CATALYST

FOR THE GROWTH

CEYLON PETROLEUM CORPORATION

ANNUAL REPORT 2019

CATALYST FOR THE GROWTH

Energy in fact constitutes a veritable driving force where economic growth and a high quality of life are policy imperatives energy. Despite a global trend towards portfolio realignment with increased emphasis on renewable petroleum products, it has remained an important segment of the total energy matrix of the country, Ceylon Petroleum Corporation (CPC) plays a key role of the leader in the industry.

Without natural petroleum resources amenable to viable mining as of now in Sri Lanka, CPC committed to cater for the achievement of its goals and objectives to meets its corporate and statutory responsibilities to make sure the easy accessibility of the products to its intended users in the country. Despite the challenges and price movements in the international petroleum industry, CPC continues its uninterrupted supply of petroleum products to the public and industries to affirm energy security at all the times and a mandated requirements to ensure affordability since even a small hike in price can severely and negatively impact the lives and lifestyles of a majority of people.

Considering the paramount importance and sensitivity of the country's overall development agenda to the availability and cost of petroleum products, it had to take a lesser attractive year for the profit in order to avoid undue pressure on its consumers and CPC continues to be a catalyst for the growth of the country to achieve development mandates and sustainable goals which will deliver sustainable and quality life.

TABLE OF CONTENTS

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
TELEGRAM:	"LANKA OIL"
FAX :	+94 11 5455400
E-MAIL:	cpcsec@ceypetco.gov.lk
WEBSITE:	www.ceypetco.gov.lk
TAX IDENTIFICATION NO. :	409000053
FINANCIAL YEAR:	01 January to 31 December
CHAIRMAN:	Mr. W.W.D. Sumith Wijesinghe
MANAGING DIRECTOR:	Mr. Buddhika Ruwan Madihahewa
DIRECTORS:	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

WHO WE ARE

Ceylon Petroleum Corporation was established as 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 extensive island-wide distribution channels are dispersed throughout the country enabling nation for easy accessibility to the petroleum products. CPC operates its Refinery at Sapugaskanda with surpassing 50 years of its successful operation enabling creation of value to the national economy.

As the market leader having over 80% of the market share, CPC assured energy security of the country via over 1300 filling stations understanding the paramount importance of the energy security for the economic development of the country. We refine around 30% of the product requirements through the Refinery and balance is supplied via importation of the refined products. As a state owned enterprise, despite the less attractive for profits, CPC is determined to guarantee 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.

CPC has a subsidiary with interest of 2/3rd in Ceylon Petroleum Storage Terminals Limited (CPSTL) which has been established with the aim of storage and distribution of petroleum products.

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 JOURNEY

1961
Ceylon Petroleum Corporation was established as a State Owned Enterprise under Act. No. 28 of1961

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, in order to increase its ability to produce unleaded 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

Storage and Distribution business was handed over to the newly 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) status in the annual audit of Joint Inspection Group (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 upgradation of Refueling Terminal and the Existing Fuel Hydrant System, and Installation of a 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 by blowing fuel oil. 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.

OUR APPROACH TO REPORT

This is our fifth integrated annual report and we have adopted an integrated approach to reporting on our activities by becoming more transparent on the Corporation's strategy, performance, governance, risk and value creation.

REPORTING SCOPE AND BOUNDARY

This report provides information relating to Ceylon Petroleum Corporation's business model, operating context, material risks and opportunities, governance and operational performance for the period from 01 January 2019 to 31 December 2019. The report covers the performance of our strategic business units. In addition, we have published annual financial statements together with the audit report. The reporting process for all our reports has been guided by the principles and requirements contained in the,

> Sri Lanka Accounting Standards (SLFRS / LKAS)
> Public Enterprises Guidelines for Good Governance
> Finance Act No. 28 of 1971
> Integrated Reporting Framework published by the International Integrated Reporting Council
> Sustainable Development Goals (SDG)
> Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

OUR APPROACH TO MATERIALITY

This report provides information 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 Ceylon Petroleum Corporation (CPC). Understanding our business (pages 5 to 12), our business model (page 51 to 52) and our activities and impacts across our value chain (pages 53 to 74) 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 35 to 38) and by our response to the resulting risks and opportunities (pages 81 to 86).

Our performance (pages 39 to 48), our leadership team (pages 23 to 30), and our governance practices (pages 89 to 100) 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 an annual basis on the execution of the combined assurance plan. The Audit Committee report is on pages 95 to 96. The Auditor General assured our Annual Financial Statements 2019 (see pages 102 to 122). Both of those processes inform our Integrated Report 2019, which contains both financial and non-financial indicators.

FEEDBACK

CPC dedicated for enhancing the readability and relevance of our report. We welcome your suggestions, inquiries and feedback on CPC Annual Report 2019. Please forward your feedback to,

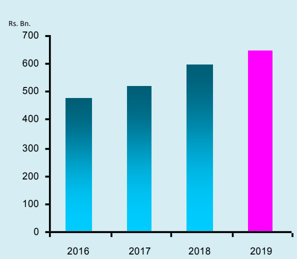
Email - finadminsec@ceypetco.gov.lk
Tele - 0094115455147

NAVIGATION TO OUR REPORT

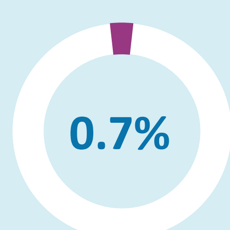
FINANCIAL HIGHLIGHTS

	CPC		Group	
	2019	2018 Restated	2019	2018 Restated
	Rs. Mn	*Rs. Mn*	*Rs. Mn*	*Rs. Mn*
OPERATING RESULT				
Revenue — Gross	646,591.538	592,252.880	646,747.434	593,524.040
Gross (Loss)/Profit	4,260.657	(4,124.205)	(3,701.023)	(10,195.765)
Operating (Loss)/Profit	(19,060.577)	(24,247.232)	(16,691.331)	(23,276.296)
Profit for the year	(11,856.600)	(106,162.414)	(10,302.736)	(106,398.514)
Total comprehensive income	(11,751.092)	(105,881.377)	(10,295.006)	(106,060.731)
FINANCIAL POSITION				
Total Assets	326,340.307	333,257.100	349,690.086	354,870.306
Inventories	65,757.217	60,920.209	66,432.827	61,577.047
Cash & Cash Equivalent	30,617.646	106,297.581	34,617.358	109,446.226
Equity	(293,213.448)	(281,462.356)	(272,066.883)	(261,696.877)
Total Borrowings	311,997.674	296,240.037	311,997.674	296,240.037

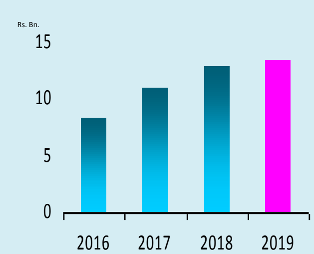
KEY RATIOS — CPC	2019	2018	2017	2016
Gross Profit Ratio	0.68%	-0.72%	6.05%	22.84%
Operating Profit Margin	-3.02%	-4.21%	1.61%	19.24%
Net Profit Ratio	-1.88%	-18.45%	0.24%	12.53%
Return on Total Assets	-5.84%	-7.28%	3.29%	42.63%
Inventory Turnover Ratio	9.53	9.51	9.49	9.20
Assets Turnover Ratio	1.93	1.73	2.04	2.22
Current Ratio	0.47	0.44	0.38	0.34
Quick Ratio	0.36	0.34	0.27	0.24
Interest Cover	(1.30)	(2.01)	0.68	7.14



SALES REVENUE



GROSS PROFIT RATIO



FINANCE INCOME

646,591 (RS. MN.) REVENUE	**529** (RS. MN.) OTHER INCOME	**13,526** (RS. MN.) FINANCE INCOME
4,261 (RS. MN.) GROSS PROFIT	**(11,857)** (RS. MN.) NET LOSS	**126,351** (RS. MN.) CONTRIBUTION TO GOVERNMENT
4,007 (RS. MN.) CAPITAL INVESTMENTS	**26,436** (RS. MN.) FIXED ASSETS	**65,757** (RS. MN.) INVENTORIES
326,340 (RS. MN.) TOTAL ASSETS	**(293,213)** (RS. MN.) EQUITY	**311,998** (RS. MN.) LOANS & BORROWINGS

OPERATIONAL HIGHLIGHTS

	Metric	2019	2018
Sales	M.Ltrs.	6,082	5,612
Stock at the year end	M. Ltrs.	438.687	508.327
Total Filling stations	No.	1,302	1,278
New Filling Stations	No.	23	24
Total Employees	No.	2,616	2,770
Staff Cost	Rs. Mn.	5,865	6,019
Training Cost	Rs. Mn.	12.24	9.9
Cumulative service experience	years	38,800	39,200
Operating Time Efficiency - Crude Distiller	%	97.68	89.7
Operating Time Efficiency - Bitumen Blower	%	42.11	25.84
Expected loss	MT	5,266	5,627
Specific Energy Consumption	MMK Cal/Crude T	0.49	0.55
Water consumption	MT	926,536	932,258
Health & Safety at Refinery			
Lost time accidents	No.	-	1
First aid accidents	No.	7	5
Minor fire reported	No.	-	-
Lost days	No.	-	15

REFINERY OPERATIONS	Crude Intake in MT	Days for year	Tons per calendar day
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

6,082 (MN. LTR) SALES	**1,302** FILLING STATIONS	**23** NEW FILLING STATIONS
1,864,817 (MT) CRUDE INTAKE	**97.68%** OPERATING TIME EFFICIENCY	**0.28%** OWN USE & LOSS - REFINERY
2,616 TOTAL EMPLOYEES	**38,800** CUMULATIVE SERVICE EXPERIENCE (YRS)	**100** SERVICE AWARDS
5,865 (RS. MN.) STAFF COST	**12.24** (RS. MN.) INVESTMENT IN TRAINING	**2.2** (RS. MN.) CSR EXPENSES

CHAIRMAN'S MESSAGE

"CPC Refinery crossed a remarkable milestone by celebrating its 50 years anniversary of successful operation of the only Refinery in the country in 2019. It has been creating value to the Sri Lankan economy continuously since its commencement in 1969"

It is my pleasure to present Annual Report of Ceylon Petroleum Corporation for the year ended 31 December 2019. Despite the various challenges encountered, CPC improved its operations significantly in the year 2019 compared to last year. It is notable to mention that CPC Refinery crossed a remarkable milestone by celebrating its 50 years anniversary of successful operation of the only Refinery in the country in 2019. It has been creating value to the Sri Lankan economy continuously since its commencement in 1969. Strategic emphasis is given to upgrade the existing Refinery to a modern Refinery equipped with a latest state-of-art technology creating sustainable value addition to the national economy.

GLOBAL ENVIRONMENT

As per the World Economic Outlook (WEO) released by IMF, global economic growth in 2019 was lower at 2.9 per cent, compared to 3.6 per cent in 2018. As trade and manufacturing slowed significantly, commodity prices showed a significant drop in 2019, as reflected in the decline in petroleum prices by 10.2 per cent in 2019, compared to the acceleration by 29.4 per cent in 2018. Supported by low energy prices and subpar activity, consumer price inflation in advanced economies decelerated to 1.4 per cent in 2019, from 2.0 per cent in 2018.

There has been a consistent increase in demand for energy, especially in the emerging economies of Asia. The global energy mix has seen a steadfast shift towards cleaner renewable products, especially in developed countries.

LOCAL CONTEXT

The value of rupee strengthened during the first four months of 2019 and there was a pressure on Rupee immediate aftermath of the Easter Sunday attacks. The Sri Lankan Rupee, during 2019 appreciated against the US dollar by 0.6% (2018 Depreciation 16.4%), reflecting the general strengthening of the Rupee with narrowing the balance of payments, improvements of the year end foreign reserves together with the capital inflows.

The favorable exchange rate movements in the year under review generated an exchange gain of Rs. 8.3 Bn. (2018 exchange loss Rs. 82.7 Bn.) to the Corporation. Despite the challenges, CPC continues to be a key contributor to the national economy, incurring Rs 126 Bn in 2019, that is 20% of net revenue and of course fueling development and contributing to a decent quality of life by helping to meet the energy demands of the nation by way of subsidized prices.

CATALYST FOR THE GROWTH

Despite the challenges and price volatilities in the international petroleum industry, CPC continues its uninterrupted supply to the public and industries to affirm energy security at all the times ensuring the affordability. Considering the paramount importance and sensitivity of the country's overall development agenda, CPC continues to be a catalyst for the growth of the country to achieve development mandates and sustainable goals which will deliver sustainable and high quality life.

PERFORMANCE

The Refinery processed 1,864,817 MT of crude oil during the year recording a increase of 11.31% compared to year 2018. The gap in refined products demand was filled through importation of finished products to ensure supply continuity to the nation. In the year under review, domestic sales remained the dominant income source.
Auto diesel continued to earn the highest income in the year 2019 while petrol 92 was the second highest income generator. Demand for the Petrol 92 increased by 13% compared to the year 2018. The demand for the fuel dropped during second quarter with the impact of the Ester Sunday attacks. Considering the consequences of the Easter Sunday attacks, CPC further reduced the Jet A-1 fuel prices even less than cost to promote the international airlines to come to Sri Lanka with a aim to recover the tourism industry.

Strategic priorities are given to control and minimize the misuse of the Kerosene subsidy given for the low income families and fishery communities in order to assure sustainable consumption and environmental protection.

With the implementation of viable strategies during the year 2019, the Corporation converted its Gross loss of Rs. 4 Bn. in 2018 to gross profit of Rs. 4 Bn. in 2019 while loss for the year improved to Rs. 11.8 Bn. in 2019 from Rs. 106.2 Bn. in year 2018.

"Strategic priorities are given to control and minimize the misuse of the Kerosene subsidy given for the low income families in order to assure sustainable consumption and environmental protection."

SUSTAINABLE OPERATIONS

As a sustainable Corporate, utmost priority of CPC is given for the sustainability of the business. CPC has introduced its environmental friendly fuels such as Euro 4 Petrol and Diesel in 2018 and further promotes them to minimize the carbon footprint. We are committed ourselves to ensure waste management treatments and disposals of the Refinery are performed as per the international level standards. As a policy, we are in the process of converting all the circuit bungalows and area offices to solarized energy power buildings for the sustainable environment.

FUTURE OUTLOOK

Given the operational context, stiff challenges are not something new to the Corporation. CPC is, as always, ready to embrace the future regardless of the magnitude of the challenges. CPC takes pride in our unwavering commitment to ensuring Sri Lanka's energy security and providing consumers with a continuous supply of quality petroleum products. We continue to optimize our value chain, improve 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 even as CPC is cognizant of the volatile local and international business environment and the effects of global and local economic and political environment.

The Corporation continued to invest in significant number of short-term and long-term strategic projects to enhance value creation ability and sustainability of the business. CPC will make difficult choices of course, but we are confident that CPC will consolidate its position and continue to be the pivot upon which the development of the country rests.

ACKNOWLEDGMENT

The professional and honest approach which has enabled CPC to charter challenges in this sector will continue to mark all engagement and in this regard I am very much thankful to CPC corporate team for the support extended to ensure the betterment of the Corporation.

The Hon. Minister and officials of the Ministry of Energy guided us with advice and direction at every turn and CPC extends our sincere thanks for their support and dedication.

The experienced and highly capable Board members were impeccable in their stewardship and they have ensured that CPC operates as a viable state enterprise. CPC is confident that this priceless human capital will enable us to transform into profitable state owned enterprise while meet and overcome the challenges that may arise in the future .

Thank you.

Sumith Wijesinghe
Chairman
25.11.2020

MANAGING DIRECTOR'S REVIEW

It is my pleasure to present our Annual Report together with the audited financial statements of Ceylon Petroleum Corporation for the year ended 31 December 2019. Paramount importance of petroleum products to the economic development of the country guided us to take every endeavors to improve its operational excellence of the Corporation during the year in review. Despite the internal and external challenges during the year, CPC executed its mandate to assure energy security of the country to reach its vision and mission. We managed with utmost tenacity in streamlining operations without compromising on the development targets.

I am delighted to inform that CPC reached to another greater milestone by completing a half century of successful continuous operation of the Refinery in 2019. During this five decades from 1969 to 2019, it has played a significant mandate in the Sri Lankan economy with adding value to our stakeholders throughout our successful journey.

Refinery 50 years celebration

GLOBAL ENVIRONMENT

Global economic growth in 2019 has reduced to 2.9 per cent, compared to 3.6 per cent in 2018. Global commodity prices showed a significant drop in 2019 compared to 2018, reflecting the decline in average petroleum prices by 10.2 per cent in 2019, compared to the increase of 29.4 per cent in 2018.

Building-up of global inventories to recorded level and high level of US crude oil production coupled with the slow global economic growth added downward pressure on international oil prices caused to record a notable decrease during 2019. Despite the high volatility of the crude oil prices, the average crude oil (Murban) price stood at US dollars 65.00 per barrel in 2019, compared to US dollars 72.02 in 2018 reflecting a drop of the prices by 9.75% in 2019 compared to year 2018. The reduction of the global petroleum prices guided positively towards the financial performance of the Corporation.

