Moving Towards Resilience

ANNUAL REPORT 2023
CEYLON PETROLEUM CORPORATION

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Moving Towards Resilience

Despite the challenges, we, the leader of the market, dedicated ourselves to securing the nation's supply of petroleum products. Our creative mindset, steadfast collaboration and strategic approach were instrumental in powering the country forward, fostering resilience that cultivates enduring trust among our stakeholders, customers, and the community, all while steering towards a sustainable future.

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About Us

Vision

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

Mission

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

Values

Competitiveness
Sustainability
Continuous Improvement
Integrity
Public Focus

Ceylon Petroleum Corporation (CPC) is a public corporation incorporated under Ceylon Petroleum Corporation Act, No. 28 of 1961. Our primary objective is to import, refine, and distribute petroleum products throughout Sri Lanka. Our comprehensive network of distribution channels extends nationwide, ensuring the fulfillment of the country's fuel demands. As the leading entity in the petroleum sector, we maintain our market position through a strategically located network of 990 filling stations distributed across the island.

Over the course of our successful six-decade history, the CPC has served as the primary energy supplier for the nation, significantly contributing to its economic advancement. Our key strategic asset, the CPC Refinery, has been instrumental in generating value for the country over the past 50 years. Currently, we refine and supply 35%-50% of CPC sales through our refinery, with the remaining balance being sourced through the importation of refined products.

Our workforce, comprising of 2,082 skilled professionals, is essential in delivering value to our stakeholders throughout our operational journey. Among our subsidiaries, Ceylon Petroleum Storage Terminals Limited (CPSTL), in which we hold a two-thirds stake, plays a pivotal role in our operational framework.

CPSTL was established with the primary objectives of storing and distributing petroleum products, as well as offering information technology services. Additionally, we maintain a 51% stake in our subsidiary, Trinco Petroleum Terminal (Pvt) Limited, which operates as a joint venture.
Our business operations encompass a diverse range of sectors, including transportation fuel, aviation, power generation, industrial, agrochemicals, and lubricants. As a strategically positioned state-owned enterprise, CPC undertook various initiatives in 2023 to facilitate economic recovery from the recession. Throughout the year, CPC successfully supplied 4,184 million liters of fuel, resulting in a revenue generation of Rs. 1,263.6 billion.

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

Our Journey

1961

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

1962

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

1964

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

1968

CPC built a 38,000 BPD Refinery

1969

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

1971

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

1978

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

1979

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

1987

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

1994

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

1992

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

1995

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

1999

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

2002

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

2003

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

2010

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

2011

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

2012

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

2013

Upgraded 90 Octane petrol to 92 Octane petrol.

2014

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

2016

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

2018

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

2019

Refinery celebrated 50 year Anniversary.

2020

Commencement of LNG Section.

2021

Re-enter in to the Bunkering business.

2022

Investment in TPTL. The Government took the Debt stock of USD 2.4 bn.

2023

Recorded highest revenue and the highest profit of the Corporation.

About Our Report

Our integrated Annual Report for the year 2023 has been prepared in integrated approach to showcase our commitment to transparency in reporting our activities. This report aims to provide detailed insights into the Corporation's strategy, performance, governance, risk management, and the art of value creation.

Scope and Boundaries

This annual report presents comprehensive information regarding the business model, operating environment, strategies, significant risks and opportunities, governance, and operational performance of Ceylon Petroleum Corporation for the period from January 1, 2023, to December 31, 2023. The report encompasses the performance of our strategic business units throughout this period.

Materiality

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

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

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

Gaining a comprehensive understanding of our organization entails reviewing the sections on our business (pages 2 to 12), business model (pages 47 to 48), and activities and impacts throughout our value chain (pages 49 to 71). This analysis serves as the foundation for recognizing how CPC generates value and identifying the factors that influence this value. Our ability to create value is contingent upon our operating context (pages 29 to 32) and our response to the associated risks and opportunities (pages 77 to 82).

Furthermore, this report presents our performance (pages 33 to 42), leadership team (pages 19 to 26), and governance practices (pages 83 to 93). For stakeholders seeking additional information, our annual reports offer supplementary details that may be of interest.

Our Audit Committee provides internal assurance to the Board on timely basis on the execution of the combined assurance plan. The Audit & Management Committee report is on pages 88 to 89.

Reporting Framework

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

The Auditor General provided the relevant assurance on our Annual Financial Statements 2023 (see pages 95 to 108).

The established procedures offer confidence in the integrity of our Integrated Report 2023, encompassing both financial and non-financial data.

Feedback

CPC dedicated for enhancing the readability and relevance of our report. We welcome your suggestions, inquiries and feedback on CPC Annual Report 2023. Please forward your feedback to,

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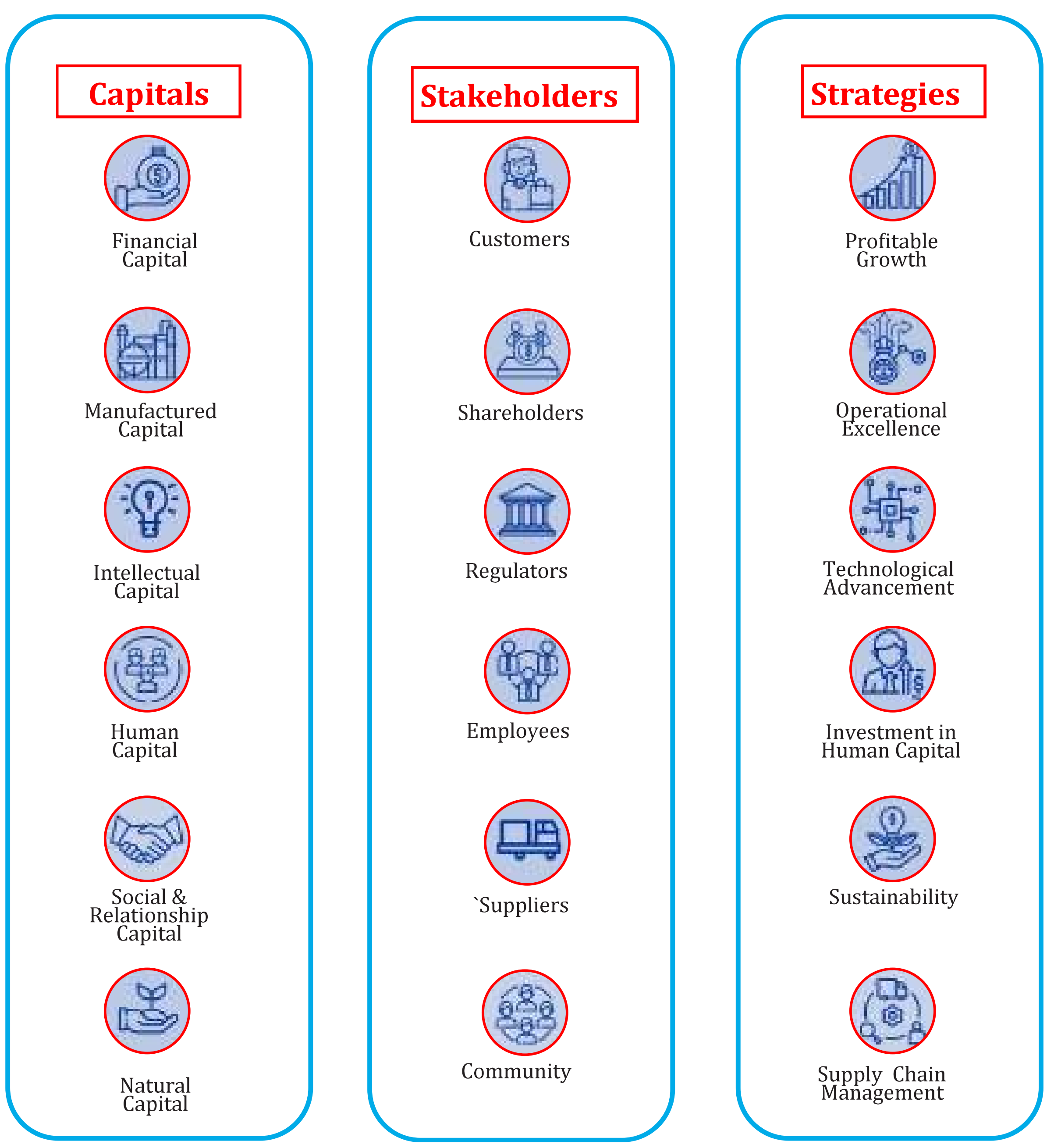
Navigation to Our Report



Financial Highlights

	CPC		Group	
	2023	2022 Restated	2023	2022 Restated
	Rs. Mn	*Rs. Mn*	*Rs. Mn*	*Rs. Mn*
Operating Result				
Revenue - Gross	1,314,829.110	1,154,449.058	1,313,009.330	1,151,908.784
Gross Profit / (Loss)	162,114.617	39,849.197	156,073.831	33,390.986
Operating (Loss)/Profit	89,871.491	(6,210.881)	88,992.297	(7,205.657)
Finance Income	17,588.922	37,636.243	17,898.964	37,921.524
Exchange rate variation	20,340.297	(529,477.329)	20,340.297	(529,477.329)
Profit /(Loss) for the year	120,346.360	(617,589.391)	119,746.687	(618,330.430)
Total comprehensive income	120,203.198	(617,746.069)	119,549.038	(618,553.837)
Financial Position				
Total Assets	311,436.249	493,901.241	333,009.902	516,379.696
Inventories	166,802.597	149,303.332	167,685.660	150,161.303
Cash & Cash Equivalent	65,424.424	17,483.719	66,627.243	19,588.006
Equity	33,471.259	(86,731.938)	54,962.232	(64,496.582)
Non current liabilities	14,225.292	15,038.342	17,944.216	18,650.796
Non-current borrowings	10,678.38	11,833.49	10,678.38	11,833.49
Short term borrowings	81,106.708	316,874.548	81,106.708	316,874.548
Total Borrowings	91,785.09	328,708.03	91,785.09	328,708.03

Key Ratios — CPC	2023	2022	2021	2020
Gross Profit Ratio	12.33%	3.47%	-0.70%	12.95%
Operating Profit Margin	6.84%	-0.54%	-7.07%	6.49%
Net Profit Ratio	9.15%	-53.28%	-13.78%	0.44%
Return on Total Assets	38.63%	-1.25%	-9.77%	10.42%
Inventory Turnover Ratio	6.60	7.43	14.05	8.66
Assets Turnover Ratio	4.06	2.33	1.38	1.57
Current Ratio	0.97	0.77	0.48	0.45
Quick Ratio	0.34	0.51	0.42	0.36
Interest Cover	12.06	(0.05)	(1.61)	1.62

1,315
(Rs. Bn.)
Revenue

162,115
(Rs. Mn.)
Gross Profit

233,220
(Rs. Mn.)
Contribution to the Government

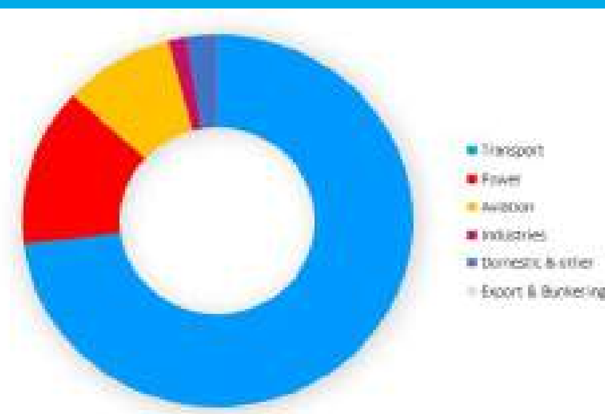
311,436
(Rs. Mn.)
Total Assets

3,017
(Rs. Mn.)
Capital Investments

17,588
(Rs. Mn.)
Finance Income

Revenue

Revenue Mix



Operational Highlights

	Metric	2023	2022
Sales	M.Ltrs.	4,184	4,050
Stock at the year end	M. Ltrs.	504.462	269.549
Total filling stations	No.	990	1,140
Total workforce	No.	2,219	2,360
Staff cost	Rs. Mn.	6,483	6,595
Training cost	Rs. Mn.	6.40	4.75
Cumulative service experience	years	36,290	37,600
Operating Time Efficiency - Crude Distiller	%	94.28	38.17
Expected loss	MT	9,708	3,034
Water consumption	MT	716,899	559,874
Health & Safety at Refinery			
Lost time accidents	No.	2	-
First aid accidents	No.	-	-
Minor fire reported	No.	-	-
Lost days	No.	30	-

Refinery operations	Crude Intake in MT	Days for year	MT per calendar day
2023	1,677,034	344	4,595
2022	529,779	140	3,790
2021	1,269,938	314	4,452
2020	1,685,441	362	4,605
2019	1,864,817	357	5,109
2018	1,675,245	327	5,141

4,184
(Mn. Ltrs.)
Sales

990
Filling Stations

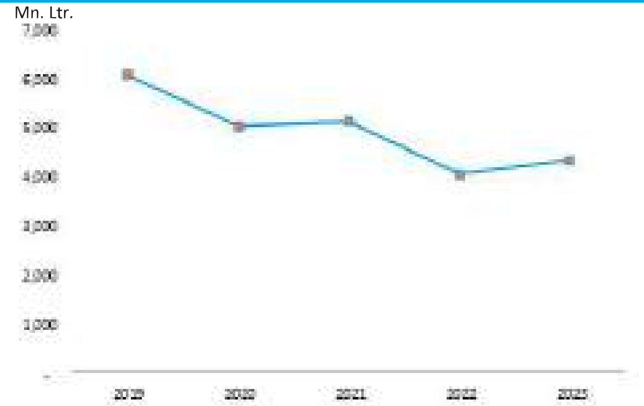
1,677
(000 MT)
Crude Intake

6,483
(Rs. Mn.)
Staff Cost

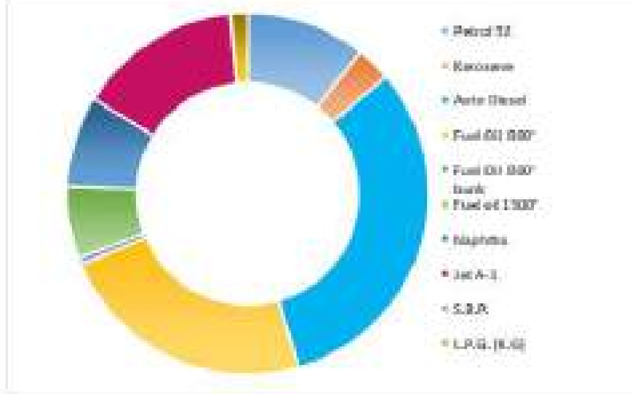
2,083
Employees

1736 347
Permanent Employees

Sales



Refinery Production



Chairman's Message

I am delighted to unveil the Annual Report for 2023 of Ceylon Petroleum Corporation.

It brings me great pleasure to share that we have once again successfully maintained a steady fuel supply for our nation. This year, we're celebrating a remarkable achievement as CPC has reached new heights in financial performance. Our strategic initiatives have steadily enhanced both the supply and distribution of fuel, all while upholding the highest quality standards. By embracing a dynamic pricing mechanism, we've been able to balance costs and benefits for the public, ensuring that everyone can enjoy the results of our teamwork.

Global environment

The year 2023 continued with the diverse geo political challenges specially Russia Ukraine war resulting to economic impacts. Global growth was projected by IMF at 3.1 percent, slowed down from 3.5 per cent in 2022. The advanced economies grew at a 1.6 percent, down from a 2.6 percent annual rate in 2022. Emerging market and developing economies did better with 4.1 percent growth maintaining same recorded in 2022.

Global oil consumption averages 102.1 mb/d in 2023, up from 99.5 mb/d in 2022, as demand recovers to pre-pandemic levels with the resilience in economic growth, resulting in a 2.46% YoY rise in demand. As the global economy experienced a recovery, there was an increase in demand; however, supply-side challenges emerged due to the ongoing Russia-Ukraine conflict, leading to a rise in oil prices.

The WTI crude oil dropped by 18.09% from 94.79 US dollars per barrel in 2022 to 77.64 US dollars per barrel in 2023. As forecasted by IMF, Commodity pieces (oil) increased by 39.2% in 2022 and declined by 16.0% in 2023. Oil prices are expected to decline by 2.3% in 2024 and 4.8% in 2025.

Local Environment

As published by CBSL, Sri Lankan GDP has contracted by 2.3 percent year on year in 2023 recovering from contraction of 7.3 percent. The recovery was strengthened by rapid disinflation, improved external resilience, stronger fiscal balances, and preserved financial system stability.

The inflation that had peaked at an all-time high in September 2022 reverted to single-digit levels within a year. CCPI has dropped from 57.2 per cent in December 2022 to 4.0 percent in December 2023.

The month end exchange rate has appreciated by 11.53% against the exchange rate recorded in December 2022. The Sri Lanka Rupee appreciated sharply in 2023 under a market based exchange rate policy implemented by the Central Bank. The appreciation of the Sri Lankan Rupee against US dollar created positive impact towards CPC, and it impacted all petroleum products to decrease the costs of fuel, forcing fuel prices downwards. CPC recorded an exchange rate gain of Rs. 20.34 billion.

In 2023, the government maintained the pricing mechanism for local petroleum products, aligning prices with fluctuations in international fuel prices and other significant cost factors. Monthly price adjustments were implemented based on variations in international fuel prices, exchange rates, and additional cost components. The availability of US dollars in the market, along with the generation of cash flows from operations, enabled the Ceylon Petroleum Corporation to timely settle its current fuel obligations. Moreover, the transfer of outstanding loans to the government's balance sheet as of December 31, 2022, contributed to a reduction in financing costs for CPC. The CPC continues to play a vital role in contributing to government revenue, generating duties and taxes totaling Rs. 233 billion, which are essential for the sustenance of government operations.

Moving Towards Resilience

For the past six decades, CPC has been the undisputed leader of the petroleum sector in our cherished homeland. After navigating the challenging waters of 2022, we've emerged stronger, ensuring a steady flow of fuel for the nation. Our innovative spirit, unwavering team-work, and strategic vision have been the driving forces behind our progress, nurturing a resilience that builds lasting trust with our stakeholders, customers, and the community. Together, we are not just fueling the present; we are paving the way for a sustainable tomorrow.

Performance

In the wake of the challenges faced in 2022, CPC has emerged stronger, enhancing its operations across the board. The strategic initiatives put in place have ensured a steady flow of crude oil and refined petroleum products, allowing the Refinery to run smoothly and produce an impressive 1,596,507 MT of finished goods.

To adapt to the changing landscape of international fuel prices and other economic factors, including the depreciation of the exchange rate, CPC has made necessary adjustments to local selling prices. This proactive approach has resulted in a remarkable boost in revenue, with the Corporation reporting a gross profit of Rs. 162 billion an impressive leap from Rs. 39.8 billion the previous year.

In a bid to stay in sync with market dynamics, the prices of petrol, diesel, and kerosene have been revised monthly, reflecting the fluctuations in cost elements in order to pass the cost benefits to the consumers. Furthermore, adjustments to furnace prices have been made to accurately represent the expenses incurred by CPC in terms of import, production, and distribution.

Our strategic maneuvers have been pivotal in ensuring a steady fuel supply for the nation, leading to the decision to phase out the QR system and lift consumption restrictions. In a bid to broaden our horizons, CPC has also ventured into a joint venture business in TPTL, diversifying our portfolio.Furthermore, we have made substantial investments in the 24 tanks at the Trincomalee Tank Farm, which we have secured on lease, to significantly enhance our fuel storage capacity. Ambitious and transformative development activities are now underway to elevate this critical infrastructure into a premier international storage facility. These efforts reflect our commitment to excellence, innovation, and establishing a globally recognized hub that meets the highest standards of efficiency and sustainability.

Sustainable Operations

Our strategies are deeply rooted in sustainability, with a fervent dedication to ensuring the longevity of our business operations. We're passionately committed to nurturing our operations for the long haul, weaving eco-friendly practices into every thread of our work. Our approach is all-encompassing, as we strive to make every aspect of our operations as green as possible. We champion the use of environmentally friendly fuels, promoting mindful consumption and safeguarding our beautiful planet.

We're not just resting on our laurels; we're constantly refining our processes for agrochemical products and refining operations, ensuring that what we offer meets the gold standard of international quality. Our dedication to sustainability also shines through in our sourcing practices, which are crucial to our mission. We aim to create a ripple effect of positive socio-economic change, benefiting both communities and the economy at large.

From the top down, our unwavering commitment to sustainability drives everything we do, allowing our stakeholders to have full confidence in the positive impact we strive to make.

Future Outlook

Our unwavering dedication to ensuring energy security for the nation shines through as we continue to provide top-notch petroleum products that adhere to industry standards. In 2024, we're excited to announce a substantial investment of Rs. 3.0 billion aimed at bolstering the infrastructure within the petroleum sector. Our operations are not just efficient; they are sustainable, enhancing our distribution networks and making sure that our petroleum products are readily available to those who need them most.

Feasibility studies for modernizing the existing refinery or building a new one will be fast-tracked with a focus on using by-products for manufacturing and workforce training for the global market. Agreements on the Trincomalee oil tank farm will be revisited to integrate the 24 CPC-owned and 61 joint-venture tanks into the economy through innovative business models. A secured digital platform will ensure transparent tendering and procurement for petroleum products.-These initiatives are designed to create value for our stakeholders while securing the energy future of our nation.

Acknowledgement

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

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

We hold a bright outlook and are confident that our talented team can navigate through the present challenges, turning our organization into a thriving and sustainable enterprise for the future.

D J A S De S Rajakaruna
Chairman
20.11.2024

Managing Director's Review

I am pleased to present the Annual Report 2023 of the Ceylon Petroleum Corporation together with the audited financial statements for the year ending 31 December 2023.

Operating Environment

As the economy began to bounce back, CPC seized the opportunity to enhance its performance across nearly all sectors, leading to a remarkable boost in its financial results. It's worth highlighting that in 2023, CPC once again guaranteed a steady supply of fuel to the nation, reinforcing its commitment to keeping the wheels of progress turning.

Global inflation rates are declining more swiftly than anticipated from their peak in 2022, with a lesser impact on employment and economic activity than originally projected. This trend can be attributed to favorable developments on the supply side and the tightening measures enacted by central banks, which have successfully stabilized inflation expectations. However, it is crucial to recognize that the elevated interest rates implemented to address inflation, coupled with a reduction in fiscal support amid high debt levels, are expected to exert downward pressure on growth in 2024. As the global economy has experienced a recovery, there has been an increase in demand; nevertheless, supply-side challenges have arisen due to the ongoing Russia-Ukraine conflict, resulting in a rise in oil prices. Notably, the average price of crude oil (Murban) utilized by the CPC decreased by 16.09%, falling from 98.77 US dollars per barrel in 2022 to 82.88 US dollars per barrel in 2023. This decline has contributed to a reduction in the cost of petroleum products imported into the country.

As of the end of the month, the exchange rate has experienced an appreciation of 11.53% compared to the rate recorded in December 2022. This strengthening of the Sri Lankan rupee against the US dollar has had a favorable effect on CPC, resulting in a reduction in the costs of petroleum products and subsequently driving fuel prices lower. The CPC reported an exchange rate gain of Rs. 20.34 billion, in contrast to the exchange loss of Rs. 529.47 billion incurred in the year 2022.

The pricing strategy for local petroleum products remains in place, adapting to fluctuations in global fuel prices and other essential cost factors. Each month, prices are adjusted to reflect the shifts in international fuel costs, currency exchange rates, and various other expenses.

Price revisions

Our Operations

The refinery has maintained operations with a favorable margin, contributing positively to profitability, while all sectors have demonstrated enhanced financial performance, leading to an overall improvement in operational outcomes. Restrictions on consumption via the QR system until August, along with a modest increase in sales, culminated in an overall sales growth of 3.31% compared to the previous year, 2022. Revenue has increased from Rs. 1,154.4 billion to Rs. 1,315 billion. Additionally, a notable decrease in international fuel prices throughout the year has led the government to adjust domestic selling prices on a monthly basis.

CPC effectively maintained a consistent supply of crude oil to the refinery throughout 2023, facilitating uninterrupted operations with the exception of a brief shutdown for necessary catalyst regeneration. During the year, the refinery processed a total of 1,677,033 metric tons of crude oil, reflecting a 217% increase compared to the previous year, attributable to the ongoing supply of crude.

In 2023, revenue from the transportation sector rose from Rs. 902.77 billion to Rs. 959.30 billion, reflecting a growth of 6% relative to the prior year. While there was an uptick in demand from the power sector, it is important to highlight that CPC effectively maintained a consistent fuel supply for power generation, achieving a 35% increase in supply compared to the previous year. This sustained supply contributed to a remarkable revenue growth of 41% in comparison to 2022.

The enhancement of tourism and economic activities, coupled with a sustained supply, has resulted in a 53.6% increase in fuel supply compared to 2022. This underscores our commitment to economic revitalization and the promotion of tourism. The aviation sector's revenue rose by 47.8% year-on-year, reaching Rs. 121.5 billion, driven by fluctuations in sales volumes and selling prices. This report details the revenue generated from the sale of Industrial Kerosene, Fuel Oil to Industries, Lubricants, and Solvents (SBP) to private customers. However, the overall income from the industry has experienced a decline, falling to Rs. 18.8 billion in 2023, down from Rs. 21.1 billion in the previous year.

The challenges within the supply chain have shown marked improvement, enabling the Refinery to sustain uninterrupted operations. Consequently, it has successfully fulfilled the total demand for kerosene while also witnessing a substantial increase in the supply of liquefied petroleum gas (LPG).

Although there has been a decrease in kerosene demand, revenue from this sector has risen by 71.2%, reaching Rs. 32.2 billion during the financial year. Additionally, revenue from the agrochemical sector has surged to Rs. 1.6 billion in the current year, a significant increase from Rs. 0.29 billion recorded in 2022, indicating a remarkable growth of Rs. 1.32 billion.

Strategic focus

With fresh players stepping onto the scene, the government has rolled out policies that steer the ship towards securing a solid market presence. A keen eye is being cast on long-term initiatives, aimed at boosting value creation and ensuring the sustainability of operations for the future. Meanwhile, treasury management has been fine-tuned to strike a perfect balance between working capital needs and the availability of US Dollars, all to guarantee a steady flow of fuel for the nation.

Investments

CPC is forging ahead with its investment in the joint venture with Lanka IOC, focusing on TPTL. At present, TPTL manages 61 leased tanks at the Trincomalee tank farm, which are vital for their operations. As a frontrunner in the petroleum sector, CPC has earmarked a substantial Rs. 3.05 billion to boost the efficiency and effectiveness of our operations. We're actively working on upgrading the 24 tanks we've leased from the Trincomalee tank farm, pouring resources into their development to elevate our storage capabilities.

CPC is on a mission to embark on refinery projects that meet global benchmarks, ensuring everything runs like a well-oiled machine. Our game plan emphasizes sustainability, weaving it into the very fabric of our operations. We hold our integrity, reputation, and adherence to regulations in the highest regard. With a steadfast commitment to fostering positive industrial relations and upholding health and safety standards, we are dedicated to playing our part in advancing the nation’s development aspirations.

Looking Ahead

The ongoing implementation of the pricing strategy will be key in navigating the future competitive landscape, ensuring that CPC remains financially robust and ready to thrive.

Appreciation

I would like to convey my heartfelt gratitude to the Chairman and the Board of Directors for their steadfast commitment to the operations of CPC. I also wish to acknowledge the efforts of my Corporate and Senior Management team for their diligence in resolving disputes and optimizing the capabilities of our exceptional workforce, which has significantly enhanced inter-organizational relationships and facilitated the achievement of our objectives.

Furthermore, I would like to express my profound appreciation to the Ministry of Power and Energy, Ministry of Finance, the Central Bank, our bankers, auditors, customers, suppliers, and all other stakeholders for their unwavering support.

Dr. N K M C Neththikumarage
Managing Director
20.11.2024

Mr.D J A S De S Rajakaruna - Chairman

Mr. Rajakaruna appointed as the chairman of CPC on 24.09.2024. He is the Chairman of CPSTL, which is our subsidiary.

Mr. Rajakaruna's strong academic background includes an M.Sc. in Industrial Chemistry from the University of Peradeniya and a B.Sc. (Honors) degree in Chemistry, Physics, and Pure Mathematics from the University of Kelaniya. This robust educational foundation, coupled with extensive hands-on experience, empowers him to oversee complex operations with a focus on safety, efficiency, and innovation.

Mr. Rajakaruna is a distinguished leader with extensive expertise in the oil and gas industry, particularly in terminal operations and management. With over two decades of dedicated service at Ceylon Petroleum Storage Terminals Limited (CPSTL), he has been instrumental in driving operational excellence and shaping the organization's success.

Throughout his tenure at CPSTL, Mr. Rajakaruna has held key leadership positions, including Terminal Manager and Deputy Operations Manager at the Muthurajawela Terminal. In these roles, he ensured the safe and efficient management of Sri Lanka's petroleum storage and distribution infrastructure, contributing significantly to the country's energy security.

As a dynamic and fast learner, Mr. Rajakaruna stays abreast of emerging industry trends, continually enhancing his technical and managerial expertise. His exceptional decision -making skills and composure under pressure have enabled him to overcome complex challenges, delivering impactful results. Known for his collaborative leadership style, he fosters a culture of teamwork and mutual respect, prioritizing both professional success and the development of his team members.

With a deep commitment to continuous improvement, environmental stewardship, and knowledge sharing, Mr. Rajakaruna stands as a cornerstone of Sri Lanka's energy sector. His leadership and dedication continue to inspire progress and innovation, positioning CPSTL and CPC as a one of the key leaders in the region's energy landscape.

Dr. N K M C Neththikumarage - Managing Director

Dr. Neththikumarage appointed as the Managing Director of the CPC on 24.09.2024. He also serves as the Managing Director of CPSTL.

Dr.Neththikumarage is a distinguished professional with an exceptional blend of academic qualifications and extensive industry experience across diverse fields. He holds a PhD in Management/Business from Malaysia, a Master of Business Administration from the United Kingdom, and a BSc (Hons) in Mechanical Engineering from the University of Moratuwa. In addition, he has earned multiple diplomas in Politics, Software Engineering, and Computer-Based Accountancy, reflecting his multidisciplinary expertise.

With a dynamic career spanning roles such as Consultant at CodeGen International (PVT) Limited, Country Manager / Head of Global Trading Operations at SLOGAL Energy DMCC Dubai, General Manager/CEO of LGBL (Laugfs/Petredec / Kleanheat), Deputy Chief Executive officer of Edna Group, and Business Unit Consultant & Project Manager for Coca-Cola Sabco, Dr. Mayura brings a wealth of knowledge in business development, process improvement, and technical project leadership.

His expertise encompasses a wide range of areas, including research and development, supply chain management, engineering design, product development, and ESG compliance. He has led engineering, procurement, and construction of state-of-the-art manufacturing facilities, LPG/petrochemical terminals, and shipping jetties. Dr. Mayura has also spearheaded productivity development and digital transformation projects, including AI adaptation for CodeGen's clientele.

His strong networking and multi-stakeholder management skills have enabled him to collaborate with a prestigious global customer base, including Unilever, British Airways, Oracle, and energy sector giants such as Total, Vitol, and Exxon Mobil. His contributions to international ventures highlight his ability to drive innovation and operational excellence.

Mr. R M S P S Bandara – Director

Mr. Bandara appointed as the Director of the CPC on 03.10.2024.

Mr.Bandara is a highly accomplished public administrator and development economist with extensive experience in managing Sri Lanka's external resources and advancing national development initiatives. Currently serving as the Additional Director General of the Multilateral and Technical Assistance Division at the Department of External Resources.

Mr. Bandara possesses a strong academic foundation, holding a Master's in Public Administration from the University of Flinders, Australia, a Master's in Financial Economics, and a Postgraduate Diploma in Development Economics from the University of Colombo. He also earned a B.Sc. (Hons.) in Mathematics from the University of Kelaniya, equipping him with analytical skills vital for his roles in economic planning and policy development.

His professional journey includes key leadership roles such as Director for Middle East and South Asia at External Resources Department, Director for Banking, Insurance, and Fisheries at the Public Enterprise Department, and Deputy Director of the SAARC and Middle East Division. Additionally, he has held roles as Assistant Director in the World Bank Division and the National Budget Division

Beyond his administrative roles, Mr. Bandara has served on various influential boards, including the Tea Research Institute, Social Security Board, Sri Lanka Accreditation Board, Sri Lanka Plantation Corporation and Sustainable Energy Authority. His contributions as a Commission Member of the National Education Commission, member of management board of Postgraduate Institute of Pali and Buddhist Studies and Observer for the Atomic Energy Board reflect his dedication to policy innovation and sustainable development.

Mr. A J L Wimalaratne - Director

Mr. Wimalaratne appointed as the Director of the CPC on 24.09.2024.

He is an accomplished finance professional with extensive experience in financial management, public auditing, and leadership. Currently he is serving as Head of Finance at The One Transworks Square (Pvt) Ltd.

He holds a Master's in Public Management from SLIDA and is a Passed Finalist of the Institute of Chartered Accountants of Sri Lanka. He is also a Certified Business Accountant, a Senior Member of the Association of Accounting Technicians of Sri Lanka, and a Member of the Association of Public Finance Accountants of Sri Lanka.

