CEYPETCO
ENERGIZING THE FUTURE

FINANCIAL STATEMENTS
2022

CEYLON PETROLEUM CORPORATION

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 Profit/(Loss)		**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 Profit/ (Loss)	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-Controling 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 05 to 41 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 05 to 41 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 December 2022 and its loss for the year then ended.

V N Weerasooriya
DY. 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

Admiral Ravindra Wijegunaratne (Retd.)
MANAGING DIRECTOR

Damitha Rathnayake (Mrs.)
DIRECTOR

24 Feb 2023, Colombo

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)	(137.012)	(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)	(72,163.586)	9,116.983	(63,446.605)

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The notes appearing on pages 05 to 41 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	CPC 2022 Rs.Mn.	CPC 2021 Restated Rs.Mn.	Group 2022 Rs.Mn.	Group 2021 Restated Rs.Mn.
CASH FLOWS FROM OPERATING ACTIVITIES					
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)	10,569.430
(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**

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The notes appearing on pages 05 to 41 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 activity
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 b) Imports	 - At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. - At purchase cost on first-in-first-out basis
Work-in-progress a) Refined Products b) Imports	 - At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. - 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 recognizes 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	2021	2022	2021
	Rs. Mn	Rs. Mn	Rs. Mn	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	2021 Restated	2022	2021 Restated
	Rs. Mn	Rs. Mn	Rs. Mn	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	2021 Restated	2022	2021 Restated
	Rs. Mn	Rs. Mn	Rs. Mn	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	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	2021	2022	2021
	Rs. Mn	Rs. Mn	Rs. Mn	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	10,584.179
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	2021 Restated	2022	2021 Restated
	Rs. Mn	Rs. Mn	Rs. Mn	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 2022 Rs. Mn	CPC 2021 Restated Rs. Mn	Group 2022 Rs. Mn	Group 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:

	CPC 2022	CPC 2021 Restated	Group 2022	Group 2021 Restated
Accounting profit/(loss) before tax	(615,053.142)	(81,816.434)	(615,671.409)	(80,264.006)
Add: Disallowable expenses	170,546.308	41,230.429	171,456.382	42,900.116
Less: Allowable expenses & exempt income	(1,144.550)	(1,289.942)	(2,568.441)	(4,921.409)
Adjusted trade profit	(445,651.385)	(41,875.947)	(446,783.468)	(42,285.299)
Less: Utilisation of tax losses	-	-	-	-
Add: Tax losses for the year	445,651.385	41,875.947	446,783.468	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, 2014/2015, 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	CPC Total Rs.Mn
8.1.Cost								
Bal as at 01/01/2022	16,647.787	1.016	29,802.536	2,835.341	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	2,835.341	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).

8. 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	GROUP 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: Transfer from PPE				
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.

9.2 Right-of-use-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	2021 Restated	2022	2021 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	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	2021 Restated	2022	2021 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	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	2021 Restated	2022	2021 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	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		CPC		Group	
	2022	2021	2022	2021	2022	2021
	Holding %	Holding %	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Ceylon Petroleum Storage Terminals Ltd.	66.67%	66.67%	5,000.000	5,000.000	-	-
Trinco Petroleum Terminal (Pvt) Ltd.	51.00%	-	51.000	-	-	-
			5,051.000	5,000.000	-	-

10.1 The summarized financial information of the Subsidiary company

Subsidiary Statement of Financial Position	CPSTL		TPTL
	2022	2021 Restated	2022
	Rs.Mn	Rs.Mn	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	CPSTL 2022 Rs.Mn	CPSTL 2021 Restated Rs.Mn	TPTL 2022 Rs.Mn
Revenue	9,432.316	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	Note	CPC 2022 Rs.Mn	CPC 2021 Rs.Mn	Group 2022 Rs.Mn	Group 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 2022 Rs.Mn	CPC 2021 Rs.Mn	Group 2022 Rs.Mn	Group 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 2022 Rs.Mn	CPC 2021 Rs.Mn	Group 2022 Rs.Mn	Group 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 2022 Rs.Mn	CPC 2021 Rs.Mn	Group 2022 Rs.Mn	Group 2021 Rs.Mn
Investment in Treasury Bonds	-	231.012	-	231.012
	-	231.012	-	231.012

12 . TRADE & OTHER RECEIVABLE	CPC 2022 Current Rs.Mn	2022 Non-Current Rs.Mn	2021 Restated Current Rs.Mn	2021 Restated 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 Restated 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	1,250.606	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	CPC		Group	
Financial Assets by category	2022 Rs.Mn	2021 Restated Rs.Mn	2022 Rs.Mn	2021 Restated Rs.Mn
Financial assets at amortised cost				
Trade and other receivables	266,446.567	185,409.893	273,948.425	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	284,026.167	327,261.150	293,632.311	336,020.876