OPERATING ENVIRONMENT

As published by Central Bank of Sri Lanka, the country's GDP growth recorded subdued growth of 2.3% in 2019, a decline from the 3.3% recorded in the previous year. All major sectors of the economy recorded positive, but modest growth rates as the impact of the Easter Sunday attacks slowed activities in most of the subsectors. Although per capita GDP at current market prices has reduced to US dollars 3,852 in 2019 compared to US dollars 4,079 in the previous year, Sri Lanka has graduated to the upper middle income country status in terms of Per Capita Gross National Income by the World Bank's country classification in 2019.

The trade balance of the economy improved significantly in 2019, recording the lowest deficit during last few years. This was driven by the sharp contraction in import expenditure by 10.3 per cent, which was mainly attributed to the reduction in imports of motor vehicles and gold in 2019. Despite the large foreign currency debt service payments by the government in 2019, Gross official reserves improved to US dollars 7.6 billion by end 2019 from US dollars 6.9 billion at end 2018 leading to appreciation of Sri Lankan Rupee against US Dollar.

DOMESTIC PRICING MECHANISM

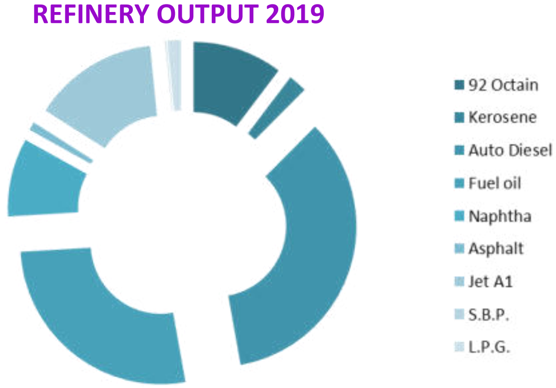
Pricing mechanism introduced in May 2018 for the Petrol and Diesel has been continued till September 2019 by changing monthly as per the stipulated regulations. Petrol and Diesel prices remained unchanged during the rest of the period in 2019.

OPERATIONS

Revenue generated from selling of petroleum products reached to historically highest level of Rs. 646 billion and net revenue increased by 9.62% compared to 2018 with the increase of sales volume coupled with the movement of domestic retail prices during the year. The reduction of the global petroleum prices by 9.75% coupled with the appreciation of the Sri Lanka Rupee against US Dollars impacted positively toward the financial performance with acceleration of gross profit by 203% moving gross loss of Rs. 4,124 million in 2018 to gross profit of Rs. 4,261 million in the year 2019. Despite the various challenges such as increased terminal charges around 30% by CPSTL, CPC was able to decrease loss for the year by 88.83% from Rs. 106,162 Mn. in 2018 to Rs. 11,857 Mn. in the year 2019 with the placement of short-term and long-term strategies.

The Refinery processed 1,864,817 MT of crude oil during the year recording a increase of 11.31% against year 2018. The refinery production covered approximately 30% of CPC supply and gap is filled through the importation of refined petroleum products. CPC incurred USD 1,858.4 million to import refined petroleum products during the year in review.

REFINERY OUTPUT 2019



Demand for petroleum products is driven by the transportation sector which accounts for over 65% of total demand followed by the power generation and other sectors such as aviation, industries, etc.

Transport sector generates the highest contribution to the revenue in the year by contributing Rs. 430.4 Bn, a 4.29% improvement compared to the year 2018. Petrol 92 has recorded notable increase of 12.82% leading to use of the private vehicles. However, demand for Super Diesel and Petrol 95 was reduced by 12.44% and 14.67% respectively. Despite the movements of demand and prices of the auto fuel, CPC incurred a loss of Rs. 25.9 Bn. (2018 – Rs.96 Bn.) as the selling prices were not adequate to cover total cost. Although CPC incurred a massive losses on these 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 20% of the revenue as taxes to the Government.

Demand for the electricity generation increased by 45.37% against year 2018 resulting to increase the revenue generated from this sector by 58.75% due to the drought condition prevalent during the year. The sector remained the second highest income generator accounting for Rs. 118.6 Bn.

Aviation sector earned an income of Rs. 58.9 Bn., recording an 8.10% reduction in the year against prior year. Consequences of the Easter Sunday attacks guided to the drop of the aviation fuel demand by 5.01%. The price reduction of the aviation fuel with a aim to promote tourism industry regained the aviation sector at the later part of the year up to considerable extent.

Revenue generated from industries sector stood at Rs. 13.4 Bn., 1.19% lesser than the previous year while the demand quantity has dropped by 10.67% due to the consequences of the Easter Sunday attacks in the April 2019. Domestic sector with comprising Kerosene sold at a highly subsidized price together with profitable Liquid Petroleum Gases (LPG) guided to generate loss of Rs. 7.4 Bn. from the sector. We believe that this is one of our greatest contribution to the society who need economic relief for the betterment of their life.

Agro sector made with a revenue improvement of 202% compared year 2018 by reaching revenue of Rs. 456 Mn. while generating profit of Rs. 106 Mn. during the year.

Finance expense amounted to Rs.14,699 Mn. an increase of 21.83% compared to prior year. Non-availability of US Dollars in the market coupled with weak cash flows due to non-settlements by the government enterprises mainly by CEB and SLA resulted to increase foreign currency loans. CPC invested daily collections in the interest yielding temporary investments to minimize the impact on the finance cost. It is commendable to note that CPC manages its funds effectively without incurring overdraft interest this year.

INVESTMENTS

CPC invested Rs. 3,990 million in property, plant & equipment and Rs. 17 million on the investment properties that enhance the existing assets bin in to net book value of Rs. 26,490 million 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 enhanced demand with latest state-of-art technology. CPC continued with the Refinery projects which are required for the smooth operation as well as compliance with the internationally recognized standards for the refinery operations. 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 to the sustainable economic development by contributing Rs 126,351 million, which is 20% of our total net revenue as evidencing that CPC is one of a largest tax contributor to the government tax revenue and which will utilize for the infrastructure development of national economy.

APPRECIATION

We are optimistic and indeed confident about the future that we will be able to convert the Corporation into a sustainable enterprise while contributing to the sustainable economic development. I am proud for the immense contribution extended by the Chairman and Board of Directors of the Corporation which has supported me at all times during this uncertain and volatile local and international environment. I also convey my sincere appreciation to my corporate and senior management team for their hard work that enabled us to face in this turbulent environment. Their commitment to the betterment of the Corporation's fortunes is admirable. Indeed, the same can be said of our entire staff across all categories. I wish to take this opportunity to extend my gratitude to Minister of Energy, Officials of Ministry of Energy, Ministry of Finance, Bankers, our Customers and Suppliers for their continued support to our journey. I believe that the Corporation will continue its successful journey to reach our destination.

Thank You.

Buddhika Madihahewa
Managing Director
25.11.2020

BOARD OF DIRECTORS

Mr. Tharindu Eknathgedara | Director

Mr. Buddhika Iddamalgoda | Director

Mr. Thilanga Polwattage | Director

Mr. Sumith Wijesinghe | Chairman

Mr. Buddhika Madihahewa | **Mrs. R.M.D.K Rathnayake** | **Mr. Chaminda Hettiarachchi**
Managing Director | Director | Director

Mr. Sumith Wijesinghe

Mr. Wijesinghe was appointed as the Chairman of the Corporation on 03.01.2020. He 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 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

Mr. Madihahewa was appointed as the Managing Director of the Corporation on 16.01.2020. Presently he is also the Managing Director / CEO of Swarnakalum Group of Companies which is a multibillion group of companies. Mr. Madihahewa was educated 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.

Mr. Madihahewa, as Managing Director, has been in the leadership and policy formulation position in the Corporation. He possesses over 28 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

Ms. Rathnayake was appointed as the Director of the Corporation on 13.01.2020. Currently she serves as Director 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. Buddhika Iddamalgoda

Mr. Iddamalgoda was appointed as the Director of the Corporation on 17.01.2020. Presently he serves as Chairman at LTL Holding (Pvt) Ltd., Director at Sri Lanka Transport Board. 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.

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. Chaminda Hettiarachchi

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.

Mr. Tharindu Eknathgedara

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.

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

Mr. Thilanga Polwattage

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 organi-zations 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 TEAM

MR. E A S EDIRISINGHE
Refinery Manager

Mr. Edirisinghe has a bachelor in Chemical Engineering, a Charter 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 of the CPC.

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 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. V N WEERASOORIYA
Deputy General Manager (Finance)

Mr. Weerasooriya obtained a bachelors in Business Administration from the USJP and an MBA from the Post Graduate 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, Chartered Accountants in 1994 as an Audit Clerk and Tax Supervisor. Subsequently, he worked 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, treasury management, tax and insurance, budgeting and compliance, drafting accounting and financial policies in line with government regulations and reporting norms and in directing the ministry to obtain various types of approvals for the activities of CPC.

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 in through reputed local & international institutes. From 1999-2008 worked as Senior Product Manager of Chemical Industries (Colombo) Limited where his key activities were the importing, storing and marketing of industrial Raw Materials to Sri Lanka and manufacturing and marketing of emulsion polymers. He also has deep practical experience in budgeting the financial capital and overhead expenses, 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 Functions and subunits of CCU & Service Station Equipment Workshop. Additional responsibilities include creating the required business environment by making relevant changes to face the challenges in business environment in achieving the Corporation plans and objectives 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.
He counts more than 21 years of experience in the oil and gas industry in various disciplines such as Aviation Fuel, O & M & Quality Assurance, Project Quality Assurance related to construction projects such as offshore oil platforms & subsea pipelines, Project Management & Contract Administration related to Aviation fuel farms & fuel hydrant systems, Verification of Engineering & Process Designs, Maintenance, Management and HSE awareness.
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, Manager Aviation Operations. At present he is 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 Attorneyat-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, finally, 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 25 years 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. 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, Technical Service Department.

SENIOR MANAGEMENT TEAM

MS. R A K C ARIYARATNE
Chief Legal Officer

MS. M C D PERERA
Senior Manager (Finance)

MR. K W S PUSHPALAL
Manager
(Human Resources)

MAJ. M R S P SAMARASINGHE
Manager
(Security & Investigation)

MR. P A U R KARUNARATNE
Manager (Shipping)

MR. G M U W DOLOSWALA
Manager (Lubricant & Special Products)

MR. G P K WIJEKOON
Manager (Engineering & Premises)

MRS. M S R FERNANDO
Manager (Information Technology)

MR. S D S RAJAPAKSE
Manager (Procurement & Stores)

MR. W K S GUNAWARDHANE
Manager (Research & Development)

MR. B S S PERERA
Manager (Agro Chemicals)

MR. R A T I RANASINGHE
Manager (Audit)

MR. N B M P JEEWASIRI
Manager (Operations – Stocks &

MR. W D L C ABEYGUNAWARDANA
Manager (Marketing) (Acting)

MR. K K A JAYAWICKRAMA
Manager (Commercial) (Actg.)

MR. R W S M RAJASINGHE
Deputy Manager (Aviation - Operations)

MR. K G H KODAGODA
Manager (Refinery Operations)

MR. R A S RAJAPAKSHE
Manager (Materials)

MR. W A N R WICKRAMASINGHE
Manager (Technical Services)

MR. K V J CHANDRAWANKA
Manager (Engineering - Electrical)

MR. K A K K KURUPPU
Manager (Engineering - Projects)

MR. R A B THILANGA
Manager (Engineering - Mechanical)

MR. W S RABEL
Manager (Engineering - Instrument)

MR. P F W DAYANATH
Manager (Engineering - Civil)

MR. H K N RATHNASIRI
Deputy Manager (Technical services – laboratory)

MR. R M M W BANDARA
Deputy Manager (Fire & safety)

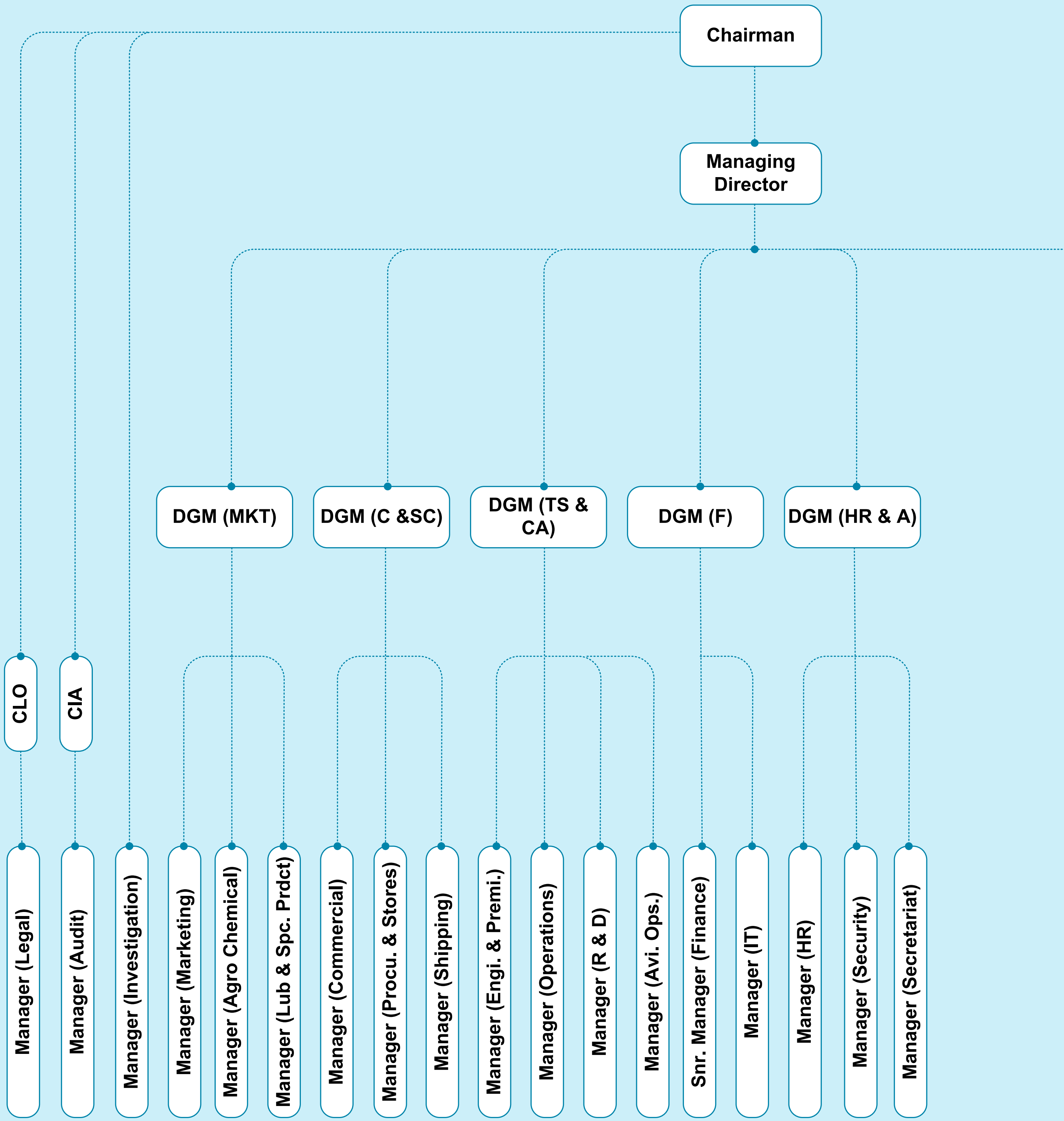
MS. C N WITHANARACHCHI
Senior Medical Officer

