancement opportunities. We remain dedicated to cultivating an empowered and fulfilled workforce that continues to surpass all expectations.

Category	No. of employees
Permanent staff	2,232
Contract	3
Trainees	125
Total human capital	**2,360**

Governance

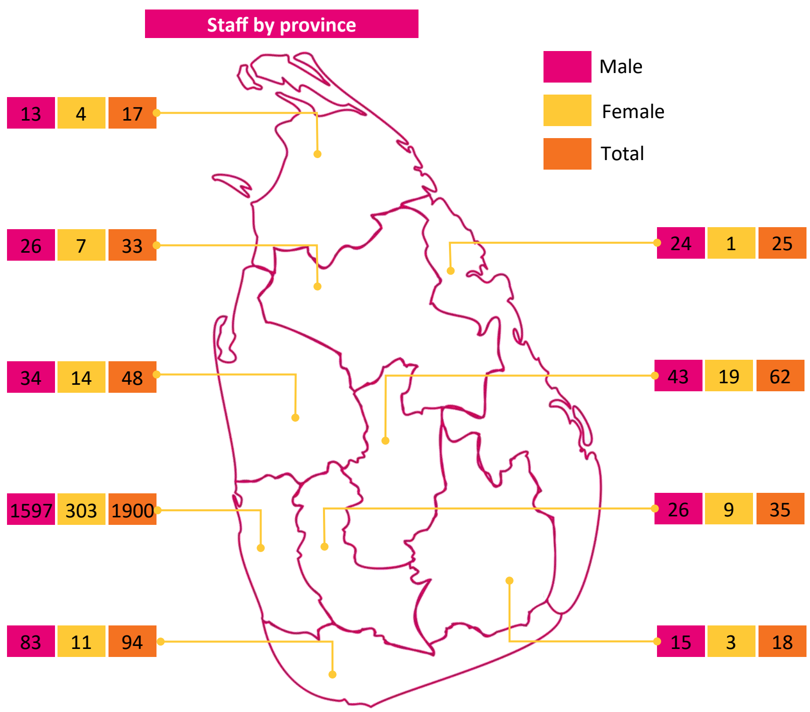
As the top-tier governing body, the Board of Directors takes charge of HR policy formulation, ensuring the effective implementation of the Corporation's strategic objectives. Overseeing the Corporation's Human Resources Capital is the responsibility of the Human Resources Function, with the guidance and supervision provided by the Board. Through consistent review and realignment of HR strategies, the Human Resources Function continually supports the overall corporate direction.

Diversity

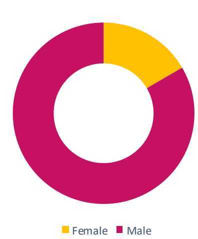
CPC upholds a HR policy that values diversity and strictly prohibits any form of discrimination towards our employees, regardless of their gender, age, race, religion, or any other factor. To achieve a fully diverse team, our employees are placed in different provinces, ensuring better accessibility and customer service for general public. We are constantly working towards gender parity in our workplace by providing a level playing field for women to succeed in their professional careers.

We take pride in our dedication to reviewing our Human Resource policies to ensure that our female employees have a positive work environment. We are ecstatic to say that there were no incidents of discrimination reported during the year.

At every level of our corporation, we encourage the participation of women and are excited to highlight that 17% of our senior management and above categories are female. With a professional and progressive tone, we continue to strive for a diverse and inclusive workforce.



Gender-wise employees



Senior Management

Rewards and Recognition

We understand the invaluable role our employees play in the success of our operations. To show our appreciation, we have created an enticing rewards system that not only recognizes but also motivates our employees to perform their duties to the best of their abilities, fostering a sense of loyalty towards our corporation.

We are proud to offer a comprehensive reward package that includes both financial and non-financial benefits, commensurate with prevailing market rates. Our commitment to fairness and transparency ensures that all our permanent employees, numbering 2,232 individuals, receive a competitive and equitable remuneration package based on the nature of their work.

At CPC, we believe that recognizing and rewarding our employees is not just a sign of appreciation but also a reflection of our commitment to maintaining a happy and motivated workforce that contributes to the success of our operations. Additionally, employees are entitled to a host of other financial and non-financial benefits based on their employment category. These include bonuses, travel allowances for select grades, access to holiday bungalows, staff loans, medical benefits, gratuity through Thrift Society, maternity leave, and retirement benefits.

In recognition of their exceptional contributions and unwavering commitment to the Corporation, service awards are bestowed upon our outstanding employees. These accolades are granted according to our HR policy and reflect a deep appreciation for the employees' remarkable dedication and hard work. In total, CPC granted an impressive 54 awards this year to individuals who displayed a level of excellence that truly propelled the Corporation forward.

Service category	No. of awards
20 Years	33
30 Years	10
35 Years	10
40 Years	1
Total	**54**

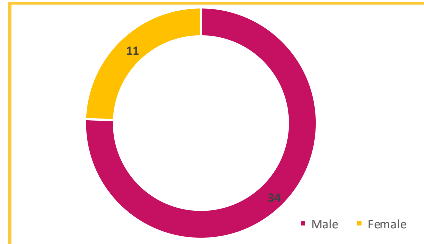
Recruitments

At CPC, we believe in attracting talent that aligns with our values and principles, and we believe that our recruitment process reflects this ethos. As a reputable public corporation, our recruitment process adheres strictly to national regulations, as well as our own meticulous HR policy. Our approach is to assess each candidate's suitability for the specific role through a rigorous and transparent process that combines formal interviews and competency tests. This ensures that we're able to comply with the prescribed cadre requirements and attract the most competent individuals with the potential for career growth and heightened responsibility.

We take pride in being an equal opportunity employer that upholds non-discriminatory practices. This means that men and women are treated fairly and equally, with both parties eligible for the same rewards structure for their respective job categories. We go above and beyond to ensure that we adhere to all statutory requirements, and as such, we only consider candidates who are 18 years above without discrimination.

During the year 2022, the Corporation recruited 45 employees to our workforce.

Recruitments



Promotions

Our promotion policies have been thoughtfully crafted to enable both lateral and vertical career progression, amplifying the chances of growth and development for every employee. Our policies are built on a robust framework of guidelines, rigorously ensuring that all promotions are primarily based on merit and performance factors.

Training & Development

At CPC, we are dedicated to nurturing our human capital by providing a continuous stream of training and development opportunities. Our annual training and development plan is designed to enhance the overall efficiency and effectiveness of our employees.

Despite the unprecedented challenges posed by the Covid-19 pandemic and economic downturn, CPC have taken a proactive approach to ensure that our employees continue to receive the necessary training to excel in their roles. We have implemented a range of in-house and external training programs to equip our workforce with the technical and soft skills required to meet their responsibilities.

Staff training

Fire training

Our investment in training and development is of vital importance and as evidenced by Rs. 4.75 million we have spent in 2022 to upgrade our employees' skills and knowledge. Our training focuses on key areas including productivity, governance, asset quality, HSE and compliance, and we strive to maintain a culture of continuous learning.

We believe that empowering our employees with access to higher education opportunities, both locally and abroad, is essential for achieving operational excellence. Therefore, we proudly offer financial assistance to support our team in pursuing master degrees, degrees, and diplomas that will elevate their knowledge and competencies.

Each year, Annual performance appraisals are performed and results promptly communicated to each individual member. The achievements reached during the year also considered and each employee's unique strengths and contributions are recognized and valued.

Ethical Behavior & Compliance

We believe that integrity and professionalism lie at the core of everything we do. We strive to imbue these values within our employees, impressing them into the very fabric of our corporate culture.

Through continued training and educational lectures, we aim to cultivate a heightened awareness of the importance of productive and ethical behavior.

We have a zero-tolerance policy towards bribery and corruption, insisting that all of our employees conduct themselves professionally, fairly, and with unwavering integrity in all business dealings and interactions.

CPC is committed to responsible and ethical behavior, and we hold ourselves to the highest possible standards and CPC also proudly adheres to all labor laws and regulations, ensuring that unlawful practices such as child labor, forced labor, and compulsory labor are never present within our organization.

Retirements

Retaining our talent within the organization is an important aspect of building a strong team and we are proud to indicate that we continue to achieve high levels of retention across all levels of employment.

Total of 116 employees left during the year due to the retirements, deaths and resignations.

Retirements/Death/Resignations

Year	Male	Female	Total
18-30 Years	-	-	-
31-40 Years	5	-	5
41-50 Years	4	-	4
51-60 Years	92	15	107
Total	**101**	**15**	**116**

Health & Safety

The topmost priority for us has always been the well-being of our employees, considering the high susceptibility of the petroleum industry to health hazards and inflammability. We left no stone unturned to maintain a safety-first environment for our employees while adhering to internationally accepted health and safety guidelines.

HSE at Refinery

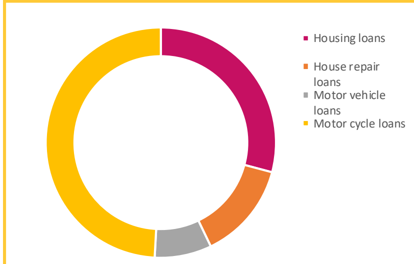
Health & safety Concern	Refinery	Head Office
Loss time accidents	-	-
First aid accidents	-	1
Minor fire reported	-	-

The refinery's role in ensuring safety cannot be understated, which is why we have implemented structured systems and safety training for all our employees, including regular safety audits and inspections. Our commitment to maintaining a safe and secure work environment is reflected in regular safety meetings held every quarter of the year, attended by our Operations, Engineering, and Management teams.

Welfare

Ensuring the wellbeing of our staff is essential for cultivating a dedicated and enthusiastic workforce, promoting employee loyalty and empowering us to attract and retain top talent. To this end, we offer a range of welfare programs and activities aimed at supporting a healthy and committed team.

Loan facilitates during 2022



We also prioritize work-life balance for our staff, extending our contributions to the children of CPC employees by offering scholarships to those who have reached academic excellence, including those pursuing university education. In 2022, we proudly offered 28 new scholarships under this program.


Work life balance training

We understand the importance of religious practices and offer ample opportunities for all employees to observe in accordance with their beliefs. In addition, we provide appropriate uniforms for select categories of employees, prioritizing health and safety to ensure a hazard-free working environment. Trust in our commitment to employees health and happiness is essential.


Religious activities

In recognition of the invaluable contributions of our staff toward the Corporation, we have implemented loan schemes offering concessionary interest rates to help bolster their quality of life. This year, CPC granted numerous loans and advance facilities to our employees.

The CPC Medical Scheme is designed proactively to provide comprehensive coverage for employees and their dependents, fostering a culture of wellbeing and promoting a healthy work-life balance.

Employee Engagement

We value and actively encourage our employees to remain fully invested in our operations. CPC recognizes the importance of work-life balance and encourage employee participation in sports and other group activities to facilitate personal fulfillment and recognition.


Kids game at annual get together

Annual get together of Finance team

CPC places great importance on engaging with trade union representatives to proactively address employee concerns in a mutually agreeable manner.

Industrial relations & Compliance

Effective management of industrial relations is a fundamental element in ensuring the seamless operation of any business. We recognize this and endeavor to align our industrial relations with our operational strategies. As a market leader, we value and prioritize good industrial relations as they play a crucial role in the optimal utilization of manpower, resources, and finances.

Our open-door policy welcomes all trade unions formed by our employees and fosters constructive dialogue aimed at maintaining positive relationships with all stakeholders. By doing so, we continually enhance our value proposition and ensure the continued success of our operations.

Employees are empowered to exercise their right to join a trade union in accordance with their preferences. As of 31.12.2022, there were nine registered trade unions, and the Corporation has established a cordial relationship with each of them to ensure seamless operations.

We are pleased to report that there were no recorded incidents of industrial action during the year in review.

Social & Relationship Capital

Social & Relationship Capital

Our strong and productive relationships with our stakeholders, including our business partners and the community, are crucial for creating value. Despite the exceptional challenges caused by fuel shortages, we have maintained close collaboration with our outlets to ensure a supply management and customer handling. As primary concern, health and safety while operating the at the outlet was trained to manage close customer relationship.

127
(Rs. Bn.)
Contribution to Government

649
(000 MT)
Crude Imports

3,290
(USD mn.)
Fuel Imports

335
(Rs. mn.)
Non-oil Procurements

Outline 2022

- Taxes and duties contribution for the government is Rs. 127,078 mn.
- Kerosene subsidy amounted to Rs. 26,065 mn.
- Total fuel imports during the year is 3,290 (USD mn.).
- Number of training opportunities for external students.
- Conducted community engagement projects through employee's societies.

An effective interaction with stakeholders is essential for the continuance of operations and the value creation. The Corporation maintains and strengthens its friendly relationships with key partners such as the General Treasury, Central Bank of Sri Lanka (CBSL), bankers, crude and refined oil suppliers, shipping lines, local suppliers, dealers, and so on.

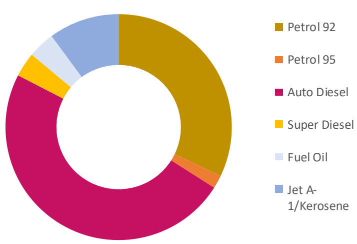
Petroleum imports

As Sri Lanka doesn't have mineable petroleum resources, petroleum product imports are one of the country's primary imports. CPC imports crude oil as well as refined petroleum products into the nation, and imports are conducted via the government's procurement processes, which are more transparent, in order to encourage the best suppliers to import quality petroleum products.

Category	2022 (USD mn.)	2021 (USD mn.)
Crude oil	483.79	596.94
Refined bulk products	2,805.95	1,755.06
Total	**3,289.74**	**2,362.00**

As the refinery accounts for around 30% - 35% of total CPC sales (current year 14%), the gap is filled via direct imports of refined goods. Through the aforementioned procurement procedure, the Corporation imported USD 3,289.6 million (USD 1,755.6 million in 2021) in refined petroleum products and crude oil to the country.

Import mix by cost



Filling station staff training

The shortages of the foreign currency and lack of suppliers lead to reduce the crude oil importations. Accordingly the crude oil importation cost reduced by 18.95% against the year 2021. various crude types which are new for CPC Refinery have tested and used as a solution for the crude shortages. Number of new suppliers have been registered and supplied successfully.

Despite the reduction of import quantities, the increase of international fuel prices contributed for the increase of the fuel cost.

All non-oil local and foreign procurements are also made in accordance with the government established procurement rules, which provide more transparent and attract the highest quality goods and services. Technical Evaluation Committees and Procurement Committees have been formed to analyze the product/service's necessity, relevance, quality, and pricing for long-term usage.

Non oil procurements	No. of pro-curem ents	Value (Rs. mn.)
Down delegated	606	80.7
Departmental procurement committees	51	254.4
Total	**657**	**335.1**

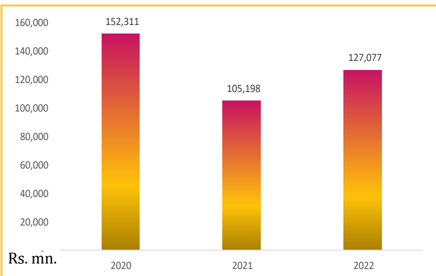
Government Contribution

The Corporation is one of a major contributor to the government's tax revenue, which is utilized for infrastructure development and economic activity. CPC contributed Rs. 127,078 Mn. (2021 - Rs.105,198 Mn) throughout the year, accounting for 11.1% of CPC income. As international prices continued to rise, the government reduced taxes on petroleum products in order to mitigate CPC's losses.

The total taxes and duties contribution has improved by 20.8% compared to 2021.

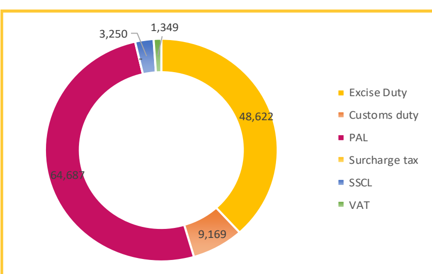
The government reduced Custom Import Duties (CID) on the importation of Petrol and Diesel , and the CID contribution declined by 56.14% due to the rate reduction and fall in imports.

Tax contribution



Exercise Duty has decreased by 11.6% due to the decline of imports and refinery production compared to year 2021. As the international prices increased, Ports & Airports Development Levy (PAL) has increased by 141.8% against the year 2021.

Tax-wise contribution



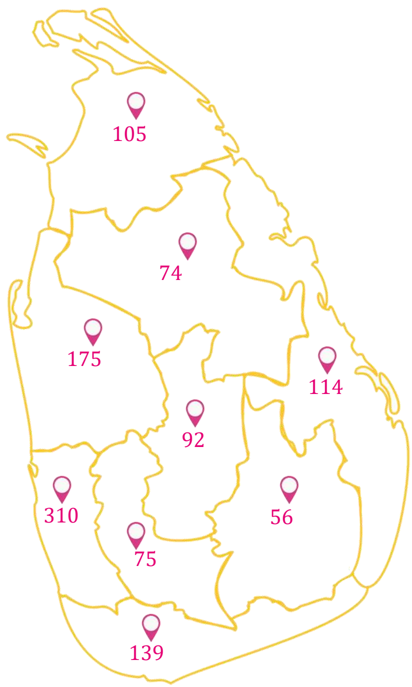
The government introduced SSCL with effects from 01.10.2022 and for the last quarter CPC contributed Rs. 3,250 mn.

Business Partnering

The island-wide dealer network of 1,140 filling stations ensures the general public's access to the product.

As CPC is the market leader in Sri Lanka's petroleum sector, with more than 80% market share, it is our priority to maintain cordial business relationships with our business partners in order to fulfill our obligation of energy security of the country. Strict processes and controls have been developed to maintain the filling stations to provide desired level of quality petroleum products.

Outlets - province wise



Filling station

Apart from this, our Agrochemical and Lubricant stockists and dealers also play a vital role in product availability.

Product Responsibility

Because of the inherent flammability and safety issues connected with our goods, product accountability is one of our key considerations in order to provide a quality standardized product to the user at all times. The quality process begins with purchase, and the handling, distribution, and quality checking processes are all monitored throughout the whole process.

A special monitoring system is in place at the customer interaction point to detect and implement corrective measures to ensure that the processes and practices are followed. Safety mechanisms are in place to protect against fire threats, and fire extinguishers are checked on a regular basis to ensure that they are accessible at all filling stations.

Agro products

Dynamic efforts were made to overcome the deficiencies highlighted and to conduct remedial actions to prevent future problems. More regulating systems were put in place to detect kerosene adulteration and ensure the quality of the items they consumed.

The year 2022 was one of most challenging years to the dealers as well due to the queues to purchase the fuel during the limited fuel supply time in mid of the year. CPC monitored the supply of fuel on QR system and dynamic actions were taken to rectify to adhere to system.

A separate complained book has been placed in every outlet to report/ complaint regarding the malpractices/ irregularities at the outlet and CPC attend on them for better services and product to end customers.

The Corporation does not sell any prohibited items in Sri Lanka. Glyphosate has been delivered to the recognized agricultural states as approved by the authorities, as CPC is a authorized agency to import and distribute Glyphosate in the country.

Education for healthy operations

Support for education

As Sri Lanka's sole refinery, ample of training opportunities are offered to local students to gain industrial expertise that would help them advance in their careers. There is a significant demand for experienced petroleum engineers from other nations, CPC offers as many training opportunities as feasible in order to attract foreign currency into the country. Additionally, industrial trips are offered to technical students for the goals of knowledge growth.


Training for students

Local students from universities and other educational institutions are given industrial training possibilities in fields such as finance, information technology, human resource management, and so on.

Community Engagement

Our strategy is to preserve cordial relations with the community. More than 15000 indirect job opportunities are available through our extensive distribution network.


Donation of school class room

Furthermore, we have agricultural and lubricant distributors that are providing thousands of job possibilities that will aid in their economic development. Although supply limitations posed issues for dealers, procedural activities were made to distribute fuel to dealers using a scientific way, allowing to be sustained.

Lubricant dealers and stockists are given training opportunities to help them establish and improve their customer and relationship skills, since they are the end consumer contact points that generate the values.


Donation of a budumedura

The availability of a high-quality product at a reasonable price, as well as ease of access, fosters positive direct and indirect ties with the community.

Kerosene Subsidy

CPC is Sri Lanka's only source of kerosene supply. Kerosene is used for everyday energy demands by low-income households and the fishing community. CPC provided Kerosene at a heavily subsidized price until August 2022, the government increased the selling prices to cover the overall cost of supply. However, since the cost of kerosene has risen dramatically, CPC has incurred significant losses from the delivery of kerosene until the price revision in August.

Kerosene is the primary source of energy for low-income people and small-scale farmers in rural areas.

Most fishing boats run on kerosene, the cheap energy cost allows the fishing community to generate a higher yield of product at a lower cost, resulting in greater advantages for both fishing communities as well as Sri Lankan fish consumers.

Boats for fishing

We feel that the continuous supply of Kerosene at a subsidized price contributes significantly to social well-being since the Kerosene price is extremely sensitive and the low energy price helps these people to maintain their living standards.

Social wellbeing

Through our distribution network, CPC gives over 15000 direct and indirect job opportunities to the people of Sri Lanka, ensuring economic sustainability for their life. CPC recognizes that most petroleum products are very sensitive to the cost of living and living standards of the general public; so, quick access and affordable pricing of petroleum products are our primary economic concern.

Despite the lower revenue generated by the Agro Chemical business, CPC Agrochemical continues in the market as the controlling party to safeguard farmers from exploitation by competing agrochemical firms provide higher economic advantages to farmers by providing low cost high quality products.

Field training to farmers

Natural Capital

Natural Capital

We prioritize the preservation and coexistence with the environment, committing to sustainable practices that promote efficient operations. Our focus lies in minimizing carbon emissions, promoting responsible consumption of water and energy, and implementing effective waste management strategies. Our strategies and action plans are guided by environmental policies, ensuring the long-term sustainability of our organization.

560
(000 MT)
Water Consumption

0.5669
Specific Energy Consumption

30,969
(MT)
Owned Fuel Consumption

0.6%
Normal Loss at Refinery

Outline 2022

- No health & safety incidents at the Refinery.
- CPC water intake purified 274,914 MT of water.
- CDU gas to flare was 180 MT (2021-442 MT).
- Expected loss at the refinery is 3,034 MT.
- No reporting biodiversity instances.

We are always devoted to the long-term sustainability of our activities. Although our activities unavoidably use energy and water throughout the crude refining process, we make every effort to reduce our carbon impact and sustainably utilize power. Further, strict rules, processes, and practices are in place for the waste management system.

Water Consumption

The oil refinery process requires a large amount of water, and a significant volume of water has been purified by the CPC Water Intake in Kelaniya. The operational efficiency of the plant was 29.16%. Due to excessive salt in river water near the water intake, the usage of National Water Supply and Drainage Board water increased to 284,960MT.


Water intake

We have always been devoted to water conservation and sustainable consumption pattern.

Year	2022 (MT)	2021 (MT)
Purified water via water intake	274,914	528,283
Water board	284,960	38,555
Total	**559,874**	**566,838**

Waste water is properly purified and discharge to the nature as per the internationally acceptable standards showcasing our commitment towards environment.

Energy Consumption

Oil refinery procedures need a considerable amount of electricity and energy to turn crude oil into refined petroleum products.

The Refinery produces the power for the activities and the gap filled through the CEB supply. Refinery utilized between 3.0MWh and 245.3MWh at the normal hours, and between 1.5MWh and 76.0 MWh at peak hours. The highest demand for CEB supply ranged from 410 to 1,359 KVA.

Generators

TG I & TG II were in operation as per the demand requirements throughout the year. DG I and DG II were on line intermittently throughout the year to supply the back-up demand.

Generator	In-situ Power Generation (MWh)
TG I	6,912
TG Il	3,182
DG I	2,538
DG II	2,804

As the sustainability is in our root cause, the refinery performs loss and efficiency surveys to discover and implement effective energy-saving techniques.

The Corporation included sustainable consumption into its strategies and invested appropriately to convert all circuit bungalows and Area offices to solar-powered facilities in order to pave the road for future.

Material Management

We continue to monitor the use of main commodities such as fuel, equipment, and so on, and work hard to ensure that these resources are used as efficiently as possible. Technological processes are developed and implemented to improve consumption efficiency and maintaining technical standards. We always upgrade our laboratory to meet the upcoming developments in the industry towards to be sustainable.

Responsible Sourcing

We make every attempt to acquire environmentally friendly goods and services. To ensure a sustainable sourcing method, suppliers must follow all applicable rules and regulations. Further, transparent procurement system is in place to attract more vendors to purchase goods and services.

Due to a lack of foreign currency to settle fuel bills, the year 2022 was in difficult to arrange fuel suppliers. Although CPC used a variety of methods for more potential suppliers, compliance with laws, regulations, and specification requirements, as well as the sourcing technique used, were taken into account for selecting suppliers dedicating for sustainability.

Disposal of Hazards Materials

The hazardous Agro chemicals are disposed of in accordance with severe environmental friendly processes, with the relevant regulator permissions and monitoring. The approved parties dispose of the waste without causing damage to humans or the environment.

Flare at the refinery

The refinery process inherently produces hazardous waste, which is disposed of in accordance with globally accepted methods to prevent contaminating the environment and hazardous waste is delivered to the flame and burned. This year, the overall fuel gas to flare amount was 247 MT (2021-556MT) and the quantity of CDU gas to flare ha reduced to 180 MT (2021-442 MT).

Used water is treated in accordance with recognised standards and discharged/released in an environmentally responsible manner. Other recyclable items are recycled via our treatment facilities or sent to approved parties to dispose in an environmentally acceptable method.

Sustainable & Environmental Friendly Economy

CPC is devoted to promoting more environmentally friendly goods in order to reduce the environmental effect of consumption. To supply more efficient fuel, CPC launched environmentally friendly Euro IV Petrol and Diesel.

Initiatives are being developed to import liquefied natural gas (LNG) into Sri Lanka in order to move toward a more sustainable consumption pattern with a lower carbon impact to the nature.

Biodiversity

We committed to mitigating the negative effects on biodiversity that may result from oil spills, emissions, waste, and so on. Strict operational processes have been put in place to ensure that all efforts have been taken to prevent the negative consequences on biodiversity. We are happy to note that there is no any reported incident of biodiversity.

Compliance

As a responsible corporate citizen who cares about the environment, there were no incidents of non-compliance with environmental laws and regulations at the operational or reporting levels during the year . As a result, other than what is reported, no major fines or non-monetary punishments were levied on CPC throughout the year.