	CPC		Group	
	2022	2021 Restated	2022	2021 Restated
Financial Liabilities by category	Rs.Mn	Rs.Mn	Rs.Mn	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		Carrying Amount		Fair value	
		2022	2021	2022	2021
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Financial assets					
Non Current Financial assets					
Quoted equity investments	13.2.1	12.500	12.500	12.500	12.500
Unquoted equity investments	13.2.2	0.540	0.540	0.540	0.540
Investement in Tresury Bonds	13.2.1	-	231.012	-	231.012
Trade & Other receivables	13.2.4	266,501.145	185,467.105	266,446.567	185,409.893
Cash and cash equivalents	13.2.4	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
		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 cashflows to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevent 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 materiallity 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

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:

As at 31 December	CPC 2022			
	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	2021	2022	2021 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	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 AND CASH EQUIVALENTS	CPC		Group	
	2022	2021	2022	2021 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	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	2021	2022	2021 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	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 Property, Plant & Equipment 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 2022 Rs.Mn	CPC 2021 Rs.Mn	Group 2022 Rs.Mn	Group 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 31 st 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 2022 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 :		
Expected Salary increment	36% once in 3 year	15% 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	Change in the assumption	CPC Sensitivity effect on Income statement 2022 Rs.Mn.	CPC Sensitivity effect on Retirement Benefit Obligation 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**
Defferred 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				
Property, Plant & Equipment & Intangible assets				
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**
Defferred 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 singletax 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 2022 Rs.Mn	CPC 2021 Rs.Mn	Group 2022 Rs.Mn	Group 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 2022 Rs.Mn	CPC 2021 Rs.Mn	Group 2022 Rs.Mn	Group 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+1%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	2021 Restated*	2022	2021 Restated*
	Rs.Mn	Rs.Mn	Rs.Mn	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	2021	2022	2021
	Rs.Mn	Rs.Mn	Rs.Mn	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	2021	2022	2021
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
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 Generation Rs.Mn	[illegible]	Industries [illegible]	Storage & Transportation Rs.Mn	Others Rs.Mn	Eliminations/ Adjustments Rs.Mn	Total Rs.Mn
Revenue								
External Customers	902,779.304	128,383.621	[illegible]	[illegible]	397.900	11,380.549	-	**1,146,314.748**
Inter Segment					11,919.686		(11,919.686)	-
Total Revenue	**902,779.304**	**128,383.621**	[illegible]	[illegible]	**12,317.586**	**11,380.549**	**(11,919.686)**	**1,146,314.748**
Results								
Operating Profit/(Loss) #	(16,006.264)	9,132.735	3,720.976	3,018.894	-	(9,896.351)	-	**(7,030.010)**
Exchange Rate Variation	(446,325.118)	(60,028.051)	-	(6,884.110)	-	(13,772.664)	-	**(527,009.984)**
Net Finance Cost	(64,533.945)	(8,679.354)	(5,686.745)	(505.361)	-	(1,736.610)		**(81,631.415)**
Profit /(Loss) before tax	**(526,864.728)**	**(59,574.710)**	**(1,965.769)**	**(1,863.577)**	-	**(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 retrospectily.

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.

25.1 Statement of Financial Position

	CPC			Group		
	Impact of Adjustments			Impact of Adjustments		
1 January 2021	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	-	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 Impact of Adjustments As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.	Group Impact of Adjustments 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)**

25.2 Statement of Comprehensive Income

For the year ended 31 December 2021	CPC Impact of Adjustments As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.	Group Impact of Adjustments 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	(81,816.435)	(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 December 2022 and details are noted below.

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**

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 31/12/2022 USD Mn.	Closing Rate	Change in exchange rate	*Effect on Profit before tax Rs Mn.
Loan and Borrowings	31.845	371.6068	1% increase	(118)
Bills & 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.

	CPC	
	2022 Rs.Mn	2021 Restated 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 (Figures in LKR Million)				
	Less than 3 months	3-12 months	1 - 2 years	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 rended to related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	2,888.529	352.298
Other related parties		
Ministry of Petroleum Resources Development	25.222	26.708
	2,913.750	379.006

Transaction	2022 Rs.Mn	2021 Rs.Mn
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 Petroleum Resources Development	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.

මගේ අංකය / எனது இல. / My No. ENR/A/CPC/1/22/01 මගේ 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.

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.

		(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