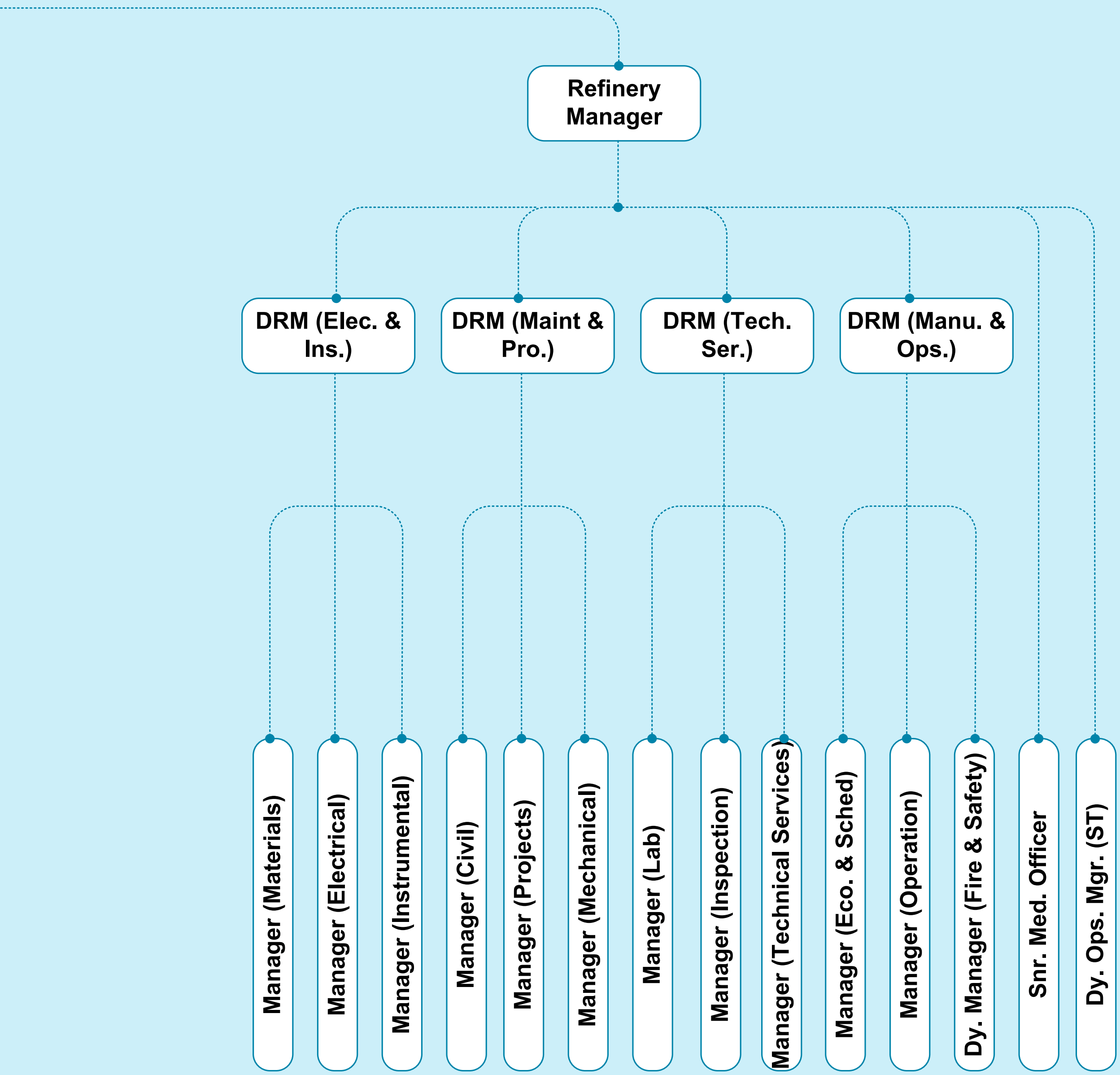
MS. A S PREMAKANTHI
Manager (Economic & Scheduling)

MR. A I WANSEKARA
Deputy Manager
(ST - Operations)

MR. A B KORALEGEDARA
Ast. Manager (Secretariat) (Actg.)

ORGANIZATIONAL CHART

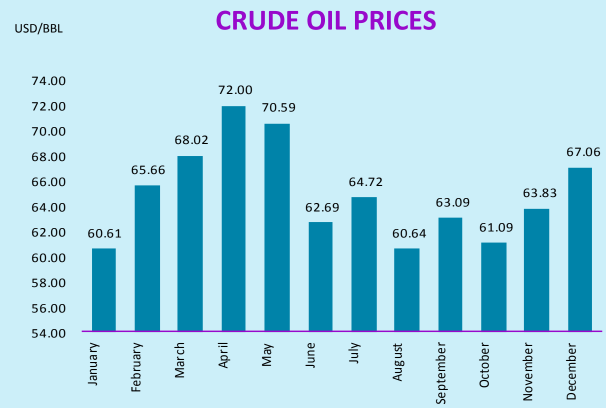


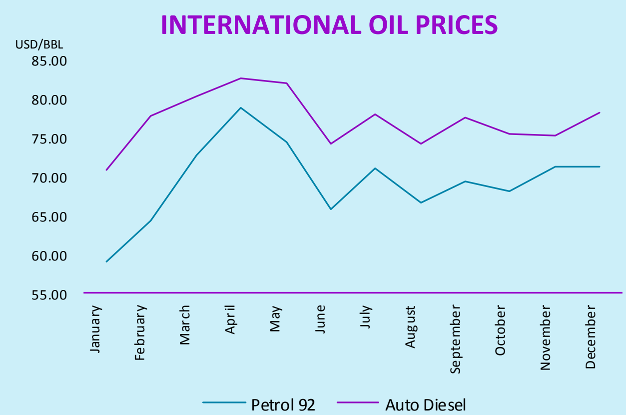

Refinery Manager
DRM (Elec. & Ins.)
DRM (Maint & Pro.)
DRM (Tech. Ser.)
DRM (Manu. & Ops.)
Manager (Materials)
Manager (Electrical)
Manager (Instrumental)
Manager (Civil)
Manager (Projects)
Manager (Mechanical)
Manager (Lab)
Manager (Inspection)
Manager (Technical Services)
Manager (Eco. & Sched)
Manager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

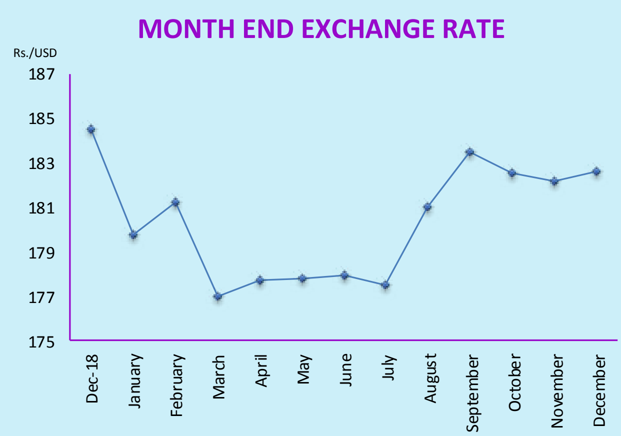
REVIEW REPORTS

MANAGEMENT REVIEW

The global economic growth has slowed to 2.9% in 2019 and the global fuel prices were remained low on average in 2019 with the reduction of 10.2% compared to the previous year. With the improvement of the current account balance of the country and reserves, Sri Lankan Rupee appreciated moderately by 0.6% during the year while it was depreciated by 16.4% during the year 2018 reflecting exchange gain of Rs. 8 Bn. (2018 loss Rs. 83 Bn.) for the Corporation during the year 2019. Consequences of Easter Sunday attacks affected negatively specially for the aviation sector. Domestic retail prices of diesel and petrol were revised monthly until September and thereafter remained unchanged. Despite the challenges faced, the loss of the Corporation reduced from Rs. 106 Bn. to Rs. 12 Bn.







GLOBAL ENVIRONMENT

As per the World Economic Outlook (WEO) released by the International Monetary Fund (IMF), global economic growth in 2019 has reduced to 2.9 per cent, compared to 3.6 per cent in 2018. Growth rate in advanced economies lower to 1.7 per cent in 2019 and it is 2.2 per cent in the year 2018. Growth in emerging market and developing economies moderated to 3.7 per cent in 2019 from 4.5 per cent in 2018. As trade and manufacturing slowed significantly, commodity prices showed a significant drop in 2019 compared to 2018, reflecting the decline in average petroleum prices by 10.2 per cent in 2019, compared to the increase of 29.4 per cent in 2018.

There is an increase in demand for energy, especially in the emerging economies of Asia, the global energy mix has shifted significantly towards cleaner renewable resources. The impact of that shift to the fossil fuel industry has been strong and there is anticipation that it will become stronger in the near future. Over and above the volatility of petroleum prices, the global thrust to move away from the industrial age into the sustainable age has created cause for concern.

International Crude oil (Brent) prices recorded a notable decrease during 2019. Building-up of global inventories to recorded level and High level of US crude oil production coupled with the slow global economic growth added downward pressure on international oil prices. Accordingly, the average crude oil (Murban) price that stood at US dollars 65.00 per barrel in 2019, compared to US dollars 72.02 in 2018 reflecting a drop of the prices by 9.75% in 2019 compered to year 2018. The reduction of the global petroleum prices impacted positively toward the financial performance of the Corporation.

Average world demand and supply of oils per day stood at 100.5 million barrels per day and 100.7 million barrels day. The world demand and supply dropped significantly in the first quarter of the year 2020 due to the adverse impact of the Corona virus. The fuel prices have dropped with effects from mid of February due to the demand side drop from the most of the developed and emerging economies.

LOCAL ENVIRONMENT

According to the Central Bank of Sri Lanka, the country's GDP growth recorded subdued growth of 2.3% in 2019, a decline from the 3.3% recorded in the previous year. All major sectors of the economy recorded positive, but modest growth rates. The agriculture sector recorded a modest growth of 0.6 per cent in 2019, compared to the growth of 6.5 per cent in 2018, reflecting the impact of the extreme weather conditions observed during most months of the year. The industry sector performance somewhat improved in 2019, recording a growth of 2.7 per cent during the year, compared to the growth of 1.2 per cent in 2018. Growth of the services sector halved to 2.3 per cent in 2019 compared to 2018, as the impact of the Easter Sunday attacks slowed activities in most of the subsectors.

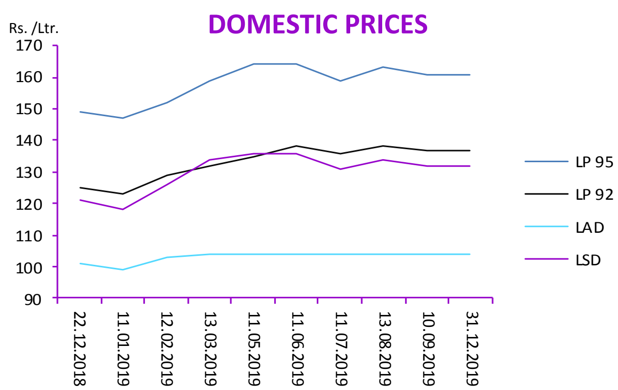
The value of the country's Gross Domestic Product (GDP) at current market prices stood at US dollars 84.0 billion in 2019, compared to US dollars 88.4 billion in 2018. Per capita GDP at current market prices has reduced to US dollars 3,852 in 2019 compared to US dollars 4,079, in the previous year. However, it is notable that Sri Lanka has graduated to the upper middle income country status in terms of per capita Gross National Income, according the World Bank's country classification in 2019.

The trade balance of the economy improved significantly in 2019, recording the lowest deficit since 2013. This was driven by the sharp contraction in import expenditure by 10.3 per cent, which was mainly attributed to the reduction in imports of motor vehicles and gold in 2019. Implementation of policy decisions to minimize the non-essential imports led to this significant reduction of the imports. Earnings from exports rose notably during the first half of 2019, moderated in the second half of the year, recording only a modest growth in 2019. The trade deficit in 2019 was recorded at US dollars 7,997 million, a decline of US dollars 2,346 million, compared to the deficit of US dollars 10,343 million recorded in 2018.

Despite the large foreign currency debt service payments by the government in 2019, Gross official reserves improved to US dollars 7.6 billion by end 2019 from US dollars 6.9 billion at end 2018., supported by the proceeds from the issuances of two ISBs, the receipts of two tranches of the IMF-EFF and the purchase of foreign exchange by the Central Bank from the domestic foreign exchange market.

The exchange rate remained stable during 2019 with recording a marginal appreciation of 0.6 per cent against the US dollar in 2019**,** supported by a significant improvement in the current account balance and official reserves.

The exchange rate strengthened during the first four months of 2019, as a result of the significant contraction in the trade deficit and an increase in financial inflows. However, the exchange rate experienced some pressure in the immediate aftermath of the Easter Sunday attacks, and towards the latter part of 2019, reflecting the impact of heightened uncertainties in global markets, which resulted in some unwinding of portfolio investment by foreigners. The Sri Lankan rupee moderately appreciated by 0.6 per cent against the US dollar in 2019, compared to the significant depreciation of 16.4 per cent in 2018.



As per the regulations established by the Government, Petrol and Diesel prices were revised monthly up to September 2019 in line with the stipulated pricing mechanism. The prices remained unchanged thereafter.

Demand for the petrol & diesel from transport sector increased by 5% in the year 2019. Due to the high drought condition prevalent during the first seven months in 2019, thermal power generation has been used to generate the electricity reflecting the increase of fuel sales to the power generation by 45% compared to the year 2018. Easter Sunday attacks impacted significantly over the aviation industry guided to drop the demand from the aviation sector by 5% in the year against the year 2018.

The petroleum sector of Sri Lanka is dominated by the CPC, a strategically important state-owned business enterprise, which accounts for approximately 86 per cent of the retail market share. Sri Lanka depends on imported petroleum products to meet the primary and secondary energy requirement of the country. Moreover, as a small net oil importing country, Sri Lanka is a price taker in the global market. Due to the high impact of petroleum prices on the cost of production, and thereby the cost of living, setting of petroleum prices has always been a politically and socially sensitive issue in the country.

The Corporation sells most of the petroleum products at a price determined by the Government to assure the affordability of the products. Most of the products sells at a price which is less than the actual cost and specially Kerosene is sold at a highly subsidized price. The competitor adopted price differentiation mechanism with determining price higher than the government decided retail prices for Diesel and Petrol led to shift the competitors' partial demand into the Corporation creating additional loss to CPC as these products were sold at loss.

CHALLENGES FACED BY CPC

Subsidized Fuel Prices

Consumer subsidies are generally determined as the differential of the full cost reflective price and the determined price. The full cost reflective price, which consists of the sum of supply cost, transportation cost, profit margins and taxation, is the total cost of the product. Kerosene has the largest subsidy cost per litre generating the subsidy amount of Rs. 7,697 Mn for the year 2019. The subsidy on Kerosene is largely misused by the heavy transport sector when the price gap between the diesel and kerosene is more. Absence of fully cost reflective pricing mechanism, the difference between sales revenue and the total cost provides the basis for estimating fuel subsidies.

There are no formal budgetary provisions for financing petroleum subsidies resulting from determined prices being below cost-recovery levels, and accordingly, CPC tends to bear part of the subsidy costs by reporting heavy financial losses over the years. Consequently, CPC has to rely on bank borrowing to cover losses and meet liquidity requirements. Heavy borrowing by CPC affects the balance sheets of the state-banks and drives credit growth, and thereby complicates monetary policy operations of the Central Bank. At the same time, the government has to provide guarantees to support the CPC's borrowings raising the contingent liabilities of the government.

A Price Taker

With no petroleum resources, Sri Lanka must import all of its petroleum products at global market prices and the storage capacity of Sri Lanka is not sufficient to hold substantial reserves when prices are down. These two factors expose CPC to price volatilities in the global market. Therefore, the movements of the international prices affects to the cost of sales. And CPC behave as a price taker in the market

Restraints on Dollar Loans

CPC is constantly challenged by the unavailability of funds to settle dollar loans that it must regularly obtain to meet its fiscal challenges. Rupee fund availability does not preclude exposure to exchange rate fluctuations nor does it help in the event that there are insufficient dollars in the market. These disrupt the smooth settlement of outstanding loans and compromise the Corporation's credit records. Responses such as paying more interest compounds financial position by exerting negative pressure on net assets.

Shortage of Storage

Insufficient crude refining and storing capacity, various types of crude and the products refined from it cannot be stored in similar tanks. Whereas there are storage capabilities for some of these products, for others tank capacity is insufficient. Although financial constraints have impacted the ability of the Corporation to expand and upgrade its refining and storing capacities, the downside of not doing this is that the CPC does not have the ability to purchase and hold large reserves when global prices are down.

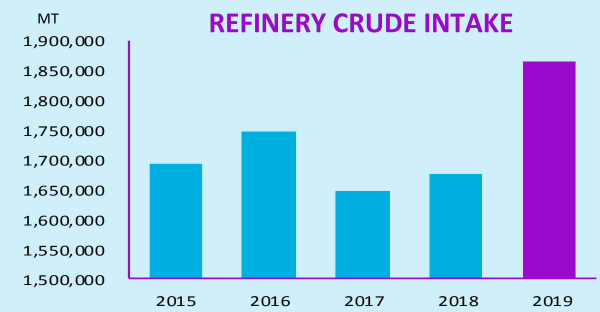
Dilapidated Pipe Lines

Pipelines that are used to carry imported petroleum products from the Colombo Port to the Terminals are in a significant state of disrepair. In many cases, illegal squatting has made it political nightmare to remove them and engage in critical maintenance work on the lines. Therefore, the problem has stagnated for years resulting in the CPC being forced to pump the oil at lower pressure to reduce enroot leakages.

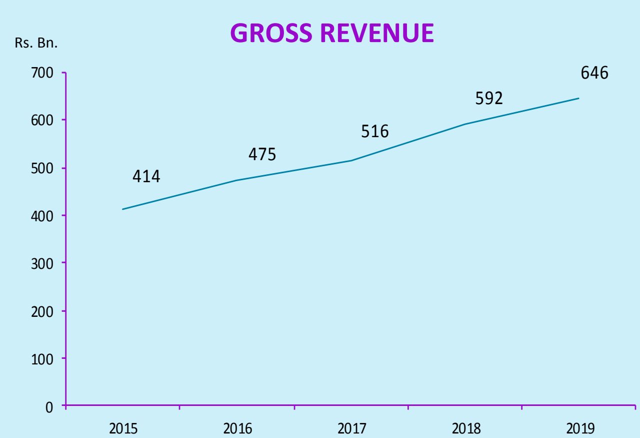
This slows down the process of discharge and results in both congestion at the berth as well as increases discharge times forcing the CPC to incur massive demurrages.

