EACH
DROP
OF FUEL FOR RESILIENT GROWTH

ANNUAL REPORT 2020
CEYLON PETROLEUM CORPORATION

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Each Drop of Fuel for Resilient Growth

CPC plays a vital role in the national economy through continuous supply of petroleum products to discharge its responsibilities of energy security vested to CPC. Considering the paramount importance and sensitivity of availability and cost of petroleum products towards the country's overall development agendas, we are dedicated to affirm energy security at all times.

We are strongly committed to assure uninterrupted fuel supply to the nation to reach its economic growth mandates and each drop of fuel we supply contributes for the resilient growth of the country.

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About Us

Ceylon Petroleum Corporation (CPC) is a public corporation incorporated under Ceylon Petroleum Corporation Act, No. 28 of 1961 with the purpose of Importing, refining and selling of Petroleum Products in Sri Lanka. Our island-wide distribution channels are dispersed throughout the country enabling nation for accessibility to the fuel. The CPC Refinery, key strategic asset that plays crucial role with creating value to the nation. We are the market leader having over 80% of the market share and our distribution channel of 1322 filling stations reaches every corner of the country to assure easy accessibility to fuel.

We refine 30% of the requirements through our Refinery and gap is full filled via importation of the refined products. As a state owned corporation, we are determined to pledge the best possible domestic energy prices while transferring all internally-generated cost advantages to the national economy by providing most of our products at subsidized price.

Ceylon Petroleum Storage Terminals Limited (CPSTL) is our subsidiary having the stake of 2/3. CPSTL has been established with the aim of storage and distribution of petroleum products and provision of information technology services.

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

Our Business

Transport

The sector accounts more than 70% of the total revenue and Petrol 92, Petrol 95, Auto Diesel and Super Diesel are supplied to general public through the extensive dealer network of 1322 covering all part of the island. Most of our filling stations provides 24 hours x 7 days service for the convenience of the general public.

Power Generation

We supply Auto Diesel, Furnace Oil and Naphtha for the CEB and IPPs thermal power plants and the sector records as second highest income generator of CPC.

Agro Chemicals

Having over 5 decades of market presence, Ceypetco Agro Chemicals sector continues with high quality agro chemical products at a reasonable price to protect the farmers from the exploitations by the competitors.

Aviation

CPC is the sole supplier and into-plane operator of Aviation Fuel Business and operating in all international airports within Sri Lanka. We supply aviation fuel with international level quality standards to the local and international airline customers as quality is our prime concern.

Industries

The sector provides Furnace oil, Industrial Kerosene, SBP, Bitumen and Lubricant to the industry consumers that are vital for the economic development. CPC plays a significant role in Lubricant and Bitumen markets by providing a quality products at a reasonable price to meet customer demand.

Domestic

Domestic sector comprises Kerosene and LPG. Kerosene is provided at highly subsidized price to provide relief for the low income families and the Refinery produced LPG supplies to two LPG distributors of the country.

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 to Agro Chemical sector

1971 — Bunkering operations and aviation re-fuelling activities were added to the Corporation's scope through amendments to the CPC Act.

1978 — CPC built a plant for the manufacture of Nylon 6 yarn for textile, tires and fishing industries

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

1987 — A Single Point Buoy Mooring (SPBM) facility was installed 9.2 km away from the Colombo port; commissioned together with an intermediate crude oil storage tank farm at Orugodawatta.

1992 — CPC revamped the crude distiller unit to improve refinery process flexibility and efficiency

1994 — De-regulation of import and distribution of solvents and lubricants.

1995 — Rehabilitation of Kollonnawa and Orugodawatta Tank Farms which are damaged due to a terrorist attack.

1999

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

2002

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

2003

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

2010

Cabinet decided to allocate the 107 filling stations and the 1/3 share of the CPSTL that was being reserved for a third competitor to CPC. CPC introduced super diesel (10ppm) to the market.

2011

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

2012

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

2013

Upgraded the 90 Octane petrol to 92 Octane petrol.

2014

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

2016

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

2018

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

2019

Celebration of 50 year Anniversary of the Refinery. CPC recorded Highest Revenue in the history.

2020

Commencement of LNG section. Reported a profit of Rs. 2.37 billion.

About Our Report

We have adopted an integrated approach for reporting on our activities to become more transparent on the Corporation's strategy, performance, governance, risk, and value creation.

Scope and Boundaries

This annual report provides information relating to Ceylon Petroleum Corporation's business model, operating context, strategies, material risks and opportunities, governance and operational performance for the period from 01 January 2020 to 31 December 2020. The report covers the performance of our strategic business units during the period.

In addition, we have presented annual audited financial statements together with the audit report. Financial information is presented in accordance with regulatory requirements and non-financial information presented within the report, unless explicitly stated, refers to information relating only to the CPC and excludes the subsidiary as the CPC accounts for over 90% of Total Operating Income, Total Assets & Total Liabilities.

The reporting framework for all our reports has been guided by the principles and requirements contained and how interactions with the external environment and the capitals impacted the ability to create value over the short, medium and long term.

Reporting Framework
• Sri Lanka Accounting 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
• Integrated Reporting (IR) Framework published by the International Integrated Reporting Council
• Sustainable Development Goals (SDGs)
• Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Materiality

This report provides information applying the principle of materiality that we believe is of material interest to current and prospective stakeholders who wish to make an informed assessment of Ceylon Petroleum Corporation's ability to generate value over the short, medium and long term. We have sought to ensure that all the information in this report relates to matters affecting value creation at the CPC.

Understanding our business (pages 2 to 12), our business model (page 51 to 52) and our activities and impacts across our value chain (pages 53 to 80) forms the basis for appreciating how CPC creates value and to identify the issues that impacts value. Our ability to create value is determined by our operating context (pages 33 to 36) and by our response to the risks and opportunities (pages 85 to 90).

Our performance (pages 37 to 48), our leadership team (pages 21 to 30), and our governance practices (pages 91 to 104) are also presented in this report. Additional information that may be of interest to stakeholders, is provided in our annual reports.

Our Audit Committee provides internal assurance to the Board on timely basis on the execution of the combined assurance plan. The Audit Committee report is on pages 97 to 98. The Auditor General provided the assurance on our Annual Financial Statements 2020 (see pages 106 to 130).

The established process provide the assurance on our Integrated Report 2020, which contains both financial and non-financial information.

Feedback

CPC dedicated for enhancing the readability and relevance of our report. We welcome your suggestions, inquiries and feedback on CPC Annual Report 2020. Please forward your feedback to,

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

finadminsec@ceypetco.gov.lk

0094115455147

Navigation to Our Report

Capitals

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

Stakeholders

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

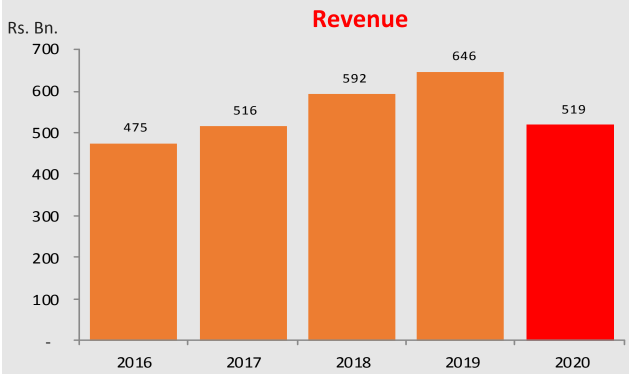
Strategies

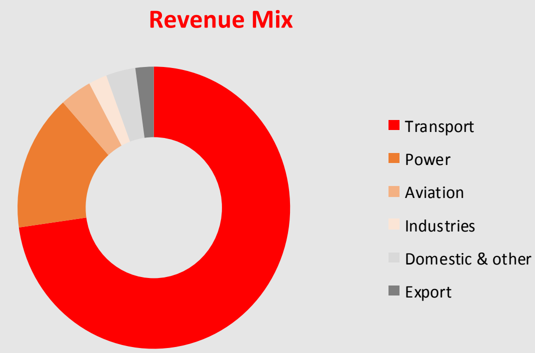
- Profitable Growth
- Sustainability
- Operational Excellence
- Technological Advancement
- Investment in Human Capital

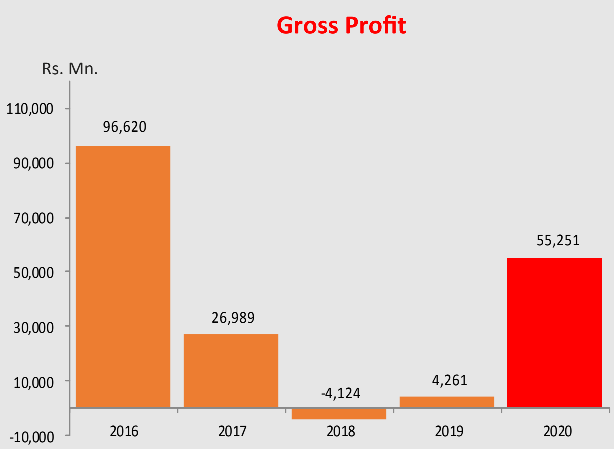
Financial Highlights

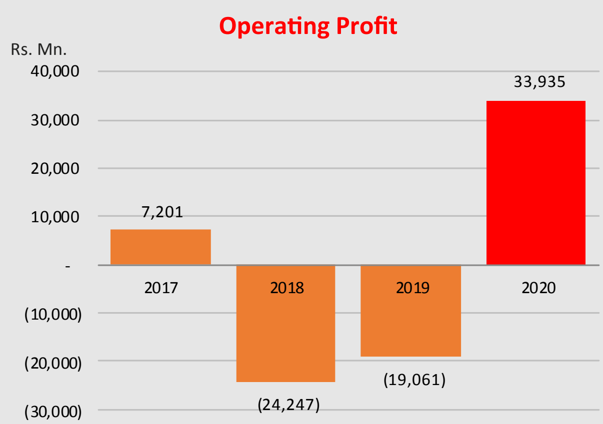
	CPC		Group	
	2020	2019 Restated	2020	2019 Restated
	Rs. Mn	*Rs. Mn*	*Rs. Mn*	*Rs. Mn*
OPERATING RESULT				
Revenue - Gross	518,870.925	646,591.538	519,093.098	646,747.434
Gross (Loss)/Profit	55,250.865	4,260.657	48,333.939	(3,701.023)
Operating (Loss)/Profit	33,935.151	(19,060.577)	35,732.795	(16,605.200)
Finance Income	11,187.890	13,525.966	11,497.173	13,848.996
Profit for the year	2,370.955	(11,856.600)	4,269.073	(10,240.722)
Total comprehensive income	20,562.123	(11,757.103)	22,345.490	(10,239.003)
FINANCIAL POSITION				
Total Assets	324,572.346	328,282.069	347,136.524	351,641.630
Inventories	52,507.840	65,757.217	53,206.909	66,432.827
Cash & Cash Equivalent	64,563.572	32,559.409	68,005.593	36,559.120
Equity	(275,561.146)	(296,123.269)	(252,644.368)	(274,914.690)
Non current liabilities	8,973.494	8,524.671	12,585.687	12,316.684
Non-current borrowings	4,776.927	3,928.702	4,776.927	3,928.702
Short term borrowings	391,039.545	310,010.734	391,039.545	310,010.734
Total Borrowings	395,816.472	313,939.436	395,816.472	313,939.436

KEY RATIOS — CPC	2020	2019	2018	2017
Gross Profit Ratio	10.83%	0.68%	-0.72%	6.05%
Operating Profit Margin	6.65%	-3.02%	-4.21%	1.61%
Net Profit Ratio	0.46%	-1.88%	-18.45%	0.24%
Return on Total Assets	10.46%	-5.81%	-7.28%	3.29%
Inventory Turnover Ratio	8.66	9.53	9.51	9.49
Assets Turnover Ratio	1.57	1.93	1.73	2.04
Current Ratio	0.45	0.47	0.44	0.38
Quick Ratio	0.36	0.36	0.34	0.27
Interest Cover	1.62	(1.30)	(2.01)	0.68









Capital Investments
2,098
(Rs. Mn.)

Contribution to the Government
152,311
(Rs. Mn.)

Net Profit
2,371
(Rs. Mn.)

Finance Income
11,188
(Rs. Mn.)

Other Comprehensive Income
20,562
(Rs. Mn.)

Operational Highlights

	Metric	2020	2019
Sales	M.Ltrs.	5,029	6,082
Stock at the year end	M. Ltrs.	410.251	438.687
Total filling stations	No.	1,322	1,302
New filling Stations	No.	25	23
Total workforce	No.	2,508	2,616
Staff cost	Rs. Mn.	5,719	5,865
Training cost	Rs. Mn.	4.47	12.24
Cumulative service experience	years	38,350	38,800
Operating Time Efficiency - Crude Distiller	%	99.03	97.68
Operating Time Efficiency - Bitumen Blower	%	30.44	42.11
Expected loss	MT	4,325	5,266
Specific energy consumption	MMK Cal/Crude T	.493	0.520
Water consumption	MT	843,590	926,536
Health & Safety at Refinery			
Lost time accidents	No.	-	-
First aid accidents	No.	-	7
Minor fire reported	No.	-	-
Lost days	No.	-	-

REFINERY OPERATIONS	Crude Intake in MT	Days for year	Tons per calendar day
2020	1,685,441	362	4,605
2019	1,864,817	357	5109
2018	1,675,245	327	5141
2017	1,646,041	351	4510
2016	1,746,180	362	4771
2015	1,692,074	324	4636

Crude Intake

1,685

(000' MT)

Sales Volume

5,029

(Mn. Ltrs.)

Filling Stations

1,322

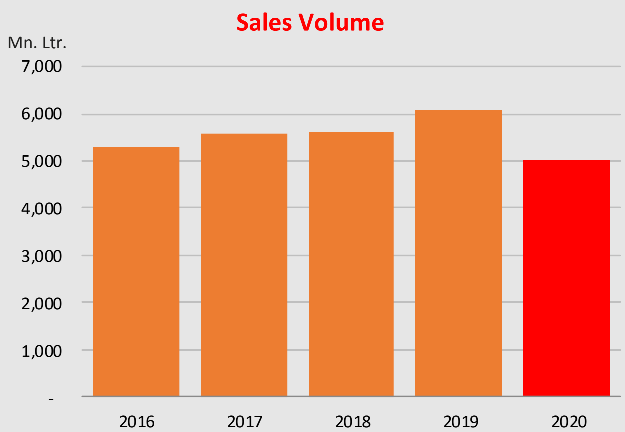
Total Employees

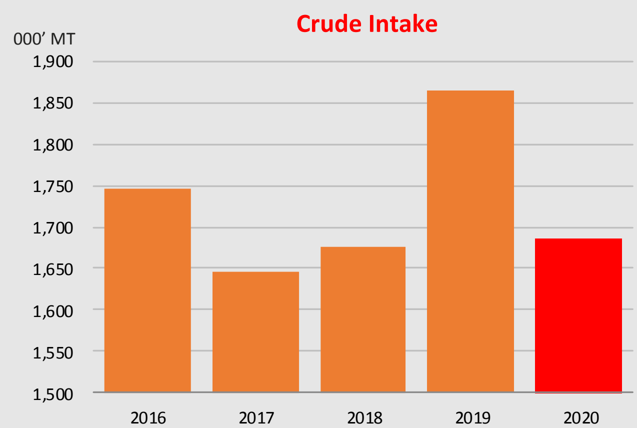
2,508

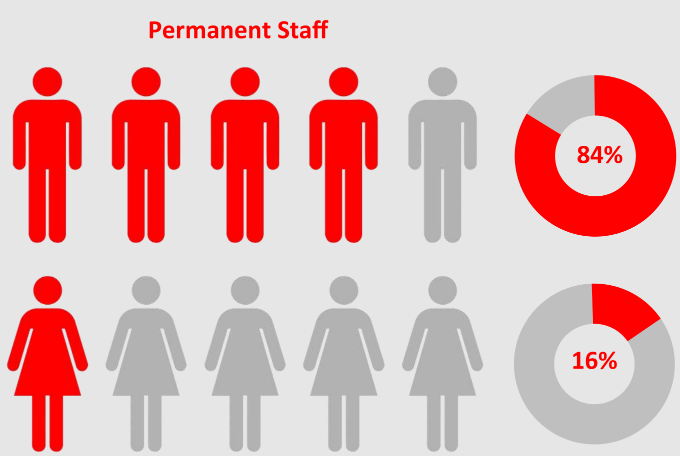
Staff Cost

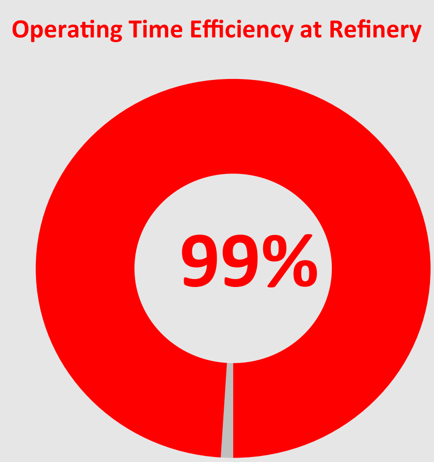
5,719

(Rs. Mn.)

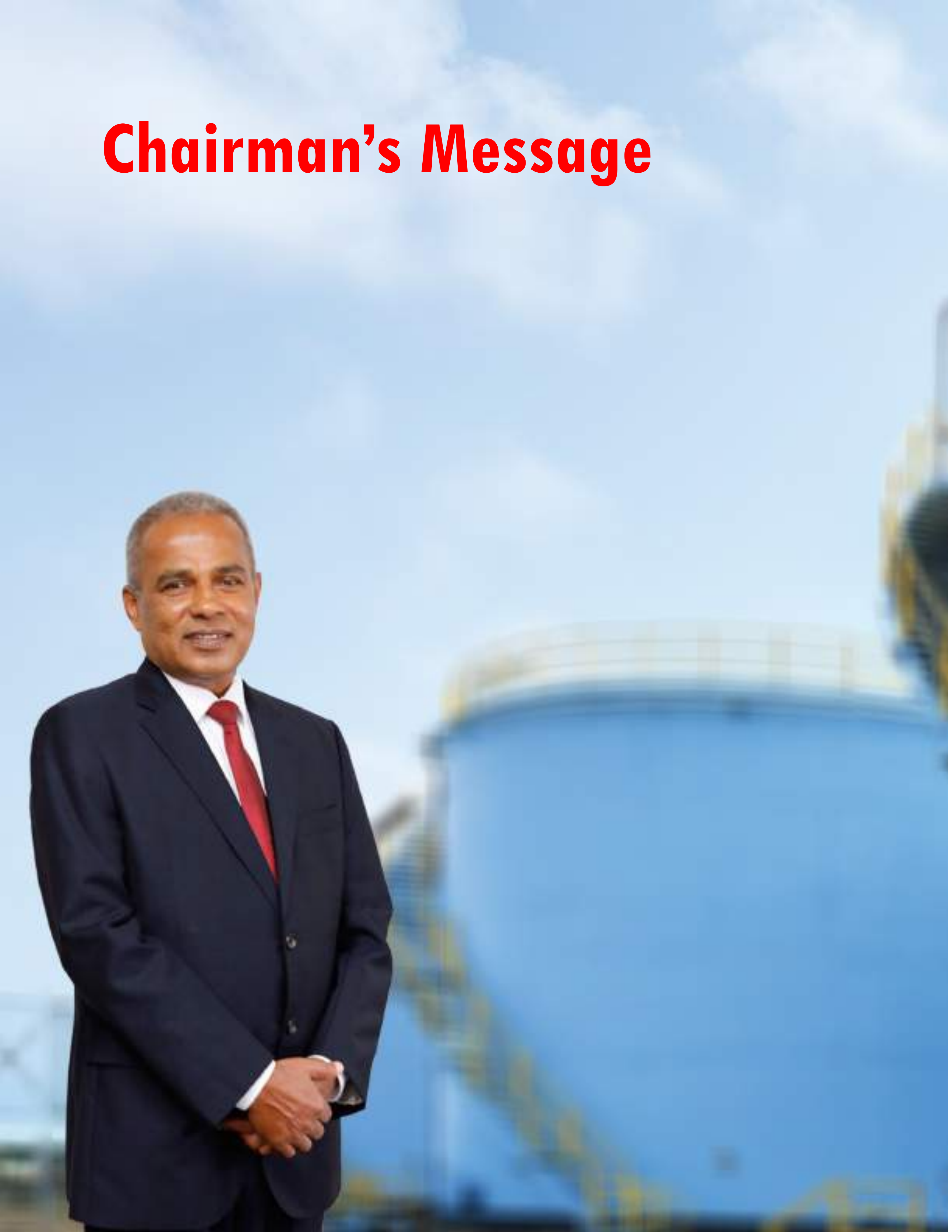








Chairman’s Message



On behalf of the Board of Directors, it is my pleasure to present the Annual Report for the year 2020 of the Ceylon Petroleum Corporation.

Despite the challenges encountered in all sectors due to the Covid-19 pandemic, CPC managed to turn around the loss recorded in 2019 to a remarkable profit of Rs. 2.37 billion in 2020. Our efforts during the year were focused on strengthening the resilience of our business operations that deliver petroleum products to the general public and thereby ensure the energy security of the country.

Global Context

As per the World Economic Outlook (WEO) published by the IMF, the global economy contracted by 3.3 per cent in 2020, compared to the growth of 2.8 per cent recorded in 2019. During the first half of 2020, the Covid -19 pandemic led to a steep decline in global petroleum demand and increased the volatility in the crude oil markets. The second half of the year was characterized by relatively stable prices as demand began to recover with the rebound of the global economy. As petroleum demand fell due to the pandemic and U.S. crude oil inventories increased, the international oil prices fell to a notable low level in April 2020. According to OPEC, world oil demand declined by 9.6 mb/d to an average 90.4 mb/d in 2020. However, the prices gradually rebounded to pre-pandemic levels at the year end with the increase in demand as well as supply cuts by OPEC to maintain the price levels.

Local Environment

As published by the CBSL, the economy contracted by 3.6 per cent in real terms during 2020 whereas in 2019 a growth of 2.3 per cent was recorded. Mobility restrictions and other measures imposed locally with a view to preventing the spread of Covid-19 hampered real economic activity across all sectors recording contraction during the year. Gross Official Reserves declined to US dollars 5.7 billion by end 2020 amidst foreign debt service payments and limited foreign exchange inflows.

The exchange rate recorded high volatilities in the months of March and April with the Covid-19 impact to the country. The annual average exchange rate has depreciated against the US Dollar to Rs. 185.52 in 2020, compared to Rs. 178.78 recorded in the year 2019. As a responsible corporate citizen, CPC continues to be a key contributor to the national economy, contributing Rs 152 Bn. (2019—126 Bn) with an increase of 20% against 2019. We believe that these funds would have been utilized by the Government for infrastructure development as well as to provide economic relief to the general public.

Each Drop of Fuel for Resilient Growth

As CPC plays a vital role in the national economy through the continuous supply of petroleum products to discharge its Corporate and Statutory responsibilities vested in it. We are strongly committed to assure uninterrupted fuel supply to the nation to reach our economic growth mandates. Each drop of fuel we supply contributes towards the resilient growth of the country.

A Performance in Context

Our key strategic asset, the Refinery, processed 1,685,441 MT of crude oil during the year and the gap in refined products demand were filled through importation of finished products. The lockdowns and the mobility restrictions imposed by the government to curb the spread of Covid-19 pandemic caused a decline in the demand for the all petroleum products.

Although the revenue declined in the second quarter with the lockdowns and mobility restrictions, it rebounded to some extent in the third quarter. However, the second wave of the pandemic led to a drop in the revenue in the last quarter of the year. Closure of the airports by the Government to limit international mobility to control Covid-19 led to a sharp decline in the revenue generated from the aviation fuel sector.

The reduction of international oil prices coupled with other strategies resulted in a gross profit of Rs 55 Bn. (2019 - Rs. 4 Bn.) during the year while CPC managed to turnaround a loss of Rs. 11.8 Bn. in 2019 to a net profit of Rs. 2.37 Bn. in 2020, despite the massive exchange rate variation and cost of finance.

Sustainable Operations

As sustainable policies have been embedded in our strategies, our utmost priority is given to the sustainability of the business operations. We are always committed towards promoting environmentally friendly fuels such as Euro 4 Petrol and Euro 4 Diesel to ensure sustainable consumption and environmental conservation. Our transparent procurement procedures enable more sustainable sourcing of all products. Our operational practices are in par with international standards; especially in waste management and disposal.

Future Outlook

CPC is, as always, ready to embrace the future regardless of the magnitude of the challenges. CPC takes pride in our unwavering commitment in ensuring Sri Lanka's energy security and providing consumers with a continuous supply of quality petroleum products. We continue to optimize our value chain by improving the efficiency of the island wide network of filling stations by adding and upgrading the existing filling stations to meet international standards. CPC will continue to improve and expand its Refinery capacity & facilities in spite of the volatile local and international business environment.

The Corporation continues to invest in a significant number of short-term and long-term strategic projects to enhance value creation and ensure the sustainability of the business. We expedited the expansion project implemented at the Bandaranaike International Airport (BIA), Jet A-1 pipeline project from Mathurajawela to BIA and the Refinery upgrading project to enhance the infrastructure facilities. We are very optimistic that CPC will continue to be the pivot upon which the development of the country rests.

Expressing Appreciation

The success of the CPC is driven by our dedicated and competent staff who are our greatest asset. The CPC is thankful to the CPC Corporate Team for their dedicated and untiring service in ensuring the betterment of the Corporation.

The Hon. Minister, the Secretary and Officials of the Ministry of Energy guided us with advice and direction at every turn. The CPC would like to express its sincere gratitude for their support and dedication.

The CPC would also like to extend its profound gratitude to the Board members for their unstinted support and advice.

The CPC is confident that it's human capital will enable the CPC to transform into a profitable and sustainable State Owned Enterprise (SOE) while meeting and overcoming the challenges that may arise in the future.

Sumith Wijesinghe, AAL
Chairman
04.01.2022

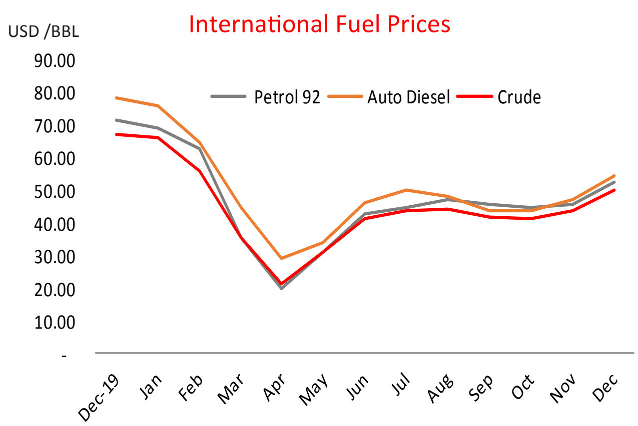
Managing Director's Review

I am pleased to present our Annual Report 2020 together with the audited financial statements of Ceylon Petroleum Corporation for the year ended 31 December 2020.

Despite the internal and external challenges faced during the year, CPC executed its mandate by adhering to health and safety measures to assure energy security of the country even during lockdown and mobility restrictions of the country to control the Covid-19 pandemic. Despite the unprecedented volatilities in the business environment, CPC was able to turnaround the loss recorded in 2019 to profit of Rs. 2.37 billion during the year 2020.

Operating Environment

As published by the IMF, the global economy contracted by 3.3 per cent in 2020, compared to the growth of 2.8 per cent recorded in 2019 due to the impacts of the Covid -19 all over the world. Covid -19 pandemic led to steep decline in world oil demand by 9.6 mb/d to average 90.4 mb/d in 2020 (as per OPEC) . However, the declined prices gradually rebounded to previous level at the year end with the increase demand as well as supply cuts by the OPEC to maintain the price levels. The average crude oil price used by CPC (Murban) reduced to US Dollars 42.45 per barrel in 2020 compared to US dollars 65.00 per barrel recorded in 2019. The reduction of the global petroleum prices contributed massively towards the financial performance of the Corporation.



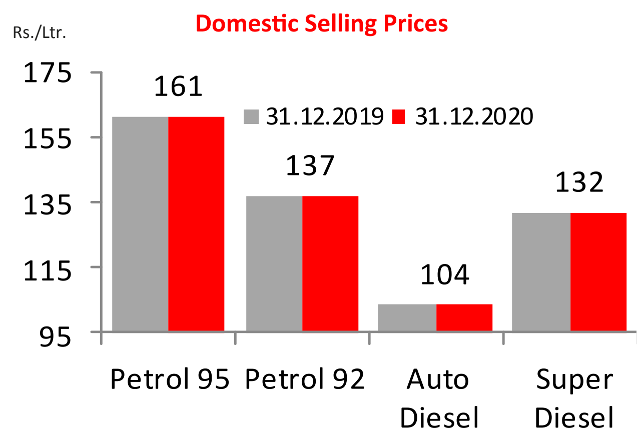
Mobility restrictions and other measures imposed locally and internationally, with a view to curb the spread of Covid-19, hampered real economic activity across all sectors recording a contraction during the year.

A sharp contraction observed in industry activities during the year was driven by the significant slowdown in construction and manufacturing activities with the Covid-19 prevention activities taken by the government.

Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan rupee against the US dollar, GDP per capita declined to US dollars 3,682 in 2020 from US dollars 3,852 in the previous year reflecting reduced consumption ability of the people. The depreciation of Sri Lankan Rupee against US Dollars led CPC to incur a massive amount of exchange rate variation loss for the year 2020.

Domestic Pricing Mechanism

As per the government policy, local retail selling prices of the generic petroleum products remained unchanged during 2020.



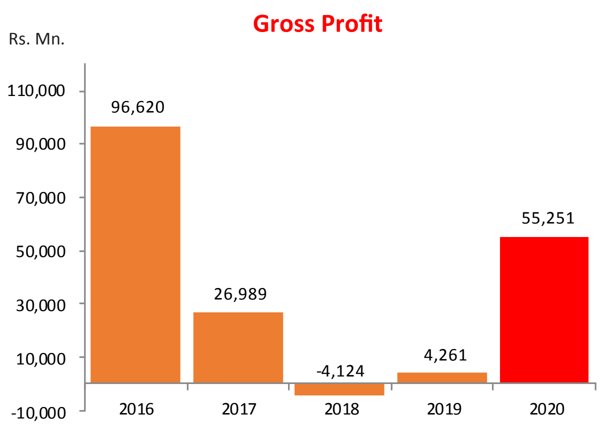
Our Operation

Lockdowns and mobility restrictions imposed by the government to curb Covid-19 pandemic hit all our business sectors resulting a decline of overall revenue by 19.75% during the year 2020.

The reduction of international crude prices coupled with low throughput rate of the Refinery due to the lesser demand for fuel during March, April and May caused a decline of the cost incurred for the importation of crude oil by 39.94% during the year under review.

Total refined and crude import cost were dropped to US Dollar 1.55 billion, a reduction by 45.04% (US Dollar 1.29 billion) in the year against year 2019 generating foreign exchange savings to the economy.

The unexpected reduction of international oil prices coupled with the Refinery contribution generated the Gross Profit of Rs. 55,251 million, an increase of Rs. 50,990 million (1196%) against the Rs. 4,261 recorded in previous year.



Although CPC incurred massive interest expense and exchange rate variation during the year, CPC turnaround from loss of Rs. 11,857 million to net profit of Rs. 2,371 million in 2020. The revaluation of plant and equipment at the Refinery and Sapugaskanda Distribution Terminal generated a revaluation gain of Rs. 17,676 million for the year resulting an improvement of the financial position of CPC.

Refinery processed Murban crude oil during the year and crude intake accounted to 1,685,441 metric tons (MT). The average crude intake was amounted to 4650 Tons Per Stream Day and 4605 Tons Per Calendar Day. The Refinery was in operation for 362.44 days, with an operating time efficiency of 99.03% in Crude Distiller Unit. The refinery production covered approximately 30% of CPC supply and gap is filled through the importation of refined petroleum products.

The Transport sector generates the highest contribution of Rs. 377.5 Bn. (Rs. 430.4 Bn in 2019) to the total income, a drop of 12.29% in the year 2020 with the impact of Covid-19 outbreak. Revenue generated from Petrol 92 recorded a decline of 8.72% amidst securing the highest contributor for the revenue. The decline of international oil prices drive CPC to reduce the losses generated on this sector from Rs. 25.9 Bn. to Rs. 3.5 Bn. during 2020. Although CPC incurred a massive losses on generic petroleum products, we are of the view that CPC contributes to the economic and social welfare by way of supplying products at a subsidized price as well as contributing 29% of the total CPC revenue as taxes and duties to the government.

Our island-wide distribution network channel improved to 1322 filling stations with the newly added 25 to assure a continuous supply of auto fuel during the year.

Lesser demand from fuel for power generation dropped the revenue generated from this sector by 12.29% during the year in review and the revenue from this sector accounted to Rs. 81.1 Bn (2019-Rs. 118.6 Bn.). Considering the unexpected international price reductions due to the Covid-19 impact, prices of Furnace Oil were reduced by Rs. 26.00 to Rs. 70.00 per ltr. with effect from March 2020.

As the mostly impacted sector, the Aviation sector generated an income of Rs. 19.4 Bn. (2019- Rs. 58.9 Bn.), recording a 66.97% sharp reduction in the year under review whereas the quantity demand for aviation fuel has dropped by 60.15%. Despite the decline of revenue due to the closure of airports to curb the Covid-19 spread, CPC recorded a loss of Rs. 109 million during the year, an improvement from loss of Rs. 1,224 Mn. recorded in the year 2019.

Although the mobility restrictions imposed by the government to curb spread of Covid-19 led to decline in overall demand for lubricant, implementation of our strategies have driven CPC to increase the sales volume marginally by 0.26% against 2019.

The loss recorded in the domestic sectors has decreased sharply to Rs. 2.1 Bn. during the year. We believe that this is one of our greatest contribution to the society who need economic relief for the betterment of their life.

Investments

CPC invested Rs. 2,097 million in property, plant & equipment with an aim to enhance the efficiency and effectiveness of CPC operations. We continued and expedited the major project of the development and upgrading of the aviation facility and hydrant system at the Bandaranaike International Airport to meet future demand with latest state-of-the art technology.

CPC continued with the Refinery projects which are required for the smooth operation in compliance with the internationally recognized standards. We extend our efforts towards the sustainability by converting the Area Offices and Circuit bungalows in to the solar powered buildings.

CPC as a responsible corporate citizen, continued to treat integrity and reputation as well as regulatory compliance as matters of utmost importance. Industrial relations, health and safety standards were maintained properly to meet and compliance while supporting the development propagandas of the nation. The Corporation not only provides services that cover the entire country but also facilitates the sustainable economic development by contributing Rs 152,311 million as evidenced that CPC is one of the largest tax contributor to the government tax revenue and which will be utilized for the infrastructure development and provision of relief to the national economy.

Appreciation

I would like to express my sincere gratitude to the Chairman and Board of Directors for their immense contribution towards the betterment of CPC. I also convey my sincere appreciation to my Corporate and Senior Management team for their hard work that enabled us to face during this uncertain and volatile local and international environment. I extend my gratitude to our entire staff across all categories for their dedication and commitment to the betterment of the Corporation.

I wish to take this opportunity to extend my sincere gratitude to Hon. Minister of Energy, Officials of Ministry of Energy for guiding us towards our journey. We extend our thanks to Ministry of Finance, Central Bank, Bankers, our Customers and Suppliers for their continued support in our journey.

Buddhika Madihahewa
Managing Director
04.01.2022

Our Leadership

As leadership plays an important role in the success of the organization, our management is appointed on the skills and track records that can deliver leadership to achieve over strategic goals and objectives to reach vision and mission in to reality. Our corporate culture promotes the ability to attract people with most caliber to contribute our journey effectively.

Board of Directors

Mr. Sumith Wijesinghe
Chairman

Mr. Wijesinghe is an Attorney-at-Law and holds a Bachelor of Laws (LLB) degree.

Mr. Wijesinghe leads Ceylon Petroleum Corporation, a key state owned strategic enterprise under the Ministry of Energy with the aim of energy security of the Country. It is also responsible for the maintenance and development of infrastructure used for the development of the petroleum industry in Sri Lanka. He is a successful leader who transforms the organization into a profitable enterprise while ensuring the quality petroleum products to the general public and industries in Sri Lanka at a reasonable price.

During his eminent career, he has functioned as the Secretary to the Leader of the House of Parliament from 2007 June to 2015. He has served as a Director of Sri Lanka Telecom (PLC) (2007-2010), Export Development Board (2011-2012), National Savings Bank (2012-2014), Mobitel (Pvt) Ltd. (2007-2010), National Development Trust Fund (Gar) Ltd. (2007-2010), National Development Trust Fund Company (2007-2010), National Transport Commission, SLT Yellow Pages Company (Pvt) Ltd and SLT Man Power Company (Pvt) Ltd.

Mr. Buddhika Madihahewa
Managing Director

Mr. Madihahewa studied at Royal College, Colombo and he holds MBA and Post Graduate Diploma in Business Management at Australian Institute of Business Adelaide. He holds several local and international professional qualifications such as MCIM, FCMI, FABE, IMSL. Presently he is also the Managing Director / CEO of Swarnakalum Group of Companies which is a multibillion group of companies.

Mr. Madihahewa, as Managing Director, has been in the leadership and policy formulation position in the Corporation. He possesses over 29 years of experience in the management of private sector business and as successful entrepreneur providing guidance for making the Corporation an interesting place for all levels of employees to work for, in terms of employee inter-relationship, technology, creativity and professionalism to transform the Corporation in to a sustainable enterprise.

During his illustrious career he has held a number of key positions namely Chairman of Ceylon Fertilizer Company Ltd., Managing Director of APMS Holdings (Pvt) Ltd., Director of Lanka Coal Company Ltd., Ceylon Shipping Lines Ltd., Port Services Co. Ltd. During his tenure in Ceylon Fertilizer Company Ltd., he has transformed the organization into a profitable company along with winning numbers of awards.

Mrs. R.M.D.K Rathnayake
Director

Ms. Rathnayake was appointed as the Director of the Corporation on 13.01.2020. Currently she serves as Additional Director General of Department of Treasury Operations. Ms. Rathnayake holds a Bachelor of Science (Business Administration) from University of Sri Jayewardenepura. She also holds Master of Arts (Economic Development) from University of Colombo and a Master of Arts (Public Policy) from Australian National University.

During her eminent career she has held a number of key state positions namely Assistant Director of Department of Public Finance, Deputy Director of Department of Public Enterprises, Director of Department of Treasury Operations, Director of People's Bank, Director of Wayamba Development Bank, Chairperson of Agriculture and Agrarian Insurance Board and Director of NSB Fund Management Company Limited.

Mr. Chaminda Hettiarachchi
Director

Mr. Hettiarachchi was appointed as the Director of the Corporation on 17.01.2020. He served as Acting Chairman of CPC during 06.12.2019 to 02.01.2020. Presently he serves as Additional Secretary of the Ministry of Energy. He holds BA, LLB, MSc (Defence Studies), MPM (SLIDA), Sri Lanka Administrative Service. He is also an Attorney of Law.