The Corporation collaborates extensively with environmental authorities since our business is subject to major inherent risks that produce environmental concerns.

We have made every effort to mitigate the negative effects of our activities. We have collaborated with international organizations to mitigate potential environmental consequences, and CPC is a member of the International Oil Pollution Compensation Funds (IOPCF), which provides compensation for oil pollution damage caused by tanker spills of persistent oil.

In order to bring our commitment, we are happy to inform that CPC obtained ISO certification and OHSAS 18001 certification for our agro chemical processes and products.

Stakeholder Management

Stakeholder Identifica-tion → Mapping → Engage → Review & Address the Concerns → Develop Strategies

Stakeholder Management Process

CPC stakeholder management process begins, where the threads of collaboration intertwine to create a symphony of strategic alignment. We navigate the intricate web of relationships, harmonizing the needs and desires of each stakeholder. With finesse and flair, we orchestrate the flow of communication, ensuring that every voice is heard and every perspective is considered.

This process is not just a mere transaction, but a delicate art form, where we delicately balance the interests of all parties involved. Through our expertise and dedication, we transform potential conflicts into opportunities for growth and collaboration. So let us embark on this enchanting journey, where the power of connection and understanding reigns supreme. Together, we will create a masterpiece of stakeholder management that will leave a lasting impact on our value creation.

We're always keeping an eye on our business environment, looking out for any changes in the power and interest of our existing stakeholders, as well as keeping an eye out for any new ones that pop up.

As fuel shortages occurred in mid of 2022 and QR system introduced for the fuel management, general pubic and dealers raised concerns rather than any other period of the history. We took every action to address the concerns raised by our stakeholders.

Stakeholder mapping is our secret weapon. It helps us figure out just how much power and interest each stakeholder has in our business model, so we can decide how much influence they should have on our decisions. We prioritize their concerns based on their level of influence, and then we come up with strategies to maintain a super friendly relationship with them. In a nutshell, we're all about understanding and connecting with our stakeholders, and making sure they feel like they're part of the CPC family.

Stakeholder	Goals	Level of interest	Level of power
Shareholders	Provide investor information and return on investment.	High	High
Customers	Provide access to quality product.	High	High
Regulators	Compliance	High	High
Employees	Provide empowered, health & safety environment	High	High
Community	Sustainable relationship.	Medium	Low
Suppliers and service providers	Professional relationship for better sourcing.	Medium	High

● High ● Medium ● Low

Shareholders

- General Treasury
- Ministry of Power & Energy

Customers

- Dealers
- Agro/Lub stockiest
- Government customers
- Corporate customers
- Foreign customers
- Individual customers

Regulators

- Ministry of Power & energy
- Sri Lanka Customs/IRD
- Ministry of labour
- CA Sri Lanka/SLAASMB
- Finance Ministry
- Central bank of Sri Lanka
- Committee on Public enterprises
- MEPA
- Ports Authority
- Local and provincial authorities.

Employees

Community

- General public
- Community associations
- Media
- Environmental groups

Suppliers and service providers

- Fuel suppliers
- Banks
- Local goods/service suppliers
- Transport providers
- Utilities and other service providers

Category	Engagement Mechanisms	Concerns raised	Our responses
Shareholders	Submission of monthly financial statements Annual financial statements Annual report Corporate website	Review of periodic financial performance Financial reporting disclosures Future growth and outlook	Submission of financial and non-financial information on timely manner, updating the corporate website.
Customers	Product, promotion campaigns Engagement through filling stations Customer satisfaction surveys Communications through marketing channels Online and local engagement by the regional offices	Convenience and accessibility QR system concerns Delivery priority Product quality Affordability Customer care service	We have strengthened island wide distribution network to assure easy accessibility. Customer care unit strengthen to attend the customer complaints and solve them immediately. Improved information systems.
Regulators	Periodic discussions and reporting to the government & regulators. Periodic reporting system on the performance and compliances of CPC. Submission of timely information to the government for the fiscal/ macroeconomic decision making processes	Corporate governance Compliance with regulations Compliance with taxes Environmental protection	We submit the information requested by the regulators and maintain open dialogue with the regulators to encourage industry development.
Employees	Performance appraisals Employee engagement activities Meetings with the trade unions Sport & other events Welfare facilities to the staff	Competitive remuneration scheme Job security Skill and knowledge development A safe workplace Career progression and succession	We provide continuous training and development opportunities, attractive rewarding system in line with the industry standards, safe working environment and development of engaged employee workforce.
Community	Regional office engagements CSR activities and sponsorships Media and other social events	Job opportunities Accessibility to the products Economic & social impacts CSR activities Sponsorships QR system concerns	Develop a cordial relationship with the Communities. Empowerment and uplift the living standards.
Suppliers and service providers	Transparent bidding process Supplier registration process Regular meetings, written communication & relationship management	Long term partnership Settlements within the timeline. Adhering to the procurement guidelines. Compliance with regulations.	Encourage long term good relationships, settlement on timely manner, assure sustainability and quality standards of products and services.

Materiality

Matters that significantly affect our ability to create value to stakeholders are considered to be material topics and we measure and monitor these contents to understand their impact and prioritize. The materiality included in this report is a combination of those specific to our industry, those prescribed by the GRI guidelines, value creation model and our strategies.

We assess the material topics that impacts to the value creation model and they are filtered and prioritized. The material maters identified during the year 2022, and their impacts are listed below.

No.	Material content	Reasons for Materiality	Our Approach	Impact to CPC	Link to strategic pillars
1	Financial performance	As CPC recorded highest loss ever, greater emphasis on strengthening profitability for stability and growth opportunities of CPC to create value to stakeholders.	Continuous coordination with the government for pricing mechanisms. Implemented the strategies to grow our profitable Strategic Business Units to contribute profitability. Aggressive cost management initiatives to minimize the cost element of the generic petroleum products.	High	Profitable growth
2	Global oil prices	As a price taker, profitability depends on international oil prices.	Grab the maximum benefits of the premium & price reductions/volatilities in the international oil market.	High	Profitable growth
3	Government policies & pricing	Fuel prices of main petroleum products are decided by the government and the profitability on these products depend on the government policies.	Continuous coordination with the government for pricing mechanisms and cordial relationships with the government for price revisions. Compliance with the government circulars issued time to time.	High	Profitable growth/ Operational excellence/ Sustainability
4	Energy security & continuous fuel supply	The fuel shortages critically impacted at the mid of 2022 and maximum endeavors for fuel supply to the nation.	Adopting sustainable sourcing & monitoring mechanisms and maintaining the required stock levels to avoid shortages.	High	Sustainability
5	Product quality	The customer satisfaction and meeting with product compliance to create value to the stakeholders.	Regularize the procurement process and standardize the product quality.	High	Operational excellence

No.	Material content	Reasons for Materiality	Our Approach	Impact to CPC	Link to strategic pillars
6	Exchange variation	The sharp depreciation of rupee impacts on our massive sort term foreign currency borrowings resulting to high exchange variation and limit the growth and stability opportunities affecting to value creation process.	Initiative for the working capital management and implement strategies to minimize the exchange rate variations. The development of system to purchase dollars from the banking system.	High	Profitable growth
7	Distribution network	Distribution network is essential to reach the product to all the intended customers.	Strengthen the island-wide distribution network to assure easy accessibility of the product. Invest in Trincomalee tank farm to enhance the capacity and easy the distribution operations.	High	Operational excellence
8	Employee productivity	Improved productivity enhance the overall performance and facilitate to achieve goals and objectives.	Continuous training and development to build and retain engaged and dynamic workforce.	High	Investment in human capital
9	Operational efficiency	Is essential to create the value to the stakeholders.	Enhance the operational efficiency of the all the operations in Refinery as well as other operations by way of infrastructure investment, new systems and procedures.	High	Operational excellence
10	Health & safety	As health and safety risks inherited, maintaining health and safety environment is essential to smooth operation and safeguard the stakeholders.	Stringent health and safety practices are embedded to the policies and strategies of CPC.	High	Operational excellence
11	Risk & corporate governance	Enhances the ethical behavior, integrity and trust of CPC.	Maintain strong governance structure.	High	Profitable growth/ sustainability
12	Technology advancement	Provide better and accurate service to stakeholders.	Develop and more investments on technology.	High	Technological advancement
13	Compliance	Essential for the continuation of the business operations.	Comply with the laws and regulations and establish a good monitoring system.	High	Sustainability
14	Socio economic impact	Provide a better service to meet the national interest.	Assure the uninterrupted fuel supply at reasonable/subsidized price to upgrade the livelihood of the community.	High	Sustainability
15	Environmental impact	Enhance the sustainable operations and consumption pattern.	Sustainable sourcing & meet with the international level standards for the waste/hazards waste management and water & environmental conservation.	High	Sustainability

Sustainability Report

The magnificent journey of CPC's sustainability process in the realm of petroleum business is like a symphony of innovation and responsibility. With every step forward, CPC operates harmoniously with the environment, ensuring a future that is both prosperous and green. With each drop of oil, CPC is not just fueling progress, but also igniting a revolution of conscious consumption. The commitment to reducing carbon emissions and promoting sustainable energy consumption is a testament to unwavering dedication to a greener tomorrow. In this ever-evolving world, CPC stands tall as a pioneer.

CPC, not only fuels the nation but also ignites the flames of employment, offering over 15,000 opportunities to indirect employment members of society. Through our extensive dealer network, as well as our lubricant and agro stockiest, we empower individuals to thrive and contribute to the national economy.

As the sole supplier of kerosene in Sri Lanka, we extend a helping hand to low-income families and the resilient fishery community. We understand the importance of economic relief and survival, which is why we provide them with this vital resource. In fact, during the year, CPC went above and beyond, incurring a kerosene subsidy of Rs. 26,065 mn. to support the lives of our low income Sri Lankans. Even during fuel shortage time, we took every endeavors to protect them and at CPC, we don't just fuel engines; we fuel dreams, aspirations, and the very essence of our society.

ESG

Environment	Social	Governance
♦ Water efficiency ♦ Energy efficiency ♦ Bio diversity ♦ Environmental management ♦ Hazard chemical disposals ♦ Efficient value chain practices	♦ Health & safety ♦ Equal opportunity ♦ Human rights ♦ Product responsibility ♦ Community investment ♦ Conflict management	♦ Business ethics ♦ Compliance ♦ Governance structure ♦ Sustainable strategy ♦ Board structure ♦ Corporate ethics

CPC has taken on the mighty task of tackling the treacherous chemicals that come our way, like agro chemicals and petro chemicals, which sneak out during the refinery process. Our sustainable policies are the backbone of our actions and protocols, demonstrating our unwavering dedication to sustainability. We've gone the extra mile by implementing standardized practices, proudly showcasing our proven commitment to a greener future.

We have utilized a significant volume of water for the refinery operations, and we are pleased to demonstrate that we adhere to internationally accepted standards for purifying and releasing the used water into the environment. It is worth noting that we have not encountered any instances of non-compliance with environmental laws and regulations. Overall, CPC is prioritizing the Environmental, Social, and Governance (ESG) aspect to highlight our dedication to sustainability.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) serve as a collective framework for promoting peace and prosperity for both people and the planet, both now and in the future. Comprising of 17 goals, the SDGs call for immediate action from all nations through a global partnership. They acknowledge the interconnectedness of poverty eradication, improved health and education, reduced inequality, and economic growth, while also addressing climate change and the preservation of our oceans and forests.

As a responsible government entity, CPC actively contributes to the attainment of the SDGs by integrating them into our short-term, medium-term, and long-term strategies. These strategies align with the broader development agendas and are integral to our commitment towards achieving the SDGs.

Diverse workforce of 2,232 is rewarded at a fair rate the Corporation has paid Rs. 6.59 billion as a employee cost to upgrade their livelihoods. Further, various welfare activities such as loan schemes, medical facilities are provided with aim to improve the living standard of employees and their families. We provide more than 15,000 indirect employment opportunities island-wide through our distribution networks with contributing to the society to reduce the poverty.

CPC is the only organization to supply Kerosene and the Kerosene is supplied at a highly subsidized price with a aim to provide economic relief to upgrade livelihood of the low income families and fisher communities. The subsidy amount for the year 2022 is amounted to Rs. 26,065 Mn.

As petroleum products are inheritably exposed to the health and safety risk, stringent actions have been taken to provide good health and safety environment to the employees as well as for the society as a whole. International level standards are maintained at the Refinery to minimize the hazards environment.

The Corporation has provided benefits including medical benefits through medical scheme covering the employees & their family members, gratuity, maternity leave, etc. to enhance the heath and well being.

The Corporation is a equal opportunity employer and do not discriminate based on the gender. All the employees treated with a non-discriminating rewarding policy between men and women leading both parties eligible for the same rewarding scales (1:1) for the same job categories adhering to the all the statutory and other requirements.

Most of the products are provided at a subsidized price for the betterment of the livelihood and economic activities while ensuring energy security of the country. Kerosene supplies at a highly subsidized price with a aim to enhance the affordability of the products to the low income families and fishermen. Procedures are in place to assure that consumers are consume the quality standardized petroleum product.

The Corporation has contributed Rs. 127 billion as a various taxes and duties to the Government for the economic growth of the country. Fuel supply for more than 80% of the country's fuel demand affirmed the energy supply for the economic development of the country even under challenges. Further, Refinery added economic value over 14% of our sales to the national economy.

Develop quality, reliable, sustainable and resilient infrastructure and to support economic development and human well-being, with a focus on affordable and equitable access for all.

CPC implements/plans number of medium and long-term strategic projects that will enhance the operational capacities and efficiencies of CPC operations. We have invested Rs. 4.5 billion on the fixed assets during the year for this purpose.

We maintain environmentally sound management of chemicals and all wastes throughout their life cycle specially in Refinery and agro chemicals, in accordance with agreed international frameworks and ensures non-release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

Hazards waste is dispose based on the internationally accepted with complying to the laws and regulations.

The Corporation assures the efficient and effective use of resources for the sustainable production pattern and every endeavors taken for the sustainable consumption. The Corporation had provided Euro 4 standard Diesel and Petrol to provide environmental friendly efficient fuel leading to sustainable fuel consumption .

We inbuilt the procedures and practices to our strategies to minimize and avoid the impacts to climate-related hazards and natural disasters. We integrate the climate change measures implemented by the government into our strategies. Training and awareness programs are provided for the Refinery staff for the proactive measures.

The Corporation used significant quality assurance procedures to identify and to ensure zero level fuel leakages. The quality and regulatory checks are done at both transportation level, storage as well as at the outlet level to avoid the risk of oil spills.

The Corporation is a member of the international fund (IOPC) which provide compensation for the oil pollution damage resulting from spills of persistent oil from tankers and this enables to take prompt actions to prevent the water pollution.

We ensure the sustainable production of agro chemical products and distribution as per the acceptable standards. Information and trainings are provided to bring the zero level harm to the lives on the earth and to maintain the zero level environmental pollution.

Risk Management Report

Given the inherent vulnerability of the petroleum industry to a wide range of risks that can impact both the operational and financial performance of an organization, as well as the reputation of the country as a whole, risk management plays a crucial role in maintaining a strong social and economic environment. As the market leader in the petroleum industry, our corporation recognizes the importance of implementing a comprehensive risk management policy that addresses all areas of risk in order to ensure the smooth continuity of our business operations.

Our CPC Refinery and Bandaranaike International Airport, which operate around the clock, are exposed to numerous risks that can impact their operations. Therefore, our corporation takes the responsibility of identifying these risks and developing strategies to mitigate them very seriously.

Purpose of Risk Management:

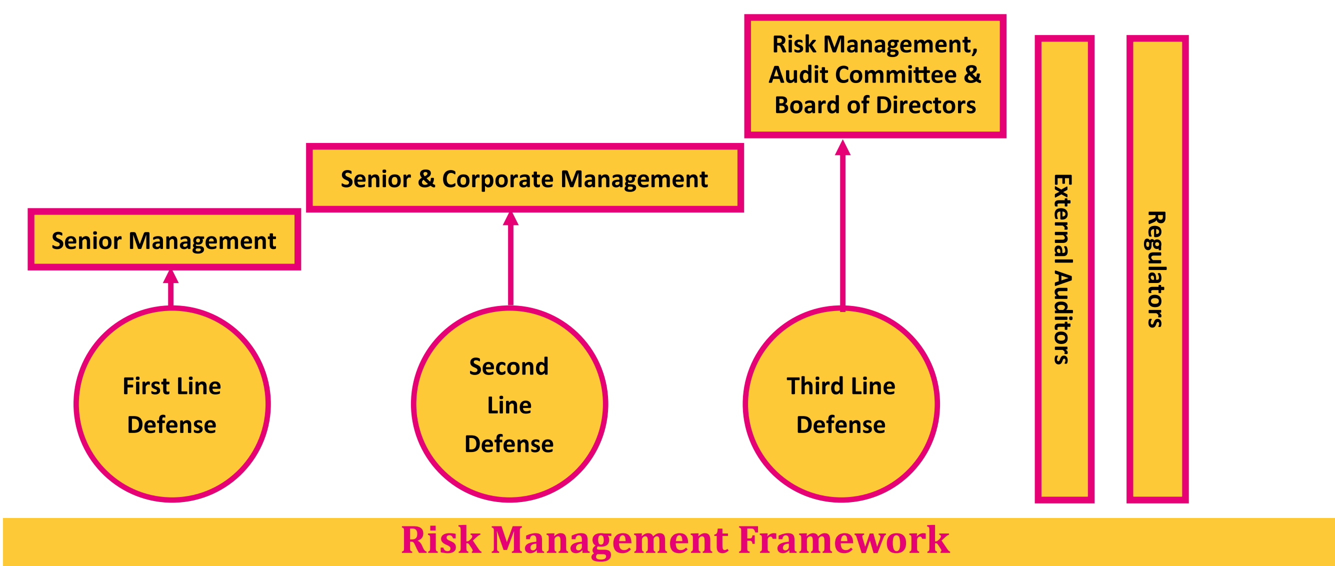
The primary objective of implementing risk management practices is to safeguard the Corporation from potential vulnerabilities arising from external factors, market fluctuations, and internal shortcomings. It is crucial to strike a delicate balance between growth and risk, ensuring the Corporation's sustained existence while also protecting the well-being of our employees, customers, and the general public. By effectively managing risks, we aim to shield the Corporation's assets from any adverse events that may arise.

We strategically oversee the identification of hazards and work towards reducing them to either zero or an acceptable level.

Risk Management Framework

Our Risk management framework has been developed proactively to identify the key risks that affect our Corporation. We evaluate the impact of these risks and effectively manage them to ensure a energy supply to the nation. Our risk management framework includes risk policies and clearly defined roles and responsibilities.

The implementation of an effective risk management framework allows us to smoothly carry out our operations. The risk management framework is supported by various regulations such as the Ceylon Petroleum Corporation Act No. 28 of 1961, Finance Act No. 38 of 1971, Financial Regulations, Guidelines on good governance, Best practices for public enterprises, and other relevant regulations.



These regulations provide a solid foundation for identifying, monitoring, controlling, and taking corrective actions regarding risks.

CPC's risk management process is strengthened by three lines of defense. The first line of defense consists of our business and operational units. The second line of defense includes our internal control system and designated authorities who ensure that risks are controlled and managed in accordance with our risk appetite. The third line of defense comprises internal audit, external audit, and other compliance measures to ensure adherence to established policies, procedures, and regulatory requirements.

First Line of Defense

The business and operational divisions are responsible for identifying, managing, and reporting risks to ensure that any exposed risks are effectively identified and managed within the first line of defense.

Second Line of Defense

The corporation has implemented a comprehensive system of internal controls, including clearly defined policies and procedures that are designed in accordance with relevant Acts and procedures. This system enables the corporation to detect, manage, and prevent risks associated with CPC through the second line of defense.

Third Line of Defense

The internal and external audit functions play a crucial role in the risk management process within the third line of defense. These functions examine the effectiveness of the financial and operational systems in terms of their design and implementation.

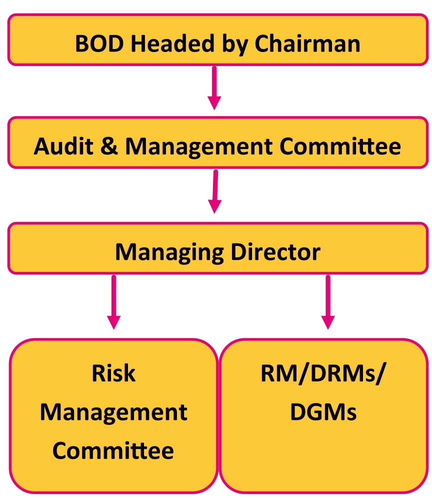
The Risk Management Committee, established by the Board of Directors, reviews significant audit findings, management responses, and performance against established goals and objectives.

The aforementioned risk governance structure ensures that risks are identified, measured, mitigated, and reported.

Tone at the Top and Risk Governance

The effective management of risks is crucial for the smooth operation of the Corporation. Both global and domestic economic, political, and social conditions have highlighted the need for a proactive approach to continuously identify and manage critical risks.

The ultimate responsibility for risk management lies with the Board of Directors, led by the Chairman. This responsibility is further supported by the Risk Management Committee .



The Risk Management Committee is responsible for identifying and developing risk areas, as well as devising strategies to mitigate vulnerabilities and their effects. The Audit & Management Committee ensures that well-defined procedures are in place and effective monitoring is carried out through regular reporting to management. To fulfill its risk management objectives, the Audit and Management Committee has established a separate risk management committee.

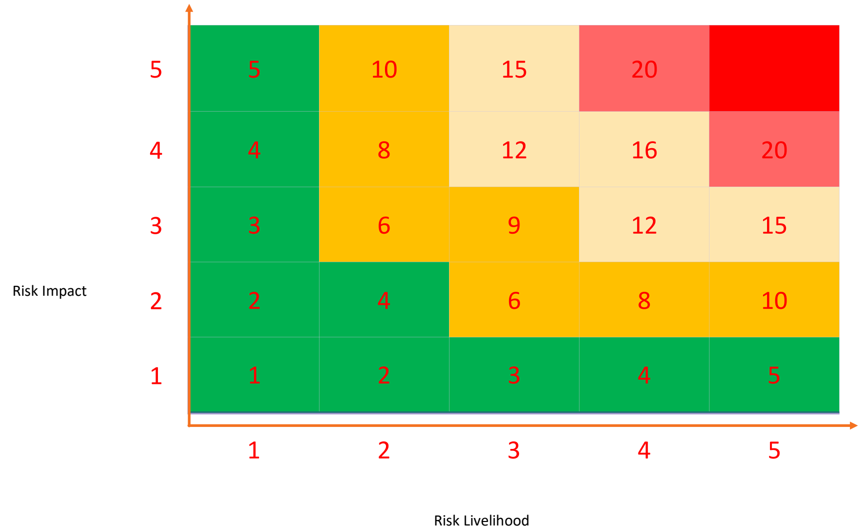
At the latter part of the year, the risk management Board sub committee has been established to implement the risk management policy, and it reports to the Board of Directors. The committee comprises two directors, managers, and executives from each function, who work together to identify risk areas and implement controls and mitigation measures. The main duties and responsibilities assigned to the risk management committee are outlined below.

Duties & responsibilities

- Identify the risks they are exposed - Need to visit each operational and reporting areas and identify all the risks that are exposed.
- Evaluate - Evaluate the risks that are exposed and the likelihood and frequency of the occurrence of the risk events.
- Formulate the risk mitigating strategies - Identify the risk mitigating strategies and formulate them for each risk category.
- Implementation & monitoring - Implement the risk management/ mitigating strategies and monitor them.

Risk Management Framework

CPC is exposed to a multitude of risks, particularly in relation to the health and safety risks associated with petroleum products. Consequently, the Corporation conducts thorough analyses to identify these risks and formulates strategies to effectively control and mitigate them at all three defense levels. The application of these strategies is contingent upon the likelihood and severity of each risk. Once a risk is properly identified, CPC will either take measures to prevent its occurrence, transfer the risk to another party, or accept the consequences and allocate resources accordingly.



Risk Appetite

The Risk Appetite serves as a guideline for managing business and risk concerns by establishing tolerance levels for key risk categories that are deemed significant to our operations. These tolerance levels are determined based on the inherent nature of the risks involved in handling and operating petroleum products. CPC identifies several risks that have the potential to materially impact the Corporation.

Risk Rating	Risk Level	Level of Involvement
1 - 5	Very Low	Staff/Junior Management level
6 - 11	Low	Senior Management level
12-19	Medium	Corporate Management level
20 -24	High	Managing Director
25	Very High	Board of Directors

To assess the significance of these risks to our operations, CPC maps them against our risk appetite areas. We categorize them based on their level of risk and develop strategies to prevent their occurrence, transfer the risk to another party, or accept the consequences and allocate resources accordingly, depending on the risk level.

Special attention is given to the Refinery operations, as they are exposed to numerous risk areas. The CPC Refinery, which was established six decades ago, is particularly vulnerable to various risks, making risk management a crucial aspect of its operations. The Aviation function also operates in live airports, which are susceptible to multiple risk areas. These two operational areas pose significant risks to CPC, making risk management a top priority. Additionally, the agro chemical function is vulnerable to various health and safety risks, and implementing risk management strategies to ensure the continuity of business operations is of utmost importance.

Risks Exposure to CPC

CPC has conducted an assessment of the significant risks associated with its operations, which have both direct and indirect implications for the petroleum industry. Below, we provide a concise overview of the main risks faced by the Corporation, along with the corresponding risk management measures implemented, as well as strategies aimed at further mitigating these risks.

Economic Risk

The inflation rate of the country has a significant impact on the operations of CPC, as petroleum products are imported in US Dollar terms while sales income is received in Sri Lankan Rupee. Many of the main petroleum products are provided at a heavily subsidized price in order to alleviate social and economic circumstances. The movement of petroleum prices has a substantial effect on the national economy, as these products are of paramount importance. The adverse effects of inflation, interest rates, and exchange rates increase the cost of the products, leading to a rise in overall expenses and ultimately impacting profitability. Even slight changes in economic factors can significantly impact profitability, given the large sales volume of approximately 4 billion liters annually.

Mitigating factors

- Implementation of efficient cost management initiatives.
- Adoption of transparent pricing mechanisms for all products.
- Offering competitive pricing for products such as lubricant and bitumen.