Mr. Wimalaratne's career spans notable roles in public auditing, including serving as a Senior Assistant Auditor General at the National Audit Office and as a Superintendent of Audit at the Auditor General's Department. His foundational expertise was improved during his tenure as an Audit Examiner with the same institution. These roles underscore his deep understanding of public finance, governance, and accountability.

Mr. M K Garusinghe - Director

Mr. Garusinghe appointed as the Director of the CPC on 24.09.2024.

Mr.Garusinghe is a highly experienced professional in the maritime and petroleum industries, bringing over 27 years of expertise, including 14 years in senior management roles at the Ceylon Petroleum Corporation (CPC). He retired in September 2023 as Deputy General Manager (Commercial & Supply Chain).

He holds a Master of Business Administration from the University of Sri Jayawardenepura, an MSc in Maritime Affairs (Port Management) from the World Maritime University Sweeden, and a BSc in Pure and Applied Mathematics and Chemistry from the University of Colombo. He is also a Chartered Shipbroker and a member of the Institute of Chartered Shipbrokers Management (MICS,UK) as well as a corporate member of the Institute of Supply & Material Management (MISMM), Sri Lanka

His extensive experience includes planning, organizing, and controlling procurement activities for crude oil and refined petroleum products. Mr. Garusinghe has played a pivotal role in stock management through his active participation in CPC's stock review committees. He is also adept at chartering tankers and tugs and has significantly contributed to downstream projects, such as the fuel hydrant system at Mattala Airport.

Mr. Garusinghe's career is enriched with international exposure gained through specialized courses in Denmark, France, the Netherlands, Malta, and the UK, focusing on logistics, supply chain management, port operations, and the shipping industry. He has represented Sri Lanka at global forums like the International Oil Pollution Compensation (IOPC) Funds meetings at the International Maritime Organization (IMO) and handled international arbitration cases on behalf of CPC.

Mr. M M Christy Doss - Director

Mr.Christy Doss appointed as the Director of the CPC on 24.09.2024.

Mr. Christy Doss is an accomplished Attorney-at-Law with over a decade of experience specializing in a wide range of civil law matters. Mr Christy Doss is a graduate of the University of Colombo with a Bachelor of Arts (Sp) in Sociology, he also holds a Certificate in International Relations from the Bandaranaike Centre for International Studies. He is a candidate of LLM Faculty of Law of University of Colombo. He has studied at S.Thoma's College , Mt. Lavinia.

He has extensive expertise in areas including land law, partition law, Money Recovery, commercial law, family law, labor law, administrative law, and fundamental rights. He appears regularly in District Courts, the Civil Appellate Court, High Court, Commercial High Court, Court of Appeal and the Supreme Court. Known for his strong communication, organizational, and interpersonal skills, Mr. Christy Doss, excels in teamwork and delivering exceptional legal services.

Corporate Management

Details of the Corporate Management as at 31.12.2023 are given below.

Mr. L G M R Perera
Actg. Refinery Manager

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Kodagoda has started his engineering career in 2002 at Piramal Glass PLC and started the career in petroleum industry as an experienced Chemical Engineer at CPC in 2006.

He poses more than 20 years of industrial experience including the fields of Process Technical Services and Manufacturing and Operations in the petroleum refinery. He held the positions of Chemical Engineer, Head of Utilities Operations, Manager (Refinery Operations) before he appointed as the Deputy Refinery Manager (M & O) in February 2021.

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

Ms. M C D Perera
Actg. Deputy General Manager
(Finance)

Ms. Perera holds a bachelor degree with second class honors in Commerce Special from the University of Sri Jayewardenepura (USJP). She is a fellow of the Institute of Chartered Accountants of Sri Lanka (FCA), an associate member of Certified Management Accountants (ACMA).

She joined the CPC in 2001 as an Assistant Accountant. During her two decade long career at the CPC, she held the positions of Accountant, Deputy Finance Manager, Senior Deputy Finance Manager, Senior Finance Manager and from 2023 onwards, is serving as the Acting Deputy General Manager (Finance).

Ms. Chamila was a key core-team member for the implementation of the SAP -ERP system in CPC. She oversees all accounting and finance management of CPC. Provide leadership and coordination in the administrative, planning, accounting and budgeting related activities of CPC.

Mr. A G D Perera
Actg. Deputy General Manager (Commercial & Supply Chain)

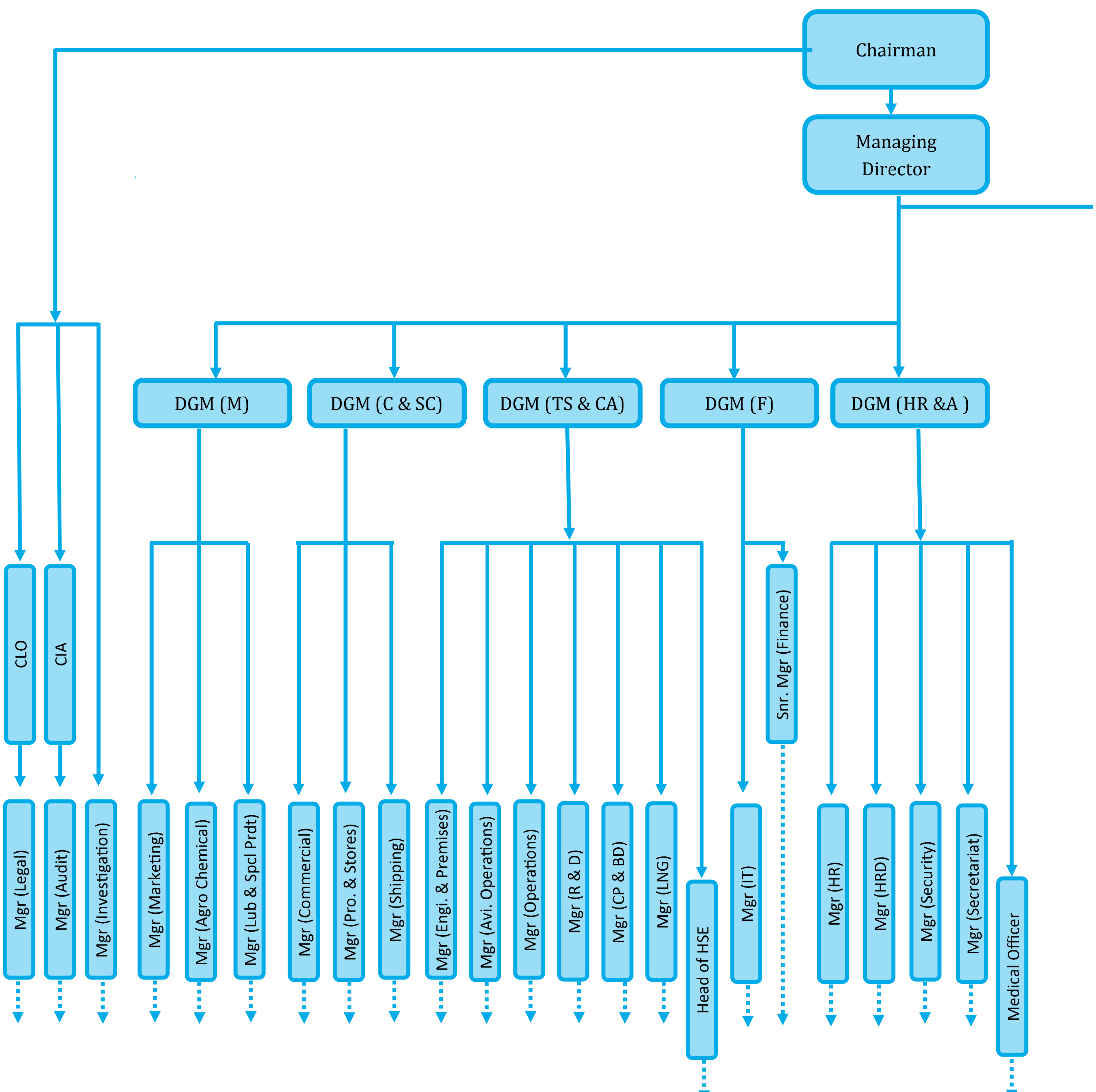
Mr Bandara obtained a bachelors of Arts (Economics) from UOP and MBA (Logistic and Supply Chain) from Dalian Maritime University-(China). He also hold another Master Degree (MSSC) from University of Kalaniya. He obtained Diploma in Shipping (port agency) from Institute of Chartered Ship brokers – (U,K),Diploma in Business Management from N.I.B.M, Diploma in Computer Technology (SLIT). Mr Bandara has completed number of locally and internationally training programmer and represented CPC.

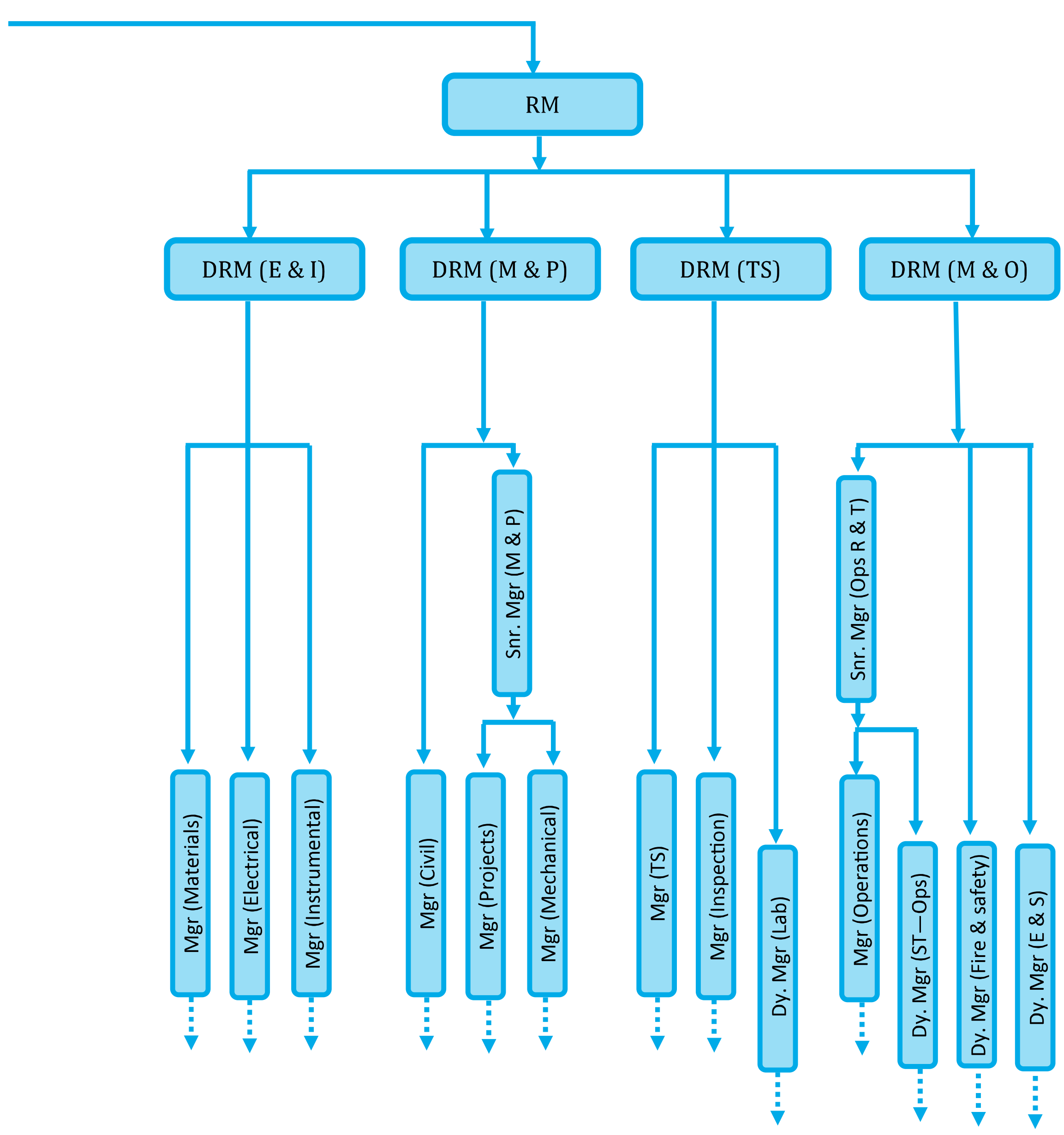
He commenced his career at CPC in 1995, he held various positions at CPC including Shipping Assistant, Assistant Commercial Manager, Deputy Commercial Manager, (acting) Commercial Manager and Shipping Manager. He currently serves as (acting) DGM (Commercial & Supply Chain) at the CPC. He tasks managing and coordinating of all affairs under purview of three functions Shipping, Commercial, Procurement & Stores of CPC.

Senior Management Team

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

Organizational chart





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

Operating Context

3.1
(per cent)
World Growth

102.1
(Mn. BL/D.)
World Oil Demand

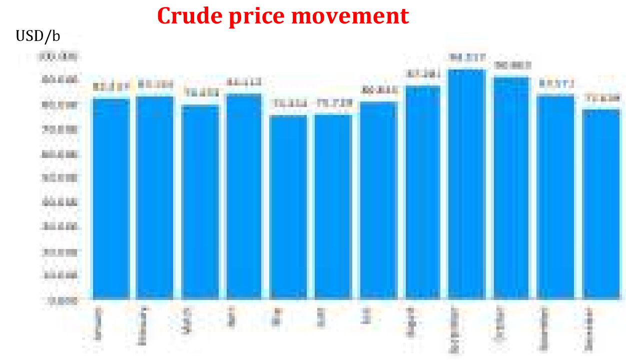
-2.3
(per cent)
SL Growth

327.53
(Rs./US$)
Exchange Rate (avg)

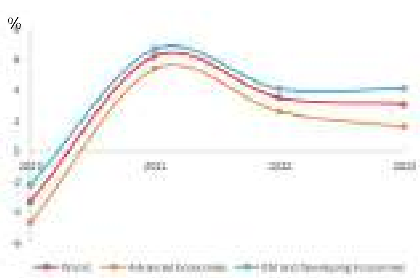
Outline - 2023

- Global GDP growth recorded to 3.1 per cent.
- Sri Lankan economy contracted by 2.3 per cent.
- International fuel prices decreased by 16.0 %
- Exchange rate appreciated by 10.79%.
- Discontinuation of National Fuel Pass (QR system).
- CCPI decreased to 4.0 per cent in December 2023.

Crude price movement



Global Growth

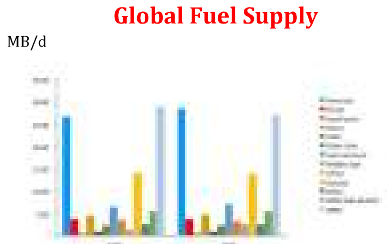


Source: WEO 2024 January - IMF

Global Fuel Demand

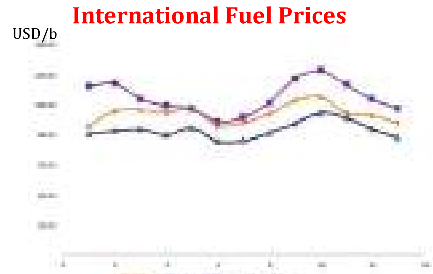
Source: OPEC monthly oil market report - January

Global Fuel Supply



Source: OPEC monthly oil market report - January

International Fuel Prices



Exchange Rate

Global Context

As per the World Economic Outlook (WEO) published by IMF, global growth was projected at 3.1 percent, slowed down from 3.5 per cent in 2022. The year 2023 is shows a resilience with the resilience in 2023 greater than expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. The global economic recovery from the COVID-19 pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis is proving surprisingly resilient. Inflation rates are decreasing more rapidly than anticipated from their peak in 2022, with a lesser impact on employment and economic activity than initially forecasted. This trend is attributed to favorable supply-side developments and the tightening measures implemented by central banks, which have effectively anchored inflation expectations. However, it is important to note that elevated interest rates, instituted to combat inflation, along with a reduction in fiscal support in the context of high debt levels, are projected to exert downward pressure on growth in 2024.

The advanced economies grew at a 1.6 percent annual pace, down from a 2.6 percent annual rate in 2022. Emerging market and developing economies did better with 4.1 per-cent growth maintaining same recorded in 2022.

As forecasted by IMF, Commodity pieces (oil) increased by 39.2% in 2022 and declined by 16.0% in 2023. Oil prices are expected to decline by 2.3% in 2024 and 4.8% in 2025.

According to OPEC, global oil consumption will average 102.1 mb/d in 2023, up from 99.5 mb/d in 2022, as demand recovers to pre-pandemic levels with the resilience in economic growth, resulting in a 2.46% YoY rise in demand. As the global economy experienced a recovery, there was an increase in demand; however, supply-side challenges emerged due to the ongoing Russia-Ukraine conflict, leading to a rise in oil prices.

The average price of West Texas Intermediate (WTI) crude oil dropped by 18.09% from 94.79 US dollars per barrel in 2022 to 77.64 US dollars per barrel in 2023. The average price of crude oil (Murban) utilized by CPC decreased by 16.09% from 98.77 US dollars per barrel in 2022 to 82.88 US dollars per barrel in 2023.

According to the IMF, global growth estimated at 3.1 percent in 2023, is projected to remain at 3.1 percent in 2024 before rising modestly to 3.2 percent in 2025. However, the projection for global growth in 2024 and 2025 are still lower than the historical (2000-19) average of 3.8%, reflecting restrictive monetary policies and withdrawal of fiscal support, as well as low underlying productivity growth. World trade growth is projected at 3.3 percent in 2024 and 3.6 percent in 2025, below its historical average growth rate of 4.9 percent. Rising trade distortions and geo-economics fragmentation are expected to continue to weigh on the level of global trade. Annual average oil prices are projected to fall by about 2.3 percent in 2024, whereas nonfuel commodity prices are expected to fall by 0.9 percent.

Furthermore, worldwide inflation is estimated to decline from 6.8 percent in 2023 to 5.8 percent in 2024 and 4.4 percent in 2025. Advanced economies are expected to see faster disinflation, with inflation falling by 2.0 percentage points in 2024 to 2.6 percent, than are emerging market and developing economies. The drivers of declining inflation differ by country but generally reflect lower core inflation as a result of still-tight monetary policies, a related softening in labor markets, and pass-through effects from earlier and ongoing declines in relative energy prices. In all near-term inflation expectations have fallen in major economies, with long-term expectations remaining anchored.

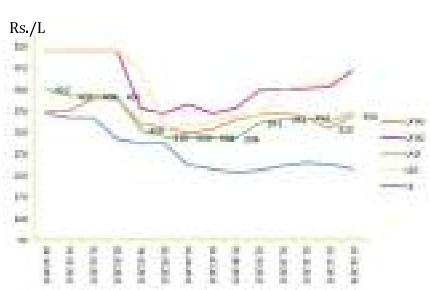
GDP growth

Source: CBSL Annual Report 2023

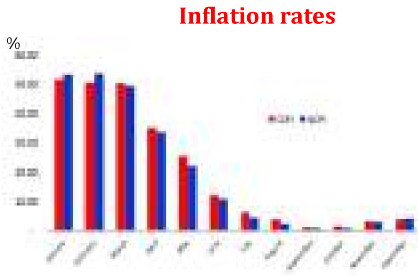
GDP of the Country

Year	GDP (Rs. tn.)	GDP (USD bn.)
2019	15.9	89.0
2020	15.6	84.4
2021	17.6	88.56
2022	24.1	76.8
2023	27.6	84.4

Domestic price revisions



Inflation rates



Source: CBSL Annual Report 2022

Local Context

According to the CBSL, the Sri Lankan GDP has contracted by 2.3 percent year on year in 2023 recovering from contraction of 7.3 percent recorded with worst economic catastrophe encountered in 2022. The contraction of industry by 9.2 percent and services sector by 0.2 percent contributed to the contraction of the economy while agriculture sector showed 2.6 per-cent growth in 2023.

The recovery was strengthened by rapid disinflation, improved external resilience, stronger fiscal balances, and preserved financial system stability. Prompt and coordinated implementation of a suite of policy measures by the Government and the Central Bank and the structural reform agenda alongside the International Monetary Fund's Extended Fund Facility arrangement reinforced overall macroeconomic stability. Having benefited from restored stability, the economy commenced transitioning to a growth trajectory. The growth in aggregate demand was driven by both domestic demand and net external demand.

The country's total size of the economy recorded to US dollars 84.4 billion, and per capita GDP to improve from US dollars 3,464 in 2022 to US dollars 3,830 in 2023, indicating improved buying power of the population.

The execution of numerous initiatives by the government and CBSL, the inflation that had peaked at an all-time high in September 2022 reverted to single-digit levels within a year and continued to remain in the around the target by end 2023.

The Colombo Consumer Price Index (CCPI) has dropped from 57.2 per cent in December 2022 to 4.0 per-cent in December 2023. The National Consumer Price Index (NCPI) dropped from 59.2 percent by the end of 2022 to 4.2 percent in December 2023.

The month end exchange rate has appreciated by 11.53% against the exchange rate recorded in December 2022. The Sri Lanka rupee appreciated sharply in 2023 under a market based exchange rate policy implemented by the Central Bank. The Rupee experienced a sharp depreciation against US dollar in 2022 with the exchange rate relaxation, exchange rate crisis and BOP difficulties.

The appreciation of the Sri Lankan rupee against US dollar created positive impact towards CPC, and it impacted all petroleum products to decrease the costs of fuel, forcing fuel prices downwards. CPC recorded an exchange rate gain of Rs. 20.34 billion against the exchange loss of Rs. 529. 47 billion recorded in the year 2022.

The government implemented a new pricing mechanism in 2022 to determine local petroleum product prices in accordance with changes in international fuel prices and other key cost considerations and the mechanism continued for the year 2023. Prices were revised monthly based on the movement of the international fuel prices, exchange rate and other cost elements.

The availability of US dollars in the market and the generation of cash flows through the operations facilitated CPC to settle its current fuel bills on time. Further, the transfer of old loans to the government balance sheet as at 31.12.2022 facilitated to minimize the finance cost to CPC.

Estimated global growth rate		
Category	2024	2025
World	3.1	3.2
Advanced Economies	1.5	1.8
EM and Developing Economies	4.1	4.2

Expected GDP Growth

Way Forward

The International Monetary Fund (IMF) has predicted a global growth of 3.1% in 2024 and a slight uptick to 3.2% in 2025. However, these figures still lag behind the vibrant pre-pandemic days. When we compare these projections to the historical average of 3.8% from 2000 to 2019, it's clear that are in a different ballpark. The high interest rates set by central banks to combat inflation, coupled with a retreat from fiscal support amidst soaring debt, are casting shadows on economic activity, not to mention the sluggish growth in productivity. On a brighter note, inflation is easing more swiftly than anticipated across many regions, thanks to the unwinding of supply chain snags and tight monetary policies.

A thriving national economy paves the way for seamless operations. Yet, the arrival of new fuel suppliers could pose challenges to CPC's market share and financial health. Sticking with the current pricing strategy will safeguard CPC's profits and assure its long-term financial resilience and sustainability.

The game plan is set to tackle the fiercely competitive fuel market in the nation. We've lined up the most cost-effective strategies for procurement and operations, all aimed at slashing expenses and passing those savings directly to consumers. CPC is pouring resources into essential equipment and boosting storage capabilities to meet the country's fuel demands. The investment in tanks at the Trincomalee tank farm is a significant step towards utilizing the underutilized resources with adding value for the nation.

Management Discussions & Analysis

Outline - 2023

- Continuation of pricing mechanism for Petrol, Diesel & Kerosene.
- Continuous fuel supply to the nation.
- Relaxation of consumption limitations (discontinuation of QR system).
- Investment in joint venture company of TPTL.
- Recapture the agrochemical business .

Looking for 2024

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

1,315
(Rs. Bn.)
Revenue

4,184
(Mn. ltr.)
Sales

Transport	959.30 Rs. bn.
Power	181.38 Rs. bn.
Aviation	121.52 Rs. bn.
Industries	18.80 Rs. bn.
Domestic	32.21 Rs. bn.
Agro	1.61 Rs. bn.

The year 2023 has moved into a crucial chapter for the Corporation, shaped by a variety of economic influences that have positively propelled its activities. In the face of the challenging economic landscape of 2022, CPC managed to provide a steady fuel supply to the nation, instilling confidence and stability.

There has been a continued decline in international oil prices, and the resolution of supply chain disruptions has progressed steadily. Furthermore, the appreciation of the Rupee throughout the year has yielded significant benefits for the Corporation.

In contrast to the considerable challenges faced in 2022 due to the economic recession in Sri Lanka, the Corporation has demonstrated a consistent trajectory of improvement. The positive trends observed in the international oil markets have been instrumental in bolstering the Corporation's performance, particularly by diminishing the demand for US dollars necessary for fuel imports to Sri Lanka.

The Corporation has successfully attracted suppliers through the implementation of various strategic initiatives, notably the ex-storage modality payment option. This approach has proven effective in ensuring the availability of crude oil and refined petroleum products. As a result, the Corporation has been able to effectively manage its product supply. The government has effectively ensured national security while maintaining a steady supply of petroleum products at filling stations and airports, even in the face of challenging economic circumstances.

Moreover, the premium associated with the importation of refined petroleum products has significantly decreased from a two-digit value to a single-digit value. This reduction has resulted in substantial foreign currency savings for the nation, allowing the CPC to extend these benefits to the public.

The government's decision to uphold the current pricing mechanism and settlement of CEB & SLA outstanding through the balance sheet strengthening program of the government have positively impacted the operations of CPC, leading to improved liquidity conditions. Further, continues refinery operation with positive margin for the profitability and all the sectors improved its financial performances resulting to improvement of the overall performance. Revenue has risen from Rs. 1,154.45 billion to Rs. 1,315 billion. As a result, the financial year concluded with a gross profit of Rs. 162.11 billion and an operating profit of Rs. 89.87 billion. Additionally, other income, exchange gains, interest income and lower interest expenses contributed to a remarkable profit of Rs. 120.31 billion for the year 2023.

Transport

The distribution of petrol, diesel, and kerosene to our extensive network of 990 filling stations across the island, as well as to direct customers excluding fuel for electricity generation has been conducted efficiently. However, sales have experienced a slight decline compared to 2022, coinciding with the ongoing recovery of the economy.

Outline - 2023
Continuation of pricing mechanism to revise the fuel prices monthly basis in-line with the international fuel prices and other cost elements.
Discontinuation of QR system.
Continued the sales of Diesel on USD terms to the exporters to facilitate the export operations without restrictions.
Revenue increased sharply to Rs. 959 bn.

It is worthwhile to note that the selling prices of petroleum products have decreased significantly, however, not reverted to the levels observed in March 2022, as these prices are determined through a pricing mechanism. In light of a modest decrease in international fuel prices throughout the year, domestic selling prices have been adjusted downward and are revised on a monthly basis to align with international fuel prices, exchange rates, and other cost factors.

The prices of petrol and diesel exhibited a high degree of sensitivity, as even slight variations in fuel costs can have a substantial impact on the general population, resulting in changes to their standard of living and related expenditures.

Domestic Selling Prices

Product-wise revenue

International Prices

In terms of total revenue contribution, this sector stands out as the most significant, generating Rs. 959.30 billion in 2023, an increase from Rs. 902.77 billion in 2022, which represents a growth rate of 6% compared to the previous year. This revenue growth was achieved despite a 7% decrease in sales volume during the same timeframe, attributed to the consistent maintenance of prices throughout the year.

When comparing to 2022, the demand for Petrol 92 saw a modest increase of 1.88%, whereas the demand for Petrol 95 experienced a substantial decline of 48%.

Furthermore, the demand for Auto Diesel decreased by 11%, and Super Diesel also faced a significant reduction of 48%. The CPC has taken all necessary measures to ensure a stable fuel supply for the nation, effectively addressing the challenges within the supply chain.

Throughout the year, CPC has strategically expanded its network by incorporating new filling stations into its existing portfolio. However, in alignment with government regulations, a new competitor entered the market in 2023, resulting in the reassignment of CPC filling stations to this new entity for fuel supply. This market development has consequently led to a decrease in sales for CPC.

CPC has consistently monitored its dealers' compliance with the QR system. In cases where deviation were detected, the supply to the respective dealer's outlet was suspended for a duration of two weeks. Despite the challenges encountered by the dealers, CPC has proactively addressed the identified deficiencies to uphold strong client relationships and foster environmentally sustainable practices. Consumption restrictions were gradually relaxed, culminating in the complete elimination of the QR system and the removal of consumption limitations in August 2023.

Furthermore, a dealer stock level monitoring system has been implemented to effectively manage the inventory levels of each dealer. This system ensures the availability of products at retail outlets and aids in the distribution of limited stock. It has also been instrumental in preventing the depletion of stock in rural regions.

In light of the price differential between diesel and kerosene that persisted until August, rigorous measures were instituted to monitor and deter the adulteration of kerosene by large transport carriers, including buses and lorries. These carriers were found to be misusing the kerosene subsidy that is intended for low-income households and the fishing community.

Direct consumer sales

CPC provides diesel and petrol to direct customers for transportation needs, as well as for industrial applications. This service caters to both governmental entities, including military organizations, and private sector companies.

Sales on USD

To streamline the workings of export businesses, CPC has cleverly kept its fuel sales system anchored in US Dollars. This savvy move has created a win-win partnership between CPC and the exporting companies. As a result, foreign currency has been amassed, which is then put to good use for settling fuel bills with suppliers.

The exporting companies exhibited considerable enthusiasm regarding the availability of fuel priced in US Dollars, which played a crucial role in facilitating their operations. CPC recognized the onboarding of several new customers within this category and subsequently met their supply needs. Furthermore, in addition to the bulk sales of fuel in US Dollar terms, the facility was also extended to accommodate tourists.

Strategies for Transport Sector

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

Power Generation

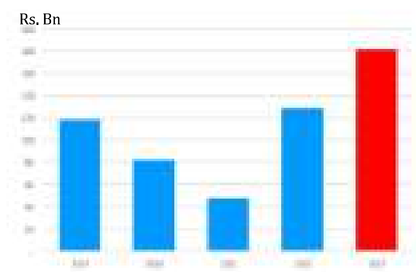
Due to the constraints associated with hydropower and a limited coal usage, there has been a notable increase in the demand for thermal power production. In response, significant efforts were undertaken to ensure a consistent fuel supply to the Ceylon Electricity Board (CEB) and Independent Power Producers (IPPs) for their thermal power facilities, thereby facilitating uninterrupted energy provision.

Outline - 2023
Revenue has increased to Rs. 181.38 bn.
Sharp increase of fuel demand specially for the Naphtha.
Prices revised monthly basis.

In light of the rising demand for fuel to generate electricity, the CPC successfully supplied continued fuel supply for power generation, marking a 35% increase in supply compared to the previous year. Throughout the year, CPC implemented monthly revisions to fuel prices to reflect the associated costs and benefits of fuel supply.

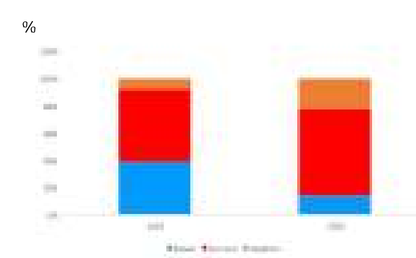
As a result of these price adjustments, combined with a substantial increase in demand, the revenue for the industry experienced a growth of 41% in comparison to 2022.

Sales



The electricity generation sector constituted the second largest source of revenue for CPC, yielding Rs. 181.38 billion in the current year, compared to Rs. 128.38 billion in 2022. The provision of fuel for electricity generation is critical to the national economy, underscoring the significance of every initiative undertaken in this regard.

Product-wise sales



Furthermore, the ongoing operations of the Refinery have been instrumental in supplying the necessary quantities of fuel to meet the demands of power generation.

Product-wise sales

Despite a decrease in naphtha sales attributed to refinery shutdown in 2022, CPC was able to supply a significant volume of naphtha throughout the year due to continuous refinery operations.

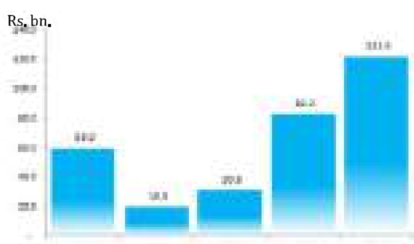
The inadequate settlement patterns of the Ceylon Electricity Board (CEB) and Independent Power Producers (IPPs) raised liquidity concerns regarding cash inflows, which adversely affected CPC's treasury management capabilities and led to unnecessary financial expenditures. Recognizing the critical role of power in the national economy, CPC endeavored to sustain maximum fuel supply, despite the challenges posed by the CEB and IPPs' settlement issues. However, in December, the government addressed the outstanding payments from CEB and IPPs through a program aimed at strengthening the balance sheets of government-owned enterprises by settling the outstanding balances to CPC.

To ensure that appropriate safeguards are in place, the Stock Review Committee conducts weekly assessments of fuel demand from the power sector. A collaborative relationship between CEB and the IPPs is actively maintained to achieve the overarching objective of ensuring a continuous supply of energy and power to the nation.