During his illustrious career he has held a number of key state positions namely Controller of Department of Immigration and Emigration, Senior Assistant Secretary of Ministry of Defense, Divisional Secretary of Gomarankadawala.

During his career, he served as a Director at Ceylon Fishery Harbour Corporation from 2017 to 2018.

Mr. Buddhika Iddamalgoda
Director

Mr. Iddamalgoda was appointed as the Director of the Corporation on 17.01.2020. He holds the LLB Degree at University of Colombo, Post Graduate Diploma in Business Administration, Diploma in Human Rights at University of Colombo and Diploma in Mass Media at University of Colombo, He is an Attorney at Law, Company Secretary and Notary Public. He served as Chairman at LTL Holding (Pvt) Ltd., Director at Sri Lanka Transport Board.

During his career, he functioned as Chairman at National Food Promotion Board, Director General at NARA , Chief Executive Officer at National Media Centre, Ministry of Defense, Executive Director at Independent Television Network, Chairman at Youth Award Authority, Board Director at National Apprentice & Industrial Training Authority, Media Manager/Director at National Olympic Committee, Board Director National at Youth Award Authority and Board Director National at Youth Service Council.

Mr. Tharindu Eknathgedara
Director

Mr. Eknathgedara was appointed as the Director of the Corporation on 17.01.2020. As a successful entrepreneur, currently he serves as a Director at S & K Engineering Enterprises (Pvt) Ltd., Director at S & K Construction Material (Pvt) Ltd, and Director at Renaissance (Pvt) Ltd.

Mr. Eknathgedara holds B.Sc. in Construction Management with Second Class Upper degree at Birmingham City University, England in 2017, Diploma in Human Resources Management with Merit at National Institute of Business Management in 2013.

Mr. Thilanga Polwattage
Director

Mr. Polwattage was appointed as the Director of the Corporation on 17.01.2020. Mr. Polwattage is a successful entrepreneur and serves in a number of private organizations in different capacities such as Managing Director of Decent Trading International (Pvt) Ltd., International Business Development Manager (2011 to up to date) at Car League Co. Ltd of Japan, Proprietor (2004 up to date) of Decent Trading International and Managing Partner (2018 – up to date) of Delta Trading International.

He holds a MBA at Gloucestershire University, UK and Mr. Polwattage has completed LLM (Hons), LLB (Hons) at Bucks New University, UK, Professional Graduate Diploma in Maritime Law and International Higher Diploma in Law.

Corporate Management

MR. E A S EDIRISINGHE
Refinery Manager

Mr. Edirisinghe has a bachelor in Chemical Engineering, a Chartered in Chemical Engineering and is a member of the Institute of Engineers of Sri Lanka and a member of the Sri Lanka Energy Managers Association.

He joined CPC in 1988 for a stint of four years before joining Saudi Aramco Oil Refinery at Yanbu, Saudi Arabia as a Blending Specialist Engineer for a period of two years. He rejoined CPC in 1996 in the same capacity he held before until he was promoted to Deputy Manager Technical Services (Process) in 2002. He was subsequently promoted to the position of Deputy Manager Technical Services (Projects) in 2005, Manager Operations in 2009 and Deputy Refinery Manager (Manufacturing & Operations) in 2014. He is currently the Refinery Manager with the responsibility of managing and leading the Refinery to create the value to the nation.

MR. S W GAMAGE
Deputy General Manager (HR & Administration)

Mr. Gamage holds a bachelor's degree in biological sciences from the University of Ruhuna and subsequently obtained a master's in Science from Wageningen Agricultural University in the Netherlands. He also holds an MBA from the USJP, a Postgraduate Diploma in Business and Financial Administration and a Postgraduate Certificate in Training and Management from the Postgraduate Institute of Management of the USJP. He is also an Associate Member of the Chartered Institute of Personnel and Development (CIPD-UK).

He joined CPC in 1991 as a management trainee and marks twenty nine years of continuous service to the corporation by working in a number of managerial positions. He commenced his career in the aviation function of CPC at the BIA and served as a "Shell-UK" certified and qualified officer in aircraft refueling operations at international airports. In the year 2009, he was promoted to his present position of Deputy General Manager Human Resources and Administration.

MR. M K GARUSINGHE
Deputy General Manager (Commercial & Supply Chain)

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

and a Corporate Member of the Institute of Supply & Material Management (MISMM), Sri Lanka.
He is at present, the Deputy General Manager, Commercial and Supply Chain.

MR. W M K R B WICKREMASINGHE
Deputy General Manager (Marketing)

Mr. Wickremasinghe holds a bachelors in science from the University of Peradeniya as well as an MBA from the UOC. He is also a member of the Institute of Chemistry, Ceylon and a Certified Member of the Sri Lanka Institute of Marketing. In addition, he has obtained professional training through reputed local & international institutes. He worked from 1999-2008 as Senior Product Manager of Chemical Industries (Colombo) Limited. He also has deep practical experience in Balanced Score Card implementation, monitoring, research and development aspects of emulsion plants.

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

MR. V N WEERASOORIYA
Deputy General Manager (Finance)

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

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

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

MR. M A D MALLIKARACHCHI
Deputy General Manager (Technical Services & Corporate Affairs)

Mr. Mallikarachchi has a bachelors in engineering (Production) from the UOP and is a member of the Project Management Institute of USA as well as an Associate Member of the Institute of Engineers, Sri Lanka. He also has also participated in a number of post-graduate training programs related to management and leadership at leading local and international academic, professional and industrial facilities.

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He counts more than 22 years of experience in the oil and gas industry in various disciplines. He started his career at the Jinasena Group as an engineer in 1996 and then served at Interbatch Porcelain Pvt. Limited as an assistant mechanical engineer.

He joined CPC in 1999 as a mechanical engineer and subsequently he held various positions at the CPC including Project Engineer for the Aviation Function of the CPC at BIA, Deputy Manager of Aviation Operations, Project Manager and Manager Aviation Operations. At present he is the Deputy General Manager of Technical Services and Corporate Affairs

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. L G M R PERERA
Deputy Refinery Manager (Electrical & Instrument)

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 26 years of experience in the field of process control instrumentations and held various positions in the Instrument Department. In his present position as Deputy Refinery Manager (Electrical & Instruments), he is heading Electrical, Instrument & Materials Departments of the Refinery.

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

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 Acting. Deputy General Manager (HR & A).

MR. C R K GAMAGE
Deputy Refinery Manager (Technical Services) (Actg.)

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

He started his career at CPC Refinery as Mechanical Engineer in year 1993. He poses more than 26 years of experience in the field of engineering in Projects, Maintenance, inspection & technical services at the Refinery. He held the positions of Deputy Engineering Manager (Inspection) and Engineering Manager (inspection) before he appointed as Actg. Deputy Refinery Manager (Technical services) in October 2018. Presently he is heading the Technical Services Department consisting of Inspection, Laboratory, and Technical Service Department.

Senior Management

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1. Ms. R A K C Ariyaratne, Chief Legal Officer 2. Ms. M C D Perera, Senior Manager (Finance) 3. Maj. M R S P Samarasinghe, Manager (Security & Investigation) 4. Mr. G P K Wijekoon, Manager (Engineering & Premises) 5. Mrs. M S R Fernando, Manager (Information Technology) 6. Mr. W K S Gunawardhane, Manager (Research & Development) 7. Mr. B S S Perera, Manager (Agro Chemicals) 8. Mr. R A T I Ranasinghe, Manager (Audit) 9. Mr. G M U W Doloswala, Manager (Lubricant & Special Products) 10. Mr. K K A Jayawickrama, Manager (Commercial) 11. Mr. A G D Bandara, Manager (Shipping) 12. Mr. N B M P Jeewasiri, Manager (Operations – Stocks & Terminal Operations) 13. Mr. W D L C Abeygunawardana, Manager (Marketing) (Acting) 14. Mr. R W S M Rajasinghe, Deputy Manager (Aviation - Operations) 15. Mr. A B Koralegedara Ast. Manager (Secretariat) (Actg.)

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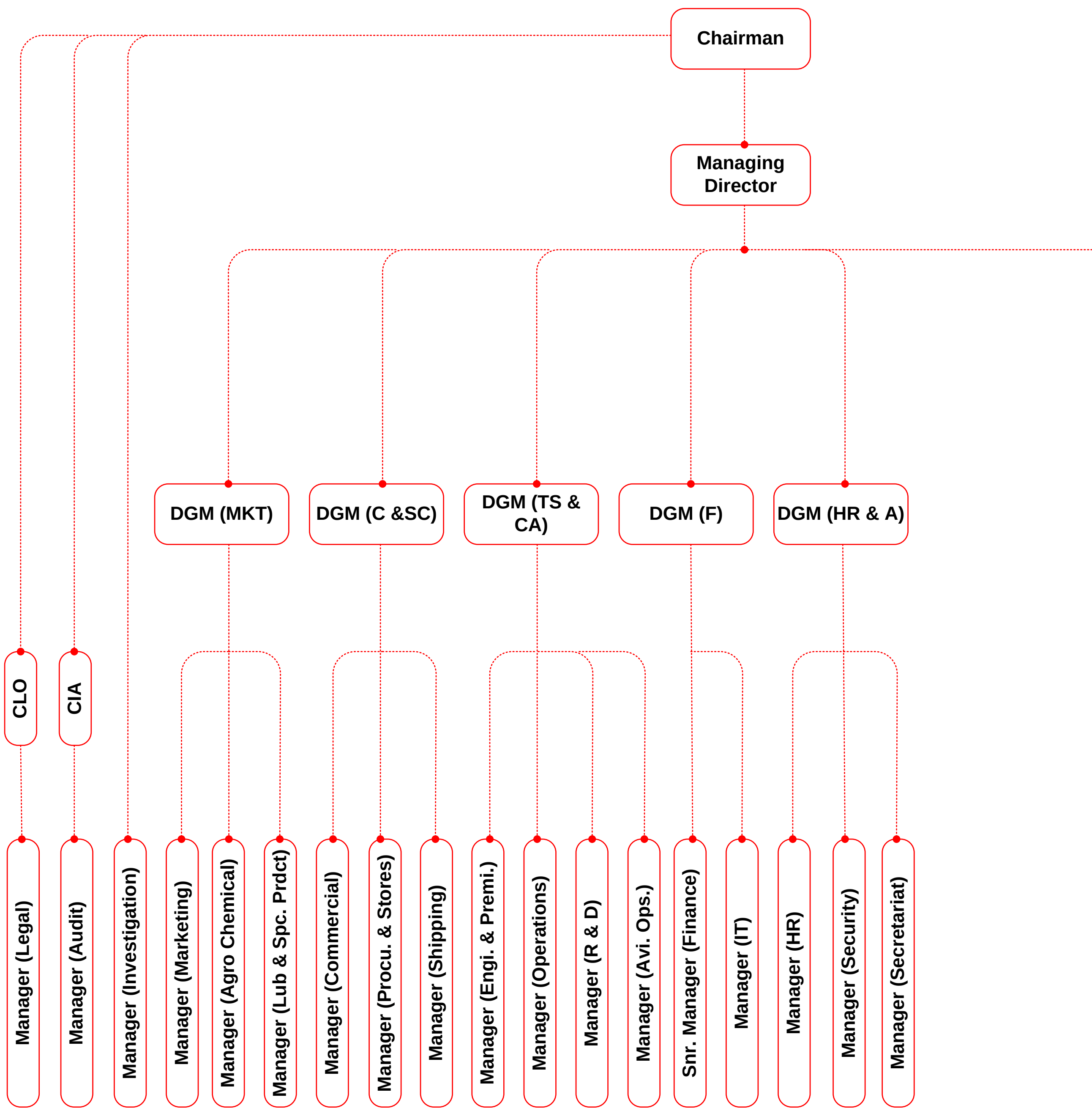
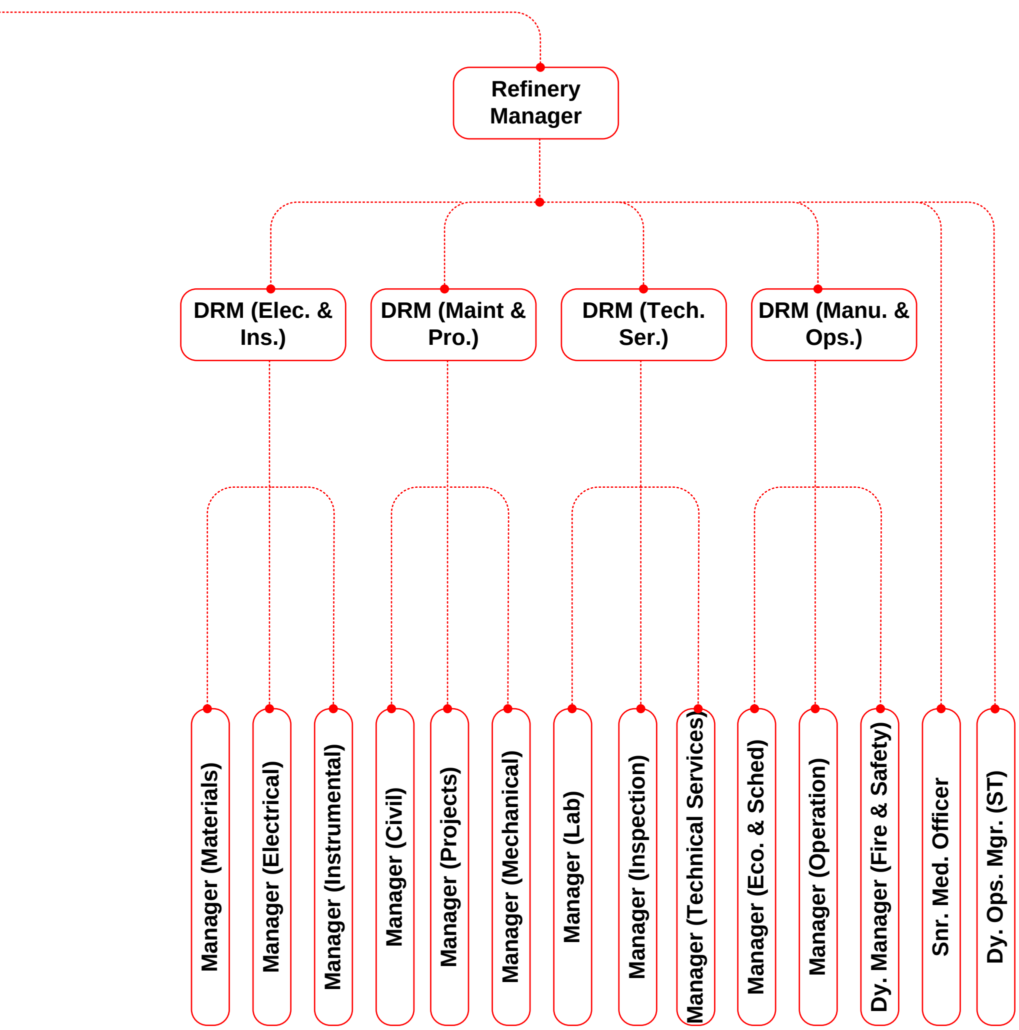
16. Mr. K G H Kodagoda, Manager (Refinery Operations) **17**. Mr. P F W Dayanath, Manager (Engineering - Civil) **18**. Mr. R A S Rajapakshe, Manager (Materials) **19**. Mr. K A K K Kuruppu, Manager (Engineering - Projects) **20**. Mr. R A B Thilanga, Manager (Engineering - Mechanical) **21**. Mr. K V J Chandrawanka, Manager (Engineering -Electrical) **22**. Mr. W S Rabel, Manager (Engineering - Instrument) **23**. Mr. W A N R Wickramasinghe, Manager (Technical Services) **24**. Ms. A S Premakanthi, Manager (Economic & Scheduling) **25**. Mr. R M M W Bandara, Deputy Manager (Fire & safety) **26**. Mr. A I Wansekara, Deputy Manager (ST - Operations) **27**. Mrs. C N Withanarachchi, Senior Medical Officer.

Organizational Chart




Refinery Manager
DRM (Elec. & Ins.)
DRM (Maint & Pro.)
DRM (Tech. Ser.)
DRM (Manu. & Ops.)
Manager (Materials)
Manager (Electrical)
Manager (Instrumental)
Manager (Civil)
Manager (Projects)
Manager (Mechanical)
Manager (Lab)
Manager (Inspection)
Manager (Technical Services)
Manager (Eco. & Sched)
Manager (Operation)
Dy. Manager (Fire & Safety)
Snr. Med. Officer
Dy. Ops. Mgr. (ST)

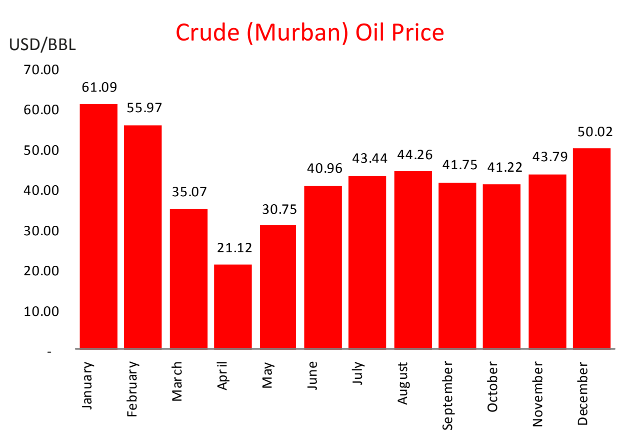
Market Review & Outlook

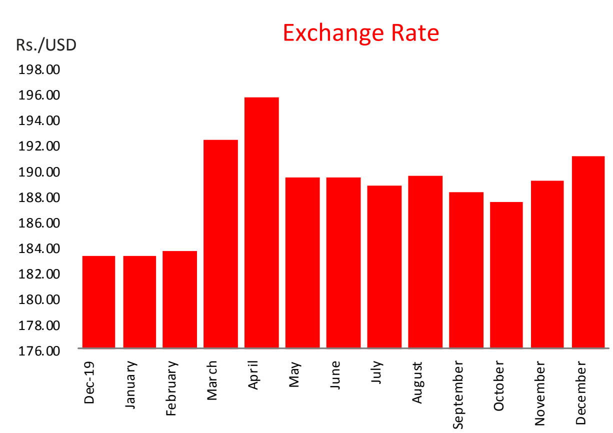
Since 2020 is a challenging year to the world, as per the IMF, the global economy recorded a contraction of 3.3 per cent during the year. In response to the impact of the Covid-19 pandemic, Sri Lankan economic growth also recorded a contraction of 3.6 during the year. Despite the challenges and uncertainties, the economy rebounded at the latter part of the year. The vaccination process to curb spread of pandemic together with the strong growth oriented government policies estimated 6 per cent high growth level in 2021. The reduction of international fuel prices compared to 2019 coupled with decreased sales volumes generated a massive foreign exchange savings of USD 1.29 Bn. to the country.

90.39
World Fuel Demand
(million barrels per day)

-3.3
World GDP Growth
(per cent)

1.29
Import Savings
(USD billion)



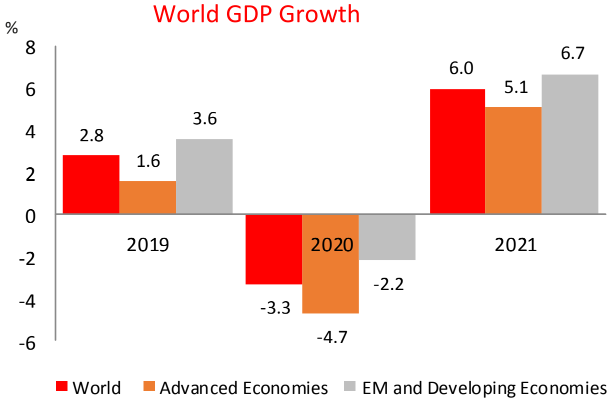


Global Context

According to the International Monetary Fund (IMF), the global economy contracted by 3.3 per cent in 2020, compared to the growth of 2.8 per cent recorded in 2019. During 2020, advanced economies were estimated to contracted by 4.7 per cent, while a contraction of 2.2 per cent was estimated in relation to emerging market and developing economies.

Although the most of the economies recorded contraction during first half, global growth rebounded considerably in third quarter, with the rebound mainly supported by exceptional fiscal and monetary stimulus, as well as the easing of lockdown measures by the beginning of third quarter.

World GDP Growth



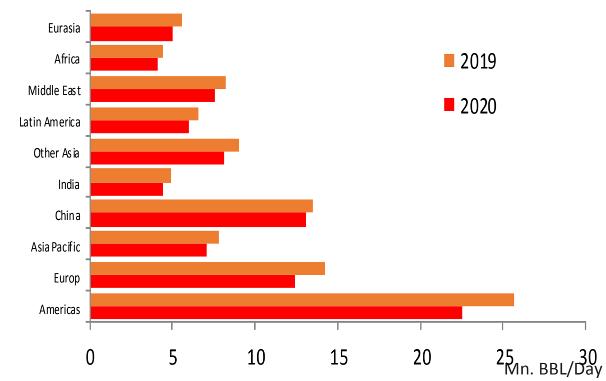
Source : IMF - Word Economic Outlook 2021-April

Following the initial rebound in mid-2020, activities and trade in the goods sector have improved, the services sector remains anemic, with international tourism in particular, still depressed. Most commodity prices rebounded from mid 2020 lows as strict lockdowns were gradually lifted and demand firmed, specially from China.

During the first half of 2020, COVID-19 pandemic led to steep declines in global petroleum demand and to volatile crude oil markets. The second half of the year was characterized by relatively stable prices as demand began to recover with the rebound of the economies specially recovery of China than expected. As petroleum demand fell and U.S. crude oil inventories increased, West Texas Intermediate (WTI) crude oil traded at negative prices on April 2020. As per the OPEC, world oil demand declined by 9.6 mb/d to average 90.4 mb/d in 2020.

Oil markets faced an unprecedented volatile environment in 2020, impacted massively by COVID-19 and its ensuing demand collapse, necessitating considerable reactions by policy makers.

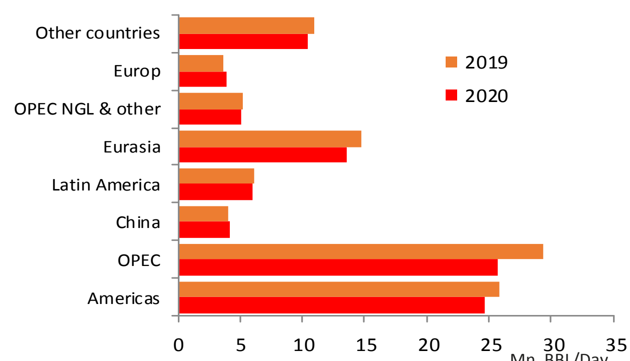
World Oil Demand



Source : OPEC Monthly Oil Market Report - March 2021

As published by OPEC, in an effort to address the unprecedented turmoil in the market, OPEC Member Countries and other participants in the Declaration of Cooperation (DoC) took the move in April 2020 to collectively cut the production over a two-year period starting with 9.5 million barrels per day (mb/d), around 10% of global supply with aim to put oil markets on a path to rebalance.

World Oil Production

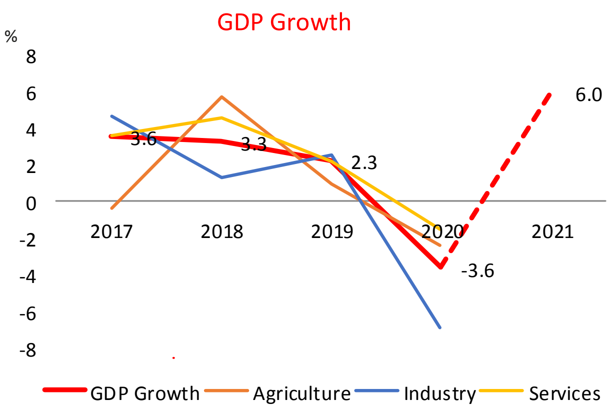


Source : OPEC Monthly Oil Market Report - March 2021

In response to the Covid-19 pandemic, International Crude oil (WTI) prices recorded a notable decline during 2020. Average annual WTI oil prices declined to US Dollars 39.22 per barrel compared to the US Dollars 56.98 per barrel recorded in 2019. The average price of crude oil (Murban) used by CPC stood at US dollars 42.45 per barrel in 2020 recording a reduction from US dollars 65.00 recorded in 2019 reflecting a drop of the prices by 34.69% in 2020.

Local Context

As published by the Central Bank of Sri Lanka (CBSL), the economy contracted by 3.6 per cent in real terms during 2020 whereas in 2019 recorded a growth of 2.3%. Mobility restrictions and other measures imposed locally and internationally, with a view to preventing the spread of COVID-19, hampered real economic activity across all sectors recording contraction during the year. A sharp contraction observed in industry activities during the year was driven by the significant slowdown in construction and manufacturing activities due to lockdowns and mobility restrictions. A notable contraction observed in the agro sector despite the favourable whether condition prevalent during the year.

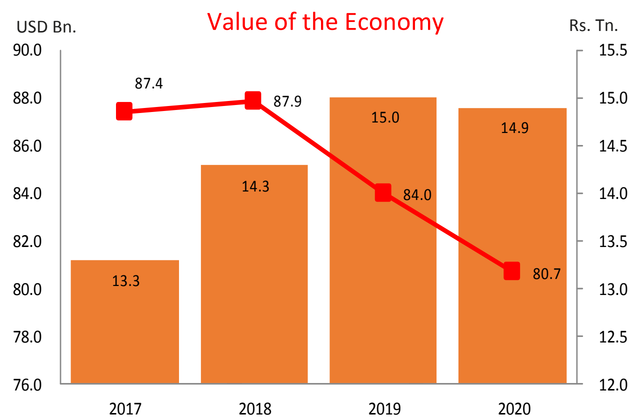


Source : Central Bank of Sri Lanka

As per the CBSL, the overall size of the economy contracted to US dollars 80.7 billion in 2020 from US dollars 84.0 billion in 2019. Reflecting the combined effect of the contraction in Gross Domestic Product (GDP) at current market prices and the depreciation of the Sri Lankan rupee against the US dollar, GDP per capita declined to US dollars 3,682 in 2020 from US dollars 3,852 in the previous year.

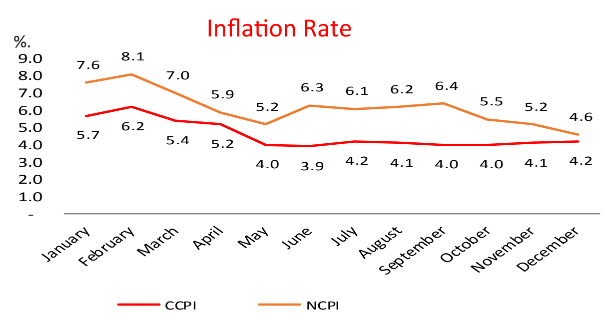
The exports has declined significantly in second quarter of 2020 and recovered faster reaching pre-pandemic levels by the end of the year. The imports declined higher rate than export decline in 2020, mainly reflecting the impact of policy measures to restrict non-essential imports and low international petroleum prices during the year. Accordingly, the trade deficit declined by US dollars 1,989 million to US dollars 6,008 million in 2020.

The exchange rate recorded high volatilities in the months of March and April due to the Covid-19 impacts and at the later part of the year due to sovereign rating downgrades and low levels of liquidity in the domestic foreign exchange market. The annual average exchange rate has depreciated against US Dollars to Rs. 185.52 in 2020, compared to Rs. 178.78 recorded in the year 2019.



Source : Central Bank of Sri Lanka

Gross official reserves has declined to US dollars 5.7 billion by end 2020, in comparison to US dollars 7.6 billion recorded at end 2019, amidst foreign debt service payments and limited foreign exchange inflows. It is notable to indicate that the Government has settled all its debt servicing obligations in 2020, including the settlement of the ISB of US dollars 1 billion in October 2020 recording its unblemished record of debt servicing.

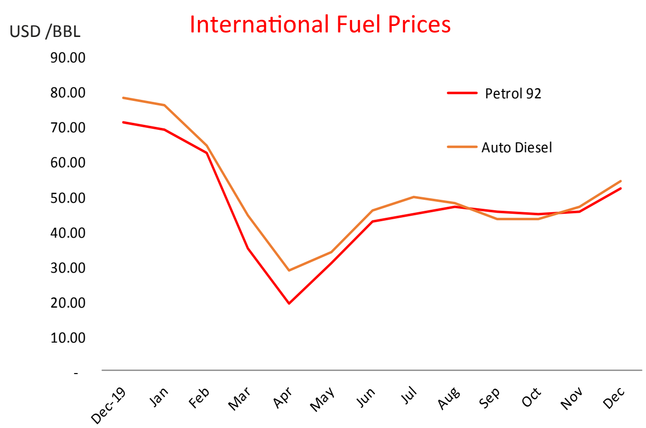


Source : Central Bank of Sri Lanka

The unemployment rate increased to 5.5 per cent in 2020 from 4.8 per cent recorded in the previous year with the effects of the pandemic guides to moderate the household consumption expenditure. The Government granted various schemes of stimulus packages to increase the revenue levels of the people to maintain the economic activities.

The lookdowns and the mobility restrictions imposed to prevent the Covid-19 spread during March, April and May hampered the demand for auto fuel from transport sector and the lesser ability to incur expenditure also guided for the reduction of auto fuel. The sharp contractions of the industries activities recorded lesser fuel demand for the both industries as well as demand for the power generations as the lesser electricity demand recorded to decline in demand for fuel.

Although the Sri Lankan economy is largely linked with the tourism industry, airports were closed to restrict the international mobility of the people to prevent the entering the pandemic to Sri Lanka. The restrictions of the airport operations over many months caused to lose the aviation fuel sales volume from local and international airlines. It is notable to indicate that the aviation operations did not come to normalcy even at the end of the year. CPC is more optimistic that the aviation operations will come to normalcy soon with the implementation of various policy decisions by the government and the sales will be recovered to pre-pandemic level.



The decline of the international oil prices in 2020 generated more economical advantages to the CPC as well as to the national economy. The import cost were declined sharply driven by the lower demand coupled with the international price reductions during the year. Import costs were dropped to US Dollar 1.53 billion, a reduction by 45.81% (US Dollar 1.29 billion) in the year compared to the year 2019 generating the foreign exchange savings to the economy and variance details are given below.

Category	Variance	Reason
Crude	-39.91%	reduction of international crude prices coupled with low throughput rate of the Refinery due to the lesser demand for fuel during March, April and May.
Refined products	-48.89%	Declined consumption due to mobility restrictions and lockdowns and decreased international prices.
Total	**-45.81%**	

The government increased the taxes on the import of refined petroleum products with the reduction of international oil prices resulting to high product cost. However, the taxes were adjusted in parallel with the increase of the international oil prices at the latter part of the year to minimize the losses to CPC.

Although the international oil prices declined sharply during second quarter, the limitations of the storage facilities curbs to grab the economic benefits of the international price reductions to the country.

Outlook

As per the IMF, the global economy is expected to expand 6% in 2021, assuming an initial COVID-19 vaccine rollout becomes widespread throughout the year. It is expected that the recovery, however, will likely be subdued, unless policy makers move decisively to control the pandemic and implement policies for more investment reforms.

The Sri Lankan economy is expected to rebound strongly in 2021 and record a GDP growth rate of 6.0% in 2021. The local and international vaccination together with the growth oriented policy support drive the economy to the normalcy and reach to the high growth level. The vaccination process helps to curb the spread of the pandemic and economic activities will come to pre-pandemic level.

The airports will resume to normal allowing for the international transportation activities and the picking up of the economic activities will create avenue for fuel demand to the pre-pandemic level. However, the international oil prices are increasing sharply with the rebounding the advanced and emerging economies leading to high exchange outflows exerting the high pressure on the exchange rate and inflation.

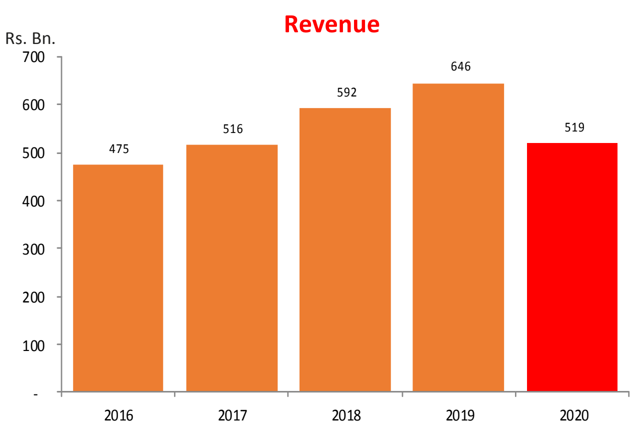
Operational Review

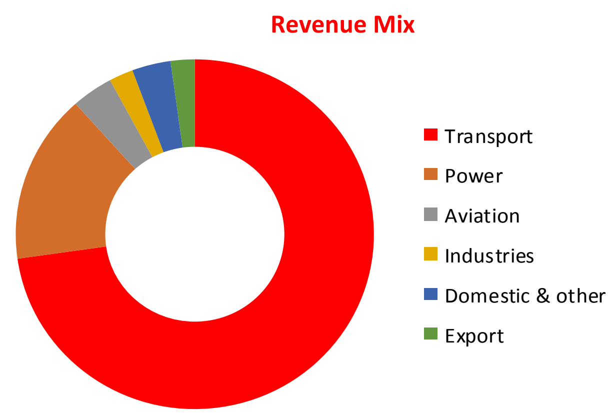
Despite the challenges due to the lockdowns and mobility restrictions imposed by the government to control the spread of Covid-19 pandemic, CPC recorded a revenue of Rs. 519 billion in 2020. The reduction of international oil prices coupled with the short and medium strategies caused to record a gross profit of Rs. 55 billion while CPC reached to net profit of Rs. 2.37 billion. The Refinery processed 1,685,441 MT of crude oil. Revenue generated from all the sectors recoded a contraction due to the controlling mechanisms implemented by the government to curb spread of Covid-19. Mechanisms have been implemented proactively to rebound the business into the pre-pandemic level.

5,029
Sales
(Ltr. million)

1,685
Crude Intake
(000' MT)

518.8
Revenue
(Rs. billion)





Lockdowns and mobility restrictions imposed by the government to control Covid-19 pandemic hit all our business sectors resulting to decline the overall revenue generated for the year 2020 by 19.75% compared to the year 2019. Although second quarter decline the revenue sharply, the revenue generated in third quarter rebounded. Despite the second wave of Covid-19 impacted last quarter, CPC manages to maintain revenue generation up to some extent with the proactive measured to minimize the adverse impacts on our profitability.

The international oil price reductions affected CPC profitability with ending the overall profit of Rs. 2.37 billion for the year 2020. Except export and agro chemical sectors, all other sectors recorded a revenue decline during the year under review. A notable revenue reduction recorded in aviation sector as the airports were closed by the government to control the pandemic.

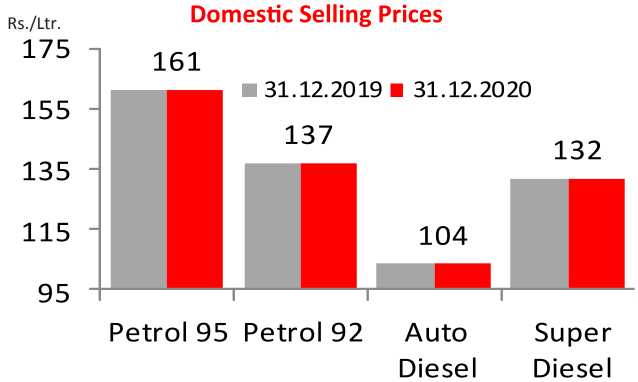
Category	**Revenue - 2020 Rs. Mn.**	**Revenue - 2019 Rs. Mn.**
Transport	377,536	430,425
Power Generation	81,147	118,675
Aviation	19,486	58,990
Industrial	11,308	13,497
Domestic	17,563	20,211
Agro Chemical	570	457
Export & Bunkering	11,261	4,336
Total	**518,871**	**646,591**

Transport

Although 2020 is a challenging year as the impact of the Covid-19 outbreak hits every aspect of the operations, profitability improved significantly during the year. CPC lose the sales volumes of this sector mainly during March, April and May. The sales volume rebounded at the third quarter with the control of the pandemic. Despite the challenges, CPC secured its market share during 2020 with the continued supply.

As per the government policy, the selling prices of auto fuel (Petrol 92, Petrol 95, Auto Diesel and Super Diesel) remained unchanged during the year.

Domestic Selling Prices



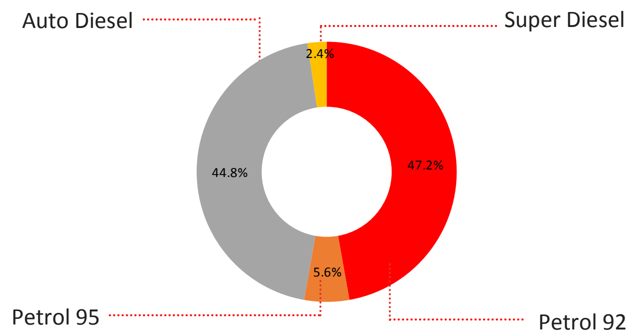
The sector generates the highest contribution of Rs. 377.5 Bn. (Rs. 430.4 Bn in 2019) to the total income, a drop of 12.29% in the year 2020 with the impact of Covid-19 outbreak. Lockdown of the country during the March and April and mobility restrictions to curb Covid-19 spread caused for the loss of sales volume and revenue. Revenue generated from Petrol 92 recorded a decline of 8.72% amidst secured the highest contributor for the revenue.

Sales Volume Loss

Petrol 92	10.74%
Petrol 95	21.83%
Auto Diesel	14.80%
Super Diesel	18.55%
Sector	13.57%

As the transportation is highly driven by Auto Diesel, it plays a major role in the economy and the prices are highly sensitive with the economic price level. Revenue generated from Auto Diesel recorded a 14.39% decline against the year 2019 as the demand from public transport, school transport, tourism transport, etc. were declined due to the lock downs and mobility restrictions.

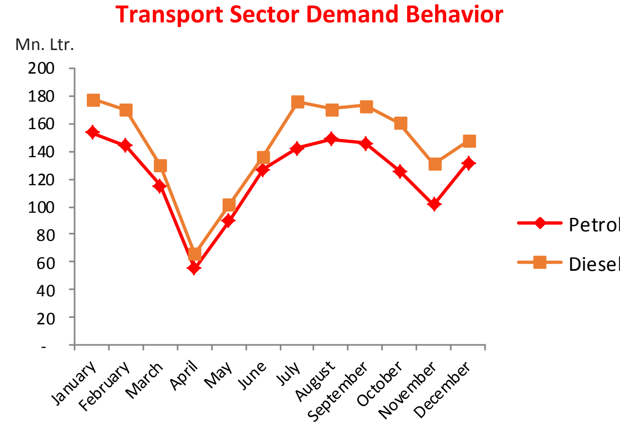
Revenue Mix—Auto Fuel



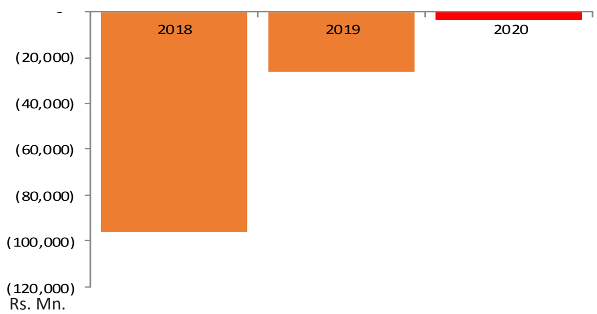
We are committed to promote environmental friendly Euro 4 Petrol and Euro 4 Diesel to assure sustainable consumption pattern and environmental conservation. Strategies were in placed to promote these products among the community. Awareness were provided to the public to encourage the use of environmental friendly Euro 4 petrol and diesel instead of other fuel.