Strategies

- Maintaining a pricing mechanism that strikes a balance between the profitability of the Corporation and the socio-economic conditions.

Commodity Price Risk

Sri Lanka, lacking domestic petroleum resources, relies on the importation of crude oil and refined petroleum products from the international market.

As a relatively small buyer in this market, the country's state-owned Corporation, CPC, is subject to the prevailing prices set by international suppliers. Consequently, the corporation is consistently exposed to the inherent risks associated with commodity price fluctuations. Unfavorable movements in international oil prices can have detrimental effects on the corporation's cost of sales, profitability, and cash flows.

Mitigating factors

- Implementing continuous price monitoring to take advantage of price fluctuations.
- Employing cost-effective methods for purchasing and storing stocks.

Strategies

- Expanding storage capacity to accommodate stocks during periods of global market price decline.
- Implementing a transparent pricing mechanism that includes all associated costs.
- Increasing the number of suppliers to foster competition.

Interest Rate Risk

Due to the Corporation's accumulated losses, the equity has diminished, leading CPC to borrow funds for working capital arrangements in order to ensure a smooth supply of petroleum products and maintain energy security for the country. In the year under review, CPC incurred a finance cost of Rs. 119,537 million, as the company owed loans exceeding USD 2.5 billion before transferring to the General Treasury.

Fluctuations in interest rates have a significant impact on the Corporation's financial performance, as they create an additional financial burden that hampers profitability.

Mitigating factors

- Ongoing negotiations with financial institutions to secure lower interest rates.
- Utilization of daily surplus cash balances by investing in interest-generating avenues.

Strategies

- Implementation of effective USD purchasing system.
- Prompt settlement of subsidy payments by the government to facilitate the repayment of bank loans.
- Exploration of financing options with lower costs and longer terms.

Liquidity Risk

The Corporation's failure to meet its short-term contractual and other obligations in a timely manner poses a liquidity risk. The Corporation relies on short-term borrowings from two state banks to fulfill its working capital requirements, which exposes it to significant liquidity risk. As a result of the Corporation's inability to settle its liabilities when they are due, additional interest costs are incurred. Furthermore, the Corporation's failure to settle its liabilities and supplier dues damages its reputation.

Mitigating factors

- Implementation of various short-term and long-term funding strategies.
- Continuous monitoring of liquidity position and management in accordance with maturity schedules.
- Implementation of an efficient collection mechanism.

Strategies

- Standardize the credit management policy.
- Explore opportunities for long-term funding options.
- Pursue the recovery of receivables from the government's subsidy element.

Safety Risk

The inherent flammability of petroleum products poses significant health and safety risks. To mitigate these risks, the Refinery adheres to internationally recognized health and safety standards. Regular checks and training programs are implemented to ensure safety. Additionally, the aviation sector is also exposed to safety risks due to the nature of operations in 24-hour live airports. Failure to comply with safety procedures and standards can have detrimental effects on business operations, corporate assets, and human lives. This may result in additional costs in the form of fines, penalties, and business or operational sanctions.

Mitigating factors

- Rigorous health and safety policies and procedures are in place.
- Staff to receive regular training on fire safety and health protocols.
- Regular maintenance is conducted to ensure compliance with standards and procedures.
- The Refinery undergoes a major overhaul every three years to maintain its assets.

Strategies

- Ongoing staff training programs, both internally and externally, are implemented in a structured and unstructured manner.
- The Refinery is continuously updated to incorporate the latest technological advancements.
- Efforts are made to obtain quality and safety certifications such as ISO and SLSs for the operations.

Information Technology (IT) Risk

Having a dependable information system is essential for making timely and accurate management decisions. In order to effectively compete in the market, it is vital to have access to online real-time information. This is particularly important in the highly competitive lubricant and agro chemical markets, as the availability of real-time information plays a critical role in achieving and sustaining market share.

Mitigating factors

- The organization utilizes the SAP - ERP system to accurately record and report its transactions through a Management Information System (MIS).
- The organization consistently provides ongoing IT training to its users to ensure their proficiency in utilizing the system.
- The organization consistently invests in its information technology infrastructure to maintain its efficiency and effectiveness.

Strategies

- The organization aims to maximize the effective utilization of the ERP system, including the implementation of features such as the Plant model, to optimize its operations.
- The organization maintains proper control over the SAP ERP system to ensure data integrity and security.
- The organization regularly updates the system to the latest model to benefit from enhanced functionalities and improvements.

Human Resource Risk

Engaged employees are a valuable strategic resource for the Corporation, and fostering a positive relationship with them ensures the smooth functioning and protection of the Corporation's assets. CPC actively works to attract and retain skilled employees, offering a comprehensive and rewarding compensation scheme that recognizes their value creation and mitigates the risk of legal disputes. The presence of an unsuitable workforce or even a single problematic employee can lead to detrimental conflicts, resulting in quality issues with products, ineffective customer handling, and ultimately, negative impacts on CPC's costs and profitability. Conflicts with employees also incur additional expenses related to employee management and legal proceedings for CPC.

Mitigating factors

- Implementation of a recruitment system that focuses on assessing candidates' competencies.
- Improvement of the rewarding system to better recognize and incentivize employees.
- Provision of training and development programs to enhance the skills and knowledge of employees.
- Establishment of collective agreements with labor unions to ensure fair and favorable working conditions.
- Implementation of staff welfare programs and other benefit schemes to support the well-being of employees.

Strategies

- Enhancement of the performance-based rewarding system to further motivate and reward high-performing employees.
- Creation of additional career advancement opportunities to encourage professional growth and development.
- Provision of training and development initiatives to equip employees with the necessary skills for technological advancements and new innovations.

Exchange Rate Risk

Over 90% of the sales revenue is generated in Sri Lankan Rupees, while the import costs of petroleum products and loan repayments, are primarily settled in US Dollars. As a result, CPC is highly exposed to exchange rate risks.

Even a slight movement of the exchange rate by Rs. 1/- has a significant impact on CPC's financial performance, due to outstanding bills to suppliers. The depreciation of the Sri Lankan Rupee against the US Dollar further exacerbates the burden of exchange rate losses on CPC's profitability, financial position, and cash flows. Exchange variation for the year 2022 is Rs. 527 bn.

Mitigating factors

- Implementing a system of continuous monitoring of exchange rates offered by all banks and observing market behaviors, while also actively purchasing US Dollars.
- Engaging in negotiations with banks to secure the purchase of US Dollars at a reasonable exchange rate.
- Government intervention to determine the selling rates of USD by banks, as well as the margin applied.

Strategies

- Implement system for the USD purchases through the banking system.

Credit Risk

Credit risks arise when customers are unable to pay their outstanding invoices by the due date, which exposes the Corporation to potential credit risks. The Corporation primarily sells petroleum products on credit to customers, and in the case of private parties, credit is provided upon submission of securities. However, credit sales to government institutions are made without any guarantee.

If a customer fails to fulfill their contractual obligations to the Corporation and defaults or delays payment, this poses a credit risk that can lead to cash flow issues and negatively impact profitability. Given that over 90% of receivables come from the power and aviation sectors, the performance of these sectors puts pressure on the Corporation's credit position, ultimately affecting profitability and financial standing.

Mitigating factors

- Offsetting the receivable from government institutions against a portion of taxes owed.
- Seeking government intervention to recover outstanding balances.
- Pursuing legal action to recover outstanding balances.
- Implementing a more structured credit policy.

Strategies

- Implementing credit sales to government institutions based on security measures and contractual agreements.
- Updating and formalizing the credit policy.
- Engaging the General Treasury in the recovery of outstanding balances owed by the government.

Corporate Governance

Good Corporate Governance contributes to sustainable development of CPC by enhancing the performance and to reach strategic goals & objectives. Our corporate governance concerns the relationships among the Board of Directors, Management, controlling shareholders, and other stakeholders.

Internal Instruments
Ceylon Petroleum Corporation Act No. 28 of 1961
Terms of References of Board & sub-committees
Board approved policies and policy manuals
Delegation of financial authority
Code of Conduct
External Instruments
Finance Act No. 28 of 1971
Public Enterprises Guidelines for Good Governance
Treasury/Government circulars
Code of Best Practice on Corporate Governance issued by CA Sri Lanka
Integrated Reporting Framework published by the International Integrated Reporting Council
GRI Standards for Sustainability reporting issued by the Global Reporting Initiative

Our governance principles focus on promoting and maintaining objectivity, transparency, accountability that ensure corporate success, sustainable growth and meets its statutory and regulatory obligations.

Corporate governance framework has been guided by the principles and requirements contained on the internal and external instruments.

Our Corporate governance report sets out our approach to governance in practice, the method Board discharged their responsibilities.

Board of Directors

Board of Directors is the main driving force of the Corporation who makes decisions on strategic, financial and reputational matters.

The Board ensures that there is a culture of good governance which is reflected in its work ethos, its value and robust framework of accountability and transparency that is continuously tested and improved. Ceylon Petroleum Corporation Act No. 28 of 1961 sets out the parameters for the Board to function and ensures good corporate governance. Further it sets out the roles and responsibilities of the directors, including the composition and tenure of the directors. The present Board of Directors is noted below.

Director & status	Appointment/ Reappointment Date
Mr. M. Uvais Mohamed (Chairman)	06.06.2022
Admiral Ravindra C Wijegunaratne (Retd.) (Managing Director)	15.02.2023
Mrs. R.M.D.K Rathnayake (Director/ Treasury Repre.)	13.01.2020
Mr. J. Manoj Gamage (Director)	12.12.2022
Mr. Nilanka Jayawardena (Director)	23.03.2023
Mr. Gihan Rashantha (Director)	23.03.2023
Mr. Sudeepa Rathnaweera (Director)	23.03.2023

The Board is well equipped with the vast areas of expertise and business acumen that contributes individually as well as collectively to reach the vision and mission of the Corporation. Summarized expertise of the directors with their qualifications and experiences are included on pages 21 to 25 of this report. Board of Directors as at 31.12.2022 is noted below.

Mr. M. Uvais Mohamed (Chairman)
Mr. L. E. Susantha Silva (MD)
Mr. W.W.D. Sumith Wijesinghe
Mrs. R.M.D.K Rathnayake
Dr. Prabath Samarasinghe
Mr. J. Manoj Gamage

Board Meetings

Regular Board meetings are held monthly, while special Board Meetings are convened as and when required. Corporate & Senior Managers attend meetings on invitations. The Board meetings are conducted on a formal agenda and Directors are provided with relevant comprehensive background information by Corporate Managements prior to the meetings. During the year under review 14 board meetings were held. The below table shows each director's attendance at the board meetings.

All information is furnished by the Corporate management and if required, from external expertise/ professionals to all Directors prior to Board or Sub-committee meetings for the effective decision making. The Corporate management is responsible to provide appropriate information and the information requested by the Board of Directors to the Board on time enabling the Board to efficiently & effectively discharge individual and collective responsibilities of the Board.

Directors' independence

The Board consists majority of non-executive directors operating in an independent capacity. Non- executive directors are independent of management and free of any business or other relationship that could materially affect the decisions of their independent judgment. The Director's interests are disclosed under the Note No 29 in the financial statements in the page No. 164.

Role & Responsibilities of the Board

The overall responsibility and accountability for the success and sustainability of the Corporation is vested with the Board. Its role is focused primarily on exercising sound stewardship towards the Corporation's strategic directions and overall performance, while safeguarding the best interests of stakeholders. Apart from the above, the following role and responsibilities also need to be performed/discharged.

Director	Directorship status	Appointment/ Reappointment Date	Date of Resignation	Meeting Attendance
Mr. M. Uvais Mohamed	Chairman	06.06.2022		8/8
Mr. L. E. Susantha Silva	Managing Director	23.07.2022	13.02.2023	5/6
Mrs. R.M.D.K Rathnayake	Director	13.01.2020		14/14
Mr. W.W.D. S. Wijesinghe	Director	06.06.2022	22.03.2023	8/8
Dr. Prabath Samarasinghe	Director	09.04.2021	22.03.2023	13/14
Mr. J. Manoj Gamage	Director	12.12.2022		1/1
Mr. W.W.D. S. Wijesinghe	Chairman	03.01.2020	06.06.2022	6/6
Mr. Buddhika R. Madihahewa	Managing Director	16.01.2020	13.07.2022	8/8
Mr. Dammika Rathmale	Director	05.03.2021	03.03.2022	2/3
Mr. Bandula Saman Kumara	Director	21.04.2021	18.10.2022	10/11
Mr. Rohana Thalpawila	Director	07.12.2021	11.08.2022	7/9

Roles and Responsibilities of the Board

- Set the strategic direction through the strategic plan of the Corporation
- Ensure that Key Performance Indicators are in place.
- Accountability for realizing CPC's strategy, overseeing its operating performance and financial results.
- Act as the ultimate custodian of CPC's corporate governance framework.
- Establishing systems of risk management, internal control and compliance
- Ensuring integrity of financial reporting processes, control system, risk management and operational control.
- Institutionalize support for innovations within the entity.
- Comply with the statutory and regulatory requirements.
- Ensure that key processes and procedures are properly documented and updated periodically.
- Assure that the appointment and proper functioning of the Board sub -committees.

The Board of Directors may delegate its powers or duties to a board subcommittee or any Director or employee to perform to accomplish the assigned role or responsibility. The Board takes all endeavors to exercise effective system of internal controls over the Corporation by formulating and implementing policies and ensures their effective implementation over the operating and reporting environment. The Board members directly communicate with internal and external auditors and all members of the corporate & senior management team enabling to safeguard the CPC properties and make effective and efficient resource allocations.

Board also responsible for granting approval for annual financial statements, annual budgets, corporate plan, annual report, action plan and reviewing financial performance on regular basis. Further, the Board grant approvals for the key appointments, staff promotions, major capital investments, borrowings and credit facilities to customers.

Role of the Chairman

The Chairman provides leadership to the Board, ensuring that all Directors individually and collectively contribute effectively to decision making processes to discharge their responsibility efficient and effective manner and contribute for the sustainable growth for the Corporation.

Roles of the Chairman
♦ Chair the Board meetings and ensure that Board proceedings are conducted in a proper manner.
♦ Ensures that Board meetings are held regularly.
♦ Submission of adequate information to directors for the effective decision making.
♦ Maintenance of proper records.
♦ Facilitating and encouraging the expression of diverse views by Members.
♦ Ensuring the participation of all directors during discussions.
♦ Ensuring compliance to all applicable laws and regulations.

Role of Managing Director

Managing Director implements the strategic decisions stipulated by the Board of Directors. He is in charge of CPC Management and links between the Board and the management. The Managing Director oversee the overall operations of these Corporation to ensure that CPC operates efficient and effective manner.

- Develop strategic, tactical and operational plans that support to reach to objectives and KPIs set by the Board.
- Ensures sound internal environment for the implementation of the strategic directions.
- Continuous engagement of the risk assessment and management.
- Promote learning and innovative culture within the Corporation.
- Communicate the change of business conduct and remedial actions.
- Building communication bridge between Chairman & Board and management for the effective flow of information.
- Ensure that the appropriate policies are developed to meet the corporation's mission and goals and to comply with all relevant statutory and other regulations.

Director's Remuneration

The fees/remuneration of the Chairman, Managing Director and Directors are determined and paid as per the circulars issued by the General Treasury. Fees and remuneration paid to the management has been disclosed under Note 29 in the financial statements in page number 164.

Sub committees

Board sub committees have been established by the Board of Directors for the specific tasks to support the Board of Directors to discharge their responsibilities effectively. The Audit and Management Committee and Risk Management Committee have been appointed to execute some of the main Board's duties.

Sub-committee	Areas covered
Audit & Management Committee	Financial system and reporting Internal audit & external audit Internal controls
Risk management Committee	Risk identification Risk management Development of strategies

Stock review committee is in place to ensure the availability of the products of the country with coordination with other relevant parties. Procurement committees have been established as per the guidelines issued by the General Treasury with the relevant authority levels to ensure the transparent procurement processes.

The Audit & Management Committee

The Audit & Management committee plays an independent role from management with accountability to the Board. The Audit & Management committee comprises of three non-executive directors as determined by the Board. The composition, the Charter, number of meetings, role played, and the attendance of the Audit & Management Committee is elaborated in the Audit Committee Report on pages 94 & 95 of this Annual Report.

Risk Management Committee

The Risk Management committee plays an independent role from management with accountability to the Board. The Risk Management committee comprises of two non-executive directors as determined by the Board. The committee has been established at the latter part of the year for the managing the risks that exposed and will be exposed in future.

Stock Review Committee

Stock review committee assesses the stock requirement for the next three months after analyzing the present stock position. It meets weekly with the participation of representatives from CPSTL, Lanka IOC and CEB. Quantities to import and shipments are planned after paying attention to the forecasted demand in the country, the refinery production capabilities and the tank storage capacities. The continuous fuel supply to the nation is ensured by this committee.

Procurement Committee and TEC

As per the guidelines issued by the National Procurement Agency (NPA) to purchase products, goods, services and works for the government institutions, Procurement Committees (PC) and Technical Evaluation Committees (TEC) are established annually or as an when required to procure the goods, services and works.

PC and TEC function under the guidelines issued by the NPA to ensure transparency, to minimize delays and to obtain financially the most advantageous and qualitatively best services and supplies to CPC. Technical Evaluation Committee pays attention to the technical aspects of the purchases while procurement committee takes care of the other aspects of a purchase. Regional procurement committee, Department procurement committee, Ministry procurement committee, Cabinet appointed procurement committee and Project procurement committee are functioning based on the value of purchase.

Relations with the parent

The Corporation’s business continuity depends on amiable and meaningful relationship with all its stakeholders and recognizes the importance of promoting mutual understanding between the Corporation and its stakeholders. In the opinion of the Directors, the Corporation’s ultimate parent undertaking and controlling party is the Government of Sri Lanka. The Corporation closely associates with the Ministry of Power & Energy, the General Treasury and the Central Bank of Sri Lanka (CBSL) to manage the Corporation’s operations. Chairman / Managing Director is the key contact personnel to deal with the government and such communications are done both verbally and in writing.

Internal Controls

A robust internal controls system is imperative for the Corporation to operate efficiently and maintain long-term viability. The purpose of this system is to protect the Corporation's assets and ensure the accurate maintenance of records, as well as the timely production of reliable information to facilitate strategic decision-making.

The internal control system encompasses financial, operational, and compliance controls, as well as risk management, which are necessary for the ongoing and sustainable functioning of the business. It effectively oversees the critical areas of risk within the organization, ensuring that they are maintained at acceptable levels through the implementation of appropriate mitigating measures. By doing so, the internal control system enables the Corporation to effectively realize its vision and mission. Furthermore, it provides a reasonable level of assurance that the financial statements are accurate and free from significant errors or misrepresentations.

Internal Audit

The Internal Audit Function prepares Audit Plans, which undergo review and approval by the Audit & Management Committee. These plans are designed to evaluate internal controls, assess the level of risk, likelihood of risk, and identify risk areas. Additionally, they aim to verify the completeness of transactions. The internal audit function is also assigned special audits, which serve the purpose of providing observations and recommendations to management regarding specific matters referred to them.

The Internal Audit function is managed by the professionally qualified employees to enable a good governance practice in the Corporation enabling to discharges the responsibilities assigned to the internal audit.

Role & Responsibilities of Internal Audit

- Review the adequacy of internal controls system and communicate weaknesses to rectify.
- Discuss Auditor General's Report, corrections and current position of the findings in the report.
- Carry out audits as per the approved Audit Plan.
- Conduct special investigation audits referred by the management or Audit & Management Committee.
- Carry out management audit to identify process improvements and increase efficiency.

Corporate Management

The Chairman and Managing Director manage the regular affairs of the Corporation based on the strategic direction, policies formed and procedures approved by the Board of Directors from time to time. They oversee the operations and monitors variations and take corrective action to realign to the strategic direction.

Operations and main administration have been categorized to two parts namely Refinery operations and Head Office operations including Regional Offices for the easy control purposes.

Refinery operation is headed by the Refinery Manager who is assisted by Deputy Refinery Managers in different core technical areas such as Electrical & Instruments, Manufacturing & Operations, Maintenance & Projects and Technical Services.

Head office functions are segregated in to several functions and each function is headed by a Deputy General Manager or a Manager who assists the Chairman and Managing Director in day-to-day functioning of the Corporation. The Corporate Managers of both Refinery and Head Office are well skilled, expertise and qualified with academic and relevant professional qualifications in their respective functional areas. Summarized biographies of Corporate Management outlining their qualifications are included on pages 26 to 28 of this report.

Conflict of Interest

The Board of Directors ensures that internal control systems, procedures and processes are in place to ensure that the CPC complies with all applicable laws and regulations. The Board of Directors performs their duties individually and collectively in order to assure the compliance with the applicable laws are regulations. A declaration is obtained annually from the directors in order to avoid the conflicts of interests which lead to impair the effectiveness of the decision making process.

All Directors, managers and employees act with integrity and ethically which lead to refrain from using their position to gain from the disclosure of the sensitive or confidential information.

Compliance

The Ceylon Petroleum Corporation is devoted to maintain transparency in all its operations and transactions. Complying with all applicable legislation, regulations, standards, best practices and codes are integral part to the success and sustainability of the Corporation.

CPC's corporate governance is structured by the guidelines published by the Public Enterprises Guidelines for Good Governance issued by the Department of Public Enterprises – Ministry of Finance and in the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. Board of Directors are committed to comply with those requirements safeguarding strong corporate governance practices. The internal control system is embedded into the CPC's operations in accordance with Finance Act No. 38 of 1971 and Ceylon Petroleum Corporation Act No 28 of 1961. Financial statements together with audit report issued by the Auditor General are published annually and tabled in the Parliament.

Audit & Management Committee Report

The Audit & Management Committee is a subcommittee of Board of Directors . The Board of Directors nominated non-executive directors with necessary skills and expertise to the Audit & Management Committee, and the Committee reports to the Board. The major responsibility of the Audit & Management Committee, which submits its findings and recommendations to the Board of Directors, is to assure the integrity of the financial reporting and audit procedures, as well as the maintenance of solid internal controls and risk management systems. The following are the Committee's responsibilities:

- Oversee the financial reporting system to verify that disclosures are adequate as well as reporting criteria are met.
- Compliance in corporate activities should be monitored.
- The integrity of the financial statements and the significant reporting judgments contained in them.
- Examine the internal audit function's actions and effectiveness.
- Evaluate the efficiency of internal control and risk management systems.
- Examine the risks to which the Corporation is exposed, as well as the activities taken to mitigate those risks and their efficacy.
- Discuss and approve the annual audit plan.
- Discuss the audit reports issued by the Auditor General.

Composition of the Committee

The Audit Committee is comprised of three Board members, and during the financial year under review, the Corporation had four (04) Audit Committee meetings, for which Non-Executive Directors were appointed as Committee Members by the Board of Directors.

Mrs. R.M.D.K Rathnayake (Chairperson), Dr. Prabhath Samarasinghe (Member) and Mr. Rohana Thalpawila (Member) were appointed as the Committee members for the Audit & Management committee meeting No. 96 and 97 and Mrs. R.M.D.K Rathnayake (Chairperson), Dr. Prabhath Samarasinghe (Member) were the Committee members for the Audit & Management committee meeting No. 98 and Mrs. R.M.D.K Rathnayake (Chairperson), Dr. Prabhath Samarasinghe (Member) and Mr. Sumith Wijesinghe (Member) were appointed as the Committee members for the Audit & Management committee meeting No. 99. Their individual and collective experience in financial, operational, and governance concerns is presented in order for them to effectively fulfil their obligations.

The Committee's Charter has been established to encompass the scope of responsibilities, authority, and particular obligations outlined in the Treasury Circular issued by the Public Enterprises relating to the conduct of Audit and Management Committees.

Meetings

During the year under review, four (04) Audit Committee meetings have been conducted to discharge responsibilities entrusted to them as noted above.

Date	Members present	Partici-pation
28.03.22	Mrs. R.M.D.K Rathnayake, Dr. Prabhath Samarasinghe, Mr. Rohana Thalpawila	3/3
16.06.22	Mrs. R.M.D.K Rathnayake, Dr. Prabhath Samarasinghe	2/3
18.08.22	Mrs. R.M.D.K Rathnayake, Dr. Prabhath Samarasinghe	2/2
27.12.22	Mrs. R.M.D.K Rathnayake, Dr. Prabhath Samarasinghe, Mr. Sumith Wijesinghe	3/3

Tasks Performed by the Committee

The Committee reviewed the financial reporting system adopted for the preparation and presentation of the financial statements. It also ensures consistence of accounting policies adopted and compliance with the financial reporting system including SLFRS/LKAS used for preparation of financial statements including disclosures and other regulatory requirements. The Committee also examines the adequacy, timeliness, and presentation of the Corporation's internal control systems.

Apart from the activities listed above, the Committee completed the following tasks in order to successfully fulfil its obligations.

- The Auditor General's Report for the financial year ending December 31, 2020, as well as the present condition, were discussed.
- Oversaw the summary of audit reports presented in 2022.
- Reviewed and approved the CPC Internal Audit Charter, as well as the 2023 internal audit plan
- The key performance indicators have been examined.
- Discussed the risk analysis and mitigation measures.
- Reviewed the other operational and compliance matters arose during the year.

Internal Audit Function

The role of the Internal Audit includes assessing effectiveness of the internal controls, identifying risk areas and verifying the accuracy and completeness of transactions in order to provide a reasonable assurance to the Board of Directors.

The Audit & Management Committee approves an audit plan created by Internal Audit at the beginning of the year, and a summary of the audit reports is evaluated to ensure the internal control system is in place to preserve the Corporation's assets.

Aside from the above, the Internal Audit Function conducts special investigations as directed by Management in order to give observations and suggestions on certain referenced arrears. Periodic reviews are planned to ensure that audit recommendations are implemented.

Summary of tasks performed by the Internal Audit during the year under review.

- Reviewed the adequacy of internal controls system and communicate weaknesses to rectify.
- Discussed Auditor General's Report and current position of the findings in the report.
- Carried out 110 audits as per the approved Audit Plan.
- Discussed Internal Audit Reports at the Audit & Management Committee meeting.
- Carried out management audit to identify process improvements and increase efficiency.

Conclusion

The Audit & Management Committee believes that the Corporation's internal control system provides reasonable assurance that the Corporation's affairs are managed in accordance with the Corporation's stipulated policies and procedures, that the Corporation's reporting system is properly maintained, and that assets have been adequately safeguarded.