OPERATIONAL REVIEW

Revenue of the Corporation accelerated by Rs. 54 Bn. compared to the previous year. Reduced global fuel prices coupled with appreciation of Rupee against US Dollar guided CPC to convert gross loss of Rs. 4 Bn. in 2018 into gross profit of Rs. 4 Bn. Revenue generated from the transport sector and power generation sector increased by 5% & 58% respectively. The use of thermal power to generate electricity due to the drought weather condition prevailed in the year 2019 increased the demand for the fuels by power sector. Revenue generated from Aviation sector decreased by 8% with the consequences of the Easter Sunday attacks. Stringent actions taken to control the adulteration of the kerosene caused to stagnate the sales of kerosene.



Category	Revenue - 2019 Rs. Mn.	Revenue - 2018 Rs. Mn.
Transport	430,425	412,716
Power Generation	118,675	74,757
Aviation	58,990	64,189
Industrial	13,498	13,661
Domestic	20,211	17,688
Agro Chemical	457	151
Export & Bunkering	4,336	9,090
Total	**646,591**	**592,253**



TRANSPORT

This sector comprises auto fuels supplied through CPC extensive island-wide dealer network of 1302 filling stations and the direct consumers. Considering the sensitivity, high emphasis is given for this sector as small change of the prices impacts to the general public of the country directly resulting to their cost of living and the lifestyles.

The sector generates the highest income for CPC, contributing Rs. 430.4 Bn, a 4.29% improvement compared to the year 2018 with the general public's preferences to use private vehicles saw a continuation of the trend to magnify the demand.

Petrol 92 has recorded notable increase of 12.82% leading to use of the private vehicles with the demand for Super Diesel and Petrol 95 was reduced by 12.44% and 14.67% respectively. Although demand for the Auto Diesel increased by 2.56% against year 2018, the reduction of prices of Diesel resulted to reduction of revenue by 1.31%. Easter Sunday attack impacted negatively for the decrease of the demand for the above environmental friendly fuels. The island-wide distribution network increased with 23 new filing stations commissioned during the year to increase the accessibility for the product.

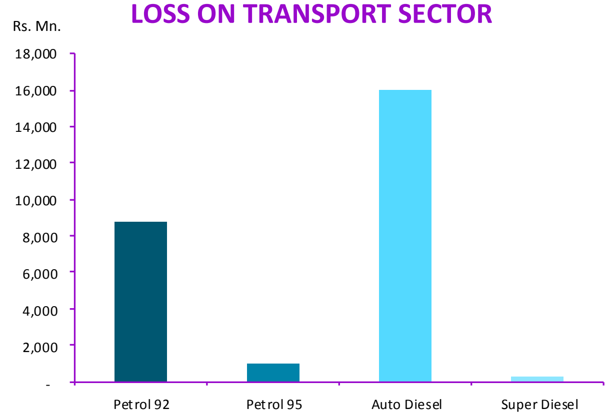
Petrol 92, Super Petrol, Auto Diesel and Super petrol prices changed during the year with the prevailed pricing mechanism implemented by the Government.

Date of Effective	LP 95 (Rs. /Ltr.)	LP 92 (Rs. /Ltr.)	LAD (Rs. /Ltr.)	LSD (Rs. /Ltr.)
22.12.2018	149	125	101	121
11.01.2019	147	123	99	118
12.02.2019	152	129	103	126
13.03.2019	159	132	104	134
11.05.2019	164	135	104	136
11.06.2019	164	138	104	136
11.07.2019	159	136	104	131
13.08.2019	163	138	104	134
10.09.2019	161	137	104	132
31.12.2019	161	137	104	132

A total of 23 new filling stations were added during the year to the existing island-wide network to enhance the accessibility to the doorstep. Construction letters issued during 2018 and 2019 are still to be concluded and it is expected that once done, these filling stations will be equipped with better facilities than those in the operational stations. Additionally, CPC renovates a minimum of 10 Corporation Owned Dealer Operated filling stations as per the policy of improving service and creating environmental friendly filling stations. The Corporation maintained more than 80% of the market share through these extensive infrastructures facilities.

Strategic emphasis has given to encourage the use of environmental friendly Euro 4 Petrol and Euro 4 Diesel to ensure sustainable consumption pattern of the general public and environmental protection. Various strategies have been in place to promote these products. Further, stringent actions were taken to control the adulteration of the kerosene by the Heavy Transporters misusing the Kerosene subsidy given for the low income families and fisheries community.

LOSS ON TRANSPORT SECTOR



Despite the increase in demand and prices of the auto fuels in the transport sector, CPC ended with a loss of Rs. 25.9 Bn. (2018 – Rs.96 Bn.) as the selling prices were not adequate to cover total cost. Positive exchange rate movements coupled with the international oil prices guided to drop the loss into 2019 position. The Corporation affirmed a continuous fuel supply to the general public disregarding the loss incurred on this sector to commit for the responsibilities vested to CPC.

AVIATION

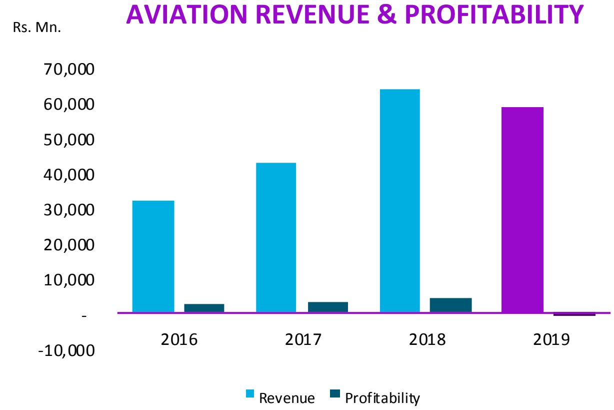
As the only aviation fuel supplier of the country, aviation fuels are supplied at the Katunaike, Mattala and Ratmalana airports and other consumers such as Sri Lanka air force, training schools, etc. As a responsible corporate, CPC supplied aviation fuel to all local and international airlines and customer ensuring the energy security for the most important sector of the economy which is international transportation.

The Corporation continues prices for Jet A-1 and Avgas in line with international oil prices. Considering the paramount importance of the international transportation to the economy, CPC reduces the margin with effect from March 2019 to encourage the international airlines to come into Sri Lanka facilitating the boost of the tourism industry. Although the demand for the aviation fuel increased significantly with the new pricing mechanism, Easter Sunday attack affected negatively for the tourism industry resulting to reduce the international flights to Sri Lanka causing drastic drop in demand.

Despite the loss that may arises from aviation fuel segment, the Corporation further reduces the aviation fuel prices in parallel with the government policies to provide relief to international airlines and allied services to encourage international airlines to attract Sri Lanka to recover the tourism industry.

The sector earned an income of Rs. 58.9 Bn., recording a 8.10% reduction in the year in review over the prior year. The quantity demand for aviation fuel has decreased by 5.01% compared to last year due to the consequences of the Easter Sunday attack. The Government policies for the promotion of the tourism industry, various reliefs for the airlines and the reduction of the aviation fuel prices caused to recover the aviation sector at the later part of the year up to considerable extent. Price reductions coupled with the decreased demand led to incur loss of Rs. 1.2 Bn. In the year from the aviation sector where as CPC earned a profit of Rs. 3.8 Bn. in the year 2018.

AVIATION REVENUE & PROFITABILITY



CPC started the expansion project at the Bandaranaike International Airport in January 2018 and it is expected that once completed, the operation capacity will be empowered with state of art technology. Further, the corporation launched the feasibility and procurement process to build up the storage facilities for Jet A-1 and pipeline from the Muthurajawela to Bandaranaike International Airport to transfer the product with minimum cost. These projects will further minimize the cost, and consequently a reduction of fuel prices.

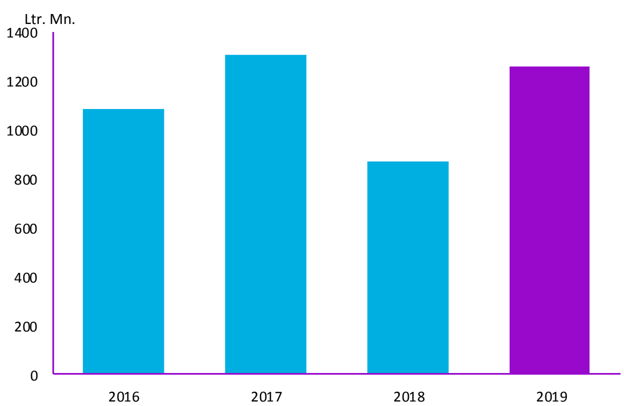
The Corporation has invested to develop the infrastructure facilities at the newly developing Jaffna International Airport in order to cater the aviation fuel demand. The project procuring activities started in the year 2019.

POWER GENERATION

Power generation sector is one of most crucial sector for the economy as fuel supply to electricity generation plays vital role in the economy to ensure continuous electricity supply to the country. CPC supplies fuel to CEB and independent power producers for their thermal power to generate the electricity requirements of the country.

Electricity generation through thermal power has been notably increased to fulfill the national electricity requirement due to the draught weather condition prevalent in the country during the year 2019. The fuel demand from power generation increased by 45.37% against year 2018 resulting to increase the revenue generated from this sector by 58.75% as this sector remained the second highest income generator of CPC accounting for Rs. 118.6 Bn. denoting the above compared to Rs. 74.7 Bn. recorded in year 2018.

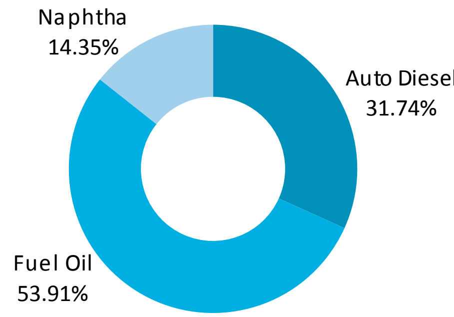
SALES - POWER GENERATION



It is commendable to note that despite the weak settlements of the trade receivables by the Ceylon Electricity Board (CEB) and the Independent power producers, CPC supplied the total demand from power sector without any interruptions as the Corporation highly concerned towards the national electricity requirements for the economic growth of the country.

CPC supplied Auto Diesel, Furnace Oil low sulfur and Naphtha for the power generation purposes. The composition of the fuel demand for power generation is 54% of Fuel Oil, 32 % of Auto Diesel and 14% of Naphtha for the year 2019.

REVENUE COMPOSITION



The fuel demand of the power sector is evaluated weekly through the Stock Review Committee and make sure the strategies are in placed to cater the full demand as supply of the electricity requirement of the country. A cordial relationship with CEB and the independent power producers are maintained to achieve overall goal of continued electricity supply.

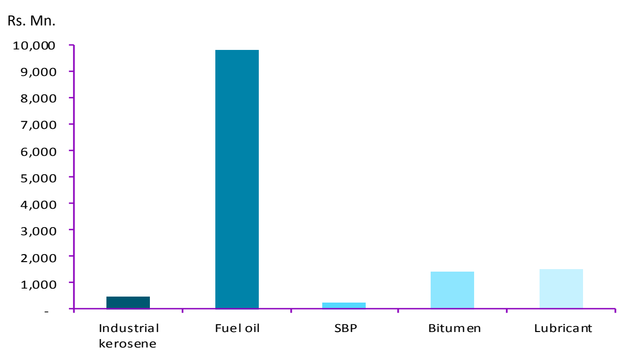
INDUSTRIES

This sector comprises the revenue generated from Industrial Kerosene, Fuel Oil to industries, Lubricant, Bitumen and Solvent (SBP). Revenue from this sector stood at Rs. 13.4 Bn., 1.19% lesser than the previous year while the demand quantity has dropped by 10.67% due to the consequences of the Easter Sunday attacks in the April 2019.

Fuel Oil generated revenue of Rs. 9.8 Bn. during the year with recording a drop of 1.64% compared to prior year.

CPC enabled to increase of Bitumen sales by 19.17% together with price movements resulted to increase the revenue by 31.21%. Sale of bulk bitumen played vital role for the increase of the revenue position. The profitability generated from the Bitumen sales increased from Rs. 110 Mn. to Rs. 129 Mn. during the year with acceleration of 17.27%.

INDUSTRIES REVENUE



CPC started blending the bulk bitumen through the Refinery with the use of 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.

Lubricant sales revenue dropped by 3.33% compared to the year 2018 due to the supply chain issues faced during the year. Despite the sales drop, this segment affirmed to generate a profit of Rs. 123 Mn.

The Corporation assures the availability of the lubricant products to the consumers via the network of 17 stockiest island-wide and 1302 dealer network. Strategic emphasis has been given on the distribution and the brand building.

A lubricant blending plant has been commissioned in Sri Lanka by the supplier in the month of August. The blending plant avoids the supply chain issues faced by CPC and it will facilitate to reduce the cost of the lubricant products. The Corporation expects to shift the cost benefits to the customer resulting to regain the lost market share.


Lubricant plant opening ceremony

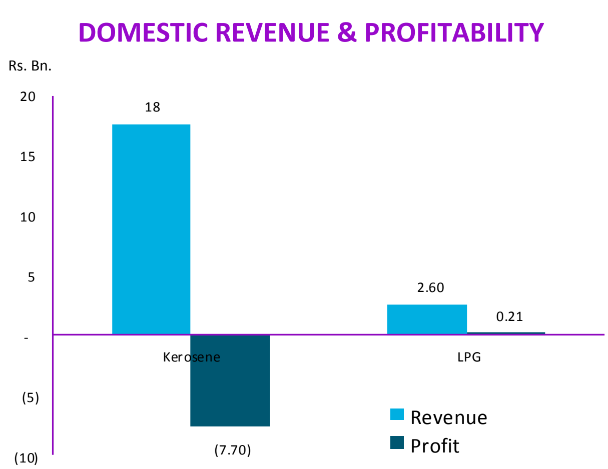

Lubricant plant opening ceremony

DOMESTIC

Domestic sector comprises Kerosene and Liquid Petroleum Gases (LPG). This sector continued to make losses on account of kerosene being sold at a highly subsidized price and the sector incurred a loss of Rs. 7.4 Bn.

Kerosene contributed Rs. 7.7Bn. to the total loss of CPC. As responsible State Owned Enterprise, Kerosene is supplied at highly subsidized price even below cost of sales to the low income families and the fisheries community to provide relief to their cost of living rather attending to earn profits. However, this kerosene subsidy is misused by some of the heavy transporters due to the price gap between Diesel and Kerosene. The stringent actions taken to control the adulteration of kerosene by some of the heavy transporters contributed to maintain the sales stagnated. Sales revenue has increased by 14.64% due to the increase of Kerosene prices in mid of year 2018 contributed to deflate the loss in to above position in this segment.

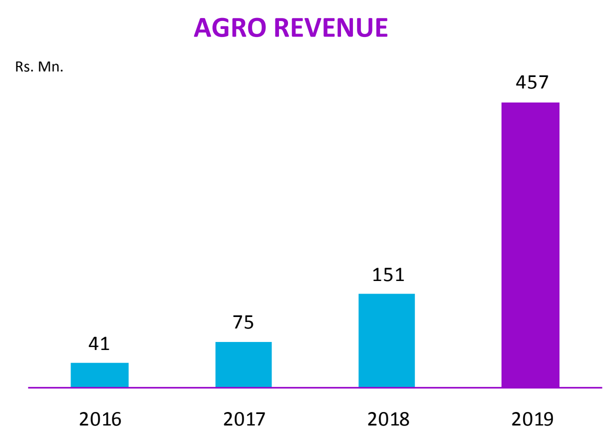
LPG sales revenue increased by 11.83% against to year 2018, from Rs. 2,337 Mn. to Rs. 2,613 Mn. Profits from LPG increased from Rs. 116 Mn. to Rs. 207 Mn. due to reduced refined cost and positive impact of the exchanges rates.



AGRO

Despite the low revenue generated through the sector, the Corporation stays in the market with the purpose of acting as price controlling party to protect farmers by providing high quality agro chemical products at a reasonable price.

Sales revenue increased from Rs. 151 Mn. to Rs. 456 Mn. by 202% compared to year 2018 with reporting a notable increase from the loss of Rs. 19 mn. incurred in the year 2018 to profit of Rs. 106 mn. during the year which is converted to a profitable sector after many year. Sale of Glyphosate significantly contributed for the above achievements.