Despite the encouragements, the mobility restrictions and lockdowns to tame Covid-19 guided to drop the Euro 4 petrol and diesel sales at higher rates during the year.

Transport Sector Demand Behavior



Loss on Transport Sector



The decline of international oil prices drive CPC to reduce the losses generated on this sector from Rs. 25.9 Bn. to Rs. 3.5 Bn. during the year. As the market leader and the responsibility to assure energy security of the country vested to CPC, despite the challenges faced due to Covid-19 and losses on some products, we affirmed a continuous fuel supply to the nation.

CPC has incurred transport cost of Rs. 2.96 Bn. during the year to distribute our products throughout the country.

Our island-wide distribution network of 1322 filling stations assured the continuous supply of auto fuel during the year. 25 new filling stations were commissioned during the year to enhance the existing network for the convenient accessibility to the products. Construction letters issued during 2019 and 2020 are still to be concluded and it is expected that once they are commissioned, these filling stations will be equipped with better facilities than those in the operational stations.

The decline in sales volumes driven by the Covid-19 outbreak had a direct impact on the commercial sustainability of our filling stations. Various facilities to the filling stations have been provided during the Covid-19 outbreak to safeguard and remain their business operations as well as livelihoods.

"Our Road Runners are hurry to reach outlets to make sure the availability of fuel to pump your vehicle .."

CPC renovates Corporation Owned Dealer Operated (CODO) filling stations with aim to improve services and visibility. Upon completion, filling stations are equipped with the technological and environmental friendly filling stations.

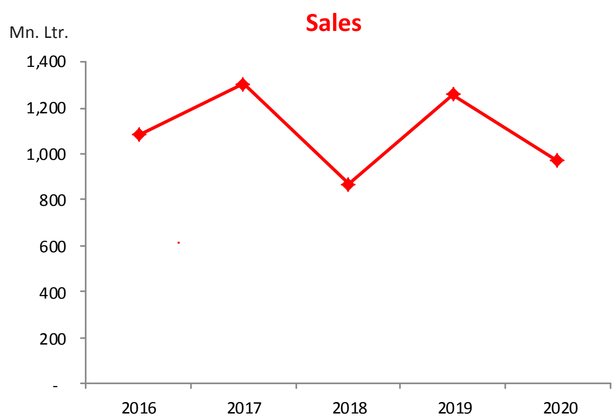
CPC distributes auto fuel to island-wide filling stations through distribution fleet of CPSTL and via dealers owned bowser fleet. These road runners play a major role to affirm availability of the petroleum products at all the time all over the country.

We granted various credit facilities to upkeep the financial burdens faced due to less sales volume that lead to lesser commission income to the filling stations. Continuous instructions & guidelines were given to maintain health and safety environment at the filling stations to protect from Covid-19 pandemic and to affirm continuous safe supply to general public.

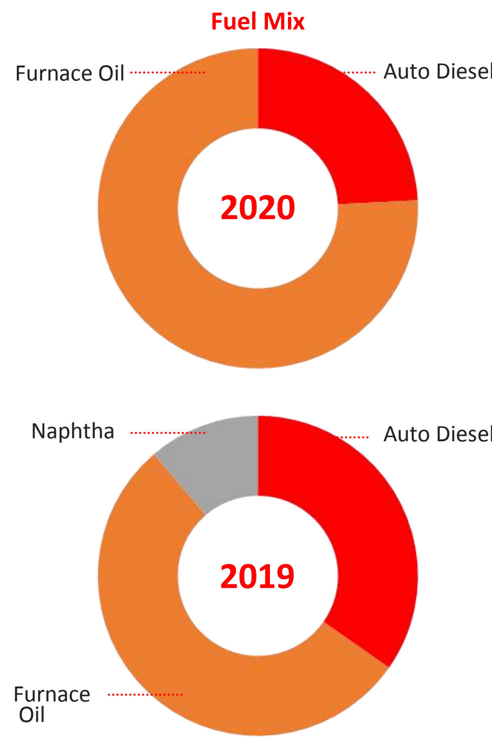
Power Generation

CPC supplies Auto Diesel, Furnace Oil and Naphtha to Ceylon Electricity Board (CEB) and Independent Power Producers (IPPs) for their thermal power plants to generate the electricity requirements of the country.

As per the CBSL, electricity Generation through the fuel has declined from 5016 GWh to 4182 GWh by 16.6% during the year 2020. Despite the reduction of overall demand for electricity, the electricity generating mix has shifted from fuel to hydro and coal recoding a decline from 31.5% to 26.6% in 2020 resulting to decline the demand for the fuel by CEB and IPPs.



This sector remained the second highest income generator of CPC accounting for Rs. 81.1 Bn (2019-Rs. 118.6 Bn.). The composition of the fuel demand for power generation is 80.52% of Fuel Oil, 19.48% of Auto Diesel for the year and Naphtha has not been purchased by CEB during the year.



The Covid-19 impacted industries of the country leading to lower demand for the electricity and fuel for the power generation purpose lose by 23.07% against the year 2019 resulting to drop the revenue generated from this sector by 31.62%.

Considering the unexpected international price reductions due to the Covid-19 impact, prices of Furnace oil high sulfur, low sulfur and Furnace oil super, were decreased by Rs. 26.00 per ltr. to Rs. 70.00 per ltr. with effect from March 2020. Although the international prices increased significantly at the end of the year, the above prices remained unchanged.

Fuel demand from power sector is evaluated weekly by the Stock Review Committee and make sure the strategies are in placed to cater the full demand. A cordial relationship with CEB and the IPPs are maintained to achieve overall goal of continued energy and electricity supply to the country.

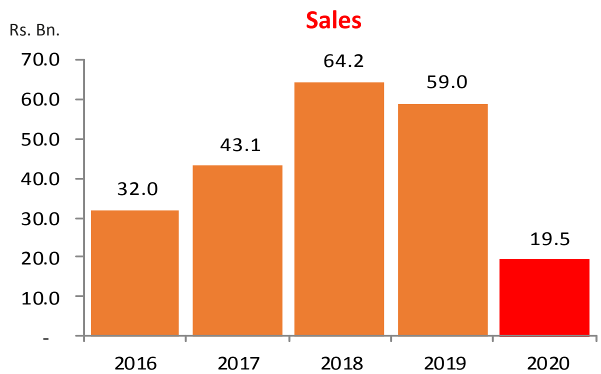
It is commendable to note that despite the weak settlements of the trade receivables by the CEB and IPPs, CPC affirmed continued supply without any interruptions as the CPC highly concerned towards the national electricity requirements for the economic growth of the country.

Aviation

CPC is the sole supplier of the aviation fuel in the country via Katunaike, Mattala, Ratmalana and Jaffna airports. Aviation fuel for the other consumers such as Sri Lanka air force, training schools, etc. are also supplies based on the demand. Strategic focus is given on this sector as aviation fuel to all local and international airlines are paramount important for the international transportation.

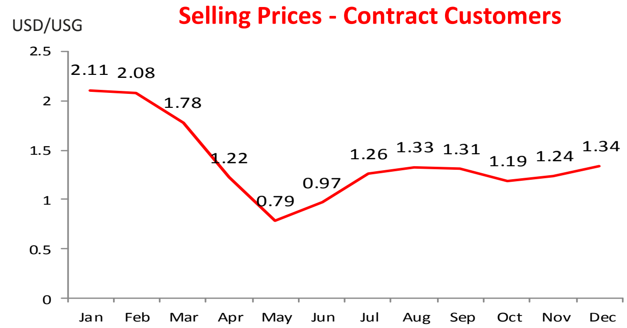
This sector is the most impacted sector of the Corporation in 2020 as the Government imposed limitations on the airport operations to curb the spread of the Covid-19 virus in to Sri Lanka. Although restrictions were relaxed at the later part of the year, the restriction were prevailed from March to December 2020. sales revenue dropped sharply driven by the limited operation of flights.

Despite the loss that may arises from aviation fuel segment, the Corporation continued with reduced aviation fuel prices in parallel with the government policies to provide relief to international airlines and allied services to encourage international airlines to fly to Sri Lanka.



The sector generated an income of Rs. 19.5 Bn. (2019- Rs. 59.0 Bn.), recording a 66.97% sharp reduction in the year in review and the quantity demand for aviation fuel has dropped sharply by 60.15%. Despite the decline the revenue due to the closure of airports to curb the Covid-19 spread, CPC recorded a loss of Rs. 109 million during the year, a reduction from loss of Rs. 1,224 Mn. recorded in the year 2019.

Aviation fuel is priced based on the international fuel prices in order to apply fair & transparent mechanism to attract international airlines. The prices are changed based on the monthly international prices.



We are committed to meets the international standards for the aviation operations as safety is our primary concern. Annual audits to check the compliance to the international standards were carried out by the Joint Inspection Group (JIG) to assure that the quality assurance requirements are met. It is commendable to indicate that CPC was able to achieve the status of 'Good' (above average) indicating the operational excellence of our aviation operations.

Continuous trainings are provided in each level for the above achievements and strategic priorities are given to invest on the technological advances to reach operational excellences.

Outlook

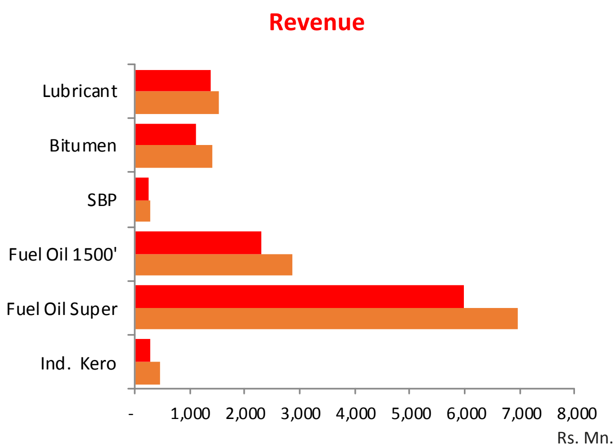
- CPC started the new hydrant system and expansion project at the Bandaranaike International Airport in parallel with the airport expansion project in January 2018. Although the project delayed due to the Covid-19 pandemic, it has been achieved a 60% of the physical progress at the end of 2020.
- Procurement process to build up the storage facilities for Jet A-1 and pipeline from the Muthurajawela to Bandaranaike International Airport to transfer the aviation fuel at a minimum cost has been initiated.

These projects will ensure energy security at the Bandaranaike International Airport and will lead to reduce the operational costs and consequently to reduce the fuel prices further.

CPC invested to develop the infrastructure facilities at the newly developing Jaffna International Airport in order to cater the aviation fuel demand. The project procuring activities started in the year 2019.

Industries

The sector comprises the revenue generated from Industrial Kerosene, Fuel Oil to industries, Lubricant, Bitumen and Solvent (SBP). Revenue generated from the sector declined from Rs. 13.4 Bn. to Rs. 11.3 Bn., 16.22 % lesser than the previous year while the demand quantity has dropped by 15.47%. The revenue loss was driven by the impact of the lock down of the country during March and April and other mobility restrictions to curb Covid-19 pandemic.



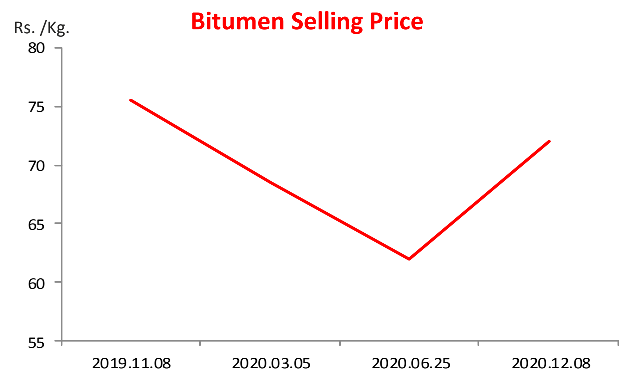
As the major contributor, Fuel Oil generated revenue of Rs. 8.3 Bn. recording a drop of 15.57% in the year as most of the factories did not function properly during the year. The demand for Fuel Oil rebounded in second half of 2020 with the relaxations of the limitations imposed to control Covid-19 pandemic.

We are very optimistic that the demand for the Fuel Oil will be recovered in future upon economy become normalcy.

Sales Revenue Variation

Fuel oil - Super	13.77%
Fuel oil - 1500	19.92%

Country lock downs and mobility restrictions caused to slow down the ongoing road construction projects in 2020 and the Bitumen sales volume by CPC recorded a decline by 8.48%. We cut the selling prices in parallel with the international prices led to be lowest in the market adopting the price differentiation strategy to recapture and maintain the market share.



Although declined demand coupled with the reduction of bitumen prices drive to revenue reduction by 20.08% against 2019, our strategies led to maintain the market share. The profitability from the Bitumen dropped sharply from Rs. 129 Mn. to Rs. 43 Mn. during the year due to the price reductions.

CPC supplies the highest quality bulk bitumen and barrel bitumen to cater the government infrastructure development projects. The imported barrel bitumen is issued at the bitumen yard at Muthurajawela.

CPC started blending the bulk bitumen through the Refinery using furnace oil in the mid of 2018 with the view to produce a quality bulk bitumen at a lower cost to supply for the infrastructure development projects at a reasonable price to contribute for the government goals to improve infrastructures.

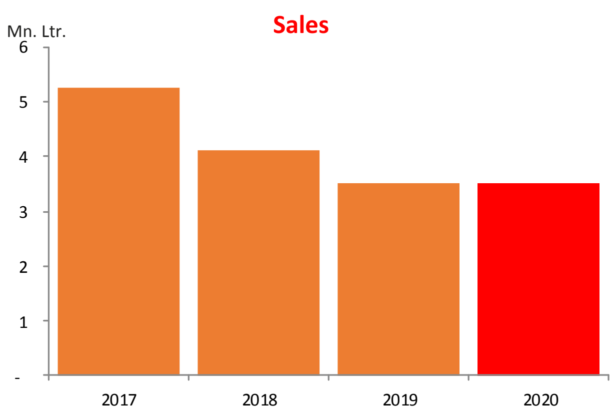
We are in the process to install the bitumen barrel filling plant to fill the excess production to the barrels aiming to supply the demand from the small customers.

Lubricant is one of our concerned business line in the Industries sector as this is a highly competitive business.

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.

We draw our strategic emphasis to achieve excellence in petroleum refining, sales and marketing of high quality products and meet the expectations of the stakeholders through a dedicated team of professionals and a loyal and efficient dealer network and by providing total solutions and services exceeding customers.

The overall market demand declined for the Lubricants due to the mobility limitations imposed by the government to curb spread of Covid-19. However, the placement of our strategies driven CPC to increase the sales volume marginally by 0.26% compared to 2019.



Despite the marginal increase of sales volume, revenue recorded a decline of by 10.06% driven by the sharp reduction of selling prices .

The lubricant blending plant commissioned its operation in 2019 complying with the international standards reducing the supply chain uncertainties. The production through the blending plant was distributed to the market and the benefit accrued on the blending plant were passed mainly to the end customers.

Selling prices were dropped sharply in August to rebuild the market share by passing the benefits accrued through the blending plant. The implementation of the above pricing strategy led to recapture the market share with picking up the sales volume.

Cost reductions provided by the supplier together with the implementation of other strategies to improve the operations enhanced the profitability sharply from Rs. 123 Mn. to Rs.199 Mn. during the year.

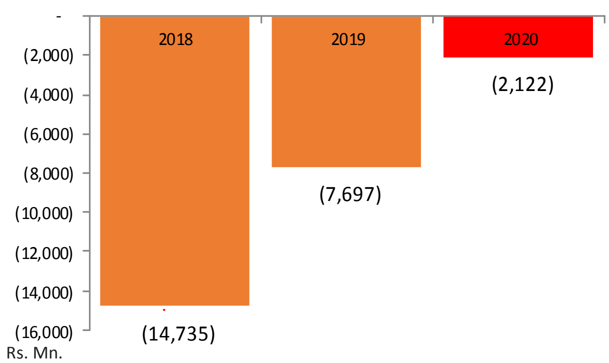
The reductions of industrial operations due to the Covid-19 guided to lose the sales volumes of Industrial Kerosene and SBP. The revenue generated from Industrial Kerosene and SBP were declined by 42.12% and 11.00% during the year to Rs. 267 Mn. Rs. 244 Mn. respectively.

Domestic

Domestic sector comprises Kerosene and Liquefied Petroleum Gases (LPG). This sector continued to make losses on account of kerosene being sold at a highly subsidized price. The loss recorded in the sector has decreased to Rs. 2.1 Bn. during the year.

CPC supplies Kerosene at highly subsidized government decided price of Rs. 70/- per ltr. in order to provide the relief to the low income families and fisher communities. Kerosene generated loss of Rs. 2.1 Bn. We believe that even though Kerosene generated loss to CPC, this is the contribution toward the social wellbeing and sustainable consumption for the low income families.

Loss on Kerosene



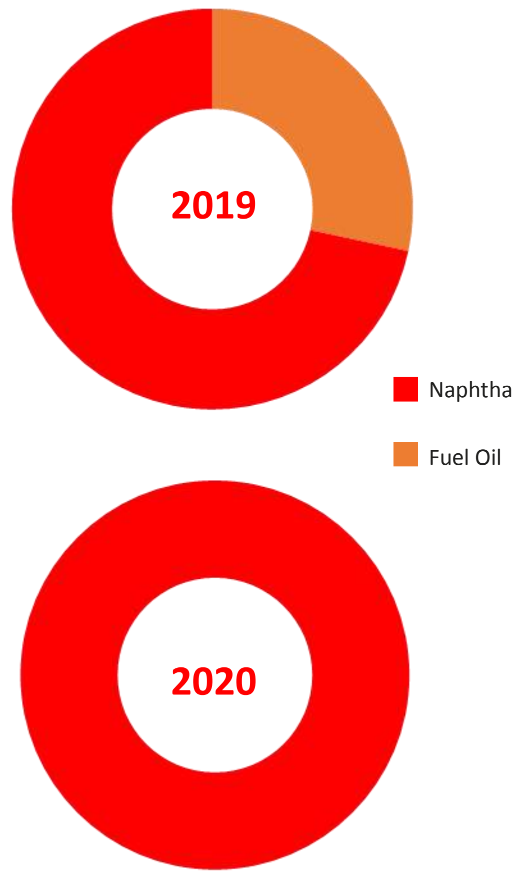
Sales revenue has declined by 13.84% due to the impact of the Covid-9 pandemic experienced during the year. Kerosene subsidy is misused by some of the heavy transporters such as busses and lorries due to the price gap between Diesel and Kerosene. Stringent actions have been taken to control the adulteration of kerosene by some of the heavy transporters. Ministry level attention also given to minimize the leakages of the subsidy elements to the unintended parties. These actions helps to minimize the losses incurred by CPC sharply.

LPG sales revenue recorded a decline of 8.13% during the year from Rs. 2,613 Mn. to Rs. 2,400 Mn. and profits also declined from Rs. 207 Mn. to Rs. 9 Mn. due to refined cost and exchanges rates depreciations.

Exports

Direct export sector generated Rs. 11.3 Bn. during the year, a increase from Rs. 4.3 Bn. As there was no demand from the power sector for the Naphtha during the year, exerted pressure to export the them as the storage capacities are limited.

Export Mix



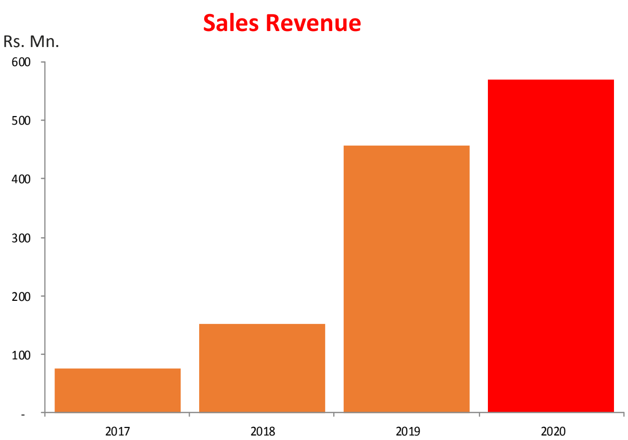
The limited storage capacity pressurize to export Naphtha even below the cost in order to continue the Refinery production process to store the refinery production. Although the sales generated in US Dollars, the sector generated a loss of Rs. 4.5 Bn. an increase from Rs. 1.8 Bn recorded in 2019.

Agrochemicals

CPC remains in the market with the purpose of acting as price controlling party to protect farmers from the exploitations by competitors and to provide quality agro chemical products at a reasonable price.

Although Covid-19 outbreak impacted other sectors, government allowed agriculture sector to function smoothly.

Sales revenue generated through the Agrochemical increased to Rs. 570 Mn. from Rs. 457 Mn. recorded in 2019 an increase by 24.73%.



CPC recorded 0.517 Mn. ltr. of agrochemical sales during the year under review, a increase by 15.40%.

The sales revenue increase was driven by the sales of Glyphosate together with the introduction of two new agrochemicals (insecticides) to the market.

The sector reported a profit of Rs. 171 Mn. a notable increase from Rs. 106 Mn. Sale of Glyphosate together with introduction of new two products contributed significantly on the this achievement.

CPC is the approved party to import and distribute Glyphosate in Sri Lanka and CPC has to comply with the all the regulations in order to supply to the customers in the tea and rubber plantations. The supply was made on the strict adherence to guidelines issued by the regulatory authorities to avoid the product misuse and to minimize the harmful utilizations.

We are committed to follow the standard procedure to ensure the quality of the products as well as the health and safety environment as the agrochemical are inherently exposed to the risk. ISO performance reviews were conducted for ISO 9001-2015, ISO 14001-2015, as well as for OHSHAS 18001—2007 for this purpose.

What we did in 2020

- Introduction of two new agrochemicals (insecticides) to the market.
- Added new dealers to the existing distribution network to strengthen the agrochemical distribution network and to reach to the highly potential areas.

Outlook

A project to has been initiated to construct agrochemical plant at Muthurajawela with all the facilities and state of art technologies. It is expected to build a laboratory with latest new technology in order to initiate the research and development activities.

Refinery Operations

The Refinery at Sapugaskanda is our main strategic asset that creates immense value addition to our nation since 1969. Although the Refinery cater full demand of the country during the 1970, currently it cover around 30%-35% of the total CPC sales.

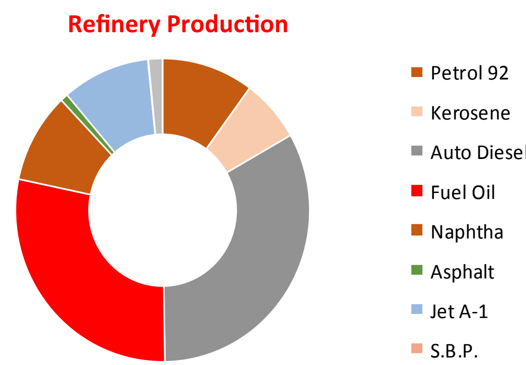
Why Refinery is important ?
• Operating with 100% Sri Lankan staff.
• Provides direct employment opportunities for more than 1100 citizens.
• Caters 30%-35% of the total CPC sales volume.
• Savings of foreign currency outflows.
• Successfully completed 51 years of continued operations.
• `High recognition of the Refinery Training by overseas countries.

CPC is dedicated to provide expected benefits to the country in varied directions such as activating new projects for enhancement of the Refinery, increasing dividends, minimizing the import of refined petroleum products, environmental conservation, supplying standardized products and keeping the employee engagement at a high level.

Criteria	2020	2019
Operating days	362.44	356.6
Average throughput - TPSD (MT)	4650	5230
Operating Efficiency	99.03%	97.68

Refinery processed 100% Murban crude oil during the year and crude intake accounted to 1,685,441 metric tons (MT). The average intake was 4650 Tons Per Stream Day (TPSD) and 4605 Tons Per Calendar Day (TPCD). The refinery was in operation for 362.44 days, with an operating time efficiency 99.03% of Crude Distiller Unit. The throughput per stream day reduced to 3500 during the April and May 2020 due to the lesser demand for petroleum products and to prevent demurrages on the Refined products import tankers.

In the year 2020 the crude oil throughput has been decreased by 10% to 1,685,441 MT compared with 1,864,817 MT of crude throughput in 2019. The consumption of fuel oil & gas quantities have been decreased by 15.09% in quantity.



The refined petroleum products generated through the Refinery declined by 9.35% during the year mainly due to the low processing of crude during March and April.

During the year, the Refinery produced total of 1,630, 586 MT of eight petroleum products through the refinery process. Auto Diesel generated during the year declined from 35% to 33% in the year 2020 while Fuel Oil production increased from 24% to 26%. The Petrol 92 generation remained unchanged and the balance production represents the other five products namely Kerosene, Naphtha, Asphalt, SBP and Jet A1.

Supply of Petroleum Products

The Refinery transfers the output to CPSTL, Kolonnawa depot and Sapugaskanda New terminal for the distribution of the petroleum products to the dealers and customers.

The Refinery also supplies products directly to the customers specially Bitumen, LPG and fuel oil for power generating customers.

Product	2020 MT	2019 MT
LPG	25,210	27,050
Furnace oil to CEB	162,392	112,911
Furnace oil to Asia Power	35,628	18,152
Total	**223,230**	**158,113**

Outlook

The major projects are being handled by the Refinery to increase the efficiency and productivity are summarized below.

- Replacement of Crude Distillation Column, Gas Oil Hydrotreater Unit Reactor & Platformer unit
- Waste Water Treatment Plant
- New Hydrogen Compressor for O2K1
- Upgrading of CEB stand by supply
- Replacement of Water line from Water Intake to Refinery.
- New Compressor for O4 unit

As planned, CPC is investing on the upgration of the Refinery to bring to the latest technological advancement and to meet with the environmental conservation as CPC is going towards the sustainability of its operations.

Sapugaskanda Distribution Terminal

The Sapugaskanda distribution terminal is the CPC owned auto fuel distribution terminal and which distributes Petrol 92, Auto Diesel, Kerosene, furnace oil and Jet A-1 as well. Partial amount of the petroleum products refined by the Refinery are transferred to this terminal for the distribution purpose.

Gantry @ Sapugaskanda Terminal

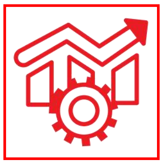
Our Strategies

The paramount importance of the petroleum products to the national economy guided us to align short-term, medium and long term strategies to overcome the challenges and to reach to the goals and objectives even at turbulent environment.

Vision & Mission

Strategic Pillars

Profitable Growth



Operational Excellence

Strategies

Profitable Growth

Short-term, medium and long-term mechanisms, innovations and resource allocations to capture opportunities to grow our profitability is our key strategic pillars to reach our mission and vision. CPC focused to delight its customers and business partners to build brand equity and value addition to our stakeholders.

- Addition of new filling stations at strategic locations.
- Introduction of new profitable products to the market.
- Enhancement of storage capacities.
- Refinery upgrade to convert the bottom level products such as Naphtha & Fuel oil to high valued products.
- Expansion of our strategic business units.

Operational Excellence

CPC invests to enhance operational excellence in all the activities to increase the efficiency and effectiveness to reach its goals and strategic objectives. Continuous processes and assets development activities are in pipeline to improve the process efficiencies, and cost optimization to generate more value to the stakeholders.

- Investment on major projects to enhance the operating capacity.
- Upgrade the existing fleet of filling stations to improve the visibility and operational capacity.
- Installation of new dispensing pumps at the CODO filling stations.
- Installation of barrel filling plant to fill excess bulk bitumen.
- Introduction of Research and Development Unit.

Key Challenges

Dilapidated Pipe Lines

These pipeline slows down the process of discharge and results in both congestion at the berth as well as increases discharge times forcing the CPC to incur massive demurrages.

Subsidized Fuel Prices

As prices are determined by the Government below the total cost, CPC sells generic petroleum products at a subsidized price.

Restraints on Dollar

Non-availability of the foreign currency in the market led CPC to accumulate the loans and exposing more on the exchange rate fluctuations and ultimately drive to loss.

Investment in Human Capital

We highly committed and continued to invest in training and development of our employees to enhance value creation process. CPC provided training and continuous communications to our business partners to train and build expertise to delight the customers.

- Investment on training and development on employees.
- Continuous dealer training for the better customer care & satisfaction levels.

Technological Advancement

The technological advancement creates abilities to generate value to our stakeholders as it enables more accurate operational and reporting practices to achieve our goals and strategic objectives to reach mission and vision.

- Investment on digital infrastructure and training.
- Effective utilization of ERP—SAP system to provide onetime-real-time data for decision.
- Enhancement of online banking facilities.
- Improvement to the dealer stock level monitoring systems to assure the required stock levels.

Sustainability

We committed to engage in minimizing carbon footprint, disposal of waste as per the international level standards, effective consumption pattern to assure the policies and practices to move forward for the sustainable development.

- Implementation of waste management system as per the international level standards.
- Optimization of energy consumption and sourcing of materials/products.
- Introduction of various compliance checks to build and maintain customer satisfaction and legal compliance.

Borrowing Cost

As accumulated loss financed though short term loans obtained from the banks, massive amount (Rs. 21 Bn.) of loan interests paid to service the loans.

Shortage of Storage

Limited availability of storage capacity limited the ability to purchase and store large reserves when global prices are down and limited storage facilities drive CPC to export the excess refined products even at a loss to create the storage capacities to continue the Refinery.

A Price Taker

As CPC purchase a small quantity in the market, CPC is a price taker in the market with exposing to the volatilities in international oil market.

Business Model

Input

Financial Capital
Shareholders funds
Borrowings
Capital management

Manufactured Capital
Filling Stations network
Property, Plant & Equipment

Human Capital
Our People
Experience
Skills & Competencies
Training & development

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

Intellectual Capital
Technological Expertise
Branding
Process enhancements

Natural Capital
Energy management
Water management
Other natural resources

Activities

Vision & Mission

Strategies
Profitable Growth
Sustainability
Operational Excellence
Technological Advancement
Investment in Human Capital

Primary Activities

Corporate Governance

External Environment

Outputs

Gross Revenue
Rs. 519 Bn.

Sales Volume
5,029 Mn. Ltr.

Gross Profit
Rs. 55.25 Bn.

Net Profit
Rs. 2.37 Bn.

Staff Cost
Rs. 5.72 Bn.

Contribution to Government
Rs. 152.31 Bn.

New Filling Stations
25

Total Filling Stations
1,322

Outcomes

Shareholders
Creation of Wealth
Financial Growth

Customers
Quality products
Availability across the country
Fair price

Employees
Talented & Efficient workforce
Safe & Equitable environment

Regulators
Contribute for the energy security
Contribution for the economic development

Community
Sustainable relation-ships

Suppliers
Sustainable value chain

Business Lines

Transport

Fuels for Power Generation

Aviation

Industries

Domestic

Bitumen

Agro Chemicals

Lubricants

Exports

Supporting Services

Risk Management

Financial Capital

Financial Capital

During the year, CPC has achieved a net profit of Rs. 2.37 Bn., a notable improvement from the Net Loss of Rs. 11.85 Bn. recorded in year 2019, despite the adverse impact due to Covid-19 and massive interest expenses of Rs. 20.91 Bn. as well as exchange rate variation of Rs. 21.84 Bn. The reduction of the international fuel prices caused to generate foreign currency savings to the country as well as profitability to CPC resulting to decline the current liabilities by Rs. 24.72 billion, 4% compared to year 2019.

518.8
Revenue
(*Rs. billion*)

55.2
Gross Profit
(*Rs. billion*)

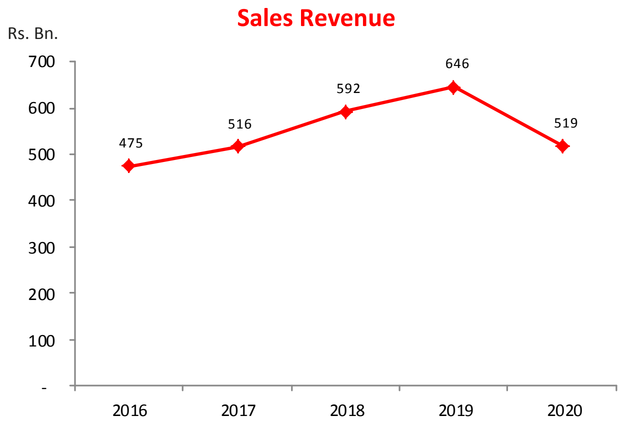
2.4
Net Profit
(*Rs. billion*)

20.5
Other Comprehensive Income
(*Rs. billion*)

31.6
Net Cash Inflows
(*Rs. billion*)

Revenue

Overall petroleum products consumption decline guided to decrease the gross revenue by 19.75% compared to the year 2019. Domestic sales remained as the dominant source of income. As the government policy, sales prices of the auto fuels remained unchanged during the year.



Sector	Revenue (Rs. Mn.)
Transport	377,536
Power generation	81,147
Aviation	19,487
Industries	11,308
Domestic & other	18,132
Exports	11,261
Total	**518,871**

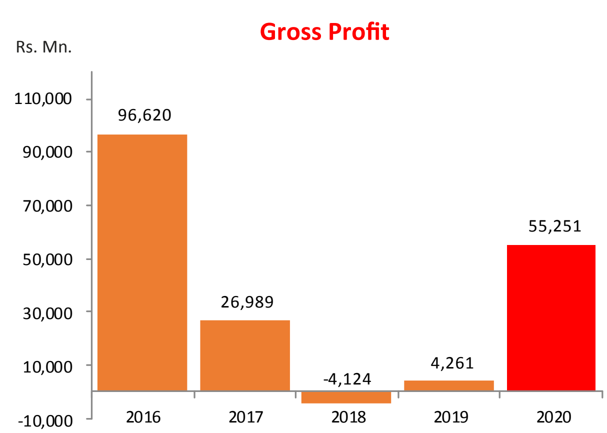
Auto Diesel continued to earn the highest income in the year 2020 followed by Petrol 92, the second highest income generator. The auto fuel sales volume declined by 13.57% caused to decline the revenue by 12.29% reflecting the impact from the Covid -19 outbreak.

The airports were closed since March 2020 and allowed only the limited operations in rest of the year guided aviation sectors' sales volume drop by 60% driving to the revenue decline by 66.97% as the most impacted sector of the Corporation. CPC generated Rs. 11.2 billion through the export of Refinery produced Naphtha due to the lesser demand from the local market during the year with contributing for the foreign exchange generation to the country.

Gross Profit

During the year under review, the Gross Profit was accelerated notably by Rs. 50,990 million (1196%) against previous year. The unexpected reduction of international crude oil prices due to the COVID 19 impact and the Refinery contribution generated due to the international price reduction drive the CPC to the above notable achievement.

Year	Gross Profit (Rs. Mn.)	Gross Profit Margin (%)
2016	96,620	20.34
2017	26,989	5.23
2018	(4,124)	(0.70)
2019	4,261	0.66
2020	55,251	10.65



Other Income

Dividend received from CPSTL recorded a material increase from Rs. 150 million to Rs. 240 million during 2020. The deferment of the recovery of two loans installment in April and May mainly caused to decrease the staff loan interest income from Rs. 239 million to Rs. 195 million.

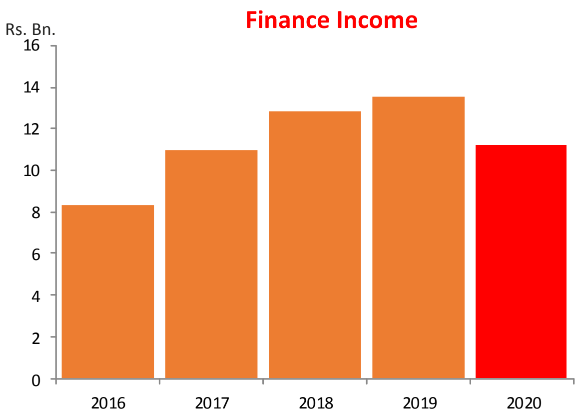
The write back of the unsettled long outstanding credit balances and provisions added to the other operating income. Income on the Investment properties, rental income and the sales of the filling station equipment are also recognised in the other operating income column.

Exchange Rate Variation

CPC recorded an exchange loss of Rs. 21,840 million (2019 gain Rs. 8,397Mn.) in the year 2020 due to the sharp deprecation of Sri Lankan Rupee with a high volatility due to the Covid-19. Limited availability of the foreign currency in Sri Lanka to settle the foreign currency loans to two state banks further contributed for the above loss.

Finance Income

Finance income consists investment income from Treasury Bonds, Fixed deposits, Call Deposits and charges on the delayed customer settlements. Daily excess cash was invested in high interest yielding sources. The reduction of market interest rates guided to decline the interest income by 16.27 % against the year 2019.



The reduction of market interest rates as well as settlements of some of the overdue invoices by Ceylon Electricity Board (CEB), Independent Power Producers (IPPs) in March 2020 caused to decline the interest charges on the delayed customer settlements by Rs. 1,388 million.

Finance Expenses

Unsatisfactory settlements of trade receivables by the government enterprises mainly CEB, IPPs and SLA, less availability of cash collections due to the loss of sales due to the Covid-19 and the non-availability of the foreign currency in the market to purchase and settle caused adversely to increase the foreign currency loans outstanding as well as interest expenses.

	2020 Rs. Mn.	2019 Rs. Mn.
Finance expenses	20,911	14,698
Exchange variation	21,841	(8,397)

Further, deep depreciation of Sri Lankan Rupee affects adversely to the interest cost as the loan interests are to be settled in US Dollar terms. The finance cost increased by 42.27% to Rs. 20,911 million during the year under review due to the aforementioned reasons.

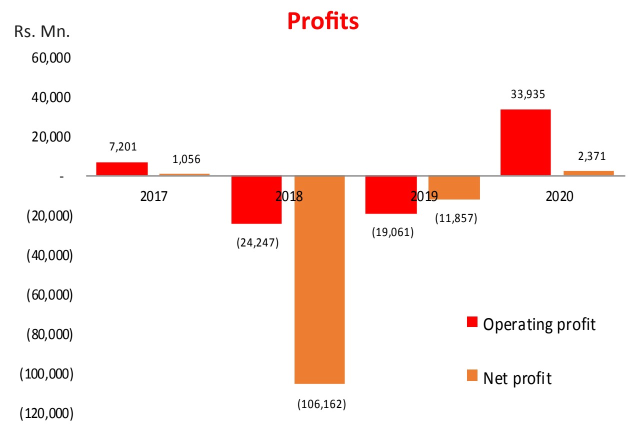
Income Tax Expenses

As the Corporation is entitled to claim the carried forward taxable business losses from the taxable income as per the Inland Revenue Act No. 24 of 2017, no income tax liability has been 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 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 the CPC lands.