Aviation

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

Revenue



Our strategic emphasis is given to provide continuous aviation fuel to flights, which helps the tourist industry thrive.

The supply of aviation fuel has also been hampered due to a scarcity of foreign currency to bring fuel into the country in 2022. However, with the application of various strategies, CPC was able to reassure continuous supply during 2023 and the aviation business continuously improved in parallel with the improvement of the tourism industry.

CPC assured continued Jet A1 supply and it offered great advantages to both CPC and the country by enabling international transportation to continue, hence boosting the tourism sector.

Outline - 2023

CPC has been recognized to the position of 'Good' (above average) for 2023 consecutively by JIG, suggesting that CPC's operational excellence builds trust in CPC aviation.

Revenue increased to Rs. 122 bn.

The BIA expansion project had completed 87.8% of physical progress and 78.9 % of financial progress by the end of 2023.

CPC implemented strong pricing mechanism that helps to compete in the region.

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

With the improvement of the tourism and the improvement of the economic activities together with the continued supply contributed for the increased fuel supply by 53.6% compared to 2022. This shows our dedication to economic revival and tourism facilitation.

The aviation sector's revenue increased by 47.8% year on year to Rs. 121.5 billion with the movement of the sales volumes and the movement of the selling prices.

As part of CPC's commitment to meeting compliances and international standards, the Joint Inspection Group (JIG) conducted yearly audits to ensure that the quality assurance criteria were satisfied. It is good to note that CPC has been recognized to the position of 'Good' (above average) for 2023 consecutively, suggesting that CPC's operational excellence builds trust in CPC aviation.

Way forward

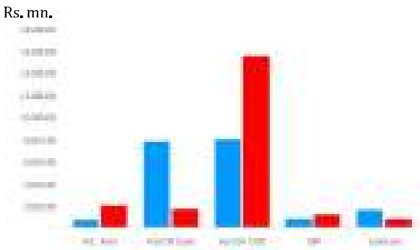
CPC has committed to supplying aviation gasoline that meets international quality and specifications at all Sri Lankan airports. To do this, investments are made to upgrade and modernize infrastructure, as well as to provide fuel using cutting-edge technology. At Bandaranaike International Airport and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

Along with the airport development project, CPC commenced the new hydrant system and extension project at Bandaranaike International Airport in January 2018. Despite being delayed due to the Covid-19 pandemic and economic recession, the project had completed 87.8% of physical progress and 78.9% of financial progress by the end of 2023 and it is expected to commission in 2024.

Industries

This column outlines the revenue generated from the sale of Industrial Kerosene, Fuel Oil to Industries, Lubricants, and Solvents (SBP) to private customers. The total income from the industry experienced a decline, decreasing to Rs. 18.8 billion in 2023, compared to Rs. 21.1 billion in the previous year. This reduction caused to the diminished sales volumes and downward adjustments in sales prices. Additionally, the occurrence of power outages led industries to procure substantial quantities of fuel in 2022; however, with the restoration of a consistent power supply in 2023, the demand for fuel among industries has gradually diminished.

Product-wise revenue



In 2023, Fuel Oil generated an income of Rs. 15.7 billion, a decrease from Rs. 17.2 billion in the prior year, making it the largest contributor to industrial revenue. The demand for Fuel Oil decreased by 8.17% during the year 2023.

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

Our dedicated team of professionals, in conjunction with a reliable and effective dealer network, provides comprehensive solutions and services that consistently surpass consumer expectations. They are committed to exceeding the anticipations of our clients.

Product-wise revenue

Following the resolution of supply chain challenges with our suppliers, our revenue has experienced a remarkable increase, rising from Rs. 0.76 billion to Rs. 1.56 billion.

This substantial improvement is attributed to a 45% increase in sales volume compared to the previous year. CPC is steadily regaining its market position.

In 2023, the continuous assurance of fuel supply and the lifting of consumption restrictions have led to a gradual decline in the demand for industrial kerosene. Specifically, the demand for industrial kerosene has decreased by 67.6% compared to 2022. Consequently, revenue generated from the sale of industrial kerosene has fallen to Rs. 0.7 billion in 2023, down from Rs. 2.0 billion in the previous year.

The CPC successfully fulfilled the entire demand placed on the SBP. However, with the increased availability of fuel within the country, the demand for SBP has experienced a decline of 1.9%, resulting in a revenue decrease of 26.9% compared to the previous year. Additionally, the reduction in selling prices, aligned with the decrease in international prices, has further contributed to the decline in income.

Domestic

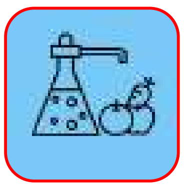
The supply chain challenges have progressively improved, allowing the Refinery to maintain continuous operations. As a result, it has successfully met the full demand for kerosene, while also experiencing a significant increase in the supply of liquefied petroleum gas (LPG). Despite a decline in kerosene demand, revenue from this sector rose by 71.2%, reaching Rs. 32.2 billion during the financial year.

In accordance with government policy, kerosene prices have been adjusted to match the costs associated with its supply, a trend that has persisted throughout 2023, thereby contributing to increased revenue from kerosene sales. Additionally, kerosene prices are revised on a monthly basis to align selling prices with international fuel prices and other cost factors.

Due to the price disparity between diesel and kerosene, some large carriers, including buses and trucks, have exploited kerosene subsidies. In response, stringent measures have been implemented to curb kerosene adulteration by certain heavy carriers, aiming to minimize subsidy leakages to unintended beneficiaries.

The Refinery has operated continuously, resulting in a remarkable 329% increase in LPG supply, amounting to 23.8 million kilograms. Consequently, revenue generated from LPG sales has risen to Rs. 5.3 billion during the year.

Agrochemicals



CPC has been engaged in the agrochemical industry for over five decades. As a government entity, we operate in the market as a price regulator, safeguarding farmers from competitive exploitation while ensuring the availability of high-quality agrochemical products at equitable prices.

The sector is experiencing a resurgence due to the recent policy changes that facilitate the import and production of agrochemicals. The government's decision to lift the ban on agrochemical imports, which was imposed in 2022, has contributed to the revitalization of the business by the end of that year.

As a result, revenue generated from the agrochemical sector has surged to Rs. 1.6 billion during the current year, a significant increase from Rs. 0.29 billion recorded in 2022, reflecting a remarkable growth of Rs. 1.32 billion.

CPC is committed to adhering to established protocols to ensure product quality and maintain a healthy and safe environment. Given the inherent risks associated with agrochemicals, we have implemented various processes and controls to optimize our operations. To this end, we have conducted ISO performance evaluations for ISO 9001:2015, ISO 14001:2015, and ISO 18001:2007.

In our pursuit of innovation, CPC has introduced a bio-insecticide named "Flipper," which is part of our initiative to expand our range of environmentally friendly products. Notably, Flipper was awarded the Queen's Award for Best Innovation in the United Kingdom in 2021.

As a sustainable organization, we are committed to environmental stewardship and mitigating the potential risks and misuse of agrochemicals. Furthermore, we aim to support low-income farmers by providing high-quality agrochemicals at competitive prices, thereby enabling them to enhance their crop yields and improve their income levels.

In the past year, CPC has appointed over 70 new dealerships to further expand our agrochemical business into underserved markets.

Way Forward

An exciting initiative has been put forth to establish a state-of-the-art agrochemical factory in Muturajawela. This ambitious project aims to incorporate all essential facilities and the latest technological advancements. At the heart of this venture will be a cutting-edge laboratory, designed to house the most advanced equipment, paving the way for groundbreaking research and development activities.

Sapugaskanda Distribution Terminal

At our operations are also made with Sapugaskanda distribution terminal, a hub for fuels like Petrol 92, Auto Diesel, Kerosene, Furnace Oil, and Jet A-1. This facility, proudly owned and operated by the CPC, plays a crucial role in delivering refined petroleum products straight from the nearby refinery to various destinations.

In the past year, this terminal has been a powerhouse, distributing a staggering Rs. 139.3 billion worth of fuel an impressive leap from the previous year's Rs. 47.8 billion. Among its notable contributions was the supply of Jet A-1 to the Katunayaka and Mattala airports, ensuring that the skies remain well-fueled.

The Sapugaskanda terminal primarily caters to the fuel needs of its dealers' owned bowser fleets, a strategy that not only cuts down on throughput charges but also helps ease the traffic woes around the Kollonnawa installation. Additionally, it has been instrumental in supplying furnace oil, further solidifying its role in the energy landscape. As the refinery continues to operate at full throttle, the terminal's utilization has seen a corresponding rise.

Throughout the year, the CPC has invested in a variety of projects aimed at enhancing the efficiency and capacity of its distribution terminals. Upgrades such as the renovation of fuel tanks and the completion of a tank gauging system have been implemented, ensuring that the terminal remains a vital cog in the CPC's fuel distribution machinery.

Refinery Operations

Since its inception in 1969, the Refinery at Sapugaskanda has been a cornerstone of value for our nation. Back in the 1970s, it met the entire demand of the country, and today, it still plays a vital role, fulfilling approximately 35%-50% of CPC's sales amidst rising demand.

How it Creates Value ?

- Operating with 100% Sri Lankan staff.
- Provides direct employment opportunities for around 1000 citizens.
- Caters 35%-50% of the total CPC sales volume.
- Savings of foreign currency outflows.
- Successfully completed 53 years of continued operations.
- High recognition of the Refinery Training by overseas countries.

The year 2022 was a tumultuous chapter, marked by numerous shutdowns due to crude oil shortages. Yet, thanks to the strategic initiatives and proactive measures implemented by CPC, we successfully ensured a steady supply of crude to the refinery throughout 2023. As a result, the Refinery has been running smoothly this year, with only a short shutdown for essential catalyst regeneration.

The refinery processed 1,677,033 MT of crude oil during the year 2023, a increase of 217% over the prior year with the continuous crude supply.

Crude Type	Percentage (%)
Murban Crude oil	82.68
Siberian Light	9.76
Ural Crude oil	1.99
ESPO Crude oil	5.57

The Refinery maintained continuous operations throughout the year 2023, with the exception of a scheduled shutdown for catalyst regeneration. During this period, CPC Refinery primarily processed Murban crude oil, supplemented by a blend of Siberian Light, Ural, and ESPO crude oils.

The refinery accounted for 46.9% of the total demand for the year, a significant increase from 14.4% in 2022. This production level contributed to a reduction in the importation of refined petroleum products.

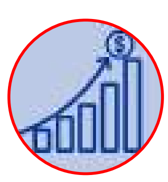
The refinery achieved a production output of 1,677,034 metric tons (MT) in 2023, representing a significant increase from the 529,779 MT recorded in 2022. The restoration of supply and the resumption of continuous operations have led to the notable increase in production levels for 2023. During this period, the refinery successfully produced ten different petroleum products, with Auto Diesel, Fuel Oil, Jet A-1, Petrol 92, and Kerosene being the primary contributors to the overall output. These products have been distributed to the Kolonnawa Installation, the Sapugaskanda Distribution Terminal, and directly to customers, including the Ceylon Electricity Board (CEB) and Independent Power Producers.

Despite the refinery being established in 1969, the Ceylon Petroleum Corporation has ensured its ongoing operation through diligent maintenance practices. Furthermore, significant emphasis is placed on training personnel to optimize refinery operations and maximize production yield.

Our Strategies

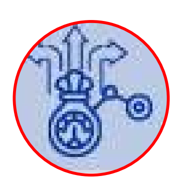
As the preeminent entity in the petroleum sector, CPC's strategies encompassing short-term, medium-term, and long-term initiatives are intricately aligned with our objectives to fulfill the national aspirations of the country. CPC functions within a highly volatile landscape influenced by both local and global economic conditions. By adopting a comprehensive strategic perspective of this challenging environment, CPC has developed its strategies to capitalize on opportunities that are essential to our success.

The energy sector experienced a gradual recovery throughout the year 2023. In accordance with government policies, new entrants are beginning to emerge within the industry. Consequently, a part of our filling stations is moving to these new competitors, and strategies are being formulated to address future competition. Our policies are strategically designed to foster a successful enterprise and a sustainable organization that contributes significantly to the economy while ensuring the seamless functioning of the national economic framework.



Profitable Growth

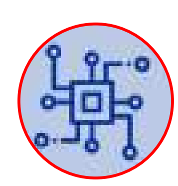
CPC is dedicated to formulating innovative strategies that identify challenges and capitalize on opportunities to enhance profitability and ensure financial sustainability. The organization places a high priority on customer satisfaction and the interests of its business partners, aiming to build brand equity, generate profits, and deliver value to stakeholders. Through the implementation of various strategies and with the support of government and regulatory bodies, CPC has made substantial efforts to maintain a consistent supply of products. The adoption of an ex-storage method for both crude and refined fuel has been instrumental in restoring the uninterrupted supply of petroleum products. Furthermore, the government's ongoing implementation of a new pricing system has contributed to the mitigation of potential future losses. CPC has developed strategies designed to maximize sales, as the current pricing mechanism not only secures profitability for the corporation but also benefits all stakeholders, including the general public. Additionally, CPC is pursuing business diversification through investments in a joint venture with TPTL, which focuses on the provision of storage facilities and ancillary services.



Operational Excellence

Operational excellence is the cornerstone of our business operations, and we allocate substantial resources across all capital assets to bolster this excellence, thereby improving both efficiency and effectiveness, which are critical for the attainment of the corporation's strategic objectives. We have implemented continuous process improvements at the refinery to refine petroleum products in a more cost-efficient manner, leading to value creation for our stakeholders. Furthermore, we are pursuing a range of asset development initiatives designed to enhance process efficiency and optimize costs, ultimately resulting in increased value for society.

Strategic initiatives are currently being pursued, which include investments in 24 tanks at Trincomalee and improvements to TPTL, our subsidiary. Notable infrastructure development projects are being executed to increase operational capacity, enhance visibility, and improve the efficiency of our existing network of filling stations. Furthermore, the establishment of a Research and Development Unit, along with the adoption of a progressive approach to supply chain management, is actively underway.



Technological Advancement

Technological advancement is essential for navigating a volatile environment. The fuel distribution strategy has been automated and standardized through a systematic control mechanism designed to oversee and manage fuel supply across the entire island.

The establishment of a dealer stock level monitoring system has markedly improved decision-making processes, facilitating the identification of low-stock regions and the prompt organization of fuel supplies. Information technology has played a crucial role over the past year, especially with the incorporation of additional banking institutions for fully automated settlement procedures, thereby enabling dealers to efficiently settle their fuel invoices.

Moreover, alongside investments in digital infrastructure and training, the proficient use of the Enterprise Resource Planning (ERP) system has yielded real-time data, while enhancements to the dealer stock level monitoring systems have guaranteed the sustenance of sufficient stock levels.

Sustainability

In our commitment to creating a sustainable organization, we have incorporated sustainability principles across all aspects of our operations, from leadership to implementation. Despite encountering challenges within the supply chain, CPC has successfully provided kerosene and fuel to the fishing community and residents with lower income levels. We are resolute in our efforts to reduce our carbon footprint, manage waste in alignment with international standards, and encourage more sustainable consumption practices. To improve customer satisfaction and ensure adherence to legal requirements, CPC has adopted optimization strategies for energy utilization and the procurement of materials and products, along with a comprehensive series of compliance assessments.

CPC generates over 15,000 indirect employment opportunities through its extensive distribution network across the island that we have integrated.

Development of Human Capital

Human capital represents our foremost strategic asset, acting as a pivotal element in the achievement of our vision and mission within a rapidly evolving operational landscape. We have consistently dedicated resources towards training, totaling Rs. 6.40 million, to develop a motivated, engaged, and loyal workforce that provides value to our stakeholders. Our commitment extends beyond the enhancement of our own personnel; we also prioritize the development of our business partners' human capital through training programs and ongoing communication, thereby cultivating expertise and ensuring client satisfaction.

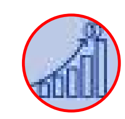
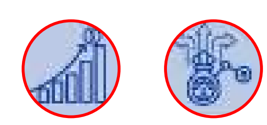
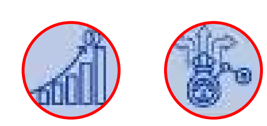
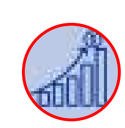
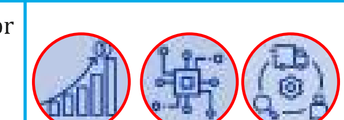
Furthermore, we have reinforced our organizational ethos and culture surrounding tacit knowledge, which is vital for the progress of CPC and has made substantial investments in employee training and development, ensuring the effective management of these initiatives.

Supply Chain Management

Our strategic focus is directed towards supply chain management, acknowledging the paramount importance of energy security for economic development. Given that CPC is wholly dependent on the importation of both refined and crude petroleum products, effective supply chain management stands as our primary strategic objective.

We have made enhancements to the ex-storage infrastructure to increase the economic value for the country and to promote wider participation in fuel supply tenders. These modifications are designed to cultivate a more competitive and transparent environment, ultimately resulting in increased foreign currency savings domestically.

Challenges faced by CPC

Challenge	Impact	Link to Strategic pillar
Limitations on Dollar Transactions	CPC consistently encounters difficulties in acquiring foreign currency to fulfill its import obligations, which are essential for addressing its financial challenges. The availability of funds in rupees does not mitigate the risks associated with exchange rate fluctuations or the scarcity of dollars in the market. Variations in the exchange rate significantly influence pricing strategies, which are ultimately connected to the organization's potential for profitable growth.	
Lack of Storage	The limited capacity for storing both crude and refined products has resulted in an inability to accommodate various types of imported crude and refined goods. Consequently, there are restrictions on the importation of necessary shipments due to insufficient space for unloading.	
Pipelines with disrepair	The pipelines employed for the transportation of imported petroleum products from Colombo Port to the terminals are presently in a significant state of disrepair. This condition has resulted in extended discharge times and poses a risk of fuel leakages.	
A Price Taker	Sri Lanka lacks petroleum resources, necessitating the importation of all petroleum products at prevailing global market prices, which limits the country's ability to negotiate pricing. Consequently, variations in international prices have a direct effect on the cost of sales.	
Entrants of new players	The entry of new multinational entities into the petroleum sector is having a direct impact on the operations of CPC.	

Opportunities

Geographical Storage capacity

CPC has formalized an agreement with the government to lease 24 storage tanks, facilitating an increase in storage capacity at Trincomalee. The corporation has commenced renovations on these tanks. This expansion initiative is designed to enhance operational efficiency and yield both financial and competitive advantages. Additionally, CPC plans to initiate bunkering and local distribution operations from the Trincomalee facility.

Business diversification

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

Strengthened balances sheet

The government has resolved the Indian credit line loans by offsetting them against the receivables from the SLA and CEB as part of the initiative aimed at enhancing the financial stability of state-owned enterprises. This settlement has contributed to the fortification of their balance sheets.

Government pricing policy

The government's introduction of pricing mechanisms transfers both costs and benefits to the public, thereby ensuring the long-term economic sustainability of the CPC.

Business Model

Input

Financial Capital
Shareholders funds
Borrowings
Capital management

Manufactured Capital
Filling stations network
Property, Plant & Equipment

Intellectual Capital
Technological Expertise
Branding
Process enhancements

Human Capital
Our People
Experience
Skills & Competencies
Training & development

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

Natural Capital
Energy management
Water management
Other natural resources

Processes

VISION

STRATEGIES

Profitable Growth
Operational Excellence
Technological Advancement
Sustainability
Development of Human Capital
Supply Chain Management

PRIMARY ACTIVITIES & SUPPORT

Marketing
Importing
Refining
Distribution

Business strategy
Technical & Financia
People management
IT support

CORPORATE GOVERNA

RISK MANAGEMEN

EXTERNAL ENVIRONN

MISSION

BUSINESS LINES

Auto Fuels
'uels for Power Generation
Aviation
Industries
Domestic
Agro Chemicals
Lubricants

'ING SERVICES

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Outputs

Gross Revenue
Rs. 1,315 Bn.

Sales Volume
4,184 Mn. Ltr.

Gross Profit
Rs. 162,115 Bn.

Net Profit
Rs. 120 Bn.

Staff Cost
Rs. 6.48 Bn.

Contribution to Government
Rs. 233 Bn.

Total Filling Stations
990

Minimal health & safety incidents at Refinery

Outcomes

Shareholders
Creation of Wealth
Financial Growth

Customers
Quality products
Availability of products across the Country
Fair price

Employees
Talented & Efficient workforce
Safe & Equitable environment

Regulators
Compliance
Energy security
Contribution for the economic development

Community
Sustainable relationships

Suppliers
Sustainable value chain

Financial Capital

Financial Capital

The Continuation of the pricing, continuous operation of the Refinery, improvement of the all the sectors, other income, interest income and exchange gain coupled with the decreased international fuel process contributed in preserving a profit of Rs. 120 bn. This helped to transform the negative equity position in to the equity of Rs. 33.4 Bn at the year end. As per the SOE balance sheet restructuring program, the government settled Rs. 227 Bn. to CPC for the receivables from SLA and CEB contributed for the improved financial position of CPC.

1,315
(Rs. Bn.)
Revenue

162.1
(Rs. Bn.)
Gross Profit

120.3
(Rs. Bn.)
Net Profit

91.7
(Rs. Bn.)
Loans & Borrowings

Outline - 2023

- With various strategies, CPC recorded a profit of Rs. 120 Bn.
- Revenue increased by 13.89% compared to year 2022.
- Finance income of Rs. 17.5 bn. generated from interest income and charges on customer delayed settlement
- The government settled Rs. 227 bn of receivables from SLA and CEB through the SOE balance sheet re-structuring.
- Equity position improved to Rs. 33.4 Bn at the year end.

Revenue

The gradual recovery of the economy has positively influenced the operations of the CPC, culminating in the organization achieving its best financial performance of the year. Nearly all sectors have demonstrated improvements. However, the limitations on consumption through the QR system up to August, coupled with a modest growth in sales, resulted in an overall sales increase of 3.31% compared to 2022. Domestic sales remained the primary driver of revenue, while the significant decline in international fuel prices throughout the year prompted the government to revise domestic selling prices on monthly basis.

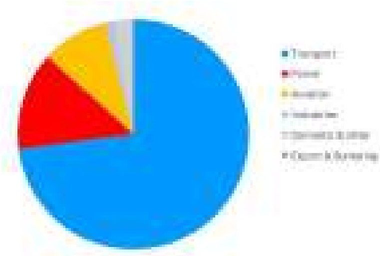
Revenue

The government maintained its pricing mechanism for diesel and petrol, adjusting selling prices in alignment with international fuel costs , other costs and taxes. Despite a reduction in the number of filling stations due to the entry of a new competitor, the pricing mechanism has facilitated an increase in revenue up to some extent. The transportation sector accounted for 73% of total income, while the electricity generation sector contributed 14%. The aviation and other industries represented 13% of total income.

In 2023, Auto Diesel continued to be the leading source of revenue, followed by Petrol 92, which ranked second in income generation. The aviation industry contributed Rs. 122 billion, with over 90% of this revenue being generated in US dollars, thereby providing additional economic benefits to mitigate foreign currency challenges.

CPC has maintained its practice of selling diesel and furnace oil to exporters in terms of US dollars, with revenue generated in the same currency. The proceeds from these sales in US dollars have been allocated towards the procurement of fuel.

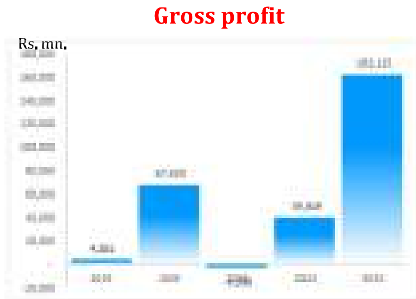
Revenue mix



Gross Profit

The adjustment of local selling prices in reaction to fluctuations in international fuel prices and other cost factors, including exchange rate depreciation, has led to an increase in revenue. During the fiscal year, CPC reported a gross profit of Rs. 162 billion, a significant rise from Rs. 39.8 billion in 2022. The prices of petrol, diesel, and kerosene were revised on monthly basis in alignment with changes in these cost components. Additionally, furnace prices have been adjusted to reflect the costs incurred by CPC in relation to import, manufacturing, and delivery.

Gross profit



It is worth to note that performance of the almost all the sectors did well by contributing profitability of the Corporation. Further, the continuous operation of the Refinery resulted to provide positive refinery margin towards the gross profit.

Other Income

Income derived from investment properties, which encompasses rental income from buildings, fees associated with CODO filling stations, interest from staff loans, proceeds from the sale of filling station equipment, and various other sources, is classified within this category.

Other income

In 2023, other revenue experienced a significant increase, rising from Rs. 1.18 billion to Rs. 10.7 billion. This substantial growth can be attributed to penalties imposed for delays and short deliveries by fuel suppliers, totaling Rs. 9 billion. Additionally, the income from investment properties includes the monthly utility fees charged to CODO filling stations for the year 2023 and previous years, resulting in a doubling of income from these properties. Furthermore, CPSTL declared a dividend of Rs. 240 million in 2023, which positively contributed to the enhancement of other income.

Exchange Rate Variation

In 2023, the gradual recovery of the national economy led to an appreciation of the exchange rate against major currencies. Consequently, the Rupee strengthened against the US Dollar, with the exchange rate increasing from Rs. 371.61 to Rs. 328.78 during the same year. This appreciation of the Sri Lankan Rupee resulted in an exchange gain for the year, culminating in a net exchange gain of Rs. 20.3 billion. This figure comprises an exchange gain of Rs. 41.7 billion, offset by an exchange loss of Rs. 21.4 billion.

Finance Income

Finance revenue is derived from investment income generated through fixed deposits, call deposits, money market investments, and fees associated with delayed customer settlements. The CPC strategically invests surplus daily cash in interest-bearing instruments to generate income, thereby avoiding idle funds.

Finance income

However, due to the deployment of deposits and the settlement of outstanding amounts related to the SLA and CEB by the general treasury as part of the balance sheet restructuring initiative, interest income experienced a significant decline, from 37.6 billion to 17.5 billion in the year 2023.

Finance Expenses

The government assumed responsibility for the USD loans and bills associated with the Bank of Ceylon and People's Bank, resulting in a significant reduction in the loan balance. Nevertheless, the working capital loan in rupees obtained from the Bank of Ceylon for fuel importation was maintained throughout the year 2023.

As the government incorporated the CPC's USD loans and bills into its balance sheet, the interest expense experienced a substantial decline, decreasing from Rs. 119.5 billion to Rs. 7.4 billion in 2023. Additionally, the interest rates continued to decrease throughout the year, contributing positively to the reduction in interest costs.

Income Tax Expenses

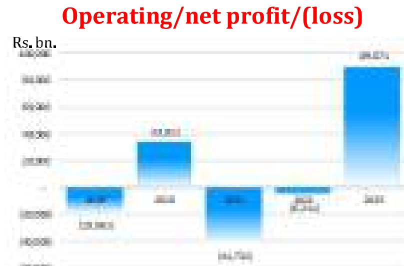
As CPC has carried forward tax loses over the past years and claimed against the taxable profit for the year, no income tax payment has arisen during the year.

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

Profitability

The sustained implementation of the pricing mechanism, a decline in international oil prices, the ongoing operation of the refinery, and various strategic initiatives have collectively led to a significant enhancement in operational profits for the financial year 2023. This improvement is reflected in a turnaround from a operating loss of Rs. 6 billion in 2022 to a operating profit of Rs. 89.8 billion in the current year. Furthermore, a net loss of Rs. 617 billion recorded in 2022 has been transformed into a profit of Rs. 120.3 billion in 2023, contributed by other income, refinery margin, exchange gains and reduction in interest expenses.

Operating/net profit/(loss)



Reasons for the profit
Decrease of international oil prices.
Revision of domestic retail prices monthly to pass the cost and benefits to the public.
Continuous operation of the refinery (except shorter major shut down).
Appreciation of Sri Lankan Rupee contributed Rs. 20.3 of exchange gain.
Reduction of loan amount coupled with the reduction of interest rate resulted to decrease the finance cost sharply.
Continuous fuel supply to the nation and discontinuation of the limitations imposed through the QR system.
Effective treasury management.
Cost control strategies

Trade Receivables

In order to facilitate the effective operation of the national economy, fuel deliveries to government institutions and state-owned enterprises are provided on a credit basis. However, numerous state enterprises have not adequately fulfilled their financial obligations regarding fuel purchases, leading to a significant accumulation of trade receivables. In light of the outstanding balances owed from Ceylon Electricity Board (CEB), Independent Power Producers (IPPs), and the Sri Lankan Airlines (SLA), the government has addressed these outstanding amounts , by infusing capital into the SLA and CEB, thereby enhancing the financial stability of state-owned enterprises. The government allocated Rs. 227 billion to settle these fuel-related debts, resulting in a substantial reduction of the outstanding trade receivable balance to Rs. 17.6 billion as of December 31, 2023.

In accordance with established practices from previous years, the CPC successfully recovered trade receivables from the Tri-Forces, the Sri Lanka Police, and the Railway Department, amounting to Rs. 30.28 billion for the year, compared to Rs. 25.82 billion in 2022. This recovery was executed as a Treasury set-off against excise duties owed to the government.

Furthermore, CPC maintained its credit policy aimed at restricting the credit facilities extended to private dealers and customers. The corporation actively promoted the utilization of electronic banking services to facilitate seamless transactions. The implementation of automated e-banking services has significantly streamlined the ordering and settlement processes.

Loans and Borrowings

The loans acquired for the purpose of financing the construction of a new hydrant system, in conjunction with the expansion project of Bandaranaike International Airport, have resulted in an increase in the loan balance by Rs. 5.94 billion. Additionally, the revaluation of the loan amount utilizing the year-end exchange rate has further contributed to the escalation of the loan value. The total loan amount is expected to rise in accordance with the progress of the project.

Following the government's acquisition of the CPC's foreign currency debt, which was guaranteed by the General Treasury at the conclusion of 2022, there has been a significant reduction in the amounts of loans and bills. Nevertheless, CPC has secured a Rupee working capital loan from the Bank of Ceylon to facilitate fuel imports.

During the period from February to May 2022, CPC procured fuel on credit through Indian credit/loan facilities. This loan has been settled against receivables from the Ceylon Electricity Board (CEB) and the Sri Lanka Airlines (SLA) by the government, thereby enhancing the financial stability of state-owned enterprises.

Equity Capital

As the government took the CPC debt stock to the central government, the total amount has been considered as the equity infusion. Although the government provided the capital injection in the form of a loan conversion, it was not enough to cover the negative equity of CPC.

Equity Year	2023 (Rs. mn.)	2022 (Rs. mn.)
Opening balance	912,580.511	28,487.125
Capital infusion	-	884,093.386
Closing balance	**912,580.511**	**912,580.511**

As of 31st December 2022, the negative equity capital was Rs. 85.7 billion and with this improved equity position, CPC reported a profit of Rs. 120 billion during the year and ultimately the negative equity position improved to Rs. 33.4 billion.

Cash Flows

During the year, CPC used the collection in order to purchase US dollars, settle debts, and pay bills. With the strategic actions and government intervention for debt settlement ended with healthy cash flows of CPC.

Value Added

Year	2023 (Rs. mn.)	2022 (Rs. mn.)
Net Sales Revenue	1,263,603	1,148,801
Other Income	28,363	38,839
Bought in materials & services	(921,866)	(1,546,819)
Depreciation	(2,632)	(2,645)
Value Added	**367,468**	**(361,824)**
Applied the following way		
To employees		
Wages & fringe benefits	6,483	6,595
To pay providers of capital		
Interest on loans	7,454	119,537
To the CPC		
Retained Profit	120,310	(615,022)
To the Government		
Taxes and duties	233,220	127,066
Value Added	**367,468**	**(361,824)**

Manufactured Capital

Manufactured Capital

Our Manufactured Capital is primarily comprised of the refinery, distribution terminal, a comprehensive network of filling stations, and aviation equipment. The proficient management and strategic alignment of these assets are essential for the realization of CPC's goals and objectives. We have placed significant emphasis on the enhancement and upkeep of our infrastructure to promote the sustainability of the petroleum sector in Sri Lanka. To this end, CPC has allocated Rs. 3.02 billion towards the acquisition of new fixed assets, thereby augmenting our existing asset portfolio.

3.0
(Rs. bn.)
Investments on Fixed Assets

311.4
(Rs. bn.)
Total Assets

990
Filling Stations

67.8
(Rs. bn.)
Fixed Assets

Outline 2023

- CPC invested Rs. 3,017 million on fixed assets during the year.
- Developing 24 tanks obtained on lease in the upper tank farm at the Trincomalee.
- Net book value of property, plant & equipment as at 31.12.2023 is Rs. 45,684 million.
- 87.8% and 78.9% of physical progress and financial progress has been reached in BIA expansion project.

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

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

Property, Plant & Equipment (PPE)

Our PPE consists of the Refinery, aviation function assets at the airports, SPM facilities, distribution terminal, and the head office building. We have invested Rs. 3,017 million in fixed assets, which has been added to the existing fixed assets basket.

The new investment mainly represented by the development of the new hydrant and extension project at the Bandaranaike International Airport. The value of property, plant, and equipment, including investment properties, reached to Rs. 67,777 million, while net book value remained at Rs 45,684 million.