R.M.D.K Rathnayake
Chairperson - Audit & Management Committee

Director's Report

The Board of Directors of Ceylon Petroleum Corporation is pleased to present the Annual Report 2022, which includes the Audited Financial Statements of the Corporation and its group for the year ended on 31st December 2022, as well as the Chairman's Message, Managing Director's Review, Management Discussion & Analysis, Value Creation, Corporate Governance, the Audit Committee Report, the Auditors' Report, and other information in compliance with Section 32(3) of the Ceylon Petroleum Corporation Act No. 28 of 1961,

Ceylon Petroleum Corporation is a state owned business enterprise incorporated under the Ceylon Petroleum Corporation Act No. 28 of 1961. The Corporation is managed by a Board of Directors. The registered office of the Corporation is at No. 609, Dr. Danister De Silva Mawatha, Colombo 09.

To the best of the Board of Directors' knowledge, the accompanying Audited Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka, as well as the provisions of the Finance Act No. 38 of 1971 and the Ceylon Petroleum Corporation Act No. 28 of 1961, as amended thereto.

Principal Activities

The principal activities of the Corporation are importing, refining and selling petroleum products in Sri Lanka. The Corporation also exports some of its petroleum products.

Subsidiary Companies

Name	Stake	Principal activities
Ceylon Petroleum Storage Terminals Limited (CPSTL)	2/3	Provision of fuel storage and distribution facilities and provision of information technology services
Trinco Petroleum Terminal (Pvt) Limited (TPTL)	51%	Possess, develop, utilize and manage storage facilities to carry out business including but not limited to petroleum related products; to import, store, sell and export petroleum and petroleum related products or any other products, stored by the company; to carry out any other business permitted by applicable laws and regulations.

Financial Statements of CPC and the Group

The Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31st December 2022 have been approved by the Board of Directors at the Board meeting held on 24 February 2023.

Accounting Policies

During the year under review, there were no changes in the accounting policies adopted except the recognition of right-of-use-assets , which were consistent with those adopted in the previous financial year as required by the Sri Lanka Accounting Standard No. 01 on 'Presentation of Financial Statements'. The impact of the change of the above accounting policy and adjustments have been disclosed in the financial statements.

Auditors Report

The Auditors' Report on the financial statements is set out on page 102 to 128.

Review of the Performance

A review of performance and affairs of the CPC during the financial year 2022 are included in the Chairman's Review on pages 15 to 17, MD's Review on pages 18 to 20, and Performance of the Corporation on pages 35 to 44.

Directors

The names of the Directors who were holding offices as at 31.12.2022 are ;

Mr. M. Uvais Mohamed (Chairman)
Mr. L. E. Susantha Silva (MD)
Mr. W.W.D. Sumith Wijesinghe
Mrs. R.M.D.K Rathnayake
Dr. Prabath Samarasinghe
Mr. J. Manoj Gamage

The names of the present Board of Directors is;

Mr. M. Uvais Mohamed (Chairman)
Admiral Ravindra C Wijegunaratne (Retd.) (Managing Director)
Mrs. R.M.D.K Rathnayake (Director)
Mr. J. Manoj Gamage (Director)
Mr. Nilanka Jayawardena (Director)
Mr. Gihan Rashantha (Director)
Mr. Sudeepa Rathnaweera (Director)

Meetings

Details of the Directors' meetings which comprises of Board meetings and Audit and Management Committee meetings are presented in Corporate Governance report on pages No. 89 to 95.

Directors' attendance at the meetings held during the year is given on page No. 90 of the Annual Report.

Directors' Remuneration

Directors' emoluments paid during the year are as follows;

	2022 (Rs. mn.)	2021 (Rs. mn.)
Directors' emoluments	9.643	10.568

Directors' Interest in Contracts

Directors' direct and indirect interests in contracts with the Corporation are disclosed in Note 29 to the Financial Statements.

Internal Control System

The Corporation's Board of Directors has implemented an effective and comprehensive system of internal controls. To analyse, assess, and verify internal processes, risk analysis, compliances, and other controls, a distinct Internal Audit Function is in existence, led by a competent Chartered Accountant. The observations are submitted to the Audit & Management Committee on a regular basis. Apart from that, the observations are provided to management so that the suggestions to correct the observations may be implemented.

Risk Management

The Corporation established an effective risk management framework as well as a Risk Management Committee to identify, analyse, and implement practical and corrective actions to minimise the risks that the Corporation has exposed. The risk management Report elaborates on detailed hazards, risks' implications, and measures to control or reduce the risks' impacts on pages 83 to 88.

Financial Performance

2022 was a most challenging year to CPC and faced with many issues due to the foreign currency shortages in the country, surge in international prices and sharp depreciation of Sri Lanka Rupee against US dollars. Considering the sharp increase of the petroleum costs, the government implemented a new pricing mechanism to pass the cost and benefits to the consumers.

Summary of the financial performance of the Corporation for the year ended 31 December 2022 are given below.

	2022 (Rs. mn.)	2021 (Rs. mn.)
Net Revenue	1,148,801	584,754
Gross profit/ (loss)	39,849	(4,068)
Operating profit/(loss)	(6,157)	(41,320)
Net Profit/ (loss)	(615,053)	(81,816)
Other comprehensive income	(156)	(88)
Total comprehensive income	(615,210)	(81,904)

Revenue

The increase of the domestic fuel prices with the government pricing mechanism in line with the increase of the international prices and the exchange rate caused to increase the CPC revenue by 94% to Rs. 1,154 bn.

	2022 (Rs. mn.)	2021 (Rs. mn.)
Transport	902,779	455,478
Power	128,383	47,323
Aviation	82,207	30,784
Industries	21,167	16,249
Domestic	18,806	19,931
Agro	290	446
Bunkering & export	817	23,622
Total	**1,154,449**	**593,833**

Segmental Performance

- Despite a 17% decrease in quantities owing to supply restrictions, revenue generated from the Transport sector doubled to Rs. 903 bn. due to an increase in selling prices, marking the biggest contribution to total CPC revenue.
- Although sales in the power generation fell by 6% in 2022, revenue climbed by Rs. 81 billion owing to the price adjustment of diesel, furnace, and naphtha for power production to meet the cost of supplying these goods.
- Following the covid-19 pandemic, the aviation business recovered, and aviation fuel sales volumes grew by 9.8% compared to 2021, the income increased by 167% due to the revision of selling prices in line with international pricing.
- Revenue from the Industries sector increased by 30.27% year on year to Rs. 21.16 billion. The rise in the selling prices of petroleum products resulted in an increase in income.
- Due to petroleum shortages, the refinery functioned for 139.33 calendar days in 2022, with a total crude intake of 529,779 MTs. For income generation, the refinery provided 482,875 MT of refined petroleum products.

Profits

Although prices had been revised few times prior to the implementation of the new pricing mechanisms, the price increases were insufficient to cover the total cost of petroleum product supply up to May. Furthermore, CPC faced a massive foreign currency variation of Rs. 527 billion as a result of steep depreciation of rupee against US dollars during the first five months.

Furthermore, as market interest rates rose, CPC was forced to pay Rs. 120 billion finance cost to banks. As a result, CPC posted a net loss of Rs. 615 billion for the financial year ending 31 December 2022.

Taxation

Income tax expense has been paid as per the Inland Revenue Act No. 24 of 2017 and the amendments thereto. Since CPC incurred a loss and there is an accumulated carried forward tax loss, no material income tax liability has been arisen for the year. The detailed tax liability is given in the Note 07 to Financial Statements on page 144.

Special Fee

During the year 2014, the General Treasury instructed CPC to pay Rs. 10 bn as a special fee and requested to charge that fee as an expense of Rs. 250 Mn for the year 2014, Rs. 750 Mn for the year 2015 and Rs. 1,000 Mn per annum for the period from 2016 to 2024 to the Income Statement. Accordingly, Rs. 1,000 Mn has been amortized for the year 2022.

Property, Plant & Equipment

The details of Property, Plant & Equipment and investment property of the Corporation and its Group are given in Note 08 to the Financial Statements on page 145. CPC invested Rs. 4.5 bn on fixed assets during the year.

Investments

CPC invested Rs. 51 Mn. in Trinco Petroleum Terminal (Pvt) Limited, a joint venture company with Lanka IOC PLC to perform the business with the investment in the tanks available in the Trincomalee tank farm.

Contributed Capital

As proposed in the National Budget 2023 and as approved by the Cabinet of Ministers, the Government guaranteed foreign currency (USD) loans and bills as at 31.12.2022 were taken over by the government as Government Debt stock. Therefore, the loans and bills to Bank of Ceylon and People's Bank amounting to Rs. 884,093.386 Mn. has been transferred to the General Treasury and the same amount recognized as the equity inflows on 31.12.2022. Accordingly, the total Contributed Capital as at 31 December 2022 was Rs. 912,580.511 Mn (2021 -Rs. 28,487.125 Mn).

	2022 (Rs. mn.)	2021 (Rs. mn.)
Opening balance	28,487.13	28,487.13
Capital infusion	884,093.38	-
Closing balance	**912,580.51**	**28,487.13**

Capital Reserves

Capital reserves of the Corporation as at 31 December 2022 was Rs. 4,992.686 Mn (2021 - Rs. 4,992.686 Mn).

Human Resources

Human resources are an important aspect of the Corporation's strategic assets, and engaged workers provide value to the organisation by helping it to realise its corporate vision and goal.

Several initiatives were implemented throughout the year to improve its human resources and optimise its contribution to the Corporate's long-term operations. CPC HR strategy promotes training and development as well as career growth in order to establish long-term human capital. Human Capital is discussed in detail on pages 62–67 of the Value Creation.

Outstanding Litigations

The Directors is in the opinion that the pending litigations against the Corporation disclosed under Note 26 of the Financial Statements will not have material impact on the financial stability of the Corporation or on its future operations.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief, the Corporation has not engaged in any activities contravening the applicable laws and regulations.

Environmental Protection

The Corporation has taken all endeavors to comply with the relevant environmental laws and regulations.

Donations

Due to the Corporation's precarious financial status and government regulations requiring it to spend as little as possible, it spent Rs. 0.2 million on Corporate Social Responsibility initiatives during the financial year under review.

Statutory Payments

The Directors, to the best of their knowledge and belief, all the statutory payments due to regulatory and statutory authorities have been settled (other than temporary delays of customs payables) on time with the available limited financial capabilities.

Contribution to the Government

The Corporation has contributed Rs 127,078 Mn (2021 Rs 105,198 Mn) during the year to the Government in term of duties, taxes and other statutory duties & levies to the Sri Lanka Customs & Inland Revenue Department.

Events after the Reporting Date

No material events after the reporting date of the Statement of Financial Position other than those disclosed in Note 27 to the Financial Statements on page 162, to adjust/ disclose in the Financial Statements.

Going Concern

Despite the Corporation's negative equity capital position, the Board of Directors has prepared the Corporate Plan with a strong desire to improve the Corporation's outlook, improve operations, and ensure the financial and commercial viability of its operations in the future. As a result, the Financial Statements were prepared and presented on a going concern basis.

Appointment of Auditors

The Auditor has been appointed in terms of the provisions in Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and accordingly, the Auditor General is the Auditor of the Corporation.

The Auditor's remuneration for the audit shall be determined in accordance with the Ceylon Petroleum Corporation Act No. 28 of 1961 and National Audit Act.

Auditors' Remuneration and Interest in Contracts with the CPC

The audit fee of Rs. 6.6 Mn. (2021 - Rs. 23.07 Mn) including under provision has been recognized in the financial statements for the year ended 31 December 2022 by the Corporation.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Corporation or with its Subsidiary.

Acknowledgment of the Contents of the Report

As required by the Section 32(3) of the Ceylon Petroleum Corporation Act No. 28 of 1961, the Annual report of the Corporation for the year 2022 has been prepared and presented by the Board of Directors.

This Annual Report is signed for and on behalf of the Board of Directors by;

Chairman　　Managing Director

26.07.2023

Directors' Responsibility Statement

The Board of Directors of the CPC has responsibility for ensuring that the CPC maintains proper books of account of all the transactions and prepares Financial Statements that give a true and fair view of the state of affairs and loss for the year.

Accordingly, the Board of Directors oversees the Managements' responsibilities for financial reporting through their regular meeting, and the Audit Committee. The Audit & Management Committee Report is given on pages 94 to 95.

The Board of Directors has instituted effective and comprehensive system of Internal Control and conducted a review of internal control covering financial, operational, compliance and risk management and obtained a reasonable assurance of their effectiveness and successful adherence to carry on business in an orderly manner, to safeguard its assets. The Board of Directors has reviewed the Corporation's Corporate / Business plans and is satisfied that the CPC has adequate resources to continue in business for the foreseeable future, the financial statements continue to be prepared on going concern basis.

Board of Directors consider that they adopted appropriate accounting policies on a consistent basis and ensures that the preparation and presentation of the Financial Statements of CPC and its Group on pages 129 to 165, which reflects a true and fair view of the state of affairs of CPC and the Group.

The Financial Statements of Ceylon Petroleum Corporation and its Group, which comprised the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and the provisions of the Finance Act No. 38 of 1971 and subsequent amendments thereto.

The Directors are confident that to the best of knowledge, CPC complies with regulations, laws and internal controls and measures have been initiated to rectify any material non-compliances.

Managing Director

Audit Report & Financial Statements

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. ENR/A/CPC/1/22/01 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 17 August 2023

The Chairman

Ceylon Petroleum Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Petroleum Corporation and its Subsidiaries for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Petroleum Corporation ("Corporation") and the consolidated financial statements of the Corporation and its subsidiaries ("Group") for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation and the Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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1.2 Basis of Qualified Opinion

1.2.1 Going Concern of the Corporation

Attention is drawn to the matter that the operations of the Corporation had resulted in a loss after tax of Rs. 615,053 million for the year 2022. Heavy losses incurred during the past years mainly due to the continues negative impact of exchange rate fluctuations, increasing in finance expenses due to significant increase of short terms borrowings, inappropriate pricing policy and also the negative impact of heavy losses incurred by the Corporation due to hedging transactions taken place during the previous years had caused further erosion of the net assets of the Corporation. Even though, the loans and bills to Bank of Ceylon and People's Bank amounting to Rs. 884,093 million had been transferred to the General Treasury and same amount had been recognized as equity inflows on 31 December 2022, the Corporation had recorded a negative net assets position of Rs. 85,712 million furthermore as at the end of the year under review. Thus, the ability of the Corporation to continue as a going concern without the financial assistance from the Government is in doubt.

1.2.2 Accounting Deficiencies

(a) Inter Company Balances

(i) According to the records of the Corporation, the net amount payable to the Ceylon Petroleum Storage Terminal Ltd (CPSTL), a subsidiary, was Rs. 6,211.04 million which comprised the amount payable to and receivable from the CPSTL of Rs. 7,458.10 million and Rs. 1,247.06 million respectively. However, as per the approved financial statements of the CPSTL, the net amount receivable form corporation was Rs. 7,164.20 million which comprised amount receivable from and payable to the Corporation of Rs. 8,000.36 million and Rs. 836.16 million respectively. Therefore, a difference of Rs. 953.16 (Rs.542.26 million and Rs. 410.90 million respectively) was observed in the intercompany balances of two entities.

(ii) A Claimable loss of Rs. 14.57 million from CPSTL during the year under review had not been recorded in the financial statements for the year under review. As a result, net intercompany payable balance and the operating expenses of the Corporation had been overstated by similar amount.

(b) Consolidation of Financial Statements

(i) Financial Statements of CPSTL for the year 2021 have been restated in the year under review. However, the effect of that restatement had not been adjusted or made a disclosure in the Consolidated Financial Statements of the year under review. Consequently, variances in the Other Operating Expenses, Income Tax Expense, Inventories, Income Tax Receivable and Retained Earnings of Rs. 27.01 million, Rs.6.48 million, Rs.121.62 million, Rs. 29.19 million and Rs. 92.43 million were observed respectively.

(ii) Differences of the Cost of Sales by Rs. 121.62 million, Income Tax by Rs.29.189 million and Retained Earnings by Rs. 29.19 million were observed between the amounts used to prepare the Consolidated Financial Statements for the year 2022 compared with the approved Financial Statements of CPSTL for the year 2022.

(c) Sales Commission to Dealers

According to the Board decision No. 05/1231 dated 30 July 2019, the Board had approved, in principle, a commission rate of 3% to Dealer Operated Dealer Owned dealers and 2.75% to the Corporation Owned Dealer Operated dealers as a temporary measure for each product between the upper and lower limits as specified below. The explanation made by the DGM (M) at the board reviewing the prices prevailed by 13 February 2013 and the dealers request for amalgamation of special commission to the standard dealer commission also had been considered in this regard.

	Petrol		Diesel	
	92 Oct	95 Oct	LAD	LSD
Upper Cap	Rs.162	Rs.170	Rs.121	Rs.145
Lower Cap	Rs.117	Rs.128	Rs.95	Rs.110

A fixed commission rate of 2 per cent was granted for kerosene.

3

Dealers' commission has been paying disregarding the upper cap on dealers' commission as per the above-board decision. Accordingly, over paid dealer commission of Rs. 12,410.44 million during the year 2022 had been recorded as selling and distribution expenses. As a result, net income of the year under review had been understated by same amount. Further, trade receivable and the accumulated net income of the corporation had been understated by Rs. 12,466.4 million at the end of the year under review.

(d) Kerosene Subsidy

The Corporation sells kerosene at the Government decided price with an agreement to reimburse the loss incurred by the Corporation caused by any price reduction as the Government subsidy in compliance with instruction given by the letters No. FP/06/100/02/2016 dated 24 November 2015 and the No. TTIP/1/83(1)T dated 04 December 2014 of the of the Secretary to the General Treasury. Even though the total amount of subsidy recoverable for the period from 2014 to 2022 was Rs. 74,626.54 million, the General Treasury had reimbursed only a sum of Rs. 4,459 million as at the end of the year under review. Even though the total subsidy receivable as at the end of the year under review was amounted to Rs. 70,167.26 million, only a sum of Rs. 5,097.72 million had been accounted for. Further, all direct and indirect taxes on that income also had not been accounted for and paid.

1.2.3 Sri Lanka Accounting Standards (LKAS)

(a) According to the paragraph 32 of LKAS 01, gains and losses should separately be presented. However, in contrary to such provisions, the exchange gain of Rs.108,997.26 million had been offsetted against the exchange losses of Rs.636,074.24 million in the financial statements of the year under review.

(b) According to the paragraph 97 of LKAS 01, "when items of income or expense are material, an entity shall disclose their nature and amount separately". However, the nature and amounts of the exchange gain of Rs.108,997.26 million and exchange losses of Rs.636,074.24 million (as per audit calculation) had not been separately disclosed in the financial statement of the Corporation for the year under review.

(c) According to the financial statements of the Corporation, payable balances totalling to Rs.6,303 million had been netted off against the debit balances in Trade and Other Receivables as at the end of the year under review which contrary to the paragraph 32 of LKAS 01.

(d) Fully depreciated assets amounting to Rs.3,191.08 million had been continuously used by the Corporation without being reassessed the useful economic lifetime of them and accounted for them in compliance with LKAS 16. Further, an audit test check revealed that, 22 lots of land belonged to the Corporation as at the end of the year under review had not been re-valued, and accordingly, a substantially lower amount had been shown as land in the financial statements.

1.2.4 The Audit Opinion on the Financial Statements of the Subsidiaries Companies

An unqualified audit opinion was issued on the financial statement of the subsidiary Company of Trinco Petroleum Terminal (Pvt) Ltd, by me. The audit opinion on the financial statements of the Ceylon Petroleum Storage Terminals Limited (CPSTL), the other subsidiary, for the year under review was qualified by me. The significant matters which will cause to a disagreement with the corresponding balances/ transactions of the Corporation and the Group are given below.

(a) According to the paragraph 34 of LKAS 12, a deferred tax asset shall be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. However, the Company had not recognized differed tax asset of Rs.274.7 million relating to the unused tax loss of Rs.915.3 million for the year under review.

(b) The fully depreciated assets valued at Rs.8,391.6 million which comprises 24,175 items are being continuously used by the Company without reassessing the useful economic lifetime of those assets and accounted them contrary to the paragraph 51 of LKAS 16. Further, the Company had not re-valued its assets since the inception in 2003 of the Company and a proper revaluation policy was not established for this purpose. Hence, the non-current assets shown in the financial statements had not reflected the fair value of such assets.

(c) The property plant and equipment valued at Rs.36.8 million had been presented in financial statements for the year under review as working progress despite the constructions activities of those assets were completed and available for use as at 31 December 2022 and depreciation of such assets had not been started as per the paragraph 55 of the LKAS 16.

1.2.5 Lack of Evidence for Audit

(a) **Write-off the receivable balances**

The Board had approved to write-off the receivable balance amounting to Rs.1,516 million from the books of accounts of the Corporation due to lack of sufficient information. However, as iterated in previous audit reports, it was unable to ascertain in audit whether the Board had taken proper action to check any possibility of occurring fraudulent activities in relation to such transactions or events before taking a decision to write-off the receivables. Also, action had not been taken against the officers who had been responsible to maintain documents relating to that balance up to date. Further, it was unable to ascertain in audit whether the Corporation had complied with the requirements of the Public Finance Circular No. 01/2020 dated 28 August 2020 in this regard.

(b) As iterated in previous audit reports, sufficient and appropriate evidences relating to debit balances of trade and other payables amounting to Rs.39.0 million were not made available to audit. Accordingly, accuracy and existence of those balances could not be satisfactorily verified in audit.

(c) **The Balance Confirmations**

(i) There was a difference of Rs.413.8 million between the trade receivable balances shown in the financial statements and balance confirmations received directly from 48 customers. Out of those 48 customers, the balance confirmed by 12 customers had been greater than the amount shown in the ledger accounts by Rs.32.9 million while the balance confirmed by other 36 customers had been lower than the amount shown in the ledger accounts by Rs.380.9 million.

(ii) According to the records of the Corporation, amount receivable from Sri Lankan Airlines at the end of the year under review was USD 301.3 million, whereas as per the balance confirmation received from Sri Lankan Airlines, amount payable to the Corporation was USD 235.5 million. Therefore, an un-reconciled difference of USD 65.8 million equivalents to Rs.21,070 million was observed between those two records.

1.2.6 Un-reconciled Differences

(a) According to the financial statements, Social Security Contribution Levy (SSCL) liability at the end of the year under review was Rs.3,249.6 million where as per the Social Security Contribution Levy returns submitted to the Inland Revalue Department it was Rs.3,254.5 million. Therefore, un-reconciled difference of Rs.4.9 million was observed in balance shown in the financial statement and Social Security Contribution Levy Returns.

(b) Total disallowed Value Added Tax as per the Financial Statements was 1,348.6 million whereas as per the Value Added Tax returns, it was Rs.1,213.6 million. Therefore, an un-reconciled difference of Rs.135.1 million was observed between those two balances.

(c) According to the age analysis of the trade receivables shown in the financial statements of the year under review, 69 debit balances with the amount of Rs.908.0 million, and 44 credit balances with the amount of Rs.8.7 million had been remaining unrecovered/unsettled for over 05 years. Accordingly, the accuracy and existence of those balances were unable to satisfy and ascertain in audit.

(d) 12 debit balances with the amount of Rs.137 million outstanding for over 05 years, and 13 debit balances with the amount of Rs.44 million outstanding from 01 to 05 years, had been shown under the trade and other payables in the financial statements of the Corporation as at the end of the year under review. Furthermore, it was observed that the Corporation had made transactions with those parties later on without being taken immediate steps to get recovered the debit balances. Therefore, the accuracy and existence of those balances were doubt in audit.

(e) According to the financial statements for the year 2022, the amount receivable from CEB at the end of the year under review was Rs.68,454.6 million whereas as per the records of CEB it was Rs.63, 834.6 million. Therefore, a difference of Rs.4,620.0 million was observed between those two records. Out of that, difference amounting to Rs.753.6 million had remained outstanding over 5 years without being cleared.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the Corporation's 2022 Annual Report

The other information comprises the information included in the Corporation's 2022 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Corporation's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine 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 Corporation's and the Group'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 intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's and the group's financial reporting process.
As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Corporation and the Group.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 internal control of the Corporation and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Corporation and Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation and Group 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1. National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1. Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of section 12(a) of the National Audit Act, No. 19 of 2018.

2.1.2. The financial statements presented is consistent with the preceding year as per the requirement of section 6(1)(d)(iii) of the National Audit Act, No. 19 of 2018.

2.1.3. The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2.1, 1.2.2(a)(i), 1.2.2(d), 1.2.3(d), 1.2.5(a), 1.2.5(b) described in the basis for Qualified Opinion section of my report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

2.2. Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1. to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12(d) of the National Audit Act, No. 19 of 2018

2.2.2. to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12(f) of the National Audit Act, No. 19 of 2018, except for;

Reference to law/direction	Description
(a) Public Enterprises Circular No. PED 01/2021(i) of 16 November 2021 – operational manual for state owned enterprises	
(i) Guideline 2.3	The Corporation had not prepared manuals including all major activities for the Lubricant Business, Bitumen Business, Bunkering Business and Agro Business of the Corporation.
(ii) Guideline 7.7	The Board of Directors of the Corporation had not established a structure that facilitates oversight of the performance of the subsidiaries.
(b) Public Enterprises Circular No. PED 01/2021(i) of 16 November 2021 – Guidelines on Corporate Governance for State Owned Enterprises.	
(i) Guideline 2.2.5 (a)	The Corporation had not established a subsidiary policy that addresses issues including dividends, changes in equity and shareholding and major transactions.
(ii) Guideline 2.2.5 (b)	(i) The Board of Directors of the Corporation had not taken the responsibility for reviewing the affairs of its subsidiary companies within the broad regulatory and legal framework. As such, the Corporation had not reviewed the performance of subsidiary companies at Board meeting regularly.

12

		(ii)The Corporation had not monitored intercompany transactions among subsidiary companies.
(c)	The Custom Ordinance (Chapter235) No.17 of 1869 and the letter No. TIP/TP/09/06-02/21 issued by the Secretary of the Ministry of Finance dated 30 December 2021 on Payment of Dues Duties/Levies up to date.	Accumulated Customs duty payable relating the period of 2011 to 2022 amounting to Rs. 42,581 million had not been paid within the prescribed period contrary to the provision. Further, the Corporation had not complied to the directions issued by the Secretary to the General Treasury regarding the Payment of outstanding of custom duties/levies.
(d)	The Nation Building Tax (Amended) Act No 20 of 2019	Nation Building Tax (NBT) payable amounting to Rs.3,243 million that had been recognised in the financial statements of the year 2018, remained un-settled in the books of accounts for a longer period without being settled contrary to the provision of the Act. Further, amended NBT returns had not been submitted.