Profitability

The international price reductions together with the strategic focus on the performance upheld CPC in to a profitable venture in the year 2020 generating the net profit of Rs. 2,371 million whereas the loss for the year 2019 was Rs. 11,836 million. Although the deep depreciation of Sri Lankan Rupee against US Dollars and revenue loss due to the Covid-19 impacted negatively, CPC was able to reach to the aforementioned profit mark.



CPC revalued its Refinery plant and distribution terminal at Sapugaskanda by the competent valuer registered in India to record the fair value of the Refinery. It recognized the revaluation gain of Rs. 17,676 million during the year and Other Comprehensive Income increased to Rs. 20,562 million for the year with the revaluation adjustment.

Trade Receivable

CPC supplies petroleum products to the government institutions and other parties on credit basis with facilitating to ensure smooth operation of the economy. Settlement of material amount in March 2020 by CEB and lesser sales during the year caused to decline the trade and other receivables by Rs. 13,099 million at the year end.

	2020 Rs. Mn.	2019 Rs. Mn.
Set-off of government receivables against taxes and duties	11,208	12,340

Continuous negotiations with the intervention of the line ministries and the General Treasury are conducted to recover the outstanding invoices. Despite the massive outstanding balances from the state owned enterprises, CPC assures continuous fuel supply to these institutions to facilitate continuous contribution to the economic development and to avoid tarnish of goodwill of the country.

Loans and Borrowings

Long term borrowings increased by Rs. 848 million due to the self-financing loan obtained to investment in the project for the construction of new expansion an hydrant system in parallel with the Bandaranaike International Airport expansion project. The loan amount will be increased based on the work in progress of the project.

Category	2020 Rs. Bn.	2019 Rs. Bn.
Long term Loans	5.06	4.01
Short term loans	390.75	309.93
Total	395.81	313.94

The Corporation converts letter of credits opened to import refined/crude oil to short-term loans at the maturity of letter of credits and accordingly the working capital requirements for the importation of petroleum products are arranged through the short-term loans obtained from two state banks.

- Short-term borrowings from two state banks accelerated by Rs. 80,815 million during the year due to the lesser cash collections, non-availability of the foreign currency in the market to purchase and settle and deep depreciation of Sri Lankan Rupee.
- However, the trade and other payables including outstanding letter of credit decreased by Rs. 105,749 million reflecting the lesser amounts spend for the importation of petroleum products.

Equity Capital

Selling of the main petroleum products at a government decided subsidized price contributed to the massive accumulated losses and they have been financed through interest bearing short-term foreign currency bank loans. Negative equity capital of the Corporation has improved from Rs. 296.1 billion to Rs. 275.5 billion at the year end.

Reasons to Improve Negative Equity Capital

- Net profit for the year is Rs. 2,371 million.
- Revaluation reserve is Rs. 17,676 million
- Other comprehensive income amounted to Rs. 515 million.

Cash Flows

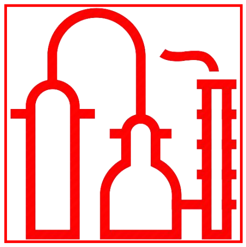
Cash & Cash Equivalent position has increased from Rs. 27.5 billion to Rs. 59.1 billion with the realization of short-term investments.

- The reduction and settlement of trade and other payables resulted to net operating cash outflow of Rs. 78.2 billion.
- Interest received and realization of the Treasury Bonds contributed to generate cash flows from investing activities amounting to Rs. 32.5 billion.
- The Corporation obtained net loan amounting to Rs. 77.2 billion.

Value Added

Category	2020 Rs. Mn.	2019 Rs. Mn.
Sales Revenue	510,131	630,860
Other Income	12,007	14,055
Bought in materials & services	(338,156)	(512,561)
Depreciation	(2,669)	(983)
Value Added	**181,313**	**131,371**
Applied to		
Employees		
Salaries, wages & other benefits	5,719	5,865
Providers of capital		
Interest on loans	20,911	14,699
The Corporation		
Retained Profit	2,371	(11,857)
The Government		
Taxes and duties	152,311	122,664
Value Added	**181,313**	**131,371**

Manufactured Capital



Manufactured Capital

The Refinery including distribution terminal, extensive network of 1,322 filling stations and equipment in Aviation were key strategic assets that comprise in our Manufactured Capital. The proper management and alignment of Manufactured Capital plays an integral role to achieve goals and objectives of CPC. Strategic priorities were given to upgrade and maintain infrastructures towards the sustainable petroleum industry in Sri Lanka. CPC added Rs. 2.1 billion worth of Fixed assets to the existing assets bin.

2.1
Investments on Fixed Assets
(Rs. billion)

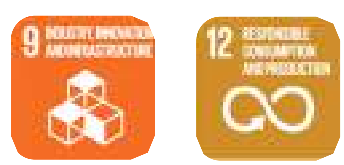
1,322
Filling Stations

25
New Filling Stations

324.6
Total Assets
(Rs. billion)

17.7
Revaluation Gain
(Rs. billion)

Our Contribution to SDGs



Our Manufactured Capital comprises property, plant & equipment, investment properties, intangible assets including information technology (IT) systems & software and Corporation Owned filling station network. These capitals utilized to refine, supply and distribute the petroleum products. This capital is vital to fulfill the strategic objectives established and to ensure the energy security of the country.

Total property, plant and equipment including investment properties increased to Rs. 57,841 million during the year while net book value increased from Rs. 26,490 million to Rs 43,595 million.

Outline 2020
• CPC revalued its 50 years old Refinery during the year and recognized the revaluation gain of Rs. 17,676 million.
• The deprecation recorded for the year is Rs. 2,670 million.
• We invested Rs. 2,099 million in to the existing fixed asses bin.
• CPC disposed Rs. 43 million worth of fixed assets during the year.
• Number of major projects are in progress and planned.

Investment properties include properties located at Thurstan Road and Flower Road in Colombo and Corporation owned filling stations. Addition to the investment properties is Rs. 1.4 million and depreciation for the year is Rs. 1.88 million. The income of Rs. 41.89 Mn. has been generated through the investment properties.

Details of the investment properties
CODO Filling stations
Property located at No. 80, Flower Road, Colombo 07
Property located at No. 22/1, Thurstan Road, Colombo 03

The Refinery located at Sapugaskanda, Kelaniya is the key strategic asset of the Corporation. The Refinery has been commissioned in 1969 and was capable of catering to the country demand at the time of installation. The current Refinery is capable to refine 50000 barrel per day and has served to reduce foreign currency outflows as the Refinery produces around 30% of the total demand for the Corporation.

The energy security plays a vital role for the economic development and the Refinery contributes for the continuous energy security of the country. Many projects are in pipeline to enhance the refining capacity and upgrading the Refinery as the Refinery is the heart of the Corporation.

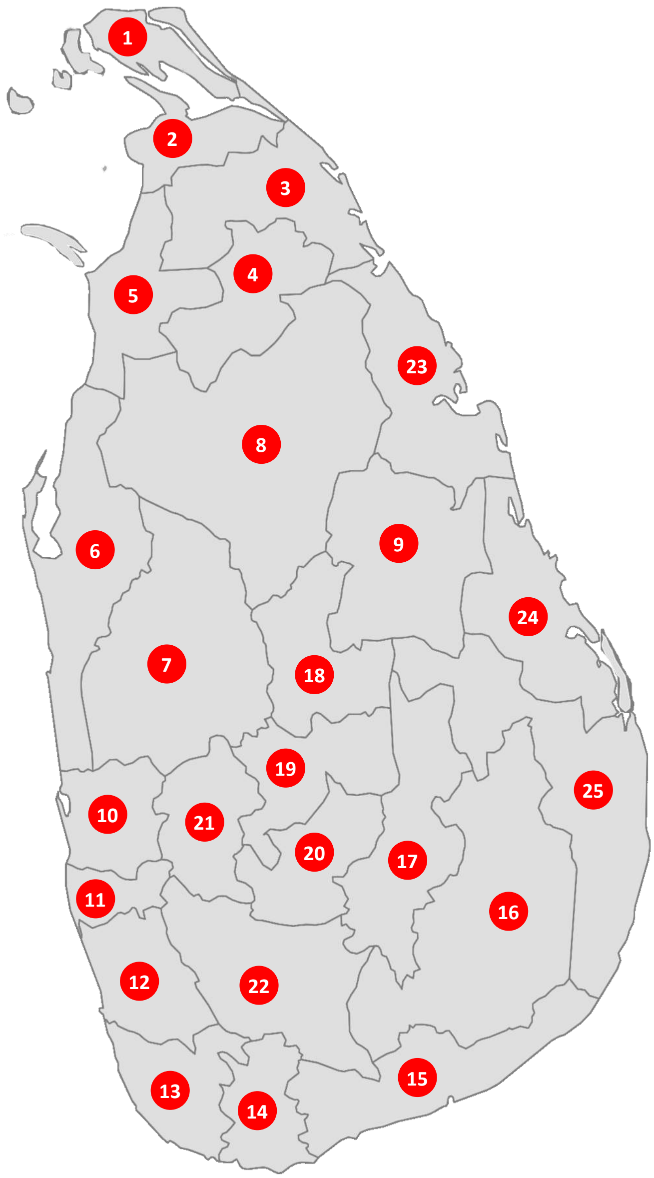
IT Enhancements
• The customer online settlement system has been enhanced to facilitate the payment and procuring process on real-time posting to the CPC system. This system simplifies the payments of island-wide dealers to assure the product availability.
• The automated coupon system has been further developed to enhance the systematic process to assure accuracy and the immediate credits to the dealers while satisfying the entities who are purchasing the coupons. We believe that the automation enhancing the trust and convenient.

Distribution Channel

The island-wide filling station network is also a key strategic point where the relationships with the final customers are occurred. The availability of the petroleum products to the general public are assured through the extensive filling station network.

Category	No. of Filling Stations
CODO	243
DODO	1,079
Total	**1,322**

Auto Fuel Distribution Channel



Northern Province

	District	CODO	DODO	Total
1	Jaffna	22	65	87
2	Kilinochchi	4	15	19
3	Mullativ	-	23	23
4	Vavuniya	1	22	23
5	Mannar	5	29	34
	Total	32	154	186

North Western Province

	District	CODO	DODO	Total
6	Putlam	7	75	82
7	Kurunegala	14	91	105
	Total	21	166	187

North Central Province

	District	CODO	DODO	Total
8	Anuradhapura	12	45	57
9	Polonnaruwa	8	19	27
	Total	20	64	84

Western Province

	District	CODO	DODO	Total
10	Gampaha	17	125	142
11	Colombo	39	87	126
12	Kalutara	11	41	52
	Total	67	253	320

Southern Province

	District	CODO	DODO	Total
13	Galle	11	58	69
14	Matara	9	35	44
15	Hambantota	7	28	35
	Total	27	121	148

Eastern Province

	District	CODO	DODO	Total
23	Trincomalee	4	37	41
24	Batticoloa	4	46	50
25	Ampara	6	55	61
	Total	14	138	152

Sabaragamuwa Province

	District	CODO	DODO	Total
21	Kegalle	6	25	31
22	Ratnapura	9	43	52
	Total	15	68	83

Central Province

	District	CODO	DODO	Total
18	Matale	3	21	24
19	Kandy	18	47	65
20	Nuwara-eliya	13	5	18
	Total	34	73	107

Uva Province

	District	CODO	DODO	Total
16	Moneragala	6	20	26
17	Badulla	7	22	29
	Total	13	42	55

Filling stations have been categorized in to Corporation Owned Dealer Operated (CODO) filling stations and Dealer Owned Dealer Operated filling stations (DODO). The total number of filling stations have been increased to 1322 with the 25 new filling stations added to the extensive distribution network during the year.

The geographical footprint enabled CPC to discharge its social responsibility of availability of products to the general public all over the country. This geographical footprint facilitates to maintain market leadership while achieving more than 80% market share of the country demand. More than 72% of the total revenue of the Corporation generated through this network.

- CPC imported 500 number of state-of-the-art dispensing pumps and installed in the Corporation owned filling stations island-wide. The modern dispensing pumps deliver better customer service excellence.
- The Corporation continued the renovation of the CODO filling stations to modernize them to meet high level of standards and automation to assure a better customer services.

Capital Progress & Future Outlook

Every endeavors taken to implement various strategic projects that are crucial to secure energy security of the country and contribution to the economic development. CPC always way forward to reach its vision and mission while ensuring the sustainable development.

Strategic focus was given to short-term, mid-term and long-term projects that are essential for the development and continuation of the business operation as well as for the infrastructure development of the country.

- Development & upgrading of aviation refueling terminal & the existing fuel hydrant system and installation of a fuel hydrant system at new apron – E in par with phase ll stage 2 development project of Bandaranaike international airport, Katunayake was started in January 2018 and construction works are in progress. The project has achieved 60% and 46% of physical and financial progress respectively. At the completion of the project, CPC will be able to cater the future increased aviation fuel demand at the airport smoothly with the latest state-of–art technology.


BIA expansion project

- Procurement process is in the progress for the Construction of a Jet A-1 transfer Pipeline from Muthurajawela To BIA Katunayake and construction of Jet A-1 storage tanks and associated facilities with modifications to the existing Terminal facility at Muthurajawela. This enables CPC to assure energy security for the Katunayake airport and easy the Jet A-1 distribution channel.


Muthurajawela Pipeline project

- Refinery modification project has been planned and that will enable to upgrade the bottom products into high yielding products leading to avoid the loss arisen from the export of Naphtha due to lack of storage capacity. Additionally, it will continue to focus on driving growth and efficiencies to address the increasing demand for petroleum products uninterruptedly while minimizing processing cost. Possible mechanisms are in considerations for the financing arrangements to implement for the above mega project. The procurement process for the waste water treatment plant at the Refinery has been initiated to bring par with the international environmental standards as CPC always moving for sustainable operations.

- The Corporation continues to upgrade the CPC owned filling stations and strategic priorities and resource allocations are in place to maintain the market leader and to capitalize the government backup as a public enterprise.


Refinery maintenance works

- Initiatives have already been taken to build a state-of-the-art agrochemical plant at Muthurajawela with all modern manufacturing practices. The project includes production floor, administration and will be equipped with a modern laboratory with the aim to establish a research and development unit to introduce more sustainable products to the market at a reasonable price.

- Initial preparations were done to build a drumming plant at Sapugaskanda Refinery with an aim to provide high quality drum bitumen.

- The Corporation is looking ahead for the enhancements of the storage capacity to accommodate excess production during low demand seasons and to store crude oil/imported refined products when the oil prices are down in the international market.

As a key strategic business enterprise of the Country, the Corporation always operates to discharge its responsibilities vested to the firm to secure the energy security of the country. Investments on the long term major capital projects and short & medium -term strategic projects enable CPC to create value to our stakeholders.

Capital Trade-Off

As the working capital requirements of the CPC are financed mainly through the short-term loans, financing source arrangements are to be obtained to implement the major capital projects at high financing costs leading to the project cost and ultimately for the profitability of the Corporation.

Intellectual Capital

Intellectual Capital

Intellectual Capital consists of intangibles associated with the culture, ethics, values, organizational knowledge, systems, processes & procedures, learning and brand value. CPC has its owned ethical standards and values that are built into the culture to assure integrity. Our culture facilitates to upgrade and value the tacit knowledge which is crucial for the betterment of CPC. CPC continued training and developments up to some extent, although Covid-19 hampered the training & development programs.

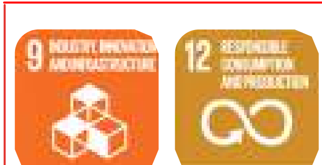
38,350
Cumulative Service Experience
(yrs.)

4.47
Training Cost
(Rs. million)

99.0%
Operating Efficiency - Refinery

900
No. of Employees over 20 yrs Experience

Our Contribution to SDGs



Our Intellectual capital consists of intangibles associated with the culture, ethics, values, organizational knowledge, systems, processes & procedures, learning and brand value. We nurture our resources to upgrade the tacit knowledge which is crucial to realize the vision and mission. CPC maintains its owned ethical standards and values that are built into the culture as our product impacts to the cost of living and livelihood of the people in the country.

With the spread of the COVID-19, we initiated early steps to address the challenges of continuing business operations under the stringent guidelines of health & safely. Initiatives were taken place in the main areas of strategy and IT in order to continue the petroleum product supply without any interruption. Systems had been developed to facilitate work from home during the lockdown period with limited physical staff availability to bringing greater efficiencies and operational excellence. Our responsiveness and adaptation to changing environment due to the Covid-19 outbreak reflect our greater flexibility and the commitment of our staff.

Our Brands

Our brand with "ENERGIZING THE FUTURE" having more than 59 years of history, it is very close to the people of the country as petroleum products takes key part of the cost of living of the people and the fair trading under our brand lead to improve the quality of the lives of Sri Lankans.

Ceypetco Lubricant is a well-recognized brand which is very close to the people. All our lubricating oils are blended in a blending plant having ISO 9001/2000 certification. Ceypetco brands of lubricants meet the relevant international specifications in American Petroleum Institute (API), MTU Friedrichshafen SmbH and European Automobile Manufacturers Association (ACEA) and fields of service both industrial and automotive applications.

Ceypetco Agro chemical has been rendered unblemished service in the Agrochemicals Market over 5 decades as a strategic Business Unit. Ceypetco Agrochemical has been awarded International Organization for Standards (ISO) Certification, ie; 9001:2015 (Quality Management System); ISO 14001:2015 (Environment Management System) in Agrochemicals Business since 2008. The brand Ceypetco Agrochemicals has been devoted to provide an effective solutions to farmland from preparation beds until harvest crops by totally controlling or eradicating pets, fungus and weeds in cultivation to prosper farmer's cultivation

Our Values

CPC has its owned ethical standards and values that are built into the culture of the Corporation. As our product impacts to the cost of living and living standards of the every person in all over the country, we maintain the fully standardized product to commit that the people are getting the quality product. CPC constantly follow with the international standards for the petroleum product as these products are highly vulnerable to the health and safety challenges. A diverse range of training in technical, operational and customer handling are inbuilt to create dedicated expertise to deliver its value. Our stock loss control & Research Division actively contribute for products and service development without impact to the nature.

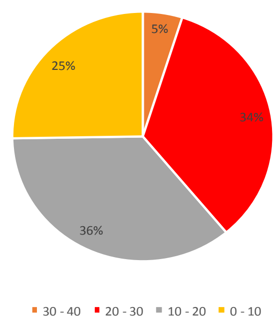
Process enhancements

Credit coupon delivery automation system has been upgraded to enhance the security and degree of accuracy of the coupon issuance and the reimbursement process. The system helps to release the funds to the dealers within very shorter period.

Continuous Learning & Development

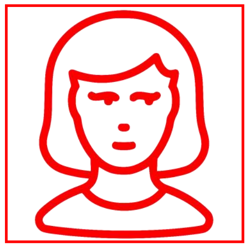
A knowledge base forms an important intangible asset in the current business environment. Since creating the knowledge base organization is a key strategy, plenty of training and development opportunities to strengthen their competencies are provided to fulfill their duties and responsibilities. CPC invested Rs. 4.47 Mn. for the training and development of employees to enhance and upgrade the competencies. The impact of the Covid-19 pandemic restricts the training and development activities.

Categorization of Employees as per Experience



Our knowledge base consists of 900 employees who are having more than 20 years of continuous service experience. Cumulative service experience of the currently available workforce is surpassing 38,350 years. The learning and supportive culture of the Corporation makes sure to maintain and tacit knowledge to build the better operational excellence to reach vision and mission into the reality.

Human Capital



Human Capital

Our Human Capital of 2508 (2019 - 2616) includes permanent and contract employees & trainees and they are strategic assets that contribute individually as well as collectively toward the achievement of CPC goals and objectives. Employee engagement plays dynamic role to value customer/stakeholder satisfaction that are essential for the betterment of CPC. Training & Development are inbuilt in our HR policy to align with our strategies to realize the vision and mission in to reality.

2330
Number of Employees

143
Service Awards

56
Recruitments

5.72
Staff Cost
(*Rs. billion*)

176
No. of Trainees

Our Contribution to SDGs

Our human capital is a strategic asset which is utilized to reach our vision and mission into the reality. Well skilled, competent and engaged work force drives the organization to maintain as the market leader in petroleum industry in Sri Lanka. Our human resource policy assures good working environment while providing better rewarding, health & safety with greater career advancement opportunities to delight them.

Our policy on human capital enables CPC to attract, retain and develop engaged employees that will add value to the stakeholders.

Governance

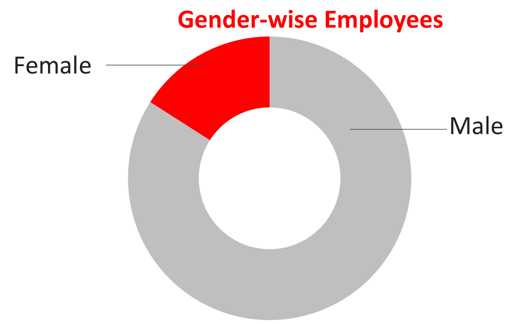
The Board of Directors is the apex body in charge of formulation of HR policies to execute Corporation's strategies. The Corporation's overall Human Capital is handled by the Human Resources Function with oversight and guidance provided by the Board. The Human Resource Function is performed with reviewing and realigning the HR strategy to support the corporate strategic direction.

Category	No. of Employees
Permanent staff	2,330
Contract	2
Trainee technicians	76
Trainees (from external academic institutions)	100
Total	**2,508**

Diversity

Our HR policy recognise and encourages the creating a diverse team and have in place stringent policies against any form of discrimination based on gender, age, race, religion or any other factor.

Employees are placed in different provinces to enable full diversity guiding to better customer accessibility and customer services. We actively promote gender parity at the workplace by striving to provide a level playing field for women throughout their professional lives.



Females are represented at every level of the Corporation and we would like to note that 13% of senior management and above categories are women.

Staff by Province	Male	Female	Total
Western	1675	305	1980
Eastern	23	1	24
North	16	4	20
Uva	16	2	18
North Western	34	12	46
Central	54	20	74
Sabaragamuwa	23	11	34
Southern	84	10	94
North Central	33	7	40
Total	**1958**	**372**	**2330**

CPC continues to review our Human Resource policies to ensure a good working environment for our female employees. We continue to create a culture of acceptance and non-discrimination through awareness sessions, stringent policies and a robust grievance handling mechanism. There were no incidents of discrimination recorded during the year.

Rewards and Recognition

Recognising and rewarding our employees is the way of acknowledging the vital contribution our people endure to make on our operations. Further, CPC believes that attractive rewarding system motivates employees to perform their duties and responsibilities and create loyalty towards the Corporation.

All permanent employees are provided numerous other financial and no-financial benefits based on the employment category including bonuses, traveling allowances for certain grades, holiday bungalows, staff loans, medical benefits, gratuity through Thrift Society, maternity leave and retirement benefits.

CPC offers reward package consisting both financial and non-financial benefits in par with the market rates. CPC assures all employees of 2,330 in permanent cadre, receive fair and competitive remuneration in line with the nature and responsibility of the job. We have a sound compensation policy in place to ensure our salary and benefit structures remain on par with industry standards. Rewards system is linked with the performance of the employees and annual performance evaluation is made based on their overall performance.

The collective bargaining agreement is in place covering total cadre, with all pay / benefit increase incorporated through the renewal cycle in every three years. The prevailing agreement was renewed in January 2018, for the period 01st January 2018 to 31st December 2020 and is to be renewed with effect from 01 January 2021.

Service Category	No. of Awards
20 years of service	119
30 years of service	12
35 years of service	11
40 years of service	01
Total	**143**

As HR Policy of the Corporation, service awards are granted to the employees who are completed their immense value of contribution to the Corporation to recognize and respect their employee engagement. CPC grants 143 awards during the year.

CPC employees are eligible to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) benefits. Corporation contributes 15% and 3% to EPF and ETF respectively in order to secure their future after the retirement. In addition, the Corporation provides gratuity at retirement according to the Gratuity Act. CPC contribute to the thrift society to provide retirement benefit equal to the gratuity.

Recruitments

As a public Corporation, recruitment process are performed in compliance with the national and other regulations as well as HR policy. We recruit based on the candidate's suitability for the specific job role, their qualifications and experience. A formal interview process along with the competency tests are the Corporations pre-requisites that are used to comply with the approved cadre requirements to fill in a transparent recruitment process. Hence we recruit qualified individuals who have the potential for the career advancement and the capacity to handle greater responsibility.

The Corporation is a non-discriminatory employer. All the employees treated with a non-discriminating rewarding policy between men and women leading both parties eligible for the same rewarding scales (1:1) for the same job categories adhering to the all the statutory and other requirements. CPC recruits only the employees who are above the age of 18 years without any discrimination.

During the year, the Corporation recruited 56 employees to our workforce.

Promotions

Our Promotion policies are designed to facilitate vertical and lateral career movement that would serve to enhance the prospects and career advancement of our employees. Policy consists of a comprehensive set of guidelines to ensure all promotions are merit and performance based.

Training & Development

CPC committed to provide continuous training and development of the human capital at all the levels and ensure that the employees receive the required training to maximize their performance and productivity. Annual training and development plan of the Corporation focus to improve efficiency and effectiveness of the job assigned.

Although the restrictions and challenges faced due to the Covid-19 outbreak limited the training and development opportunities, CPC provided in-house training programs including on the job training as well as external structured trainings programs to equip with technical and soft skills to discharge their responsibilities, performance and career advancement. Leadership training also provided to the relevant level of employees for the career advancement that will used to guide the Corporation to a better position.


Training at the Head Office

The Corporation has spent Rs. 4.47 Mn. million to upgrade through the various training programs during the year 2020. The training focused on increasing productivity, strengthening governance, enhancing asset quality and building a compliance culture. The pandemic created many challenges in providing learning solutions.


Finance Staff Training

The Corporation promotes the avenues for the employees for higher educational opportunities, including overseas universities and institutions to upgrade their knowledge and competencies that may lead to Corporation's operational excellence. For this purpose, CPC provides financial assistances to follow the master degrees, degrees and diplomas.

Annual performance appraisals are performed and communicated to the employees. The achievements reached during the year also considered for the annual appraisal.

Ethical Behavior & Compliance

Integrity and professionalism are the cornerstones and CPC strives to inbuilt these values in all our employees inherent in to the CPC culture. CPC continued to provide training and lectures to create awareness of the productivity and ethical behaviour. CPC take a zero-tolerance approach to Bribery and Corruption. The Corporation insists that all our employees act professionally, fairly and with integrity in all their business dealings and relationships maintained in an official capacity.

CPC respects and adheres to all the labour and other laws and regulations. The Corporation do not employee any child labor and does not have forced labor or compulsory labor indicating the responsible and ethical behavior.

Retirements

Retaining our talent within the organization is an important aspect of building a strong team and we are proud to indicate that we continue to achieve high levels of retention across all levels of employment. We ensured that no jobs were eliminated as a result of COVID-19 outbreak.

Total of 97 employees left during the year due to the retirements, deaths, resignations.

Retirements/deaths/resignations			
Group	Male	Female	Total
18-30 years	-	-	-
31-40 years	1	-	1
41-50 years	4	-	4
51-60 years	83	9	92
Total	**88**	**9**	**97**

Health & Safety

Ensuring the health and safety of our employees was our utmost priority due to the Inherent nature of inflammability of the petroleum products that are highly exposed to the risk of health & safety. Every endeavor were taken to maintain health and safety environment for the employees adopting the internationally accepted health and safety standards and practices that enable to safeguard employees as well as other stakeholders.

Refinery plays a key role in the health and safety considerations and planned structured systems are in placed to avoid minor and major hazards. All employees of the Refinery received safety training regularly including HSE training. Target based safety award scheme with cash awards continued as in the past including the "Man of the Month" award. Regular safety audits, inspections and good house keeping surveys were carried out to assure the smooth operation of Refinery. Operations, Engineering and Management Safety Meetings were conducted in every quarter of the year.

COVID-19 outbreak created additional health and safety concerns during the year 2020. A special COVID-19 Control Committees were formed for both Refinery and Head office to formulate an action plan and to protect staff during the pandemic. The Corporation operated with the minimum number of staff under the stringent health and safety guidelines during the lockdown period.

Office transport facilities were provided to the employees who reported during this period as health and safety of the staff is our primary concern. As guided by the government, CPC also implemented a work from home concept for the staff ensuring the health and safety practices to assure continuity of the CPC operations as the supply of petroleum products are essential for the country.

Health & Safety at Refinery		
Health & Safety	2020	2019
Lost time accidents	-	-
First aid accidents	-	7
Minor fires reported	-	-

Welfare

Staff welfare is vital to build loyal and engaged employees toward the Corporation and motivates to attract and retain the employees. Number of welfare programs and activities were implemented to assure healthy and committed workforce.

Year 2020 was the special year that requires more attention on the employees due to the impact of the Covid-19 pandemic. CPC provided the various facilities such as staff transport, sanitizers for official and personal use, deferment of loan settlements, etc. enabling staff for their wellbeing and upgrading the livelihood during the pandemic period.

Number of loan schemes at a concessionary interest rates were provided to all the employees to improve their living standards and recognize their contribution towards the Corporation. CPC has granted number of loans and advance facilities during the year.

CPC extended its contributions to the children of CPC employees to facilitate and encourage work life balance. There were 36 new scholarships given under this program to the children those have reached to educational achievements such as children who have selected to the university education etc.

Scholarships Awarding Ceremony

CPC Medical Scheme covers the employee and their dependents with aim to maintain wellbeing of the employees and their families encouraging for the work life balance.

CPC arranged Prith & Dana Pinkama in January to provide better enjoyment and to improve the humanity among the staff. Opportunities are provided for all the religious employees to worship according to their religious.

Uniforms are provided to the relevant categories of the employees to maintain health and safety to maintain hazards free environment.

Employee Engagement

We expect our employees to stay engaged and make an impact on the CPC operation and engagement has been inbuilt to our culture.

High degree of employee engagement was a key element to operate under the challenging conditions posed by Covid-19 outbreak during the year under review. CPC maintained a constant dialogue with our employees during the lockdown period ensuring regular communication through multiple channels. As a part of managing work and deliverables during the pandemic, various tools have been introduced to facilitate the work from home concept to manage the day-to-day activities and to adhere to the operational and reporting timelines.

Outbound Training - Finance Staff

CPC encourage its contribution towards employee's engagement in sport and other collective activities which are required to work life balance and recognition.

Industrial relations & Compliance

Industrial relations are essential for the continuity of the business operations. The industrial relation helps in effective utilization of man, money and material. CPC strive to realign the industrial relations with the operation strategies of the corporation. As CPC is the market leader, CPC extends its continuation for the industrial relations climate to assure the good relation for the smooth operation of the Corporation.

CPC accepts all the trade unions that are formed by the employees. The Corporation welcome their constructive dialogs and behavior that maintain cordial relationship with all the parties leading to add value to the stakeholders.

A freedom to join with the trade union as per the employees requirements has been given to all the employees. There are eight registered trade unions were existed as at 31.12.2020 and the Corporation maintains cordial relationship with all the trade unions to guarantee an uninterrupted operations.

CPC also closely engage with trade union representatives to ensure the employee concerns were addressed in a mutually acceptable manner and all operational changes were communicated with adequate notice. There were no incidents of industrial action recorded during the year.

Social & Relationship Capital

Social & Relationship Capital

Our effective reaction to Covid-19 outbreak has enabled CPC to extend the relationships with our stakeholders including business partners and community. We continued to work closely with our filling stations to provide continued product supply in health & safety manner to operate the system while addressing the exceptional challenges faced during this period. Even revenue dropped, the contribution to the government as taxes and duties has increased to Rs. 152 billion in the year.

152.31
Contribution to Government
(Rs. billion)

1,533
Fuel Imports
(USD *Million)*

102
No. of Non-oil Procurements

1,667
Crude Imports
(000 MT)

2.12
Kerosene Subsidy
(Rs. billion)

Our Contribution to SDGs

Effective relationship with the stakeholders is exclusive for the continuation of the operations and value creation process. The Corporation maintains and enhance its cordial relationship with the strategic partners, such as General Treasury, Central Bank of Sri Lanka (CBSL), Bankers, Crude & refined oil suppliers, shipping lines, local suppliers, dealers, etc.

As Sri Lanka is a country without having the minable petroleum resources, all petroleum products need to be sourced from external sources. Well defined procurement procedures are in place to assure transparent procurement procedure. Stock review committee is actively involving to decide the stock requirements, quality and affordable products.

With the sanction imposed on Iranian, the Corporation utilizes Murban crude oil for the Refinery as it generates more yields of middle and light distiller with lesser bottom products such as Furnace oil.

Petroleum imports

As Sri Lanka does not have minable petroleum resources so far, petroleum product import reflects one of major import sector of Sri Lanka. CPC imports Crude oil as well as Refined petroleum products to the country and imports are made through the government establish procurement procedures by providing more transparency for the procurements and attract best suppliers to import quality products.

The Corporation imported 18 number of crude shipments with the total volume of 1,666,807 MT (1,842,737 MT – 2019) of Murban Crude oil during the year for the production process at the Sapugaskanda Refinery.

Petroleum Imports

Category	2020 USD Mn.	2019 USD Mn.
Crude oil	583.34	970.70
Refined bulk products	949.83	1,858.41
Total	**1,533.17**	**2,829.11**

As the Refinery cater around 30% of the total sales, the gap is filled through the direct imports as refined products. The Corporation imported USD 949.83 million (USD 1,858 million in 2019) (DAP basis) worth of refined products to country through the aforementioned procurement process. the reduction of international oil prices and the lesser demand for the petroleum products due to the COVID-19 impact caused to the decline impart value by 45.81% reflecting the foreign currency savings to the country.

Non– oil procurements

Procurement category	No. of Procurement completed	Amount (Rs. Mn.)
Departmental procurement committee	101	161
Ministry procurement committees	-	-
Cabinet appointed procurement committees	1	286
Total	**102**	**447**

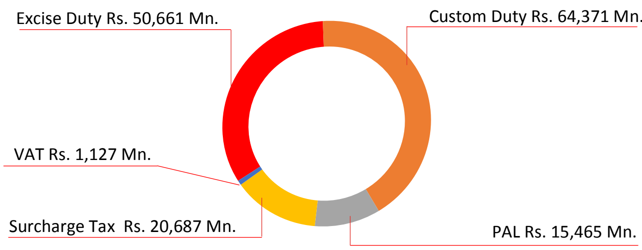
All the non-oil local and international procurements also are made as per the government establish procurement procedures providing more transparency for the procurements and to attract best quality products and services. Technical Evaluation Committees and Procurement Committees have been formulated to assess the need, relevance, quality and the price of the product/ service for the sustainable consumption.

Government Contribution

The Corporation is one of a largest tax contributors to the Government tax income that are used for the infrastructure development and economic activities. During the year, CPC contributed Rs. 152,311 Mn which is 29.85% of CPC net revenue. Considering the international price reductions due to the COVID-19 impact, the government imposed additional taxes during the year resulting to increase the taxes to the government.

The Government increased the Custom Import Duties (CID) on the importation of Petrol and Diesel during the year and the CID contribution increased by 105%. A Surcharge Tax has been imposed with effects from March 2020 in parallel with the sharp reduction of the international oil prices. However, the government revised these two taxes downward in parallel with the increase of the international oil prices in second and third quarters.

Tax Contribution



The reduction of imports and reduced international oil prices caused to decrease the contribution from Excise duties and Ports & Airports Development Levy (PAL) by 15% and 41% respectively. Value Added Tax contribution reduced due to the reduction of VAT rate from 15% to 8% .

With the above all revisions and effects, the total taxes and duties contribution has increased by 20% compared to 2019.

Business Partnering

The extensive island-wide dealer network of 1,322 filling stations guarantees the product accessibility to the general public. It is our primary concern to maintain a cordial business relationship with our business partners to discharge our main responsibility of energy security to the general public as CPC maintains more than 80% of the market share. Strict guiding procedures and controls have been formulated to maintain the filling stations with the expected level of standards for the quality products.

Provincial filling stations

province	No. of FS
Western	320
North Western	187
North Central	84
Central	107
Northern	186
Southern	148
Uva	55
Eastern	152
Sabaragamuwa	83
Total	**1322**

Support to Business Partners

As all the business sectors affected with the Covid-19 pandemic, our business partners also faced with many challenges during the year. The Corporation granted various benefits to our business partners to drive their businesses during the outbreak and to help revive their businesses back to pre-pandemic levels to protect and assure the survival of the business. CPC granted various product loan schemes, waive- off the various penalties, etc. to protect and we remain committed to support the Government for its efforts to rebuild the economy in the wake of Covid-19.

Covid-19 Reliefs

Being a responsible corporate we always committed to provide the relief to our stakeholders to upgrade their livelihood.

Society

- Contributed Rs 5.4 Mn to the Covid-19 Healthcare and Social Security Fund.
- Donation of Hand Sanitizers and cleaning liquids to the government and other institutions.

Business Partners

- Granted various product loan schemes.
- Waive-off the various charges.
- Continuous guidance for the health and safety operations.

Employees

- Provision of hand sanitizers and cleaning liquids.
- Provision of Transport facilities.
- Deferment of staff loan installments and interest of April & May.

Product Responsibility

Inherent nature of the flammability and safety risks associated with our products, product responsibility is one of our primary concerns to guarantee the quality standardized product to the consumer at all the time. The quality process starts with the procurement process and handling, distribution and quality checking process are monitored throughout the overall process.

Special monitoring system is in placed at the customer touch point to identify and take corrective mechanisms to follow the procedures and practices. Safety systems are in place to safeguard against fire hazards and continuous review are made to ensure that the fire extinguishers are available in all the filling stations.

Dynamic actions were taken on the 12 filling stations to overcome the shortcomings identified through the system. More efforts are in placed to capture the adulteration of Kerosene and make sure the quality of the products they consumed.

The monitoring team visited 230 randomly selected filling stations even under Covid-19 in different areas and carried out safety inspections and audits to find out any hazards or shortcomings with the objective to obtain feedbacks on the violation of procedures, unsafe practices, housekeeping hazard detection, etc.

The Corporation does not sell any products that are banned in Sri Lanka. As the only authorized agent to import and distribute Glyphosate in the country, CPC imported and sold Glyphosate to the approved agricultural states as approved and guided by the regulators.

Support for education

As the only Refinery in Sri Lanka, ample of training opportunities are provided to the local students to gather the industry knowledge that is an added value to the career development of the trainees. Since there is a high demand for the experienced petroleum engineers from the overseas countries, CPC provides the maximum possible training opportunities to create value to the economy.

Industrial training opportunities such as finance, information technology, human resource management, etc. are provided to the local students from the universities and other educational intuitions.

Community Engagement

Our approach is to maintain cordial engagement with the communities. Our main distribution channel extended to 1,322 filling stations and it provides more than 15000 direct employment opportunities. Additionally, we have agro, lubricant stockiest creating thousands of employment opportunities that are help for their economic advancement.