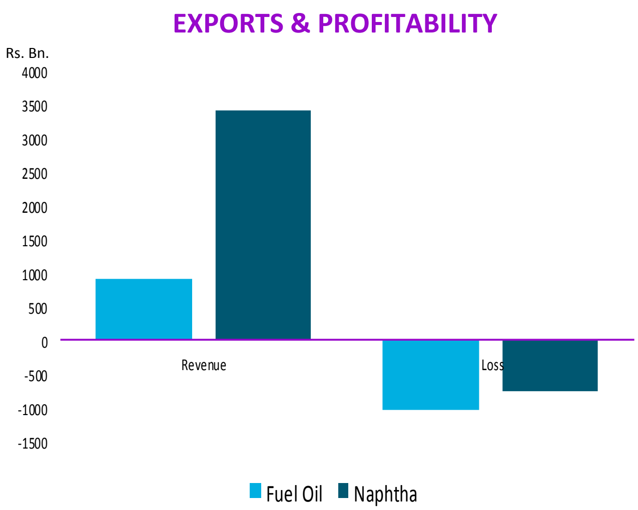
CPC obtained the approvals to import the Glyphosate to the country complying to the various regulations and supply to customers in the tea and rubber plantations subject to strict adherence to guidelines issued by the regulatory authorities.

During the year under review, ISO performance reviews were conducted for ISO 18001 as well as for OHSHAS 2007.

Improvements were made to the distribution network with 117 Ceypetco agrochemicals dealers appointed in high potential areas and 56 tea and plantation customers were appointed to expand the business opportunities.

EXPORTS

Export of Naphtha and Furnace oil generated a income of Rs. 4.3 Bn. during the year while incurred a loss of Rs. 1.8 Bn. Drop of demand from the power sector during heavy rainfall season exerted pressure in storing products and the storage issues pressure to export these products led to export even below cost generating above loss to CPC.



REFINERY OPERATIONS

CPC Refinery reached to a remarkable milestone with completing 50 years of continuous operations from 1969 to 2019 and it has been celebrated on 07 August 2019.

The Refinery processed 1,864,817 MT of crude with composition of Murban Crude 99.8 % and Saharan Blend 0.2 % during the year 2019 while it was 1,675,337 MT in the year 2018. The Refinery operated at an average throughput of 5230 MT/Stream Day and 5109 MT/calendar day in year 2019.

Due to the Refinery major shutdown in the year 2018, operating time efficiencies of key process units accelerated during the year 2019 compared to the year 2018.

OPERATING TIME EFFICIENCY

Unit	2019	2018	2017
Crude Distiller	97.68	89.7	96.2
Naphtha Unifiner	95.53	87.85	87.8
Platformer	95.8	89.09	90.3
Gas Oil Unifiners	79.57	66.43	81.6
Visbreaker	93.39	85.3	85.0
LPG MeroxTreater	97.45	85.35	93.5
Bitumen Blower	42.11	25.84	0.0
LPG Unit	97.45	85.67	93.5
Kerosene Merox (Jet A1)	82.8	75.31	69.9
Water Intake Station	43.05	43.84	38.1

The refinery was in operation for 356.6 days in 2019 and Crude Distiller Unit recorded an operating time efficiency of 97.68%. The actual total operating cost per metric ton increased by 8.79% compared to the previous year mainly due to the increased own used fuel and gas oil costs during the year together with the exchange rate movements.

With the stringent control measures and continuous planning helped to reduce the own use fuel processing, storage and handling losses to 0.277% compared to 0.330% in 2018.

During the year the Refinery produced nine types of petroleum products through the refinery process. The refinery output represents 35% of Auto Diesel, 27% of Fuel Oil, 10% of Petrol 92 and balance in other products.

REFINERY OUTPUT

As planned, CPC is investing on the up-gradation 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.

SUPPLY OF PETROLEUM PRODUCTS

The Refinery transfers the output to CPSTL, Kollonnawa 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.

The refinery supplied Liquid petroleum Gas amounted to 27,050 MT while fuel oil supplied to CEB and Asia Power amounted to 112,911MT and 18,152 MT respectively.

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

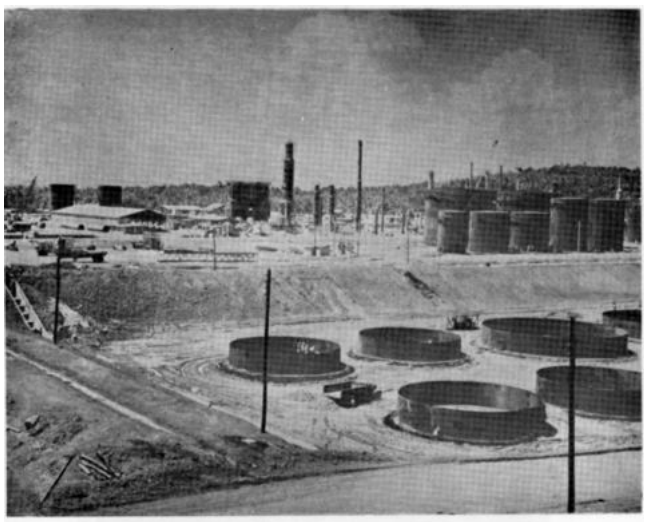
> Replacement of Water line from Water Intake to Refinery.

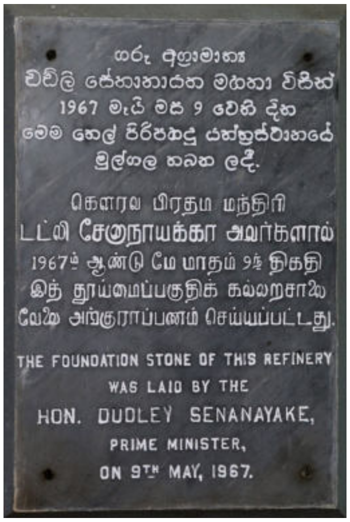
> New Compressor for O4 unit

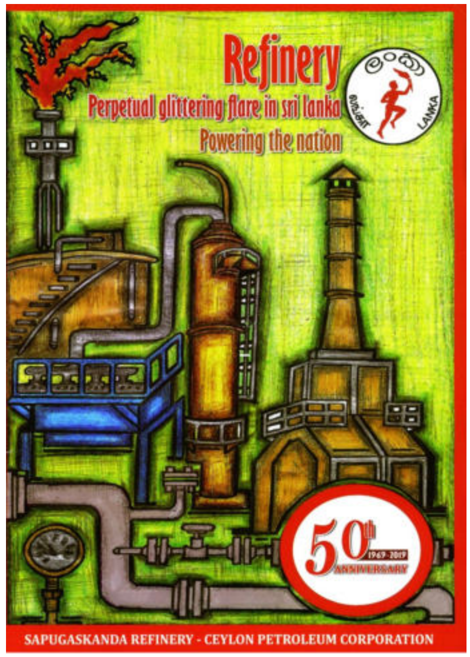
CPC Refinery established in year 1969 with an aim to supply for the country's petroleum demand and it celebrated the Golden Jubilee with the pride of its continuous operation on the 7th of August 2019 for the value creation to the nation. The Refinery crossed several milestones during its successful operation of the 50 years from 1969 to 2019 as noted below.

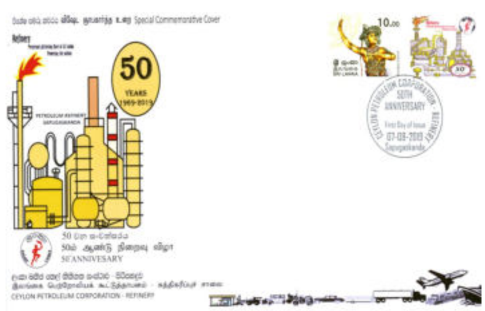
1966 - Contract signed with ENI
1969 - Crude distillation Unit Commissioned
1970 - First in-house development – LPG production commenced
1971 - Jet Fuel production commenced
1972 - Management handed over to Sri Lankan staff
1979 - Debottlenecking completed – capacity increased by 30%.
1981 - Kerosene Merox unit commissioned.
1983 - "Sword of Hon our" award received for the first time
1988 - SPBM and Orugodawatte tank farm commissioned
1992 - Crude distiller unit revamp to process different crudes completed.

The presently Refinery is running with the full capacity of 42,000 barrels of crude oil per day and it manufactures 10 petroleum products to the market working continuously for 24 hours a day which provides 30% of the petroleum demand of the country. The longevity of the operation secured with the replacement of wasted parts with brand new parts and repairing it according to international standards through the Great Shut Down of the refinery held every two or three years with pre-planning of several years.


Tanks under construction in the tank farm with the process units in the background








50 years Celebration


ed Refinery


Grand opening

Several essential projects to increase the efficiency and productivity of the Refinery supplying petroleum products to the nation have been completed in the recent past. The Refinery, with 100% Sri Lankan staff, has provided direct employment for around 1100 citizens and high recognition of Refinery Training by overseas countries is the great fortune of the country to create well experienced engineers to the world.

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. Presently CPC is in the process of investing USD 250 million to upgrade the existing Refinery operations that will converts the bottom line products into petrol and diesel with environmental conservations towards the sustainability of the Refinery operations.

OUR VALUE CREATION


ON PETROLEUM CORPORATION
JET A-1

VALUE CREATION MODEL

INPUTS

FINANCIAL CAPITAL

Shareholders funds
Borrowings
Other payables

MANUFACTURED CAPITAL

Filling Stations
Property, Plant & Equipment

HUMAN CAPITAL

Our People
Experience
Skills & Competencies

SOCIAL & RELATIONSHIP CAPITAL

Stakeholder Management
Health & Safety Initiatives

INTELLECTUAL CAPITAL

Technological Expertise
Branding
Processes

NATURAL CAPITAL

Energy Consumption
Water Consumption
Other Natural Resources

VALUE

VISION

STRATEGIES

Profitable Growth

Sustainability

Operational Excellence

Product Excellence

Technological Advancement

Investment in Human Capital

Long Term Financial Stability

F

PRIMARY ACTIVITIES & SUPPORTIN

CORPORATE GOVERNANC

RISK MANAGEMENT

EXTERNAL ENVIRONMEN

CREATING ACTIVITIES

MISSION

BUSINESS LINES

Auto Fuels

Fuels for Power Generation

Aviation

Industries

Domestic

Bitumen

Agro Chemicals

Lubricants

Exports

G SERVICES

CE

T

OUTPUTS

Gross Revenue
Rs. 646 Bn.

Sales Volume
6,082 Mn. Ltr.

Gross Profit
Rs. 4 Bn.

Staff Cost
Rs. 5.8 Bn.

Contribution to Government
Rs. 126 Bn.

New Filling Stations
23

Total Filling Stations
1302

OUTCOMES

SHAREHOLDERS

Creation of Wealth
Financial Growth

CUSTOMERS

Quality products
Availability across the country
Fair price

EMPLOYEES

Talented & Efficient workforce
Safe & Equitable environment

GOVERNMENT/ REGULATORS

Contribute for the energy security
Contribution for the economic development

COMMUNITY

Sustainable relationships

FINANCIAL CAPITAL

FINANCIAL CAPITAL

Financial performance of the Corporation improved significantly during the year 2019 with the increase of sales volume coupled with appreciation of the exchange rate and downward movements of the international oil prices. Revenue generated from selling of petroleum products reached to a remarkable level of Rs. 646 billion and despite other adverse variables, loss has come down from Rs. 106 billion to Rs. 11.8 billion . CPC borrowed long-term loan of Rs. 2.3 billion to invest in the BIA project as a self financing loan facility.

646,591
RS. MN.
GROSS TURNOVER

4,261
RS. MN.
GROSS PROFIT

326,340
RS. MN.
TOTAL ASSETS

14,055
RS. MN.
FINANCE & OTHER INCOME

PROFITABILITY RATIOS	2019	2018
Gross profit	0.68%	-0.47%
Operating profit	-3.02%	-4.25%
Net profit	-1.88%	-19.95%

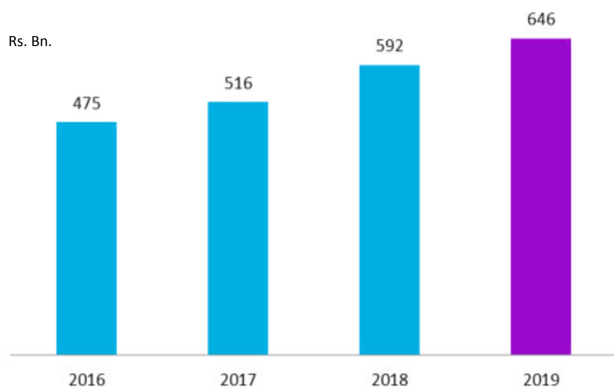
OUTLINE - 2019

- Total sales volume accelerated to 6,082 million ltrs.
- Gross profit increased to Rs. 4,261 million.
- Exchange gain during the year - Rs. 8,398 million.
- Loss for the year has reduced to Rs. 11,857 million.
- Long-term borrowings increased by Rs. 2,389 million.

REVENUE

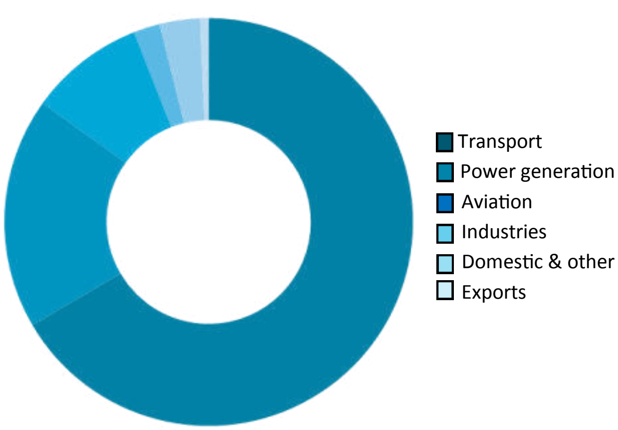
Net revenue increased by 9.62% compared to the year 2018 reflecting increase in sales volume and the prices during the year. In the year under review, domestic sales remained the dominant income source. It is notable to indicate that Petrol and Diesel prices were changed monthly up to September 2019 as per the stipulated regulations.

GROSS REVENUE



Auto Diesel continued to earn the highest income in the year 2019 as well and petrol 92 was the second highest income generator. Demand for the Petrol 92 has increased by 12.82% compared to the year 2018 while demand for Petrol 95 and Super Diesel dropped by 14.67% and 12.44% compared to last year respectively. Despite the every endeavors to reduce the demand for Kerosene to ensure a sustainable consumption for the low income families and fishing communities, the demand has stagnated in the same position stood in the year 2018 reflecting the adulteration of Kerosene due to the highly subsidized price by the heavy transporters.

REVENUE MIX



OTHER INCOME

The Corporation earned a dividend income of Rs. 150 Mn from CPSTL the subsidiary. Staff interest income of Rs. 239 Mn. has represented materially in the other income. Income on the Investment properties, rental income and the sales of the filling station equipment are recognised in this column.

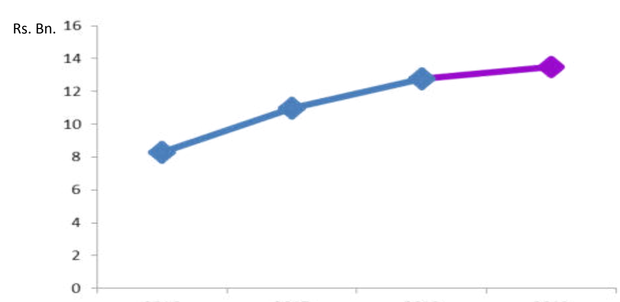
EXCHANGE RATE VARIATION

Sri Lankan Rupee appreciated moderately against US Dollars during the year resulting to positive impact to the Income Statement. The Corporation settled the most of the short-term loans utilizing the short-term deposits available as at 31.12.2018 generating a exchange gain and exchange gain for the year is Rs. 8,397 Mn. (2018 loss – Rs. 82,717 Mn.) recorded in the Income Statement.

FINANCE INCOME

Investment income from Treasury Bonds, Fixed deposits and Call Deposits contributed for the finance income. Daily excess cash was invested in interest yielding sources while ensuring that CPC will not go into a bank overdraft. As CPC settled the loans utilizing the short-term deposits, the interest income generated from the short-term bank deposits has decreased from Rs. 4,749 million to 3,241 million. Penalty/interest charges on the delayed customer settlements have increased by Rs. 2,522 million as most of the invoices of Ceylon Electricity Board (CEB), Independent Power Producers (IPPs) and Sri Lankan Airlines (SLA) remained overdue outstanding during the year. Despite the reduction of interest income on short-term deposits, total finance income has increased by 4.94% compared to year 2018 due to increase of the penalty/interest on delayed settlements.