2.2.3. To state that the Corporation has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018, except for;

(a) As iterated in previous audit reports, any agreement or a Memorandum of Understanding (MOU) had not been entered into between the Corporation, the CPSTL and the Lanka Indian Oil Company (LIOC) with regard to their individual responsibilities on the involvement of the Enterprise Resource Planning (ERP) System introduced by the CPSTL. Accordingly, it was observed that the ERP system had not been effectively utilized by the Corporation especially for the fuel stock reviewing activities and refinery functions.

(b) **Collection of Monthly Utility Fee (MUF)**

According to the Board Decision No. 38/1140 dated 29 October 2013, the Board had approved to charge a Monthly Utility Fee (MUF) from all Corporation Owned Dealer Operated (CODO) Filling Stations and Treasury Owned Dealer Operated (TODO) Filling Stations with effect from 01 January 2014. However, decision had not been fully implemented and MUF had been charged only from 11 dealers out of more than 220 CODO and TODO dealers. Accordingly, unrecovered MUF had been increased to Rs. 3,416 million as at the end of the year 2022.

(c) Even though following issues with regard to Common User Facilities had been reiterated in previous audit reports, the Corporation had not taken prompt action to rectify them.

(i) Although the Common User Facility Shareholders Agreement had been expired on 31 December 2008, the common user facilities covered under said agreement including the governance procedures for entities and the pricing formula used for the purpose of determining the throughput charges and transport expenses including slab charges had not been revised with the agreement of all related parties.

(ii) The Corporation had entered into an Agreement with CPSTL excluding LIOC on 13 May 2019 which include terms and conditions relating to storage and transport of petroleum products and the way of deciding the throughput between CPC and

CPSTL. Even though the same terms and conditions are related to the LIOC as well, as a main user and a party of the Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003, the LIOC had not been considered. Therefore, it was observed that any impact on unfavourable conditions and cost had to be borne by the Corporation in any event of LIOC refusing the terms and condition entered between the Corporation and CPSTL.

(iii) According to the Common User Facilities Shareholders' Agreement (among CPC, LIOC and GOSL) dated 30 December 2003, and the agreement between Corporation and CPSTL dated 13 May 2019, maintenance of the pipelines or portions of pipelines to the accepted standards and provide storage facilities to maintain 02 months fuel stock was a responsibility of the CPSTL. However, as a result of delaying in unloading fuel from vessels due to blockages in the pipelines and inefficiencies in the storage system, the Corporation had to pay the demurrages without passing on such cost to the service provider.

(iv) Corporation had paid a sum of Rs.250 million to the Urban Development Authority in relation to the rehabilitation of 12" dia and 5,500m long pipeline from Colombo Port to Kolonnawa Oil installation in the year 2019. According to the information made available to audit, the Corporation had not entered into any agreement with the CPSTL and not negotiated with the CPSTL in order to recover the paid amount later. Therefore, bearing the entire cost of capital improvement of the subsidiary CPSTL by the Corporation without contribution from other shareholders was questionable in audit.

(v) The transport charges of CPSTL should be excluded when determining the throughput charges. However, due to lack of sufficient evidence it was unable to ascertain whether the transport related cost of the CPSTL had been excluded when deciding the storage terminal cost of throughput charges. Therefore, there had been a risk of duplication of reimbursement of transport charges to the CPSTL. According to the information made available, a sum of Rs. 2,449.3 million had been paid as transport charges to CPSTL during the year under review.

(vi) According to the Common User Facilities Share Holders' Agreement (among CPC, LIOC and GOSL) dated 30 December 2003, Storage Terminal Cost had been defined as "Interest at the rate of twelve per centum (12%) per annum on the loans being vested in the Company and forming a part of the storage assets and liabilities as well as further loans taken to bridge the cash deficit". However, after the expiration of the agreement on 31 December 2008, the Corporation had paid a sum of Rs.2,183 million as the interest charges for the period from 2009 to 2016 with related to the bank loans obtained by CPSTL in 2009 from the People's Bank. Accordingly, it was further observed that the payment had been made without having a proper evaluation and obtaining confirmations about the real amount to be paid in terms of the agreement.

(vii) A sum of of Rs. 62,000 million had been transferred to the CPSTL as throughput charges for the development of infrastructure facilities relating to the storage and terminal facilities for the fuel supply in the country. However, there were no sufficient and appropriate evidences to ascertain whether the CPSTL had taken proper actions to design and to develop new infrastructure facilities and maintenance of the existing facilities promptly.

(viii) All the losses beyond the permissible limits in relation to the operation of storages and distribution of fuel stocks are entitled to recover from CPSTL by the Corporation. However, the permissible limits of depot stock losses which was decided by the Board of Directors of the CPC on 17 June 1968 had not been re-evaluated and updated for over four decades by the Corporation. The operational loss for the year under review was Rs. 468.85 million.

(d) **Use of ERP System (SAP)**

As iterated in previous audit reports, The ERP which is an initial version (SAP ECC 6.0) of SAP ERP system released in 2005 has been using by the Corporation from the date of 01 April 2010 without any up-grading up to date. According to the letter No. ADM/12/01/19 dated 09 April 2021, secretary to the Ministry of Energy instructed the Chairman of CPC and CPSTL to do a feasibility study and value for money audit in relation to the use of SAP system and to take necessary actions in accordance with the recommendations of steering committee to prevent the risk of using an out-dated system. Further, according to the board decision no.07/1252 dated 22 July 2021, the Board had advised to get the recommendation on the proposal of SAP system version upgrade together with relevant server hardware platform upgrade by the steering committee and submit for the consideration of the board of directors. However, the Corporation had not taken prompt action to upgrade SAP system.

2.2.4. to state that the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12(h) of the National Audit Act, No. 19 of 2018, except for;

(a) **Receivable from Foreign Suppliers**

According to the information received by the audit, in respect of the period from 2012 to 2018, USD 4.39 million equivalents to Rs.1,632 million had to be recovered from foreign suppers as penalty imposed, due to late delivery/ short loading, external losses penalty for unacceptable quality and losses incurred due to price differences. However, until the end of the year under review, the Corporation had not taken necessary action to recover them or settle them against the amount receivables from those foreign suppers.

(b) **Procurement of Fuel Oil**

The entire fuel oil requirement of the country is mainly covered through the refinery of the Corporation, and in addition, direct imports as necessary. The Corporation had specified the classification of Fuel oil as three (03) products instead of two (02) products since the year 2022.

The following observations are made in this regard.

(i) According to the Cabinet Decision No. AMA/12/0295/510/003/TBR dated 14 March 2012, the Corporation should endeavour to enter into Term Contracts for a long period of time on the basis of later settlement in the procurement of all petroleum products. Nevertheless, the total quantities of fuel oil expected to be used in the years 2021 and 2022 which were MT. 399,979 or 47 per cent of the total consumption and MT. 547,900 or 53 per cent of the total consumption was planned to be imported as finished fuel oil respectively, however no any Term Contract was reached in 2021 and 2022.

(ii) **Procurement of Fuel Oil Revising the specifications as a matter of urgency (BK/48/2022)**

- According to the information made available to audit, although the Stock Review Committee (SRC) had decided to invite tenders to procure Fuel Oil under revised specifications subject to the approval of STEC and SSCAPC (Order No. BK/48/2022) as emergency, the written approval of SSCAPC had not been received for this procurement even up to the completion of all procurement activities.

- According to PLATTS' price forecasts during that period, the world market price of petroleum had shown a gradual decline. In spite of that, the commercial managers agreed to extend the Laycan by 21 days and change the Laycan from 14-15 April 2022 to 8-10 May 2022, but pay based on the initial Laycan dates apart from the Corporation's normal paying procedure. Therefore, it is questionable that there was a real urgency of procuring the products. As a result, the Corporation had to incur an estimated additional cost of USD 970,766 equivalent to Rs. 355.62 million.

- Even though, SRC had taken decision to procure fuel oil on emergency basis, the financial viability of the Corporation had not been considered. As a result, additional estimated demurrage cost of USD 873,584 equivalent to Rs. 336,329,840 had to be incurred due to the inability to unload the ship as scheduled at the arrival of the ship.

(iii) The Corporation had rejected a bid relating to procurement of fuel oil (BK/11/2021) with the approval SSCAPC due to non-compliance to the specifications and re-called as two separate bids (BK/13/2021 and BK/16/2021).

The following observations are made in this regard.

- It was observed that the Corporation had recalled two bids without changing the specifications determined to be inconsistent and only Laycan dates had been changed. The tender had been awarded and procured from the same supplier who was previously rejected with the recommendation of the STEC and approval of the SSCAPC without compliance with the specification. However, according to the new bid, a higher price premium had been given compared to the price offered as per the original bid (BK/11/2021). Accordingly, due to higher premium quoted in re-bidding, the corporation had incurred an avoidable additional cost of USD 390,238 equivalent to Rs. 76.73 million.

- According to PLATTS' price forecasts during that period, the world market price of petroleum products had shown a gradual rising trend. Accordingly, in the event that there is a possibility of an increased price, where no reasonable forecast was done, it is observed that the Corporation could have avoided an estimated loss of USD 368,837 equivalent to Rs.72.52 million due to the change of Laycan and purchase under new Leycan.

(c) **Procurement of Diesel**

(i) **Procurement of Diesel under the Unsolicited Proposal by cancelling the term contract**

The Corporation had entered into a term contract with a supplier to purchase 1,960,000 barrels of diesel (LAD) at a premium of USD 7.48 from 01 March 2022 to 31 October 2022. Subsequently, that term contract had been cancelled and the Corporation had also lost the option given by the supplier to actively maintain the term contract at a price premium of USD 6.98 per barrel as the prepayment method.

- However, during the active period of such term agreement, the Corporation had procured 497,996 barrels of diesel which comprises 274,185 barrels and 223,811 barrels respectively under price premium of USD 24 and USD 23 per barrel on prepayment basis in 02 occasions respectively, from the same supplier who had the term contract.

Therefore, Corporation had to incurred additional cost of USD 8,252,081 equivalent to Rs. 3,047.42 million.

- In addition, to the term contract, Corporation had procured 922,381 barrels of Laanka Auto Diesel (LAD) at a premium of USD 17.00, USD 19.87 and USD 13.83 per barrel respectively in 03 occasions from two other suppliers during the period when the relevant term contract was active. Accordingly, Corporation had incurred an estimated additional cost of USD 9,146,741 equivalent to Rs. 3,381.69 million.

  According to the comments of the Chairman of the Corporation all above decision had been taken with the recommendations of STEC and the approval of SSCAPC

(ii) **Additional Payment due to applying different PLATTS price**

The price or cost of the imported petroleum product is determined by the Corporation using the average price of product with specific specifications at the price index published daily on Singapore PLATTS.

According to the information available to the audit, the Corporation had procured 1,820,012 barrels of Lanka Auto Diesel (LAD) (Gas Oil 500 ppm) which comprises 8 shipments from four suppliers during the year under review. However, it was agreed to make the payments based on a different PLATTS price with high quality specification and relatively higher average PLATTS price, Lanka Super Diesel price (FOB Singapore Price Method of Gas Oil 10ppm) instead of LAD (Delivery at Point (DAP) Colombo Basis (Incoterms 2010) Gas Oil 500 ppm). Accordingly, the Corporation had to incur USD 10,499,898 equivalent to Rs. 3,872.96 million.

(iii) **Purchase of diesel under Indian Credit Line.**

In addition to above procurements, when pricing for 599,722 barrels of LAD imported by the Corporation in two occasions under the Indian Credit Line, the Corporation had to incur an estimated additional cost of USD 4,582,179 equivalent to Rs. 1,669.54 million due to payments made based on different PLATTS prices.

(d) **Procurement of Crude Oil**

A price index representing a relatively high price in the market had been used to decide the price (cost) in relation to 2,023,509 barrels of crude oil (Siberian Light and Ural) imported by the Corporation in 03 occasions during the year under review instead of using the related price index for those products published on Singapore PLATTS. As a result, the Corporation had to incur an additional cost of USD 48,603,726 equivalent to Rs. 17,876 million.

(e) **Demurrage Cost**

(i) According to the records of the Corporation, the average demurrage rate per day which was ranging between USD 15,000 - 21,500 in the previous years for a 40,000MT ship of finished petroleum product had been increased ranging between USD 16,000 - 55,000 in the year under review. Further, demurrage rate per day which was ranging between USD 4,000-17,500 for a crude oil ship had also been increased ranging between USD 45,000 - 120,000 in the year under review. Accordingly, demurrages claimed by the suppliers during the year under review had been increased from Rs. 572 million to Rs 5,463 million or over 9 times compared with the previous year.

(ii) It was observed that the average Demurrage rate per day agreed upon for a ship of similar capacity hired under the unsolicited proposal had been significantly high compared with ship hired under term contracts. However, the audit did not reveal any direct correlation between procurement method and Demurrage rate. Further, the prior approval of the STEC and SCCAPC had not been obtained prior to agree upon the demurrages rates even the daily demurrage rate had significantly increased.

(f) **Assets Management**

The following assets had been lying idle since the acquisition of those assets.

(i) Halgaha Kumbura Land at Wanathamulla had been acquired for Rs. 10.6 million for the purpose of LP Gas Project and a Playground. However, this land had not been utilized for the intended purpose and it had been occupied by more than 700 squatters.

(ii) Acording to the correspondence made available, the Corporation had acquired Mahahena Land by spending Rs. 0.63 million, and it had not been accounted for. However, this land had been utilized by the previous owner even after the acquisition in 1986.

2.3. Other Matters

(a) A sum of USD 250,925,169, equivalent to Rs. 32,344 million, had to be paid to the National Iranian Corporation, Tehran in relation to purchase of Petroleum Products by the Corporation in the year 2013. However, in compliance with sanctions enforced to Iran by the United State of America, the afore said outstanding balance was not settled. This outstanding balance had been shown in the financial statements as a payable amount from the inception of the transaction at the exchange rate as of the end of each year, and the exchange gain or loss had been accounted of the respective year. Accordingly, payable balance and accumulated exchange rate variance loss (from 2012 to 2022) at the end of the year under review had increased to Rs. 93,246 million and Rs. 61,838 million respectively. The exchange loss for the year under review was Rs. 42,308 million. It was further observed that any payment on that had not been made due to uncontrollable external factors. However, Corporation had failed to settle that amount by alternative forms in a situation where gradually depreciating the LKR over USD.

(b) As stated in my previous year reports, the formal agreements for fuel supply had not been entered into with major customers including CEB even at the end of the year under review.

(c) **Loan Repayment of Indian Credit Facility**

On February 02, 2022, an agreement was signed between the Department of Foreign Resources of the General Treasury on behalf of the Government of Sri Lanka and the Export and Import Bank of India (EXIM bank) on behalf of the Government of India to obtain a short-term credit facility of USD 500 million for the purchase of petroleum products for Sri Lanka. Furthermore, amount of USD 200 million had been provided from another loan facility obtained by the government for the purchase of petroleum products. Accordingly, Corporation and the Government had signed two lending agreements on 28 April 2022, in relation to the terms and conditions of utilizing and the loans repayment. According to Article 2.03 of that agreements, Corporation shall repay to the Government (Department of Treasury Operations of Ministry of Finance) the principal amount of loans in LKR equivalent to USD for each consignment imported as per the credit facility agreement within six months period from the date of receiving the import clearing documents to the importer/CPC' bank. However, corporation had not settled the outstanding amount of Rs 228,770 million even it had exceeded the stipulated time period at the end of the year under review.

(d) As revealed in previous audit reports, a sum of Rs. 1,617 million had been paid by the Corporation as custom duties and taxes before discharging the cargo of rejected shipments, in which excise duty amounting to Rs. 648 million had been included. However, the Corporation was unable to get that amount recovered or to get them settled from subsequent payments made by the Corporation from January 2017.

(e) **Storage and Distribution of Petroleum Product**

A special audit report on evaluation of existing petroleum storage capacity utilized in the country and appropriateness and productivity of the fuel transport pipeline system including railway and bowser transport system currently in operation in the country, with recommendations for smooth and safe operation of the petroleum storage complex, was tabled in Parliament. In this audit report it was emphasised that a proper internal control system for smooth and safe operation of the petroleum storage complex and fuel transport process in the country had not been suitably designed and implemented by the Corporation. However, audit was unable to ascertain whether the Corporation had reasonably attempted to implement the recommendations given in that report for smooth and safe operation of the petroleum storage complex.

(f) **Trincomalee Tank Farm**

The Tank Farm contained of 100 Oil Tanks, each having a capacity of 12,500 cubic meters (m^3)(10,000 MT) and other associated facilities, had been constructed in Trincomalee in 1930. The land with an extent of 358.553 hectares belong to the Tank Farm had been given on lease basis by the Government of Sri Lanka to the Commissioners of the Lord High Admiralty of the British Government for a period of 999 years before gaining independence to Sri Lanka. In 1961 at the request of the Government of Sri Lanka, the Corporation had paid Sterling Pounds 250,000 in three instalments and taken over the possession of Land, Tank Farm, Buildings and other equipment with effect from 01 April 1964. Nevertheless, no legal documents had been obtained up to date from the Government for the above land.

In 2003, the Government of Sri Lanka had entered into an agreement with the LIOC and the Corporation to lease out the storage facilities and the land to the LIOC for a period of 35 years, and the lease agreement should have been executed within 6 months from the date of the agreement. However, the Corporation had not entered into any lease agreement, and not used the tanks yet. Nevertheless, the LIOC had been using those assets since the year 2003. Although the initial decision-making activities for the modernization of the 84 tanks in the abandoned upper section had been started on 29 April 2015, the necessary activities for the development and rehabilitation of the tank complex had not yet been carried out.

Although the Corporation and the LIOC had established a joint company, named Trinco Petroleum Terminal (Pvt) Ltd, in connection with an agreement related to the development of the Trincomalee Oil Tank Complex, A proper strategic plan had not been prepared and implemented to developing the China Bay Oil Tank Farm Complex as to make the farm suitable to carry out the related businesses.

(g) As per the audit examination carried out pertaining to the hedging transactions taken place in respect of procurement of oil during the period of 2007 to 2009, the total loss incurred to the country on those transactions as at 31 December 2022 had been Rs. 14,028 million. Moreover, the Commercial Bank had filed a case at the Commercial High Court, Colombo against the Corporation by claiming US$ 8,648,300.

(h) **Sapugaskanda Oil Refinery**

As stated in previous audit reports, the existing Refinery, which had been constructed five decade back (commissioned in 1969) was a basic Refinery and was not being able to cater the increasing demand of petroleum products in the country and this Refinery was operating with low margin when compared with refineries operating with advanced technologies including facilities to produce petroleum products at lower cost and capabilities to upgrade bottom products to high value products such as petrol and diesel, where by maximizing its operating efficiency. However, the CPC was unable to implement the proposed Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) Project or alternative project in order to ensure supplying of its products to the market in a cost-effective manner. Further, the land acquired by incurring of Rs. 1,003 million for that purpose had been laying idle even up to the date of this report. Further, the refinery had been shut down in several times due to a lack of crude oil, resulting in significant manpower and other resources being idle. However, a formal evaluation of the economic and social value of running the refinery after studying all the facts in detail has not been done at the institutional level so far.

(i) **Selling and Distribution of Fuel Stocks**

(i) As revealed in audit, most of the activities in supplying petroleum products such as accepting fuel orders from dealers and consumers, verifying the credit limits and related pre-qualifications, issuing invoices, collecting cash from dealers etc. had been carried out by the CPSTL. However those activities should have been handled by the marketing entities especially by the Corporation. Accordingly, the Corporation had allowed the CPSTL to engage in an operation which had not been covered by its scope of storage and distribution of petroleum product. Further such activities are not covered by the Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003 entered into between the Government of Sri Lanka (GOSL), the CPC and LIOC.

(ii) Due to lack of sufficient stocks of petroleum products, priority lists for distribution of petroleum products throughout the Island wide dealers and other consumers had been provided daily by the Corporation to the CPSTL. According to the audit examination carried out during the period from 07 to 18 of June 2022, the following observations are made.

- Order Function (OF) of the CPSTL had been preparing the daily out bound in the SAP system for distribution of fuel to dealers without being considered the priority list provided by the Corporation. OF had directly contacted with dealers and had prepared outbound trips when other conditions were satisfied without considering the priority lists. Accordingly, it was observed in audit that Distribution Function of the Company (DF) had issue fuel outside the priority list without any supervision of the Corporation in the crisis situation. However, the distribution of LIOC stocks had been carried out as per the instruction of them.

- It was observed that 2,509 consignments of petroleum products (6,600 litres per consignment) had been distributed outside the priority list of the Corporation without obtaining prior approval or intimation to the Corporation. Further, 2,524 stocks of petroleum products included in the priority list had not been distributed by the CPSTL to dealers at their own discretion without giving reasonable reasons acceptable to the Corporation.

- The Corporation had instructed to give priority for the companies or industries that paid in USDs to get some relief on foreign exchange issues faced by the Corporation. Accordingly, a special priority list of consumers who were ready to settle the payment in Dollar terms had been prepared and provided to the CPSTL. However, there are cases where payment had been received in USD but the goods had not been delivered by the due date as per the priority list.

- According to the information made available to audit, 1,143 dealers had been registered in Corporation. In an audit test conducted in June 2022, it was observed that, 120 dealers had not been provided any load of petrol and 22 dealers had been provided only one load (6600 litres) of petrol per each. Meanwhile, 08 dealers had been provided more than 210,000 litres per each during that month. LAD had not been distributed for 73 dealers, while 08 dealers had been provided only one load per each. Meanwhile 17 dealers had been provided more than 200,000 litres of LAD per each. Further, 66 dealers had not been provided any white oil product during that period while only one load had been distributed for 06 dealers per each. However, 15 dealers had been provided more than 350,000 litres of white oil per each during that month. Accordingly, it was observed that an unequal and unjustifiable pattern of distribution of white oil had been implemented during the crisis period which led to create excessive queues and public unrests in the country. However, the Corporation had not taken prompt actions to prevent and correct such issues on time.

(j) **Human Resource Management**

(i) The Scheme of Recruitment and Promotions (SORAP) for the executive service category of the Corporation had been approved by the Department of Management Services on 05 May 2017. However, the recruitments and promotion of executive category of the Corporation had been carried out disregarding the provisions in relation to the minimum requirement of professional and academic qualifications and experiences of approved SORAP. As a result, the ability to attract and retain most suitable officers with relevant professional and academic qualifications with required experiences had been prevented over six years.

(ii) The Corporation had introduced a number of loan schemes to its staff such as Motor vehicle Loans, Housing Loans, Housing repair Loans, Distress Loans, Thrift Society Loans, Special loan, Disturbance loans, advances etc. The total loan outstanding at the end of 31 December 2022 was over Rs. 4,300 million. According to the information made available to audit it was observed that, due to insufficient funds available, the Corporation had to delay or postponed very urgent and important capital improvement works. Maintaining a large amount of loan portfolio using the Corporation funds would badly effect on that. However, proper attention had not been paid to outsourcing of the loan scheme to a commercial bank or a finance institution to overcome above issues without being impaired the employees.

W.P.C. Wickramarathne
Auditor General

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER	*Note*	CPC		Group	
		2022	2021 Restated*	2022	2021 Restated*
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	*2*	1,148,801.118	584,754.423	1,146,314.748	585,019.248
Cost of Sales		(1,108,951.921)	(588,822.595)	(1,112,748.239)	(596,798.652)
Gross (Loss)/Profit		**39,849.197**	**(4,068.172)**	**33,566.509**	**(11,779.404)**
Other Operating Income	*3*	1,188.355	1,530.782	2,489.990	2,229.927
Selling & Distribution Expenses		(42,088.226)	(31,792.158)	(33,055.658)	(18,172.857)
Administrative Expenses		(5,106.315)	(6,990.585)	(10,030.852)	(12,246.608)
Operating (Loss)/Profit	*4*	**(6,156.989)**	**(41,320.133)**	**(7,030.011)**	**(39,968.942)**
Exchange Rate Variation		(527,009.983)	(33,220.081)	(527,009.983)	(33,220.081)
Finance Income	*5*	37,650.487	18,369.081	37,935.768	18,570.652
Finance Expenses	*6*	(119,536.657)	(25,645.301)	(119,567.183)	(25,645.635)
Profit /(Loss) before tax		**(615,053.142)**	**(81,816.434)**	**(615,671.409)**	**(80,264.006)**
Income tax Expense	*7*	-	-	(354.612)	(402.553)
Profit/(Loss) for the year		**(615,053.142)**	**(81,816.434)**	**(616,026.021)**	**(80,666.559)**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to Profit or Loss:					
Re-measurement gain/(loss) on Retirement Benefit plan	*18*	462.357	(88.929)	873.619	339.677
Tax on Other Comprehensive Income		(619.035)	1.205	(742.414)	(101.661)
Other comprehensive income / (expense) for the year		**(156.678)**	**(87.724)**	**131.205**	**238.016**
Total comprehensive Income/(expense) for the year, net of tax		**(615,209.821)**	**(81,904.158)**	**(615,894.816)**	**(80,428.543)**
Total Comprehensive Income attributable to :					
Owners of the entity		(615,209.821)	(81,904.158)	(615,660.380)	(80,920.018)
Non-Controlling interests		-	-	(234.436)	491.475
		(615,209.821)	**(81,904.158)**	**(615,894.816)**	**(80,428.543)**

*Certain numbers shown here do not correspond to the 2021 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 133 to 165 form an integral part of the Financial Statements.