Training opportunities are provided to the dealers and stockiest to build and enhance their customer relationship as they are the end consumer touch points that create the values.

Availability of quality product at a fair price and convenience accessibility creates good direct and indirect relationships with the community.

Kerosene Subsidy

CPC is the sole supplier of the Kerosene in Sri Lanka. Low income families and fishing community consume Kerosene for their daily energy needs. Kerosene is supplied at highly subsidized price of Rs. 70/- per ltr since June 2018 and as costs of the Kerosene is higher than selling price, CPC bear significant amount of loss.

We believe we contribute immensely for the social wellbeing through the continuous supply of Kerosene at a subsidized price as the Kerosene price is highly sensitive and the low energy price contribute these people to maintain their living standards.

Low income families, small scale farmers in the rural area use the Kerosene as main source of energy for their needs.

Sales of Kerosene during the year is 221 million ltrs.

Kerosene Subsidy is Rs. 9.60 per ltr.

Total subsidy is Rs. 2,122 million.

As most of the fishing boats are operated using Kerosene, the low energy cost provides opportunities to the fishing community to produce high yield of production at a lower cost generating more benefits to both fishing communities as well for the Sri Lankan fish consumers.

Social wellbeing

CPC provides more than 15000 direct and indirect employment opportunities to the people of Sri Lanka through our distribution network providing economic sustainability for their livelihood. CPC understand that most of the petroleum products are highly sensitive to the cost of living and living standards of the general public therefore, convenient access and reasonable prices of the petroleum products are our key concern towards the economy.

Although the Agro Chemical unit generates lesser income, CPC agrochemical remains in the market as the controlling party to protect the farmers from the exploitations by the competitive agrochemical companies providing better economic benefits to the farmers.

Natural Capital

Natural Capital

We nurture and live with the environment and we are committed to minimize the carbon, water and waste management. Environmental considerations and policies are embedded to our strategies and action plan to move forward for the sustainable operations. Every endeavors are in place to assure sustainable use of natural resources as our activities affects a large number of people in the society.

0.25%
Normal Loss

0
No. of Hazard Accidents

843
Water Consumption
(000 *MT*)

81.989
Owned Consumption
(*000 MT*)

.493
Specific Energy Consumption

Our Contribution to SDGs

We remain committed for the sustainability of our operations at all the time. Although our operations are inherently consume energy and water at the crude refining process, all the endeavors are taken to minimize the carbon footprint and sustainable consumption of electricity. Stringent policies, procedures and practices are inbuilt to our operations for the waste management system.

Water Consumption

The Refinery consumes considerable amount of water for the oil refinery process and large amount of water has been purified through the CPC Water Intake established at Kelaniya. The gap has been filled through the National Water Supply & Drainage Board. We always committed for the water conservation and sustainable consumption patterns.

Water Consumption at the Refinery

	2020 MT	2019 MT	Reduc- tion
Purified water via our water intake	672,302	706,480	4.84%
Water board	171,288	220,056	22.16%
Total	**843,590**	**926,536**	**8.95%**

The decline of crude processed at the Refinery due to the Covid-19 impact during the year 2020 together with other mechanisms lead to reduce the water consumption by 8.95%.

Waste water is properly purified and discharge as per the internationally acceptable standards.

Energy Consumption

Oil refinery processes consume substantial amount of power and energy to refine crude oil to generate refined petroleum products.

The Refinery generates the electricity for the operations and gap is filled through the CEB supply. Duration of operations of the Refinery power generators are given below;

Generator	Operating Hours
TG1	2,954 hrs.
TG2	6,463 hrs.
DG1	4,674.0 hrs.
DG2	3,880.8 hrs.

The Refinery consumed electricity (CEB supply) during normal hours varied between 229.4MWh and 299.7MWh per month and 70.3MWh and 91.3MWh per month during peak hours. The maximum demand in the CEB supply varied from 1153 KVA to 1474KVA.

The refinery conducts loss and efficiency surveys to identify and take viable mechanisms reduce energy consumption.

The Corporation embedded the sustainable consumption pattern in to the policies and accordingly investing to convert all the circuit bungalows and the Area offices to solar powered buildings to way forward for the sustainable consumption.

The Refinery operations faces with the normal loss on the refining process and expected normal loss has decreased by 17.8% (from 5,266MT to 4,325 MT) in the year 2020. During this year, total fuel gas to flare quantity was recorded as 1,017MT and the quantity of CDU gas to flare was 0.1MT.

Material Management

We continue to monitor the usage of key materials such as fuel, equipment, etc. and struggle to ensure the most efficient use of these resources. The technological mechanisms are formulated and installed to increase the efficiency of the consumption.

Responsible Sourcing

We make every effort to source environmentally friendly products and services in a responsible manner. The suppliers must comply with all the laws are regulations to assure sustainable sourcing mechanism. We are also implementing transparent procurement system that encourage more suppliers to supply the products and services.

Disposal of Hazards Materials

The hazardous Agro chemicals are disposed under the stringent environmental friendly procedures with the necessary approvals and supervisions of the regulators. The disposals are made by the authorized parties without harm to the human or environment.

The refinery also generates an amount of hazards waste and those are disposed as per the internationally acceptable methodologies. Hazards waste are sent to the flame and burn to avoid to mix with the environment and during this year, total fuel gas to flare quantity was recorded as 1,017MT and the quantity of CDU gas to flare was 0.1MT.

Used water is treated as per the accepted standards and discharges/reuses environmental friendly manner. Other materials which are recyclable are proceeds for the recycle process through our treatment plants or provided to the authorized parties to dispose environmental friendly manner.

Sustainable & Environmental Friendly Economy

CPC remains committed to promote more environmental friendly products to minimize the environmental impact on the consumption. CPC introduced environmental friendly Euro IV Petrol and Diesel to provide more efficient fuel.

Initiatives are in pipeline to introduce the Liquefied Natural Gas (LNG) in to the Sri Lanka to proceed more sustainable consumption pattern with minimum carbon footprint.

Biodiversity

We committed to mitigate the adverse impacts on the biodiversity that may arise through oil spills, emission, wastages, etc. Stern operational procedures have been implemented to affirm that all measures have been taken to mitigate the adverse impacts to the biodiversity. There is no record of any oil spills and impacts of the CPC product and operations to the biodiversity during the year.

Compliance

As a responsible corporate citizen who nurtures with the environment, there were no instances of non-compliance of environmental laws and regulations in operational level as well as reporting level during the year under review. Accordingly, no any significant fines or non-monetary sanctions imposed to CPC during the year. The Corporation closely works with the environmental related regulators as our business exposed to a significant inherent risks that creates environmental hazards.

We have taken every endeavor to overcome the adverse impacts of our operations. We have get-together with the international organization to control the possible impacts to the environment and CPC is a member of the International Oil Pollution Compensation Funds (IOPCF) which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers.

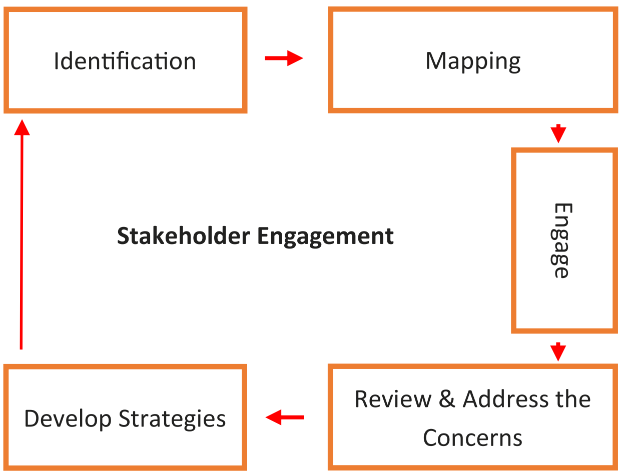
Stakeholder Engagement

CPC follows a robust process to understand and identify our key stakeholders and address their legitimate concerns for the creation and distribution of the values. Mechanism has been established to identify and connect with the stakeholder groups helping CPC to identify the opportunities and link them with the business model through strategic planning process. Strategic emphasis is given on the stakeholder parties who have most significant impact of the value creation process.

CPC constantly evaluates our business environment to identify the changes of the degree of power and interest of the existing stakeholders as well as to recognise the new stakeholder groups.

Category	Shareholders	Employees	Community
Engagement Mechanisms	Submission of monthly financial statements Annual financial statements Annual report Corporate website	Performance appraisals Employee engagement activities Meetings with the trade unions Sport & other events Welfare facilities to the staff	Regional office engagements CSR activities and sponsorships Media and other social events
Concerns raised	Review of periodic financial performance Financial reporting disclosures Future growth and outlook	Competitive remuneration scheme Job security Skill and knowledge development A safe workplace Career progression and succession	Job opportunities Accessibility to the products Economic & social impacts CSR activities Sponsorships
Our responses	Submission of financial and non-financial information on timely manner, updating the corporate website.	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.	Develop a cordial relationship with the Communities. Empowerment and uplift the living standards.

Engagement Framework



Stakeholder mapping provides us to identify the power and the interest of the stakeholders on our business model helping to deicide degree of influence to the Corporation. Prioritization of the stakeholder concerns are arranged in accordance with the degree of influence and the strategies are placed accordingly to maintain cordial relationship with the stakeholders.

Regulators	Customers	Suppliers and service providers
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	Product, promotion campaigns Engagement through filling stations Customer satisfaction surveys Communications through marketing channels Online and local engagement by the regional offices	Transparent bidding process Supplier registration process Regular meetings, written communication & relationship management
Corporate governance Compliance with regulations Compliance with taxes Environmental protection	Convenience and accessibility Product quality Affordability Customer care service	Long term partnership Settlements within the timeline. Adhering to the procurement guidelines. Compliance with regulations.
We submit the information requested by the regulators and maintain open dialogue with the regulators to encourage industry development	We have strengthened island wide distribution network to assure easy accessibility. Customer care unit strengthen to attend the customer complaints and solve them immediately.	Encourage long term good relationships, settlement on timely manner, assure sustainability and quality standards of products and services.

Contribution to SDGs

Sustainable Development Goals (SDGs) provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. There are 17 SDGs, which are an urgent call for action by all countries in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth all while tackling climate change and working to preserve our oceans and forests.

CPC as a responsible government entity contributes to the achievement of the SDGs through incorporating the SDGs to the short term, medium and long term strategies of the Corporation which are part and partial of the development agendas.

Diverse workforce of 2508 is rewarded in far with the industry rate and the Corporation has paid Rs. 5.72 billion as a employee cost to upgrade their livelihoods. Further, various welfare activities such as loan schemes, medical facilities are provided with aim to improve the living standard of employees and their families.

We provide more than 15,000 employment opportunities island-wide through our distribution networks with contributing to the society to reduce the poverty.

CPC is the only organization to supply Kerosene and the Kerosene is supplied at a highly subsidized price with a aim to provide economic relief to upgrade livelihood of the low income families and fisher communities. The subsidy amount for the year 2020 is amounted to Rs. 2,122 Mn.

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

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

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

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

The Corporation has contributed Rs. 152,311 million as a various taxes and duties to the Government for the economic growth of the country.   Uninterrupted fuel supply for more than 80% of the country's fuel demand affirmed the continuous energy supply to industries for the economic development of the country. Further, Refinery added economic value over 30% of our turnover to the national economy.

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

CPC implements/plans number of medium and long-term strategic projects that will enhance the operational capacities and efficiencies of CPC operations. We have invested Rs. 2 billion on the fixed assets during the year for this purpose.

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

The Corporation assures the efficient and effective use of resources for the sustainable production pattern and every endeavors taken for the sustainable consumption.

The Corporation had introduced Euro 4 standard Diesel and Petrol to provide environmental friendly efficient fuel leading to sustainable fuel consumption

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

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

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

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

Risk Management Report

Risk management plays an integral role of the operations as the country's leader of petroleum industry in this robust social and economic environment. Risk Management Policy is in place with proper monitoring as well as reporting mechanism to mitigate its business risks.

Purpose of Risk Management

- To protect the Corporation from being vulnerable to the environment, market and internal delinquencies.
- Duly balance growth and risk.
- Guarantee long-lasting existence and protect our employees, customers, general public.
- Safeguard the Corporation's assets from negative events that may occur.

Risk Management Framework

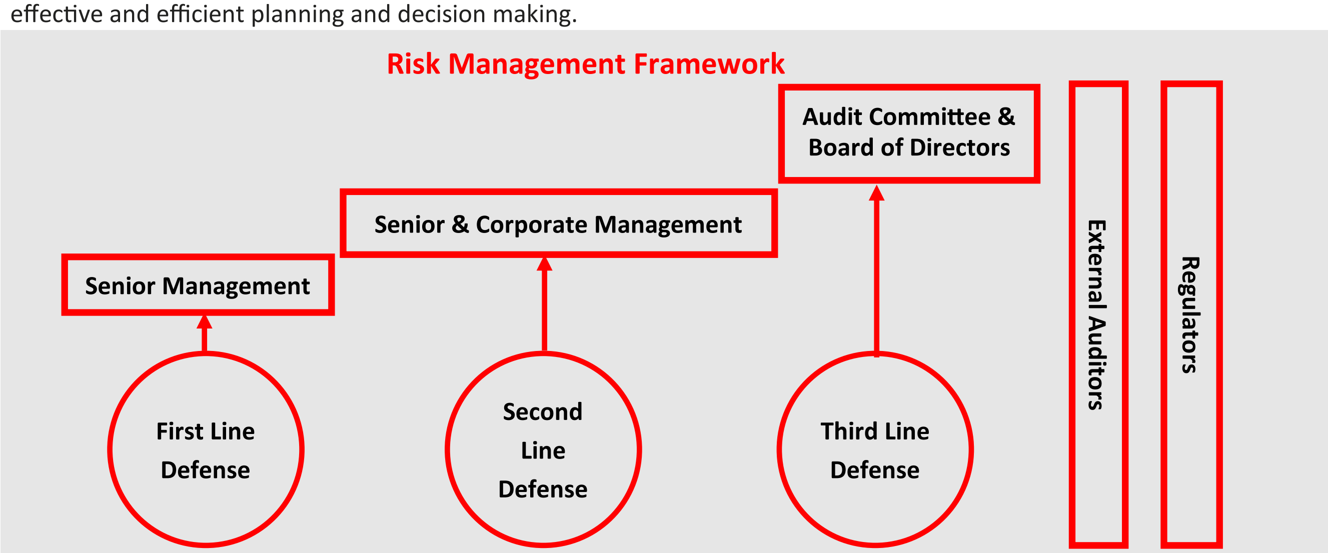
Our Risk management framework is developed to proactively identify the key risks affecting the Corporation, and evaluate the impact and manage those risks effectively to ensure continuous energy supply to the nation. Risk management framework has implanted comprising the risk policies and defined roles and responsibilities. It enables the Corporation to perform its activities in a consistent and controlled manner leading to effective and efficient planning and decision making.

Ceylon Petroleum Corporation Act No. 28 of 1961, Finance Act No. 38 of 1971, Financial Regulations, Guidelines on good governance, Best practices for public enterprises and various other regulations established a solid foundation to the risk management framework to identify, monitor, control and to take corrective actions.

CPC's risk management process is reinforced by three solid lines of defense. Business and operational units constitute in the first line of defense, while the second line defense consists of internal control system together with designated authorities who are ensuring that risks are controlled and managed in line with the set risk appetite. The third line defense comprises internal audit, external audit and other compliances against the established policies, procedures and regularity requirements.

First Line Defense

Business and operational level divisions are the risk owners and they have to perform risk identification, management and reporting of risk to ensure that the risks exposed are identified and managed effectively with the first line defense.



Second Line Defense

Corporation has a comprehensive system of internal controls with clearly defined policies and procedures designed according to the above mentioned Acts. It enables the Corporation to detect, manage and prevent the risks associated with CPC through second line defense.

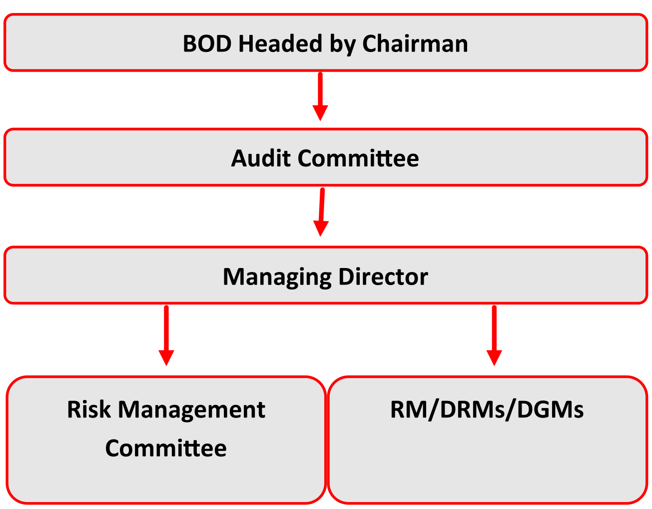
Third Line Defense

Internal and external audit functions play a vital role in the risk management process in third line defense. Internal and external audit examine the design and implementation effectiveness of the financial and operational systems.   Audit Committee established by the Board of Directors reviews the significant audit findings and the management responses together with the performance against the established goals and objectives.

The above risk governance structure ensures the risks are identified, measured, mitigated and reported.

Risk Governance

The apex responsibility of the risk management is with the Board of Directors headed by the Chairman and is reinforced by Audit committees. The audit committee function with well defined procedures and effective monitoring is performed through periodic reporting to the management.



A risk management committee has been formulated to implement the risk management policy and the committee is reported to the Audit Committee through the Managing Director. The Committee consists of executives level officers from each function. The main duties and responsibilities assigned to the risk management committee are outlined below.

1. Identify the risks they are exposed - Need to visit each operational and reporting areas and identify all the risks that are exposed.
2. Evaluate - Evaluate the risks that are exposed and the likelihood and frequency of the occurrence of the risk events.
3. Formulate the risk mitigating strategies - Identify the risk mitigating strategies and formulate them for each risk category.

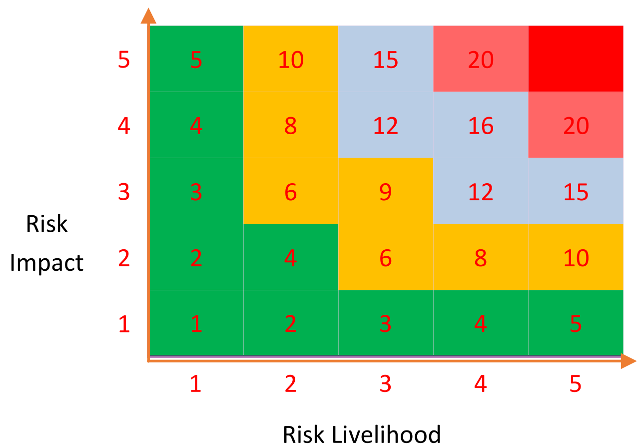
Strategies to Manage Risk

CPC faces with many risk due to the inherent risks nature of the petroleum products specially on the health and safety risks. The strategies the Corporation applies to manage the risks depends on the type and the severity of the risk. Once a risk is identified, CPC will either;

- Avoid the possibility of occurring, or
- Transfer the risk to another party, or
- Accept the consequences and budget for it.

Risk Appetite

The Risk Appetite indicates the limits for managing business and risk concern by specifying tolerance levels for each key risks categories that are deemed significant for the operations. The tolerance levels are established considering the inherent nature of the risks in handling and operation of the petroleum products. CPC identifies several risks that are materially impact to the Corporation.



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

CPC map the all risks exposed to the given risk appetite chart to identify the significance for our operations. We categories them as per the level of risks and develop the strategies to avoid the possibility of occurring, transfer the risk to another party, or accept the consequences and budget for it based on the risk level.

Risks Exposure to CPC

A brief description of the risks that the Corporation is exposed to and risk management measures taken are given below along with strategies to mitigate the risk further.

Economic Risk

Country's inflation rate exerts pressure on the operations of CPC as petroleum products are imported in US Dollar terms on the borrowings and sales income is received from Sri Lankan Rupee. Most of the main petroleum products are supplied at a highly subsidized price for the social and economic circumstances to provide relief for the society. The movement of the petroleum prices affects national economy materially as the petroleum products are paramount important for the economy. Adverse impact of the inflation rate, interest rate, exchange rate increase the cost of the products guiding to cost hike ultimately crashing the profits. Slight change in the economic factors crunch the profitability due to the large amount of sales volume around 5 billion Ltrs annually.

Mitigating factors	• Effective cost management initiatives. • Transparent pricing mechanisms. • Competitive pricing on competitive products such as lubricant & bitumen.
Strategies	• Introduce pricing mechanism that balance the both profitability of the Corporation and socio economic conditions. • Reimbursement of subsidy element by the Government.

Commodity Price Risk

As Sri Lanka does not have minable petroleum products, crude oil and other refined petroleum products are imported to the country from international market and Sri Lanka is a small buyer to the international market. Since CPC is a price taker in the international petroleum market, the Corporation always exposed to the commodity price risk as crude oil and refined petroleum products import to refine/distribute within the country. Adverse movement in global oil prices impact negatively on cost of sales, profitability and cash flows of the Corporation.

Mitigating factors	• Continuous price monitoring and gain benefit of price movement. • Purchase of stocks in the most cost effective way and store.
Strategies	• Enhance the storage capacity to maintain stocks when prices down in the global market. • Introduce transparent pricing mechanism that covers the cost. • Increase the number of suppliers to increase the competition.

Interest Rate Risk

As the Corporation's equity has eroded due to the accumulated losses, CPC borrows funds for the working capital arrangements to ensure smooth flow of petroleum products to the country to assure energy security. CPC incurred finance cost amounting to Rs. 20,911 million during the year in review as CPC owed (loans) over USD 2.0 billion as at 31.12.2020. Further, CPC imports petroleum products through the letter of credits (LC) established via the government commercial banks and these LCs converted in to the loans at the maturity of the LCs. Change in the interest rate impacts significantly on the financial performance of the Corporation as fluctuation of interest rate creates additional financial burden on CPC crash the profitability.

Mitigating factors	• Continuous negotiations with the banks to reduce the interest rate. • Investment of daily excess cash balances in the interest yielding sources. • Government interventions for the finance cost controlling mechanisms.
Strategies	• Government should settle the subsidy element without a delay to settle the bank loans. • Conversion of US Dollar Loans to Rupee loans and settles using Rupee collection. • Search for lesser cost & long term financing facilities.

Liquidity risk

Inability of the Corporation to meet its short term contractual and other liabilities in timely manner creates liquidity risk. As CPC working capital requirements are satisfied through the short term borrowings from the two state banks, CPC exposes to high liquidity risk. Additional interest cost need to be incur due to non settlement of the liabilities when they become due. Inability of the Corporation to settle the liabilities and supplier dues tarnish the reputation of the Corporation.

Mitigating factors	• Arrangement of different short-term and long term funding methods. • Consistently monitor liquidity position and manage as per maturity schedules. • Effective collection mechanism.
Strategies	• Regularize the credit management policy. • Search for long term funding facilities. • Recover subsidy element receivable from the Government.

Safety risk

Inflammable nature of the petroleum products are dealt with inherent risk of health and safety. As the Refinery is exposed to these risks, internationally accepted health and safety standards are in place to comply with the requirements. Continuous regular checks and trainings are adopted to assure the safety risk. Further, aviation function also exposed to the safety risks due to the nature of the operations in the 24 hour operated live airports. Non-compliance to the safety procedures and standards affects the business operations, assets of the Corporation as well as human lives resulting to the additional cost on fines, penalties and business or operational sanctions.

Mitigating factors	• Stringent policies and procedures on health and safety. • Regular staff trainings on fire, health and safety. • Regular maintenances to meet standards and procedures. • Major overhaul of Refinery at once three years to upkeep the assets.
Strategies	• Continuous in-house/external structured and unstructured staff trainings. • Refinery upgration to meet current technological advancements. • Obtaining quality and safety standards such as ISO, SLSs for the operations.

Information Technology (IT) Risk

Reliable information system is crucial to make accurate management decisions on time and the availability of the online real-time information is vital to make suitable decision to compete in the market. Lubricant and bitumen markets are highly competitive and the availability of the real-time information plays a crucial role to reach and maintain the market share.

Mitigating factors	• Uses the SAP - ERP system to record and report its transactions MIS. • Provide continuous IT training to users. • Continuous Investment on information technology infrastructure.
Strategies	• Maximize the effective use of ERP system such as use of Plant model, etc. • Proper control over the SAP ERP system. • Updating the system to latest model.

Human Resources Risk

Engaged employees are a strategic assets of the Corporation and cordial relationship assures smooth operation and protection of the assets of the Corporation. CPC acts to attract and retain competent employees and provide a best rewarding scheme to respect their value creation and to avoid litigations with employees. Inappropriate work force or even an employee creates destructive conflicts which guide to quality issues of the products, weak customer handling reaching towards adverse impacts on the cost and the profitability of CPC. Conflicts with employees create additional employee and litigation cost to CPC.

Mitigating factors	• Competence based recruitment system. • Better rewarding system. • Training and Development of employees. • Collective agreements with labor unions. • Staff welfare and other benefit schemes.
Strategies	• Enhancement of performance based rewarding system. • Create more career advancement opportunities. • Train and developments for the technological advancements and new innovations.

Credit Risk

Credit risks arise when the customers fail to settle their outstanding invoices on due dates resulting to expose to the credit risks. The Corporation sells most of the petroleum products on credit basis and CPC provides petroleum products to the private parties on credit basis on the submission of the securities. The credit sales to the government institutions are made without guarantee. If any customer fails to fulfill his contractual obligations to CPC and defaults or delays his payment guide credit risk resulting to cash flow (liquidity) problems and negatively impact the profitability. As more than 90% of the receivables are from the power sector and the aviation sector, the performance of these sectors exerts pressure on the credit position of CPC ultimately to the profitability and financial position.

Mitigating factors	• Sets-off the receivable from government institutions against a part of taxes payable. • Government intervention for the recovery of the outstanding balances. • Legal action to recover the outstanding balances. • Regularize the credit policy.
Strategies	• Credit sales to the Government institutions on security basis and enter into contracts. • Update and regularize the credit policy • Involvement of General Treasury for the recovery of Government outstanding balances.

Exchange Rate Risk

More than 90% of the sales revenue is generated in Sri Lankan Rupees while import cost of the petroleum products and loan including interest repayments are largely settled in US Dollars. Accordingly, CPC is highly exposed to the exchange rate risks as CPC owed loans over USD 2 billion and letter of credits and bills payables amounting to over USD 1 billion as at 31.12.2020. Movement of exchange rate by Rs. 1/- impacts in billions to the financial performance of CPC. Depreciation of Sri Lankan Rupee against US Dollar create additional burden of exchange rate loss on the profitability, financial position and cash flows.

Mitigating factors	• Continuous monitoring of exchange rates quoted by all banks and market behaviors and dynamic purchase of the US Dollars. • Negotiations with the banks to purchase Dollars at a reasonable exchange rate. • Government intervention to decide USD selling rates by the banks and margin on it.
Strategies	• Provide autonomy to purchase US Dollars at competitive rates from all licensed commercial banks • Convert the US Dollar loans to Sri Lankan Rupee loans. • Settlement of subsidy element by the Government to settle the loans to banks.

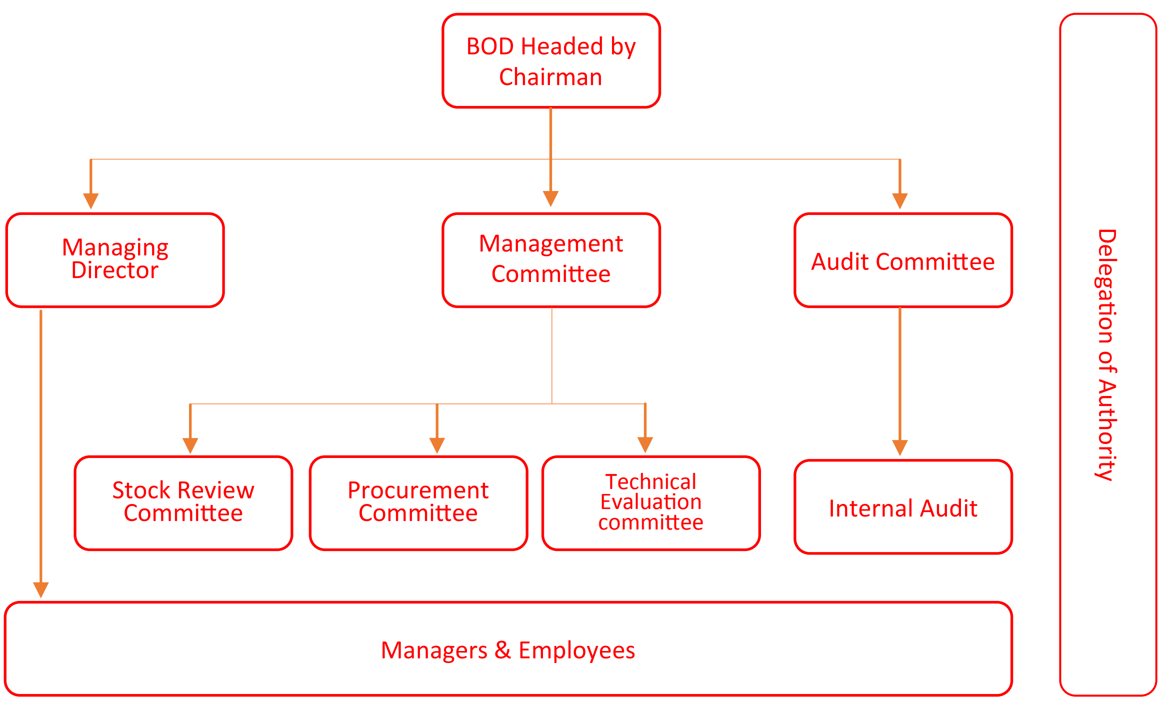
Corporate Governance

Good corporate governance contributes to sustainable development by enhancing the performance and increasing their access to outside capital and to achieve strategic growth 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 and economic growth.

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

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



Board of Directors

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

Director	Directorship status	Appointment/ Reappointment Date
Mr. W.W.D. Sumith Wijesinghe	Chairman	03.01.2020
Mr. Buddhika R. Madihahewa	Managing Director	16.01.2020
Mrs. R.M.D.K Rathnayake	Director	13.01.2020
Mr. Tharindu H Eknendagedara	Director	17.01.2020
Mr. Chaminda Hettiarachchi	Director	17.01.2020
Mr. Buddhika Iddamalgoda	Director	17.01.2020
Mr. Thilanga N Polwattage	Director	17.01.2020

The board is well equipped with the vast areas of expertize and business acumen that contributes individually as well as collectively to reach the vision and mission of the Corporation. Summarized expertise of the directors with their qualifications and experiences are included on pages 21 to 24 of this report.

Appointments

The Board of Directors is appointed by the Minister of Energy. Out of the Board members, one director is a representative of the General Treasury and one director is a representative of the Ministry of Energy. During the year 2020 all directors were non-executive except the Chairman and Managing Director. As per the Ceylon Petroleum Corporation Act No. 28 of 1961, the Directors have initial tenures not exceeding three years on the Board subject to reappointment.

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 meetings. During the year under review 12 board meetings were held. The table below shows each director's attendance at the board meetings.

Director	Attendance
Mr. W.W.D. Sumith Wijesinghe	12/12
Mr. Buddhika R. Madihahewa	12/12
Mrs. R.M.D.K Rathnayake	11/12
Mr. Tharindu H Eknendagedara	11/12
Mr. Chaminda Hettiarachchi	12/12
Mr. Buddhika Iddamalgoda	8/12
Mr. Thilanga N Polwattage	12/12

All information is furnished by Corporate Management and if required, from external 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 their responsibilities.

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. Annual declarations of independence or non-independence are obtained from all Directors at the financial statements reporting date. The Director's interests are disclosed under the Note No 31 in the financial statements in the page No. 171.

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 leadership towards the Corporation's strategic directions and overall performance, while safeguarding the best interests of stakeholders.

The Board is also responsible for the achievement of the Corporation's vision and mission. In executing this responsibility, the Board has ultimate accountability for realizing CPC's strategy, overseeing its operating performance and financial results, as well as being the ultimate custodian of CPC's corporate governance framework. Further, they are responsible to comply with statutory requirements and ethical standards.

The Board of Directors may delegate its powers or duties to any Director or employee to perform the achieve the allocated responsibility. The Board endeavors to exercise effective system of internal controls over the Corporation by formulating and implementing policies and ensures their effective implementation. The Board members directly communicate with internal and external auditors and all members of the senior management team. Further, the board has to establish a system for the risk management and compliance with the rules, regulations and policies. That will enables to safeguard the CPC properties and effective and efficient resource allocations and utilizations.

Board also responsible for granting approval for Annual Financial Statements, the Annual Budgets, Corporate Plan, Annual Report, Action Plan and reviewing financial performance on regular basis. Additionally, 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 contribute effectively to decision making processes to discharge their responsibility efficient and effectively.

His responsibilities include ensure that Board proceedings are conducted in a proper manner, submission of information to Directors prior to the meetings and maintenance of proper records, facilitating and encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions, ensuring compliance to all applicable laws and regulations and representing the Corporation.

Role of the Managing Director

Managing Director implements the decisions given by the Board of Directors. He is in charge of the CPC Management. The Managing Director oversee the overall operations of the Corporation to ensure that CPC run with efficient and effectively.

The Managing Director provides strategic direction and guidance to the Chairman and members of the Board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the company's mission and objectives 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 is disclosed under Note 31 in the financial statements page number 172.

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 Committee and Management Committee appointed to executes some of the main Board’s duties.

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

The Audit Committee

The Audit committee plays an independent role from Management with accountability to the Board. The Audit committee comprises of three non-executive directors as determined by the Board. The composition, number of meetings, role played, and the attendance of the Audit Committee is elaborated in the Audit Committee Report on pages 97 & 98 of this Annual Report.

Management Committee

During the year, the Management Committee consisted of either two Directors and one of them functioned as the Chairman of the Committee. Head of Functions also take part in the meetings. The composition, role played, number of meetings and the attendance of the Management Committee is indicated in the Management Committee Report on page 96.

Stock Review Committee

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

Procurement Committee and TEC

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

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

Relations with the parent

The Corporation’s business continuity depends on cordial and meaningful relationship with all its stakeholders. The Corporation 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 Energy, the General Treasury and the Central Bank of Sri Lanka (CBSL) to manage the Corporation’s operations.

The Corporation also seeks advice and guidance for major expansion programs and funding from those institutions. 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

An effective system of internal controls is essential for the Corporation to function smoothly. The system is intended to safeguard the assets of the Corporation and to ensure that proper records are maintained and reliable information is produced on timely basis. The internal control system covers all types of controls, including financial, operational and compliance controls together with risk management. The internal control system manages the CPC's key areas of risk within an acceptable risk profile with applicable mitigating factors, rather than eliminate the risk of failure to achieve the policies and business objectives. The internal control system provides reasonable assurance that material misstatements are free from financial information.

Internal Audit

The Internal Audit function is led by a professionally qualified Accountant. Audit Plans approved by the Audit Committee were in place to assess the internal controls, to identify risk areas and to verify the completeness of transactions. Special audits are assigned to Internal audit function with the objective of providing observations and recommendations to the management. Identification of risks related to the areas of product losses and revenue losses, safeguard assets and discussion of Auditor General's report with the replies to audit queries are the other functions performed by the Internal Audit.

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.

Operations and main administration of CPC are performed in main two categories namely Refinery operations and Head Office operations including Regional Offices.

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 balanced with skills, experience and qualified with academic degrees and relevant professional qualifications in their respective functional areas. Summarized biographies of Corporate Management outlining their qualifications are included on pages 25 to 28 of this report.

Compliance

The Ceylon Petroleum Corporation is committed to maintain transparency in all its activities. 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 in the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Public Enterprises Guidelines for Good Governance issued by the Department of Public Enterprises – Ministry of Finance in 2003. Board of Directors is 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.

Management Committee Report

Governance

Management committee is a subcommittee of the Board of Directors and members of the Committee were appointed by the Board of Directors. The Committee is accountable to the Board. The primary roles of the Committee are to assure smooth operation of the CPC, take workable mechanism to overcome the challenges and safeguard the Corporations' assets. The Committee's responsibilities include the following;

- Monitor business operations.
- Review the risks that the Corporation is exposed to and suggest and implement the strategies to mitigate the risk to acceptable level.
- Filter the operational matters that would be submitted for the Board of Directors.
- Review the human resource related issues.

Composition of the Committee & Meetings

The Management Committee consists of Chairman and Managing Director and all the DGMs and other senior managers. There were fifteen management committee meetings held during the year under review. The Charter of the Committee has been prepared covering scope of responsibilities, authorities and specific duties stipulated by the Board of Directors.

Tasks Performed by the Management Committee

The Management committee performed the following tasks in order to discharge its responsibilities.

- Reviewed the key strategic issues faced by the CPC.
- Discussed the requirement and modifications of SAP Modules.
- Discussed and provide the approvals & directions for the committee papers submitted by the respective functions.
- Made recommendations to the Board of Directors for the specific strategic issues.
- Reviewed the operational issues arisen in time to time and provide directions.

Conclusion

The Committee communicated the minutes of the Committee Meetings with its recommendations for the strategic issues to the Board of Directors for the information and approval.

Sumith Wijesinghe
Chairman - Management Committee

Audit Committee Report

Audit Committee is a subcommittee of the Board of Directors. Non-executive directors, who possess the relevant qualifications and experience, were appointed to the Audit Committee by the Board of Directors and the Committee is accountable to the Board. The primary role of the Audit Committee, which reports its findings to the Board of Directors together with the recommendations, is to ensure the integrity of the financial reporting and audit processes and the maintenance of sound internal controls and risk management systems. The Committee's responsibilities include the following:

- Oversee the financial reporting system in order to ensure the adequacy of disclosures and compliance with the reporting standards.
- The integrity of the financial statements and the significant reporting judgments contained in them.
- Monitor compliances in business operations.
- Review activities and effectiveness of the internal audit function.
- Review the effectiveness of the internal control and risk management systems.
- Review the risks that the Corporation is exposed to, the actions taken to mitigate the risk and their effectiveness.
- Discuss and approve the audit plan for the year.
- Discuss the audit report issued by the Auditor General.

Composition of the Committee

The Audit Committee consists of three members of the Board and during this year under review, Corporation has conducted five (05) Audit Committee meetings for which Non-Executive Directors were appointed by the Board of Directors as Committee Members.

Mrs. R.M.D.K Rathnayake (Chairperson), Mr. Chaminda Hettiarachchi (Member) and Mr. Tharindu Eknendagedara (Member) were appointed as the Committee members for the year 2020. The brief profiles of the Audit Committee members are given on page 21 to 24. Their individual as well as collective expertise on financial, operational and governance matters are bought to discharge their responsibilities.

The Audit Charter of the Committee has been prepared covering scope of responsibilities, authorities and specific duties stipulated in Treasury Circular issued in relation to the conducting Audit Committees in Public Commercial Enterprises.