Our foremost strategic asset is the Sapugaskanda Refinery, which was commissioned in 1969 and was initially designed to meet the nation's requirements at that time. Currently, the refinery products accounts for over 45% of the total demand. In 2023, the refinery remained operational, with a significant maintenance shutdown occurring for a shorter period in October to facilitate catalyst regeneration.

Energy security is paramount for the efficient functioning of the economy, and the refinery plays a vital role in bolstering the country's energy security. Numerous small and substantial initiatives are underway to maintain and enhance the refinery's capabilities.

CPC Aviation operates continuously, 24 hours a day, 7 days a week, and the existing infrastructure for fuel delivery is crucial for ensuring the smooth operation of aircraft. Investments are being made in the aircraft fueling operations to keep pace with the latest technological advancements.

Our primary focus is on expanding storage capacity, as current shortages present numerous challenges. Investments are planned for the development of 24 tanks at the Trincomalee tank farm to enhance storage capacity.

Investment Property

Investment assets include properties on Thurstan Road and Flower Road, as well as Corporation-owned filling stations. The Thurstan Road and Flower Road buildings have been leased to the Ministry of Power and Energy and the Prime Minister's office. During the year, rental/utility fee revenue of Rs. 1,153 million was generated from investment properties.

Distribution Channel

Our network of outlets across the island serves as a vital strategic asset for fostering relationships with our end customers. These filling stations are categorized as Corporation Owned Dealer Operated (CODO) or Dealer Owned Dealer Operated (DODO). The total number of operational outlets has decreased to 990 due to handing over the filling stations with the government policies to the new fuel suppliers.

Our extensive geographical reach enables us to provide petroleum products to the public in every region of the country, and we place significant importance on our outlet network, as filling stations contribute substantially to our overall revenue.

Auto Fuel Distribution Channel

Northern Province

	District	CODO	DODO	Total
1	Jaffna	21	35	56
2	Kilinochchi	4	3	7
3	Mullativ	1	9	10
4	Vavuniya	1	12	13
5	Mannar	3	9	12
	Total	30	68	98

North Western Province

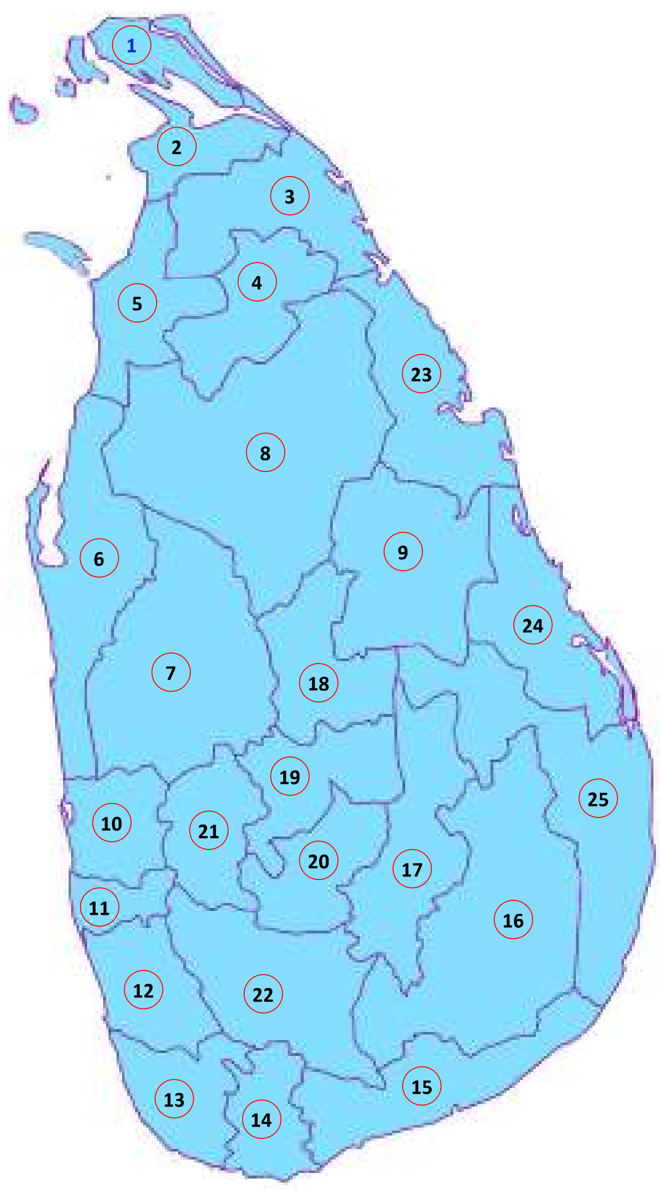
	District	CODO	DODO	Total
6	Putlam	7	53	60
7	Kurunegala	14	73	87
	Total	21	126	147

North Central Province

	District	CODO	DODO	Total
8	Anuradhapura	12	30	42
9	Polonnaruwa	8	15	23
	Total	20	45	65

Western Province

	District	CODO	DODO	Total
10	Gampaha	17	99	116
11	Colombo	37	65	102
12	Kalutara	11	33	44
	Total	65	197	262



Southern Province

	District	CODO	DODO	Total
13	Galle	12	45	57
14	Matara	6	29	35
15	Hambantota	7	27	34
	Total	25	101	126

Eastern Province

	District	CODO	DODO	Total
23	Trincomalee	4	17	21
24	Batticoloa	4	31	35
25	Ampara	6	37	43
	Total	14	85	99

Sabaragamuwa Province

	District	CODO	DODO	Total
21	Kegalle	6	23	29
22	Ratnapura	10	26	36
	Total	16	49	65

Central Province

	District	CODO	DODO	Total
18	Matale	2	12	14
19	Kandy	17	35	52
20	Nuwara-eliya	11	4	15
	Total	30	51	81

Uva Province

	District	CODO	DODO	Total
16	Moneragala	6	13	19
17	Badulla	7	21	28
	Total	13	34	47

Capital Progress & Way Forward

Despite the constraints imposed by the government on capital investments, CPC has made substantial expenditures on capital projects aimed at enhancing operational excellence. We remain committed to investing in manufactured capital, which is crucial for achieving operational excellence, efficiency, and effectiveness in pursuit of our vision and objectives, while also ensuring sustainable long-term growth.

As a pivotal strategic commercial entity, CPC consistently endeavors to safeguard the nation's energy security. Our investments in both long-term large-scale capital projects and short-term to medium-term strategic initiatives enable CPC to generate value for our stakeholders.

While government restrictions on capital investments persist, we have strategically prioritized short-term, mid-term, and long-term projects that are vital for the advancement and continuity of our business operations. We are actively taking steps to implement these initiatives in accordance with established procedures to promote operational excellence and industry development.

The progress of the material projects are noted below.

- Development and upgrading of the aviation refueling terminal and the existing fuel hydrant system, as well as installation of a fuel hydrant system at the new apron - E in accordance with the phase ll stage 2 development project of Bandaranaike International Airport, Katunayake, began in January 2018 and is ongoing. The project has made 87.8% physical progress and 78.9% financial progress at the year end.

With the newest state-of-the-art equipment, CPC will be able to seamlessly react to the airport's future increasing aviation fuel demand after the project is completed.

- CPC continues the renovation of the 24 tanks obtained on lease basis from the Trincomalee tank farm.

- Construction work of the Bitumen Tank of the refinery has been completed and hydro testing is in the progress.
- The main activities of replacement of the water line from the Water Intake to Refinery was completed.

Capital Trade-off

CPC allocates the majority of its investments in manufactured goods through interest-bearing loans. Consequently, this approach results in substantial financing costs associated with these investments, which ultimately contributes to increased project expenses and adversely impacts CPC's profitability.

Intellectual Capital

Intellectual Capital

Intellectual Capital refers to the intangible assets associated with an organization's ethos, culture, values, knowledge, systems, processes, procedures, learning, and brand equity. Our team is currently engaged in the internal development of a salaries and wages system for CPC. The receipt of the Management Practice award signifies that CPC has successfully utilized its intellectual capital to generate value for its stakeholders. Numerous system and process enhancements are underway to improve operational control.

830
Employees over 20 yrs Experience

36,290
Cumulative Service Experience

6.40
(Rs. mn.)
Training Cost

Outline 2023

- CPC was awarded the Merit Award & Certificates of Recognition in Best Management Practices' at the Best Management Practices Company Awards 2024.
- Conducted internal training arrangement for the knowledge upgrade.
- Development of salaries and wages system.

The intangible assets associated with our ethos, culture, ethics, values, organizational knowledge, systems, processes, procedures, learning, and brand equity collectively constitute our intellectual capital. We actively cultivate our resources to enhance tacit knowledge, which is vital for achieving our vision and objectives. Our ethical principles and values are deeply embedded in the culture of CPC and play a crucial role in generating value for our stakeholders.

Our tacit knowledge, combined with our experience, has significantly contributed to the development of systems and procedures for managing fuel distribution with limited inventories during mid-year, ensuring equitable distribution. We have placed a strong emphasis on the information technology sector to establish new systems aimed at exploring preventative solutions to mitigate the challenges posed.

Our Branding

With over 61 years of successful history, the CEYPETCO brand remains incredibly close to the people since petroleum products play a significant role. We built-up the customer confidence again on the petroleum product supply and people continue to support us since we are a trusted partner for fair trade and a dedication to quality petroleum products.

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

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

Our Values

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

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

Process enhancements

Our online payment system has expanded by incorporating additional banks into the automated payment framework, thereby enhancing both security and accuracy in light of the substantial transaction volumes. This development also provides greater convenience for dealers and customers alike.

We have implemented a dealer stock monitoring system designed to track the inventory levels of each dealer and facilitate the distribution of fuel, thereby mitigating shortages in specific areas. Additionally, this system supports sales management and aids in the planning of fuel allocation based on limited availability.

Currently, the management of salaries and wages has been outsourced to our affiliated company, while a new system is being developed utilizing our in-house expertise. This new technology promises to deliver more precise real-time data and generate cost savings.

Continuous Learning & Development

In the current volatile corporate environment, a robust knowledge base is an essential strategic asset. Establishing a knowledge-driven organization confers a competitive advantage, and CPC is committed to the ongoing training and development of our personnel to enhance value creation and sustainability. In the financial year 2023, we allocated Rs. 6.40 million for training and development initiatives, an increase from Rs. 4.75 million in the previous year, aimed at enhancing the skills and capabilities of our workforce despite various constraints.

Our knowledge base comprises 830 employees, each with over 20 years of continuous service, resulting in significant expertise in critical areas. The cumulative service experience of our current workforce exceeds 36,290 years. The Corporation fosters a culture of learning and support that ensures the preservation of tacit knowledge, which is vital for achieving operational excellence and long-term sustainability.

Tacit knowledge, which encompasses insights and information gained through experience and professional development, contributes significantly to CPC's operational effectiveness and the fulfillment of our mission and objectives. The unique knowledge base generated by our Refinery adds substantial value to the national economy. Notably, although the refinery was established over 53 years ago utilizing technology from the 1960s, it continues to operate efficiently due to the diligent maintenance performed by our skilled employees, who possess a wealth of tacit knowledge.

Furthermore, the refinery's petroleum laboratory is recognized as one of the most advanced facilities in Sri Lanka, equipped to conduct comprehensive testing of petroleum and petrochemical specifications.

Our knowledge foundation, combined with the latest technological advancements, enhances our contribution to the national economy.

Awards & Recognition

We are pleased to announce that CPC has received the Merit Award and Certificate of Recognition in Best Management Practices at the Best Management Practices Company Awards 2024, hosted by The Institute of Chartered Professional Managers of Sri Lanka. The Best Management Practices Company Awards 2024 is an initiative by CPM Sri Lanka, designed to disseminate effective management practices from various organizations over the past year while also recognizing those that exemplify excellence in this area.

CPC has exhibited a strong commitment to implementing effective management practices that focus on value creation for its stakeholders, especially considering the current volatile business and economic landscape. This performance has been substantiated despite the difficulties posed by the existing environment.

Human Capital

Our esteemed team of 2,083 individuals serves as the foundation of our organization. We recognize them as more than mere employees; they are our invaluable assets, propelling us towards success. Their commitment and diligence are essential to the attainment of our goals and objectives at CPC. We prioritize investment in training and development, as we recognize that by fostering the growth of our team, we can transform our most ambitious aspirations into tangible achievements.

2,083
Number of Employees

6,483
(Rs. mn.)
Staff Costs

45
Service Awards

132
Training Opportunities

Outline 2023

- Series of internal & external trainings were provided.
- 150 employees retired/resigned during the year.
- 45 service awards were given to the employees.
- 132 training opportunities have given for the external students at the year end.

Our accomplishments are fundamentally linked to our human capital, which serves as a critical element of our organizational strategy and drives us toward the fulfillment of our vision and mission. We take great pride in our workforce, which is characterized by high levels of skill, motivation, and commitment. Their contributions have been pivotal in sustaining our status as the market leader in Sri Lanka's petroleum sector. Our human resource policy prioritizes the well-being of our employees, fostering a positive and rewarding work environment that includes attractive incentives, comprehensive health and safety measures, and promising opportunities for career advancement. We remain steadfast in our commitment to developing an empowered and satisfied workforce that consistently exceeds expectations.

Category	No. of employees
Permanent staff	2,083
Contract	4
Trainees	132
Total human capital	**2,219**

Governance

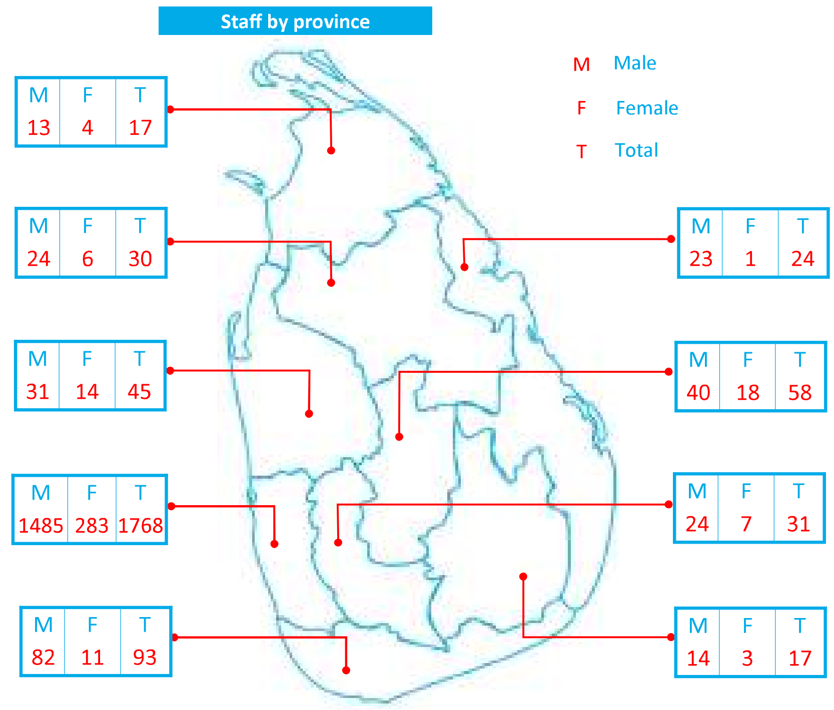
As the principal governing entity, the Board of Directors is responsible for the development of human resources policies, ensuring the successful execution of the Corporation's strategic goals. The Human Resources Function is tasked with managing the Corporation's human capital, under the oversight and direction of the Board. By regularly assessing and adjusting HR strategies, the Human Resources Function consistently aligns with and supports the overarching corporate objectives.

Diversity

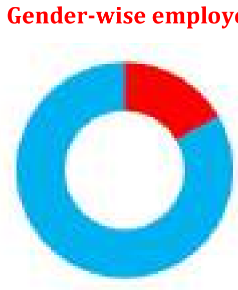
CPC maintains a Human Resources policy that prioritizes diversity and unequivocally prohibits any form of discrimination against our employees, irrespective of their gender, age, race, religion, or any other characteristic. In pursuit of a fully diverse workforce, we strategically position our employees across various provinces to enhance accessibility and improve customer service for the general public. We are committed to fostering gender parity within our organization by creating equitable opportunities for women to thrive in their professional endeavors.

We are committed to the ongoing evaluation of our Human Resource policies to guarantee a supportive work environment for our female employees. We are pleased to report that there were no incidents of discrimination recorded during the past year. We actively promote the involvement of women at all levels of our organization and are proud to note that 23% of our senior management and higher positions are held by women. With a focus on professionalism and progressiveness, we remain dedicated to fostering a diverse and inclusive workforce.

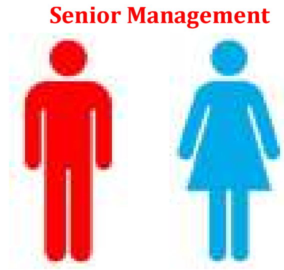
Staff by province



Gender-wise employees



Senior Management



Rewards and Recognition

We acknowledge the critical importance of our employees in driving the success of our operations. In recognition of their contributions, we have established a comprehensive rewards system designed to both acknowledge and incentivize our employees to excel in their roles, thereby cultivating a sense of loyalty to our organization.

We take pride in offering a rewards package that encompasses both financial and non-financial benefits, aligned with current market standards. Our dedication to fairness and transparency guarantees that all of our permanent employees, totaling 2,083, receive a competitive and equitable compensation package reflective of their respective job responsibilities.

At CPC, we firmly believe that recognizing and rewarding our employees serves not only as a gesture of appreciation but also as a testament to our commitment to fostering a satisfied and motivated workforce that significantly contributes to our operational success. Furthermore, employees are eligible for a variety of additional financial and non-financial benefits, depending on their employment classification. These benefits include bonuses, travel allowances for certain grades, access to holiday accommodations, staff loans, medical coverage, gratuity through the Thrift Society, maternity leave, and retirement benefits.

In acknowledgment of their exceptional contributions and steadfast dedication to the Corporation, we present service awards to our exemplary employees. These honors are conferred in accordance with our HR policy and reflect our profound appreciation for the remarkable commitment and diligence exhibited by our staff.

This year, CPC proudly awarded a total of 45 awarded to individuals whose commitment has significantly advanced the Corporation's objectives.

Service category	No. of awards
20 Years	20
30 Years	13
35 Years	12
Total	**45**

Recruitments

At CPC, we are committed to attracting talent that is in alignment with our core values and principles, and we believe that our recruitment process embodies this commitment. As a distinguished public corporation, we strictly adhere to national regulations as well as our own comprehensive human resources policies during the recruitment process. Our methodology involves a thorough and transparent evaluation of each candidate's suitability for the specific role, utilizing formal interviews and competency assessments. This approach ensures compliance with established cadre requirements and enables us to attract highly qualified individuals who demonstrate potential for career advancement and increased responsibilities.

We take pride in our status as an equal opportunity employer, dedicated to maintaining non-discriminatory practices. Consequently, both male and female candidates are treated equitably, with equal eligibility for the same reward structures within their respective job categories.

We are committed to exceeding all statutory requirements, and therefore, we only consider candidates who are 18 years of age or above, without any form of discrimination.

Due to government-imposed restrictions on new recruitment stemming from the country's economic conditions, we have not recruited any new employees during the current year.

Promotions

Our promotion policies have been meticulously designed to facilitate both lateral and vertical career advancement, thereby enhancing opportunities for growth and development for all employees. These policies are founded on a comprehensive framework of guidelines that rigorously ensure that promotions are predominantly determined by merit and performance criteria.

Training & Development

At CPC, we are committed to fostering the growth of our human capital through a consistent array of training and development initiatives. Our annual training and development strategy is meticulously crafted to improve the overall efficiency and effectiveness of our workforce. CPC has adopted a proactive stance to guarantee that our employees receive the essential training needed to thrive in their respective roles. We have instituted a variety of both in-house and external training programs aimed at equipping our personnel with the technical and interpersonal skills necessary to fulfill their responsibilities.

Our commitment to training and development is of paramount importance, as demonstrated by our investment of Rs. 6.40 million in 2023, an increase from Rs. 4.75 million in 2022, aimed at enhancing the skills and knowledge of our employees. Our training initiatives concentrate on critical areas such as productivity, governance, asset quality, health, safety, and environmental compliance, and we are dedicated to fostering a culture of continuous learning.

We firmly believe that providing our employees with access to higher education opportunities, both domestically and internationally, is crucial for achieving operational excellence. Consequently, we are pleased to offer financial assistance to support our team members in pursuing master's degrees, undergraduate degrees, and diplomas that will enhance their knowledge and competencies.

Each year, we conduct annual performance appraisals, with results communicated promptly to each individual. The accomplishments achieved throughout the year are taken into account, and we ensure that each employee's unique strengths and contributions are acknowledged and valued.

Ethical Behavior & Compliance

We hold the conviction that integrity and professionalism are fundamental principles that underpin all our activities. We are committed to instilling these values in our employees, integrating them into the essence of our corporate culture.

Through ongoing training and educational initiatives, we strive to enhance awareness regarding the significance of productive and ethical conduct. We maintain a strict zero-tolerance policy towards bribery and corruption, requiring all employees to engage in professional, fair, and consistently principled behavior in all business transactions and interactions.

CPC is dedicated to upholding responsible and ethical practices, adhering to the highest standards of conduct. Furthermore, CPC proudly complies with all labor laws and regulations, ensuring that unlawful practices, including child labor, forced labor, and compulsory labor, are unequivocally absent from our organization.

Retirements

The retention of talent within our organization is a critical component in fostering a robust team, and we take pride in our ongoing success in maintaining elevated retention rates across all employment levels. Over the past year, a total of 150 employees departed due to retirements, deaths, and resignations.

Retirements/Death/Resignations			
Year	**Male**	**Female**	**Total**
18-30 Years	3	-	3
31-40 Years	9	2	11
41-50 Years	12	2	14
51-60 Years	104	18	122
Total	**128**	**22**	**150**

Health & Safety

The paramount concern for our organization has consistently been the welfare of our employees, particularly given the inherent health risks and flammability associated with the petroleum industry. We have made every effort to foster a safety-oriented environment for our workforce, ensuring compliance with internationally recognized health and safety standards.

Health & safety Concern	Refinery	Head Office
Loss time accidents	2	-
First aid accidents	-	-
Minor fire reported	-	-

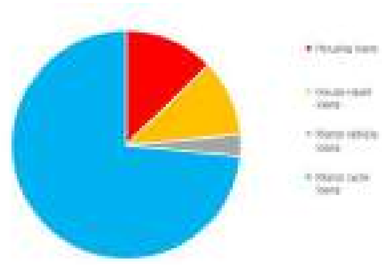
The significance of the refinery's role in upholding safety standards is paramount. Consequently, we have established comprehensive systems and safety training programs for all employees, which encompass routine safety audits and inspections. Our dedication to fostering a safe and secure workplace is demonstrated through quarterly safety meetings that involve participation from our Operations, Engineering, and Management teams.

Welfare

Prioritizing the well-being of our employees is crucial for fostering a committed and motivated workforce, enhancing employee loyalty, and enabling us to attract and retain high-caliber talent. To achieve this objective, we provide a variety of welfare programs and initiatives designed to support a healthy and dedicated team.

In acknowledgment of the significant contributions made by our staff to the Corporation, we have established loan programs that offer preferential interest rates to enhance their quality of life. This year, CPC has extended numerous loans and advance facilities to our employees.

Loan facilitates during 2023



We place a strong emphasis on maintaining a healthy work-life balance for our employees. To further support this commitment, we extend our initiatives to the children of CPC employees by providing scholarships to those who have demonstrated academic excellence, including those pursuing higher education.

The CPC Medical Scheme is strategically designed to offer comprehensive coverage for employees and their dependents, thereby fostering a culture of well-being and promoting a balanced lifestyle.

We recognize the significance of religious practices and are committed to providing numerous opportunities for all employees to engage in observances that align with their beliefs. Furthermore, we supply suitable uniforms for designated employee categories, with a focus on health and safety to maintain a hazard-free workplace. It is imperative to have confidence in our dedication to the health and well-being of our employees.

Employee Engagement

We highly value and actively promote the engagement of our employees in our operations. CPC acknowledges the significance of maintaining a work-life balance and encourages employee involvement in sports and other group activities to foster personal fulfillment and recognition.

CPC prioritizes the engagement with trade union representatives to proactively address employee concerns in a manner that is mutually acceptable to all parties involved.

Industrial relations & Compliance

The proficient management of industrial relations is a critical component in facilitating the smooth functioning of any organization. We acknowledge this importance and strive to integrate our industrial relations with our operational strategies. As a leader in the market, we place a high value on maintaining positive industrial relations, recognizing their significant impact on the effective utilization of human resources, assets, and financial capital.

Our open-door policy encourages the participation of all trade unions established by our employees and promotes constructive dialogue to sustain positive relationships with all stakeholders. Through these efforts, we consistently enhance our value proposition and secure the ongoing success of our operations.

Employees are granted the autonomy to exercise their right to affiliate with a trade union in alignment with their individual preferences. As of December 31, 2023, there were nine registered trade unions, and the Corporation has fostered amicable relationships with each of these unions to facilitate smooth operational processes.

Social & Relationship Capital

Social & Relationship Capital

Our robust and effective relationships with stakeholders, encompassing our business partners and the community, are essential for generating value. We have sustained close collaboration with our outlets to ensure effective supply management and customer service. A primary focus has been placed on health and safety during operations at the outlets, with training provided to facilitate the management of close customer relationships.

233
(Rs. Bn.)
Contribution to Government

1567
(000 MT)
Crude Imports

2,729
Fuel Imports
(USD mn.)

709
(Rs. mn.)
Non-oil Procurements

Outline 2023

- Taxes and duties contribution to the government is Rs. 223,220 mn.
- Total fuel imports during the year is 2,729 (USD mn.).
- Number of training opportunities for external students.
- Conducted community engagement projects through employee’s societies.

Engaging effectively with stakeholders is crucial for the ongoing operations and value generation of the Corporation. The Corporation actively fosters and enhances its collaborative relationships with key partners, including the General Treasury, the Central Bank of Sri Lanka (CBSL), financial institutions, suppliers of crude and refined oil, shipping companies, local vendors, and dealers, among others.

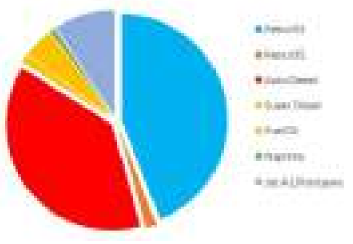
Petroleum imports

Sri Lanka lacks mineable petroleum resources, making the importation of petroleum products a significant component of the nation's overall imports. The CPC is responsible for importing both crude oil and refined petroleum products, utilizing government procurement processes that prioritize transparency to attract high-quality suppliers.

Category	2023 (USD mn.)	2022 (USD mn.)
Crude oil	1,068.14	483.79
Refined bulk products	1,661.12	2,805.95
Total	**2,729.26**	**3,289.74**

The refinery contributes approximately 35% to 50% of total CPC sales, with the remaining demand being met through direct imports of refined products. In accordance with the aforementioned procurement procedures, the Corporation imported refined petroleum products and crude oil valued at USD 2,729.26 million, a decrease from USD 3,289.74 million in 2022.

Import mix by cost



Filling station staff training

The continuous operations of the refinery have led to a significant increase in crude oil imports, rising by 141% compared to 2022. Concurrently, the refinery's production capabilities have resulted in a notable reduction of 27% in the importation of refined products.

While the total volume of imports has experienced a 5% increase relative to the previous year, the associated import costs have decreased by 17%, attributed to a decline in international oil prices throughout 2023.

Furthermore, all local and foreign procurements, excluding oil, are conducted in accordance with government-established procurement regulations. These guidelines are designed to enhance transparency and ensure the acquisition of high-quality goods and services. To facilitate this process, Technical Evaluation Committees and Procurement Committees have been established to assess the necessity, relevance, quality, and pricing of products and services for long-term utilization.

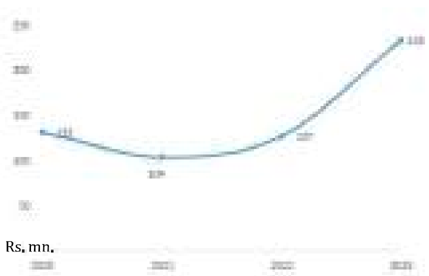
Non oil procurements	No. of pro-curem ents	Value (Rs. mn.)
Down delegated	1044	120.1
Departmental procurement committees	83	588.9
Total	**1127**	**709.0**

Government Contribution

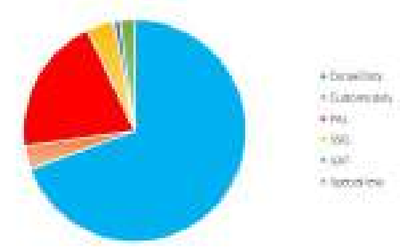
The Corporation serves as a significant contributor to the government's tax revenue, which is allocated for infrastructure development and economic activities. In the past year, CPC contributed Rs. 233,220 million, an increase from Rs. 127,078 million in 2022, representing 17.74% of CPC's total income. In response to the need to address loans and obligations reflected on the government's balance sheet, the government has revised the excise duty on petroleum products.

The total taxes and duties contribution has increased by 83.53 % compared to 2022 due to the increase of the excise duty charged by the government. As the Social Security and Contribution Levy implemented with effect from October 2022, SSCL contribution for the full year of 2023 resulted to increase the taxes contribution.

Tax contribution



Tax contribution

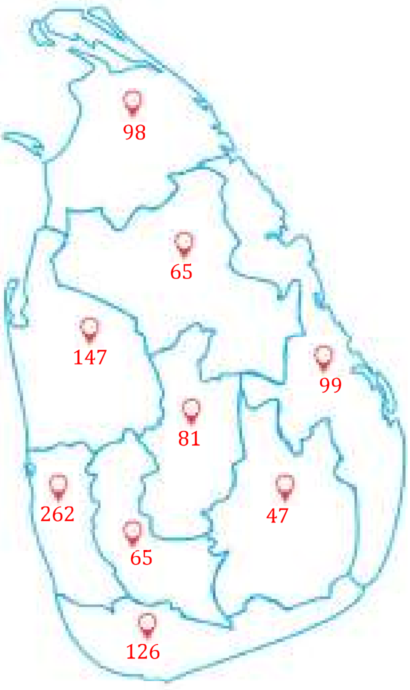


Business Partnering

The island-wide dealer network of 990 filling stations ensures the general public's access to the product.

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

Outlets - province wise



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

Product Responsibility

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

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

Proactive measures have been implemented to address the identified deficiencies and to undertake corrective actions aimed at preventing future issues. Additional regulatory systems have been established to detect kerosene adulteration and to ensure the quality of the products consumed.

A dedicated complaint book has been made available at each outlet to facilitate the reporting of malpractices or irregularities, which will be addressed by the Corporation to enhance service quality and product offerings to end customers.

The Corporation strictly adheres to regulations and does not engage in the sale of any prohibited items within Sri Lanka. Glyphosate has been supplied to authorized agricultural entities in accordance with the approvals granted by the relevant authorities, as the Corporation is an authorized agency.

Support for education

As the only refinery in Sri Lanka, we provide plenty of training opportunities for local students to acquire industrial expertise that will facilitate their career advancement. There is a considerable demand for skilled petroleum engineers from abroad; consequently, CPC strives to offer as many training opportunities as possible to attract foreign currency into the nation. Furthermore, we organize industrial visits for technical students to promote knowledge enhancement.

Local students enrolled in universities and other educational institutions are provided with opportunities for industrial training in various fields, including finance, information technology, and human resource management, among others.

Community Engagement

Our strategy is to maintain amicable relations with the community. Our extensive distribution network provides access to over 15,000 indirect job opportunities.

Additionally, we have agricultural and lubricant distributors that are creating numerous employment opportunities, thereby contributing to economic development.

Lubricant dealers and stockists are provided with training opportunities aimed at enhancing their customer service and relationship management skills, as they serve as the primary points of contact for end consumers, thereby generating value.

The provision of high-quality products at competitive prices, coupled with ease of access, promotes both direct and indirect positive relationships with the community.

Social wellbeing

CPC provides over 15,000 direct and indirect employment opportunities through its distribution network, thereby contributing to the economic sustainability of the people of Sri Lanka. The Corporation acknowledges that the prices of petroleum products significantly impact the cost of living and the overall living standards of the general populace. Consequently, ensuring prompt access to and affordable pricing of petroleum products remains a primary economic priority.

Although the Agrochemical division generates lower revenue, CPC Agrochemical continues to operate in the market as a controlling entity. This initiative aims to protect farmers from potential exploitation by competing agrochemical companies and to enhance the economic benefits for farmers by offering high-quality products at competitive prices.

Natural Capital

Natural Capital

We place a high priority on environmental preservation and coexistence, dedicating ourselves to sustainable practices that enhance operational efficiency. Our primary objectives include reducing carbon emissions, encouraging responsible consumption of water and energy, and executing effective waste management strategies. Our initiatives and action plans are informed by established environmental policies, thereby ensuring the long-term sustainability of our organization.