FINANCE INCOME



FINANCE EXPENSE

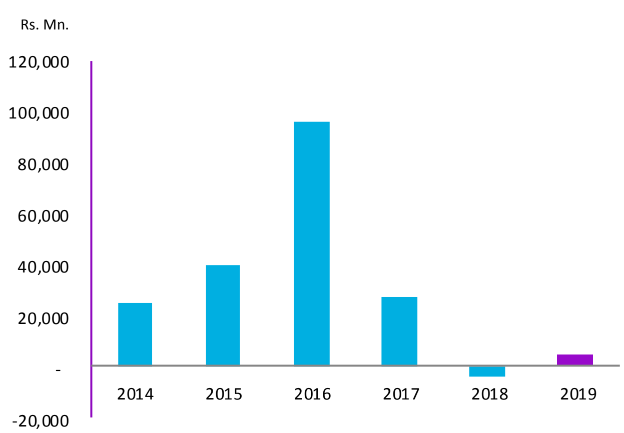
Finance expense of the Corporation amounted to Rs.14,699 Mn. an increase of 21.83% compared to prior year. Short-term loan outstanding position has increased significantly due to weak loans settlement and impact of the deep depreciation of exchange rate in the year 2018. Non-settlements of trade receivables by the government enterprises mainly CEB, SLA adversely affected for the cash inflows resulting to non-settlement of loans leading to increased loan balance. It is commendable to note that CPC manages its funds effectively without incurring overdraft interest this year also.

INCOME TAX EXPENSE

As per the Inland Revenue Act No. 24 of 2017, the Corporation is entitled to claim the taxable business loss from the taxable income. Accordingly, no material tax liability has been arisen during the year.

PROFITABILITY

Gross profit accelerated by 203% with moving gross loss of Rs. 4,124 million in 2018 to gross profit of Rs. 4,261 million in the year 2019. Local price changes, volume increase coupled with the appreciation of the Srilanka Rupee against US Dollars contributed for the improvement of the gross profit.



The Corporation implemented various strategies to convert the gross loss into a profitable organization. Despite the increased terminal charges around 30% by CPSTL, the Corporation was able to improve the operating loss for the year from Rs. 24,247 Mn. to Rs. 19,060 Mn. Loss for the year has reduced by 88.83% from 106,162 Mn. to 11,857 Mn. in the year 2019.

INVENTORIES

Value of the inventories increased by 7.94% against the prior year. Increased value of the finish goods caused for the above movement of the inventories.

TRADE RECEIVABLE

The Corporation provides fuel to government institutions and other parties on credit basis with a aim to ensure smooth operation of the economy. Trade receivable and other receivable has increased by 60.41% against the year 2018 amounting to Rs. 173,048 million due to non-settlements of the large sums by state owned enterprises largely CEB & SLA. During the year The Corporation set off Rs. 12,340.26 million worth trade receivables from the three forces, police and Department of Railways against taxes and duties payables to the government. Outstanding balances as at 31 December 2019 from Sri Lankan Air Lines Ltd, CEB, IPPs and armed forces accounted to Rs. 48.28 Bn., 86.02 Bn., Rs. 15.72 Bn. and 1.69 Bn. respectively and it represents more than 90% of the total trade receivables.

CPC applies sound recovery system and to recover the trade outstanding balances within the due period. Most of the credits provided to the private parties have been guaranteed through the bank guarantees.

Recovery discussions and arrangement are made with the involvement of Ministries to minimize outstanding from the government enterprises. Despite the above outstanding balances, the Corporation continues the fuel supply to these institutions to ensure continuous electricity supply to the nation for the contribution of the economic development and to continue the national carrier to protect the goodwill of the country.

LOANS AND BORROWINGS

Long term borrowings increased by Rs. 2,389 million due to the self-financing loan obtained to investment in the CPC Aviation section in Bandaranaike International Airport expansion project. The loan amount will be increased based on the work in progress of the project.

Working capital of the Corporation is arranged through the short-term loans obtained from two state banks namely People's Bank and Bank of Ceylon at the interest rate of 5.5 per annum in USD terms.

As a normal procedure, the Corporation converts letter of credits opened to import refined/crude oil to short-term loans after the period of six months.

The Corporation settled significant amount of loans during first quarter of 2019 by utilizing the short-term investments and bank deposits. This process generated significant amount of realized exchange gain due to the appreciation of Sri Lankan Rupee against US Dollars in same period.

Short term borrowings increased by Rs. 13,330 million during the year. Non-availability of the funds due to accumulation of the trade receivables guided to weak settlement of loans.

RETAINED EARNINGS

Negative retained earnings increased further to Rs. 337,047 million with the losses incurred since 2008 except the profit made in 2014, 2016 and 2017. Selling of the petroleum products at a government decided subsidized price contributed to the losses and they have been financed through interest bearing short-term foreign currency bank loans, which adversely impacted to the financial performance of CPC.

CASH FLOWS

The Corporation has utilized the available bank deposits for the operational activities resulting to net operating cash outflow of Rs. 96 billion. As trade receivable increased significantly, the available bank deposits have used for the working capital arrangements. Interest received and realization of the treasury bonds contributed to generate cash flows from investing activities amounting to Rs. 9.9 Bn. The Corporation obtained net loan amounting to Rs. 10.3 Bn. and overall, Cash & Cash Equivalent position has decreased from Rs. 103.6 Bn. to Rs. 27.5 Bn. with the settlements of loans and bills from short term deposits.

ECONOMIC VALUE ADDED

CATEGORY	2019	2018
Sales Revenue	630,860	575,493
Other Income	14,055	13,702
Bought in materials & services	(512,562)	(548,609)
Depreciation	(982)	(957)
Value Added	**131,371**	**39,629**
Applied to		
Employees		
Wages & fringe benefits	5,865	6,019
Providers of capital		
Interest on loans	14,699	12,065
The Corporation		
Retained Profit	(11,857)	(106,140)
The Government		
Taxes and duties	122,664	127,685
Value Added	**131,371**	**39,629**

MANUFACTURED CAPITAL

MANUFACTURED CAPITAL

The Corporation distributes petroleum products via the extensive island-wide filling stations which includes CODO and DODO to assure convenient accessibility of the general public. The proper management of the manufactured capital plays an integral role to the betterment of CPC and availability of the quality petroleum product to the general public at all the time. Strategic priorities were given on upgrading the existing filling stations to meet high standards and to make the sustainable petroleum industry in Sri Lanka.

1,302
NO. OF FILLING STATIONS

23
NEW FILLING STATIONS

38,033
RS. MN.
TOTAL FIXED ASSETS

4,007
RS. MN.
INVESTMENTS ON FIXED ASSETS

CATEGORY	NO. OF FILLING STATIONS
Corporation Owned Filling Stations (CODO)	243
Dealer Owned Filling Stations (DODO)	1059
Total	**1302**

OUTLINE - 2019

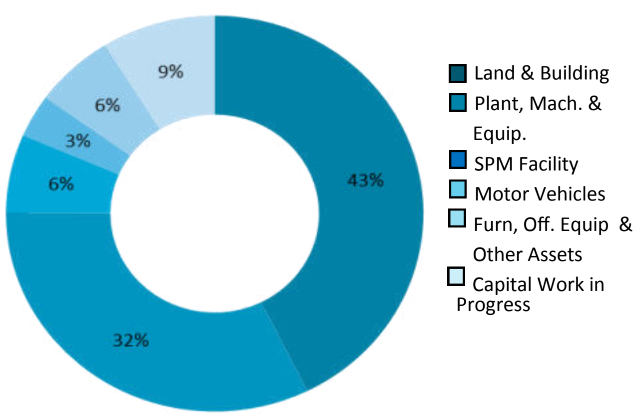
- **Net book value of property, plant & equipment - Rs. 26,490 million.**
- **Developed an online payment system for the customers.**
- **Introduction of automated system for coupon settlements.**

Manufactured Capital of the Corporation includes property, plant & equipment, investment properties and intangible assets including information technology (IT) systems & software and filling station network. These capital used to refine, supply and distribute petroleum products island-wide creating value to our stakeholders. The Corporation manages manufactured capital that helps for the storage facilities to maintain ample stock and distribution of petroleum products to ensure energy security of the country.

A total fixed assets including investment properties of the Corporation increased to Rs. 38,108 million during the year while net book value increased from Rs. 23,445 million to Rs. 26,490 million. We have invested Rs. 3,991 million in property, plant & equipment in 2019 that increased the existing assets bin.

Investment properties includes properties located at Thurstan Road and Flower Road in Colombo and the filling station given on rent. The Corporation invested Rs. 17.2 million to the investment properties during the year. The investment properties have generated an income of Rs. 46 million during the year.

ASSETS BY CATEGORY



The Corporation operates the only petroleum Refinery in Sri Lanka which is located at Sapugaskanda, Kelaniya. The Refinery has been commissioned in 1969 and was capable of supplying the country demand of key petroleum products prevailed at the time of installing. 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 sales of the Corporation from the Refinery enabling energy security of the country.

The Refinery celebrated 50 years of its successful operations in the year 2019 with creating value to the nation since 1969 to 2019. Many projects are in track to enhance the refining capacity and up-gradation of the Refinery as the Refinery is heart of the Corporation.

CPC introduced automated payment system for the customers to ease their payment and purchasing process. The system has been developed facilitating with banks to on time real-time posting to the CPC system. This system facilitate for the island-wide dealers and customers to make their payments easily and purchase the petroleum products.

An automated coupon system has been developed to align with the payment system. The system minimizes the manual intervention for the settlement process with minimum lead time release or credit the payments.

DISTRIBUTION CHANNEL

The island-wide filling station network is the key strategic point of the Corporation where the relationships with the final customers are occurred. The satisfaction of the general public and industries is crucial as the Corporation is the responsible entity that has to ensure the availability of the petroleum products to the general public all over the country at all the time.

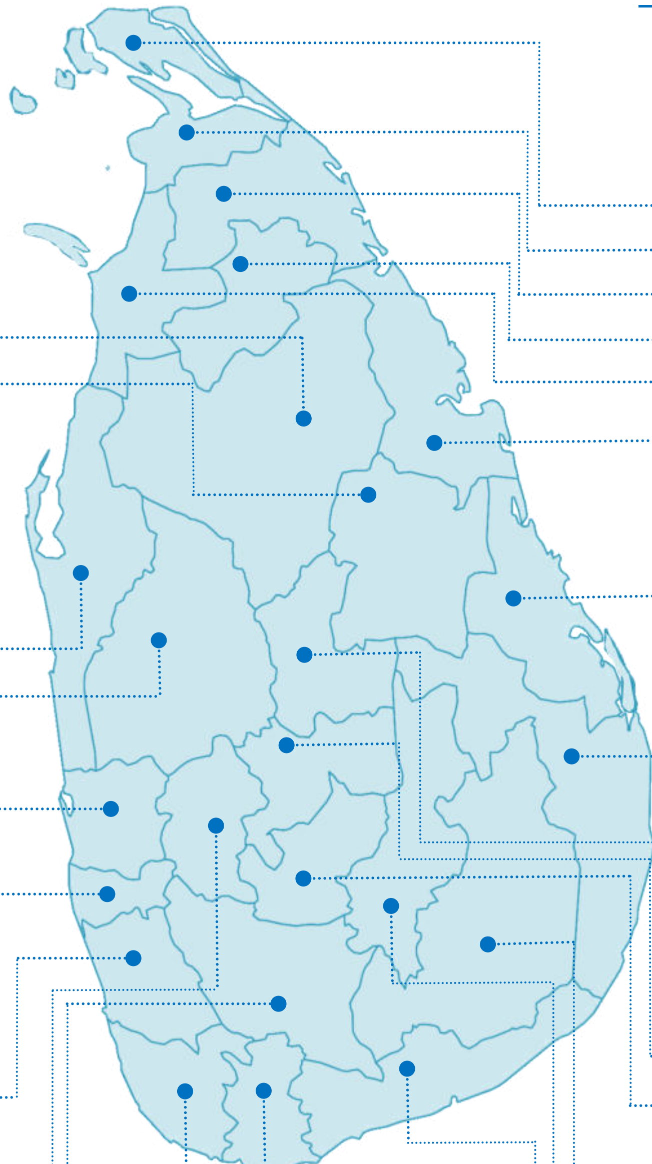
The Corporation has two types of filling stations namely Corporation Owned Dealer Operated (CODO) filling stations and Dealer Owned Dealer Operated filling stations (DODO) and the number of filling stations have increased to 1302 increasing the accessibility to the customer touch points. There are 23 new filling stations added to the portfolio during the year.

The above geographical footprint has enabled CPC to maintain market leadership while achieving 84% market share of the local fuel demand of the country. Sales through this network represent more than 65% of the total turnover of the Corporation.

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.

OUR DISTRIBUTION CHANNEL

CATEGORY	NO. OF FILLING STATIONS
CODO	243
DODO	1059
Total	**1302**



NORTHERN PROVINCE

District	CODO	DODO	Total
Jaffna	22	64	86
Kilinochchi	4	15	19
Mullativ	-	23	23
Vavuniya	1	22	23
Mannar	5	29	34
Total	32	153	185

NORTH CENTRAL PROVINCE

District	CODO	DODO	Total
Anuradhapura	12	45	57
Polonnaruwa	8	20	28
Total	20	65	85

NORTH WESTERN PROVINCE

District	CODO	DODO	Total
Putlam	7	75	82
Kurunegala	14	88	102
Total	21	163	184

EAST PROVINCE

District	CODO	DODO	Total
Trincomalee	4	35	39
Batticoloa	4	46	50
Ampara	6	55	61
Total	14	136	150

WESTERN PROVINCE

District	CODO	DODO	Total
Gampaha	17	119	136
Colombo	39	89	128
Kalutara	11	40	51
Total	67	248	315

CENTRAL PROVINCE

District	CODO	DODO	Total
Matale	3	21	24
Kandy	18	45	63
Nuwara-eliya	13	5	18
Total	34	71	105

SABARAGAMUWA PROVINCE

District	CODO	DODO	Total
Kegalle	6	25	31
Ratnapura	9	41	50
Total	15	66	81

SOTHERN PROVINCE

District	CODO	DODO	Total
Galle	11	56	67
Matara	9	34	43
Hambantota	7	28	35
Total	27	118	145

UVA PROVINCE

District	CODO	DODO	Total
Moneragala	6	20	26
Badulla	7	19	26
Total	13	39	52

CAPITAL PROGRESS & FUTURE OUTLOOK

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

Short-term, mid-term and long-term strategic projects have identified and strategic focus and resource allocations are made affirm the continuity of the sustainable operations. Summary of the major strategic projects are listed below.

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.

Procurement process has been started 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 enabling CPC to assure energy continuity for the Katunayake airport and easy the Jet A-1 distribution channel.

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 furnace oil and Naphtha due to lack of storage capacity. Further, it will continue to focus on driving growth and efficiencies to address the increasing demand for petroleum products uninterruptedly while minimizing cost. Possible mechanisms are in considerations for the financing arrangements to implement for the above 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 the up-gradation of the owned filling stations and strategic priorities are in place to maintain the market leader status and expect to capitalize on the government backup as a public enterprise.

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-term strategic projects enables CPC to generate value addition to the stakeholders.

CAPITAL TRADE-OFF

As CPC operations are financed through the loan arrangements taken from the banks, financing sources arrangements are to be obtained to implement the projects at high financing costs leading to the project cost and ultimately for the profitability of the Corporation.

HUMAN CAPITAL

HUMAN CAPITAL

Human Capital representing 2616 permanent employees, contract employees & trainees. Committed and engaged employees are strategic asset for the success of the Corporation. As the market leader in petroleum business in Sri Lanka, employee engagement plays dynamic role to make customer/stakeholder satisfaction. Strategic priorities are given for the employees training and development to upgrade and maintain a workforce that creates a value to the stakeholders.

2,368
NO. OF EMPLOYEES

16
RECRUITMENTS

5,865 RS. MN.
STAFF COST

100
SERVICE AWARDS

EMPLOEES BY CATEGORY	NO. OF EMPLOYEES
A Grade	315
B Grade	1,136
C Grade	917
Total	**2,368**

OUTLINE - 2019

- Invested Rs. 12.24 million on the training & developments.
- Provision of trainings opportunities for 1421 employees.
- Granted 1124 new loans to the employees.
- Granted 16 scholarships for the children of the employees.

Our human capital is a strategic asset which is utilized for the sustainable development of the organization. Well skilled and competent work force drive the organization to reach its vision and mission into reality and these employees help to maintain CPC as the market leader having over 80% market share in the country. Our human capital framework affirms good working environment while providing better rewarding, safety and health environment with greater 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.

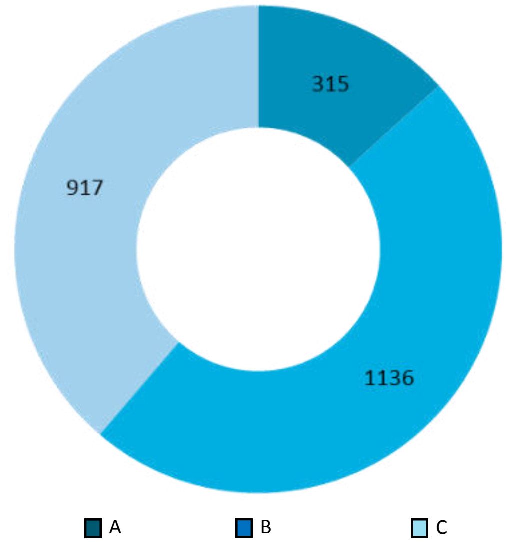
STAFF STRENGTH	
Permanent staff	2,368
Contract	2
Trainee technicians	78
Trainees (From external academic institutions)	168
Total	**2,616**

DIVERSITY

As a HR policy CPC encourages employee full diversity in all the aspect that helps to reach operational targets by creating value to the stakeholders. CPC inspires employee diversity with combination of age, gender, religion, ethnicity and region etc. and they are placed in different provinces to enable better customer accessibility and customer services.