Meetings

During the year under review, five (05) Audit Committee meetings have been conducted to discuss duties and responsibilities entrusted to them as noted above.

Meeting No.	Date	Partici-pation	Members present
87	14.02.2020	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Mr. Tharindu Eknendagedara
88	22.05.2020	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Mr. Tharindu Eknendagedara
89	24.07.2020	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Mr. Tharindu Eknendagedara
90	18.09.2020	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Mr. Tharindu Eknendagedara
91	21.12.2020	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Mr. Tharindu Eknendagedara

Tasks Performed by the Audit 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. Committee also reviews the adequacy, timing and existence of the internal control systems of the Corporation.

Apart from above, the Committee performed the following tasks in order to discharge its responsibilities effectively.

- Reviewed the risks that the Corporation is exposed to and the actions taken to mitigate the risk and their effectiveness.
- Discussed the impact on operations due to Covid-19 pandemic and remedial actions to mitigate the challenges.
- Discussed Auditor General's report for the year 2019 with the current position.
- Reviewed the summary of internal audit reports issued in year 2020 and performance of Internal Audit Function.
- Discussed and approved Audit Plan for the year 2021.
- Discussed current position of pending disciplinary actions and issues pertaining to unsettled housing loans.
- Discussed differences in intercompany balances between CPC and CPSTL.

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.

An audit plan prepared by the Internal Audit is approved by the Audit Committee at the beginning of the year and summary of the audit reports are reviewed by the Audit Committee to assure the internal control system is in place to safeguard the assets of the Corporation.

Apart from the above, Internal Audit Function is engaged in special investigations referred by the Management to provide observations and recommendations on the specific imperative arrears. Reviews are scheduled periodically to ascertain that audit recommendations are in place.

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

- Reviewed the adequacy of internal controls system and communicate weaknesses to rectify.
- Discussed 2020 monthly financial Statements.
- Discussed Auditor General's Report on Financial Statements for the year ended 31 December 2019.
- Carried out 113 audits as per the approved Audit Plan.
- Discussed Internal Audit Reports at the Audit Committee meeting.
- Carried out management audit to identify process improvements and increase efficiency.

Conclusion

The Audit Committee is of the opinion that the internal control system of the Corporation provides a reasonable assurance that the affairs of the Corporation are managed in accordance with the stipulated policies of the Corporation and the Corporation's assets are properly accounted for and adequately safeguarded.

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

Director's Report

The Board of Directors of Ceylon Petroleum Corporation has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Corporation and its group for the year ended on 31st December 2020, Chairman's Message, Managing Director's Review, Management Review, Value Creation, Corporate Governance, Audit Committee Report, Auditors' Report and other information in accordance 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.

The Board of Directors confirms that the Audited Financial Statements included in this annual report have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka, the provisions of the Finance Act No. 38 of 1971 and Ceylon Petroleum Corporation Act No. 28 of 1961 subsequent amendments 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 Company

Ceylon Petroleum Storage Terminals Limited (CPSTL) is the subsidiary of CPC, with a share ownership of 2/3. The principal activities of CPSTL are provision of fuel storage and distribution facilities and provision of information technology services.

Financial Statements of the Corporation and the Group

The Audited Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31st December 2020 have been approved by the Board of Directors at the Board meeting held on 24th February 2021.

Accounting Policies

During the year under review, except the accounting policy for the lease and differed tax liability, 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'. The impact of the change of the above accounting policy and adjustments have been disclosed in the financial statements.

Auditors Report

The Auditors' Report on the financial statements is set out on page 106 to 130.

Review of the Performance

A review of performance and affairs of the CPC during the financial year 2020 are included in the Chairman's Review on pages 13 to 15, MD's Review on pages 16 to 19, and Performance of the Corporation on pages 37 to 48.

Directors

The names of the Directors who were holding offices as at 31.12.2020 are ;

Director	Directorship Status
Mr. W.W.D. Sumith Wijesinghe	Chairman
Mr. Buddhika R. Madihahewa	Managing Director
Mrs. R.M.D.K Rathnayake	Director
Mr. Tharindu H Eknendagedara	Director
Mr. Chaminda Hettiarachchi	Director
Mr. Buddhika Iddamalgoda	Director
Mr. Thilanga N. Polwattage	Director

Meetings

Details of the Directors' meetings which comprises of Board meetings and Audit and Management Committee meetings are presented in governance reports on pages No. 91 to 104.

Directors' attendance at the meetings held during the year is given on page No. 92 of the Annual Report.

Directors' Remuneration

Directors' emoluments paid during the year are as follows;

	2020 Rs. Mn	2019 Rs. Mn
Directors' emoluments	5.547	7.658

Directors' Interest in Contracts

Directors' direct and indirect interests in contracts with the Corporation are disclosed in Note 31 to the Financial Statements.

Internal Control System

The Board of Directors has instituted an effective and comprehensive system of Internal Controls in the Corporation. A separate Internal Audit Function headed by the qualified Chartered Accountant is in place to review, evaluate and verify the internal procedures, risk analysis, compliances and other controls. The observation are reported to the Audit Committee periodically. Apart from that, the observations are forwarded to the management to implement the recommendations to rectify the observations.

Risk Management

CPC has instituted an effective risk management framework to identify and evaluate and to take the remedial action to mitigate the risks exposed. Detailed risks and strategies to minimize the risks are elaborated in the risk management Report in pages from 85 to 90.

Financial Performance

Summary of the financial performance of the Corporation for the year ended 31 December 2020 with comparative figures are given below.

	2020 Rs. Mn.	2019 Rs. Mn
Net Sales Revenue	510,131	630,859
Cost of Sales	(454,880)	(626,599)
Gross Profit	**55,251**	**4,260**
Other Operating Income	818	529
Selling & Distribution Expenses	(15,781)	(17,981)
Administrative Expenses	(6,353)	(5,869)
Finance expense	(20,911)	(14,698)
Finance Income	11,188	13,526
Exchange rate variation	(21,841)	8,397
Profit / (Loss) before Tax	**2,371**	**(11,836)**

Revenue

The revenue of the Corporation declined by 19.75% to Rs. 519 billion compared to the year 2019. The country lockdowns in March & April and mobility restrictions to curb spread of Covid-19 pandemic caused to lose the sales volume in all the sectors.

Profits

The decline of the international oil prices, together with the placement of favorable strategies, recorded a notable increase in Gross Profit from Rs. 4,260 Mn. to Rs. 55,251 Mn. in the year 2020. The above favourable behaviors of the international prices guided CPC to record a net profit of Rs. 2,371 Mn. during the year.

Segmental Performance

	2020 Rs. Mn.	2019 Rs. Mn.
Transport	377,536	430,425
Power Generation	81,147	118,675
Aviation	19,486	58,990
Industrial	11,308	13,497
Domestic	17,563	20,211
Agro Chemical	570	457
Export & Bunkering	11,261	4,336
Total	**518,871**	**646,591**

Transport sector generates the highest contribution of Rs. 377.5 Bn. (Rs. 430.4 Bn in 2019) to the total income, a drop of 12.29% in the year 2020 with lockdown of the country during the March and April and mobility restrictions to curb Covid-19 spread. The decline of international oil prices drive CPC to reduce the losses generated on this sector from Rs. 25.9 Bn. to Rs. 3.5 Bn. during the year. However, we are of the view that CPC contributes to the economic and social welfare by way of supplying products at a subsidized price as well as contributing 29% of the revenue as taxes to the Government.

Power generation sector recorded Rs. 81.1 Bn (2019-Rs. 118.6 Bn.) for the year. The composition of the fuel demand for power generation is 80.52% of Fuel Oil, 19.48% of Auto Diesel for the year and Naphtha was not been purchased by CEB during the year.

The aviation sector generated an income of Rs. 19.4 Bn. (2019- Rs. 58.9 Bn.), recording a 66.97% sharp reduction in the year in review and the quantity demand for aviation fuel has dropped by 60.15% during the year 2020.

Revenue generated from the industries sector declined from Rs. 13.4 Bn. to Rs. 11.3 Bn., 16.22 % lesser than the previous year while the demand quantity has dropped by 15.47%. The revenue loss was driven by the impact of the lock down of the country during March and April and other mobility restrictions to curb Covid-19 pandemic.

Direct export sector generated Rs. 11.3 Bn. during the year, an increase from Rs. 4.3 Bn. As there was no demand from the power sector for the Naphtha during the year, exerted pressure to export them as the storage capacities are limited. Sales revenue generated through the Agrochemical increased to Rs. 570 Mn. from Rs. 457 Mn. an increase of 24.73% in 2020.

Taxation

Income tax expense has been paid as per the Inland Revenue Act No. 24 of 2017 and the amendments thereto. Since the Corporation incurred a loss and there is an accumulated carried forward tax loss, no material income tax liability has been arisen for the year. The detailed tax liability is given in the Note 07 to Financial Statements on page 149.

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 2020.

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 150.

Contributed Capital

The total Contributed Capital of the Corporation as at 31 December 2020 was Rs. 28,487.125 Mn (2019 -Rs. 28,487.125 Mn).

Capital Reserves

Capital reserves of the Corporation as at 31 December 2020 was Rs. 4,992.686 Mn (2019 - Rs. 4,992.686 Mn).

Human Resources

Human resources is an integral part of the Corporation's strategic assets and engaged employees create value to the organization to reach its business vision and mission into reality. Several measures were taken to enhance its human capital and to optimize their contribution towards sustainable corporate. CPC HR policy encourages training & development and career advancements to build sustainable human capital. Human capital details are given on the Value Creation in pages No. 66 to 72.

Outstanding Litigations

In the opinion of the Directors and the Corporation's lawyers, pending litigations against the Corporation disclosed under Note 27 of the Financial Statements will not have any material impact on the financial stability of the Corporation or on its future operations.

Compliance with Laws and Regulations

The Corporation has not engaged in any activities contravening the applicable laws and regulations.

Environmental Protection

The Corporation has used its best endeavors to comply with the relevant environmental laws and regulations and there is no any record of non-compliance with the environmental laws and regulations.

Donations

The Corporation has incurred Rs. 5.35 million as donations during the year under review.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to all relevant regulatory and statutory authorities have been made on time with the available financial capabilities.

Contribution to the Government

The Corporation has contributed Rs 152,311 Mn (2019 Rs 126,351 Mn) during the year to the Government in term of duties, taxes and other statutory levies to the Sri Lanka Customs & Inland Revenue Department.

Events after the Reporting Date

No material event that require adjustments to the Financial Statements, other than those disclosed in Note 28 to the Financial Statements on page 169, has occurred subsequent to the date of the Statement of Financial Position.

Going Concern

The Board of Directors has prepared the Corporate Plan with a view to improve the outlook of the Corporation, to enhance the operations and to ensure strengthened commercial viability for the future. Accordingly, the Financial Statements are prepared and presented based on a going concern basis.

Appointment of Auditors

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

The Auditor's remuneration for the audit shall be determined in accordance with the section 31 of the Ceylon Petroleum Corporation Act No. 28 of 1961.

Auditors' Remuneration and Interest in Contracts with the CPC

The audit fee of Rs. 4.0 Mn. (2019 - Rs. 3.5 Mn) has been recognized in the financial statements for the year ended 31 December 2020 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 Board of Directors does hereby acknowledge the content of this Annual Report.

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

Sumith Wijesinghe
Chairman

Buddhika Madihahewa
Managing Director

Directors' Responsibility Statement

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

Accordingly, the Board of Directors oversees the Managements' responsibilities for financial reporting through their regular meeting, and the Audit Committee. The Audit Committee Report is given on pages 97 to 98.

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

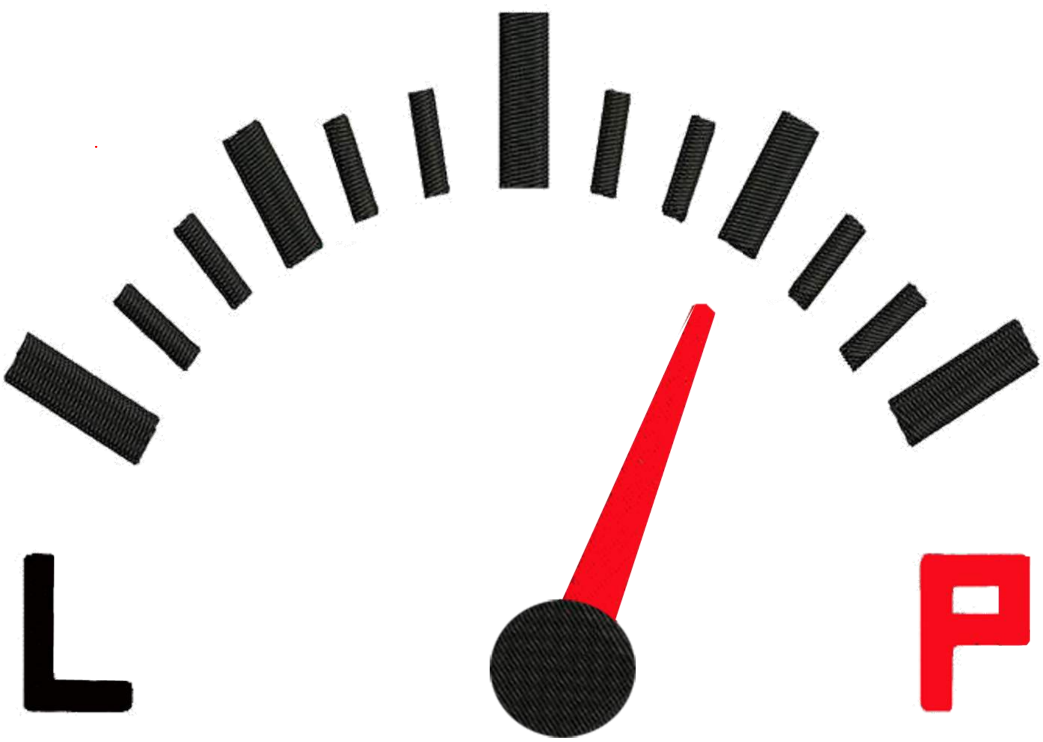
Board of Directors consider that they adopted appropriate accounting policies on a consistent basis and ensures that the preparation and presentation of the Financial Statements of the CPC and its Group on pages 131 to 173, which reflects a true and fair view of the state of affairs of CPC and the Group.

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

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

Buddhika Madihahewa
Managing Director

Financial Statements & Audit Report



My No. POE/A/CPC/1/20/01 Your No. Date 14 December 2021

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 Subsidiary for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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 subsidiary ("Group") for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation and the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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1.2 Basis for Qualified Opinions

1.2.1 Going Concern of the Corporation

Attention is drawn to the matter that even though the operations of the Corporation had resulted in a profit after tax of Rs. 2,371 million and a total comprehensive income of Rs.20,562 million for the year ended 2020, the Corporation had recorded a negative net assets position of Rs. 275,561 million as at the end of the year under review. Heavy losses incurred during past years mainly due to the continues negative impact of exchange rate fluctuations, increasing in finance expenses, inappropriate pricing policy and also the negative impact of heavy losses incurred by the Corporation due to hedging transactions taken place during previous years had caused further erosen of the net assets of the Corporation. Thus, the ability of the Corporation to continue as a going concern without the financial assistance from the Government is in doubt.

1.2.2 Accounting Deficiencies

(a) Inter Company Balances

(i) According to the records of the Corporation, net amount payable to Ceylon Petroleum Storage Terminal Ltd (CPSTL) the subsidiary, was Rs. 5,965.04 million which comprise the amount payable to and receivable from CPSTL of Rs. 6,565.79 million and Rs. 600.75 million respectively. However, as per the draft financial statements of the CPSTL, which was used to prepare the consolidated financial Statement for the year 2020, the net amount receivable form Corporation was Rs.7,668.03 million which comprise amount receivable from and payable to the Corporation of Rs 8,017.94 million and Rs. 349.92 million respectively. Therefore, un-reconciled difference of Rs. 1,702.99 (Rs.1,452.16 million and Rs. 250.83 million respectively) was observed in the intercompany balances of two entities.

(ii) However, according to the board approved financial statements of the CPSTL for the year under review, the net amount receivable from the Corporation was Rs. 6,958.93 million which comprise amount receivable from and payable to the

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Corporation of Rs. 7,308.85 million and Rs. 349.92 million respectively contrary to the figures already consolidated in the group accounts.

(iii) Differences in the trade and other receivables of Rs. 782.76 million, income tax payable of Rs. 182.20 million, trade and other payable of Rs 60.24 million, other operation expenses of Rs. 12.12 million, property plant and equipment of Rs. 26.67 million and income tax expense of Rs. 3.31 million were observed between the amounts shown in the consolidated financial statements and the board approved financial statement of the CPSTL in the year under review.

(iv) According to the Board Decision No. 02/1552 dated 22 July 2021, the board had granted approval to pay disputed outstanding loan interest amounting to Rs. 637.04 million to the CPSTL and to retain 5 per cent of throughput charges amounting to Rs. 1,226.38 million, which was approximately an equal amount of bowser charges duplicated for the last two years. However, such transactions had not been adjusted or disclosed in the financial statement in the year under review.

(b) Kerosene Subsidy

Corporation sells kerosene at the Government decided price with an agreement to reimburse the loss incurred by the Corporation caused by any price reduction as the Government subsidy in compliance with instructing given by the letters No. FP/06/100/02/2016 dated 24 November 2015 and the No. TTIP/1/83(1)T dated 04/12/2014 of the of the Secretary to the General Treasury. Even though, the total amount of subsidy recoverable for the period from 2014 to 2020 was Rs. 39,587 million, the General Treasury had reimbursed only a sum of Rs. 4,459 million as at the end of the year under review. Even though the total subsidy receivable as at the end of the year under review amounted to Rs. 35,129 million, only a sum of Rs. 5,097.72 million had been accounted for. As a result, the subsidy receivable as at the end of the year under review had been understated by Rs. 30,031 million while the turnover had been understated by Rs. 2,122 million in the year under review and by Rs. 27,909 million in the previous years (from the year 2017). Further, all direct and indirect taxes on that income also had not been accounted for and paid.

(c) It was unable to satisfactorily verify in audit the accuracy and completeness of the interest expense on foreign currency denominated loan for the year under review due to lack of details on calculation of interest for each loan separately by the Corporation. As per calculations done in audit, a difference of Rs.948.9 million was observed compared with the interest expenses shown in the financial Statement for the year under review. Further, a difference of Rs. 92.6 million in loan settlement values was observed between the amounts shown in the accounts of the corporation and the calculations done in audit based on the exchange rates given by the Corporation. Further, the Corporation had not properly updated the records for each loan, such as, capital outstanding, detail interest calculation, loan documentation including agreements, etc.

(d) Collection of Monthly Utility Fee (MUF)

According to the Board Decision No. 38/1140 dated 29 October 2013, the Board had approved to recover 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, this decision had not been fully implemented, i.e., MUFs had been charged only from 11 out of 248 dealers. Accordingly, it was observed that the Corporation had not collected the income over sum of Rs. 300million per annum since the year 2014. Accordingly, an approximate cumulative loss of income of Rs. 2,300 million had been incurred by the Corporation for the period from 2014 to 2020. Even though this matter was reiterated in my previous audit reports, effective action had not been taken by the Corporation to charge MUFs from all dealers in both categories as mentioned above. Further, no any adjustments had been made in the financial statements for the year under review in this regard.

1.2.3 Deviating with Sri Lanka Accounting Standards (LKAS)

Fully depreciated assets amounting to Rs.2,526 million had been continuously used by the Corporation without being reassessed the useful economic lifetime of them, and accounted in compliance with LKAS 16. Further, an audit test check revealed that, 22 lots of land belonged to the Corporation as at the end of the year under review had not been revalued, and as a result, a substantially lower amount had been shown as land in the financial statements.

1.2.4 The Audit Opinion on the Financial Statement of the Subsidiary Company

The audit opinion on the financial statements of the CPSTL, the subsidiary, for the year under review was qualified by me due to the following matters which will cause to a disagreement with the corresponding balances/transactions of the Corporation and the Group. Further, an Emphasis of Matter was included in relation to the Note 2.5.2 (a) of the Financial Statements which describes the uncertainty related to over/under recovery of duplicated transport charges from CPC for the period from 01 June 2019 to 31 December 2020.

(a) Property, Plant & Equipment

(i) According to the financial statements for the year 2019, the retention money relating to the construction of a fuel tank which had been completed in 2019 amounted to Rs. 31,446,395 had not been included in the cost of the fuel tanks. As a result, the value of fuel tanks had been understated by that amount, and the amount of depreciation had also been understated in the year 2019. Further, the accumulated depreciation for the year under review had understated and as a result, the net amount of the assets had been overstated.

(ii) Fully depreciated assets, comprising 15,148 items of approximate cost of Rs. 7,727.6 million have been continuously used by the Company without being reassessed the useful economic lifetime of those assets as per the LKAS 16. Further, the Company had not established a proper policy to revalue its assets since the inception of the Company in 2003.

(iii) The Company had not recognized the right of use assets relating to 6 motor vehicles acquired in the year 2017 on operating lease basis and corresponding lease liability in financial statements in the year under review in accordance with the paragraph 47 of SLFRS 16.

(b) Inter Company Balances

The accuracy, existence, valuation and completeness of the intercompany balances between the Company and the Ceylon Petroleum Corporation (CPC) and Lanka Indian Oil Company (LIOC) were unable to verify in audit due to following reasons.

(i) According to the records of the Company, the amounts receivable from and payable to CPC had been amounting to Rs. 7,308.85 million and Rs. 349.92 million respectively. However, according to the records maintained by the CPC, the corresponding amounts payable to and receivable from the Company were amounting to Rs. 6,565.79 million and Rs. 600.75 million respectively. Accordingly, it was observed an un-reconciled net difference of Rs. 993.89 million, which had comprised amounting to Rs. 743.06 million and Rs. 250.83 million of intercompany receivable and payable balances respectively between two entities. However, the CPC had decided by its Board Decision taken on 22 July 2021, to pay disputed outstanding loan interest amounting to Rs. 637.04 million to CPSTL.

(ii) According to the records of the Company, the amount receivable from LIOC were Rs. 655.64 million, and as per the confirmation received from LIOC the amount payable to the Company were Rs. 695.82 million. Accordingly, an un-reconciled difference of Rs. 40.18 million in the intercompany balance between two entities as at the end of the year under review was observed.

(iii) Differences between the amounts shown in the General Ledger of the Company and the related party disclosures, in relation to CPC, in the financial statements (Note No. 19) of the Company amounting to Rs. 70.87 million and Rs. 374.69 million were observed for the year ended 31 December 2020 and 2019 respectively.

(c) Prior Year Adjustments relating to Interest Income & Pipeline Income

(i) According to the notes to the financial statements of the Company for the year under review, it was stated that the erroneously recorded interest income and pipe line income in previous years had been corrected retrospectively. However, the error in overcharging of the interest component of the throughput income from CPC and LIOC amounting to Rs. 579,805,642 (inclusive of VAT and NBT), and pipe line income amounting to Rs. 100,220,058, which were related to years prior to 2019, had been shown as "written off expense" under comparative information of the previous year instead of being adjusted the cumulative effects in the statement of changes in equity in accordance with paragraph 42 of LKAS 08.

(ii) Overcharged pipe line income amounting to Rs. 26,789,209 relating to the previous year had been erroneously included under the overcharged pipe line income for the year under review. As a result, the profit for the year under review had been understated by that amount. Even though the overcharged pipe line income for the previous year (2019) amounting to Rs. 103,920,895 had been written off in the previous year, the actual overcharged pipe line income for that year (2019) was amounting to Rs. 30,490,045. As a result, profit of the previous year had been understated by Rs. 73,430,849.

(iii) Writing back of long outstanding payable balances totaling Rs. 59,510,180 had been set off against the written off amount of the erroneously overcharged pipe line income in the year under review. As a result, other operating income and other operating expenses had been understated by similar amount in the year under review.

(d) Cash & Cash Equivalent

According to the financial statements of the Company, the balance of the foreign currency denominated bank accounts as at the end of the year under review was Rs. 338,378,355. However, as per the calculations done in audit based on the balance confirmation provided by Bank of Ceylon, the balance as at the end of the year under review was Rs. 410,613,825. Accordingly, an unexplained difference of Rs. 72,235,470 between those two figures was observed. Further, a USD denominated saving account in Bank of Ceylon is remained unchanged for over several years.

(e) Trade and Other payable balances

(i) There were debit balances in 07 trade and other payable accounts amounting to Rs. 2,675,710 as at the end of the year under review, which includes 02 debit balances totaling Rs. 178,610 remaining over 05 years. Further, there were 05 debit balances totaling Rs. 2,497,100 remained unsettled ranging from 01 to 05 years. However, the Company had made some subsequent transactions with vendors without being settled their debit balances. Therefore, existence and accuracy of those debit balances were questionable in audit.

(ii) There were 21 payable balances amounting to Rs. 15,748,981 outstanding for over 05 years and 40 payable balances amounting to Rs. 56,566,358 outstanding from 01 to 05 years as at the end of the year under review. However, the management of the CPSTL had not taken proper actions to settle them. Accordingly, existence and accuracy of those balances were in doubt.

(iii) According to the Board decision 31/210 dated 08 April 2021, the Company had written back some long outstanding payable balances amounting to Rs. 59,510,180 in the year under review. However, evidences relating to the basis of written back were not made available to audit.

(f) Trade & Other Receivable Balances

Other receivable amounting to Rs. 7.2 million was remained unrecovered for over 5 years as at the end of the year under review. However, sufficient confirmation regarding the recoverability of that amount was not made available to audit.

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(g) Taxation

(i) According to the financial statements provided to the audit, income tax amount payable to Inland Revenue Department (IRD) as at the end of the year under review was Rs. 383,213,359. Details relating to the composition of such income tax payable balance were not made available to audit. However, as per the balance confirmation received from IRD, the net correspondence amount to be settled (payable and receivable) to IRD was to Rs. 541,461,671. Accordingly, an un-reconciled difference of Rs. 158,248,312 was observed between those two balances.

(ii) According to the financial statements for the year 2019 the provision for income tax expenses was Rs. 1,045,291,808 whereas, the actual tax payment for that year was only Rs. 1,005,993,161. Accordingly, even though the under provision made for the income tax for the previous year amounted to Rs. 39,298,647 should have been adjusted in the year under review, the amount adjusted in this year was only Rs. 36,441,226. As a result, an unadjusted difference of income tax provision amounted to Rs. 2,857,421 was observed in the year under review.

(iii) There was a difference amounted to Rs. 66,931,834 between the amount shown in the fixed assets register provided to audit and the net book value (NBV) of property, plant & equipment (Freehold Building and Motor Vehicles), which had been considered in accounting which are not entitled for capital allowances.

(iv) According to the financial statement for the year under review, VAT amount payable to IRD for the year under review was Rs. 53,278,154. However, according to the IRD records, net amount receivable (receivable and payable) to IRD was Rs. 138,747,556. Accordingly, an un-reconciled difference of Rs. 85,469,402 between those two balances was observed.

(v) As per the Company records the revenue for the period from 01 October to 31 December 2020 was Rs. 3,140,630,614. However, as per the VAT return submitted to the IRD, the revenue amount considered for VAT calculation was only Rs. 3,120,446,154. Therefore, an un-reconciled difference between those two records amounted to Rs. 20,184,460 was observed.

(vi) Even though, as per the balance confirmation received from IRD, the PAYE balance payable to IRD as at the end of the year under review was Rs. 109,449,724, there was no any PAYE payable amount to IRD as per the financial statement of the Company for the year under review. Accordingly, an un-reconciled difference of Rs. 109,449,724 between those two records was observed.

(vii) According to the financial statement of the Company for the year under review, the amount receivable from IRD as at the end of the year was Rs. 24,838,931 whereas the amount of WHT payable to IRD as per the balance confirmation received from IRD, was Rs. 31,499,999. Accordingly, an un-reconciled difference of Rs. 56,338,930 between those two records was observed.

1.2.5 Lack of Evidence for Audit

(a) The volume of petroleum products at fuel terminals are measured in tanks and must be converted to equivalent volumes at a standard temperature which is in 15°C or 60°F. Fluctuations in temperature cause oil products to expand or contract, which lead to changes in the measured volume and density. This is particularly significant in the storage of hot and cold tanks. Failure to take into account the temperature effect in tank calibration or tank gauging will cause to measurement unfairness, especially in the determination of closing stock level and actual product loss/gain. However, values in the books had been taken in to the financial statement as closing stock of the year under review without being carried out an annual physical stock verification by the Corporation as at the end of the year under review. As a result, the actual closing stock volume, value and product loss/gain could be materially misstated in the financial statements as compared with the actual inventory measurement as stated above. Further, due to non availability of inventory counting and the relevant inventory counting documents, the existence and accuracy of the closing stocks of fuel shown in the financial statements as at the end of the year under review could not be satisfactorily verified in audit.

(b) A balance of Rs. 1,135.8 million had been continuously carried forwarded in the financial statements since the year 2012 as receivable from the Department of Inland Revenue and Sri Lanka Customs. Further, proper actions had not been taken by the Corporation to recover these receivable amounts or make adequate provisions in this regard in the financial statements for the year under review. However, reasons for continuation of these balances without being settled for a longer period were not clear in audit.

(c) A payable balance of Rs. 30.13 million and a vested property balance of Rs. 1.02 million had been continuously carried forwarded for a longer period. However, the existence, accuracy, valuation and allocation of those balances could not be satisfactorily vouched in audit due to lack of sufficient and appropriate evidence.

(d) Two dummy accounts, namely "RF Dummy and HO Dummy", which were continually remained unsettled for a longer period under accrued charges in the financial statements, had been written off/back in the year under review without being clarified the possibility to make any settlement.

(e) Payable amounts under Refundable Deposits and Others relating to employee's accounts were remained unsettled for a longer period without being taken any action to settle them. However, reasons for not settling these balances for a longer period were not ascertained in audit.

(f) VAT aggregating Rs. 455.53 million was shown as other receivables and advances in the statement of financial position at the end of the year under review, and out of which an amount of Rs.326.4 million had been continued since 2011. Moreover, the tax invoices and other relevant supporting documents were not made available to audit, and accordingly, the existence and recoverability of those balances were in doubt.

(g) Even though there was no any overpayment or carried forwarded tax balance appeared in any tax return submitted to the IRD, a sum of Rs.376 million had been continuously carried forwarded in the financial statements since 2010 as receivable from IRD. However, this amount had been set off against tax provision for income tax account in the year under review without clear rational or evidences.

(h) As iterated in previous audit reports, sufficient and appropriate evidences relating to debit balances of trade and other payable amounting to Rs. 749.66 million were not made available to audit. Accordingly, accuracy and existence of those balances could not be satisfactorily verified in audit.

(i) Documentary evidence relating to the long outstanding balance of goods in transit of Argo product amounting to Rs. 7,651,679, continued from the year 2017, were not made available to audit, and accordingly, accuracy and existence of that amount could not be satisfactorily ascertained in audit.

(j) As iterated in previous year audit reports, as per the records of the SAP system, the quantity of7,718.7KLs of petroleum product (Petrol Octane 90) had not been physically verified or valued at the end of the year under review.

(k) **The Balance Confirmations**

The following observations are made in relation to the sample audit test carried out in relation to the balance confirmation received from trade and other receivables.

(i) According to the sample test, trade receivable balances relating to 96 customers were different from the amounts shown in the financial statements and direct balance confirmations received from the customers. Accordingly, it was observed a total difference of Rs. 2,032 million, which had comprised receivable balances of 47 customers amounting to Rs. 1,528 million and balances of 49 customers amounting to Rs.504 million when compared with the amounts shown in the ledger accounts.

(ii) As per the ledger accounts 12 customers with credit balances amounting to Rs. 1,638,032 had confirmed that they had debit balances amounting to Rs. 536,922 at the end of the year under review. Accordingly, unreconciled difference amounting to Rs. 2,174,954 was observed.

(iii) Sevaral instances were observed where information such as the amount of outstanding balance, name of the customer, etc. included in the confirmation request letter sent to customers were not matched with the records maintained by the Corporation. Further, instances were observed sending two confirmation request letters to the same customer with different values.

1.2.6 Un-reconciled Differences

(a) According to the financial statements of the Corporation, NBT and net Income Tax payable to the IRD as at 31 December 2020 were Rs. 3,242.5 million and Rs.351.6 million respectively. However, as per the records of IRD, NBT and net Income Tax payable to the IRD had been shown as Rs.560.8 million and 9,272.3 million respectively. Accordingly, differences of Rs.2,681.60 million and Rs. 8,920.6 million were observed between the financial statements of the Corporation and the records of IRD.

(b) According to the records of IRD, PAYE tax payable to IRD was Rs. 46.9 million whereas, that liability shown in the financial statement of the Corporation was Rs. 139,132. Accordingly, a difference of Rs. 46.8 million was observed.

(c) According to the age analysis provided to the audit, 74 debit balances totalling to Rs.930,193,687 and credit balances totalling to Rs.5,048,644 relating to the trade receivables shown in the financial statements at the end of the year under review were remained unrecovered/unsettled over 05 years. Further, subsequent transactions with these venders have been carried out without being settled the existing balances.

(d) 20 debit balances totalling to Rs. 154.587 million over 05 years, and 27 debit balances totalling to Rs. 1,448.285 million over 01 year to 05 years shown under trade and other payables were remained unsettle as at the end of the year under review. Further it was observed that the Corporation had made subsequent transaction with these venders who were having debit balances without being settled the existing debit balances. Therefore, the accuracy and existence of those balances are critically doubt in audit.

(e) According to the Age Analysis provided to the audit, balances of 76 venders totalling Rs. 35,590.133 million relating to the trade and other payable amount shown at the end of the year under review were remained unsettle for over 05 years and 739 payable balances totalling to Rs. 12,240.66 million which shown in the Age Analysis of the Trade and other payables at the end of the year under review were remained unsettled ranging over 01 to 05 years. However, sufficient evidence relating to the actions taken by the Corporation to settle the balances were not made available to audit. Therefore, accuracy and existence of those balances is doubt in audit.

(f) The actual amounts of demurrages incurred by the Corporation in the year under review could not be verified in audit due to lack of sufficient and appropriate audit evidences.

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

1.3 Other information included in the Corporation's 2020 Annual Report

The other information comprises the information included in the Corporation's 2020 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 2020Annual 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.

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 Corporation's and the Group's internal control.

- 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'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 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 2018includes specific provisions for following requirements.

2.1.1 Subject to audit observations appeared in this report under basis of qualified opinion, 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 as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except of the audit observations shown under 1.2.2 (a, b), 1.2.3, 1.2.5 (a), (b), (c), (d) and 1.2.6 (a),(b), (c), (d) in this report.

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

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

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

Reference to law, general and special directions issued by the Governing Body	Description
(a) Public Enterprises Circular No. PED/12 of 02 June 2003 - Guidelines for Good Governance.	
(i) Guideline 5.2.2	Capital projects have been carried out without a proper feasibility study.
(ii) Guideline 7.2	Corporation had not prepared procedure manuals including all major activities for the Lubricant Business, Bitumen Business, Bunkering Business and Agro Business of the Corporation.
(iii)Guideline 9.3	The Corporation does not have a Scheme of Recruitments and Promotions which has been approved by the appropriate Ministry with the concurrence of the Department of Public Enterprise, General Treasury.
(b) Finance Circular No. 124 of 24 October 1997 of Ministry of Finance and Planning.	Covering up duties of a vacant post should be limited to a period of 03 months. Nevertheless, officers had been assumed for cover up duties of the vacant posts including Grade A posts, for more than 03 months.
(c) Financial Regulation 396	Issued Cheques passes six months from the date it had been dated should be considered as stale and reverse the original transaction. However, 64 issued but not presented cheques totalling to Rs. 34,911,295 were remained without reversing

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

(a) As iterated in previous audit reports, it was observed that there was no any agreement or a Memorandum of Understanding between the Corporation, CPSTL and LIOC with regard to their individual responsibilities in respect of the involvement of the Enterprise Resource Planning (ERP) System introduced by the CPSTL, and as such this system was not adequately utilized, especially for the fuel stock reviewing purposes and refinery function.

(b) Prompt actions had not been taken by the Corporation to rectify the following observations which iterated in previous audit report with regard to Common User Facilities.

(i) The Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30December 2003 entered into between Government of Sri Lanka (GOSL), Corporation and LIOC was expired on 31 December 2008 in terms of section 15 of the Agreement. Therefore, the common user facilities covered under such agreements including the governance procedures of entities and the pricing formula used for the purpose of determining the throughput charges and transport expenses including slab charges (last revised in 2011) had not been revised with the agreement of all related parties.

(ii) The Corporation had entered into an Agreement with CPSTL without LIOC on 13 May 2019. According to this Agreement, terms and condition in relation to storage and transport of petroleum product and the way of deciding the throughput between CPC and CPSTL were agreed. However, the terms and condition relating to the same subject affected to the LIOC, a main user and a party who were in the Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003, were not defined. Therefore, it was observed that any impact on unfavourable conditions and cost had to be borne by the Corporation in any event of LIOC refusing the terms and condition entered between the Corporation and CPSTL.

(iii) According to the Board Decision No. 43/1227 dated 03 May 2019, approval to increase the throughput charges was granted with effect from 01 April 2019. As a result of backdating the effective date, CPC had to pay extra amount of Rs.173.77 million for the month of April 2019. However, Corporation had failed to recover such amount up to date.

(iv) According to the Common User Facilities Shareholders 'Agreement (among CPC, LIOC and GOSL) dated 30December 2003 and the agreement between Corporation and CPSTL dated 13th May 2019, maintenance of the pipelines or portions of pipelines to the accepted standards and provide storage facilities to maintain 02 months fuel stock is a responsibility of CPSTL. However, as a result of delaying in unloading fuel from a vessel due to blockages in the pipeline and inefficiencies in the storage system, the Corporation had paid demurrages over USD 2.7 million during last 06 years without shifting such cost to the service provider.

(v) Corporation had paid Rs.250 million to the Urban Development Authority in relation to the rehabilitation of 12" dia and 5,500m long pipeline from Colombo Port to Kolonnawa Oil installation in the year 2019. According to the information available to the audit, Corporation had not entered in to any agreement or had any negotiation with CPSTL in order to recover the paid amount in future. Therefore, bearing total cost of a capital improvement of CPSTL, subsidiary, by the Corporation without any contribution of other shareholder is questionable to audit.

(vi) According to the agreements, throughput charges consist of Storage Terminal cost and profit margin. Storage Terminal Cost includes personal cost, overhead and maintenance cost and depreciation of the assets of CPSTL. It implied that all the transport charges of CPSTL should be excluded when determine the throughput charges. However, audit was unable to ensure whether the transport related cost of the CPSTL had been excluded when deciding the storage terminal cost of throughput charges. As a result, reimbursement of transport charges to CPSTL could be duplicated. According to the information available, an amount of Rs. 2,506 million had been paid as transport charges to CPSTL during the year under review.