Statement of Financial Position

AS AT 31 DECEMBER	Note	CPC 2022 Rs. Mn	CPC 2021 Restated* Rs. Mn	Group 2022 Rs. Mn	Group 2021 Restated* Rs. Mn
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	**8**	45,299.853	43,379.484	61,883.283	59,896.480
Investment Property	**8.3**	50.422	51.792	50.422	51.792
Intangible Assets	**8.4**	0.429	0.656	37.328	67.331
Right-of-use-Assets	**9.2**	96.830	15.433	308.527	17.841
Investment in Subsidiary	**10**	5,051.000	5,000.000	-	-
Non-Current Financial Assets	**11**	13.040	244.052	13.040	244.052
Trade & Other Receivables	**12**	6,280.223	7,464.536	7,715.078	9,025.378
		56,791.797	**56,155.953**	**70,007.678**	**69,302.874**
Current Assets					
Inventories	**14**	149,303.332	41,915.633	150,161.303	42,470.504
Trade & Other Receivables	**12**	268,786.695	183,323.312	275,163.447	188,353.174
Cash and Cash Equivalents	**15**	17,566.560	141,607.205	19,670.847	143,864.134
		435,656.587	**366,846.150**	**444,995.597**	**374,687.812**
Total Assets		**492,448.384**	**423,002.103**	**515,003.275**	**443,990.686**
EQUITY AND LIABILITIES					
Capital and Reserves					
Contributed Capital	**16**	912,580.511	28,487.125	912,580.511	28,487.125
Capital Reserve	**17.1**	4,992.686	4,992.686	4,992.686	4,992.686
Financial Instrument fair value		(38.000)	(38.000)	(38.000)	(38.000)
Revaluation Reserve	**17.2**	28,049.112	28,063.101	28,049.112	28,063.101
Retained Earnings		(1,031,296.614)	(416,100.782)	(1,018,147.896)	(402,501.506)
Non Controlling Interest		-	-	9,116.983	9,302.419
Total Equity		**(85,712.305)**	**(354,595.870)**	**(63,446.604)**	**(331,694.175)**
Non - Current Liabilities					
Retirement Benefits Obligation	**18**	1,502.076	1,861.808	2,785.949	3,471.132
Deferred Tax	**19.1**	3,111.962	2,492.927	5,202.958	4,102.738
Loans & Borrowings	**20**	10,314.665	5,273.036	10,314.665	5,273.036
Lease liabilities	**9.3**	108.197	17.319	342.196	17.319
		15,036.900	**9,645.090**	**18,645.768**	**12,864.225**
Current Liabilities					
Trade and Other Payables	**21**	244,729.224	257,062.561	241,409.509	251,927.649
Lease liabilities	**9.3**	1.196	1.031	1.233	3.696
Current Portion of Loans & Borrowings	**20.1**	1,518.821	620.358	1,518.821	620.358
Short term Borrowings	**22**	316,874.548	510,268.933	316,874.548	510,268.933
		563,123.789	**767,952.883**	**559,804.111**	**762,820.636**
Total Equity and Liabilities		**492,448.384**	**423,002.103**	**515,003.275**	**443,990.686**

*Certain numbers shown here do not correspond to the 2021 financial statements and reflect adjustments made as detailed on Note 25.
The notes appearing on pages 133 to 165 form an integral part of the Financial Statements.
These Financial Statements give a true and fair view of the state of affairs of Ceylon Petroleum Corporation and its Group as at 31st Dec 2022 and its loss for the year then ended.

V N Weerasooriya
Deputy General Manager (Finance)

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

Mohamed Uvais Mohamed
Chairman
24 Feb 2023, Colombo

Admiral Ravindra C Wijegunaratne (Retd.)
Managing Director

Damitha Rathnayake (Mrs.)
Director

Statement of Changes in Equity

CPC	Contributed Capital	Revaluation Reserves	Capital Reserves	Financial Instrument fair Value	Retained Earnings	Total Equity
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
As at 1 Jan 2021	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(336,733.099)**	**(275,223.164)**
Prior period Adjustments	-		-	-	2,531.452	2,531.452
Restated balance as at 1 Jan 2021	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(334,201.647)**	**(272,691.712)**
Loss for the year					(81,816.434)	(81,816.434)
Other Comprehensive Income					(87.724)	(87.724)
Adjustments		(5.023)			5.023	-
As at 31 Dec 2021	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(416,100.782)**	**(354,595.870)**
Loss for the year					(615,053.142)	(615,053.142)
Adjustment		(13.989)			13.989	-
Other Comprehensive Income					(156.678)	(156.678)
Adjustments for capital improvements	884,093.386					884,093.386
As at 31 Dec 2022	**912,580.511**	**28,049.112**	**4,992.686**	**(38.000)**	**(1,031,296.614)**	**(85,712.305)**

Group	Contributed Capital	Revaluation Reserves	Capital Reserves	Financial Instrument fair value	Retained Earnings	Shareholders Fund	Non Controlling Interest	Total Equity
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
As at 1 Jan 2021	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(323,569.499)**	**(262,059.564)**	**9,085.177**	**(252,974.387)**
Prior period Adjustments					2,457.011	2,457.011	(37.220)	2,419.791
Restated balance as at 1 Jan 2021	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(321,112.488)**	**(259,602.553)**	**9,047.956**	**(250,554.596)**
Loss for the year					(81,049.453)	(81,049.453)	382.894	(80,666.559)
Other Comprehensive Income for the year					129.436	129.436	108.580	238.016
Adjustment for surcharge tax					(474.023)	(474.023)	(237.012)	(711.035)
Adjustment		(5.023)			5.023			-
As at 31 Dec 2021	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(402,501.506)**	**(340,996.593)**	**9,302.419**	**(331,694.175)**
Investment on TPTL							49.000	49.000
Loss for the year					(615,695.623)	(615,695.623)	(330.398)	(616,026.021)
Other Comprehensive Income for the year					35.244	35.244	95.961	131.205
Adjustment		(13.989)			13.989			-
Adjustments for capital improvements	884,093.386					884,093.386		884,093.386
As at 31 Dec 2022	**912,580.511**	**28,049.112**	**4,992.686**	**(38.000)**	**(1,018,147.896)**	**(72,563.586)**	**9,116.983**	**(63,446.604)**

*Certain numbers shown here do not correspond to the 2021 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 133 to 165 form an integral part of the Financial Statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC		Group	
		2022	2021 Restated*	2022	2021 Restated*
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Profit/(Loss) before tax		**(615,053.142)**	**(81,816.434)**	**(615,671.409)**	**(80,264.006)**
Adjustment for :					
Depreciation		2,646.720	2,683.923	3,493.172	3,577.067
Amortisation		426.499	379.246	456.274	407.432
Amortisation of right-of-use-assets		3.496	1.799	10.225	10.260
Unrealized exchange variation		50,641.554	8,227.078	50,641.554	8,227.077
Interest Income		(37,650.487)	(18,369.081)	(37,935.768)	(18,570.653)
Allowance for impairment		13.032	1,709.626	3.873	1,945.247
Interest Expenses		119,522.388	25,642.906	119,522.388	25,642.906
Provision for Retirement Obligation		302.236	269.422	572.823	512.181
(Profit)/Loss on Sale of Property, Plant & Equipment		(32.091)	(3.489)	(35.900)	(3.420)
Lease Interest		14.269	2.393	44.795	2.729
Amortization of special levy		1,000.000	1,000.000	1,000.000	1,000.000
Operating Profit/(Loss) before Working Capital changes		**(478,165.526)**	**(60,272.611)**	**(477,897.973)**	**(57,513.180)**
Changes in Working Capital					
(Increase)/ Decrease in Inventories		(107,387.699)	10,592.206	(107,691.124)	10,569.436
(Increase)/ Decrease in Trade and Other Receivable		(69,103.769)	(20,492.087)	(68,399.634)	(22,849.673)
Increase/ (Decrease) In Trade and Other Payables		(69,074.934)	51,774.194	(68,248.906)	52,246.504
Operating Profit/(Loss) after Working Capital changes		**(723,731.928)**	**(18,398.298)**	**(722,237.638)**	**(17,546.913)**
Interest Paid		(106,680.641)	(24,348.677)	(106,680.641)	(24,348.676)
Retiring Gratuity Paid	18	(190.506)	(190.171)	(375.283)	(410.643)
Income Tax /ESC paid		-	(31.615)	(922.206)	(681.821)
Net Cash Generated from/(used in) Operating activities		**(830,603.075)**	**(42,968.761)**	**(830,215.766)**	**(42,988.053)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant & Equipment		46.332	8.514	50.519	8.514
Acquisition of Property, Plant & Equipment	8	(1,421.721)	(1,567.453)	(2,348.478)	(2,925.380)
Dividends Received		0.001	-	0.001	-
Investments		(51.000)	-	49.000	-
Interest Received		17,643.690	9,304.561	17,928.971	9,506.132
Realization of Investments		231.012	83.520	231.012	83.520
Investment in Fixed Deposits		-	5.000	-	5.000
Net Cash Flows from /(Used in) Investing Activities		**16,448.314**	**7,834.142**	**15,911.025**	**6,677.786**
CASH FLOWS FROM FINANCING ACTIVITIES					
New loans obtained		1,104,352.943	421,982.969	1,104,352.944	421,982.969
Repayment of Loans		(414,047.344)	(309,551.761)	(414,047.343)	(309,551.761)
Repayment for lease		(8.119)	(3.290)	(10.784)	(12.732)
Net Cash Flows From/(Used in) Financing Activities		**690,297.480**	**112,427.918**	**690,294.818**	**112,418.475**
Net Increase/(Decrease) in Cash & Cash Equivalents		(123,857.281)	77,293.299	(124,009.923)	76,108.208
Cash & Cash Equivalents at the Beginning of the Year		141,069.213	63,775.914	143,326.142	67,217.934
Cash & Cash Equivalents at the End of the Year	15	**17,211.932**	**141,069.213**	**19,316.219**	**143,326.142**

*Certain numbers shown here do not correspond to the 2021 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 133 to 165 form an integral part of the Financial Statements.

Notes to the Financial Statements

1.1 CORPORATE INFORMATION

General

Ceylon Petroleum Corporation (the Corporation/CPC) is a Public Corporation incorporated under Ceylon Petroleum Corporation Act, No. 28 of 1961, and domiciled in Sri Lanka. The registered office of the Corporation is located at No. 609, Dr. Danister De Silva Mawatha, Colombo 09.

Principal activities and nature of operations

Entity	Principal activities
Ceylon Petroleum Corporation	Importing, refining, and selling of Petroleum Products in Sri Lanka.
Subsidiary Ceylon Petroleum Storage Terminals Limited	Storage and distribution of petroleum products
Subsidiary Trinco Petroleum Terminal (Pvt) Limited	Possess, develop, utilize and manage storage facilities to carry out business including but not limited to petroleum related products; to import, store, sell and export petroleum and petroleum related products or any other products, stored by the company; to carry out any other business permitted by applicable laws and regulations.

Parent entity and the ultimate controlling party

The Corporation is under the purview of the Ministry of Power & Energy. In the opinion of the Directors, the Corporation's ultimate parent undertaking and controlling party is the Government of Sri Lanka.

Date of authorization for issue

The Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31 December 2022 were authorized for issue in accordance with a Resolution of the Board of Directors on 24th February 2023.

Statement of compliance

The Financial Statements of Ceylon Petroleum Corporation and its Group, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of cash flows, and Notes to the Financial Statements (the 'financial statements') have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and the provisions of the Finance Act No. 38 of 1971 and subsequent amendments thereto.

1.2 BASIS OF PREPARATION

The financial statements of the Corporation and consolidated financial statements of the Group have been prepared in accordance with the 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 financial statements have been prepared on an accrual basis and under historical cost basis, except for investment properties, certain office properties (classified as property, plant and equipment), financial assets that have been measured at fair value and defined benefit obligation which is measured at the present value of the obligation.

Presentation & functional currency

The Financial Statements are presented in Sri Lankan Rupees, which is the functional currency, and all values are rounded to the nearest million except when otherwise indicated.

Materiality and aggregation

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

Basis of consolidation

The consolidated financial statements as at and for the year ended 31 December 2022 comprise of the Corporation and its Subsidiary (together referred to as the 'Group').

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. CPC owns 2/3rd of shares of Ceylon Petroleum Storage Terminals Limited (CPSTL) and CPC considers CPSTL as its subsidiary. CPC owns 51% of shares of Trinco Petroleum Terminal (Pvt) Limited (TPTL) and CPC considers TPTL as its subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary are prepared in compliance with the Group's accounting policies unless otherwise stated and they have a common financial year which ends on 31 December.

All intra-group balances and transactions, income and expenses are eliminated in preparing the consolidated financial statements.

Non-controlling interests

Profit or loss and each component of other comprehensive income (OCI) of the subsidiary are attributed to the equity holders of the parent of the Group and to the non-controlling interests even if this results in the non -controlling interests having a deficit balance.

1.3 ACCOUNTING POLICIES

Changes in Accounting Policies

The Accounting policies adopted are consistent with those used in the previous years, unless otherwise stated.

Comparative Information

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

Going Concern

These financial statements are prepared on the assumption that the CPC & its Group is a going concern i.e. as continuing in operation for the foreseeable future. It is therefore assumed that CPC has neither the intention nor the necessity of liquidating or of curtailing materially the scale of its operation even though the Corporation and the Group have a negative equity position of Rs. 85,712 Mn. and Rs. 63,447 Mn. respectively as per the financial statements prepared for the year ended 31st December 2022.

Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively.

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are described in the relevant notes as follows:

- Defined Benefit Obligations – Gratuity : Note No. 1.4.12
- Impairment of financial assets : Note No. 1.4.14
- Useful lives of Property, Plant and Equipment : Note No. 1.4.6
- Deferred taxation : Note 1.4.2

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue and associated costs incurred or to be incurred can be measured reliably, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and net of sales taxes. The Group has concluded that it is the principal in all of its revenue arrangements since it is the principal obligor in all the revenue arrangements and is also exposed to inventory and credit risks.

The following specific criteria must also be met for the purpose of recognition of revenue which is in the scope of SLFRS 15.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from sales of goods is recognized when the goods are dispatched, or in the case of delivering the goods to the customer, legal ownership is transferred only upon delivery of goods to the customer. In all such case, the revenue is recognized by the Group when the goods are dispatched or delivered and accepted by the dealers/customers and it does not have significant impact to the revenue recognition as per the SLFRS 15.

Interest income & expenses

For all financial instruments measured at amortized cost, interest expenses and income are recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized as the interest accrued unless the collectability is in doubt. Interest income is presented under Finance Income and interest expense is presented under Finance expense in the income statement.

Dividends

Dividend Income is recognized when the right to receive the payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of profit or loss.

Profit / (Loss) from sale of property, plant & equipment

Profit / (loss) arising from sale of property, plant & equipment is recognized in the period in which the sale occurs and is classified under other income.

Gains or Losses arising from investment securities

Gains or losses arising from the sale of equity shares and financial instruments accounted for on the date on which the transaction takes place.

Other Income

Other income is recognized on an accrual basis

1.4.2 Expenditure recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement for the period.

Taxation

Tax expenses for the period comprise the current and deferred tax.

i. Current Tax

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 based on elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

Current income tax relating to items recognized directly in equity or in other comprehensive income is recognised in equity or in other comprehensive income and not in the income statement.

ii. Deferred Taxation

Deferred 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 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 differences 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 the 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

iii. Sales Tax

Revenues, expense 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. When receivables and payables that are stated with the amount of sales tax included the net amount of sales tax recoverable from or payable to, the taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sell, are added to the costs of those assets. All other borrowing costs are expensed in the period they occur.

1.4.3 Foreign Currency Transactions and Balances

The Financial Statements are presented in Sri Lanka Rupees, which is the Corporation'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 re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to Income Statement. 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 foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or Income Statement are also recognised in OCI or Income Statement, respectively).

1.4.4 Current versus Non-Current Classification

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

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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 assets

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period.

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax liabilities are classified as non-current liabilities.

1.4.5 Fair value measurement

The Group measures financial instruments such as investments in equity shares and non-financial assets such as land, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes;

- Property, plant and equipment (Note 8)
- Investment property (Note 8.3)
- Financial instruments (including those carried at amortised cost) (Note 13.1)

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 Group.

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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

External valuers are involved for valuation of significant assets, such as land and investment properties and significant liabilities, such as retirement benefits obligation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

1.4.6 Property, Plant & Equipment

Property, plant and equipment, except land, are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost of purchase directly attributable to the acquisition of the asset or construction together with any incidental expenses thereon.

The cost of self-constructed assets included the cost of materials and direct labor or any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs of qualifying assets. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Cost Model

Group applies cost model to property, plant & equipment, except land, and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

Lands are measured at fair value less impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Subsequent Costs

The cost of replacing part of an item of property, plant & equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow into the Group and its cost can be reliably measured.

Restoration Costs

The cost incurred on repairs and maintenance of property, plant & equipment in order to restore or maintain future economic benefits is charged to Income Statement as incurred.

De-recognition

The carrying amount of an item of property, plant & equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant & equipment is included in the Income Statement when the item is derecognized.

Depreciation

Land is not depreciated as it is deemed to have an indefinite life. Group provides depreciation on straight-line basis over the periods appropriate to the estimated useful lives of different types of assets commencing from the date available to use. Depreciation ceases on the date that the asset is derecognised.

The Group reviews annually the estimated useful lives, residual values and method of depreciation of Property, Plant and Equipment based on factors such as business plan and strategies, expected level of usage and future developments using management judgment.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	35 - 50 Years
Tanks	20 - 40 Years
Pipe lines	5 - 40 years
Plant & Machinery	5 - 10 Years
Gantries & Pumps	10 - 15 years
Vehicles	4 - 5 Years
Furniture, Fittings & Office Equipment	3 - 10 Years
Buoy	10 years
SPM Facility - Tank Farm	40 Years
Aviation facility Mattala - Fuel Hydrant	40 Years
Fuel hydrant System	40 Years
Internal Road network & Fences	20 years
Metering & Electrical System	10 years
Fire fighting system	10 years
Other Assets	08 years
Muthurajawela - PLEM	10 years

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

Capital Work in Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

1.4.7 Investment Properties

Basis of Recognition

Investment property is property that is held to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under cost method in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

De-recognition

Investment properties are derecognized once disposed or permanently withdrawn from use because no future economic benefits are expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in SLFRS 15.Transfers are made to and from investment property only when there is a change in use.

1.4.8 Intangible assets

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 38 on 'Intangible Assets'.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

1.4.9 Investment in Subsidiary

Investment in Subsidiary is stated at cost, less impairment losses, if any.

1.4.10 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 (NRV) is the estimated selling 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. NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

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

Raw Materials	At purchase cost on first-in-first-out basis
Finished Goods	
(a) Refined Products	At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
(b) Imports	At purchase cost on first-in-first-out basis
Work-in-progress	
(a) Refined Products	At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
(b) Imports	At purchase cost on first-in-first-out basis
Other Finished Goods	At purchase cost on weighted average basis
Consumables & Spares	At purchase cost on weighted average basis

1.4.11 Cash and Cash Equivalents

Cash and cash equivalents are 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. Investment with short maturities i.e. three months or less from the date of acquisition is also treated as cash equivalent.

1.4.12 Provisions & Liabilities

Provisions

Provisions are recognized when the Group 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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Defined Benefit Obligations - Gratuity

The liability recognized in the Statement of Financial Position in respect of gratuity is the present value of the obligation at the end of the reporting period using the projected unit credit method. The present value of the defined benefit obligation depends on number of factors that are determined on an actuarial basis using number of assumptions. These assumptions used in determining the cost for gratuity include the discount rate, expected staff turnover and salary increment rate. Any change in these assumptions will impact the carrying amount of gratuity obligation.

The management determines the appropriate discount rate at the end of each year. This is the interest rate that should be used in determining the present value of estimated future cash flows expected to be required to settle the defined benefit obligation. In determining the discount rate, management considers the interest rates of government bonds in the absence of deep market for corporate bonds in Sri Lanka. Other key assumptions for defined benefit obligation are based on current market conditions.

Provision has been made for retirement gratuities from the beginning of service for all permanent employees, in conformity with LKAS 19 - Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

This is not an externally funded defined benefit plan.

Actuarial gains and losses are charged or credited in other comprehensive income in the period in which they arise.

Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Corporation contributes 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and records as an expense in the income statement in the periods during which services are rendered by employees.

1.4.13 Capital Reserve

Specific amounts received from Government Consolidated Fund and the net value of restructuring sale proceeds which eventually form the issued capital of the successor to Ceylon Petroleum Corporation are credited to a Capital Reserve.

1.4.14 Financial Instruments

i. Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Corporation 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 that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

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.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group classifies its financial instruments in the following categories:

a. Financial assets at amortised cost

The Group 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 income statement when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, loans to employees and investment in treasury bonds, bills and fixed deposits.

b. Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled Income Statement. Dividends are recognised as other income in the Income Statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group elected to classify its quoted and non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Expected credit losses (ECL)s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade and other receivables, evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors.

The Group considers a financial asset in default when contractual payments are remote.

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group review individually significant trade receivables at the each reporting date to assess whether impairment loss should be recognized in the income statement. Since the Group assess the trade receivable individually and found not to be additionally impaired.

ii. 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, include trade and other payables 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 Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans &borrowings and trade and other payables at Amortised Cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Income Statement 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 Income Statement.

Derecognition

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

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the Group's best estimate of the most appropriate model assumptions.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.1.

The Institute of Chartered Accountants of Sri Lanka issued SLFRS 09 Financial Instruments which reflects financial instruments and replaces LKAS 39 Financial Instrument, recognition and Measurement. The Standard introduces new requirements for Classification and Measurement of Impairment and Hedge Accounting.

1.4.15 Accounting for leases

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

a. Right-of-use assets

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

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subjected to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

1.4.16 Contingent liabilities, litigation & commitments

Contingent liabilities are the possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed, unless they are remote.

1.5 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. The Corporation will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements. The following standards, amendments and improvements are not expected to have a significant impact on the Group's financial statements.

a. SLFRS 17 – Insurance Contracts

This standard is effective for annual periods commencing on or after 01 January 2023.

2. Revenue

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Domestic	1,072,061.673	539,767.041	1,069,174.555	539,767.041
Export	81,570.464	47,452.519	81,570.464	47,452.519
Bunkering	816.921	6,613.489	816.921	6,613.489
Terminal Charge & Others	-	-	400.748	264.825
Total Sales	1,154,449.058	593,833.049	1,151,962.688	594,097.874
Less : Excise Duty & SSCL	(5,647.941)	(9,078.626)	(5,647.941)	(9,078.626)
Net Revenue	**1,148,801.118**	**584,754.423**	**1,146,314.748**	**585,019.248**

3. Other Operating Income

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Income on Investment Property	525.594	452.712	525.594	452.712
Staff Loan Interest	305.545	227.615	1,005.077	685.038
Rental Income	10.957	10.498	15.967	15.074
Profit/(loss) on disposal of PPE	32.091	3.489	35.900	3.420
Profit on Sale of Filling Station equipment	135.527	20.906	135.527	20.906
Dividend Income	0.001	-	0.001	-
Sundry Income	178.640	815.562	771.923	1,052.776
	1,188.355	**1,530.782**	**2,489.990**	**2,229.927**

4. Operating Profit

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Operating Profit stated after charging the following expenses				
Directors' emoluments	9.643	10.568	15.881	20.616
Auditors' remuneration including under provision	6.600	23.075	9.380	24.995
Depreciation (Note 8)	627.302	701.146	1,473.754	1,594.290
Advertising Expenses	46.784	17.779	46.784	17.779
Legal charge & Other Professional fee	169.386	125.688	169.386	125.688
Disallowed VAT	1,348.651	1,191.975	1,348.651	1,191.975
Special Fee to General Treasury	1,000.000	1,000.000	1,000.000	1,000.000

5. Finance Income

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Interest Income on Treasury Bills, Fixed Deposits and Call Deposits	12,367.374	7,726.756	12,652.655	7,928.328
Interest Income on Credit invoice & Overdue trade debts	10.689	14.717	10.689	14.717
Interest Income on CEB/IPP/Aviation debtors	25,084.521	10,584.380	25,084.521	10,584.379
Interest Income on Treasury Bonds	0.719	32.745	0.719	32.745
Interest Income on R.F.C. A/C & Others	187.183	10.482	187.183	10.482
	37,650.487	**18,369.081**	**37,935.768**	**18,570.652**

6. Finance Expenses

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Interest on Foreign Currency Bank Loans	97,144.298	25,630.753	97,144.298	25,630.751
Interest on LKR Bank Loans	8,962.755	-	8,962.755	-
Interest on Lease Liability	14.269	2.393	44.795	2.729
Other Finance Cost	13,415.336	12.155	13,415.336	12.155
	119,536.657	**25,645.301**	**119,567.183**	**25,645.635**

7. Income Tax Expense

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Current tax:				
Current income tax	-	-	-	505.568
Under/(over) provision of previous years	-	-	(3.194)	(13.412)
Deferred tax:			-	-
Origination and reversal of temporary differences - Income statement	-	-	357.806	(89.604)
Income tax expense - income statement	-	-	354.612	**402.553**
Income tax expense - Other Comprehensive Income	(619.035)	(1.205)	742.414	101.661
Total income tax expense	**(619.035)**	**(1.205)**	**1,097.026**	**504.214**

A reconciliation between current tax charge and profit before tax is given below:

Accounting profit/(loss) before tax	**(615,053.142)**	**(81,816.434)**	**(615,671.409)**	**(80,264.006)**
Add: Disallowable expenses	175,502.046	41,230.429	176,412.121	42,900.116
Less: Allowable expenses & exempt income	(1,144.548)	(1,289.942)	(2,568.439)	(4,921.409)
Adjusted trade profit	**(440,695.644)**	**(41,875.947)**	**(441,827.728)**	**(42,285.299)**
Less: Utilisation of tax losses	-	-	-	-
Add: Tax losses for the year	440,695.644	41,875.947	441,827.728	40,178.764
Taxable income	**-**	**-**	**-**	**(2,106.535)**
Income tax charged at				
2022-30%(2021-24%)	-	-	-	505.568
Concessionary rates	-	-	-	-
Under/(over) provision of previous years	-	-	(3.194)	(13.412)
Deferred tax charge to income statement	-	-	357.806	(89.604)
Origination and reversal of temporary differences - OCI	**619.035**	**(1.205)**	742.414	101.661
Income tax expense	**619.035**	**(1.205)**	**1,097.026**	**504.214**

Assessments have been issued to the Taxable years of 1997/98, 2013/14, 2014/15, 2015/16 and 2016/17 amounting to Rs. 25.12 Mn., Rs. 99.94 Mn, Rs. 723.09 Mn., Rs. 54.68 Mn. and Rs. 2,170.07 Mn. respectively and CPC has made valid appeals for those Assessments. Income tax liabilities on the assessments for the year of assessment 1997/98 had been recognized in the financial statements.