717
(000 MT)
Water Consumption

94.28%
Operating Efficiency

83,677
(MT)
Owned Fuel Consumption

0.6
%
Normal Loss at Refinery

Outline 2023

- No major health & safety incidents at the Refinery.
- CPC water intake purified 608,640 MT of water.
- CDU gas to flare was 310 MT (2022-180 MT).
- Expected loss at the refinery is 9,708 MT.
- No reporting biodiversity instances.

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

Water Consumption

The oil refinery process requires a large amount of water, and a significant volume of water has been purified by the CPC Water Intake in Kelaniya. The operational efficiency of the plant was 44.17% (2022- 29.16%). Due to excessive salt in river water near the water intake, the usage of National Water Supply and Drainage Board water accounted to 108,259MT.

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

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

Year		2022 (MT)
Purified water via water intake	608,640	274,914
Water Board	108,259	284,960
Total	**716,899**	**559,874**

Energy Consumption

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

The Refinery produces the power for the activities and the gap filled through the electricity supplied by CEB. Refinery utilized between 180.32MWh and 316.78MWh at the normal hours and between 98.23MWh and 153.02MWh at peak hours. The highest demand for CEB supply ranged from 1297 KVA to 1,687 KVA.

Generators

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

Generator	In-situ Power Generation (MWh)
TG I	5,613
TG II	5,370
DG I	4,449.1
DG II	4,327.8

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

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

Material Management

We consistently monitor the utilization of primary commodities, including fuel and equipment, and strive to optimize the efficiency of these resources. We develop and implement technological processes aimed at enhancing consumption efficiency while adhering to established technical standards. Additionally, we continually upgrade our laboratory facilities to align with forthcoming advancements in the industry, with a focus on sustainability.

Responsible Sourcing

We strive to procure goods and services that are environmentally sustainable. To facilitate a responsible sourcing process, it is imperative that suppliers adhere to all relevant laws and regulations. Additionally, we have implemented a transparent procurement system designed to encourage a broader range of vendors to offer their goods and services.

While CPC introduced various strategies to identify potential suppliers, the selection process for those committed to sustainability was guided by their compliance with legal and regulatory requirements, adherence to specifications, and the sourcing methodologies employed.

Disposal of Hazards Materials

Hazardous agrochemicals are managed and disposed of in compliance with stringent environmentally friendly protocols, accompanied by the necessary regulatory approvals and oversight.

Authorized entities carry out the disposal process in a manner that safeguards both human health and the environment from potential harm.

The refining process inherently generates hazardous waste, which is managed in accordance with internationally recognized standards to mitigate environmental contamination. This hazardous waste is subsequently transported to a facility where it is incinerated.

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

Sustainable & Environmental Friendly Economy

CPC is committed to advancing the availability of environmentally sustainable products to mitigate the ecological impact of consumption. In line with this objective, CPC has introduced eco-friendly Euro IV petrol and diesel to provide more efficient fuel options.

Biodiversity

We are dedicated to addressing the adverse impacts on biodiversity that may arise from oil spills, emissions, waste, and similar activities. To this end, we have implemented rigorous operational procedures to ensure that all necessary measures are taken to prevent detrimental effects on biodiversity. We are pleased to report that there have been no recorded incidents affecting biodiversity.

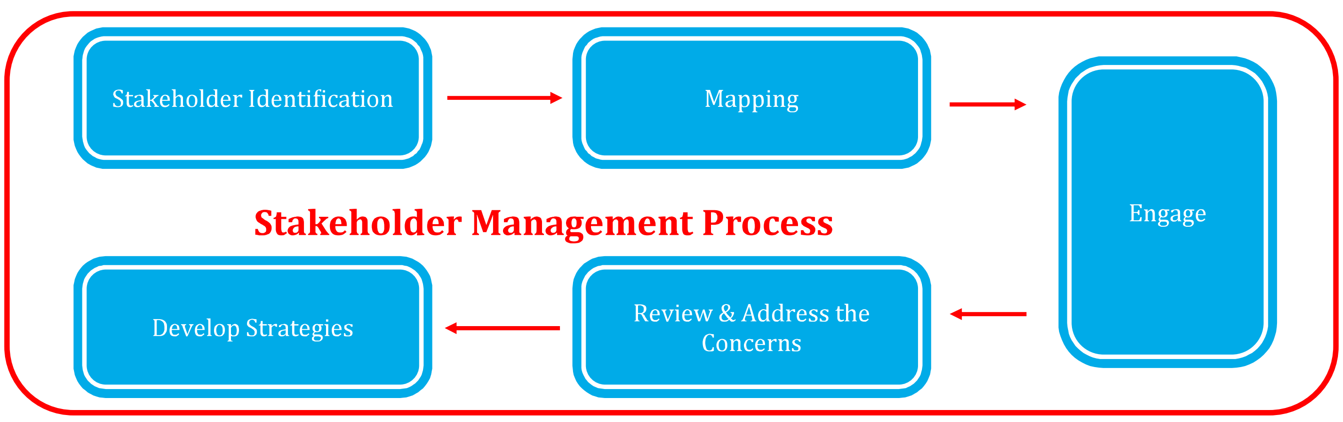
Compliance

As a conscientious corporate entity committed to environmental stewardship, we are pleased to report that there were no instances of non-compliance with environmental laws and regulations at either the operational or reporting levels during the past year. Consequently, aside from the matters disclosed, CPC did not incur any significant fines or non-monetary penalties throughout the year.

The Corporation actively engages with environmental authorities, recognizing that our operations are inherently associated with substantial environmental risks. We have undertaken comprehensive measures to mitigate the adverse impacts of our activities. In collaboration with international organizations, we have worked diligently to address potential environmental repercussions. Furthermore, CPC is a member of the International Oil Pollution Compensation Funds (IOPCF), which provides compensation for damages resulting from oil pollution caused by tanker spills of persistent oil.

In alignment with our commitment to environmental responsibility, we are pleased to announce that CPC has achieved ISO certification and OHSAS 18001 certification for our agrochemical processes and products.

Stakeholder Management



CPC stakeholder management process commences with the integration of collaborative efforts, resulting in a cohesive strategy that aligns with our objectives. We adeptly navigate network of relationships, ensuring that the needs and aspirations of each stakeholder are harmonized. Through effective communication, we guarantee that all voices are acknowledged and diverse perspectives are taken into account.

This process transcends mere transactional interactions; it is a refined practice that requires a careful equilibrium of the interests of all parties involved. Our expertise and commitment enable us to convert potential conflicts into avenues for growth and collaboration. We invite to join us on this significant journey, where the principles of connection and understanding are paramount. Together, we craft an exemplary stakeholder management framework that have a lasting influence on our value creation.

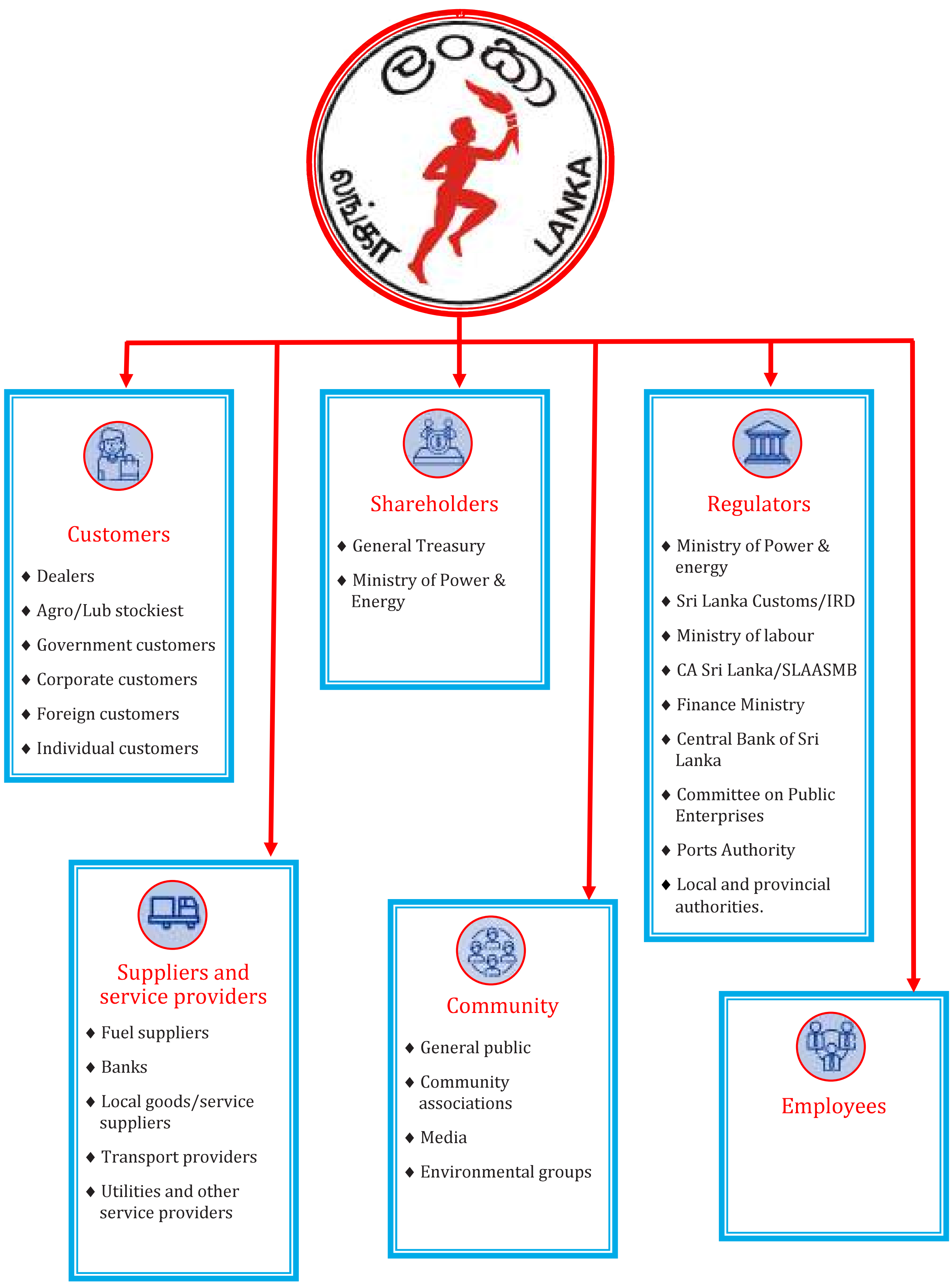
We remain vigilant in monitoring our business environment, attentively observing any shifts in the power dynamics and interests of our current stakeholders, while also identifying any emerging stakeholders.

Stakeholder mapping serves as a crucial tool in our strategic approach. It enables us to assess the level of power and interest each stakeholder possesses in relation to our business model, thereby informing our decisions regarding the extent of influence they should exert. We prioritize their engagement accordingly.

We assess concerns according to their degree of influence and subsequently develop strategies to foster a highly amicable relationship with these stakeholders. In summary, our primary focus is on comprehending and engaging with our stakeholders, ensuring that they feel integrated into the CPC community.

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

● High ● Medium ● Low



LANKA
Customers
Dealers
Agro/Lub stockiest
Government customers
Corporate customers
Foreign customers
Individual customers
Shareholders
General Treasury
Ministry of Power & Energy
Regulators
Ministry of Power & energy
Sri Lanka Customs/IRD
Ministry of labour
CA Sri Lanka/SLAASMB
Finance Ministry
Central Bank of Sri Lanka
Committee on Public Enterprises
Ports Authority
Local and provincial authorities.
Suppliers and service providers
Fuel suppliers
Banks
Local goods/service suppliers
Transport providers
Utilities and other service providers
Community
General public
Community associations
Media
Environmental groups
Employees

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

Sustainability Report

The remarkable journey of CPC's sustainability initiatives within the petroleum sector exemplifies a harmonious blend of innovation and corporate responsibility. With each advancement, CPC aligns its operations with environmental stewardship, striving for a future that is both prosperous and sustainable. Each unit of oil produced not only propels progress but also fosters a movement towards responsible consumption. CPC's steadfast commitment to reducing carbon emissions and promoting sustainable energy practices underscores its dedication to a greener future. In an ever-changing landscape, CPC emerges as a leader in this domain.

In addition to fueling the nation, CPC plays a significant role in job creation, providing over 15,000 indirect employment opportunities within the community. Through our extensive network of dealers, lubricants, and agro stockists, we empower individuals to thrive and contribute meaningfully to the national economy.

As the exclusive supplier of kerosene in Sri Lanka, CPC extends vital support to low-income families and the resilient fishing community. Recognizing the critical need for economic relief and survival, we are committed to providing this essential resource to those in need.

CPC has undertaken the formidable responsibility of addressing the hazardous chemicals associated with agrochemicals and petrochemicals that may be released during the refining process.

Our sustainable policies serve as the foundation of our operations and protocols, reflecting our steadfast commitment to sustainability. We have made significant efforts to implement standardized practices, which underscore our dedication to fostering a greener future.

In our refinery operations, we have utilized a substantial volume of water, and we are proud to affirm that we comply with internationally recognized standards for the treatment and discharge of used water into the environment. It is important to highlight that we have not experienced any instances of non-compliance with environmental laws and regulations. Overall, CPC is prioritizing the Environmental, Social, and Governance (ESG) aspects to emphasize our commitment to sustainability.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) represent a unified framework aimed at fostering peace and prosperity for individuals and the planet, both at the present and for future generations. Comprising 17 distinct goals, the SDGs necessitate prompt action from all nations through a collaborative global partnership. They recognize the interdependence of poverty alleviation, enhanced health and education, diminished inequality, and economic advancement, while also addressing critical issues such as climate change and the conservation of our oceans and forests.

As a responsible governmental entity, CPC is dedicated to advancing the SDGs by incorporating them into our strategic planning across short-term, medium-term, and long-term initiatives. These strategies are designed to align with broader developmental agendas and are essential to our commitment to achieving the SDGs.

ESG

Environment

- Water efficiency
- Energy efficiency
- Bio diversity
- Environmental management
- Hazard chemical disposals
- Efficient value chain practices

Social

- Health & safety
- Equal opportunity
- Human rights
- Product responsibility
- Community investment
- Conflict management

Governance

- Business ethics
- Compliance
- Governance structure
- Sustainable strategy
- Board structure
- Corporate ethics

The Corporation employs a diverse workforce of 2,083 individuals, compensating them at a competitive rate. A total of Rs. 6.48 billion has been allocated for employee costs to enhance their quality of life. Additionally, the Corporation offers a range of welfare initiatives, including loan schemes and medical facilities, aimed at improving the living standards of employees and their families. Furthermore, through our distribution networks, we create over 15,000 indirect employment opportunities across the island, thereby contributing to societal efforts to alleviate poverty.

Given the inherent health and safety risks associated with petroleum products, rigorous measures have been implemented to ensure a safe and healthy environment for both employees and the broader community. The refinery adheres to international standards to mitigate environmental hazards effectively.

Furthermore, the Corporation offers a range of benefits aimed at promoting the health and well-being of its workforce, including medical coverage through a comprehensive medical scheme for employees and their families, gratuity, maternity leave, and other supportive initiatives.

The Corporation is an equal opportunity employer and does not engage in discrimination based on gender. All employees are subject to a non-discriminatory compensation policy, ensuring that both men and women are eligible for identical reward scales (1:1) for the same job categories, in compliance with all statutory and regulatory requirements.

The majority of products are offered at subsidized prices to improve the livelihoods and economic activities of individuals, while simultaneously ensuring the energy security of the nation.

Established procedures are in place to guarantee that consumers receive petroleum products that meet quality standards.

The Corporation has made a significant contribution of Rs. 233.22 billion in the form of various taxes and duties to the Government, thereby supporting the economic growth of the nation. Additionally, the Corporation has ensured the supply of fuel to meet over 80% of the country's fuel demand, thereby reinforcing energy availability for the nation's economic development, even in the face of challenges. Furthermore, the refinery has generated an economic value that accounts for over 47% of our sales, positively impacting the national economy.

The objective is to establish high-quality, dependable, sustainable, and resilient infrastructure that fosters economic development and promotes human well-being, with an emphasis on ensuring affordable and equitable access for all individuals. CPC is actively engaged in the implementation and planning of several medium- and long-term strategic projects aimed at improving the operational capacities and efficiencies of its operations. To support these initiatives, we have allocated an investment of Rs. 3.0 billion towards fixed assets during the current fiscal year.

We uphold environmentally responsible management of chemicals and all waste throughout their entire life cycle, particularly in the refinery and agrochemical sectors. This is conducted in accordance with established international frameworks, ensuring that there is no release of harmful substances into the air, water, or soil, thereby minimizing their detrimental effects on human health and the environment.

Hazardous waste disposal is conducted in accordance with internationally recognized standards, while adhering to relevant laws and regulations. The Corporation is committed to the efficient and effective utilization of resources to promote sustainable production practices, as well as to support sustainable consumption initiatives. Furthermore, the Corporation has promoted Euro 4 standard diesel and petrol, which are designed to offer environmentally friendly and efficient fuel options, thereby contributing to sustainable fuel consumption.

We have incorporated procedures and practices into our strategies to mitigate and prevent the effects of climate-related hazards and natural disasters. Our strategies also integrate the climate change initiatives established by the government. Additionally, we offer training and awareness programs for Refinery personnel to promote proactive measures.

The Corporation has implemented rigorous quality assurance protocols to detect and eliminate any potential fuel leakages. Comprehensive quality and regulatory assessments are conducted at various stages, including transportation, storage, and distribution, to mitigate the risk of oil spills. Furthermore, the Corporation is a member of the International Oil Pollution Compensation Fund (IOPC), which offers compensation for damages caused by oil pollution resulting from tanker spills. This affiliation facilitates prompt action to prevent water pollution.

We are committed to the sustainable production and distribution of agrochemical products in accordance with established standards. We provide information and training aimed at achieving zero harm to life on Earth and maintaining a zero level of environmental pollution.

Risk Management Report

Given the inherent vulnerabilities of the petroleum industry to a diverse array of risks that can affect both operational and financial performance, as well as the overall reputation of the nation, effective risk management is essential for sustaining a robust social and economic environment. As the leading entity in the petroleum sector, our Corporation acknowledges the critical importance of establishing a comprehensive risk management policy that encompasses all facets of risk to ensure the uninterrupted continuity of our business operations.

Our CPC Refinery and Bandaranaike International Airport, which function continuously, are subject to various risks that may influence their operations. Consequently, our Corporation is committed to the diligent identification of these risks and the formulation of strategies to mitigate them.

Purpose of Risk Management:

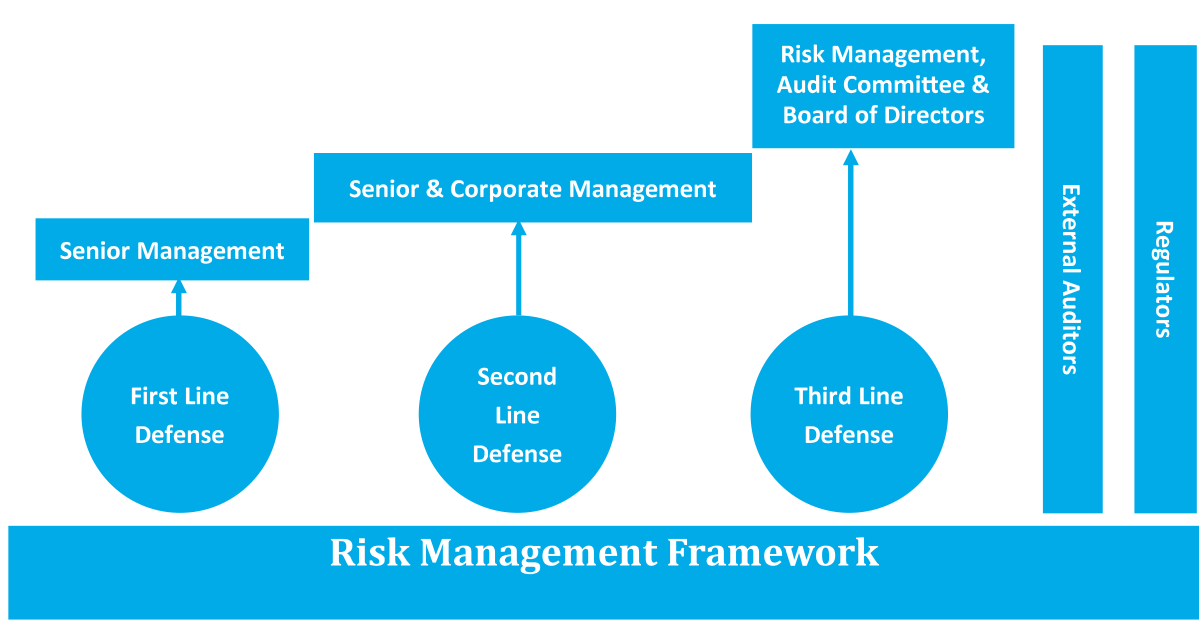
The primary objective of implementing risk management practices is to safeguard the Corporation from potential vulnerabilities arising from external factors, market fluctuations, and internal shortcomings. It is crucial to strike a delicate balance between growth and risk, ensuring the Corporation's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

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

Risk Management Framework

Our Risk Management Framework has been meticulously designed to proactively identify the principal risks that may impact our Corporation. We assess the implications of these risks and manage them effectively to ensure a reliable energy supply for the nation. This framework encompasses comprehensive risk policies along with clearly delineated roles and responsibilities.

The successful implementation of this robust risk management framework facilitates the seamless execution of our operations. It is underpinned by a variety of regulatory instruments, including the Ceylon Petroleum Corporation Act No. 28 of 1961, the Finance Act No. 38 of 1971, Financial Regulations, guidelines on good governance, best practices for public enterprises, and other pertinent regulations.



These regulations establish a robust framework for the identification, monitoring, management, and rectification of risks.

CPC's risk management framework is reinforced by a three-tiered defense system. The initial line of defense is represented by our business and operational units. The second line of defense encompasses our internal control mechanisms and appointed authorities, who are responsible for ensuring that risks are managed in alignment with our defined risk appetite. The third line of defense consists of internal audits, external audits, and additional compliance measures, all aimed at ensuring compliance with established policies, procedures, and regulatory obligations.

First Line of Defense

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

Second Line of Defense

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

Third Line of Defense

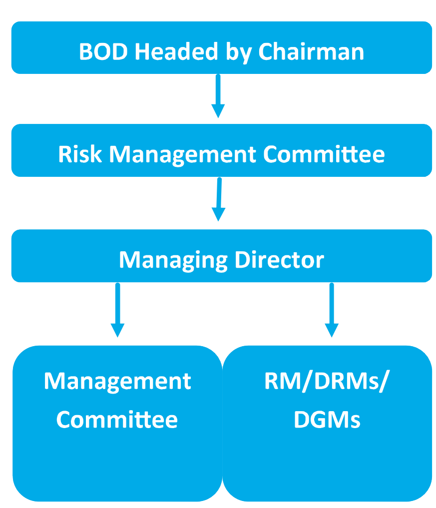
The internal and external audit functions play a crucial role in the risk management process within the third line of defense. These functions examine the effectiveness of the financial and operational systems in terms of their design and implementation.

The Risk Management Committee, which has been constituted by the Board of Directors, is responsible for examining substantial audit findings, management responses, and performance in relation to predetermined goals and objectives. This risk governance framework guarantees that risks are systematically identified, assessed, mitigated, and communicated.

Tone at the Top and Risk Governance

The proficient management of risks is essential for the seamless functioning of the Corporation. The prevailing global and domestic economic, political, and social conditions underscore the necessity for a proactive strategy to consistently identify and address significant risks.

The Board of Directors, under the leadership of the Chairman, holds the primary responsibility for risk management. This responsibility is further reinforced by the efforts of the Risk Management Committee.



The Risk Management Committee is tasked with the identification and development of risk areas, as well as the formulation of strategies to mitigate vulnerabilities and their associated impacts.

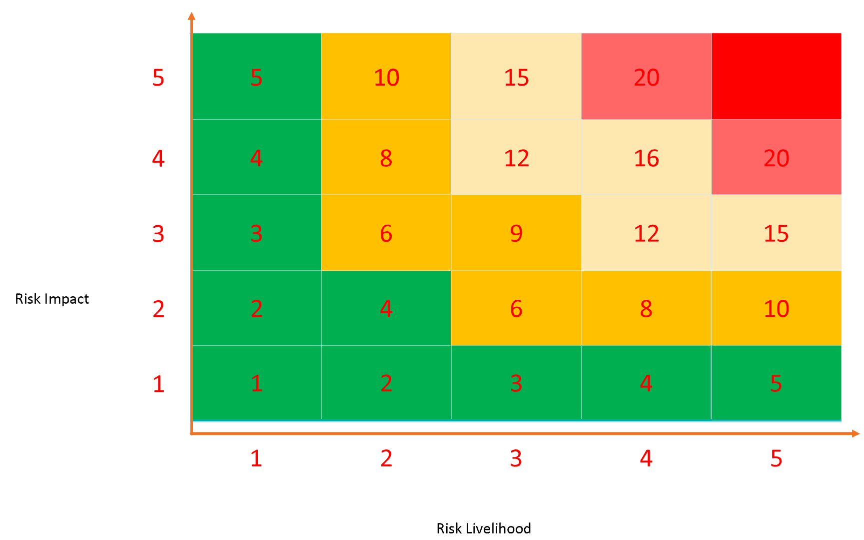
A subcommittee of the risk management Board was formed to execute the risk management policy, reporting directly to the Board of Directors. This committee is composed of two directors, along with managers and executives from each functional area, who collaborate to identify risk areas and implement appropriate controls and mitigation strategies. The primary duties and responsibilities assigned to the risk management committee are detailed below.

Duties & responsibilities

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

Risk Management Framework

CPC is subject to a wide array of risks, particularly those pertaining to health and safety associated with petroleum products. As a result, the Corporation undertakes comprehensive analyses to identify these risks and develops strategies to effectively manage and mitigate them across all three levels of defense. The implementation of these strategies is dependent on the probability and severity of each identified risk. Upon proper identification of a risk, CPC will either implement preventive measures, transfer the risk to another entity, or accept the potential consequences and allocate resources accordingly.



Risk Appetite

The Risk Appetite functions as a framework for the management of business and risk-related issues by defining tolerance thresholds for critical risk categories that are considered vital to our operations. These thresholds are established in accordance with the inherent characteristics of the risks associated with the handling and operation of petroleum products. CPC identifies various risks that could significantly affect its operations.

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

To evaluate the relevance of these risks to our activities, CPC aligns them with our designated risk appetite. We classify these risks according to their severity and formulate strategies to mitigate their occurrence, transfer the risk to an external party, or accept the potential consequences while appropriately allocating resources, contingent upon the assessed risk level.

Particular emphasis is placed on the operations of the Refinery, given their exposure to a multitude of risk factors. The CPC Refinery, established fifty years ago, is especially susceptible to various risks, thereby rendering risk management an essential component of its operational framework.

Similarly, the Aviation function operates within active airport environments, which are inherently exposed to numerous risks. These two operational domains present considerable risks to CPC, underscoring the necessity of prioritizing risk management. Furthermore, the agrochemical sector faces various health and safety risks, making the implementation of effective risk management strategies critical to ensuring the continuity of business operations.

Risks Exposure to CPC

CPC has undertaken a comprehensive evaluation of the substantial risks linked to its operations, which bear both direct and indirect consequences for the petroleum sector. Presented below is a succinct summary of the primary risks encountered by the Corporation, accompanied by the relevant risk management measures that have been instituted, as well as strategies designed to further alleviate these risks.

Economic Risk	Mitigating factors	Strategies
The inflation rate within the country exerts a considerable influence on the operations of CPC, as petroleum products are imported in US Dollars while revenue is generated in Sri Lankan Rupees. Fluctuations in petroleum prices have a profound effect on the national economy, given the critical importance of these products. The detrimental impacts of inflation, interest rates, and exchange rates contribute to increased product costs, resulting in higher overall expenses and, consequently, affecting profitability. Even minor variations in economic indicators can have a substantial effect on profitability, particularly in light of the substantial sales volume, which approximates 4 billion liters annually.	♦ Implementation of efficient cost management initiatives. ♦ Adoption of transparent pricing mechanisms for all products. ♦ Offering competitive pricing for products such as lubricant and bitumen.	♦ "Implementing a pricing strategy that effectively balances the Corporation's profitability with prevailing socio-economic conditions."
Commodity Price Risk	**Mitigating factors**	**Strategies**
Sri Lanka, which does not possess domestic petroleum resources, depends on the importation of crude oil and refined petroleum products from the global market. As a relatively minor purchaser in this sector, CPC, is influenced by the prevailing prices established by international suppliers. As a result, the corporation is continually vulnerable to the inherent risks associated with fluctuations in commodity prices. Adverse changes in international oil prices can negatively impact the corporation's cost of sales, profitability, and cash flow.	♦ Implementing continuous price monitoring to take advantage of price fluctuations. ♦ Employing cost-effective methods for purchasing and storing stocks.	♦ Expanding storage capacity to accommodate stocks during periods of global market price decline. ♦ Implementing a transparent pricing mechanism for all the products that includes all associated costs. ♦ Increasing the number of suppliers to foster competition.
Interest Rate Risk	**Mitigating factors**	**Strategies**
As a result of the Corporation's accumulated losses, there has been a decline in equity, prompting the CPC to secure loans for working capital purposes to guarantee a consistent supply of petroleum products and uphold the nation's energy security. During the year in question, CPC recorded a finance cost of Rs. 7,454 million, attributable to outstanding loans . Variations in interest rates considerably affect the Corporation's financial performance, imposing an additional financial strain that adversely impacts profitability.	♦ Ongoing negotiations with financial institutions to secure lower interest rates. ♦ Utilization of daily surplus cash balances by investing in interest-generating avenues.	♦ Continuation of electronic trading platform for USD purchasing system. ♦ Prompt settlement of subsidy payments by the government to facilitate the repayment of bank loans. ♦ Exploration of financing options with lower costs and longer terms.

Liquidity Risk	Mitigating factors	Strategies
The Corporation's inability to fulfill its short-term contractual and other obligations in a timely manner presents a liquidity risk. The Corporation incurs additional interest costs due to its failure to settle liabilities as they become due. Moreover, the Corporation's inability to meet its financial obligations and settle payments to suppliers adversely affects its reputation.	♦ Implementation of various short-term and long-term funding strategies. ♦ Continuous monitoring of liquidity position and management in accordance with maturity schedules. ♦ Implementation of an efficient collection mechanism.	♦ Standardize the credit management policy. ♦ Explore opportunities for long-term funding options. ♦ Pursue the recovery of receivables from the government's subsidy element.
Safety Risk	**Mitigating factors**	**Strategies**
The intrinsic flammability of petroleum products presents considerable health and safety hazards. To address these risks, the Refinery complies with internationally established health and safety standards. Routine inspections and training initiatives are conducted to uphold safety protocols. Furthermore, the aviation industry faces similar safety challenges due to the continuous operations of 24-hour airports. Noncompliance with safety regulations and standards can adversely impact business operations, corporate assets, and human lives, potentially leading to increased expenses in the form of fines, penalties, and operational sanctions.	♦ Rigorous health and safety policies and procedures are in place. ♦ Staff to receive regular training on fire safety and health protocols. ♦ Regular maintenance is conducted to ensure compliance with standards and procedures. ♦ The Refinery undergoes a major overhaul every three years to maintain its assets.	♦ Ongoing staff training programs, both internally and externally, are implemented in a structured and unstructured manner. ♦ The Refinery is continuously updated to incorporate the latest technological advancements. ♦ Efforts are made to obtain quality and safety certifications such as ISO and SLSs for the operations.
Information Technology (IT) Risk	**Mitigating factors**	**Strategies**
The establishment of a reliable information system is crucial for facilitating prompt and precise management decisions. To maintain a competitive edge in the marketplace, access to real-time online information is imperative. This necessity is especially pronounced in the intensely competitive lubricant and agrochemical sectors, where the availability of real-time data is instrumental in both attaining and preserving market share.	♦ The organization utilizes the SAP - ERP system to accurately record and report its transactions through a Management Information System (MIS). ♦ The organization consistently provides ongoing IT training to its users to ensure their proficiency in utilizing the system. ♦ The organization consistently invests in its information technology infrastructure to maintain its efficiency and effectiveness.	♦ The organization aims to maximize the effective utilization of the ERP system, including the implementation of features such as the Plant model, to optimize its operations. ♦ The organization maintains proper control over the SAP ERP system to ensure data integrity and security. ♦ The organization regularly updates the system to the latest model to benefit from enhanced functionalities and improvements.

Human Resource Risk	Mitigating factors	Strategies
Engaged employees represent a significant strategic asset for the Corporation, and cultivating a positive relationship with them is essential for the effective operation and safeguarding of the Corporation's resources. CPC is committed to attracting and retaining talented individuals by providing a comprehensive and competitive compensation package that acknowledges their contributions to value creation and reduces the likelihood of legal disputes. The presence of an inadequate workforce, or even a single problematic employee, can lead to adverse conflicts, resulting in quality concerns with products, ineffective customer service, and ultimately, negative repercussions on CPC's costs and profitability. Additionally, conflicts with employees can incur further expenses related to employee management and legal proceedings for CPC.	♦ Implementation of a recruitment system that focuses on assessing candidates' competencies. ♦ Improvement of the rewarding system to better recognize and incentivize employees. ♦ Provision of training and development programs to enhance the skills and knowledge of employees.	♦ Enhancement of the performance-based rewarding system to further motivate and reward high-performing employees. ♦ Creation of additional career advancement opportunities to encourage professional growth and development. ♦ Provision of training and development initiatives to equip employees with the necessary skills for technological advancements and new innovations.