(vii) According to the definitions of the Common User Facilities Share Holders 'Agreement (among CPC, LIOC and GOSL) dated 30 December 2003, Storage terminal Cost 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"*. This agreement was expired on 31 December 2008. However, the Corporation had paid over Rs. 2,183 million as the interest portion for the period of 2009 to 2016 relating to the loans obtained from People's Bank in 2009 by CPSTL after the expiry of the agreement. It was observed that such payment had been made without proper evaluation and confirmation about the real amount to be paid in terms of the agreement.

(viii) Maintenance of the pipelines to the accepted standards and provide sufficient storage facilities is the main role of the subsidiary company, CPSTL. Accordingly, a considerable amount of funds had been transferred to the CPSTL as throughput charges to the development of infrastructure relating to the storage and terminal facilities of the fuel supply in the country. CPSTL has charged over Rs. 1,000 million as depreciation during the year under review and the amount for the last 11 years was over Rs. 11,000 million. In addition, an amount of Rs. 2,738 million had been charged by the CPSTL as profit margin during the year under review and the total amount that was charged for the last 11 years was Rs. 43,540 million from both CPC and LIOC. However, there were no appropriate evidences to ascertain that the CPSTL had taken proper actions to design and develop new infrastructure facilities and maintain the existing facilities promptly.

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

(a) Additional interest expense of Rs. 699 million had been incurred by the Corporation due to delays in settlement of foreign currency denominated short term loans in the year under review.

2.3 Other Matters

(a) Total amount of USD 250,925,169 is to be paid to the National Iranian Corporation, Tehran in relation to purchase of Petroleum Products by the Corporation which is equivalent to Rs. 32,344 million in the year 2013. According to the information provided, payment of such outstanding balance was stopped due to sanctions enforced to Iran by the United State. Such balance has been showing as a payable amount from the inception, at the exchange rate as at the end of each year and the difference of the adjustment transferred to exchange gain or loss of the respective year. Accordingly, payable balance and accumulated exchange rate variance loss (from 2012 to 2020) at the end of the year under review had been increased to Rs. 47,933 million and Rs.15,193 million respectively. The exchange rate variance loss for the year under review was Rs.2,122 million. Further, it was also observed that the payment of this balance had not been done due to uncontrollable external factors. However, there were no sufficient and appropriate evidence to ascertain whether the Corporation had taken effort to settle that amount by alternative forms and evaluate the financial feasibility of keeping the balance unsettled in a situation where gradually depreciating the LKR over USD for a longer period.

(b) Indian Oil Corporation Limited (IOC) had been registered as a supplier to supply Petroleum-related product by the Corporation on 26 June 2020 for a period of one year and IOC had applied for tenders of the Corporation for 05 months. However, LIOC is a fully own subsidiary of IOC and LIOC hold 1/3 ownership of CPSTL that is the subsidiary of the Corporation. In other hand, LIOC is the sole competitor of the Corporation and a related party through the CPSTL. Therefore, audit was unable to justify the reason to allowing sole competitor to supply of petroleum product for a one-year period. Further, audit was unable to ensure the suitability of existing supplier registration process of the Corporation.

(c) As stated in my previous year reports, the formal agreements for fuel supply had not been entered into with major customers including CEB even at the end of the year under review.

(d) Recovery of Duties and Taxes

As stated in previous audit report, Rs. 1,617 million paid as Custom Duties and taxes before discharging the cargo of rejected shipment, which includes excise duty of Rs. 648 million, had not yet been recovered or settled at the subsequent payments by the Corporation since January 2017.

(e) Storage and Distribution of Petroleum Product

My special report which assessed the adequacy of the existing petroleum storage capacity that is currently utilized in Sri Lanka, evaluate the appropriateness and productivity of the fuel transport pipeline system, railway and bowser transport system currently in operation in Sri Lanka and make recommendations on measures to be taken for the smooth and safe operation of the petroleum storage complex and fuel transport systems in the country had been tabled in Parliament. It can be downloaded from the official websites of the National Audit office of Sri Lanka.

(f) Trincomalee Tank Farm

The Tank Farm contained of 100 Oil Tanks, each having a capacity of 12,500 cubic meters (m^3)(10,000 MT) and other associated facilities, had been constructed in 1930.The land with an extent of 358.553 hectares belong to the Tank Farm had been given on lease basis by the Government of Sri Lanka to the Commissioners of the Lord High Admiralty of the British Government for a period of 999 years before gaining independence to Sri Lanka. In 1961 at the request of the Government of Sri Lanka, the Corporation had paid Sterling Pounds

250,000 in three instalments and taken over the possession of Land, Tank Farm, Buildings and other equipment with effect from 01April 1964. Nevertheless, no legal documents had been obtained up to date from the Government for the above land.

In 2003, the Government of Sri Lanka had entered into an agreement with the Lanka Indian Oil Company (LIOC) and the Corporation to lease out the storage facilities and the land to the LIOC for a period of 35 years and lease agreement should be executed within 6 months from the date of the agreement. The Corporation had not yet entered into any lease agreement or uses the tanks. However, LIOC is using those assets from the year 2003.

(g) Payment of Penalty

As stated in previous year audit reports, a sum of Rs. 57.7 million paid to the Department of Customs to settle the amount outstanding since 2002 in respect of the bunkering operations on the basis of reimbursement that amount from the General Treasury. However, this amount had not been reimbursed even up to the date of this report.

(h) 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 2020 was 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.

(i) Sapugaskanda Oil Refinery

As stated in previous audit reports, the existing Refinery which had been constructed five decade back (commissioned in 1969) is a basic Refinery and is not being able to cater the increasing demand of petroleum products in the country and this Refinery is operating with low margin when compared with refineries operating with advanced technologies including facilities to produce petroleum products at lower cost and capabilities to upgrade bottom products to high value products such as petrol and diesel, where by maximizing its operating efficiency. However, the CPC was unable to implement the proposed Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) Project or alternative project in order to ensure supplying of its products to the market in a cost-effective manner. Further, the land acquired by incurring of Rs. 1,003 million for that purpose had been laying idle even up to the date of this report.

(j) **Assets Management**

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

(i) **Halgaha Kumbura Land at Wanathamulla** -This land had been acquired for Rs.10.6 million for the purpose of LP Gas Project and a Playground. However, this land had not been utilized for the intended purpose and it had been occupied by more than 700 squatters.

(ii) **Mahahena Land** – According to the correspondence made available, the Corporation had acquired this land by spending Rs. 0.625 million, and it had not been accounted for. However, this land is being utilized by the previous owner even after the acquisition in 1986.

W.P.C.Wickramaratne
Auditor General

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER	*Note*	CPC		Group	
		2020	2019 Restated*	2020	2019 Restated*
		Rs. Mn	*Rs. Mn*	*Rs. Mn*	*Rs. Mn*
Revenue	*2*	510,131.005	630,859.713	510,353.178	631,015.609
Cost of Sales		(454,880.140)	(626,599.056)	(462,019.238)	(634,716.632)
Gross (Loss)/Profit		**55,250.865**	**4,260.657**	**48,333.939**	**(3,701.023)**
Other Operating Income	*3*	818.670	529.415	1,145.615	1,225.198
Selling & Distribution Expenses		(15,781.776)	*(17,981.314)*	(2,937.933)	(3,259.363)
Administrative Expenses		(6,352.608)	*(5,869.335)*	(10,808.827)	(10,870.013)
Operating (Loss)/Profit	*4*	**33,935.151**	**(19,060.577)**	**35,732.795**	**(16,605.200)**
Exchange Rate Variation		(21,840.759)	8,397.549	(21,840.759)	8,397.549
Finance Income	*5*	11,187.890	13,525.966	11,497.173	13,848.996
Finance Expenses	*6*	(20,911.327)	*(14,698.539)*	(20,911.327)	(14,698.539)
Profit /(Loss) before tax		**2,370.955**	**(11,835.600)**	**4,477.882**	**(9,057.194)**
Income tax Expense	*7*	-	*(21.000)*	(208.809)	(1,183.529)
Profit/(Loss) for the year		**2,370.955**	**(11,856.600)**	**4,269.073**	**(10,240.722)**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to Profit or Loss:					
Re-measurement gain/(loss) on Retirement Benefit plan	*18*	99.573	84.038	(51.416)	(51.764)
Revaluation of Property, Plant & Equipment		17,675.906	21.470	17,675.906	21.470
Tax on Other Comprehensive Income		415.689	(6.011)	451.926	32.013
Other comprehensive income / (expense) for the year		18,191.168	99.496	18,076.417	1.719
Total comprehensive Income/(expense) for the year, net of tax		**20,562.123**	**(11,757.103)**	**22,345.490**	**(10,239.003)**
Total Comprehensive Income attributable to :					
Owners of the entity		20,562.123	(11,757.103)	21,668.860	(10,774.181)
Non-Controlling interests		-	-	676.630	535.178
		20,562.123	**(11,757.103)**	**22,345.490**	**(10,239.003)**

*Certain numbers shown here do not correspond to the 2019 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 135 to 173 form an integral part of the Financial Statements.

Statement of Financial Position

AS AT 31 DECEMBER	*Note*	CPC		Group	
		2020	2019 Restated*	2020	2019 Restated*
		Rs. Mn	*Rs. Mn*	Rs. Mn	*Rs. Mn*
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	**8**	43,541.537	26,436.412	59,586.486	42,451.172
Investment Property	**8.3**	53.703	54.179	53.703	54.179
Intangible Assets	**8.4**	-	-	75.525	101.433
Investment in Subsidiary	**9**	5,000.000	5,000.000	-	-
Non-Current Financial Assets	**10**	239.981	333.221	239.981	333.221
Trade & Other Receivables	**11**	7,519.518	8,895.364	9,153.749	10,535.528
		56,354.739	40,719.176	69,109.444	53,475.533
Current Assets					
Inventories	**13**	52,507.840	65,757.216	53,206.909	66,432.827
Trade & Other Receivables	**11**	151,053.605	164,152.545	156,721.988	170,080.427
Short term Investments	**14**	92.590	25,093.723	92.590	25,093.723
Cash and Cash Equivalents	**15**	64,563.572	32,559.409	68,005.593	36,559.120
		268,217.607	287,562.893	278,027.080	298,166.097
Total Assets		**324,572.346**	**328,282.069**	**347,136.524**	**351,641.630**
EQUITY AND LIABILITIES					
Capital and Reserves					
Contributed Capital	**16**	28,487.125	28,487.125	28,487.125	28,487.125
Capital Reserve	**17.1**	4,992.686	4,992.686	4,992.686	4,992.686
Financial Instrument fair value		(38.000)	(38.000)	(38.000)	(38.000)
Revaluation Reserve	**17.2**	28,068.124	10,392.218	28,068.124	10,392.218
Retained Earnings		(337,071.081)	(339,957.298)	(323,462.147)	(327,484.989)
Non Controlling Interest		-	-	9,307.844	8,736.270
Total Equity		(275,561.146)	(296,123.269)	(252,644.368)	(274,914.690)
Non - Current Liabilities					
Retirement Benefits Obligation	**18**	1,702.435	1,686.148	3,718.078	3,392.246
Deferred Tax	**19**	2,494.132	2,909.821	4,090.682	4,995.736
Loans & Borrowings	**20**	4,776.927	3,928.702	4,776.927	3,928.702
		8,973.494	8,524.671	12,585.687	12,316.684
Current Liabilities					
Trade and Other Payables	**21**	200,120.453	305,869.933	196,155.660	304,228.902
Current Portion of Loans & Borrowings	**20.1**	289.397	75.959	289.397	75.959
Short term Borrowings	**22**	390,750.148	309,934.775	390,750.148	309,934.775
		591,159.998	615,880.667	587,195.205	614,239.636
Total Equity and Liabilities		**324,572.346**	**328,282.069**	**347,136.524**	**351,641.630**

*Certain numbers shown here do not correspond to the 2019 financial statements and reflect adjustments made as detailed on Note 26.
The notes appearing on pages 135 to 173 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 2020 and its profit for the year then ended.

V N Weerasooriya
Deputy General Manager (Finance)

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

Sumith Wijesinghe
Chairman
24 Feb 2021, Colombo

Buddhika Madihahewa
Managing Director

Chaminda Hettiarachchi
Director

Statement of Changes in Equity

CPC	Contributed Capital Rs. Mn	Revaluation Reserves *Rs. Mn*	Capital Reserves Rs. Mn	Financial Instrument fair Value *Rs. Mn*	Retained Earnings Rs. Mn	Total Equity *Rs. Mn*
As at 1 Jan 2019	**28,487.125**	**10,370.748**	**4,992.686**	**(38.000)**	**(325,274.915)**	**(281,462.356)**
Prior period Adjustments	-	-	-	-	(2,903.810)	(2,903.810)
Re-stated balance as at 1 Jan 2019	**28,487.125**	**10,370.748**	**4,992.686**	**(38.000)**	**(328,178.725)**	**(284,366.166)**
Loss for the year	-	-	-		(11,856.600)	(11,856.600)
Other Comprehensive Income	-	-	-	-	78.027	78.027
Revaluation surplus	-	21.470	-	-	-	21.470
As at 31 Dec 2019	**28,487.125**	**10,392.218**	**4,992.686**	**(38.000)**	**(339,957.298)**	**(296,123.269)**
Profit for the year	-	-	-	-	2,370.955	2,370.955
Other Comprehensive Income	-	-	-	-	515.262	515.262
Revaluation surplus	-	17,675.906	-	-	-	17,675.906
As at 31 Dec 2020	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(337,071.081)**	**(275,561.146)**

Group	Contributed Capital Rs. Mn	Revaluation Reserves *Rs. Mn*	Capital Reserves Rs. Mn	Financial Instru-ment fair value *Rs. Mn*	Retained Earnings Rs. Mn	Shareholders Fund *Rs. Mn*	Non Control-ling Interest Rs. Mn	Total Equity *Rs. Mn*
As at 1 Jan 2019	**28,487.125**	**10,370.748**	**4,992.686**	**(38.000)**	**(313,764.857)**	**(269,952.297)**	**8,255.421**	**(261,696.877)**
Prior period Adjustments	-	-	-		(2,903.810)			(2,903.810)
Re-stated balance as at 1 Jan 2019	**28,487.125**	**10,370.748**	**4,992.686**	**(38.000)**	**(316,668.667)**	**(269,952.297)**	**8,255.421**	**(264,600.687)**
Loss for the year	-	-	-	-	(10,829.164)	(10,829.164)	588.442	(10,240.722)
Other Comprehensive Income for the year	-	-	-	-	12.842	12.842	(32.593)	(19.751)
Revaluation surplus	-	21.470	-	-		21.470		21.470
Dividend paid	-	-	-	-			(75.000)	(75.000)
As at 31 Dec 2019	**28,487.125**	**10,392.218**	**4,992.686**	**(38.000)**	**(327,484.989)**	**(280,747.149)**	**8,736.270**	**(274,914.690)**
Profit for the year	-	-	-	-	3,554.193	3,554.193	714.880	4,269.073
Adjustment	-	-	-	-	29.888	29.888	14.944	44.833
Other Comprehensive Income for the year	-	-	-	-	438.761	438.761	(38.251)	400.510
Revaluation surplus	-	17,675.906	-	-	-	17,675.906		17,675.906
Dividend paid	-	-	-	-	-	-	(120.000)	(120.000)
As at 31 Dec 2020	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(323,462.147)**	**(259,048.401)**	**9,307.844**	**(252,644.368)**

*Certain numbers shown here do not correspond to the 2019 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 135 to 173 form an integral part of the Financial Statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC 2020	CPC 2019 Restated*	Group 2020	Group 2019 Restated*
		Rs. Mn	*Rs. Mn*	Rs. Mn	*Rs. Mn*
CASH FLOWS FROM OPERATING ACTIVITIES	**24**	(53,979.424)	(75,037.350)	(52,300.947)	(73,008.312)
				-	-
Interest Paid		(20,361.566)	(14,182.746)	(20,361.566)	(14,182.746)
Retiring Gratuity Paid	**18**	(137.855)	(170.527)	(269.182)	(317.349)
Income Tax /ESC paid		(3,778.620)	(7,030.536)	(5,014.899)	(7,239.083)
Net Cash Generated from/(used in) Operating activities		(78,257.465)	(96,421.159)	(77,946.593)	(94,747.490)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant & Equipment		1.707	2.832	1.707	42.048
Acquisition of Property, Plant & Equipment	**8**	(805.159)	(1,574.592)	(1,863.004)	(2,555.438)
Dividends Received		0.122	129.001	0.122	0.001
Interest Received		8,276.846	7,145.090	8,586.129	7,468.120
Investment in Treasury Bonds		25,094.373	4,289.779	25,094.373	4,289.779
Net Cash Flows from /(Used in) Investing Activities		32,567.889	9,992.110	31,819.326	9,244.509
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend Paid		-	-	(120.000)	(75.000)
New loans obtained		407,387.132	541,907.914	407,387.132	541,907.914
Repayment of Loans		(330,106.638)	(531,647.853)	(330,106.638)	(531,647.853)
Net Cash Flows From/(Used in) Financing Activities		77,280.494	10,260.061	77,160.494	10,185.061
Net Increase/(Decrease) in Cash & Cash Equivalents		31,590.919	(76,168.988)	31,033.228	(75,317.920)
Cash & Cash Equivalents at the Beginning of the Year		27,501.266	103,670.252	31,500.978	106,818.898
Cash & Cash Equivalents at the End of the Year	**15**	**59,092.185**	**27,501.266**	**62,534.206**	**31,500.978**

*Certain numbers shown here do not correspond to the 2019 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 135 to 173 form an integral part of the Financial Statements.

Notes to the Financial Statements

1.1 Corporate Information

General

Ceylon Petroleum Corporation (the Corporation) 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

Parent entity and the ultimate controlling party

The Corporation is under the purview of the Ministry of 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 2020 were authorized for issue in accordance with a Resolution of the Board of Directors on 24th February 2021.

Statement of compliance

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

1.2 Basis of Preparation

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

The financial statements have been prepared on an accrual basis and under historical cost basis, except for investment properties, certain office properties (classified as property, plant and equipment), financial assets that have been measured at fair value and defined benefit obligation which is measured at the present value of the obligation.

Presentation & functional currency

The Financial Statements are presented in Sri Lankan Rupees, which is the functional currency, and all values are rounded to the nearest million except when otherwise indicated.

Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Basis of consolidation

The consolidated financial statements as at and for the year ended 31 December 2020 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary are prepared in compliance with the Group's accounting policies unless otherwise stated and they have a common financial year which ends on 31 December.

All intra-group balances and transactions, income and expenses are eliminated in preparing the consolidated financial statements.

Non-controlling interests

Profit or loss and each component of other comprehensive income (OCI) of the subsidiary are attributed to the equity holders of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.3 Accounting Policies

Changes in Accounting Policies

The Accounting policies adopted are consistent with those used in the previous years, unless otherwise stated.

Comparative Information

The presentation and classification of the financial statements of previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

Going Concern

These financial statements are prepared on the assumption that the CPC & its Group is a going concern i.e. as continuing in operation for the foreseeable future. It is therefore assumed that CPC has neither the intention nor the necessity of liquidating or of curtailing materially the scale of its operation even though the Corporation and the Group have a negative equity position of Rs. 275,561 Million and Rs.252,644 Million respectively as per the financial statements prepared for the year ended 31st December 2020.

Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are described in the relevant notes as follows:

- Defined Benefit Obligations – Gratuity : Note No. 1.4.12
- Impairment of financial assets : Note No. 1.4.14
- Useful lives of Property, Plant and Equipment : Note No. 1.4.6
- Deferred taxation : Note 1.4.2

1.4 Summary Of Significant Accounting Policies

1.4.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue and associated costs incurred or to be incurred can be measured reliably, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and net of sales taxes. The Group has concluded that it is the principal in all of its revenue arrangements since it is the principal obligor in all the revenue arrangements and is also exposed to inventory and credit risks.

The following specific criteria must also be met for the purpose of recognition of revenue which is in the scope of SLFRS 15.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from sales of goods is recognized when the goods are dispatched, or in the case of delivering the goods to the customer, legal ownership is transferred only upon delivery of goods to the customer. In all such case, the revenue is recognized by the Group when the goods are dispatched or delivered and accepted by the dealers/ customers and it does not have significant impact to the revenue recognition as per the SLFRS 15.

Interest income & expenses

For all financial instruments measured at amortized cost, interest expenses and income are recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized as the interest accrued unless the collectability is in doubt. Interest income is presented under Finance Income and interest expense is presented under Finance expense in the income statement.

Dividends

Dividend Income is recognized when the right to receive the payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of profit or loss.

Profit / (Loss) from sale of property, plant & equipment

Profit / (loss) arising from sale of property, plant & equipment is recognized in the period in which the sale occurs and is classified under other income.

Gains or Losses arising from investment securities

Gains or losses arising from the sale of equity shares and financial instruments accounted for on the date on which the transaction takes place.

Other Income

Other income is recognized on an accrual basis.

1.4.2 Expenditure recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement for the period.

Taxation

Tax expenses for the period comprise the current and deferred tax.

i. Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

Current income tax relating to items recognized directly in equity or in other comprehensive income is recognised in equity or in other comprehensive income and not in the income statement.

ii. Deferred Taxation

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

iii. Sales Tax

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

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sell, are added to the costs of those assets. All other borrowing costs are expensed in the period they occur.

1.4.3 Foreign Currency Transactions and Balances

The Financial Statements are presented in Sri Lanka Rupees, which is the Corporation's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to Income Statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or Income Statement are also recognised in OCI or Income Statement, respectively).

1.4.4 Current versus Non-Current Classification

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

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

Or

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

All other assets are classified as non-current assets

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period.

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax liabilities are classified as non-current liabilities.

1.4.5 Fair value measurement

The Group measures financial instruments such as investments in equity shares and non-financial assets such as land, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes;

- Property, plant and equipment (Note 8)
- Investment property (Note 8.3)
- Financial instruments (including those carried at amortised cost) (Note 12.1)

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

- In the principal market for the asset or liability

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as land and investment properties and significant liabilities, such as retirement benefits obligation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

1.4.6 Property, Plant & Equipment

Property, plant and equipment, except land, are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost of purchase directly attributable to the acquisition of the asset or construction together with any incidental expenses thereon.

The cost of self-constructed assets included the cost of materials and direct labor or any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs of qualifying assets. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Cost Model

Group applies cost model to property, plant & equipment, except land, and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

Lands are measured at fair value less impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Subsequent Costs

The cost of replacing part of an item of property, plant & equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow into the Group and its cost can be reliably measured.

Restoration Costs

The cost incurred on repairs and maintenance of property, plant & equipment in order to restore or maintain future economic benefits is charged to Income Statement as incurred.

De-recognition

The carrying amount of an item of property, plant & equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant & equipment is included in the Income Statement when the item is derecognized.

Depreciation

Land is not depreciated as it is deemed to have an indefinite life. Group provides depreciation on straight-line basis over the periods appropriate to the estimated useful lives of different types of assets commencing from the date available to use. Depreciation ceases on the date that the asset is derecognised.

The Group reviews annually the estimated useful lives, residual values and method of depreciation of Property, Plant and Equipment based on factors such as business plan and strategies, expected level of usage and future developments using management judgment.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	35 - 50 Years
Tanks	20 - 40 Years
Pipe lines	5 - 40 years
Plant & Machinery	5 - 10 Years
Gantries & Pumps	10 - 15 years
Vehicles	4 - 5 Years
Furniture, Fittings & Office Equipment	3 - 10 Years
Buoy	10 years
SPM Facility - Tank Farm	40 Years
Aviation facility Mattala - Fuel Hydrant	40 Years
Fuel hydrant System	40 Years
Internal Road network & Fences	20 years
Metering & Electrical System	10 years
Fire fighting system	10 years
Other Assets	08 years
Muthurajawela - PLEM	10 years

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

Capital Work in Progress

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

Impairment of non-financial assets

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

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

1.4.7 Investment Properties

Basis of Recognition

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

Measurement

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

Depreciation

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

De-recognition

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

1.4.8 Intangible assets

Basis of recognition

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

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

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

1.4.9 Investment in Subsidiary

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

1.4.10 Inventories

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

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

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

1.4.11 Cash and Cash Equivalents

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

1.4.12 Provisions & Liabilities

Provisions

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

Defined Benefit Obligations - Gratuity

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

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

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

This is not an externally funded defined benefit plan.

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

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

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

1.4.13 Capital Reserve

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

1.4.14 Financial Instruments

i. Financial assets

Initial recognition and measurement

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

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

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

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

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

The Group classifies its financial instruments in the following categories:

A. Financial assets at amortised cost

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

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

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

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

B. Financial assets designated at fair value through OCI

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

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are remote. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group review individually significant trade receivables at the each reporting date to assess whether impairment loss should be recognized in the income statement. Since the Group assess the trade receivable individually and found not to be additionally impaired.

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans &borrowings and trade and other payables at Amortised Cost

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

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

Derecognition

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

iii. Offsetting of financial instruments

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

Determination of fair value

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 12.1.

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 Company 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.

Detail disclosure is given under Note 8.6.

1.4.16 Contingent liabilities, litigation & commitments

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

1.5 Accounting Standards Issued but not Yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. The Corporation will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements. The following standards, amendments and improvements are not expected to have a significant impact on the Group's financial statements.

SLFRS 17 – Insurance Contracts

This standard is effective for annual periods commencing on or after 01 January 2021.

2. Revenue

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Domestic	488,464.589	583,821.170	488,464.589	583,821.170
Export	30,406.336	62,770.368	30,406.336	62,770.368
Terminal Charge & Others	-	-	222.173	155.896
Total Sales	518,870.925	646,591.538	519,093.098	646,747.434
Less : Excise Duty & NBT	(8,739.920)	(15,731.825)	(8,739.920)	(15,731.825)
Net Revenue	**510,131.005**	**630,859.713**	**510,353.178**	**631,015.609**

3. Other Operating Income

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Income on Investment Property	41.898	45.869	41.898	45.869
Staff Loan Interest	194.673	239.194	623.136	885.907
Rental Income	9.889	10.861	13.879	14.676
Profit/(loss) on disposal of PPE	1.707	2.617	1.274	32.062
Profit on Sale of Filling Station equipment	21.350	20.474	21.350	20.474
Dividend Income	240.122	150.001	0.122	0.001
Sundry Income	309.031	60.401	443.957	226.210
	818.670	**529.415**	**1,145.615**	**1,225.198**

4. Operating Profit

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Operating Profit stated after charging the following expenses				
Directors' emoluments	5.547	7.658	10.082	8.282
Auditors' remuneration	4.000	3.500	5.696	5.480
Depreciation (Note 8)	715.664	722.568	1,742.887	1,543.531
Advertising Expenses	18.800	28.002	18.800	28.002
Legal charge & Other Professional fee	188.193	79.427	188.193	79.427
Disallowed VAT	1,127.177	2,308.966	1,127.177	2,308.966
Special Fee to General Treasury	1,000.000	1,000.000	1,000.000	1,000.000

5. Finance Income

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Interest Income on Treasury Bills, Fixed Deposits and Call Deposits	2,574.185	3,240.940	2,883.468	3,563.970
Interest Income on Credit invoice & Overdue trade debts	13.117	12.339	13.117	12.339
Interest Income on CEB/IPP/Aviation debtors	6,285.950	7,674.846	6,285.950	7,674.845
Interest Income on Treasury Bonds	2,313.080	2,596.986	2,313.080	2,596.985
Interest Income on R.F.C. A/C & Others	1.558	0.856	1.558	0.856
	11,187.890	**13,525.966**	**11,497.173**	**13,848.996**

6. Finance Expenses

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Interest on Long Term Loans	7.976	18.610	7.976	18.610
Interest on Foreign Currency Bank Loans	20,874.180	14,671.758	20,874.180	14,671.758
Other Finance Cost	29.171	8.172	29.171	8.172
	20,911.327	**14,698.539**	**20,911.327**	**14,698.539**

7. Tax Expense

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Current tax:				
Current income tax	-	-	734.615	1,045.291
Under/(over) provision of previous years	-	-	(36.441)	(9.076)
WHT on Dividend	-	21.000	-	21.000
Deferred tax:				
Origination and reversal of temporary differences - Income statement	-	-	(489.365)	126.313
Income tax expense - income statement	**-**	**21.000**	**208.809**	**1,183.529**
Income tax expense - Other Comprehensive Income	**(415.689)**	**6.011**	**(451.926)**	**(32.013)**
Total income tax expense	**(415.689)**	**27.011**	**(243.118)**	**1,151.515**

A reconciliation between current tax charge and profit before tax is given below:

Accounting profit/(loss) before tax	**2,370.955**	**(11,835.600)**	**4,477.882**	**(9,057.194)**
Add: Disallowable expenses	36,221.384	29,989.461	37,822.391	31,641.212
Less: Allowable expenses & exempt income	(1,285.978)	(1,350.122)	(1,907.602)	(2,047.094)
Adjusted trade profit	**37,306.361**	**16,803.739**	**40,392.671**	**20,536.924**
Less: Utilisation of tax losses	(37,306.368)	(16,803.739)	(37,306.368)	(16,803.739)
Add: Tax losses for the year		-	-	
Taxable income	**-**	**-**	**3,086.303**	**3,733.185**
Income tax charged at				
2020-24%(2019-28%)	-	-	734.615	1,045.291
Under/(over) provision of previous years	-	-	(36.441)	(9.076)
WHT on Dividend	-	21.000	-	21.000
Deferred tax charge to income statement	-	-	(489.365)	126.313
Origination and reversal of temporary differences - OCI	(415.689)	6.011	(451.926)	(32.013)
Income tax expense	**(415.689)**	**27.011**	**(243.118)**	**1,151.515**

Assessments have been issued to the Taxable years of 2013/14, 2014/2015, and 2015/16 to the value of Rs. 100 Mn, Rs.723 Mn. and Rs. 55 Mn. respectively and CPC has made valid appeals for those Assessments. Income tax liabilities on the assessments for the year of assessment 1997/98 and 2002/03 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 01/01/2020	16,233.852	1.016	12,322.913	2,430.976	1,327.198	2,371.225	3,346.799	38,033.979
Additions	99.358	-	88.621	101.731	18.500	43.515	1,745.389	2,097.116
Transfers	(52.229)	-	22.893	-	25.217	4.119	-	-
Re-valuation	341.661	-	17,030.882	303.133	-	0.230	-	17,675.906
Disposals	-	-	(42.679)	-	-	(0.066)	-	(42.745)
Bal as at 31/12/2020	**16,622.643**	**1.016**	**29,422.630**	**2,835.841**	**1,370.915**	**2,419.024**	**5,092.189**	**57,764.257**
8.2 Depreciation								
Bal as at 01/01/2020	1,034.653	0.397	6,427.104	1,371.035	968.716	1,795.661	-	11,597.567
Charge for the Year	141.705	-	2,249.668	93.895	105.904	76.726	-	2,667.897
Transfers	(34.945)	-	6.796	-	25.217	2.932		-
Disposals	-	-	(42.679)	-	-	(0.066)	-	(42.745)
Bal as at 31/12/2020	1,141.413	0.397	8,640.890	1,464.930	1,099.837	1,875.253	-	14,222.720
NBV as at 31.12.2020	**15,481.230**	**0.619**	**20,781.740**	**1,370.911**	**271.078**	**543.771**	**5,092.189**	**43,541.537**
Cost as at 31.12.2019	16,233.852	1.016	12,322.913	2,430.976	1,327.198	2,371.225	3,346.799	38,033.979
Acc.Dep as at 31.12.2019	1,034.653	0.397	6,427.104	1,371.035	968.716	1,795.661	-	11,597.567
NBV as at 31.12.2019	**15,199.199**	**0.619**	**5,895.808**	**1,059.941**	**358.482**	**575.564**	**3,346.799**	**26,436.412**

CPC revalued its property, plant & equipment of Sapugaskanda Refinery and Sapugaskanda Distribution Terminal and revalued amounts have been incorporated to the Financial Statements. The fair value of property, plant & equipment was determined by R. K. Patel & Co., India (Government registered valuer in India).

Details of the revalued property, plant & equipment are indicated below.

Assets	Valuation Approach	Effective date of Revaluation	Significant unobservable input	Sensitivity of fair value to unobservable input	Level of fair value Hierarchy
Buildings	Cost Approach	01.01.2020	Plinth Area basis in Sq Mtr and varies from Rs 4000 per Sq Mtr to Rs 15000 per Sq Mtr.	Positively correlate	Level 3
Storage Tanks	Cost Approach	01.01.2020	Volume of Tank (Metal Body) measured from Dimensions and then Weight measured from Density. Revalue considered based on Metal Weight in Kgs varies from Rs 500 per kg to Rs 1000 per Kg	Positively correlate	Level 3
Pipeline	Cost Approach	01.01.2020	Pipeline Revaluation calculated based on BOM of Equipments, Length of Piping & Diameter of Pipes, Different Valves and Flanges aries from Rs 5000 per Running Meter to Rs 20000 per Running meter.	Positively correlate	Level 3
SPBM Buoy	Cost Approach	01.01.2020	SPBM Buoy Revaluation calculated based on BOM of Equipments, Length & Diameter of Piping, Floating Hose & Different Valves and Flanges & Connections varies Rs 3500 per Running Meter to Rs 25000 per Running meter.	Positively correlate	Level 3
Gantries & Pumps	Cost Approach	01.01.2020	a) Gantries Revalued based on Structure Weight & Number of Bay (b) Pumps Revalued after considering Weight of Copper in Motors & MS in Pumps (ie Per Kg Basis) varies from Rs 500 to 2000 per Kg	Positively correlate	Level 3
Plant & Machinery	Cost Approach	01.01.2020	Revaluation done item wise	Positively correlate	Level 3
Electrical	Cost Approach	01.01.2020	Revaluation done item wise	Positively correlate	Level 3

The carrying amount of the revalued assets included in the financial statements as at 01.01.2020 is as follows.

Assets category	Cost as at 31.12.2019 Rs. Mn.	Cumulative depreciation as at 31.12.2019 Rs. Mn.	Net carrying mount as at 31.12.2019 Rs. Mn.	Depreciation if assets carried at cost Rs. Mn.	Net carrying amount as at 31.12.2020 if assets carried at cost Rs. Mn.
Building	316.566	123.039	193.527	12.320	181.207
Storage Tanks	3,006.709	1,756.138	1,250.571	104.557	1,146.014
Pipelines	865.052	846.424	18.628	0.684	17.944
SPBM Buoy	508.359	300.206	208.153	47.833	160.320
Gantries & Pumps	24.299	11.228	13.071	0.243	12.828
Plant & Machinery	3,376.904	2,371.409	1,005.495	172.311	833.184
Electrical	36.430	27.681	8.749	0.211	8.538

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2020 is Rs.2,526.381 Mn.(2019-Rs 5,098.894 Mn).

During the year CPC acquired PPE amounting to Rs.2,097.116 Mn (2019-Rs.3,990.952) and of this CPC paid in Rs 805.159Mn (2019 Rs.1,574.592 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 01/01/2020	22,774.515	1.016	22,254.449	5,231.386	3,197.557	11,421.603	3,534.873	68,415.399
Additions/Transfers	157.172	-	219.404	283.949	18.500	135.223	2,340.712	3,154.960
Transfers	(52.229)	-	22.893	-	25.217	4.119	-	-
Re-valuation	341.661	-	17,030.882	303.133	-	0.230	-	17,675.906
Disposals	(0.751)	-	(42.679)	-	-	(1.552)	-	(44.982)
Bal as at 31/12/2020	**23,220.368**	**1.016**	**39,484.949**	**5,818.468**	**3,241.274**	**11,559.622**	**5,875.585**	**89,201.284**
8.2 Depreciation								
Bal as at 01/01/2020	1,715.040	0.397	11,745.837	3,847.600	2,389.206	6,266.148	-	25,964.228
Charge for the Year	192.100	-	2,742.510	302.320	271.047	187.143	-	3,695.120
Transfers	(34.945)	-	5.609	-	25.217	4.119	-	-
Disposals	(0.366)	-	(42.679)	-	-	(1.504)	-	(44.549)
Bal as at 31/12/2020	1,871.829	0.397	14,451.278	4,149.920	2,685.470	6,455.906	-	29,614.799
NBV as at 31.12.2020	**21,348.539**	**0.619**	**25,033.671**	**1,668.548**	**555.804**	**5,103.717**	**5,875.585**	**59,586.486**
Cost as at 31.12.2019	22,774.515	1.016	22,254.449	5,231.386	3,197.557	11,421.603	3,534.873	68,415.399
Acc.Dep as at 31.12.2019	1,715.040	0.397	11,745.837	3,847.600	2,389.206	6,266.148	-	25,964.228
NBV as at 31.12.2019	**21,059.474**	**0.619**	**10,508.612**	**1,383.785**	**808.351**	**5,155.455**	**3,534.873**	**42,451.172**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2020 is Rs10,254.024 Mn.

During the year Group acquired PPE amounting to Rs.3,154.96 Mn (2019-Rs. 4,971.798) and of this Group paid in Rs 1,863.004 Mn (2019 Rs.2,555.438 Mn.)

8.3 Investment Property

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Cost				
Bal at the beginning of the year	75.118	57.891	75.118	57.891
Add: Additions / Transfers	1.400	17.236	1.400	17.227
Bal as at the end of the year	76.518	75.118	76.518	75.118
Depreciation				
Bal at the beginning of the year	20.939	19.210	20.939	19.210
Add: Charge for the year	1.876	1.729	1.876	1.729
Bal as at the end of the year	22.815	20.939	22.815	20.939
Net Book Value	**53.703**	**54.179**	**53.703**	**54.179**

Investment property consists of properties located at Thurstan Road, Flower Road & Filling Stations given on rent.

Description	Fair Value Rs. Mn.
No.80, Flower Road, Colombo 07	40.000
No.22/1, Thurstan Road, Colombo 03	
Filling Stations	36.518

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

	Group			
	ERP System Rs. Mn	SAP License Rs. Mn	Automation System Rs. Mn	Total Rs. Mn
Cost /Carrying value				
At the beginning of the year	542.039	9.380	37.794	589.212
Additions/Transfers		-	-	-
At the end of the year	**542.039**	**9.380**	**37.794**	**589.212**
Amortisation				
At the beginning of the year	440.605	9.380	37.794	487.779
Charge for the Year	25.908	-		25.908
At the end of the year	466.514	9.380	37.794	513.687
Carrying value				
As at 31.12.2020	**75.525**	**-**	**-**	**75.525**
As at 31.12.2019	**101.433**	**-**	**-**	**101.433**

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 2020 was Rs.208.042 Mn. (2019-Rs.152.558 Mn). The rate was to determine the capitalization of Borrowing cost was 4.62% p.a.

8.6 Lease Assets

CPC has obtained lands from the Government Institutions such as Sri Lanka Railway Department, Mahaweli Authority, Manucipal 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 rental for the year 2020 is Rs. 24.16 Mn. (2019 - Rs. 43.12 Mn.) and paid Rs. 80.88 Mn. during the year including the rental and arrears.