Determination for the year of assessment 2013/14 has been given by the Inland Revenue Department and an appeal has been made to the Tax Appeals Commission against the determination given for the year of Assessment 2013/14.

The assessments have been raised against CPSTL by IRD for the tax liabilities including penalties amounting to Rs. 401 Mn. for the period up to 31.12.2009 and Rs. 390 Mn. for the period from 2010 to 2022.

8. Property, Plant & Equipment - CPC

	Land & Building Rs. Mn.	Vested Property Rs. Mn.	Plant, Mach & Equip. Rs. Mn.	SPM Facility Rs. Mn.	Motor Vehicles Rs. Mn.	Furn/ Fittings, Off. Equip & Other Assets Rs. Mn.	Capital Work in Progress Rs. Mn.	Total Rs. Mn.
8.1.Cost								
Bal as at 01/01/2022	16,647.787	1.016	29,802.536	2,835.841	1,382.542	2,429.787	7,142.209	60,241.718
Additions	63.084	-	296.138	-	-	37.243	4,183.268	4,579.733
Disposals	(14.241)	-	(28.085)	-	(4.741)	-	-	(47.067)
Bal as at 31/12/2022	**16,696.630**	**1.016**	**30,070.589**	**2,835.841**	**1,377.801**	**2,467.029**	**11,325.477**	**64,774.384**
8.2 Depreciation								
Bal as at 01/01/2022	1,286.300	0.397	10,831.831	1,571.304	1,173.541	1,998.860	-	16,862.234
Charge for the Year	152.673	0.016	2,301.639	106.374	24.904	59.517	-	2,645.122
Disposals	-	-	(28.085)	-	(4.741)	-	-	(32.826)
Bal as at 31/12/2022	**1,438.973**	**0.413**	**13,105.385**	**1,677.679**	**1,193.704**	**2,058.377**	**-**	**19,474.530**
NBV as at 31.12.2022	**15,257.657**	**0.603**	**16,965.204**	**1,158.162**	**184.097**	**408.652**	**11,325.477**	**45,299.853**
Cost as at 31.12.2021	16,647.787	1.016	29,802.536	2,835.841	1,382.542	2,429.787	7,142.209	60,241.718
Acc.Dep as at 31.12.2021	1,286.300	0.397	10,831.831	1,571.304	1,173.541	1,998.860	-	16,862.234
NBV as at 31.12.2021	**15,361.487**	**0.619**	**18,970.705**	**1,264.537**	**209.001**	**430.926**	**7,142.209**	**43,379.484**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2022 is Rs 3,191.080 Mn (2021 – Rs 2,779.186 Mn).

Property, Plant & Equipment - Group

	Land & Building Rs. Mn.	Vested Property Rs. Mn.	Plant, Mach & Equip. Rs. Mn.	SPM Facility Rs. Mn.	Motor Vehicles Rs. Mn.	Furn/ Fittings, Off. Equip & Other Assets Rs. Mn.	Capital Work in Progress Rs. Mn.	Total Rs. Mn.
8.1.Cost								
Bal as at 01/01/2022	23,249.235	1.016	46,101.644	6,166.611	3,252.901	5,089.031	9,183.385	93,043.823
Additions	64.066	-	328.585	26.589	-	85.387	5,001.864	5,506.490
Transfers	116.578	-	1,670.270	9.119	-	22.004	(1,817.970)	-
Disposals	(15.045)	-	(35.748)	-	(4.741)	(2.022)	(11.695)	(69.251)
Bal as at 31/12/2022	**23,414.834**	**1.016**	**48,064.750**	**6,202.319**	**3,248.160**	**5,194.399**	**12,355.584**	**98,481.062**
8.2 Depreciation								
Bal as at 01/01/2022	2,069.687	0.397	19,217.393	4,687.778	2,914.132	4,257.954	-	33,147.342
Charge for the Year	206.012	0.016	2,800.737	192.037	121.637	171.135	-	3,491.574
Disposals	(0.426)	-	(35.748)	-	(4.741)	(0.223)	-	(41.137)
Bal as at 31/12/2022	**2,275.273**	**0.413**	**21,982.382**	**4,879.816**	**3,031.028**	**4,428.867**	**-**	**36,597.779**
NBV as at 31.12.2022	**21,139.561**	**0.603**	**26,082.368**	**1,322.503**	**217.132**	**765.532**	**12,355.584**	**61,883.283**
Cost as at 31.12.2021	23,249.235	1.016	39,865.087	5,861.290	3,252.901	11,618.734	9,195.559	93,043.822
Acc.Dep as at 31.12.2021	2,069.687	0.397	17,138.593	4,332.346	2,914.132	6,692.187	-	33,147.342
NBV as at 31.12.2021	**21,179.548**	**0.619**	**22,726.494**	**1,528.944**	**338.769**	**4,926.547**	**9,195.559**	**59,896.480**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2022 is Rs 11,582.712 Mn (2021 - Rs10,654.464 Mn).

8.3 Investment Property

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Cost				
Bal at the beginning of the year	76.518	76.518	76.518	76.518
Add: Additions / Transfers	-	-	-	
Bal as at the end of the year	76.518	76.518	76.518	76.518
Depreciation				
Bal at the beginning of the year	24.726	22.815	24.726	22.815
Add: Charge for the year	1.370	1.911	1.370	1.911
Bal as at the end of the year	26.096	24.726	26.096	24.726
Net Book Value	**50.422**	**51.792**	**50.422**	**51.792**

Investment property consists of properties located at Thurstan Road, Flower Road & Filling Stations given on rent.

Description	Fair Value Rs. Mn.
No.80, Flower Road, Colombo 07	40.000
No.22/1, Thurstan Road, Colombo 03	
Filling Stations	35.510

Fair value of the investment properties was based on the valuations carried out in the years 2012 and 2016 by the Valuation Department, who are independent valuers not connected with the Corporation.

8.4 Intangible Assets

	CPC	Group			
	ERP System Rs. Mn	ERP System Rs. Mn	SAP License Rs. Mn	Automation System Rs. Mn	Total Rs. Mn
Cost /Carrying value					
At the beginning of the year	0.683	562.058	9.380	37.794	609.231
Additions/Transfers	-	-	-	-	-
At the end of the year	**0.683**	**562.058**	**9.380**	**37.794**	**609.231**
Amortisation					
At the beginning of the year	0.027	494.727	9.380	37.794	541.901
Charge for the Year	0.228	30.003	-	-	30.003
At the end of the year	0.254	524.730	9.380	37.794	571.904
Carrying value					
As at 31.12.2022	**0.429**	**37.328**	**-**		**37.328**
As at 31.12.2021	**0.656**	**67.331**	**-**	**-**	**67.331**

During the year CPC acquired PPE including intangible assets amounting to Rs. 4,579.733 Mn (2021 - Rs. 2,525.639) and of this CPC paid Rs 1,421.721 Mn (2021 Rs. 1,567.453Mn.)

During the year Group acquired PPE including intangible assets amounting to Rs. 5,506.490 Mn (2021-Rs. 3,883.566 Mn.) and of this Group paid Rs 2,348.478 Mn (2021 Rs. 2,925.380 Mn.).

8.5 Capitalisation of Borrowing Cost

The Group commenced the Construction of Development & Upgrading of Aviation Refuelling Terminal & the Existing Fuel Hydrant System and Installation of a Fuel Hydrant System of CPC at New Apron –E Bandaranaike International Airport (BIA)in January 2018. This Project is financed by the two outsource facilities (15% from the Commercial loan taken from Peoples Bank and the Balance 85% on a Self-financing basis by the contractor).

The amount of borrowing cost capitalized during the year 2022 was Rs. 810.363 Mn. (2021-Rs. 236.942 Mn). The rate was to determine the capitalization of Borrowing cost was 7.29% p.a.

9. Right-of-Use-Assets

9.1. Lease Assets

The Corporation entered in to the lease contract with the Government for 24 Tanks at Trincomalee Tank Farm for the period of 50years.

Further, The Corporation has entered for Lease contracts for the lands at Neluwa,, Yatiyantota and Ratnapura.

9.1. Lease Assets

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Cost				
Bal as at 01/01	20.706	20.706	63.015	63.015
Additions	84.894	-	300.911	-
Bal as at 31/12	**105.599**	**20.706**	**363.925**	**63.015**
Amortization				
Bal as at 01/01	5.273	3.474	45.174	34.913
Charge for the year	3.496	1.799	10.226	10.261
Bal as at 31/12	8.770	5.273	55.400	45.174
Net Book Value	**96.830**	**15.433**	**308.527**	**17.841**

9.3 Lease Liability

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Cost				
Bal as at 01/01	18.350	19.247	21.015	31.018
Additions	84.894	-	300.911	-
Adjustments/interest	14.269	2.393	44.795	2.729
Payments	(8.119)	(3.290)	(23.292)	(12.732)
Bal as at 31/12	**109.393**	**18.350**	**343.429**	**21.015**
Current liabilities	1.196	1.031	1.233	3.696
Non-current liabilities	108.197	17.319	342.196	17.319
Total	**109.393**	**18.350**	**343.429**	**21.015**

9.4 Maturity Analysis of Lease Liability

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Not later than one year	1.196	1.031	1.233	3.696
Later than one year and not later than five years	7.644	6.427	7.858	6.427
Later than five years	100.554	10.891	100.554	10.891
Total	**109.393**	**18.350**	**109.645**	**21.015**

9.4 Details of the amounts recognized in income statement

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Amortization expenses of right-of-use-assets	3.496	1.799	10.225	10.260
Interest expenses on lease liability	14.269	2.393	44.795	2.729
Total recognized in income statement	**17.765**	**4.192**	**55.020**	**12.990**
Total cash outflows made with respect top leases	**8.119**	**3.290**	**10.784**	**12.732**

9.5 CPC has obtained lands from the Government Institutions such as Sri Lanka Railway Department, Mahaweli Authority, Municipal Councils etc. and presently pays lease rentals as per the negotiations with the respective parties. Discussions with the relevant parties are in progress to enter into the formal contract for the lease arrangements. Lease rentals paid relating to the lease without agreements, short term and low value leases for the year 2022 is Rs. 4.47 Mn. (2021 - Rs. 44.19 Mn.) which are including the rent expenses.

10. Investment in Subsidiary

	CPC				Group	
	2022 Holding %	2021 Holding %	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Ceylon Petroleum Storage Terminals Ltd.	66.67%	66.67%	5,000.000	5,000.000	-	-
Trinco Petroleum Terminal (Pvt) Ltd.	51%	-	51.000	-	-	-
			5,051.000	**5,000.000**	**-**	**-**

10.1. The summarized financial information of the Subsidiary company

Statement of Financial Position	CPSTL 2022 Rs. Mn	CPSTL 2021 Restated Rs. Mn	TPTL 2022 Rs. Mn
Non - Current Assets	18,053.895	18,146.924	212.986
Current Assets	15,456.415	15,759.446	98.177
Total Assets	**33,510.310**	**33,906.370**	**311.163**
Capital and Reserves	27,258.066	27,907.261	63.187
Non - Current Liabilities	3,374.869	3,219.135	233.998
Current Liabilities	2,877.375	2,779.975	13.978
Total Equity and Liability	**33,510.310**	**33,906.370**	**311.163**
Statement of Comprehensive Income	**2022 Rs. Mn**	**2021 Restated Rs. Mn**	**2022 Rs. Mn**
Revenue	9,433.316	14,276.189	-
Expenses	(11,609.565)	(13,632.036)	(36.859)
Other Income	1,593.783	907.083	0.046
Profit before Tax	(582.466)	1,551.236	(36.813)
Income Tax Expenses	(354.612)	(402.553)	-
Profit for the year	(937.078)	1,148.683	(36.813)
Other comprehensive income	287.883	325.740	
Total Comprehensive Income for the year	(649.194)	1,474.423	(36.813)
Dividend Paid to the non-controlling interest	-	-	-

11. Non-current Financial Assets

		CPC		Group	
	Note	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Quoted equity investments	11.1	12.500	12.500	12.500	12.500
Unquoted equity investments	11.2	0.540	0.540	0.540	0.540
Non equity investments	11.3	-	231.012	-	231.012
		13.040	**244.052**	**13.040**	**244.052**

11.1. Quoted equity investments

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Lanka Cement Ltd.				
5,000,000 Ordinary Shares of Rs.10/= each fully paid	12.500	12.500	12.500	12.500
Adjustment for fair value changes	-		-	-
	12.500	**12.500**	**12.500**	**12.500**

11.2. Unquoted equity investments

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Associated News Papers of Ceylon Ltd.				
61,206 Ordinary Shares of Rs.10/= each	0.539	0.539	0.539	0.539
Lanka Leyland Ltd.				
100 Ordinary Shares of 10/= each	0.001	0.001	0.001	0.001
International Cooperative Petroleum association				
5,499 Shares of Us $ 100/= each fully paid				
Incorporated in USA	5.086	5.086	5.086	5.086
Less : Provision for Impairment	(5.086)	(5.086)	(5.086)	(5.086)
	0.540	**0.540**	**0.540**	**0.540**

The unquoted investments classified as financial assets of fair value through OCI, investments are carried at cost.

The maximum exposure to credit risk at the reporting date is the carrying value of equity securities classified as fair value through OCI.

None of the unquoted equity investments is either past due or impaired except the International Cooperative Petroleum Association for which an impairment provision has been made.

11.3.Non -equity investments

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Investment in Treasury Bonds	-	231.012	-	231.012
	-	**231.012**	**-**	**231.012**

12. Trade & Other Receivables

	CPC			
	2022		2021 Restated	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	223,638.201	-	164,201.942	-
Receivables- Inland Revenue & Custom Dept.	8,620.352	-	5,377.955	-
Other Receivables	8,089.954	1,250.606	11,201.654	2,250.608
Deposits & Prepayments	1,080.541	509.657	535.273	940.443
Advance	27,301.644	-	1,966.219	-
Loans & Advances to Employees	56.003	4,519.960	40.269	4,273.485
Total	**268,786.695**	**6,280.223**	**183,323.312**	**7,464.536**

As at 31 December, the age analysis of trade receivables is set out below,

	CPC	
	2022 Rs. Mn	2021 Rs. Mn
Less than 30 days	11,979.007	23,802.202
30 - 90 days	13,125.321	10,269.046
91 - 180 days	45,402.352	11,103.936
181 - 365 days	81,418.840	26,407.638
More than 365 days	71,767.085	92,676.157
Total	**223,692.605**	**164,258.979**
Provision for impairment	(54.404)	(57.037)
	223,638.201	**164,201.942**

Movement in the provision for impairment of trade receivables is as follows.

	CPC	
	2022 Rs. Mn	2021 Rs. Mn
Balance as at 1st January	57.037	49.778
Less: Amount Recovered	(15.666)	(0.396)
Less: Amount write off	-	-
Add: Provision for the year	13.032	7.655
Balance as at 31st December	**54.404**	**57.037**

	Group			
	2022		2021 Restated	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	225,919.331	-	165,772.961	-
Receivables- Inland Revenue & Custom Dept.	8,930.100	-	5,465.863	-
Other Receivables	8,187.335	1,250.605	11,124.582	2,250.605
Deposits & Prepayments	3,087.320	509.657	2,225.901	940.443
Advance	27,301.644	-	1,966.219	-
Loans & Advances to Employees	1,737.717	5,954.815	1,797.648	5,834.330
	275,163.447	**7,715.078**	**188,353.174**	**9,025.378**

The carrying amounts of trade receivables are denominated in following currencies;

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Sri Lankan Rupees	119,123.638	100,884.167	121,404.768	102,455.186
United States Dollars	104,514.563	63,317.775	104,514.563	63,317.775
	223,638.201	**164,201.942**	**225,919.331**	**165,772.961**

12.1 Kerosene Subsidy

The Corporation sells Kerosene at Government decided price and the Government has agreed to reimburse the loss incurred due to Kerosene price reduction through the letters issued by the Secretary to the General Treasury. Although the Corporation requested to reimburse the subsidy element, the government reimbursed only Rs. 4,459.28 for the year 2015. The Corporation is continuously negotiating with the General Treasury for the Kerosene subsidy element and the total subsidy receivable as at 31.12.2022 is Rs. 70,168 Mn. and Rs. 5,097.72 Mn. has been recognized up to 2017 in the financial statements and balance has not been recognized in the financial statements until the receipt/ confirmation from the General Treasury. Kerosene subsidy for the year is Rs. 26,065 Mn.

13. Financial Instruments

Financial Assets by category	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Financial assets at amortized cost				
Trade and other receivables	266,446.567	185,409.893	273,948.424	191,912.690
Investments in treasury bonds	-	231.012	-	231.012
Placements with banks	-	-	-	-
Cash in hand and at bank	17,566.560	141,607.205	19,670.846	143,864.134
Financial assets at fair value through OCI			-	-
Unquoted Equity Investments	0.540	0.540	0.540	0.540
Quoted Equity Investments	12.500	12.500	12.500	12.500
Total	**284,026.187**	**327,261.150**	**293,632.311**	**336,020.876**

Financial Liabilities by category	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Financial Liabilities at amortized cost				
Borrowings	328,708.034	516,162.327	328,708.034	516,162.327
Trade and other payables	199,290.546	238,959.645	195,970.831	233,381.974
Total	**527,998.580**	**755,121.972**	**524,678.866**	**749,544.300**

13.1. Fair value of Financial Instruments

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are classified as financial instruments in the financial statements.

As at 31 December	Note	Carrying Amount		Fair value	
		2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Financial assets					
Non Current Financial assets					
Quoted equity investments	13.1.1	12.500	12.500	12.500	12.500
Unquoted equity investments	13.1.2	0.540	0.540	0.540	0.540
Investment in Treasury Bonds	13.1.1	-	231.012	-	231.012
Trade & Other receivables	13.1.4	266,501.145	185,467.105	266,446.567	185,409.893
Cash and cash equivalents	12.1.4	17,566.560	141,607.205	17,566.560	141,607.205
Total		**284,080.745**	**327,318.362**	**284,026.167**	**327,261.149**
Financial liabilities					
Loans & borrowings	13.1.3	11,833.486	5,893.394	11,833.486	5,893.394
Trade & other payables	13.1.4	199,290.546	238,959.645	199,290.546	238,959.645
Short term borrowings	13.1.4	316,874.548	510,268.933	316,874.548	510,268.933
Total		**527,998.580**	**755,121.971**	**527,998.580**	**755,121.971**

13.2.Determination of fair value

Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a traded price may not be possible .In these circumstances, the Group uses alternative market information and discounted cash flows to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

13.2.1 Fair value of investments in quoted equity and treasury bonds are based on price quoted in the market at the reporting date.

13.2.2 Fair value of unquoted equity investments carried at cost are assumed to equal its fair value considering the materiality of the investment.

13.2.3 Investment in deposits and loans & borrowings are evaluated by the Group based on parameters such as interest rates, creditworthiness of the bank, and the risk characteristics of the instrument. As at 31 December 2022, the carrying amounts of deposits, loans & borrowings are not materially different from their fair values.

13.2.4 Cash and cash equivalents, trade & other receivables, trade & other payables and short term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

13.3 Fair value hierarchy

The Group use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

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 which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	CPC - 2022			
As at 31 December	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI				
Quoted equity investments	12.500	-	-	12.500
Unquoted equity investments	-	-	0.540	0.540
	12.500	-	0.540	13.040

14. Inventories

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Crude Oil	54,465.546	8,883.409	54,465.546	8,883.409
Other Raw material	6,372.753	1,125.992	6,372.753	1,125.992
Finished Products	77,650.267	27,919.023	77,660.487	27,923.990
Intermediate Product	6,325.185	1,120.112	6,325.185	1,120.112
Other Materials & Supplies	4,850.813	3,228.329	5,715.639	3,794.984
Less: Provision for Slow Moving Items	(361.232)	(361.232)	(378.307)	(377.982)
	149,303.332	**41,915.633**	**150,161.303**	**42,470.504**

The Corporation imported fuel under the agreements with the suppliers and store them in storage tanks of the Corporation on pledged basis. As per the agreements, they are mortgaged to suppliers until the settlements are made. Accordingly, the value of the mortgage stock as at 31.12.2022 is Rs. 60,718.661 Mn.

15. Cash & Cash Equivalents

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Components of Cash and Cash Equivalents				
Cash at Bank and in hand	17,566.560	141,607.205	19,670.847	143,864.134

The bank deposits as at 31.12.2022 have not been pledged (2021 pledged amount - Rs. 52,143 million) as margin against the letter of credits issued by the banks to import petroleum products.

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Cash and cash equivalents	17,566.560	141,607.205	19,670.847	143,864.134
Bank overdrafts (note 22)	(354.628)	(537.992)	(354.628)	(537.992)
	17,211.932	**141,069.213**	**19,316.219**	**143,326.142**

16. Contributed Capital

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Balance as at 31st December	28,487.125	28,487.125	28,487.125	28,487.125
Equity capital through loan settlements	884,093.386	-	884,093.386	-
	912,580.511	**28,487.125**	**912,580.511**	**28,487.125**

No authorized capital has been fixed by the Parliament.

As proposed in the National Budget 2023 and as approved by the Cabinet of Ministers, the Government guaranteed foreign currency (USD) loans and bills as at 31.12.2022 were taken over by the government as Government Debt. Therefore, the loans and bills to Bank of Ceylon and People's Bank amounting to Rs. 884,093.386 Mn. has been transferred to the General Treasury and the same amount recognized as the equity inflows on 31.12.2022.

17. Reserves

17.1. Capital Reserve

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Balance as at 31st December	**4,992.686**	**4,992.686**	**4,992.686**	**4,992.686**

In 2003, the transfer of assets to CPSTL had been done at book values. Subsequently it had been decided to record the above transactions based on the values that had been agreed upon in the process of privatization. The effect of this had been adjusted under capital reserve.

17.2. Revaluation Reserve

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Balance as at 1st January	28,063.101	28,068.124	28,063.101	28,068.124
Disposals	(13.989)	(5.023)	(13.989)	(5.023)
Balance as at 31st December	**28,049.112**	**28,063.101**	**28,049.112**	**28,063.101**

The revaluation reserve is used to record increases in the fair value of land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

18. Retirement Benefit Obligation

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Balance as at 01st January	1,851.783	1,692.410	3,461.107	3,708.054
Less: Payable for those who left during the period	(9.105)	(8.808)	(9.105)	(8.808)
Payments made during the year	(190.506)	(190.171)	(375.283)	(410.643)
	1,652.172	1,493.431	3,076.719	3,288.603
Add: Current service cost	98.539	101.874	184.054	183.381
Interest cost	203.696	167.549	388.768	328.800
Actuarial (gain)/loss	(462.357)	88.929	(873.619)	(339.677)
	1,492.051	1,851.783	2,775.923	3,461.107
Add: Benefit China Bay /LLL/NYLON/CPSTL Employees	10.025	10.025	10.025	10.025
Balance as at 31st December	**1,502.076**	**1,861.808**	**2,785.949**	**3,471.132**
Expenses on retirement benefit obligation				
Income Statement				
Current service cost	98.539	101.874	184.054	183.381
Interest cost	203.696	167.549	388.768	328.800
	302.236	**269.422**	**572.823**	**512.181**
Other Comprehensive income				
Actuarial (gain)/loss	(462.357)	88.929	(873.619)	(339.677)
	(462.357)	**88.929**	**(873.619)**	**(339.677)**

Actuarial valuation of retirement benefit obligation as at 31 December 2021 was carried out by messes Actuarial and Management Consultants (Pvt) Ltd, a professional actuaries using the 'Projected Unit Credit method' as recommended by LKAS 19 - Employee Benefits.

The principal actuarial assumptions used were as follows :

	2022	2021
Expected Salary increment	36% once in 3 years	25% once in 3 years
Expected Staff turnover	5.00%	5.00%
Interest /Discount Rate	18.00%	11.00%
Retirement age	60 years	60 years
No. of employees	2,232	2,303
Mortality	A 67/70 Mortality Table	A 67/70 Mortality Table

18.1 Sensitivity of actuarial assumptions used

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 December 2022. 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.

Assumption	CPC		
	Change in the assumption	Sensitivity effect on Income statement	Sensitivity effect on Retirement Benefit Obligation
		2022 Rs. Mn	2022 Rs. Mn
Discount Rate	Increased by 1% point	69.489	(69.489)
	Decreased by 1% point	(76.214)	76.214
Salary Increment	Increased by 1% point	(87.709)	87.709
	Decreased by 1% point	80.347	(80.347)

19. Deferred Tax - CPC

CPC has carried forward tax losses amounting to Rs. 741,598 Mn(2021 Rs.298,103 Mn) which are available to set-off against the future tax profits. Deferred tax assets not accounted on these lossess amounts to Rs. 222,480 Mn (2021 Rs. 71,545 Mn).

As gains from realizations of assets are subjected to tax separately, deferred tax liability on realization of lands are noted below.

19.1. Deferred Tax - CPC

	2022 Rs. Mn	2021 Rs. Mn
Balance at the beginning of the period	2,492.927	2,494.132
Origination and reversal of temporary difference - Income Statement	-	-
- Other Comprehensive income	619.035	(1.205)
Balance at the end of period	**3,111.962**	**2,492.927**
Deferred tax Assets	-	-
Deferred tax liability	3,111.962	2,492.927
Net deferred tax liability	**3,111.962**	**2,492.927**

19.2 Recognized deferred tax assets and liabilities

	2022 Rs. Mn		2021 Rs. Mn	
	Temporary difference	Deferred tax Liability/ (Asset)	Temporary difference	Deferred tax Liability/ (Asset)
Deferred tax liability				
Land	619.035	3,111.962	(1.205)	2,492.927
	619.035	**3,111.962**	**(1.205)**	**2,492.927**

Deferred tax has been calculated using an effective tax rate @ 30%. The single tax rates applied different levels of taxable income, resulting to Rs. 619.035 Mn increase in the deferred tax liability as at 31 December 2022.