STAFF BY PROVINCE	Male	Female	Total
Western	1,736	286	2,022
Eastern	25	1	26
North	17	4	21
Uva	14	2	16
North Western	35	11	46
Central	53	14	67
Sabaragamuwa	22	13	35
South	85	11	96
North Central	30	9	39
Total	**2,017**	**351**	**2,368**

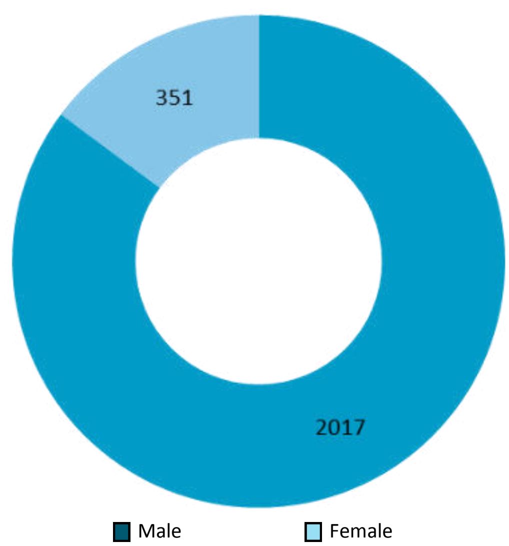
EMPLOYEES BY GRADE

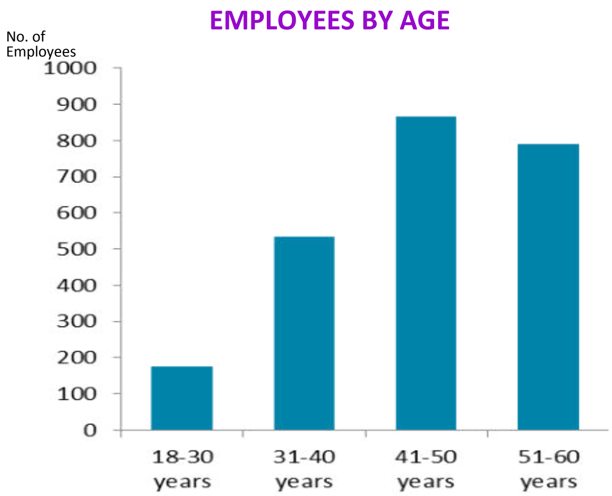


EQUAL OPPORTUNITY

The Corporation is a non-discriminatory employer. CPC recruits employees considering the candidate's suitability for the specific assigned job, qualification and experiences. 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 manner. 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.

EMPLOYEES BY GENDER





REWARDS AND RECOGNITION

CPC believe that attractive rewarding system motivates employees to perform their duties and responsibilities and crate loyal employees towards the Corporation. CPC offers reward package consisting both financial and non-financial benefits in par with the market rates. Rewards system is linked with the performance of the employees and annual performance evaluation is made based on their performance.

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. Details of the awards during the year are given below.

SERVICE AWARDS 2019

SERVICE CATEGORY	NO. OF AWARDS
20 years of service	*67*
25 years of service	*26*
30 years of service	*4*
35 years of service	*3*
Total	***100***

CPC employees are eligible to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) benefits.

The 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 and additional retirement benefits through thrift society.

RECRUITMENTS

During the year, the Corporation recruited 16 employees to our workforce.

TRAINING & DEVELOPMENT

CPC committed to the 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 on the job. As per the annual plan, CPC provides plenty of in-house training programs including on the job training as well as external structured trainings programs to equip with technical and soft skills which are required for the knowledge sharing, 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. The Corporation has spent Rs. 12.2 million to upgrade through the various training programs during the year 2019.

TRAINING PARTICIPANTS

Training/Grade	A	B	C
Outside training	141	***97***	44
In-house training	304	491	344

A series of program to improve the productivity and quality of the work has been provided to cover all the employees in order to add the value to the stakeholders of the corporation.


Productivity training

The Corporation promotes the employees for the higher educational opportunities, including overseas universities and institutions and provides financial assistances to follow the master degrees, degrees and diplomas to upgrade their knowledge & competencies.


Training at head office

RETIREMENTS

Total of 101 employees left during the year due to the retirements, deaths, resignations and termination.

RETIREMENTS/DEATHS/RESIGNATIONS

Group	Male	Female	Total
18-30 years	1	-	**1**
31-40 years	1	-	**1**
41-50 years	7	-	**7**
51-60 years	86	6	**92**
Total	**95**	**6**	**101**

HEALTH & SAFETY

Petroleum products are highly exposed to the risk of health & safety due to the inherent nature of inflammability. CPC strive to maintain health and safety environment for the employees by meeting with internationally accepted standards to safeguard all the stakeholders. CPC ensure that all safety precautions are in place to maintain the safety environment.

Refinery plays a key role in the health and safety considerations and planned structured systems are in placed to avoid 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. The Safety, Health & Environment Week was held from 04th to 11thNovember, 2019. It is notable to indicate that there was no any fire incident reported during the year.

HEALTH & SAFETY AT REFINERY

Health & Safety	2019	2018
Lost time accidents	-	***1***
First aid accidents	7	***5***
Minor fires reported	-	**-**

Fire training

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

ENGAGEMENT

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

Finance staff get-together

Finance staff get-together

WELFARE

Staff welfare is essential to retain engaged employees within the organization. CPC implemented various welfare programs and activities during the year to build employees loyalty toward the Corporation.

Pirith chanting

Various loan schemes at a concessionary rate are provided to all the employees to improve their living standards and recognize their contribution towards the Corporation. CPC has granted 58 housing loans, 65 house repairing loans, 844 home facility loans, 14 car loans and 143 bicycle/three-wheeler loans during the year.

CPC extends scholarships programs to the children of CPC employees to facilitate and encourage work life balance and their recognition. During the year 16 new scholarships were given to the children those have reached to educational achievements. CPC provides Medical Scheme covering the employee and their dependents to maintain healthy lifestyle that lead to enthusiastic workforce for the smooth and efficient operations.

INDUSTRIAL RELATIONS

As CPC is the market leader in the industry having more than 80% of market share, industrial relations are crucial for the continuation of the Corporation's operations and economy as a whole due to energy security plays a vital role in the national economy. CPC extends its industrial relations climate of the Corporation to continue good industrial relations between all the stakeholders securing the energy supply to the country and creating the value to the stakeholders.

CPC accepts the all the trade unions that are formed by the employees. The Corporation recognizes their constructive dialogs and behavior that maintain cordial relationship with all the parties creating opportunities to the organization as well as other parties.

The Corporation provides all the employees a freedom to join with the trade union as per the employees requirements. There are seven trade unions are existed as at 31.12.2019 and the Corporation maintains cordial relationship with all the trade unions to guarantee an uninterrupted operations.

COMPLIANCE WITH LABOUR LAWS

As a responsible strategic business enterprise in the country, CPC respect and adheres to all the labour and other laws and regulations. CPC recruits only the employees who are above the age of 18 years without any discrimination. The Corporation discourages child labor, forced labor or compulsory labor indicating the responsible and ethical behavior.

SOCIAL & RELATIONSHIP CAPITAL

SOCIAL & RELATIONSHIP CAPITAL

126 RS. BN

CONTRIBUTION TO GOVERNMENT

127

NO. OF PROCUREMENTS

2.2 RS. MN.

CSR EXPENSES

2.83 USD. BN.

FUEL IMPORT COSTS

The Corporation believes that integrity & regulatory compliance are the primary attributes to build confidence among the stakeholders due to the inherent flammable nature of the petroleum products. Our prime aim is to provide island-wide services by ensuring the easy accessibility of the public & industries for the high quality petroleum products to contribute for the sustainable economic development. The Corporation is one of main tax contributor of the government tax revenue.

FUEL IMPORTS

PRODUCT	VALUE USD MN. (DAP BASIS)
Crude imports	970.7
Refined product imports	1,858.4
Total	**2,829.1**

PERFORMANCE

- Crude imports 1,842,737 MT
- Refined products imports 3,048,657 MT
- Value of other procurements completed Rs. 567 million.
- Addition of new filling stations 23.
- Number of in plant trainees - 82

The Corporation provides products & services that facilitates to the economic development, exhibits good governance and safeguard long term sustainability.

The Corporation maintains and enhance its cordial relationship with the strategic partners, particularly with the General Treasury, Central Bank of Sri Lanka (CBSL), Bankers, Crude & refined oil suppliers, shipping lines, local suppliers, dealers, etc.

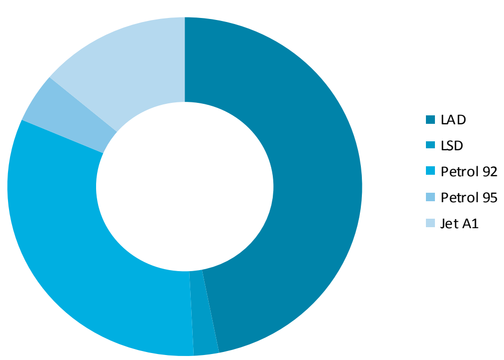
As Sri Lanka is a country without having the minable petroleum resources, all petroleum products need to be sourced from external sources. Well defined procurement procedures are in place to assure transparent procurement procedure. Stock review committee are actively involving to decide the stock requirements,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

Sri Lanka is an importer of petroleum products either as Crude or Refined petroleum products to the country as we do not have minable petroleum resources so far. CPC imports these products through the government establish procurement procedures providing more transparency for the procurements and attract best suppliers to import quality products .

The Corporation imported 20 number of crude shipments with the total volume of 1,842,737 MT of Murban Crude oil during the year for the production process at the Sapugaskanda Refinery.

REFINED PRODUCTS IMPORTS



As the Refinery cater around 30% of the total Corporation's sales, balance petroleum products are directly imported as refined products. The Corporation imported USD 1,858 million (DAP basis) worth of refined products to country through registered suppliers.

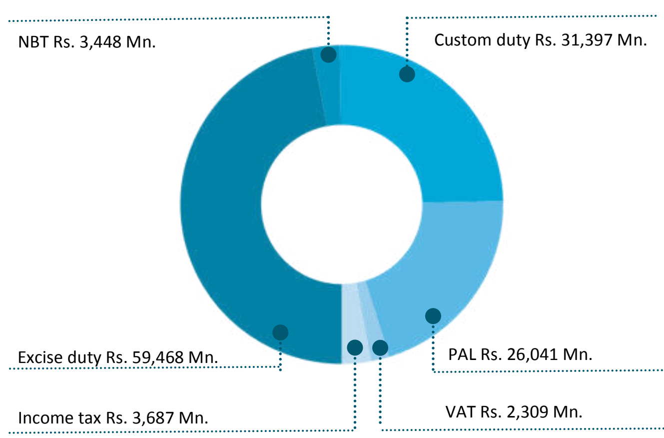
NON-OIL PROCUREMENTS

Procurement category	No. of Procurement completed	Amount (Rs. Mn.)
Departmental procurement committee	126	372
Ministry procurement committees	1	195
Cabinet appointed procurement committees	-	-
Total	127	567

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

GOVERNMENT CONTRIBUTION

TAX CONTRIBUTIONS



Taxes and duties are the main source of income of the Government that used for the infrastructure development and economic activities. The Corporation is one of the largest tax contributor to the Government income. During the year, CPC contributed Rs. 126,351Mn (2018 – Rs. 125,357Mn), which is 19.54% of CPC net revenue.

Although CPC recorded a net loss of Rs. 11.8 billion during the year, CPC is of the view that the 20% of its revenue amounting to Rs. 126.3 billion has been contributed to the social welfare of the country through the contribution to the government revenue. This massive amount would be utilized for the infrastructure development of the country, improvement of the social wellbeing, etc. Considering the utilization of the funds, CPC is not in the real loss condition in terms of the whole economy.

PROVINCIAL FILLING STATIONS

PROVINCE	NO. OF FS
Western	*315*
North Western	*184*
North Central	85
Central	105
Northern	185
Southern	145
Uva	52
East	150
Sabaragamuwa	81
Total	**1302**

Dealer training program

BUSINESS PARTNERING

The Corporation has an extensive island-wide dealer network of 1,302 outlets guaranteeing product availability to the customers. As the market leader having more than 80% of the market share, extensive coverage for the fuel distribution network is a primary concern to maintain accessibility to the products regardless of the area. Strict guiding procedures and controls are in place to maintain the filling stations with the expected level of standards for the quality products.

PRODUCT RESPONSIBILITY

Product responsibility is our primary concern to guarantee the quality standardized product to the consumer all the time. The process starts with the procurement process and handling, distribution and quality checking process are monitored throughout the whole process.

Special monitoring system has been in placed at the customer touch point to identify and take corrective mechanisms to follow the procedures and practices. The monitoring team visit randomly selected filling stations 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. Dynamic actions were taken to overcome the shortcomings identified through the system.

The procedures have been extended to take samples from the vehicles in the various cities to verify the quality of the product they consumed and sustainable consumption pattern. More efforts are in placed to capture the adulteration of Kerosene and make sure the quality of the products they consumed.

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

SUPPORTING EDUCATION

As the only Refinery in Sri Lanka, many training opportunities provided to the local students that creates value addition to the Sri Lankan economy. As high demand for the petroleum experienced engineers are available from the overseas countries, the Corporation provide the maximum possible training opportunities.

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

COMMUNITY ENGAGEMENT

Our approach is to maintain cordial engagement with related communities. Our main distribution channel extended to 1,302 filling stations and it provides more than 15000 indirect employment opportunities. As a responsible corporate citizen, CPC looking after our dealer network that build economic value to the society and we provide opportunities for the direct customers as well for the economic value addition.

NATURAL CAPITAL

NATURAL CAPITAL

We nurture and live with the environment and we are committed minimizing the carbon, water and waste management. Environmental considerations are in built to the strategic actions to continue its responsibility towards the environment and the Corporation is committed to train its employees on environment preservation while making sustainable use of the limited resources since the activities of the Corporation affect a large number of people in the society.

926,536 MT

WATER CONSUMPTION

.4969

SPECIFIC ENERGY CONSUMPTION

101,662 MT

OWNED CONSUMPTION

0.27%.

NORMAL LOSS

YEAR	ESTIMATED LOSS
2019	5,266 MT
2018	5,627 MT
2017	11,847 MT

OUTLINE - 2019

- Invested on solar installation for circuit bungalows and area offices.
- Reduction of normal loss of the Refinery form 0.33% to 0.27% process.
- The quantity of CDU gas to flare 47.1mt.
- Zero (major/minor) fire in the refinery during the year.

WATER CONSUMPTION

CPC Refinery consumes considerable amount of water for the oil refinery process. Significant amount of water has been purified through the CPC Water Intake during the year while balance has taken from the National Water Supply & Drainage Board. CPC takes its every endeavor for the water conservation and sustainable consumption patterns. Waste water is properly purified and discharge as per the international level standards.

WATER CONSUMPTION	2019 MT	2018 MT
Purified water	***706,480***	***767,540***
Water board	*220,056*	*164,718*
Total	***926,536***	***932,058***

ENERGY CONSUMPTION

Refinery costumes substantial amount of energy for the refinery process. The refinery conducts loss and efficiency surveys to identify and take viable mechanisms to control the energy consumption. As the consumption of fuel and gas impacts to the environment through the emissions, CPC assures the sustainable consumption to minimize the environmental impacts.

ENERGYCONSUMPTION	2019	2018
Gas consumption (MT)	44,950	43,117
Fuel oil consumption (MT)	51,446	48,886
Estimated Loss (MT)	5,266	5,627
Specific energy consumption (MMK Cal/MT of Crude)	**.4969**	**.5510**

The Refinery operations faces with the normal loss on the refining process and expected normal loss has decreased by 6.4% (from 5,627 MT to 5,266MT) in the years 2019. During this year, total fuel gas to flare quantity was recorded as 354MT and the quantity of CDU gas to flare was 47.1MT.

The Refinery consumes considerable amount of electricity for the refinery operations and electricity consumption for Refinery (CEB supply) per month during normal hours varied between 200.6 MWh and 280.5 MWh.

Electricity consumption per month during peak hours varied between 90.3 MWh and 129.5 MWh. The maximum demand in the CEB supply varied from 1224 KVA to 1471KVA.

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

BIODIVERSITY

The operations of the Corporation may have negative impacts on the biodiversity through oil spills, emission of fuel, wastages, etc. Stringent operational procedures have placed to affirm all precautions and safety measures to mitigate the negative impacts to the biodiversity. There is no record of any oil spills and impacts of the CPC product to the biodiversity during the year.

COMPLIANCE

As a sustainable corporate citizen who is nurture with the environment, CPC complied with the all environmental laws and regulations in operational level as well as reporting level. Accordingly, no any significant fines or non-monetary sanctions imposed on the Corporation during the year. The Corporation closely work with the environmental related regulators as our business has a significant inherent risks that creates environmental hazards.