9. Investment in Subsidiary

	CPC				Group	
	2020 Holding %	**2019 Holding %**	**2020 Rs. Mn**	**2019 Rs. Mn**	**2020 Rs. Mn**	**2019 Rs. Mn**
Ceylon Petroleum Storage Terminals Ltd.	66.67%	66.67%	5,000.000	5,000.000	-	-
			5,000.000	**5,000.000**	**-**	**-**

9.1. The summarized financial information of the Subsidiary company

Statement of Financial Position	**2020 Rs. Mn**	**2019 Rs. Mn**
Non - Current Assets	17,754.705	17,756.356
Current Assets	15,781.264	14,448.998
Total Assets	**33,535.969**	**32,205.354**
Capital and Reserves	27,923.531	26,208.810
Non - Current Liabilities	3,612.193	3,792.013
Current Liabilities	2,000.245	2,204.531
Total Equity and Liability	**33,535.969**	**32,205.354**
Statement of Comprehensive Income	**2020 Rs. Mn**	**2019 Rs. Mn**
Revenue	13,567.876	15,339.876
Expenses	(12,097.029)	(13,587.398)
Other Income	882.601	1,175.379
Profit before Tax	2,353.448	2,927.856
Income Tax Expenses	(208.808)	(1,162.529)
Profit for the year	2,144.640	1,765.327
Other comprehensive income	(114.752)	(97.778)
Total Comprehensive Income for the year	2,029.888	1,667.549
Dividend Paid to the non-controlling interest	120.000	75.000

10. Non-current Financial Assets

	Note	CPC		Group	
		2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Quoted equity investments	10.1	12.500	12.500	12.500	12.500
Unquoted equity investments	10.2	0.540	0.540	0.540	0.540
Non equity investments	10.3	226.942	320.181	226.942	320.181
		239.981	**333.221**	**239.981**	**333.221**

10.1. Quoted equity investments

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 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**

10.2. Unquoted equity investments

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 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.

10.3.Non -equity investments

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Investment in Treasury Bonds	226.942	320.181	226.942	320.181
	226.942	**320.181**	**226.942**	**320.181**

11. Trade & Other Receivables

	CPC			
	2020		2019	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	140,767.094	287.599	152,890.749	281.790
Receivables- Inland Revenue & Custom Dept.	1,756.156	-	1,949.609	-
Other Receivables	6,509.924	3,250.607	6,091.252	4,250.607
Deposits & Prepayments	367.422	51.534	335.879	442.664
Advance	1,602.923	-	2,842.316	-
Loans & Advances to Employees	50.086	3,929.777	42.740	3,920.303
Total	**151,053.605**	**7,519.518**	**164,152.545**	**8,895.364**

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

	CPC	
	2020 Rs. Mn	2019 Rs. Mn
Less than 30 days	15,267.481	14,650.479
30 - 90 days	8,262.726	13,733.710
91 - 180 days	11,543.035	29,396.827
181 - 365 days	26,401.446	54,438.542
More than 365 days	79,629.784	41,002.387
Total	**141,104.471**	**153,221.945**
Provision for impairment	(49.778)	(49.405)
	141,054.693	**153,172.539**

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

	CPC	
	2020 Rs. Mn	2019 Rs. Mn
Balance as at 1st January	49.405	475.476
Less: Amount Recovered	(0.998)	(0.648)
Less: Amount write off	(9.123)	(425.424)
Add: Provision for the year	10.494	-
Balance as at 31st December	**49.778**	**49.405**

	Group			
	2020		2019 Restated*	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	143,519.127	287.599	155,739.044	281.790
Receivables- Inland Revenue & Custom Dept.	1,756.156	-	2,017.958	-
Other Receivables	6,849.372	3,250.607	6,351.541	4,250.607
Deposits & Prepayments	1,445.086	51.534	1,561.027	442.664
Advance	1,602.923	-	2,842.316	-
Loans & Advances to Employees	1,549.324	5,564.010	1,568.541	5,560.467
	156,721.988	**9,153.748**	**170,080.427**	**10,535.528**

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

	CPC		Group	
	2020 Rs. Mn	2019 Restated Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Sri Lankan Rupees	87,959.967	104,772.259	90,712.000	107,620.554
United States Dollars	53,094.726	48,400.280	53,094.726	48,400.280
	141,054.693	**153,172.539**	**143,806.726**	**156,020.834**

12 Financial Instruments

Financial Assets by category	CPC		Group	
	2020 Rs. Mn	2019 Restated Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Financial assets at amortized cost				
Trade and other receivables	156,816.966	171,098.301	163,041.917	178,597.997
Investments in treasury bonds	314.532	25,408.904	314.532	25,408.904
Placements with banks	5.000	5.000	5.000	5.000
Cash in hand and at bank	64,563.572	32,559.409	68,005.593	36,559.120
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	**221,713.109**	**229,084.653**	**231,380.081**	**240,584.061**

Financial Liabilities by category	CPC		Group	
	2020 Rs. Mn	2019 Restated Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Financial Liabilities at amortized cost				
Borrowings	395,816.472	313,939.437	395,816.472	313,939.437
Trade and other payables	185,358.742	286,117.829	181,393.949	283,358.424
Total	**581,175.214**	**600,057.266**	**577,210.422**	**597,297.861**

12.1. 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 2020 Rs. Mn	Carrying Amount 2019 Rs. Mn	Fair value 2020 Rs. Mn	Fair value 2019 Rs. Mn
Financial assets					
Non Current Financial assets					
Quoted equity investments	12.1.1	12.500	12.500	12.500	12.500
Unquoted equity investments	12.1.2	0.540	0.540	0.540	0.540
Investement in Tresury Bonds	12.1.1	226.942	320.181	226.942	320.181
Trade & Other receivables	12.1.4	156,866.918	171,148.079	156,816.966	171,098.301
Short term investments					
Bank deposits	12.1.3	5.000	5.000	5.000	5.000
Government bonds	12.1.1	87.590	25,088.723	87.590	25,088.723
Cash and cash equivalents	12.1.4	64,563.572	32,559.409	64,563.572	32,559.409
Total		**221,763.062**	**229,134.432**	**221,713.110**	**229,084.653**
Financial liabilities					
Loans & borrowings	12.1.3	5,066.324	3,928.702	5,066.324	3,928.702
Trade & other payables	12.1.4	185,358.742	286,117.829	185,358.742	286,117.829
Short term borrowings	12.1.4	390,750.148	310,010.734	390,750.148	310,010.734
Total		**581,175.214**	**600,057.266**	**581,175.214**	**600,057.266**

12.2.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.

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

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

12.2.3 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 2020, the carrying amounts of deposits, loans & borrowings are not materially different from their fair values.

12.2.4 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.

12.3 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 - 2020			
	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

13. Inventories

	CPC		Group	
	2020 Rs. Mn	**2019 Rs. Mn**	**2020 Rs. Mn**	**2019 Rs. Mn**
Crude Oil	11,346.036	18,033.942	11,346.036	18,033.942
Other Raw material	580.440	815.066	580.440	815.066
Finished Products	37,374.897	43,684.312	37,405.335	43,692.014
Intermediate Product	436.767	746.347	436.767	746.347
Other Materials & Supplies	3,130.932	2,838.782	3,815.683	3,523.111
Less: Provision for Slow Moving Items	(361.232)	(361.232)	(377.352)	(377.653)
	52,507.840	**65,757.216**	**53,206.909**	**66,432.827**

14. Short Term Investments

	CPC		Group	
	2020 Rs. Mn	**2019 Rs. Mn**	**2020 Rs. Mn**	**2019 Rs. Mn**
Bank Deposits	5.000	5.000	5.000	5.000
Investment in Treasury Bonds	87.590	25,088.723	87.590	25,088.723
	92.590	**25,093.723**	**92.590**	**25,093.723**

15. Cash & Cash Equivalents

	CPC		Group	
	2020 Rs. Mn	2019 Restated Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Components of Cash and Cash Equivalents				
Cash at Bank and in hand	**64,563.572**	**32,559.409**	**68,005.593**	**36,559.120**

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	CPC		Group	
	2020 Rs. Mn	2019 Restated Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Cash and cash equivalents	64,563.572	32,559.409	68,005.593	36,559.120
Bank overdrafts (note 22)	(787.658)	(1,941.762)	(787.658)	(1,941.762)
	63,775.914	**30,617.646**	**67,217.935**	**34,617.358**
Add/Less: Adjustment for foreign currency translation	(4,683.729)	(3,116.380)	(4,683.729)	(3,116.380)
	59,092.185	**27,501.266**	**62,534.206**	**31,500.978**

16. Contributed Capital

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Balance as at 31st December	**28,487.125**	**28,487.125**	**28,487.125**	**28,487.125**

No authorized capital has been fixed by the Parliament.

17. Reserves

17.1. Capital Reserve

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 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	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Balance as at 1st January	10,392.218	10,370.748	10,392.218	10,370.748
Surplus from revaluation (Note 8)	17,675.906	21.470	17,675.906	21.470
Balance as at 31st December	28,068.124	10,392.218	28,068.124	10,392.218

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	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Balance as at 01st January	1,676.122	1,670.933	3,382.221	3,122.904
Less: Payable for those who left during the period	(6.615)	(5.102)	(6.615)	(5.102)
Payments made during the year	(137.855)	(170.527)	(269.182)	(317.349)
	1,531.653	1,495.304	3,106.423	2,800.453
Add: Current service cost	93.558	94.214	272.187	266.418
Interest cost	166.772	170.643	278.028	263.585
Actuarial (gain)/loss	(99.573)	(84.038)	51.416	51.765
	1,692.410	1,676.122	3,708.054	3,382.221
Add: Benefit China Bay /LLL/NYLON/CPSTL Employees	10.025	10.025	10.025	10.025
Balance as at 31st December	**1,702.435**	**1,686.148**	**3,718.078**	**3,392.246**
Expenses on retirement benefit obligation				
Income Statement				
Current service cost	93.558	94.214	272.187	266.418
Interest cost	166.772	170.643	278.028	263.585
	260.331	**264.857**	**550.214**	**530.003**
Other Comprehensive income				
Actuarial (gain)/loss	(99.573)	(84.038)	51.416	51.764
	(99.573)	**(84.038)**	**51.416**	**51.764**

Actuarial valuation of retirement benefit obligation as at 31 December 2020 was carried out by messes Dayananda Samarawickrema & Co., a firm of Chartered Accountants and professional actuaries using the 'Projected Unit Credit method' as recommended by LKAS 19 - Employee Benefits.

The principal actuarial assumptions used were as follows :

	2020	2019
Expected Salary increment	30% once in 3 years	30% once in 3 years
Expected Staff turnover	3.90%	4.69%
Interest /Discount Rate	9.90%	10.2%
Retirement age	60 years	60 years
No. of employees	2,334	2,366
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 2020. 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
		2020 Rs. Mn	2020 Rs. Mn
Discount Rate @9.9%	Increased by 1% point	121.483	(121.483)
	Decreased by 1% point	(111.405)	111.405
Salary Increment	Increased by 1% point	(109.621)	109.621
	Decreased by 1% point	121.654	(121.654)

19. Deferred Tax - CPC

CPC has carried forward tax losses amounting to Rs.255,193 Mn(2019 Rs.286,537 Mn) which are available to set-off against the future tax profits. Deferred tax assets not accounted on these lossess amounts to Rs. 61,246 Mn (2019 Rs. 80,230 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

	2020 Rs. Mn	2019 Restated Rs. Mn
Balance at the beginning of the period	2,909.821	2,903.810
Origination and reversal of temporary difference - Income Statement	-	-
- Other Comprehensive income	(415.689)	6.011
Balance at the end of period	**2,494.132**	**2,909.821**
Deferred tax Assets	-	-
Deferred tax liability	2,494.132	2,909.821
Net deferred tax liability	**2,494.132**	**2,909.821**

19.2 Recognized deferred tax assets and liabilities

	2020 Rs. Mn		2019 Rs. Mn	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Land	(415.689)	2,494.132	6.011	2,909.821
	(415.689)	**2,494.132**	**6.011**	**2,909.821**

Deferred tax has been calculated using an effective tax rate @ 24%. The rate has been decreased from 28% to 24% due to single tax rates applied different levels of taxable income, resulting to Rs. 415.689 Mn decrease in the deferred tax liability as at 31 December 2020.

19.1. Deferred Tax - Group

	2020 Rs. Mn	2019 Restated Rs. Mn
Balance at the beginning of the period	4,995.736	4,901.436
Origination and reversal of temporary difference - Income Statement	(453.128)	126.313
- Other Comprehensive income	(451.927)	(32.013)
Balance at the end of period	**4,090.682**	**4,995.736**
Deferred tax Assets	(489.494)	(484.428)
Deferred tax liability	4,580.175	5,480.164
Net deferred tax liability	**4,090.682**	**4,995.736**

19.2 Recognized deferred tax assets and liabilities

	2020 Rs. Mn		2019 Rs. Mn	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Property, Plant & Equipment & Intangible assets	(484.298)	2,086.043	212.463	2,570.343
Land	(415.689)	2,494.132	6.011	2,909.821
Deferred tax assets				
Inventories	0.729	(3.869)	(0.768)	(4.598)
Provisions	0.251	(1.871)	(0.271)	(2.123)
Employee benefit plan	30.190	(483.755)	(85.111)	(477.708)
Tax loss	-	-	-	-
	(868.817)	**4,090.682**	**132.324**	**4,995.736**

Deferred tax has been calculated using an effective tax rate @ 24%. The rate has been decreased from 28% to 24% due to single tax rates applied different levels of taxable income, resulting to Rs. 905.073 Mn decrease in the deferred tax liability as at 31 December 2020

20. Loans & Borrowings

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Treasury (A.D.B) Loan	-	37.980	-	37.980
Peoples Bank-BIA Project	1,402.518	1,410.994	1,402.518	1,410.994
Self Financing Facility(CNCEC-14) -BIA Project	3,374.409	2,479.728	3,374.409	2,479.728
	4,776.927	**3,928.702**	**4,776.927**	**3,928.702**
20.1 Current Portion of Loans & Borrowings				
Treasury (A.D.B) Loan	37.980	75.959	37.980	75.959
Peoples Bank-BIA Project	73.817	0.000	73.817	0.000
Self Financing Facility(CNCEC-14) -BIA Project	177.600	0.000	177.600	0.000
	289.397	**75.959**	**289.397**	**75.959**

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.

20.2.Loans Repayable within five years from 31st December is as follows:

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
Amount due within 2 years	792.231	75.959	792.231	75.959
Amount due within 3-5 years	1,508.503	995.203	1,508.503	995.204
Amount due after 5 years	2,765.590	2,933.499	2,765.590	2,933.499
	5,066.324	**4,004.662**	**5,066.324**	**4,004.662**

The carrying values of borrowings are considered to be the fair value.

(a). Treasury (A.D.B) Loan - (Interest 14.0% p.a.) repayable in forty biannual installments of Rs.37.977 Mn. each commencing July ' 01.
(b). People's bank USD 7,725 Mn. Loan - (Interest 6 months LIBOR+5%p.a.) repayable in biannual installments commencing from Dec 30, 2021.
(c). Self Financial Facility USD 43.775 Mn. Loan - (Interest 6 months LIBOR+3.55%p.a.) repayable in biannual installments commencing from July 19, 2021.

21. Trade & Other Payables

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Foreign Bills Payable	175,564.683	278,740.318	175,564.683	278,740.318
Other Creditors			-	-
- Amount due to Inland Revenue & Custom Dept.	14,761.711	19,752.104	14,816.097	20,870.478
- Accrued Expenses	8,101.276	5,094.256	2,493.504	1,317.674
- Other payables	1,692.783	2,283.255	3,281.377	3,300.431
	200,120.453	**305,869.933**	**196,155.660**	**304,228.902**

Trade payables include the payable amounting to USD 250.812 million (Rs. 47,933 million as at 31.12.2020) to National Iranian Corporation, Iran on the purchase of two shipments of Crude Oil in the year 2012. This balance has not been settled due to the sanctions imposed to Iran. The Corporation has recognized exchange variation loss of Rs. 2,122 million for the year 2020 and Rs. 15,193 million for the period from 2012 to 2020.

Amount due to Inland Revenue & Custom Dept. includes the excise duty, NBT and income tax payable. Refundable VAT is included under other receivables.

22. Short Term Borrowings

	CPC		Group	
	2020 Rs. Mn	2019 Restated Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Bank & Other loans				
- Wholly Repayable within one year	389,962.490	307,993.013	389,962.490	307,993.013
- Bank Overdrafts	787.658	1,941.762	787.658	1,941.762
	390,750.148	**309,934.775**	**390,750.148**	**309,934.775**

Bank Borrowings (except Overdraft) are guaranteed by a Treasury indemnity of US$ 1,800 Mn issued to Bank of Ceylon & Peoples Bank on behalf of CPC.

Short term loans are obtained to finance import bills payable to the suppliers.

The interest rate applicable was 5.5% p.a.

23. Employees

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
22.1 Staff Cost				
Salaries & Wages	4,944.554	5,101.997	10,715.059	10,856.362
Defined Contribution Plan	514.347	498.580	1,015.774	1,016.147
Defined benefit obligation (Note 18)	260.331	264.857	550.214	530.003
	5,719.232	**5,865.435**	**12,281.048**	**12,402.513**

24. Cash Flows From Operating Activities

	CPC		Group	
	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Restated Rs. Mn
Profit/(Loss) before tax	**2,370.955**	**(11,835.600)**	**4,477.882**	**(9,057.194)**
Adjustment for :				
Depreciation	2,669.773	983.593	3,696.996	1,986.765
Amortisation	390.810	390.810	416.718	25.908
Unrealize exchange balance & Foreign Currency Translation	6,967.224	4,409.203	6,967.224	4,409.203
Dividend Income	(0.122)	(150.001)	(0.122)	(0.001)
Interest Income	(11,187.890)	(13,525.966)	(11,497.174)	(13,848.997)
Allowance for impairment	-	-	(0.087)	11.978
Interest Expenses	20,911.327	14,698.539	20,911.327	14,698.539
Provision for Retirement Obligation	260.331	264.857	550.214	530.003
Provision for Bad and doubtful debts	15.969		15.969	
(Profit)/Loss on Sale of Property, Plant & Equipment	(1.707)	(2.617)	(1.274)	(32.062)
Amotization of special levy	1,000.000	1,000.000	1,000.000	1,000.000
Operating Profit/(Loss) before Working Capital changes	**23,396.669**	**(3,767.181)**	**26,537.674**	**(275.857)**
Changes in Working Capital				
(Increase)/ Decrease in Inventories	13,249.376	(4,837.009)	13,226.218	(4,867.758)
(Increase)/ Decrease in Trade and Other Receivables	16,103.509	(60,595.505)	14,249.250	(61,276.798)
Increase/ (Decrease) In Trade and Other Payables	(106,728.977)	(5,837.655)	(106,314.088)	(6,587.899)
Cash Generated from/ (Used in) operating activities	**(53,979.424)**	**(75,037.350)**	**(52,300.947)**	**(73,008.312)**

25. 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	369,201.749	80,740.629	19,486.571	8,813.522	222.173	31,888.534	-	**510,353.178**
Inter Segment					13,345.703		(13,345.703)	-
Total Revenue	**369,201.749**	**80,740.629**	**19,486.571**	**8,813.522**	**13,567.876**	**31,888.534**	**(13,345.703)**	**510,353.178**
Results								
Operating Profit	21,011.599	13,784.682	277.030	2,813.460	2,044.166	(3,951.620)	(246.522)	**35,732.795**
Exchange Rate Variation	(17,372.660)	(3,380.709)	-	(294.360)	-	(793.030)	-	**(21,840.759)**
Net Finance Cost	(7,172.301)	(1,395.726)	(385.907)	(121.526)	-	(338.694)		**(9,414.154)**
Profit /(Loss) before tax	**(3,533.362)**	**9,008.247**	**(108.877)**	**2,397.574**	**2,044.166**	**5,083.345)**	**(246.522)**	**4,477.882**
Income tax Expense					(208.809)		-	**(208.809)**
Profit/(Loss) for the year	(3,533.362)	9,008.247	(108.877)	2,397.574	1,835.358	(5,083.345)	(246.522)	**4,269.073**

26. Restatement of Financial Statements

1. Lands of the Corporation had been revalued in the year 2017, 2018 and 2019 and the Revaluation Reserve had recognized in the financial statements. As per the Provision of the Inland Revenue Act No 24 of 2017, gains from realization of Capital Assets are subjected to the tax. Accordingly , Deferred tax liability on the revaluation of Lands have been recognized for the prior period.
2. The impact of changes between the subsidiary last year's audited financial statements and the consolidated financial statements have been adjusted for the last year consolidated financial statement.
3. Bank balances have been re-classified under cash and cash equivalents and short-term borrowings.

The following tables summarize the impact on CPC and Group's financial statements.

26.1 Statement of Financial Position

1 January 2019	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
Total Assets	333,257.100	-	333,257.100	354,870.306	-	354,870.306
Deferred Tax	-	2,903.809	2,903.809	1,997.626	2,903.809	4,901.435
Others	614,719.456	-	614,719.456	614,569.557	-	614,569.557
Total Liabilities	**614,719.456**	**2,903.809**	**617,623.265**	**616,567.183**	**2,903.809**	**619,470.992**
Retained earnings	(325,274.915)	(2,903.809)	(328,178.724)	(313,764.857)	(2,903.809)	(316,668.667)
Capital & Other reserves	43,812.559	-	43,812.559	52,067.980	-	52,067.980
Total Equity	**(281,462.356)**	**(2,903.809)**	**(284,366.166)**	**(261,696.877)**	**(2,903.809)**	**(264,600.686)**

31 December 2019	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
Cash and Cash Equivalents	30,617.646	1,941.762	32,559.408	34,617.358	1,941.762	36,559.120
Trade and Other Receivables	173,047.909	-	173,047.909	180,606.173	9.782	180,615.955
Other Assets	122,674.75	-	122,674.752	134,466.56		134,466.555
Total Assets	**326,340.307**	**1,941.762**	**328,282.069**	**349,690.086**	**1,951.544**	**351,641.630**
Deferred Tax	-	2,909.820	2,909.820	2,083.176	2,912.559	4,995.736
Trade and Other Payables	305,869.933	-	305,869.933	304,283.873	(54.971)	304,228.902
Short Term Borrowings	307,993.013	1,941.762	309,934.775	307,993.013	1,941.762	309,934.775
Others	5,690.809	-	5,690.809	7,396.907	-	7,396.907
Total Liabilities	**619,553.755**	**4,851.583**	**624,405.338**	**621,756.969**	**4,799.351**	**626,556.320**
Retained earnings	(337,047.477)	(2,909.820)	(339,957.297)	(324,616.510)	(2,868.478)	(327,484.989)
Non Controlling Interest	-	-	-	8,715.598	20.672	8,736.270
Capital & Other reserves	43,834.029	-	43,834.029	43,834.029	-	43,834.029
Total Equity	**(293,213.448)**	**(2,909.820)**	**(296,123.268)**	**(272,066.883)**	**(2,847.807)**	**(274,914.690)**

26.2 Statement of Comprehensive Income

For the year ended 31 December 2019	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	630,859.713	-	630,859.713	631,015.609	-	631,015.609
Cost of Sales	(626,599.056)	-	(626,599.056)	(634,716.632)	-	(634,716.632)
Other Operating Income	529.415	-	529.415	1,148.850	76.348	1,225.198
administrative Expenses	(5,869.335)	-	(5,869.335)	(10,879.795)	9.782	(10,870.013)
Others	(10,756.338)	-	(10,756.338)	4,288.643	-	4,288.643
Profit/(loss) before tax	(11,835.600)	-	(11,835.600)	(9,143.324)	86.131	(9,057.194)
Income tax Expenses	(21.000)	-	(21.000)	(1,159.412)	(24.117)	(1,183.529)
Profit /(Loss) for the year	**(11,856.600)**	**-**	**(11,856.600)**	**(10,302.736)**	**62.014**	**(10,240.722)**
Other Comprehensive Income	105.508	(6.011)	99.496	7.730	(6.011)	1.719
Total comprehensive income	**(11,751.092)**	**(6.011)**	**(11,757.103)**	**(10,295.006)**	**56.003**	**(10,239.003)**

27. Contingent Liabilities, Commitments & Litigations

Contingent Liabilities

Inland Revenue Department (IRD) has issued assessments on the Nation Building Tax (NBT) for the periods from 2015 to 2017 amounting to Rs. 1,061.56Mn. Assessments on Value Added Tax have been issued by IRD for the periods from 2004 to 2018 is amounting to Rs. 1,249.083 Mn and Assessments on Turnover Tax and Pay As You Earn Tax for the period from 1996-2016 is amounting to 47.163 Mn. CPC has made appeals before the Commissioner Generals of Inland Revenue for these assessments. IRD has given determination on NBT for the third and fourth quarters of 2015 with tax liability amounting to Rs. 102.7 Mn. The Corporation has appealed to the Tax Appeals Commission against the determination given by IRD. Assessments issued under the Income Tax have been disclosed under the Note 07 – Tax Expense.

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 2020 relates to following;

Commitments to the Banks

The Corporation established Letter of Credits (L/C) amounting to Rs. 32,039 Mn. (2019- Rs. 55,335 Mn.) and Rs. 33,766 Mn. (2019- Rs. 94,844Mn) 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. 89Mn and established bills collection amounting to Rs. 86Mn. at two states banks.

Pending Litigations at the reporting date

There were 197 (2019-187) unsettled legal cases as at 31st December 2020 noted below.

Type of Legal Cases	No. of Cases	
	CPC	Group
Labour Tribunal Cases	08	13
Magistrate Court Cases	03	04
District Court Cases	20	28
High Court Cases	08	08
Court of Appeal Cases	05	06
Supreme Court Cases	27	46
Human Rights Commission	34	44
Department of Labor	39	48

Out of the above cases the following case is considered material to CPC;

Commercial Bank has filed a case in the Commercial High Court, Colombo against CPC claiming USD 8.5 million with interest and other cost for the Hedging transaction.

The aforementioned cases are still pending in the Courts and therefore, no related provisions are made.

28. Events After the Reporting Date

All the 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.

29. Impact of COVID -19

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 ") in March and April 2020, a series of measures have been taken by the Government of Sri Lanka to control the disease. COVID-19 impacted on our business with the revenue reduction, exchange rate variation and liquidity position. As the Government limited the airports operations, revenue from the aviation sector reduced significantly. CPC expects that the revenue will be increased to previous level with the normalization of the airport operations.

The Corporation differed the staff loan recovery installments and interest for the months of April & May 2020 and accordingly, the interest income for these periods have not been recognized.

Due to the uncertainty of the disease, CPC is not in a position to predict the future impact of the COVID-19 on our business with a high degree of confidence.

30. 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 2020 USD Mn	Year end Exchange rate Rs./USD	Change in Exchange rate	Effect on Profit Before tax Rs. Mn
Loans & borrowings	2,066.810	191.1113	1% Increase	(3,950)
Trade & other payables	922.063	191.1113	1% Increase	(1,762)
Trade & other receivables	321.021	185.5677	1% Increase	596
Bank balance	2.134	185.5677	1% Increase	**4**
Total				**(5,112)**

* The effect on the profit before tax is the result of a change in the fair value of related liability denominated in US Dollars, where the functional currency is Sri Lankan Rupee.

Financial statements of the Group which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk. The changes in foreign currency exchange rates affect the cost of materials, purchases and services obtained from various parties in foreign currencies. In particular, continuous depreciation of the LKR against the US$ and other foreign currencies has direct impact on the operating and financial result through its impact on cost of imported petroleum products and other purchases.

(ii) Interest rate risk

Interest rate risk of the Group arises mainly from the borrowings and investments in the form of government securities and fixed deposits. In the case of supplier credit, interest rate varies largely from prevailing market rates. Foreign currency loans obtained through two state commercial banks are at negotiated rates of interest. The Group analyses the interest exposure on a continuous basis and monitors London Inter Banking Offer Rate (LIBOR) and money market rates.

(b) Credit risk

Credit risk is the risk of financial loss to the Group, if a customer fails to meet its contractual obligations. Most of the Group's customers are not independently rated, therefore the quality of customers is considered by taking into account its financial position, past experience and other qualitative factors. The Corporation has established a credit policy under which each new customer is analyzed individually for credit worthiness before the credit limit is granted. Customers who fail to meet the corporations' credit policy may transact with the Corporation only on cash basis.

Period	2020 Rs. Mn	2019 Rs. Mn
Less than 30 days	15,267.481	14,650.479
30 - 90 days	8,262.726	13,733.710
91– 180 days	11,543.035	29,396.827
181 - 365 days	26,401.446	54,438.542
More than 365 days	79,629.784	41,002.387
Total	**141,104.471**	**153,221.945**

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

(c) Liquidity risk

Cash flow planning and forecasting is performed by the Finance division of the Corporation. Finance division continuously monitors funds available to meet its various financial liabilities and optimum utilization of excess short term financial resources for better yields.

Surplus cash held over and above balance required for working capital management is invested in interest yielding financial instruments such as repos, Treasury bond investments, call deposits. At the reporting date, the Corporation held cash and cash equivalents of Rs. 64,563 Mn , Investment in Treasury Bonds of Rs.88 Mn and other short term deposits of Rs. 5Mn 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 2020 (Rs. million)

	Less than 3 months	3 months to 12 months	1 – 2 years	3-5 Years	Over 5 years
Bank borrowings	240,800	149,950	-	-	-
Long term debt	38	251	503	1,509	2,766
Total	**240,838**	**150,202**	**503**	**1,509**	**2,766**

(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. Cost reflective price mechanism is not in place in deciding domestic retail sales prices of petroleum products in line with international oil price movements. 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 by giving financial information of Petroleum products to make suitable timely managerial decisions.

31. 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 except the following;

Mr. G S Withanage was the Chairman of CPC, CPSTL and SriLankan Airlines Limited and he is the Chairman of CPC from 22.01.2019 and resigned with effect from 18.11.2019. Accordingly, the disclosures relating to Sri Lankan Airlines have not been made for the year 2020.

Mr. Buddhika Madihahewa is the Managing Director of CPC, and he serves as a Director of CPSTL.

Compensation of Key Management Personnel

	CPC	
	2020 Rs. Mn	2019 Rs. Mn
Short term Benefits	5.547	7.658

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

	2020 Rs. Mn	2019 Rs. Mn
Sales & Services rendered to related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	429.283	449.516
Other related parties		
Sri Lankan Airline Ltd.	-	30,926.475
Ministry of Petroleum Resources Development	24.176	26.776
	453.459	31,402.767
Interest Income from related parties		
Other related parties		
Sri Lankan Airline Ltd.	-	1,930.494
	-	1,930.494
Services received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	12,922.794	14,741.030
	12,922.794	14,741.030
Dividend Received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	240.000	150.000
Amount due from related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	600.747	70.565
Other related parties		
Sri Lankan Airline Ltd.	-	47,905.673
Ministry of Petroleum Resources Development	14.075	10.158
	614.822	47,986.395
Amount due to related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	6,565.785	3,916.128

* 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.

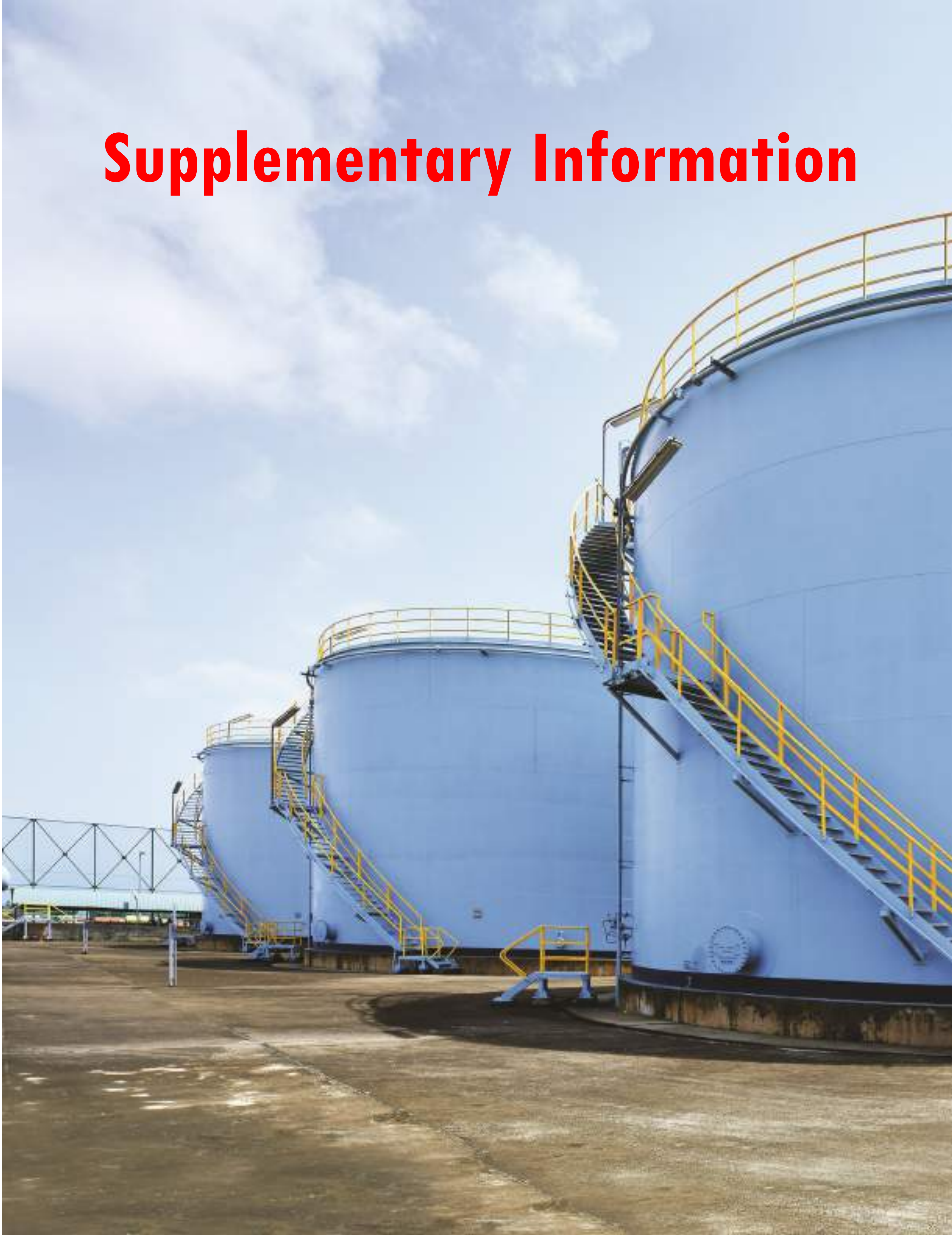
Since the Government of Sri Lanka directly controls the Corporation, CPC has considered the Government owned companies and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as Related Parties according to LKAS 24, 'Related Party Disclosures'.

32. Capital Management

Primary objective of capital management is to maintain an optimum capital structure and maintain going concern status while safeguarding key stakeholders' interests. However, as at 31st December 2020 CPC still had a negative net asset position of Rs. 275,561 Mn due to accumulated losses incurred in the past and current financial year. The external auditors have mentioned in their audit report that the Corporation's ability to continue as going concern without the financial assistance from the Government of Sri Lanka is doubtful.

The heavy losses incurred by the Corporation are largely due to the sale of petroleum products at highly subsidized rates as retail price is determined by the government. To cover up such losses, as per the sec. 17 of Finance Act No. 38 of 1971, the Corporation is entitled to receive subsidy by the government. If the subsidies are given to the Corporation, its negative net asset position could be overcome.

Supplementary Information



Decade at a Glance

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Domestic Prices	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Petrol - 92 Octane	125	159	162	150	117	117	117	125	137	137
Auto Diesel	76	115	121	111	95	95	95	101	104	104
Super Diesel	98.3	142	145	133	110	110	110	121	132	132
Kerosene	61	106	106	81	49	44	44	70	70	70
Furnace Oil 800"	52.2	92.2	92.2	92.2	80	80	80	92	96	96
Furnace Oil 1500"	50	65	90	90	80	80	80	96	96	96
Financial Performance	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Revenue	356,442	512,910	490,381	525,182	376,734	423,061	445,950	575,492	630,860	510,131
Cost of Sales	-420,227	-540,439	-464,374	-499,956	-337,119	-326,441	-418,962	-579,617	-626,599	-454,880
Gross Margin	-63,785	-27,529	26,007	25,226	39,615	96,620	26,988	-4,124	4,261	55,251
Net operating expenses and interest	-30,572	-62,041	-33,897	-24,532	-55,637	-27,067	-24,173	-102,016	-16,096	-52,880
Profit/(Loss) before tax	-94,357	-97,182	-7,890	694	-19,886	69,553	2,815	-106,140	-11,836	2,371
Financial Position	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Capital	3,500	3,500	3,500	3,500	28,487	28,487	28,487	28,487	28,487	28,487
Reserves	-134,736	-232,045	-239,967	-236,791	-257,472	-214,334	-205,479	-309,949	-324,610	-304,048
L/T Liabilities	27,646	1,998	1,351	703	342	266	190	1,539	6,838	7,271
Gratuity Provision	626	547	538	664	861	754	1,708	1,681	1,686	1,702
Total	**-102,964**	**-226,000**	**-234,578**	**-231,924**	**-227,782**	**-184,827**	**-175,094**	**-278,242**	**-287,599**	**-266,588**
Profitability Ratios										
Gross Profit Ratio	-17.90%	-5.40%	5.30%	4.80%	10.50%	22.80%	6.05%	-0.72%	0.68%	10.83%
Net Profit Ratio	-26.50%	-18.90%	-1.60%	0.00%	-5.30%	16.40%	0.24%	-18.45%	-1.88%	0.46%
Operating Ratios										
Inventory T/O Ratio	10.7	10.89	7.3	7.77	6.44	8.53	9.48	9.51	9.53	8.66
Interest Cover	-9.48	-3.88	0.57	1.05	-0.32	7.1	1.32	-2.1	-1.3	1.62
Liquidity Ratios										
Current assets Ratio	0.58	0.43	0.39	0.34	0.31	0.34	0.38	0.44	0.47	0.45
Quick Ratio	0.45	0.28	0.24	0.19	0.21	0.24	0.27	0.34	0.36	0.36

Corporate Information

Name of the entity:	Ceylon Petroleum Corporation
Legal form:	A public corporation incorporated under Ceylon Petroleum Corporation Act No. 28 of 1961
Registered office:	609, Dr. Danister De Silva Mawatha, Colombo 09.
Telephone:	+94 11 5455455
Fax :	+94 11 5455400
E-mail:	secratariat@ceypetco.gov.lk
Website:	www.ceypetco.gov.lk
Financial year:	01 January to 31 December
Board of Directors:	Mr. W.W.D. Sumith Wijesinghe (Chairman) Mr. Buddhika Ruwan Madihahewa (Managing Director) Mrs. R.M.D.K Rathnayake Mr. Tharindu H Eknendagedara Mr. Chaminda Hettiarachchi Mr. Buddhika Iddamalgoda Mr. Thilanga Nadeera Polwattage
Subsidiary company:	Ceylon Petroleum Storage Terminals Limited, Oil Installation, Kollonnawa
Auditors:	The Auditor General
Bankers:	People's Bank, Bank of Ceylon, Commercial Bank, Hatton National Bank, Nations Trust Bank, National Development Bank

CEYLON PETROLEUM CORPORATION

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