19.1. Deferred Tax - Group

	2022 Rs. Mn	2021 Rs. Mn
Balance at the beginning of the period	4,102.738	4,090.681
Origination and reversal of temporary difference - Income Statement	357.806	(89.604)
- Other Comprehensive income	742.414	101.660
Balance at the end of period	**5,202.958**	**4,102.738**
Deferred tax Assets	(399.870)	(400.202)
Deferred tax liability	5,602.828	4,502.940
Net deferred tax liability	**5,202.958**	**4,102.738**

19.2 Recognized deferred tax assets and liabilities

	2022 Rs. Mn		2021 Rs. Mn	
	Temporary difference	Deferred tax Liability/ (Asset)	Temporary difference	Deferred tax Liability/ (Asset)
Deferred tax liability				
Property, Plant & Equipment & Intangible assets	483.555	2,490.866	(79.614)	2,010.014
Land	616.332	3,111.962	2.380	2,492.927
Deferred tax assets				
Inventories	(1.102)	(5.122)	(0.151)	(4.020)
Provisions	0.358	(9.586)	(8.073)	(9.945)
Employee benefit plan	1.077	(385.162)	97.516	(386.238)
Tax loss	-	-		-
	1,100.220	**5,202.958**	**12.058**	**4,102.738**

Deferred tax has been calculated using an effective tax rate @ 30%. The single tax rates applied different levels of taxable income, resulting to Rs. 1,100.220 Mn increase in the deferred tax liability as at 31 December 2022.

20. Loans & Borrowings

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Peoples Bank-BIA Project	2,152.997	1,332.943	2,152.997	1,332.943
Self Financing Facility(CNCEC-14) -BIA Project	8,161.668	3,940.093	8,161.668	3,940.093
	10,314.665	**5,273.036**	**10,314.665**	**5,273.036**
20.1 Current Portion of Loans & Borrowings				
Peoples Bank-BIA Project	430.599	156.817	430.599	156.817
Self Financing Facility(CNCEC-14) -BIA Project	1,088.222	463.541	1,088.222	463.541
	1,518.821	**620.358**	**1,518.821**	**620.358**

1. Peoples Bank Loan is guaranteed by a Treasury Guarantee of US$ 7.725 Mn issued to People's Bank on behalf of CPC.

2. Self Financing Loan facility obtained for the BIA Project from the project construction joint venture Partner Ms China National Chemical Engineering No 14. Construction Co. Ltd (CNCEC) and the loan is guaranteed by a Severing Guarantee of US$ 43.775 Mn issued to CNCEC on behalf of CPC. There is no cash flows through this loan and the project loan amount is recognised in the Financial Statement based on the working progress as per the loan facility agreement.

3. Outstanding amounts as at 31.12.2022 is USD. 6,952,500.00 and USD 24,891,604.53 for the M/s Peoples Bank and M/s China National Chemical Engineering No 14. Construction Co. Ltd (CNCEC) respectively.

20.2. Loans Repayable within five years from 31st December is as follows:

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Amount due within 2 years	2,894.109	1,240.710	2,894.109	1,240.710
Amount due within 3-5 years	4,125.864	1,861.070	4,125.864	1,861.070
Amount due after 5 years	4,813.513	2,791.614	4,813.513	2,791.614
	11,833.486	**5,893.394**	**11,833.486**	**5,893.394**

The carrying values of borrowings are considered to be the fair value.

(a) People's bank USD 7,725 Mn. Loan - (Interest 6 months LIBOR+5%p.a.) repayable in biannual instalments commencing from Dec 30, 2021.

(b) Self Financial Facility USD 43.775 Mn. Loan - (Interest 6 months LIBOR+3.55%p.a.) repayable in biannual instalments commencing from July 19, 2021.

21. Trade & Other Payables

	CPC		Group	
	2022 Rs. Mn	2021 Restated Rs. Mn	2022 Rs. Mn	2021 Restated Rs. Mn
Foreign Bills Payable	164,099.135	224,686.870	164,099.135	224,686.870
Other Creditors				
- Amount due to Inland Revenue & Custom Dept.	45,438.678	18,102.916	45,438.678	18,545.676
- Accrued Expenses	18,293.727	10,718.810	13,771.077	3,971.762
- Other payables	16,897.683	3,553.965	18,100.619	4,723.342
	244,729.224	**257,062.561**	**241,409.509**	**251,927.649**

Trade payables include the payable amounting to USD 250.925 million (Rs. 93,245.499 million as at 31.12.2022) to National Iranian Corporation, Iran on the purchase of two shipments of Crude Oil in the year 2012. This balance has not been settled due to the sanctions imposed to Iran. The Corporation has recognized exchange variation loss of Rs. 42,307.890 million (2021 - Rs. 2,989.923 million) for the year 2022 and Rs. 60,490.860 million for the period from 2012 to 2022. Although efforts such as settlement proposal made by the Ministry of Plantation to settle against the proceeds receivable from tea exports, the proposal has not been finalized so far.

Amount due to Inland Revenue & Custom Dept. includes the excise duty, NBT, SSCL and income tax payable. Refundable VAT is included under other receivables.

22. Short Term Borrowings

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
Bank & Other loans				
- Wholly Repayable within one year	316,519.920	509,730.941	316,519.920	509,730.941
- Bank Overdrafts	354.628	537.992	354.628	537.992
	316,874.548	**510,268.933**	**316,874.548**	**510,268.933**

Bank Borrowings (except Overdraft) were guaranteed by a Treasury indemnity of US$ 3,300 Mn issued to Bank of Ceylon & Peoples Bank on behalf of the Corporation. The loans and bills obtained against these indemnities have been taken over by the government with effects from 31.12.2022.

Short term loans are obtained to finance import bills payable to the suppliers.

23. Employees

	CPC		Group	
	2022 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn	2021 Rs. Mn
23.1 Staff Cost				
Salaries & Wages	5,694.238	6,029.236	11,867.501	12,344.136
Defined Contribution Plan	598.733	591.951	1,170.976	1,185.442
Defined benefit obligation (Note 18)	302.236	269.422	572.823	512.181
	6,595.207	**6,890.609**	**13,611.301**	**14,041.760**

24. Operating Segments

	Transport Rs. Mn	Power Genera-tion Rs. Mn	Aviation Rs. Mn	Industries Rs. Mn	Storage & Transpor-tation Rs. Mn	Others Rs. Mn	Elimina-tions/ Adjust-ments Rs. Mn	Total Rs. Mn
Revenue								
External Customers	902,779.304	128,383.021	82,206.807	21,167.166	397.900	11,380.549	-	**1,146,314.748**
Inter Segment					11,919.686		(11,919.686)	**-**
Total Revenue	**902,779.304**	**128,383.021**	**82,206.807**	**21,167.166**	**12,317.586**	**11,380.549**	**(11,919.686)**	**1,146,314.748**
Results								
Operating Profit	(16,006.264)	9,132.735	3,720.976	6,018.894	-	(9,896.351)	-	**(7,030.010)**
Exchange Rate Variation	(446,325.118)	(60,028.091)	-	(6,884.110)	-	(13,772.664)	-	**(527,009.984)**
Net Finance Cost	(64,533.345)	(8,679.354)	(5,686.745)	(995.361)	-	(1,736.610)		**(81,631.415)**
Profit /(Loss) before tax	**(526,864.728)**	**(59,574.710)**	**(1,965.769)**	**(1,860.577)**	**-**	**(25,405.625)**	**-**	**(615,671.409)**
Income tax Expense					(354.612)		-	**(354.612)**
Profit/(Loss) for the year	(526,864.728)	(59,574.710)	(1,965.769)	(1,860.577)	(354.612)	(25,405.625)	-	**(616,026.021)**

25. Restatement of Financial Statements

1. As per the Board Decision in 2013, the Corporation accrued the Monthly Utility Fee (MUF) from 2014 to 2020 amounting to Rs. 2,533 Mn., 2021 amounting to Rs. 410 Mn. and these adjustments were made retrospectively.

2. The Corporation recognized the Right-of-use Assets as per the SLFR-16 and adjustments have been made retrospectively.

3. The impact of restatements of CPSTL financial statements regarding the fuel issues together with written back of the long outstanding sundry payable balances and adjustment of the Surcharge tax have been adjusted in the consolidated financial statements.

4. Reclassifications including in the statement of cash flows have been rearranged to present a fair view.

The following tables summarize the impact on CPC and Group's financial statements.

26.1 Statement of Financial Position

1 January 2021	CPC			Group		
	As previous-ly reported Rs. Mn	Adjust-ments Rs. Mn	As restated Rs. Mn	As previous-ly reported Rs. Mn	Adjust-ments Rs. Mn	As restated Rs. Mn
Right-of-use-Assets	-	17.231	17.231	-	17.231	17.231
Trade & Other Receivables	159,450.255	2,533.467	161,983.722	165,767.016	2,533.467	168,300.483
Others	165,999.223	-	165,999.223	181,287.457	(111.661)	181,175.796
Total Assets	**325,449.478**	**2,550.698**	**328,000.176**	**347,054.473**	**2,439.037**	**349,493.510**
Trade and Other Payables	200,659.603	-	200,659.603	196,403.628	-	196,403.628
Lease liabilities	-	19.247	19.247	-	19.247	19.247
Other Liabilities	400,013.039	-	400,013.039	403,625.232	-	403,625.232
Total Liabilities	**600,672.642**	**19.247**	**600,691.889**	**600,028.860**	**19.247**	**600,048.107**
Retained earnings	(336,733.099)	2,531.452	(334,201.647)	(323,569.499)	2,457.012	(321,112.488)
Non Controlling Interest	-	-	-	9,085.177	(37.220)	9,047.956
Capital & Other reserves	61,509.935	-	61,509.935	61,509.935	-	61,509.935
Total Equity	**(275,223.164)**	**2,531.452**	**(272,691.712)**	**(252,974.387)**	**2,419.792**	**(250,554.596)**

31 December 2021	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Right-of-use-Assets	-	15.433	15.433	-	17.841	17.841
Trade and Other Receivables	187,600.309	3,187.540	190,787.849	194,496.716	2,881.836	197,378.552
Other Assets	232,198.822	-	232,198.821	246,668.499	(74.205)	246,594.293
Total Assets	**419,799.131**	**3,202.972**	**423,002.103**	**441,165.215**	**2,825.472**	**443,990.686**
Trade and Other Payables	256,818.738	243.822	257,062.561	251,281.648	646.001	251,927.649
Lease liabilities	-	18.350	18.350	-	21.015	21.015
Others	520,517.062	-	520,517.062	523,736.197	-	523,736.197
Total Liabilities	**777,335.800**	**262.172**	**777,597.974**	**775,017.845**	**667.016**	**775,684.861**
Retained earnings	(419,041.581)	2,940.800	(416,100.782)	(404,920.744)	2,419.238	(402,501.506)
Non Controlling Interest	-	-	-	9,563.201	(260.783)	9,302.419
Capital & Other reserves	61,504.912	-	61,504.912	61,504.913	-	61,504.913
Total Equity	**(357,536.669)**	**2,940.800**	**(354,595.870)**	**(333,852.630)**	**2,158.455**	**(331,694.175)**

26.2 Statement of Comprehensive Income

For the year ended 31 December 2021	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Sales Revenue	584,754.423	-	584,754.423	585,019.248	-	585,019.248
Cost of Sales	(588,822.595)	-	(588,822.595)	(596,798.652)	-	(596,798.652)
Other Operating Income	1,120.531	410.251	1,530.782	1,727.572	502.356	2,229.927
S&D and Administrative Expenses	(38,784.235)	1.492	(38,782.743)	(30,220.618)	(199.185)	(30,419.803)
Others	(40,493.906)	(2.393)	(40,496.299)	(40,292.335)	(2.393)	(40,294.728)
Profit/(loss) before tax	(82,225.782)	409.349	(81,816.434)	(80,564.784)	300.777	(80,264.006)
Income tax Expenses	-	-	-	(551.476)	148.923	(402.553)
Profit /(Loss) for the year	(82,225.782)	409.349	(81,816.433)	(81,116.260)	449.700	(80,666.557)
Other Comprehensive Income	(87.724)	-	(87.724)	238.017	-	238.016
Total comprehensive income	**(82,313.506)**	**409.349**	**(81,904.158)**	**(80,878.243)**	**449.700**	**(80,428.543)**

26. Contingent Liabilities, Commitments & Litigations

CONTINGENT LIABILITIES

Inland Revenue Department (IRD) has issued following assessments against the Corporation and the Corporation has made appeals before the Commissioner Generals of Inland Revenue for these assessments.

Assessments on the Nation Building Tax (NBT) for the periods 1509 and 1512 amounting (including penalties) to Rs. 77.04 Mn. and Rs. 77.04 Mn. respectively.

Assessments on Value Added Tax have been issued by IRD for the periods 6123, 12090, 13090, 14030, 15030, 15060, 1590, 1610, 1630, 1620 and 1810 amounting (including penalties) to Rs. 530.40 Mn., Rs. 44.90 Mn., Rs. 4.94 Mn., Rs. 3.48 Mn., Rs. 71.78 Mn., Rs. 29.02 Mn., Rs. 12.06 Mn., Rs. 102.17 Mn., Rs. 48.71 Mn., 7.84 Mn. and 60.90 Mn. respectively. Assessments on Pay As You Earn Tax for the period 1617 and 2021 amounting (including penalties) to Rs. 0.08 Mn. and Rs. 1.14 Mn. respectively.

IRD has given determination on NBT for the periods 1509 and 1512 with tax liability amounting to Rs. 102.7 Mn. The Corporation has appealed to the Tax Appeals Commission against the determination given by IRD.

Assessments issued under the Income Tax have been disclosed under the Note 07 – Tax Expense.

Demurrages

The Corporation has recognized the demurrages claims that are ascertained by the Corporation. The demurrage claims for the imports of Crude oil and petroleum products amounting to USD 8.044 Mn. that are not ascertained by the Corporation have not been recognized in the financial statements. These liabilities would be recognized in the financial statements based on the subsequent negotiations/arbitration process taken place after the reporting date.

There were no any other material contingent liabilities existing at the date of statement of financial position.

COMMITMENTS

The material commitments of the CPC as at 31st December 2022 relates to following;

Commitments to the Banks

The Corporation established Letter of Credits (LCs) & Usance bills amounting to Rs. 8,837 Mn. (2021- Rs. 50,732 Mn.) and Rs. 43,691 Mn. (2021 - Rs. 83,232 Mn) at Bank of Ceylon and People's Bank respectively in relation to import of crude & refined petroleum products during the year for which procurement will be made subsequent to the year end. CPC has obtained Bank & Shipping Guarantees amounting to Rs. 77.31 Mn and established bills collection amounting to Rs. 18.97 Mn. at two states banks.

CPSTL has established LCs amounting to Rs. 33.962 Mn. and bank guarantees amounting to Rs. 0.452 Mn. as at 31 December 2022.

Pending Litigations at the reporting date

There were 218 (2021-172) unsettled legal cases as at 31st

Type of Legal Cases	No. of Cases			
	2022		2021	
	CPC	Group	CPC	Group
Labour Tribunal Cases	07	12	05	11
Magistrate Court Cases	03	17	04	19
District Court Cases	30	33	19	26
High Court Cases	14	14	04	04
Court of Appeal Cases	14	16	14	17
Supreme Court Cases	23	28	22	26
Human Rights Commission	25	32	22	35
Department of Labor	38	66	27	34
Total	**154**	**218**	**117**	**172**

December 2022 and details are noted below.

Out of the above cases the following case is considered material to CPC.

Commercial Bank has filed a case in the Commercial High Court, Colombo against CPC claiming USD 8.5 Mn. with interest and other cost for the Hedging transaction.

The aforementioned cases are still pending in the Courts and the Management believes that these cases may not have adverse effect on the operations, financial position or liquidity position of the Corporation. Therefore, no related provisions are made.

27. Events After the Reporting Date

All material events after the reporting date, if any and where necessary have been considered and appropriate adjustments/disclosures have been made in the Financial Statements.

28. Financial Risk Management

The Group's activities expose to a variety of financial risks; market risk (including currency risk, interest rate risk), credit risk, liquidity risk and price risk. Risk management is carried out by management under policies approved by Board of Directors. Management identifies and evaluates the financial risks with reference to the operations of the Group. The Group's overall risk management programs seek to minimize potential adverse effects on the Group's financial performance.

The principal financial instruments of the Group comprise of fixed deposits, government securities, US Dollar deposits and cash. The main purpose of these finance instruments is to improve and maintain liquidity of the Group and to maximize financial return on the invested funds. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

(a). Market risk

(i). Foreign exchange risk

When the Corporation imports the petroleum products it is exposed to foreign exchange risk arising from currency exposure, primarily with respect to US dollars. The Group's functional currency is LKR in which most of the domestic transactions are denominated, and all other currencies are considered as foreign currencies for reporting purposes. Certain bank balances, trade receivables and trade payables are denominated in foreign currencies.

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 Corporation's profit before tax due to changes in the fair value of USD denominated liabilities.

Item	Value as at 31 December 2022 USD Mn	Year end Exchange rate Rs./USD	Change in Exchange rate	* Effect on Profit Before tax Rs. Mn
Loans & borrowings	31.845	371.6068	1% increase	(118)
Trade & other payables	496.161	371.6068	1% increase	(1,844)
Trade & other receivables	292.243	360.4081	1% increase	1,053
Bank balance	19.744	360.4081	1% increase	71
Total				**(838)**

* The effect on the profit before tax is the result of a change in the fair value of related liability denominated in US Dollars, where the functional currency is Sri Lankan Rupee.

Financial statements of the Group which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk. The changes in foreign currency exchange rates affect the cost of materials, purchases and services obtained from various parties in foreign currencies. In particular, continuous depreciation of the LKR against the US$ and other foreign currencies has direct impact on the operating and financial result through its impact on cost of imported petroleum products and other purchases.

(ii) Interest rate risk

Interest rate risk of the Group arises mainly from the borrowings and investments in the form of government securities and fixed deposits. In the case of supplier credit, interest rate varies largely from prevailing market rates. Foreign currency loans obtained through two state commercial banks are at negotiated rates of interest. The Group analyses the interest exposure on a continuous basis and monitors London Inter Banking Offer Rate (LIBOR) and money market rates.

(b). Credit risk

Credit risk is the risk of financial loss to the Group, if a customer fails to meet its contractual obligations. Most of the Group's customers are not independently rated, therefore the quality of customers is considered by taking into account its financial position, past experience and other qualitative factors. The Corporation has established a credit policy under which each new customer is analyzed individually for credit worthiness before the credit limit is granted. Customers who fail to meet the corporations' credit policy may transact with the Corporation only on cash basis.

Period	CPC	
	2022 Rs. Mn	2021 Rs. Mn
Less than 30 days	11,979.007	23,802.202
30 - 90 days	13,125.321	10,269.046
91– 180 days	45,402.352	11,103.936
181 - 365 days	81,418.840	26,407.638
More than 365 days	71,767.085	92,676.157
Total	**223,692.605**	**164,258.979**

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

(c) Liquidity risk

Cash flow planning and forecasting is performed by the Finance division of the Corporation. Finance division continuously monitors funds available to meet its various financial liabilities and optimum utilization of excess short term financial resources for better yields.

Surplus cash held over and above balance required for working capital management is invested in interest yielding financial instruments such as repos, Treasury bond investments, call deposits. At the reporting date, the Corporation held cash and cash equivalents of Rs. 17,566.560 Mn that are expected to readily generate cash inflows for managing liquidity risk.

The table below shows the Corporation's non-derivative liabilities into relevant maturity grouping based on the remaining period at the reporting date to contractual maturity date.

December 2022 (Rs. million)

	Less than 3 months	3 months to 12 months	1 – 2 year s	3-5 Years	Over 5 years
Bank borrowings	316,875	-	-	-	-
Long term debt	144	1,375	2,751	4,126	3,438
Total	**317,019**	**1,375**	**2,751**	**4,126**	**3,438**

(d). Price Risk

The corporation is exposed to the commodity price risk of petroleum products (both Crude & Finished Products) & other raw materials imported from overseas countries in US Dollars and other currencies. The Corporation regularly holds weekly stock review meetings at which future product requirements are discussed and planned for the required future importation. At the same time the corporation continuously interacts with the General Treasury and the line ministry by giving financial information of Petroleum products to make suitable timely managerial decisions.

29. Directors' Interest In Contracts & Related Party Transactions

Board of Directors are considered as key management personnel. No Director has direct or indirect interest in the contracts with CPC, CPSTL & TPTL except the following;

Mr. Buddhika Madihahewa was the Managing Director of CPC up to 22 July 2022, and he served as a Director of CPSTL. Mr. Mohamed Uvais Mohamed appointed as the Chairman of the Corporation with effects from 06.06.2022 and he serves as the Chairman of CPSTL. Mr. Susantha Silva is the Managing Director of the Corporation with effects from 23.07.2022 and he is the Managing Director of CPSTL.
Mr. Sumith Wijesinghe functioned as the Chairman of the Corporation upto 05.06.2022 and he serves as the Director with effects from 10.06.2022. Mr. Sumith Wijesinghe functioned as the Chairman of TPTL.

Compensation of Key Management Personnel

	CPC	
	2022 Rs. Mn	2021 Rs. Mn
Short term Benefits	9.643	10.568

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

Following transactions were carried out with related parties

Transaction	2022 Rs. Mn	2021 Rs. Mn
Sales & Services rendered to related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	2,888.529	352.298
Other related parties		
Ministry of Power & Energy	25.222	26.708
	2,913.750	379.006
Services received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	9,038.071	13,665.432
	9,038.071	13,665.432
Other transactions with parties		
Subsidiary		
Investment		
Trinco Petroleum Terminal (Pvt) Limited	51.000	-
	51.000	-

Amount due from related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	1,247.065	662.447
Trinco Petroleum Terminal (Pvt) Limited	0.003	-
Other related parties		
Ministry of Power & Energy	4.445	4.167
	1,251.512	**666.614**
Amount due to related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	7,458.098	8,330.844

* Amounts are classified as trade and other receivables and trade and other payables, respectively

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

Since the Government of Sri Lanka directly controls the Corporation, CPC has considered the Government owned companies and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as Related Parties according to LKAS 24, 'Related Party Disclosures'.

30. Capital Management

Primary objective of capital management is to maintain an optimum capital structure and maintain going concern status while safeguarding key stakeholders' interests. However, as at 31st December 2022 CPC still had a negative net asset position of Rs. 85,712 Mn due to accumulated losses incurred in the past and current financial year. The external auditors have mentioned in their audit report that the Corporation's ability to continue as going concern without the financial assistance from the Government of Sri Lanka is doubtful.

The heavy losses incurred by the Corporation are largely due to the sale of petroleum products at highly subsidized rates as retail price is determined by the government. To cover up such losses, as per the sec. 17 of Finance Act No. 38 of 1971, the Corporation is entitled to receive subsidy by the government. If the subsidies are given to the Corporation, its negative net asset position could be overcome.

Supplementary Information

Decade at a Glance

	2013	2014	2015	2016	2017	2018	2019	2020	2021 (restated)	2022
Domestic Prices	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Petrol - 92 Octane	162	150	117	117	117	125	137	137	177	370
Auto Diesel	121	111	95	95	95	101	104	104	121	420
Super Diesel	145	133	110	110	110	121	132	132	159	510
Kerosene	106	81	49	44	44	70	70	70	87	365
Furnace Oil 800"	92.2	92.2	80	80	80	92	96	96	110	320
Furnace Oil 1500"	90	90	80	80	80	96	96	96	110	320
Financial Performance	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Revenue	490,381	525,182	376,734	423,061	445,950	575,492	630,860	522,533	584,754	1,148,801
Cost of Sales	-464,374	-499,956	-337,119	-326,441	-418,962	-579,617	-626,599	-454,880	-588,822	-1,108,952
Gross Margin	26,007	25,226	39,615	96,620	26,988	-4,124	4,261	67,653	-4,068	39,849
Net operating expenses and interest	-33,897	-24,532	-55,637	-27,067	-24,173	-102,016	-16,096	-65,297	-78,158	-654,902
Profit/(Loss) before tax	-7,890	694	-19,886	69,553	2,815	-106,140	-11,836	2,356	-82,226	-615,053
Financial Position	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Capital	3,500	3,500	28,487	28,487	28,487	28,487	28,487	28,487	28,487	912,581
Reserves	-239,967	-236,791	-257,472	-214,334	-205,479	-309,949	-324,610	-303,710	-386,024	-998,293
L/T Liabilities	1,351	703	342	266	190	1,539	6,838	7,271	7,766	13,535
Gratuity Provision	538	664	861	754	1,708	1,681	1,686	1,702	1,862	1,502
Total	**-234,578**	**-231,924**	**-227,782**	**-184,827**	**-175,094**	**-278,242**	**-287,599**	**-266,250**	**-347,909**	**-70,675**
Profitability Ratios										
Gross Profit Ratio	5.30%	4.80%	10.50%	22.80%	6.05%	-0.72%	0.68%	12.95%	-0.70%	3.47%
Net Profit Ratio	-1.60%	0.00%	-5.30%	16.40%	0.24%	-18.45%	-1.88%	0.44%	-13.85%	-53.28%
Operating Ratios										
Inventory T/O Ratio	7.3	7.77	6.44	8.53	9.48	9.51	9.53	8.66	14.05	7.43
Interest Cover	0.57	1.05	-0.32	7.1	1.32	-2.1	-1.3	1.62	-1.61	-0.05
Liquidity Ratios										
Current assets Ratio	0.39	0.34	0.31	0.34	0.38	0.44	0.47	0.45	0.48	0.77
Quick Ratio	0.24	0.19	0.21	0.24	0.27	0.34	0.36	0.36	0.42	0.51

Corporate Information

Name of the entity:	Ceylon Petroleum Corporation
Legal form:	A public corporation incorporated under Ceylon Petroleum Corporation Act No. 28 of 1961
Registered office:	609, Dr. Danister De Silva Mawatha, Colombo 09.
Telephone:	+94 11 5455455
Fax :	+94 11 5455400
E-mail:	secratariat@ceypetco.gov.lk
Website:	www.ceypetco.gov.lk
Financial year:	01 January to 31 December
Board of Directors:	Mr. Uvais Mohamed (Chairman) Admiral Ravindra Wijegunaratne (Retd.) (Managing Director) Mrs. Damitha Rathnayake Mr. Manoj Gamage Mr. Nilanka Jayawardena Mr. Gihan Rashantha Mr. Sudeepa Rathnaweera
Subsidiary companies:	Ceylon Petroleum Storage Terminals Limited, Oil Installation, Kollonnawa. Trinco Petroleum Terminal (Pvt) Limited, Colombo
Auditors:	The Auditor General
Bankers:	People's Bank, Bank of Ceylon, Commercial Bank, Hatton National Bank, Nations Trust Bank, National Development Bank, Sampath Bank, DFCC Bank

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