Exchange Rate Risk	Mitigating factors	Strategies
Over 90% of the sales revenue is denominated in Sri Lankan Rupees, whereas the costs associated with the importation of petroleum products and NIOC repayments are predominantly settled in US Dollars. Consequently, CPC is significantly vulnerable to exchange rate fluctuations. Even a minor adjustment in the exchange rate, such as a change of Rs. 1/-, can have a substantial effect on CPC's financial performance, particularly due to outstanding obligations to suppliers. The depreciation of the Sri Lankan Rupee against the US Dollar further intensifies the impact of exchange rate losses on CPC's profitability, financial standing, and cash flow. The exchange rate variation for the fiscal year 2023 amounted to Rs. 20.3 billion.	♦ Implementing a system of continuous monitoring of exchange rates offered by all banks and observing market behaviors, while also actively purchasing US Dollars. ♦ Engaging in negotiations with banks to secure the purchase of US Dollars at a reasonable exchange rate. ♦ Government intervention to determine the selling rates of USD by banks, as well as the margin applied.	♦ Implement system for the USD purchases through the banking system.

Credit Risk	Mitigating factors	Strategies
Credit risks emerge when customers are unable to settle their outstanding invoices by the specified due date, thereby exposing the Corporation to potential financial vulnerabilities. The Corporation primarily extends credit for the sale of petroleum products to its customers, with private entities required to provide collateral as a condition for credit. In contrast, credit sales to government institutions are conducted without any form of guarantee. Should a customer fail to meet their contractual obligations to the Corporation, resulting in default or delayed payment, this situation presents a credit risk that may lead to cash flow challenges and adversely affect profitability. Thus, the performance of these sectors significantly influences the Corporation's credit position, ultimately impacting its profitability and overall financial health.	♦ Offsetting the receivable from government institutions against a portion of taxes owed. ♦ Seeking government intervention to recover outstanding balances. ♦ Pursuing legal action to recover outstanding balances. ♦ Implementing a more structured credit policy.	♦ Implementing credit sales to government institutions based on security measures and contractual agreements. ♦ Updating and formalizing the credit policy. ♦ Engaging the General Treasury in the recovery of outstanding balances owed by the government.

Corporate Governance

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

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

Internal Instruments

→ **Ceylon Petroleum Corporation Act No. 28 of 1961.**
→ **Terms of References of Board & sub-committees.**
→ **Board approved policies and policy manuals.**
→ **Delegation of financial authority.**
→ **Code of Conduct.**

External Instruments

→ **Finance Act No. 28 of 1971.**
→ **Public Enterprises Guidelines for Good Governance.**
→ **Treasury/Government circulars.**
→ **Code of Best Practice on Corporate Governance issued by CA Sri Lanka.**
→ **Integrated Reporting Framework published by the International Integrated Reporting Council.**
→ **GRI Standards for Sustainability reporting issued by the Global Reporting Initiative.**

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

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

Board of Directors

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

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

The Board is well equipped with the vast areas of expertise and business acumen that contributes individually as well as collectively to reach the vision and mission of the Corporation. The present Board of Directors is noted below and summarized expertise of the directors with their qualifications and experiences are included on pages 19 to 23 of this report.

Director & status	Appointment Date
Mr. D J A S De S Rajakaruna (Chairman)	24.09.2024
Dr. Mayura Neththikumarage (Managing Director)	24.09.2024
Mr. R M S P S Bandara (Director/Treasury Repre.)	03.10.2024
Mr. M M Christy Doss (Director)	24.09.2024
Mr. A J L Wimalaratne (Director)	24.09.2024
Mr. Mahendra Garusinghe (Director)	24.09.2024

Board of Directors as at 31.12.2023 is noted below.

Mr. Saliya Wickramasuriya (Chairman)
Colnel (Retd) S.R.P. Ratnayake (Managing Director)
Mrs. R.M.D.K Rathnayake
Mr. J. Manoj Gamage
Mr. Gihan Rashantha
Mr. K.K.S.A. Perera

Board Meetings

Regular Board meetings are held monthly, while special Board Meetings are convened as and when required. Corporate & Senior Managers attend meetings on invitations. The Board meetings are conducted on a formal agenda and Directors are provided with relevant comprehensive background information by Corporate Managements prior to the meetings. During the year under review 13 board meetings were held.

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

Directors' independence

The Board consists majority of non-executive directors operating in an independent capacity. Non- executive directors are independent of management and free of any business or other relationship that could materially affect the decisions of their independent judgment. The Director's interests are disclosed under the Note No 29 in the financial statements in the page No. 144.

Role & Responsibilities of the Board

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

Director	Directorship status	Appointment/ Reappointment Date	Date of Resignation	Meeting Attendance
Mr. M. Uvais Mohamed	Chairman	06.06.2022	27.09.2023	10/10
Mr. L. E. Susantha Silva	Managing Director	23.07.2022	13.02.2023	1/1
Mrs. R.M.D.K Rathnayake	Director	13.01.2020		13/13
Mr. W.W.D. S. Wijesinghe	Director	06.06.2022	22.03.2023	3/3
Dr. Prabath Samarasinghe	Director	09.04.2021	22.03.2023	3/3
Mr. J. Manoj Gamage	Director	12.12.2022		13/13
Admiral R C Wijegunaratne	Managing Director	14.02.2023	26.07.2023	5/6
Mr. Nilanka Jayawardena	Director	23.03.2023	25.09.2023	4/6
Mr. W.M. Gihan Rashantha	Director	23.03.2023		9/9
Mr. Rukmal Rathnaweera	Director	23.03.2023		5/9
Mr. C. Jayasuriya	Observer	12.04.2023	15.10.2023	4/5
Colnel (Rd) S.R.P. Ratnayake	Managing Director	27.07.2023		4/4
Mr. Saliya Wickramasuriya	Chairman	05.10.2023		3/3
Mr. K.K.S.A. Perera	Observer	16.10.2023		2/3

Roles and Responsibilities of the Board

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

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

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

Role of the Chairman

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

Roles of the Chairman

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

Role of Managing Director

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

Roles of Managing Director

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

Director's Remuneration

The fees/remuneration of the Chairman, Managing Director and Directors are determined and paid as per the circulars issued by the General Treasury. Fees and remuneration paid to the management has been disclosed under Note 29 in the financial statements in page number 144.

Sub committees

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

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

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

The Audit & Management Committee

The Audit & Management committee plays an independent role from management with accountability to the Board. The Audit & Management committee comprises of three non-executive directors as determined by the Board. The composition, the Charter, number of meetings, role played, and the attendance of the Audit & Management Committee is elaborated in the Audit & Management Committee Report on pages 88 & 89 of this Annual Report.

Risk Management Committee

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

Stock Review Committee

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

Procurement Committee and TEC

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

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

Relations with the parent

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

Internal Controls

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

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

Internal Audit

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

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

Role & Responsibilities of Internal Audit

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

Corporate Management

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

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

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

Head office functions are segregated in to several functions and each function is headed by a Deputy General Manager or a Manager who assists the Chairman and Managing Director in day-to-day functioning of the Corporation. The Corporate Managers of both Refinery and Head Office are well skilled, expertise and qualified with academic and relevant professional qualifications in their respective functional areas. Summarized biographies of Corporate Management outlining their qualifications are included on pages 24 to 26 of this report.

Conflict of Interest

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

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

Compliance

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

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

Audit & Management Committee Report

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

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

Composition of the Committee

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

Mrs. R.M.D.K Rathnayake (Chairperson), Dr. Prabhath Samarasinghe (Member) and Mr. Sumith Wijesinghe (Member) were appointed as the Committee members for the Audit & Management committee meeting No. 100 and Mrs. R.M.D.K Rathnayake (Chairperson), Mr. Manoj Gamage (Member) and Mr. Gihan Rashantha were the Committee members for the Audit & Management committee meetings No. 101, 102 and 103. Their individual and collective experience in financial, operational, and governance concerns is presented in order for them to effectively fulfil their obligations.

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

Meetings

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

Date	Members present	Partici-pation
14.03.23	Mrs. R.M.D.K Rathnayake, Dr. Prabhath Samarasinghe, Mr. Sumith Wijesinghe	3/3
27.06.23	Mrs. R.M.D.K Rathnayake, Mr. Manoj Gamage, Mr. Gihan Rashantha	3/3
27.09.23	Mrs. R.M.D.K Rathnayake, Mr. Manoj Gamage, Mr. Gihan Rashantha	3/3
19.12.23	Mrs. R.M.D.K Rathnayake, Mr. Manoj Gamage, Mr. Gihan Rashantha	3/3

Tasks Performed by the Committee

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

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

- The Auditor General's Report for the financial year ending December 31, 2022, as well as the present condition, were discussed.
- Oversaw the summary of audit reports presented in 2023.
- Reviewed and approved the CPC Internal Audit Charter, as well as the 2024 internal audit plan
- The key performance indicators have been examined.
- Discussed the risk analysis and mitigation measures.
- Reviewed the other operational and compliance matters arose during the year.

Internal Audit Function

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

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

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

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

- Reviewed the adequacy of internal controls system and communicate weaknesses to rectify.
- Special audits on the complaints received to the Chairman.
- Discussed Auditor General’s Report and current position of the findings in the report.
- Carried out 99 audits as per the approved Audit Plan.
- Discussed Internal Audit Reports at the Audit & Management Committee meeting.
- Carried out management audit to identify process improvements and increase efficiency.

Conclusion

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

R M S P S Bandara
Chairman
Audit & Management Committee

Director's Report

The Board of Directors of Ceylon Petroleum Corporation is pleased to present the Annual Report 2023, which includes the Audited Financial Statements of the Corporation and its group for the year ended on 31st December 2023, as well as the Chairman's Message, Managing Director's Review, Management Discussion & Analysis, Value Creation, Corporate Governance, the Audit Committee Report, the Auditors' Report, and other information in compliance with Section 32(3) of the Ceylon Petroleum Corporation Act No. 28 of 1961,

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

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

Principal Activities

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

Subsidiary Companies

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

Financial Statements of CPC and the Group

The Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31st December 2023 have been approved by the Board of Directors at the Board meeting held on 26 February 2024.

Directors responsibility for Financial Reporting

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

Accordingly, the Board of Directors oversees the Managements' responsibilities for financial reporting through their regular meetings, and the Audit & Management Committee. The Audit & Management Committee Report is given on pages 88 to 89.

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

Accounting Policies

During the year under review, there were no changes in the accounting policies adopted, which were consistent with those adopted in the previous financial year as required by the Sri Lanka Accounting Standard No. 01 on 'Presentation of Financial Statements'.

Auditors Report

The Auditors' Report on the financial statements is set out on page 95 to 108.

Review of Performance

A review of performance and affairs of the CPC during the financial year 2023 are included in the Chairman's Review on pages 14 to 15, MD's Review on pages 17 to 18, and Performance of the Corporation on pages 33 to 42.

Directors

The names of the Directors who were holding offices as at 31.12.2023 are ;

Mr. Saliya Wickramasuriya (Chairman)
Colnel (Retd) S.R.P. Ratnayake (Managing Director)
Mrs. R.M.D.K Rathnayake
Mr. J. Manoj Gamage
Mr. Gihan Rashantha
Mr. K.K.S.A. Perera

The names of the present Board of Directors is;

Mr. D J A S De S Rajakaruna (Chairman)
Dr. Mayura Neththikumarage (Managing Director)
Mr. R M S P S Bandara (Director/Treasury Representative)
Mr. M M Christy Doss (Director)
Mr. A J L Wimalaratne (Director)
Mr. Mahendra Garusinghe (Director)

Meetings

Details of the Directors' meetings which comprises of Board meetings and Audit and Management Committee meetings are presented in Corporate Governance report on pages No. 83 to 87.

Directors' attendance at the meetings held during the year is given on page No. 84 of the Annual Report.

Directors' Remuneration

Directors' emoluments paid during the year are as follows;

	2023 (Rs. mn.)	2022 (Rs. mn.)
Directors' emoluments	9.702	9.643

Directors' Interest in Contracts

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

Internal Control System

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

Risk Management

The Corporation established an effective risk management framework as well as a Risk Management Committee to identify, analyse, and implement practical and corrective actions to minimise the risks that the Corporation has exposed. The risk management Report elaborates on detailed hazards, risks' implications, and measures to control or reduce the risks' impacts on pages 77 to 82.

Financial Performance

In the year 2023, CPC demonstrated significant enhancements across nearly all operational aspects, successfully transforming its negative equity position into a positive one. The sustained operation of the refinery contributed to the generation of positive margins, thereby enhancing profitability. Additionally, the ongoing pricing mechanism for generic petroleum products played a crucial role in enhancing CPC's financial performance.

Furthermore, the government's assumption of CPC's loans and bills alleviated the financial burden on the company, leading to a reduction in finance costs for the year.

Summary of the financial performance of the Corporation for the year ended 31 December 2023 are given below.

	2023 (Rs. mn.)	2022 (Rs. mn.)
Net Revenue	1,263,603	1,148,801
Gross profit/ (loss)	162,115	39,849
Operating profit/(loss)	89,871	(6,210)
Net Profit/ (loss)	120,310	(617,589)
Other comprehensive income	(107)	(156)
Total comprehensive income	120,203	(617,746)

Gross Revenue

	2023 (Rs. mn.)	2022 (Rs. mn.)
Transport	959,301	902,779
Power	181,386	128,383
Aviation	121,519	82,207
Industries	18,799	21,167
Domestic	32,212	18,806
Agro	1,612	290
Bunkering & export	-	817
Total	**1,314,829**	**1,154,449**

Revenue has experienced growth across all sectors, with the exception of industries. The removal of consumption restrictions and the consistent supply of fuel have contributed to this increase in revenue. Notably, there has been a 13.89% rise compared to the year 2022.

Segmental Performance

- Despite a 7% reduction in quantities due to consumption constraints in the first half of the year, revenue from the Transport sector experienced a 6% increase, primarily attributed to fluctuations in selling prices, thereby representing the most significant contribution to total CPC revenue.
- Sales in the power generation sector rose by 35%, resulting in a 41% increase in revenue, driven by price adjustments for diesel, furnace oil, and naphtha utilized in power production to align with the costs of supplying these commodities.
- With a commitment for the consistent fuel supply, aviation fuel sales volumes surged by 54% , and revenue concurrently increased by 48%.
- A decline in sales volumes, coupled with downward adjustments in sales prices, led to an 11% decrease in revenue from the industrial sector.
- CPC achieved its highest sales of agrochemicals during the year, revenue amounting to Rs. 1,612 million.

Profits

The refinery maintained continuous operations throughout the year 2023, with the exception of short shutdowns for catalyst regeneration. This measure was implemented to enhance margin generation, which is critical to profitability. Additionally, the ongoing pricing mechanisms for generic petroleum products significantly influenced profitability.

The generation of other income, foreign exchange gains, finance income, and reduced interest expenses contributed positively to the substantial profit of Rs. 120 billion. As a result, this achievement has transformed the negative equity position of the CPC into a positive equity position.

Taxation

Income tax expense has to be paid as per the Inland Revenue Act No. 24 of 2017 and the amendments thereto. Since there is an accumulated carried forward tax loss, no material income tax liability has been arisen for the year. The detailed tax liability is given in the Note 07 to Financial Statements on page 124.

Special Fee

During the year 2014, the General Treasury instructed CPC to pay Rs. 10 bn as a special fee and requested to charge that fee as an expense of Rs. 250 Mn for the year 2014, Rs. 750 Mn for the year 2015 and Rs. 1,000 Mn per annum for the period from 2016 to 2024 to the Income Statement. Accordingly, Rs. 1,000 Mn has been amortized for the year 2023.

Property, Plant & Equipment

The details of Property, Plant & Equipment and investment property of the Corporation and its Group are given in Note 08 to the Financial Statements on page 125. CPC invested Rs. 3.0 bn on fixed assets during the year.

Investments

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

Contributed Capital

The total Contributed Capital as at 31 December 2023 was Rs. 912,580.511 Mn (2022 -Rs. 912,580.511 Mn).

Capital Reserves

Capital reserves of the Corporation as at 31 December 2023 was Rs. 4,992.686 Mn (2022 - Rs. 4,992.686 Mn).

Human Resources

Human resources are an important aspect of the Corporation's strategic assets, and engaged workers provide value to the organisation by helping it to realise CPC's vision and mission. Several initiatives were implemented throughout the year to improve its human resources and optimise its contribution to the Corporation's long-term operations. CPC HR strategy promotes training and development as well as career growth in order to establish long-term human capital. Human Capital is discussed in detail on pages 60–64 of the Value Creation.

Outstanding Litigations

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

Compliance with Laws and Regulations

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

Environmental Protection

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

Donations

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

Statutory Payments

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

Contribution to the Government

The Corporation has contributed Rs. 233,220 Mn (2022 Rs 127,078 Mn) during the year to the Government in term of duties, taxes and other statutory duties & levies to the Sri Lanka Customs & Inland Revenue Department.

Events after the Reporting Date

No material events after the reporting date of the Statement of Financial Position other than those disclosed in Note 27 to the Financial Statements on page 142, to adjust/ disclose in the Financial Statements.

Going Concern

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

Appointment of Auditors

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

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

Auditors' Remuneration and Interest in Contracts with the CPC

The audit fee of Rs. 7.0 Mn. (2022 - Rs. 6.6 Mn) has been recognized in the financial statements for the year ended 31 December 2023 by the Corporation.

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

Acknowledgment of the Contents of the Report

As required by the Section 32(3) of the Ceylon Petroleum Corporation Act No. 28 of 1961, the Annual report of the Corporation for the year 2023 has been prepared and presented.

Signed for and on behalf of the Board of Directors by;

Chairman Managing Director

20.11.2024

Audit Report & Financial Statements

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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE

My No. ENR/A/CPC/1/23/01 | Your No. | Date 09 October 2024

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 2023 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 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.

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1.2 Basis of Qualified Opinion

1.2.1 Accounting Deficiencies

(a.) Inter Company Balances

(i.) Amount payable to CPSTL

According to the financial statements of the Corporation for the year under review amount payables to Ceylon Petroleum Storage Terminals Limited (CPSTL) was Rs. 6,128 million. However, as per the financial statements of the CPSTL, the corresponding receivable balance was Rs. 7,357 million and a difference of Rs. 1,229 million was observed. The Corporation had reconciled the differences and had discussions to agree with these differences. Accordingly, the corporation had mutually agreed with a net difference of Rs. 313 million. However, no any adjustments had been made in the accounts.

(ii.) Amount receivable from CPSTL

According to the financial statements of the Corporation for the year under review amount receivable from Ceylon Petroleum Storage Terminals Limited (CPSTL) was Rs. 228 million. However, as per the financial statements of the CPSTL was Rs. 301 million. Accordingly a net difference of Rs. 73 million was observed between these two balances as at 31 December 2023. However, gross transactions recorded by CPSTL amounting Rs. 379 million, which lead to the above difference had not been mutually agreed and recorded in the financial records of the corporation as of 31 December 2023.

(b.) According to the Note No. 26 of the financial statements, two (02) assessments had been issued by Inland Revenue Department (IRD) on Nation Building Tax for the tax periods of 1509 and 1512 amounting to Rs. 154.08 million (Rs. 77.04 million for 1509 and Rs.77.04 million for 1512). Further, the Board of Directors had approved to pay the amount of Rs. 102.72 million without penalty of the above NBT assessments. Accordingly, even though a provision for NBT payable amount of Rs. 102.72 million had been correctly recorded as a liability, NBT initial assessment of Rs. 154.08 million had been disclosed as a contingent liability in the financial statements.

(c.) Consolidation of Financial Statements

According to the paragraph B86(C) of the SLFRS 10 - Consolidated Financial Statements, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group should be eliminated in full. However, the company has failed to identify, reconcile, and eliminate all intercompany balances, as reported in the 1.2.1 (a) of this report.

1.2.2 Sri Lanka Accounting Standards (LKAS)

(a.) Fully depreciated assets valued at Rs. 4,538 million which comprised of 26,820 items had being used by the Corporation without reviewing their residual value and the useful lifetime of them according to the LKAS 16.

(b.) According to the paragraph 36 of the LKAS 16, if an item of Property, Plant and Equipment is revalued, the entire class of Property, Plant and Equipment to which that asset belongs should be revalued. However, out of 211 land lots belonged to the corporation, 22 lots had been recorded at cost of Rs. 87 million without revalued them. Further, the accounting Policy Note No. 1.4.6 related to land revaluation did not specify the frequency of land revaluations.

1.2.3 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 financial statements of the CPSTL for the year under review amount receivable from The Lanka Indian Oil Company (LIOC) was Rs. 693 million. However balance confirmed by the LIOC was Rs. 289 million and a difference of Rs.404 million was observed. Accordingly, reconciliation had been prepared to identify the differences and bulk transport charges amounting Rs. 301 million had not been mutually agreed with the LIOC.

(b) Fully depreciated assets valued at Rs. 8,388 million which comprises 25,297 items of Property Plant & Equipment are being used by the CPSTL without reviewing their residual value and useful life according to the paragraph 51 of the LKAS 16 and those assets were not presented in the financial statements in accordance with paragraph 79(b) of the Standard. Therefore, it is observed that the fair value of the non-current assets is not reflected in the financial statements for the year under review.

(c) According to the paragraph 07 of the LKAS 16, CPSTL had not capitalized installation of GPS tracking system completed on 31 March 2023 for 133 no's bowser fleet of the CPSTL amounting Rs.13 million. Instead, those assets had been accounted and presented in work in progress in the financial statements for the year under review.

(d) According to the balance confirmation letter from the Department of Inland Revenue, income tax liability, VAT & PAYE tax liability were Rs.364

million, Rs.322 million and Rs. 13 million respectively for the CPSTL. Further, the CPSTL had appealed against those assessments. However, the company had not disclosed those material tax assessments as contingent liabilities in the Notes to the financial statements for the year under review.

1.2.4 Un-reconciled Differences

(a) Total amount due to Sri Lanka Custom (SLC) as per records of the corporation as at the end of the year under review was Rs. 46,979 million whereas per the confirmation of the SLC, it was Rs. 37,601 million. Therefore, an un-reconciled difference of Rs. 9,378 million was observed between those two balances.

(b) According to the Note No. 12 of the financial statements, the total trade receivable balance was Rs. 17,617.51 million from which Rs. 11,235 million to be received from public sector entities. However, the un-reconciled difference of Rs. 7,043.60 million was observed between the receivable balances shown in the financial statements of the corporation and the corresponding payable balances to the corporation from five (05) public sector entities.

(c) According to the age analysis of trade and other payables, 18 venders with the carried forward balance of Rs. 2,507 million as at the end of the year under review had been remained unsettled for over 05 years, while the unsettled payable balances relating to 133 creditors amounting to Rs. 17,369 million as at the end of the year under review had been remained unsettled for the period ranging from 01 to 05 years. However, according to the information made available, the Corporation had not taken prompt action to settle those balances. Therefore, accuracy and existence of those balances were doubt in audit.

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.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the Note No. 26 to the financial statements of the Corporation with regard to five pending cases in the High Court of Civil Appeal Colombo against CPC and following interim orders issued on pending final hearing and determination of the application without notice to CPC;

(a) preventing the CPC from paying the petroleum Dealers as commission a sum less than 3% of the retail price of petroleum products,

(b) preventing the CPC from recovery any sum of money already paid as commission and

(c) preventing the CPC from paying the petroleum Dealers as commission on a price other than the prevailing retail price of petroleum products.

The amount receivable to CPC from dealers as at 31 December 2023, if the above mentioned cases are determined in favour of CPC is Rs.26,306.41 million.

1.3 Other information included in the Corporation's 2023 Annual Report

The other information comprises the information included in the Corporation's 2023 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 2023 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 (a), 1.2.2(a), and 1.2.2(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.

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

2.1.5. 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

2.1.6. 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	Non-compliance
(a) Public Enterprises Circular No. PED 01/2021 of 16 November 2021 – operational manual for state owned enterprises	
(i) Guideline 2.3 and Supplementary III	The Corporation had not properly prepared manuals including all major activities for the Lubricant Business, Bitumen Business,

	Bunkering Business and Agro Business of the Corporation.
(ii) Guideline 3.4 ix	Covering up duties of a vacant post should be limited to a period not exceeding one (1) year. Nevertheless, 76 officers had been assumed for cover up duties of the vacant posts including Grade A posts. Out of that, 33 officers and 08 officers had been assumed for cover up duties of the vacant posts for more than 01 year and 03 years respectively.
(iii) Guideline 6.9 Supplementary I	As per SAP system, receivable balances aggregating to Rs. 1,516 million to be recovered from Sri Lanka Custom and Inland Revenue Department had been remained without taking prompt actions to recover since 2010. Those balances were written off in 2021 and written back again in 2023 due to non-following of proper write off procedure. In addition to above balance, another receivable balance aggregating to Rs. 102 million to be recovered from Sri Lanka Custom had been remained without taking prompt actions to recover since 2010..
(iv) Guideline 7.1	The performance evaluations are mandatory at all State-Owned Enterprises and is a primary responsibility of the Board of Directors. However, the corporation had not prepared the progress report in accordance with the action plan and had prepared the progress report only for 3 sub functions.
(v) Guideline 7.3	Although Key Performance Indicators (KPIs) covering each function of the Corporation had been established in the Corporate Plan, periodic review and monitoring process had not been carried out by the Board Of Directors.
(vi) 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 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)	The Board of Directors of the Corporation had not reviewed and comprehensively regulated the affairs of its subsidiary companies regularly at their meetings.
(iii) Guideline 4.3 and Terms and Reference of the Integrated Risk Management Committee of the Corporation	Although the Risk Committee meeting should be held at least quarterly, only two risk committee meetings were held during the year under review.

2.1.7. 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) **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 due to Corporation had failed to enter into amended agreement approved by the Board decision No. 11/1179 dated 16 February 2016. Accordingly, unrecovered MUF had been increased to Rs. 4,848 million as at the end of the year 2023. Even though the Auditor General have been continuously reporting in this regards in his reports since the year 2015, no appropriate and prompt action had been taken by the Corporation to recover the MUF up to date. Finally, a case against the charging of MUF has been filled in the Colombo District court by the Petroleum Dealers Association (Case No. CA (WRIT) 0147/2024) and the court issued an interim order in 01 March 2024. Even though several investigations had been done by the internal audit Unit and investigation Unit of the corporation and the Internal auditor of the line ministry in this regards, the corporation had start another investigation without taking any prompt and appropriate action to implement the recommendations of above investigations.

(b) **Common User Facilities (CUF)**

Pursuant to clause 15 of the Common User Facility Shareholders Agreement (GOSL/CPC/LIOC) dated 30 December 2003 had expired on 31 December 2008 and The Corporation had entered into an Agreement with CPSTL excluding LIOC on 13 May 2019 including 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. Following observations were made in this regard.

i. The common user facilities covered under said Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) 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. 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 above agreements, 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 (subsidiary company). Although the total amount, the CPSTL had charged for providing the storage and terminal facilities during the last 13 years had been more than Rs. 51,459 million from both the Corporation and the LIOC, 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. As a result, the Corporation had to pay the demurrages without passing on such cost to the service provider (CPSTL) due to delay in unloading fuel from vessels as blockages in the pipelines and inefficiencies in the storage system.

iv. According to said Share Holders' Agreement 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 agreement had expired on 31 December 2008, the Corporation had paid a sum more than Rs.2,183 million as the interest portion 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.

(c) 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 had been decided by the Board Decision No. 4178 dated 17 June 1968 had not been re-evaluated and updated over four decades by the Corporation. The operational loss for the year under review was Rs. 1,479.24 million and it had been increased by 215 percent in the year under review when compared to the previous year.

(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 used by the Corporation from the date of 01 April 2010 without any up-grading. As a result, Non-Upgraded SAP system might be led to negative consequences such as Inefficient Operations, Increased Costs, Security Vulnerabilities, Disrupted Supply Chain etc.

2.1.8. 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 made available to audit, the amount that had to be collected from foreign suppliers was USD 4.39 million equivalents to Rs 1,443 million in respect of the period from 2012 to 2018 as penalty imposed due to late delivery/ short loading, external losses, penalty for unacceptable quality and losses incurred due to price differences. Even though, nearly six (6) years had been passed, the corporation had failed to recover or settle them from foreign suppliers.

(b) According to the financial statements for the year under review, USD 26.9 million equivalent to Rs. 7.8 billion had been recorded as claims made by the Corporation due to the out turn losses, late delivery and non- performance of contractual obligations related to some shipments made during the year 2022 and 2023 of which the Corporation had made provisions for these doubtful receivables. It was observed that these claims could not be recovered due to defect in the respective tender documents.

(c) **Assets Management**

The following assets had been lying idle since the acquisition of those assets.

(i) 10 acre of Halgaha Kumbura Land at Wanathamulla had been acquired in 1983 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 650 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.

2.2. Other Matters

(a) 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.

(b) **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 the year 2020. In that audit it was observed 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.

(c) **Trincomalee Tank Farm**

The Tank Farm contained of 100 Oil Tanks, each having a capacity of 12,500 cubic meters (m3)(10,000 MT) and other associated facilities, had been constructed in Trincomalee in 1930. The land extent belong to the Tank Farm was 358.553 hectares. Although the Government of Sri Lanka had taken several initiatives to develop and use the tank farm after acquiring the tank farm from the British Government with effect from 01 April 1964, Government of Sri Lanka failed to put those initiatives into operation up to year 2021. In 2021, 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. But this joint venture was failed to commence its business operations timely in accordance with strategic plan due to unavailable of secured internal or external funding sources to finance the development budgeted of the company.

(d) **Hedging Transactions**

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 2023 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.

(e) **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. As a result, the total expenditure of Rs. 1,003 million incurred (for land acquisition and feasibility study) for that purpose had been laying idle even up to the date of this report.

(f) **Selling and Distribution of Fuel Stocks**

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 among the Government of Sri Lanka (GOSL), CPC and LIOC.

(g) **Human Resource Management**

(i) The Scheme of Recruitment and Promotions (SORAP) for the executive service category of Corporation had been approved by the Department of Management Services (DMS) 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 without obtaining concurrence of DMS to deviate from 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 seven years up to date.

(ii) Cadre of the Corporation approved by DMS is 3,292 and out of which 1,287 posts were vacant while there were 81 excess staff. Accordingly, it was observed that 40% of the approved cadre was vacant as at the end of the year under review. Therefore, it was observed that the corporation had not decided optimal cadre. Further, it was observed that 67 numbers of daily paid staff had been recruited outside the approved cadre.

(h) The Annual Action plan for the year 2023 had not been approved by the board of the corporation.

W.P.C. Wickramarathne
Auditor General

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC 2023	CPC 2022 Restated*	Group 2023	Group 2022 Restated*
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2	1,263,602.848	1,148,801.118	1,261,783.069	1,146,260.844
Cost of Sales		(1,101,488.231)	(1,108,951.921)	(1,105,709.238)	(1,112,869.858
Gross (Loss)/Profit		**162,114.617**	**39,849.197**	**156,073.831**	**33,390.986**
Other Operating Income	3	10,774.521	1,188.355	11,706.911	2,489.990
Selling & Distribution Expenses		(54,011.664)	(42,142.131)	(44,665.651)	(33,055.658)
Administrative Expenses		(29,005.983)	(5,106.302)	(34,122.794)	(10,030.975)
Operating (Loss)/Profit	4	**89,871.491**	**(6,210.881)**	**88,992.297**	**(7,205.657)**
Exchange Rate Variation	4.2	20,340.297	(529,477.329)	20,340.297	(529,477.329)
Finance Income	5	17,588.922	37,636.243	17,898.964	37,921.524
Finance Expenses	6	(7,454.350)	(119,537.424)	(7,484.871)	(119,568.968)
Profit /(Loss) before tax		**120,346.360**	**(617,589.391)**	**119,746.687**	**(618,330.430)**
Income tax Expense	7	(36.000)	-	315.105	(354.612)
Profit/(Loss) for the year		**120,310.360**	**(617,589.391)**	**120,061.792**	**(618,685.042)**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to Profit or Loss:					
Re-measurement gain/(loss) on Retirement Benefit plan	18	(107.162)	462.357	(686.578)	873.619
Tax on Other Comprehensive Income		-	(619.035)	173.824	(742.414)
Other comprehensive income / (expense) for the year		(107.162)	(156.678)	(512.754)	131.205
Total comprehensive Income/(expense) for the year, net of tax		**120,203.198**	**(617,746.069)**	**119,549.038**	**(618,553.837)**
Total Comprehensive Income attributable to :					
Owners of the entity		120,203.198	(617,746.069)	119,694.941	(618,278.296)
Non-Controlling interests		-	-	(145.903)	(275.541)
		120,203.198	**(617,746.069)**	**119,549.038**	**(618,553.837)**

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 113 to 145 form an integral part of the Financial Statements.

Statement of Financial Position

AS AT 31 DECEMBER	Note	CPC		Group	
		2023	2022 Restated*	2023	2022 Restated*
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	**8**	45,684.017	45,299.853	61,635.528	61,883.283
Investment Property	**8.3**	48.512	50.422	48.512	50.422
Intangible Assets	**8.4**	0.201	0.429	9.525	37.328
Right-of-use-Assets	**9.2**	96.995	101.679	310.893	320.033
Investment in Subsidiary	**10**	5,102.000	5,051.000	-	-
Non-Current Financial Assets	**11**	13.040	13.040	13.040	13.040
Trade & Other Receivables	**12**	4,964.729	6,280.223	6,298.296	7,715.078
		55,909.494	56,796.646	68,315.794	70,019.184
Current Assets					
Inventories	**14**	166,802.597	149,303.332	167,685.660	150,161.303
Trade & Other Receivables	**12**	23,129.893	270,234.703	29,211.364	276,528.362
Short term Investments		169.841	82.841	1,169.841	82.841
Cash and Cash Equivalents	**15**	65,424.424	17,483.719	66,627.243	19,588.006
		255,526.755	437,104.595	264,694.108	446,360.512
Total Assets		**311,436.249**	**493,901.241**	**333,009.902**	**516,379.696**
EQUITY AND LIABILITIES					
Capital and Reserves					
Contributed Capital	**16**	912,580.511	912,580.511	912,580.511	912,580.511
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	28,049.112	28,049.112	28,049.112
Retained Earnings		(912,113.050)	(1,032,316.247)	(899,505.453)	(1,019,187.578)
Non Controlling Interest		-	-	8,883.376	9,106.687
Total Equity		33,471.259	(86,731.938)	54,962.232	(64,496.582)
Non - Current Liabilities					
Retirement Benefits Obligation	**18**	1,734.709	1,502.076	3,653.610	2,785.949
Deferred Tax	**19.1**	3,111.962	3,111.962	4,678.029	5,202.958
Loans & Borrowings	**20**	9,271.526	10,314.665	9,271.526	10,314.665
Lease liabilities	**9.3**	107.095	109.639	341.051	347.224
		14,225.292	15,038.342	17,944.216	18,650.796
Current Liabilities					
Trade and Other Payables	**21**	181,223.595	247,196.685	177,587.308	243,823.068
Lease liabilities	**9.3**	2.544	4.783	2.587	9.045
Current Portion of Loans & Borrowings	**20.1**	1,406.851	1,518.821	1,406.851	1,518.821
Short term Borrowings	**22**	81,106.708	316,874.548	81,106.708	316,874.548
		263,739.698	565,594.837	260,103.454	562,225.482
Total Equity and Liabilities		**311,436.249**	**493,901.241**	**333,009.902**	**516,379.696**

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25.
The notes appearing on pages 113 to 145 form an integral part of the Financial Statements.
These Financial Statements give a true and fair view of the state of affairs of Ceylon Petroleum Corporation and its Group as at 31st Dec 2023 and its profit for the year then ended.

M C D Perera
Actg. Deputy General Manager (Finance)

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

Saliya Wickramasuriya
Chairman
26 Feb 2024, Colombo

Colonel (Rtrd) S R P Ratnayake
Managing Director

Damitha Rathnayake (Mrs.)
Director

Statement of Changes in Equity

CPC	Contributed Capital	Revaluation Reserves	Capital Reserves	Financial Instrument fair Value	Retained Earnings	Total Equity
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
As at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(416,100.782)**	**(354,595.870)**
Prior period Adjustments	-		-	-	1,516.615	1,516.615
Restated balance as at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(414,584.167)**	**(353,079.255)**
Loss for the year					(617,589.391)	(617,589.391)
Other Comprehensive Income					(156.678)	(156.678)
Adjustments	884,093.386	(13.989)			13.989	884,093.386
As at 31 Dec 2022	**912,580.511**	**28,049.112**	**4,992.686**	**(38.000)**	**(1,032,316.247)**	**(86,731.938)**
Profit for the year					120,310.360	120,310.360
Other Comprehensive Income					(107.162)	(107.162)
As at 31 Dec 2023	**912,580.511**	**28,049.112**	**4,992.686**	**(38.000)**	**(912,113.050)**	**33,471.259**

Group	Contributed Capital	Revaluation Reserves	Capital Reserves	Financial Instru-ment fair value	Retained Earn-ings	Shareholders Fund	Non Control-ling Interest	Total Equity
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
As at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(402,501.506)**	**(340,996.593)**	**9,302.419**	**(331,694.175)**
Prior period Adjustments					1,516.615	1,516.615		1,516.615
Restated balance as at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(400,984.891)**	**(339,479.978)**	**9,302.418**	**(330,177.560)**
Investment on TPTL					-	-	49.000	49.000
Loss for the year					(618,313.540)	(618,313.540)	(371.502)	(618,685.042)
Other Comprehensive income for the year					35.244	35.244	95.961	131.205
Adjustment		(13.989)			75.609	61.620	30.810	92.430
Adjustments for capital elements	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)**	**(1,019,187.578)**	**(73,603.268)**	**9,106.687**	**(64,496.582)**
Investment on TPTL					-	-	49.000	49.000
Profit for the year					120,072.499	120,072.499	(10.706)	120,061.792
Other Comprehensive Income for the year					(377.557)	(377.557)	(135.197)	(512.754)
Adjustment		-			(12.817)	(12.817)	(6.408)	(19.225)
Dividend paid				-		-	(120.000)	(120.000)
As at 31 Dec 2023	**912,580.511**	**28,049.112**	**4,992.686**	**(38.000)**	**(899,505.453)**	**46,078.858**	**8,883.376**	**54,962.232**

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 113 to 145 form an integral part of the Financial Statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC		Group	
		2023	2022 Restated*	2023	2022 Restated*
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Profit/(Loss) before tax		**120,346.360**	**(617,589.391)**	**119,746.687**	**(618,330.430)**
Adjustment for :					
Depreciation		2,634.627	2,646.720	3,465.412	3,493.172
Amortisation		531.918	426.499	559.493	456.274
Amortisation of right-of-use-assets		4.684	4.684	9.140	11.548
Unrealized exchange variation		(12,021.005)	50,641.554	(12,021.005)	50,641.554
Dividend income		(240.000)	(0.001)	(240.000)	(0.001)
Interest Income		(17,588.922)	(37,636.243)	(17,898.963)	(37,921.524)
Allowance for impairment		18,137.083	13.032	18,134.880	3.873
Interest Expenses		7,439.945	119,522.388	7,439.945	119,522.388
Provision for Retirement Obligation		352.129	302.236	652.636	572.823
(Profit)/Loss on Sale of Property, Plant & Equipment		(7.452)	(32.091)	(7.452)	(35.900)
Lease Interest		14.404	15.036	44.926	46.580
Amortization of special levy		1,000.000	1,000.000	1,000.000	1,000.000
Operating Profit/(Loss) before Working Capital changes		**120,603.773**	**(480,685.578)**	**120,885.699**	**(480,539.643)**
Changes in Working Capital					
(Increase)/ Decrease in Inventories		(17,499.267)	(107,387.699)	(17,525.950)	(107,691.124)
(Increase)/ Decrease in Trade and Other Receivable		228,216.211	(69,089.523)	228,899.465	(68,263.768)
Increase/ (Decrease) In Trade and Other Payables		(56,004.722)	(66,553.684)	(56,616.816)	(65,727.656)
Operating Profit/(Loss) after Working Capital changes		**275,315.994**	**(723,716.484)**	**275,642.398**	**(722,222.191)**
Interest Paid		(6,896.508)	(106,680.641)	(6,896.508)	(106,680.641)
Retiring Gratuity Paid	18	(226.658)	(190.506)	(471.552)	(375.283)
Income Tax		-	-	(19.225)	(922.206)
Net Cash Generated from/(used in) Operating activities		**268,192.827**	**(830,587.631)**	**268,255.113**	**(830,200.321)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant & Equipment		7.452	46.332	7.452	50.519
Acquisition of Property, Plant & Equipment	8	(853.972)	(1,421.721)	(1,056.891)	(2,348.478)
Dividends Received		204.000	0.001	204.000	0.001
Investments		(51.000)	(51.000)	49.000	49.000
Interest Received		17,467.887	17,629.446	17,777.928	17,914.727
Realization of Investments		-	231.012	-	231.012
Investment in Fixed Deposits		(87.000)	-	(1,087.000)	-
Net Cash Flows from /(Used in) Investing Activities		**16,687.367**	**16,434.070**	**15,894.489**	**15,896.781**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		-	-	(120.000)	-
New loans obtained		450,053.025	1,104,352.943	450,053.026	1,104,352.944
Repayment of Loans		(708,705.506)	(414,047.344)	(708,705.505)	(414,047.343)
Repayment for lease		(19.187)	(9.319)	(70.066)	(11.984)
Net Cash Flows From/(Used in) Financing Activities		**(258,671.668)**	**690,296.280**	**(258,842.545)**	**690,293.617**
Net Increase/(Decrease) in Cash & Cash Equivalents		26,208.525	(123,857.281)	25,307.057	(124,009.923)
Cash & Cash Equivalents at the Beginning of the Year		17,129.091	140,986.372	19,233.378	143,243.301
Cash & Cash Equivalents at the End of the Year	15	**43,337.617**	**17,129.091**	**44,540.435**	**19,233.378**

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25. The notes appearing on pages 113 to 145 form an integral part of the Financial Statements.

Notes to the Financial Statements

1.1 CORPORATE INFORMATION

General

Ceylon Petroleum Corporation (the Corporation/CPC) is a Public Corporation incorporated under Ceylon Petroleum Corporation Act, No. 28 of 1961, and domiciled in Sri Lanka. The registered office of the Corporation is located at No. 609, Dr. Danister De Silva Mawatha, Colombo 09.

Principal activities and nature of operations

Entity	Principal activities
Ceylon Petroleum Corporation	Importing, refining, and selling of Petroleum Products in Sri Lanka.
Subsidiary Ceylon Petroleum Storage Terminals Limited	Storage and distribution of petroleum products
Subsidiary Trinco Petroleum Terminal (Pvt) Limited	Possess, develop, utilize and manage storage facilities to carry out business including but not limited to petroleum related products; to import, store, sell and export petroleum and petroleum related products or any other products, stored by the company; to carry out any other business permitted by applicable laws and regulations.

Parent entity and the ultimate controlling party

The Corporation is under the purview of the Ministry of Power & Energy. In the opinion of the Directors, the Corporation's ultimate parent undertaking and controlling party is the Government of Sri Lanka.

Date of authorization for issue

The Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31 December 2023 were authorized for issue in accordance with a Resolution of the Board of Directors on 26th February 2024.

Statement of compliance

The Financial Statements of Ceylon Petroleum Corporation and its Group, which comprise of 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 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 2023 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 as per the financial statements prepared for the year ended 31st December 2023.

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 underline 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 sale of goods is recognized when the goods are dispatched, or in the cases 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, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable. 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
Pipelines	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 net-work & Fences	20 years
Metering & Electrical System	10 years
Fire fighting system	10 years
Other Assets	08 years
Muthurajawela - PLEM	10 years

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

Capital Work in Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

1.4.7 Investment Properties

Basis of Recognition

Investment property is property that is held to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under cost method in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

De-recognition

Investment properties are derecognized once disposed or permanently withdrawn from use because no future economic benefits are expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in SLFRS 15.Transfers are made to and from investment property only when there is a change in use.

1.4.8 Intangible assets

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 38 on 'Intangible Assets'.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

1.4.9 Investment in Subsidiary

Investment in Subsidiary is stated at cost, less impairment losses, if any.

1.4.10 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net Realizable Value (NRV) is the estimated selling price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

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

Raw Materials	At purchase cost on first-in-first-out basis
Finished Goods	
(a) Refined Products	At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
(b) Imports	At purchase cost on first-in-first-out basis
Work-in-progress	
(a) Refined Products	At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
(b) Imports	At purchase cost on first-in-first-out basis
Other Finished Goods	At purchase cost on weighted average basis
Consumables & Spares	At purchase cost on weighted average basis

1.4.11 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investment with short maturities i.e. three months or less from the date of acquisition is also treated as cash equivalent.

1.4.12 Provisions & Liabilities

Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Defined Benefit Obligations - Gratuity

The liability recognized in the Statement of Financial Position in respect of gratuity is the present value of the obligation at the end of the reporting period using the projected unit credit method. The present value of the defined benefit obligation depends on number of factors that are determined on an actuarial basis using number of assumptions. These assumptions used in determining the cost for gratuity include the discount rate, expected staff turnover and salary increment rate. Any change in these assumptions will impact the carrying amount of gratuity obligation.

The management determines the appropriate discount rate at the end of each year. This is the interest rate that should be used in determining the present value of estimated future cash flows expected to be required to settle the defined benefit obligation. In determining the discount rate, management considers the interest rates of government bonds in the absence of deep market for corporate bonds in Sri Lanka. Other key assumptions for defined benefit obligation are based on current market conditions.

Provision has been made for retirement gratuities from the beginning of service for all permanent employees, in conformity with LKAS 19-Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

This is not an externally funded defined benefit plan.

Actuarial gains and losses are charged or credited in other comprehensive income in the period in which they arise.

Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Corporation contributes 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and records as an expense in the income statement in the periods during which services are rendered by employees.

1.4.13 Capital Reserve

Specific amounts received from Government Consolidated Fund and the net value of restructuring sale proceeds which eventually form the issued capital of the successor to Ceylon Petroleum Corporation are credited to a Capital Reserve.

1.4.14 Financial Instruments

i. Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group classifies its financial instruments in the following categories:

a. Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, loans to employees and investment in treasury bonds, bills and fixed deposits.

b. Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled Income Statement. Dividends are recognised as other income in the Income Statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group elected to classify its quoted and non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Expected credit losses (ECL)s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors.

The Group considers a financial asset in default when contractual payments are remote. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group review individually significant trade receivables at the each reporting date to assess whether impairment loss should be recognized in the income statement. Since the Group assess the trade receivable individually and found not to be additionally impaired.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, include trade and other payables as appropriate.

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

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans &borrowings and trade and other payables at Amortised Cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the income statement.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the Group's best estimate of the most appropriate model assumptions.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.1.

The Institute of Chartered Accountants of Sri Lanka issued SLFRS 09 Financial Instruments which reflects financial instruments and replaces LKAS 39 Financial Instrument, recognition and Measurement. The Standard introduces new requirements for Classification and Measurement of Impairment and Hedge Accounting.

1.4.15 Accounting for leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subjected to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

1.4.16 Contingent liabilities, litigation & commitments

Contingent liabilities are the possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed, unless they are remote.

1.5 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The 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 those 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.

2. Revenue

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Domestic	1,194,086.545	1,072,061.673	1,191,462.748	1,069,120.651
Export	120,742.565	81,570.464	120,742.565	81,570.464
Bunkering	-	816.921	-	816.921
Terminal Charge & Others	-	-	804.018	400.748
Total Sales	1,314,829.110	1,154,449.058	1,313,009.330	1,151,908.784
Less : Excise Duty & SSCL	(51,226.262)	(5,647.941)	(51,226.262)	(5,647.941)
Net Revenue	**1,263,602.848**	**1,148,801.118**	**1,261,783.069**	**1,146,260.844**

3. Other Operating Income

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Income on Investment Property	1,152.631	525.594	1,152.631	525.594
Staff Loan Interest	261.405	305.545	1,097.523	1,005.077
Rental Income	29.078	10.957	32.851	15.967
Profit/(loss) on disposal of PPE	7.452	32.091	7.452	35.900
Profit on Sale of Filling Station equipment	21.911	135.527	21.911	135.527
Dividend Income	240.000	0.001	-	0.001
Sundry Income	9,062.043	178.640	9,394.542	771.923
	10,774.521	**1,188.355**	**11,706.911**	**2,489.990**

4. Operating Profit

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
4.1 Operating Profit stated after charging the following expenses				
Directors' emoluments	9.702	9.643	18.180	15.881
Auditors' remuneration (without under/over provision)	7.000	6.600	9.315	9.380
Depreciation	599.956	627.302	1,430.742	1,473.754
Advertising Expenses	21.454	46.784	21.454	46.784
Legal charge & Other Professional fee	153.153	169.386	153.153	169.386
Disallowed VAT	2,139.810	1,348.651	2,139.810	1,348.651
Special Fee to General Treasury	6,000.000	1,000.000	6,000.000	1,000.000
Bad debt write-off (Note 12.1)	5,097.724	31.395	5,097.724	31.395
Provision against other receivables (Note 12)	18,137.086	-	18,137.086	-

4.2. Exchange Rate Variation

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Exchange gain	41,764.519	108,997.261	41,764.519	108,997.261
Exchange loss	(21,424.222)	(638,474.590)	(21,424.222)	(638,474.590)
Net exchange rate gain/(loss)	**20,340.297**	**(529,477.329)**	**20,340.297**	**(529,477.329)**

5. Finance Income

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Interest Income on Treasury Bills, Fixed Deposits and Call Deposits	1,660.302	12,353.130	1,970.343	12,638.411
Interest Income on Credit invoice & Overdue trade debts	4.878	10.689	4.878	10.689
Interest Income on CEB/IPP/Aviation debtors	14,564.298	25,084.522	14,564.298	25,084.521
Interest Income on Treasury Bonds	-	0.719	-	0.719
Interest Income on R.F.C. A/C & Others	1,359.443	187.183	1,359.443	187.183
	17,588.922	**37,636.243**	**17,898.964**	**37,921.524**

6. Finance Expenses

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Interest on Foreign Currency Bank Loans	-	97,144.298	-	97,144.298
Interest on LKR Bank Loans	7,424.564	8,962.755	7,424.564	8,962.755
Interest on Lease Liability	14.404	15.036	44.925	46.580
Other Finance Cost	15.381	13,415.336	15.381	13,415.336
	7,454.350	**119,537.424**	**7,484.871**	**119,568.968**

7. Income Tax Expense

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Current tax:				
Current income tax	-	-	-	-
Under/(over) provision of previous years	-	-	-	(3.194)
WHT on Dividend	36.000	-	36.000	-
Deferred tax:				
Origination and reversal of temporary differences - IS	-	-	(351.105)	357.806
Income tax expense - income statement	36.000	-	(315.105)	354.612
Income tax expense - Other Comprehensive Income	-	(619.035)	(173.824)	742.414
Total income tax expense	**36.000**	**(619.035)**	**(488.928)**	**1,097.026**
A reconciliation between current tax charge and profit before tax is given below:				
Accounting profit/(loss) before tax	**120,346.360**	**(617,589.391)**	**119,746.687**	**(618,330.430)**
Add: Disallowable expenses	24,991.535	175,502.046	26,912.397	173,923.728
Less: Allowable expenses & exempt income	(15,040.975)	(1,144.548)	(16,567.930)	(2,568.441)
Adjusted trade profit	**130,296.920**	**(443,231.893)**	**130,091.154**	**(446,975.143)**
Less: Utilisation of tax losses	(130,296.920)	-	(130,296.920)	-
Add: Tax losses for the year	-	443,231.893	205.767	446,975.143
Taxable income	**-**	**-**	**-**	**-**
Income tax charged at				
2022-30%(2021-24%)	-	-	-	-
Concessionary rates	-	-	-	-
Under/(over) provision of previous years	-	-	-	(3.194)
WHT on Dividend	36.000	-	36.000	-
Deferred tax charge to income statement	-	-	(351.105)	357.806
Origination and reversal of temporary differences - OCI	-	(619.035)	(173.824)	742.414
Income tax expense	**36.000**	**(619.035)**	**(488.928)**	**1,097.026**

Assessments have been issued to the Taxable years of 1997/98, 2013/14, 2014/15, 2015/16 and 2016/17 amounting to Rs. 25.12 Mn., Rs. 99.94 Mn, Rs. 723.09 Mn., Rs. 54.68 Mn. and Rs. 2,170.07 Mn. respectively and CPC has made valid appeals for those Assessments. Income tax liabilities on the assessments for the year of assessment 1997/98 had been recognized in the financial statements.

Determination for the year of assessment 2013/14 has been given by the Inland Revenue Department and an appeal has been made to the Tax Appeals Commission against the determination given for the year of Assessment 2013/14.

8. Property, Plant & Equipment - CPC

	Land & Building Rs. Mn.	Vested Property Rs. Mn.	Plant, Mach & Equip. Rs. Mn.	SPM Facility Rs. Mn.	Motor Vehicles Rs. Mn.	Furn/Fittings, Off. Equip & Other Assets Rs. Mn.	Capital Work in Progress Rs. Mn.	Total Rs. Mn.
8.1.Cost								
Bal as at 01/01/2023	16,696.630	1.016	30,070.589	2,835.841	1,377.801	2,467.029	11,325.477	64,774.384
Additions	15.033	-	70.500	-	-	23.210	2,907.909	3,016.652
Disposals	-	-	(7.702)	-	(5.814)	-	-	(13.516)
Bal as at 31/12/2023	**16,711.663**	**1.016**	**30,133.388**	**2,835.841**	**1,371.987**	**2,490.239**	**14,233.387**	**67,777.520**
8.2 Depreciation								
Bal as at 01/01/2023	1,438.973	0.413	13,105.385	1,677.679	1,193.704	2,058.377	-	19,474.530
Charge for the Year	152.530	0.016	2,319.587	106.374	10.144	43.837	-	2,632.489
Disposals	-	-	(7.702)	-	(5.814)	-	-	(13.516)
Bal as at 31/12/2023	**1,591.503**	**0.429**	**15,417.270**	**1,784.053**	**1,198.034**	**2,102.215**	**-**	**22,093.503**
NBV as at 31.12.2023	**15,120.160**	**0.587**	**14,716.118**	**1,051.788**	**173.953**	**388.025**	**14,233.387**	**45,684.017**
Cost as at 31.12.2022	16,696.630	1.016	30,070.589	2,835.841	1,377.801	2,467.029	11,325.477	64,774.383
Acc.Dep 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**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2023 is Rs 4,538 Mn (2022 – Rs 3,191 Mn).

Property, Plant & Equipment - Group

	Land & Building Rs. Mn.	Vested Property Rs. Mn.	Plant, Mach & Equip. Rs. Mn.	SPM Facility Rs. Mn.	Motor Vehicles Rs. Mn.	Furn/ Fittings, Off. Equip & Other Assets Rs. Mn.	Capital Work in Progress Rs. Mn.	Total Rs. Mn.
8.1.Cost								
Bal as at 01/01/2023	23,414.834	1.016	48,064.750	6,202.319	3,248.160	5,194.399	12,355.584	98,481.062
Additions	16.609	-	83.409	-	-	85.043	3,034.512	3,219.572
Transfers	89.137	-	42.305	340.101	-	22.004	(493.547)	-
Disposals	-	-	(7.702)	-	(5.814)	(1.225)	(4.053)	(18.793)
Bal as at 31/12/2023	**23,520.579**	**1.016**	**48,182.763**	**6,542.420**	**3,242.346**	**5,300.222**	**14,892.496**	**101,681.841**
8.2 Depreciation								
Bal as at 01/01/20223	2,275.273	0.413	21,982.382	4,879.816	3,031.028	4,428.867	-	36,597.779
Charge for the Year	209.870	0.016	2,866.567	196.652	39.339	150.830	-	3,463.274
Disposals	-	-	(7.702)	-	(5.814)	(1.225)	-	(14.740)
Bal as at 31/12/2023	**2,485.143**	**0.429**	**24,841.248**	**5,076.468**	**3,064.553**	**4,578.473**	**-**	**40,046.313**
NBV as at 31.12.2023	**21,035.436**	**0.587**	**23,341.515**	**1,465.952**	**177.793**	**721.749**	**14,892.496**	**61,635.528**
Cost 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
Acc.Dep 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**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2023 is Rs 13,515 Mn (2022 – Rs. 11,583 Mn).

8.3 Investment Property

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 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	26.096	24.726	26.096	24.726
Add: Charge for the year	1.910	1.370	1.910	1.370
Bal as at the end of the year	28.006	26.096	28.006	26.096
Net Book Value	**48.512**	**50.422**	**48.512**	**50.422**

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 No.22/1, Thurstan Road, Colombo 03	40.000
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	0.254	524.730	9.380	37.794	571.904
Charge for the Year	0.228	27.803	-	-	27.803
At the end of the year	0.482	552.533	9.380	37.794	599.707
Carrying value					
As at 31.12.2023	**0.201**	**9.525**	**-**		**9.525**
As at 31.12.2022	**0.429**	**37.328**	**-**	**-**	**37.328**

During the year CPC acquired PPE including intangible assets amounting to Rs. 3,016.653 Mn (2022 - Rs. 4,579.733) and of this CPC paid Rs 853.973 Mn (2022 Rs. 1,421.721 Mn.)

During the year Group acquired PPE including intangible assets amounting to Rs. 3,219.572 Mn (2022-Rs. 5,506.490 Mn.) and of this Group paid Rs 1,056.892 Mn (2022 Rs. 2,348.478 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 2023 was Rs. 980.460 Mn. (2022-Rs. 810.363 Mn). The rate was to determine the capitalization of Borrowing Cost was 9.25% 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 and further, the Corporation has entered for Lease contracts for the lands at Neluwa, Yatiyantota, Ratnapura and Kegale.

9.2. Lease Assets

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Cost				
Bal as at 01/01	113.632	26.409	378.750	68.718
Additions	-	84.894	-	307.704
Adjustments		2.329	-	2.329
Bal as at 31/12	**113.632**	**113.632**	**378.750**	**378.750**
Amortization				
Bal as at 01/01	11.953	7.269	58.718	47.170
Charge for the year	4.684	4.684	9.140	11.548
Bal as at 31/12	16.637	11.953	67.858	58.718
Net Book Value	**96.995**	**101.679**	**310.893**	**320.033**

9.3 Lease Liability

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Cost				
Bal as at 01/01	114.422	21.483	356.269	24.148
Additions		87.222	-	310.033
Adjustments/interest	14.404	15.036	44.926	46.580
Payments	(19.187)	(9.319)	(57.558)	(24.492)
Bal as at 31/12	**109.639**	**114.422**	**343.638**	**356.269**
Current liabilities	2.544	4.783	2.587	9.045
Non-current liabilities	107.095	109.639	341.051	347.224
Total	**109.639**	**114.422**	**343.638**	**356.269**

9.4 Maturity Analysis of Lease Liability

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Not later than one year	2.544	4.783	2.587	9.045
Later than one year and not later than five years	8.849	7.741	9.182	12.886
Later than five years	98.246	101.898	331.869	334.338
Total	**109.639**	**114.422**	**343.638**	**356.269**

9.4 Details of the amounts recognized in income statement

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Amortization expenses of right-of-use-assets	4.684	4.684	9.140	11.548
Interest expenses on lease liability	14.404	15.036	44.926	46.580
Total recognized in income statement	**19.088**	**19.719**	**54.066**	**58.128**
Total cash outflows made with respect top leases	**19.187**	**9.319**	**57.558**	**24.492**

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 2023 is Rs. 6.76 Mn. (2022 - Rs. 4.47 Mn.) which are including the rent expenses.

10. Investment in Subsidiary

	CPC				Group	
	2023 Holding %	2022 Holding %	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Ceylon Petroleum Storage Terminals Ltd.	66.67%	66.67%	5,000.000	5,000.000	-	-
Trinco Petroleum Terminal (Pvt) Ltd.	51.00%	51.00%	102.000	51.000	-	-
			5,102.000	**5,051.000**	**-**	**-**

10.1. The summarized financial information of the Subsidiary company

Statement of Financial Position	CPSTL		TPTL	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Non - Current Assets	17,247.270	18,053.895	261.029	219.643
Current Assets	14,980.243	15,427.226	90.159	98.177
Total Assets	**32,227.513**	**33,481.121**	**351.188**	**317.820**
Capital and Reserves	26,480.673	27,228.877	115.277	62.032
Non - Current Liabilities	3,484.968	3,374.869	233.955	233.998
Current Liabilities	2,261.872	2,877.375	1.956	21.790
Total Equity and Liability	**32,227.513**	**33,481.121**	**351.188**	**317.820**

Statement of Comprehensive Income	CPSTL		TPTL	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Revenue	10,150.032	9,433.316	-	-
Expenses	(11,951.616)	(11,731.185)	(49.977)	(38.014)
Other Income	1,487.092	1,593.783	3.223	0.046
Profit before Tax	(314.493)	(704.086)	(46.754)	(37.968)
Income Tax Expenses	351.105	(354.612)	-	-
Profit for the year	36.611	(1,058.698)	(46.754)	(37.968)
Other comprehensive income	(405.591)	287.883	-	-
Total Comprehensive Income for the year	(368.979)	(770.814)	(46.754)	(37.968)
Dividend Paid to the non-controlling interest	-	-	120.000	-

11. Non-current Financial Assets

		CPC		Group	
	Note	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 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	-	-	-	-
		13.040	**13.040**	**13.040**	**13.040**

11.1. Quoted equity investments

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Lanka Cement Ltd.				
5,000,000 Ordinary Shares of Rs.10/= each fully paid	12.500	12.500	12.500	12.500
Adjustment for fair value changes	-		-	-
	12.500	**12.500**	**12.500**	**12.500**

11.2. Unquoted equity investments

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 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.

12. Trade & Other Receivables

	CPC			
	2023		2022 Restated	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	17,617.513	-	223,638.201	-
Receivables- Inland Revenue & Custom Dept.	1,565.728	-	10,082.604	-
Other Receivables	3,297.140	0.607	8,075.709	1,250.606
Deposits & Prepayments	583.644	574.485	1,080.541	509.657
Advance	9.351	-	27,301.644	-
Loans & Advances to Employees	56.517	4,389.636	56.003	4,519.960
Total	**23,129.893**	**4,964.729**	**270,234.703**	**6,280.223**

As at 31 December, the age analysis of trade receivables is set out below,

	CPC	
	2023 Rs. Mn	2022 Rs. Mn
Less than 30 days	4,675.764	11,979.007
30 - 90 days	4,025.048	13,125.321
91 - 180 days	1,327.104	45,402.352
181 - 365 days	3,604.009	81,418.840
More than 365 days	4,039.992	71,767.085
Total	**17,671.917**	**223,692.605**
Provision for impairment	(54.404)	(54.404)
	17,617.513	**223,638.201**

Movement in the provision for impairment of trade receivables is as follows.

	CPC	
	2023 Rs. Mn	2022 Rs. Mn
Balance as at 1st January	54.404	57.037
Less: Amount Recovered	-	(15.666)
Less: Amount write off	-	-
Add: Provision for the year	-	13.032
Balance as at 31st December	**54.404**	**54.404**

Other receivables

	CPC	
	2023 Rs. Mn	2022 Rs. Mn
Balance as at 31 December	21,459.347	8,100.833
Less: Provision	(18,162.207)	(25.124)
Less: Amount write off	**3,297.140**	**8,075.709**

A provision of Rs. 10,370.6 Mn. has been made for the interest and charges receivables from the banks and a provision of Rs. 7,766.48 has been made against the receivables from the fuel suppliers.

	Group			
	2023		2022 Restated	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	19,767.604	-	225,919.331	-
Receivables- Inland Revenue & Custom Dept.	1,846.288	-	10,416.952	-
Other Receivables	3,633.552	0.607	8,065.398	1,250.606
Deposits & Prepayments	2,285.269	574.485	3,087.320	509.657
Advance	9.351	-	27,301.644	-
Loans & Advances to Employees	1,669.300	5,723.203	1,737.717	5,954.815
	29,211.364	**6,298.296**	**276,528.362**	**7,715.078**

The carrying amounts of trade receivables are denominated in following currencies;

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Sri Lankan Rupees	17,567.724	119,123.638	19,717.815	162,601.556
United States Dollars	49.789	104,514.563	49.789	63,317.775
	17,617.513	**223,638.201**	**19,767.604**	**225,919.331**

12.1 Kerosene Subsidy

As the General Treasury confirmed the non-reimbursement of the Kerosene subsidy, Rs. 5,097.724 Mn. has been written-off from Subsidy receivable in the financial statements during the year.

13. Financial Instruments

Financial Assets by category	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Financial assets at amortized cost				
Trade and other receivables	26,528.893	266,432.322	33,663.371	273,826.488
Investments in treasury bonds	-	-	-	-
Placements with banks	-	-	-	-
Cash in hand and at bank	65,424.424	17,483.719	66,627.243	19,588.006
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	**91,966.356**	**283,929.081**	**100,303.654**	**293,427.534**

Financial Liabilities by category	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Financial Liabilities at amortized cost				
Borrowings	91,785.086	328,708.034	91,785.086	328,708.034
Trade and other payables	129,991.896	201,811.796	126,355.609	198,438.177
Total	**221,776.982**	**530,519.831**	**218,140.695**	**527,146.211**

13.1. Fair value of Financial Instruments

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are classified as financial instruments in the financial statements.

As at 31 December	Note	Carrying Amount		Fair value	
		2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Financial assets					
Non Current Financial assets					
Quoted equity investments	13.1.1	12.500	12.500	12.500	12.500
Unquoted equity investments	13.1.2	0.540	0.540	0.540	0.540
Investment in Treasury Bonds	13.1.1	-	-	-	-
Trade & Other receivables	13.1.4	44,745.678	266,512.024	26,528.893	266,432.322
Cash and cash equivalents	12.1.4	65,424.424	17,483.719	65,424.424	17,483.719
Total		**110,183.142**	**284,008.783**	**91,966.356**	**283,929.081**
Financial liabilities					
Loans & borrowings	13.1.3	10,678.377	11,833.486	10,678.377	11,833.486
Trade & other payables	13.1.4	129,991.896	201,811.796	129,991.896	201,811.796
Short term borrowings	13.1.4	81,106.708	316,874.548	81,106.708	316,874.548
Total		**221,776.982**	**530,519.831**	**221,776.982**	**530,519.830**

13.2.Determination of fair value

Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a traded price may not be possible .In these circumstances, the Group uses alternative market information and discounted cash flows to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

13.2.1 Fair value of investments in quoted equity and treasury bonds are based on price quoted in the market at the reporting date.

13.2.2 Fair value of unquoted equity investments carried at cost are assumed to equal its fair value considering the materiality of the investment.

13.2.3 Investment in deposits and loans & borrowings are evaluated by the Group based on parameters such as interest rates, creditworthiness of the bank, and the risk characteristics of the instrument. As at 31 December 2023, the carrying amounts of deposits, loans & borrowings are not materially different from their fair values.

13.2.4 Cash and cash equivalents, trade & other receivables, trade & other payables and short term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

13.3 Fair value hierarchy

The Group use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

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

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December	CPC - 2023			
	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	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Crude Oil	41,371.821	54,465.546	41,371.821	54,465.546
Other Raw material	2,228.334	6,372.753	2,228.334	6,372.753
Finished Products	117,054.495	77,650.267	117,069.803	77,660.487
Intermediate Product	2,089.572	6,325.185	2,089.572	6,325.185
Other Materials & Supplies	4,419.609	4,850.813	5,306.030	5,715.639
Less: Provision for Slow Moving Items	(361.232)	(361.232)	(379.900)	(378.307)
	166,802.597	**149,303.332**	**167,685.660**	**150,161.303**

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 31.12.2023 is Rs. 23,493.96 Mn. (2022 - Rs. 60,718.661 Mn.).

As the legal actions have not been finalized against the employees related to the losses of the stocks, inventory amounting to Rs. 7.65 Mn. is maintained in the Stock in Transits.

15. Cash & Cash Equivalents

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Components of Cash and Cash Equivalents				
Cash at Bank and in hand	65,424.424	17,483.719	66,627.243	19,588.006

The bank deposits as at 31.12.2023 amounting to USD 33.133 million has been pledged 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	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Cash and cash equivalents	65,424.424	17,483.719	66,627.243	19,588.006
Bank overdrafts (note 22)	(22,086.807)	(354.628)	(22,086.807)	(354.628)
	43,337.617	**17,129.091**	**44,540.435**	**19,233.378**

16. Contributed Capital

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Balance as at 31st December	912,580.511	28,487.125	912,580.511	28,487.125
Equity capital through loan settlements	-	884,093.386	-	884,093.386
	912,580.511	**912,580.511**	**912,580.511**	**912,580.511**

No authorized capital has been fixed by the Parliament.

17. Reserves

17.1. Capital Reserve

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 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	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Balance as at 1st January	28,049.112	28,063.101	28,049.112	28,063.101
Disposals	-	(13.989)	-	(13.989)
Balance as at 31st December	**28,049.112**	**28,049.112**	**28,049.112**	**28,049.112**

The revaluation reserve is used to record increases in the fair value of land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

18. Retirement Benefit Obligation

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Balance as at 01st January	1,492.051	1,851.783	2,775.923	3,461.107
Less: Payable for those who left during the period	-	(9.105)	-	(9.105)
Payments made during the year	(226.658)	(190.506)	(471.552)	(375.283)
	1,265.393	1,652.172	2,304.371	3,076.719
Add: Current service cost	83.559	98.539	146.550	184.054
Interest cost	268.569	203.696	506.085	388.768
Actuarial (gain)/loss	107.162	(462.357)	686.578	(873.619)
	1,724.684	1,492.051	3,643.584	2,775.923
Add: Benefit China Bay /LLL/NYLON/CPSTL Employees	10.025	10.025	10.025	10.025
Balance as at 31st December	**1,734.709**	**1,502.076**	**3,653.610**	**2,785.949**
Expenses on retirement benefit obligation				
Income Statement				
Current service cost	83.559	98.539	146.550	184.054
Interest cost	268.569	203.696	506.085	388.768
	352.129	**302.236**	**652.636**	**572.823**
Other Comprehensive income				
Actuarial (gain)/loss	107.162	(462.357)	686.578	(873.619)
	107.162	**(462.357)**	**686.578**	**(873.619)**

Actuarial valuation of retirement benefit obligation as at 31 December 2023 was carried out by messrs 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 :

	2023	2022
Expected Salary increment	25% once in 3 years	36% once in 3 years
Expected Staff turnover	7.00%	5.00%
Interest /Discount Rate	13.00%	18.00%
Retirement age	60 years	60 years
No. of employees	2,082	2,232
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 2023. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Assumption	CPC		
	Change in the assumption	Sensitivity effect on Income statement	Sensitivity effect on Retirement Benefit Obligation
		2023 Rs. Mn	2023 Rs. Mn
Discount Rate	Increased by 1% point	80.747	(80.747)
	Decreased by 1% point	(88.642)	88.642
Salary Increment	Increased by 1% point	(97.417)	97.417
	Decreased by 1% point	89.561	(89.561)

19. Deferred Tax - CPC

CPC has carried forward tax losses amounting to Rs. 796,480 Mn (2022 Rs. 741,598 Mn) which are available to set-off against the future tax profits. Deferred tax assets not accounted on these lossess amounts to Rs. 238,944 Mn (2022 Rs. 222,480 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

	2023 Rs. Mn	2022 Rs. Mn
Balance at the beginning of the period	3,111.962	2,492.927
Origination and reversal of temporary difference - Income Statement	-	-
- Other Comprehensive income	-	619.035
Balance at the end of period	**3,111.962**	**3,111.962**
Deferred tax Assets	-	-
Deferred tax liability	3,111.962	3,111.962
Net deferred tax liability	**3,111.962**	**3,111.962**

19.2 Recognized deferred tax assets and liabilities

	2023 Rs. Mn		2022 Rs. Mn	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Property, Plant & Equipment & Intangible assets				
Land	-	3,111.962	619.035	3,111.962
	-	**3,111.962**	**619.035**	**3,111.962**

Deferred tax has been calculated using an effective tax rate @ 30% and no movement of liability in 2023.

19.1. Deferred Tax - Group

	2023 Rs. Mn	2022 Rs. Mn
Balance at the beginning of the period	5,202.958	4,102.738
Origination and reversal of temporary difference - Income Statement	(351.104)	357.806
- Other Comprehensive income	(173.824)	742.414
Balance at the end of period	**4,678.029**	**5,202.958**
Deferred tax Assets	(913.303)	(399.870)
Deferred tax liability	5,591.332	5,602.828
Net deferred tax liability	**4,678.029**	**5,202.958**

19.2 Recognized deferred tax assets and liabilities

	2023 Rs. Mn		2022 Rs. Mn	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Property, Plant & Equipment & Intangible assets	(11.496)	2,478.892	483.555	2,490.866
Land	-	3,112.438	616.332	3,111.962
Deferred tax assets				
Inventories	(0.478)	(5.600)	(1.102)	(5.122)
Provisions	1.138	(8.447)	0.358	(9.586)
Employee benefit plan	(190.509)	(575.670)	1.077	(385.162)
Tax loss	(323.584)	(323.584)	-	-
	(524.929)	**4,678.029**	**1,100.220**	**5,202.958**

Deferred tax has been calculated using an effective tax rate @ 30%. The singletax rates applied different levels of taxable income, resulting to Rs. 524.929 Mn decrease in the deferred tax liability as at 31 December 2023.

20. Loans & Borrowings

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Peoples Bank-BIA Project	1,777.870	2,152.997	1,777.870	2,152.997
Self Financing Facility(CNCEC-14) -BIA Project	7,493.657	8,161.668	7,493.657	8,161.668
	9,271.526	**10,314.665**	**9,271.526**	**10,314.665**
20.1 Current Portion of Loans & Borrowings				
Peoples Bank-BIA Project	253.981	430.599	253.981	430.599
Self Financing Facility(CNCEC-14) -BIA Project	1,152.870	1,088.222	1,152.870	1,088.222
	1,406.851	**1,518.821**	**1,406.851**	**1,518.821**

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 31.12.2023 is USD. 6,180,000.00 and USD 26,298,950.01 for M/s Peoples Bank and M/s China National Chemical Engineering No 14. Construction Co.Ltd (CNCEC) respectively.

20.2. Loans Repayable within five years from 31st December is as follows:

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Amount due within 2 years	2,813.702	2,894.109	2,813.702	2,894.109
Amount due within 3-5 years	4,220.553	4,125.864	4,220.553	4,125.864
Amount due after 5 years	3,644.122	4,813.513	3,644.122	4,813.513
	10,678.377	**11,833.486**	**10,678.377**	**11,833.486**

The carrying values of borrowings are considered to be the fair value.

(a) People's bank USD 7,725 Mn. Loan - (Interest 6 months LIBOR+5%p.a.) repayable in biannual instalments commencing from Dec 30, 2021.

(b) Self Financial Facility USD 43.775 Mn. Loan - (Interest 6 months LIBOR+3.55%p.a.) repayable in biannual instalments commencing from July 19, 2021.

21. Trade & Other Payables

	CPC		Group	
	2023 Rs. Mn	2022 Restated Rs. Mn	2023 Rs. Mn	2022 Restated Rs. Mn
Foreign Bills Payable	76,245.295	166,566.481	76,245.295	166,566.482
Other Creditors				
- Amount due to Inland Revenue & Custom Dept.	51,231.700	45,384.889	51,231.700	45,384.890
- Accrued Expenses	39,305.089	18,347.631	34,814.670	13,771.077
- Other payables	14,441.511	16,897.683	15,295.643	18,100.619
	181,223.595	**247,196.685**	**177,587.308**	**243,823.068**

Trade payables include the payable amounting to USD 230.925 million (Rs. 75,923.207 million as at 31.12.2023) 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 gain of Rs. 9,890.155 million (loss in 2022 - Rs. 42,307.890 million) for the year 2023 and Rs. 50,615.262 million for the period from 2012 to 2023. As per the agreement between Sri Lanka Tea Board and CPC, arrangements has made to transfer monthly minimum of USD 5 million until the the amount is utilized to settle the payment to exporters in Sri Lanka. Accordingly, USD 20 million has been settled to NIOC through the above agreement during this period.

Amount due to Inland Revenue & Custom Dept. include the excise duty, NBT, SSCL and income tax payable. Refundable VAT is included under other receivables. As monthly utility fees not paid by the dealers, taxes related to the monthly utility fees have not been paid and included under taxes payable until the dealers agreed to pay or finalization of the litigation action. The most of the last payments raised to Customs have been realized in January and February 2024 and those balances represent in unrealised payments in the bank overdraft balances.

22. Short Term Borrowings

	CPC		Group	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
Bank & Other loans				
- Wholly Repayable within one year	59,019.901	316,519.920	59,019.901	316,519.920
- Bank Overdrafts	22,086.807	354.628	22,086.807	354.628
	81,106.708	**316,874.548**	**81,106.708**	**316,874.548**

Bank Borrowings (except Overdraft) were guaranteed by a Treasury indemnity of Rs. 100 Bn issued to Bank of Ceylon on behalf of the Corporation as at 31.12.2023. The loans and bills obtained against indemnities issued upto 2022 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	
	2023 Rs. Mn	2022 Rs. Mn	2023 Rs. Mn	2022 Rs. Mn
23.1 Staff Cost				
Salaries & Wages	5,565.501	5,694.238	11,395.806	11,867.501
Defined Contribution Plan	565.557	598.733	1,100.430	1,170.976
Defined benefit obligation (Note 18)	352.129	302.236	652.636	572.823
	6,483.186	**6,595.207**	**13,148.872**	**13,611.301**

24. Operating Segments

	Transport Rs. Mn	Power Generation Rs. Mn	Aviation Rs. Mn	Industries Rs. Mn	Storage & Transportation Rs. Mn	Others Rs. Mn	Eliminations/ Adjustments Rs. Mn	Total Rs. Mn
Revenue								
External Customers	959,301.443	181,386.453	121,518.463	18,799.094	790.704	(20,013.089)	-	**1,261,783.069**
Inter Segment					11,969.811		(11,969.811)	-
Total Revenue	**959,301.443**	**181,386.453**	**121,518.463**	**18,799.094**	**12,760.516**	**(20,013.089)**	**(11,969.811)**	**1,261,783.069**
Results								
Operating Profit	58,934.662	11,795.737	3,714.480	2,839.943	-	11,707.474	-	**88,992.297**
Exchange Rate Variation	-	-	-	-	-	20,340.299	-	**20,340.299**
Net Finance Cost	-	-	-	-	-	10,414.092		**10,414.092**
Profit /(Loss) before tax	**58,934.662**	**11,795.737**	**3,714.480**	**2,839.943**	**-**	**42,461.865**	**-**	**119,746.688**
Income tax Expense					351.105		(36.000)	**315.105**
Profit/(Loss) for the year	58,934.662	11,795.737	3,714.480	2,839.943	351.105	42,461.865	(36.000)	**120,061.792**

25. Restatement of Financial Statements

1. The receivables amounting to Rs. 1,516.041 Mn. from Customs and Inland Revenue Department which was writen-off in 2021 has been adjusted back to the year 2021.

2. The Right-of-Use-Assets adjustments relating to the Trinco Tank farm and Area Office have been adjusted as per the SLFR-16 and adjustments have been made retrospectively.

3. Exchange rate variation amounting to Rs. 2,467.35 Mn. has been adjusted retrospectively. Further, increase of railway charges amounting to Rs. 53.90 Mn. due wagon rate increase have been adjusted to the year 2022.

4. The impact of restatements of CPSTL financial statements made in 2022 and the differences between 2022 draft financial statements used for the preparation of the consolidated financial statements and audited financial statements have been adjusted retrospectively.

5. Reclassifications including Cash & Cash Equivalents 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

1 January 2022	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Right-of-use-Assets	15.433	3.707	19.140	17.841	3.707	21.548
Trade & Other Receivables	183,323.312	1,462.252	184,785.564	188,353.174	1,462.252	189,815.426
Others	239,663.358	-	239,663.358	255,619.671	-	255,619.671
Total Assets	**423,002.103**	**1,465.959**	**424,468.062**	**443,990.686**	**1,465.959**	**445,456.645**
Trade and Other Payables	257,062.561	(53.789)	257,008.772	251,927.649	-	251,927.649
Lease liabilities	18.350	3.133	21.483	21.015	(50.656)	(29.641)
Other Liabilities	520,517.062	-	520,517.062	523,736.197	-	523,736.197
Total Liabilities	**777,597.973**	**(50.656)**	**777,547.317**	**775,684.861**	**(50.656)**	**775,634.205**
Retained earnings	(416,100.782)	1,516.615	(414,584.167)	(402,501.506)	1,516.615	(400,984.891)
Non Controlling Interest	-	-	-	9,302.419	-	9,302.419
Capital & Other reserves	61,504.912	-	61,504.912	61,504.912	-	61,504.912
Total Equity	**(354,595.870)**	**1,516.615**	**(353,079.255)**	**(331,694.175)**	**1,516.615**	**(330,177.560)**

31 December 2022	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Right-of-use-Assets	96.830	4.849	101.679	308.527	11.506	320.033
Trade and Other Receivables	268,786.695	1,448.008	270,234.703	275,163.447	1,364.915	276,528.362
Other Assets	223,564.859	-	223,564.858	239,531.301	-	239,531.301
Total Assets	**492,448.384**	**1,452.857**	**493,901.241**	**515,003.275**	**1,376.421**	**516,379.696**
Trade and Other Payables	244,729.224	2,467.461	247,196.685	241,409.509	2,413.557	243,823.066
Lease liabilities	109.393	5.029	114.422	343.429	12.841	356.270
Others	333,322.072	-	333,322.072	336,696.941		336,696.941
Total Liabilities	**578,160.689**	**2,472.490**	**580,633.179**	**578,449.879**	**2,426.398**	**580,876.277**
Retained earnings	(1,031,296.614)	(1,019.633)	(1,032,316.247)	(1,018,147.896)	(1,039.682)	(1,019,187.578)
Non Controlling Interest	-	-	-	9,116.983	(10.295)	9,106.688
Capital & Other reserves	945,584.309	-	945,584.309	945,584.309	-	945,584.309
Total Equity	**(85,712.305)**	**(1,019.633)**	**(86,731.938)**	**(63,446.604)**	**(1,049.977)**	**(64,496.582)**

25.2 Statement of Comprehensive Income

For the year ended 31 December 2022	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Sales Revenue	1,148,801.118	-	1,148,801.118	1,146,314.748	(53.904)	1,146,260.844
Cost of Sales	(1,108,951.921)	-	(1,108,951.921)	(1,112,748.239)	(121.619)	(1,112,869.858)
Other Operating Income	1,188.355		1,188.355	2,489.990	-	2,489.990
S&D and Administrative Expenses	(47,194.542)	(53.891)	(47,248.433)	(43,086.510)	(0.123)	(43,086.633)
Others	(608,896.152)	(2,482.358)	(611,378.511)	(608,641.398)	(2,483.375)	(611,124.773)
Profit/(loss) before tax	**(615,053.142)**	**(2,536.249)**	**(617,589.391)**	**(615,671.408)**	**(2,659.021)**	**(618,330.430)**
Income tax Expenses	-	-	-	(354.612)	-	(354.612)
Profit /(Loss) for the year	(615,053.142)	(2,536.249)	(617,589.391)	(616,026.020)	(2,659.021)	(618,685.042)
Other Comprehensive Income	(156.678)	-	(156.678)	131.205	-	131.205
Total comprehensive income	**(615,209.821)**	**(2,536.249)**	**(617,746.069)**	**(615,894.816)**	**(2,659.021)**	**(618,553.837)**

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, 1710, 1740, 1810, 1830, 2130 and 2240 amounting (including penalties) to Rs. 433.25 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., Rs.15.68, Rs. 78.25 Mn., Rs. 38.43 Mn., Rs. 121.81 Mn., Rs. 9.11 Mn., Rs. 11.51Mn. and Rs. 2.19 Mn. respectively. Assessments on Pay As You Earn Tax for the period 1516 amounting (including penalties) to Rs. 21.97 Mn. Penalties to the Customs for the period up to 2023 is amounting to Rs. 5.27 Bn.

Assessments issued under the Income Tax have been disclosed under the Note 07 – Tax Expense.

Demurrages

As ascertained by the Corporation, CPC has recognized the Rs. 1,480.75 Mn. as demurrage claims (incurred in prior years) ascertained by the Corporation. The demurrage claims for the imports of Crude oil and petroleum products amounting to USD 6.37 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 2023 relates to following;

Commitments to the Banks

The Corporation established Letter of Credits (LCs) & Usance bills amounting to Rs. 32,750 Mn. (2022- Rs. 8,837 Mn.) and Rs. 00 Mn. (2022 - Rs. 43,691 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. 281.19 Mn and established bills collection amounting to Rs. 12.21 Mn. at two states banks.

CPSTL has established LCs amounting to Rs. 10.31Mn. and bank guarantees amounting to Rs. 0.45 Mn. as at 31 December 2023.

Pending Litigations at the reporting date

There were 198 (2022-218) unsettled legal cases as at 31st December 2023 and details are noted below.

Type of Legal Cases	No. of Cases			
	2023		2022	
	CPC	Group	CPC	Group
Labour Tribunal Cases	04	8	07	12
Magistrate Court Cases	03	5	03	17
District Court Cases	34	39	30	33
High Court Cases	12	13	14	14
Court of Appeal Cases	13	16	14	16
Supreme Court Cases	28	33	23	28
Human Rights Commission	30	31	25	32
Department of Labor	42	53	38	66
Total	**166**	**198**	**154**	**218**

Out of the above cases the following cases are 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.

There are five pending cases in the High Court of Civil Appeal Colombo against CPC and the Court has issued following interim Orders pending final hearing and determination of the application without notice to CPC. (a). Preventing the CPC from paying the Petroleum Dealers as Commission a sum less than 3% of the retail price of Petroleum Products, (b) Preventing CPC from recovery any sum of money already paid as commission,
(c) Preventing CPC from paying the Petroleum Dealers as commission on a price other than the prevailing retail price of Petroleum Products. The amount receivable to CPC from dealers as at 31.12.2023, if the above mentioned cases are determined in favour of CPC is Rs. 26,306.41 Mn.

There are two pending cases in the District Court of Colombo against CPC with an Enjoining Order, restraining CPC in implementing the Circular No. 1053 dated 05.07.2022 on recovering a monthly utility fee pending hearing and determination of the application for interim injunction. The amount receivable to CPC from dealers for the year 2023 as per Circular No. 1053 is Rs. 1.43 Bn. and out of which Rs. 120 Mn. is not accounted due to the above mentioned court Enjoining Order.

The aforementioned cases are still pending in the Courts and the Management believes that these cases may not have adverse effect on the continuation of the operations of the Corporation. No related provisions are made.

27. Events After the Reporting Date

All material events after the reporting date, if any and where necessary have been considered and appropriate adjustments/disclosures have been made in the Financial Statements.

28. Financial Risk Management

The Group's activities expose to a variety of financial risks; market risk (including currency risk, interest rate risk), credit risk, liquidity risk and price risk. Risk management is carried out by management under policies approved by Board of Directors. Management identifies and evaluates the financial risks with reference to the operations of the Group. The Group's overall risk management programs seek to minimize potential adverse effects on the Group's financial performance. .

The principal financial instruments of the Group comprise of fixed deposits, government securities, US Dollar deposits and cash. The main purpose of these finance instruments is to improve and maintain liquidity of the Group and to maximize financial return on the invested funds. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

(a). Market risk

(i). Foreign exchange risk

When the Corporation imports the petroleum products it is exposed to foreign exchange risk arising from currency exposure, primarily with respect to US dollars. The Group's functional currency is LKR in which most of the domestic transactions are denominated, and all other currencies are considered as foreign currencies for reporting purposes. Certain bank balances, trade receivables and trade payables are denominated in foreign currencies.

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

Item	Value as at 31 December 2023 USD Mn	Year end Exchange rate Rs./USD	Change in Exchange rate	* Effect on Profit Before tax Rs. Mn
Loan and Borrowings	32.479	328.7784	1% increase	(107)
Bills & Other payables	403.833	328.7784	1% increase	(1,328)
Trade & Other Receivables	41.578	319.1762	1% increase	133
Bank Balance	174.739	319.1762	1% increase	558
Total				**(744)**

* 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. 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	
	2023 Rs. Mn	2022 Rs. Mn
Less than 30 days	4,675.764	11,979.007
30 - 90 days	4,025.048	13,125.321
91 - 180 days	1,327.104	45,402.352
181 - 365 days	3,604.009	81,418.840
More than 365 days	4,039.992	71,767.085
Total	**17,671.917**	**223,692.605**
Provision for impairment	(54.404)	(54.404)
	17,617.513	**223,638.201**

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 and money market. At the reporting date, the Corporation held cash and cash equivalents of Rs. 43,337.617 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 2023 (Rs. million)

	Less than 3 months	3 months to 12 months	1 – 2 year s	3-5 Years	Over 5 years
Bank borrowings	81,107	-	-	-	-
Long term debt	703	2,111	2,814	4,221	830
Total	**81,810**	**2,111**	**2,814**	**4,221**	**830**

(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. Mohamed Uvais Mohamed was the Chairman of CPC up to 27.09.2023, and he served as Chairman of CPSTL. Mr. Susantha Silva was the Managing Director of CPC up to 13.02.2023, and he served as Managing Director of CPSTL. Mr. Saliya Wickramasuriya appointed as the Chairman of the Corporation with effects from 05.10.2023 and he serves as the Chairman of CPSTL and Director of TPTL. Colonel (Retd) S R P Ratnayake is the Managing Director of the Corporation with effects from 27.07.2023 and he is the Managing Director of CPSTL.

Admiral Ravindra C Wijegunaratne functioned as the Managing Director of the Corporation during 14.02.2023 to 26.07.2023 and he serves as the Director of TPTL from 10.02.2023 to 31.10.2023. Mr. Gihan Rashantha and Mr. Sudeepa Rathnaweera are Directors of CPC and they serve as Directors of TPTL with effects from 31.03.2023.

Compensation of Key Management Personnel

	CPC	
	2023 Rs. Mn	**2022 Rs. Mn**
Short term Benefits	9.702	9.643

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	**2023 Rs. Mn**	**2022 Rs. Mn**
Sales & Services rendered to related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	2,623.889	2,888.529
Other related parties		
Ministry of Power & Energy		25.221
		2,913.750
Services received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	9,353.805	9,038.71
	9,353.805	**9,038.71**

Dividends received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	240.000	-
	240.000	-
Other transactions with parties		
Subsidiary		
Investment		
Trinco Petroleum Terminal (Pvt) Limited	51.000	51.000
	51.000	51.000
Amount due from related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	228.035	1,247.065
Trinco Petroleum Terminal (Pvt) Limited	0.003	0.003
Other related parties		
Ministry of Power & Energy	1.496	4.445
	229.533	1,251.513
Amount due to related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	6,128.108	7,511.998

* Amounts are classified as trade and other receivables and trade and other payables, respectively

Terms and conditions of transactions with related parties

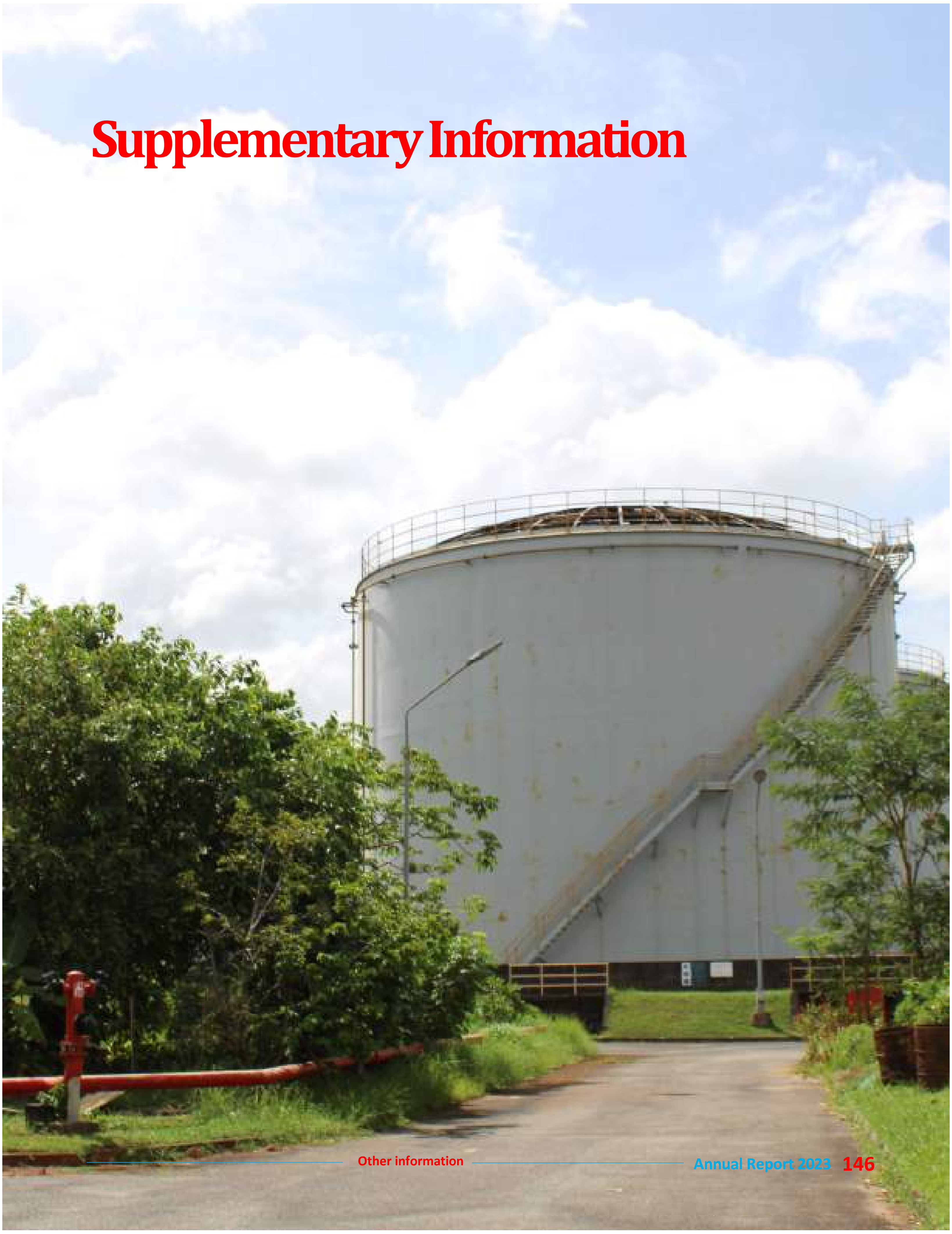
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

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. The Corporation and its Group was able earn Rs. 119,549 Mn. profit during the year and accordingly negative net assets position has improved to positive net assets position as at 31st December 2023. Accordingly, CPC believe that the Corporation has ability to continue as going concern basis.

Supplementary Information



Decade at a Glance

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (restated)	2023
Domestic Prices	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Petrol - 92 Octane	150	117	117	117	125	137	137	177	370	346
Auto Diesel	111	95	95	95	101	104	104	121	420	329
Super Diesel	133	110	110	110	121	132	132	159	510	434
Kerosene	81	49	44	44	70	70	70	87	365	247
Furnace Oil 800"	92.2	80	80	80	92	96	96	110	320	207
Furnace Oil 1500"	90	80	80	80	96	96	96	110	320	207
Financial Performance	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Revenue	525,182	376,734	423,061	445,950	575,492	630,860	522,533	584,754	1,148,801	1,263,603
Cost of Sales	-499,956	-337,119	-326,441	-418,962	-579,617	-626,599	-454,880	-588,822	-1,108,952	-1,101,488
Gross Margin	25,226	39,615	96,620	26,988	-4,124	4,261	67,653	-4,068	39,849	162,115
Net operating expenses and interest	-24,532	-55,637	-27,067	-24,173	-102,016	-16,096	-65,297	-78,158	-654,902	-41,769
Profit/(Loss) before tax	694	-19,886	69,553	2,815	-106,140	-11,836	2,356	-82,226	-615,053	120,346
Financial Position	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Capital	3,500	28,487	28,487	28,487	28,487	28,487	28,487	28,487	912,581	912,581
Reserves	-236,791	-257,472	-214,334	-205,479	-309,949	-324,610	-303,710	-386,024	-998,293	-879,110
L/T Liabilities	703	342	266	190	1,539	6,838	7,271	7,766	13,535	12,490
Gratuity Provision	664	861	754	1,708	1,681	1,686	1,702	1,862	1,502	1,735
Total	**-231,924**	**-227,782**	**-184,827**	**-175,094**	**-278,242**	**-287,599**	**-266,250**	**-347,909**	**-70,675**	**47,696**
Profitability Ratios										
Gross Profit Ratio	4.80%	10.50%	22.80%	6.05%	-0.72%	0.68%	12.95%	-0.70%	3.47%	12.33%
Net Profit Ratio	0.00%	-5.30%	16.40%	0.24%	-18.45%	-1.88%	0.44%	-13.85%	-53.28%	9.15%
Operating Ratios										
Inventory T/O Ratio	7.77	6.44	8.53	9.48	9.51	9.53	8.66	14.05	7.43	6.60
Interest Cover	1.05	-0.32	7.1	1.32	-2.1	-1.3	1.62	-1.61	-0.05	12.06
Liquidity Ratios										
Current assets Ratio	0.34	0.31	0.34	0.38	0.44	0.47	0.45	0.48	0.77	0.97
Quick Ratio	0.19	0.21	0.24	0.27	0.34	0.36	0.36	0.42	0.51	0.34

Corporate Information

Name of the entity:	Ceylon Petroleum Corporation
Legal form:	A public corporation incorporated under Ceylon Petroleum Corporation Act No. 28 of 1961
Registered office:	609, Dr. Danister De Silva Mawatha, Colombo 09.
Telephone:	+94 11 7296100
E-mail:	secratariat@ceypetco.gov.lk
Website:	www.ceypetco.gov.lk
Financial year:	01 January to 31 December
Board of Directors:	Mr. D J A S De S Rajakaruna (Chairman) Dr. Mayura Neththikumarage (Managing Director) Mr. R M S P S Bandara Mr. M M Christy Doss Mr. A J L Wimalaratne Mr. Mahendra Garusinghe
Subsidiary companies:	Ceylon Petroleum Storage Terminals Limited, Oil Installation, Kollonnawa. Trinco Petroleum Terminal (Pvt) Limited, Colombo
Auditors:	The Auditor General
Bankers:	People's Bank, Bank of Ceylon, Commercial Bank, Hatton National Bank, Nations Trust Bank, National Development Bank, Sampath Bank, DFCC Bank

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