INTELLECTUAL CAPITAL

INTELLECTUAL CAPITAL

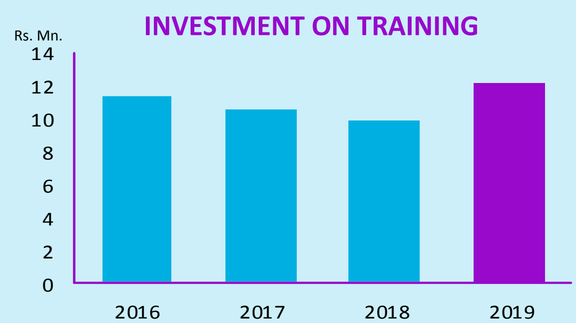
Intellectual capital consists of intangibles associated with the culture, ethics, values, organizational knowledge, systems, processes & procedures, learning and brand value. We nurture our resources for the up-gration of the tacit knowledge which is crucial and improve of the brand reputation. CPC has its owned ethical standards and values that are built into the culture as our product impacts to the cost of living and living standards of the people in the country.

864
NO. OF EMPLOYEES OVER 20 YRS

38,800 YRS
CUMULATIVE SERVICE EXPERIANCE

12.2 RS. MN.
TRAINING COST

97.68%
OPERATING TIME EFFICIENCY-REFINERY



OUTLINE - 2019

- Development of dealer operation observation system.
- Automation of coupon system.
- Up-gradation of bitumen process.
- Conducting training sessions on productivity for the all staff.
- Operation time efficiency of crude unit 97.68%.

OUR BRANDS

As a government enterprise 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 and Ceypetco Agro chemicals are also well recognized brands very close to the people. History of Ceypetco Agro chemicals brand image built in few decades ago in the farmers of Sri Lanka by providing high quality agrochemical products at a reasonable price to protect the farmers from the exploitation by other agrochemical companies. Ceypetco Lubricants also provides with "Best from the Best" with internationally recognized quality at a reasonable price in the market.

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 right product and accessibility to the product. CPC always follow with the international standards for the petroleum product as these products are highly vulnerable to the health and safety issues. CPC provides a diverse range of technical, operational and customer handling training to create dedicated expertise to deliver its value. Our stock control & Research Division actively contribute for products and service development without impact to the nature.

PROCESS ENHANCEMENTS

Developed an application to facilitate the Credit Coupon Delivery (CCD) to minimize the manual process of the coupon issuance and the reimburse process to supply effective services to the various government and private customers to regularize their fuel purchases. The new system will enhanced the security level of the coupon while it helped to the dealers to ensure the accuracy and issue fuels. The system expedites the reimbursement process to release the funds to the dealers within very shorter period.

Refinery operates with number of processes to refine the crude oil in to the petroleum products. CPC Refinery enhanced its operating time efficiency 97.68% with the application of strategies to increase the efficiency and effectiveness of the Refinery.

CONTINUOUS LEARNING & DEVELOPMENT

A knowledge base forms an important intangible asset of any organization in the current business environment. Since the creating the knowledge base organization is a key strategy, CPC builds the knowledge base by providing various training and development opportunities to strengthen their competencies to fulfill their duties and responsibilities. CPC invested Rs. 12.2 Mn. for the training of employees to enhance and upgrade knowledge base of the employees.

CPC implemented a series of successful productivity trainings covering all the employees with aim to enhance effectiveness of their performance to reach vision and mission of the Corporation into the reality.

There are 864 employees presently working with CPC having over 20 years of continuous service expertise . Further, cumulative service experience of the currently available workforce surpassing 38,800 years of service. This indicates the building of the knowledge base of the Corporation. The learning and supportive culture of the Corporation makes sure to maintain and tacit knowledge of the employees.

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 and long term strategies of the Corporation which are part and partial of the development agendas. The following illustrate the contribution to the SDGs by the Corporation.

Diverse workforce of 2616 is rewarded in far with the market rate and the Corporation has paid Rs. 5,865 million as a employee cost to upgrade their lives. Further, various welfare activities such as loan schemes are provided with aim to improve the living standard of employees and their families. More than 15,000 island-wide indirect employment opportunities are provided via distribution networks with contributing to the society to reduce the poverty.

As petroleum products are inheritably exposed to the health and safety measures, stringent actions have taken to provide good health and safety environment to the employees as well as for the society as a whole. 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.

We have granted scholarships to the children of the employees to provide quality education. Numerous training opportunities are provided specially with the Refinery for students.

The Corporation is a equal opportunity employer and do not discriminate based on the gender.

Most of the products are provided at a subsidized price for the betterment of the living standards 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.

8 DECENT WORK AND ECONOMIC GROWTH

The Corporation has contributed Rs. 126,351 million as a various taxes and levies 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 with 30% of our turnover to the national economy.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

CPC maintains 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. The Corporation affirms the efficient and effective use of resources for the sustainable production pattern and every endeavors taken to assure sustainable consumption pattern.

15 LIFE ON LAND

We ensure the sustainable production of the agrichemical products and distribution as per the international level standards. Information and trainings are provided to bring the zero level harm to the lives on the earth.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Develop quality, reliable, sustainable and resilient infrastructure, including regional and to support economic development and human well-being, with a focus on affordable and equitable access for all. We have invested Rs. 4 billion on the fixed assets during the year for this purpose.

13 CLIMATE ACTION

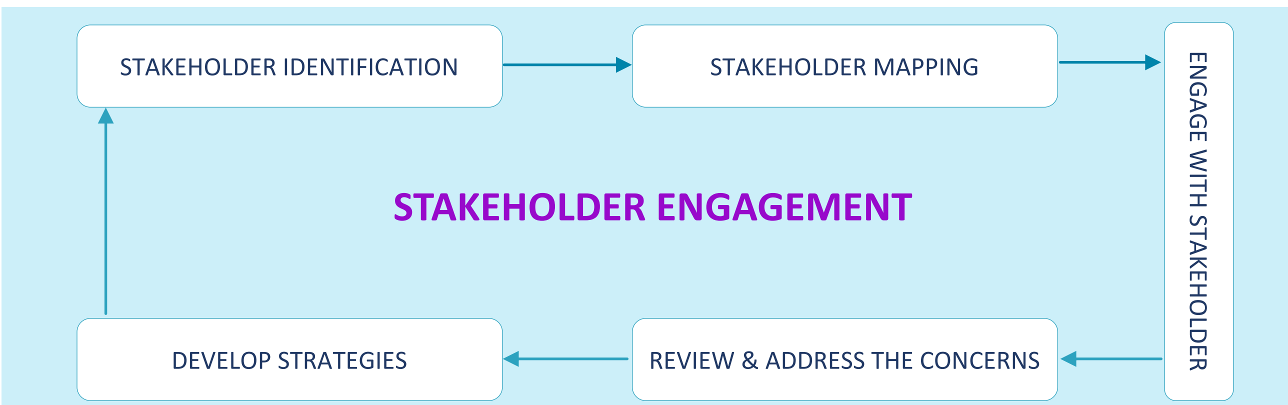
The Corporation has introduced Euro 4 standard Diesel and Petrol to provide environmental friendly efficient fuel leading to sustainable fuel consumption .

14 LIFE BELOW WATER

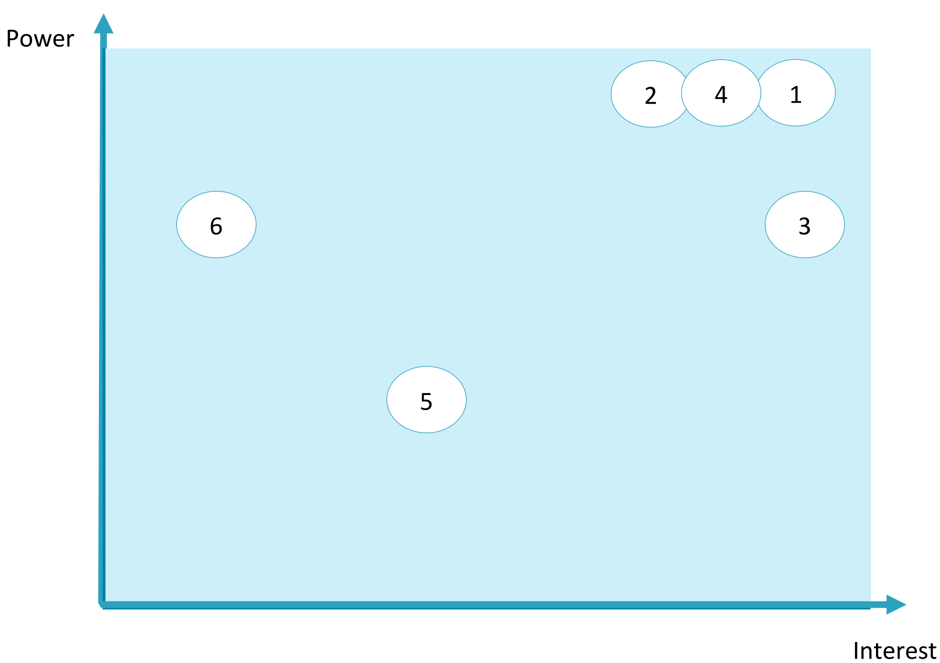
The Corporation used significant quality assurance procedures to identify and to ensure zero level fuel leakages. The quality and regulatory checks are done at both transportation level, storage as well as at the filling station level to control oil spills. The Corporation is a member of the international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

STAKEHOLDER ENGAGEMENT

The Corporation follows a comprehensive process to understand and identify our key stakeholders and address their legitimate concerns for the creation and distribution of the values. Therefore, we have a mechanism 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. The Corporation gives strategic emphasis on the stakeholder parties who have most significant impact of the value creation process. Our stakeholder engagement approach is illustrated below,



Stakeholder mapping provides us to identify the power and the interest on the Corporation's 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 developed and implemented accordingly to maintain cordial relationship with the stakeholders.



1	Shareholders
2	Regulators
3	Customers
4	Employees
5	Community
6	Suppliers /service providers

Following table highlights our stakeholder engagement mechanisms, key concerns and how we address them during the year;

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

RISK MANAGEMENT REPORT


15-91

RISK MANAGEMENT REPORT

Risk management plays an integral role of CPC's 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.

The purpose of risk management is to;

> Protect the Corporation from being vulnerable to the environment, market and internal delinquencies

> Duly balance growth and risk

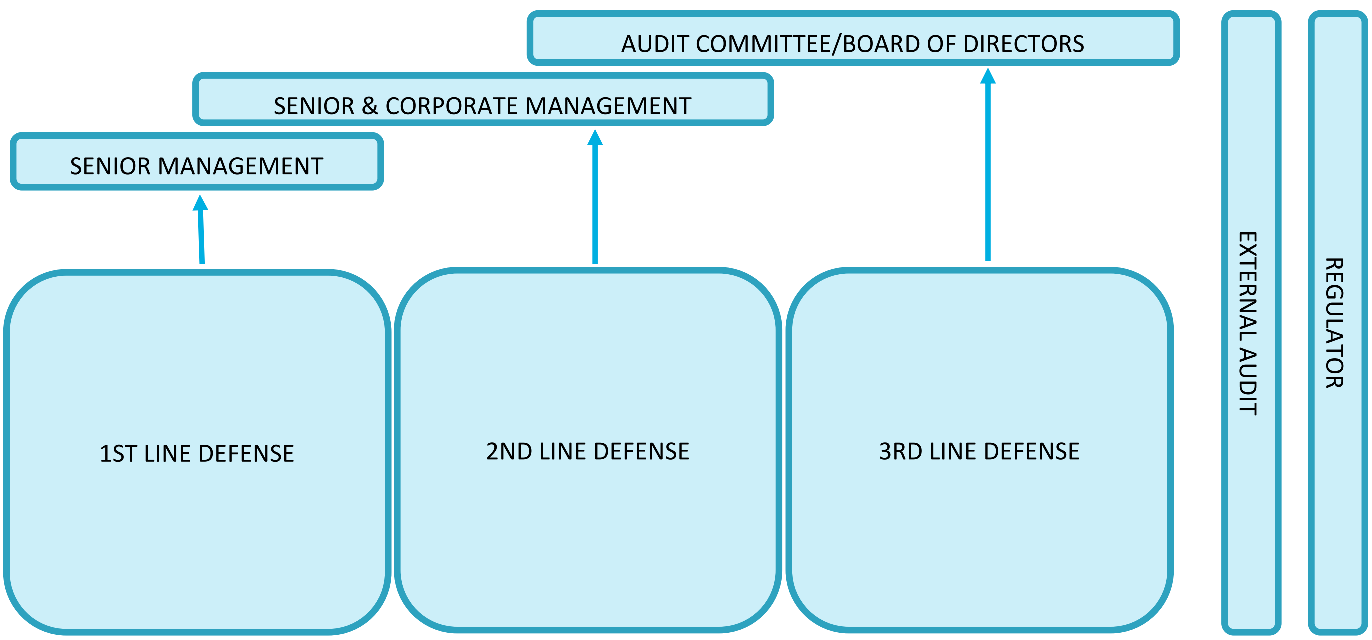
> Guarantee long-lasting existence

> Protect our employees, customers, general public and Corporation's assets from negative events that may occur .

RISK MANAGEMENT FRAMEWORK

CPC's Risk management framework is developed to proactively identify the key risks affecting the Corporation and manage those risks effectively after analyzing them with a view to ensure smooth and 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 establish a solid foundation to the CPC's risk management framework and the framework is noted below..



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

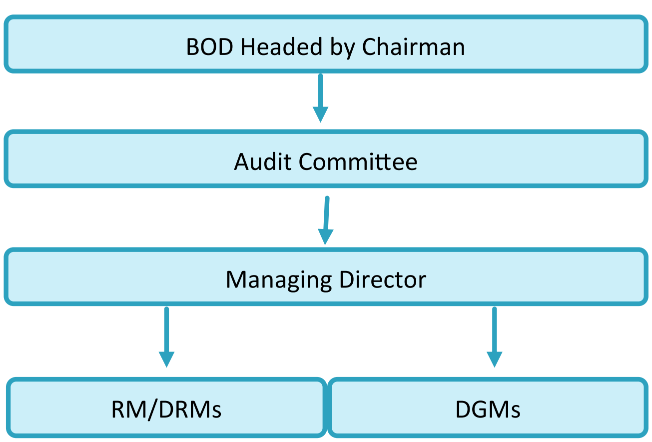
Corporation has a comprehensive system of internal controls with clearly defined policies and procedures designed according to the above mentioned Acts. It enables the Corporation to detect, manage and prevent the risks associated with CPC through second line defense.

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.

GOVERNANCE STRUCTURE

The effectiveness of the Corporation's risk management framework is backed by a well-defined governance structure. The apex responsibility of the risk management lies with the Board of Directors headed by the Chairman and is reinforced by other governance committees. These committees function with well defined procedures and effective monitoring is performed through periodic reporting to the management.



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

STRATEGIES TO MANAGE RISK

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 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 Impact \ Risk Livelihood	1	2	3	4	5
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5

Risk Rating	Risk Level	Risk Rating	Risk Level
1 - 5	Very Low	20 -24	High
6 - 11	Low	25	Very High
12-19	Medium		

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 sales volume around 6 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. 14,699 million during the year in review as CPC owed (loans) USD 1.9 billion as at 31.12.2019. 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.

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 1.9 billion and letter of credits and bills payables amounting to over USD 1.5 billion as at 31.12.2019. 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.

PRODUCTION RISK

The Refinery produces and supplies about 30% of CPC sales by refining the crude oil imported. As the Refinery completed 50 years of its operations, the upgration of the Refinery to meet latest technological advancements is necessary to meet international standards and to ensure the continuity of the operations. Quality & specifications of the output, owned use consumption and the degree wastages impacts the cost and profitability.

Mitigating factors	- Refine the crude oil by utilizing the maximum possible capacity and available technology. - Use of crude oil which provide best yield of middle distillate.
Strategies	- Upgrade the refinery to meet latest technological advancements. - Increase the storage capacity to store crude oil and the output. - Establish a new refinery with a latest state-of-art technology.

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.

CREDIT RISK

Credit risks arises 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. 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.

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. Non-availability of real-time reliable information leads to create inaccurate strategic decisions exerts pressure on the profitability of the business.

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.

BUSINESS RISK

CPC encounters competition for the lubricant, bitumen and agro chemicals from the players in the Market. With the liberalization of the lubricant market, CPC exposed to the competition of the lubricant and other business as well. Further, impact of the other factors such as pricing, advertising, etc. exerted the pressure on the business. Changes of the customer loyalty due to the competition, advertising, brand loyalty, pricing, etc. affects to the costing, profitability and cash flows.

Mitigating factors	- Effective marketing strategies. - Diversify the product portfolio and introduction of new products. - Entering into agreements with the customers.
Strategies	- Effective advertising, marketing campaigns and introduction of new product lines. - Implement a efficient pricing mechanism. - Effective credit management policy.

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.

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.

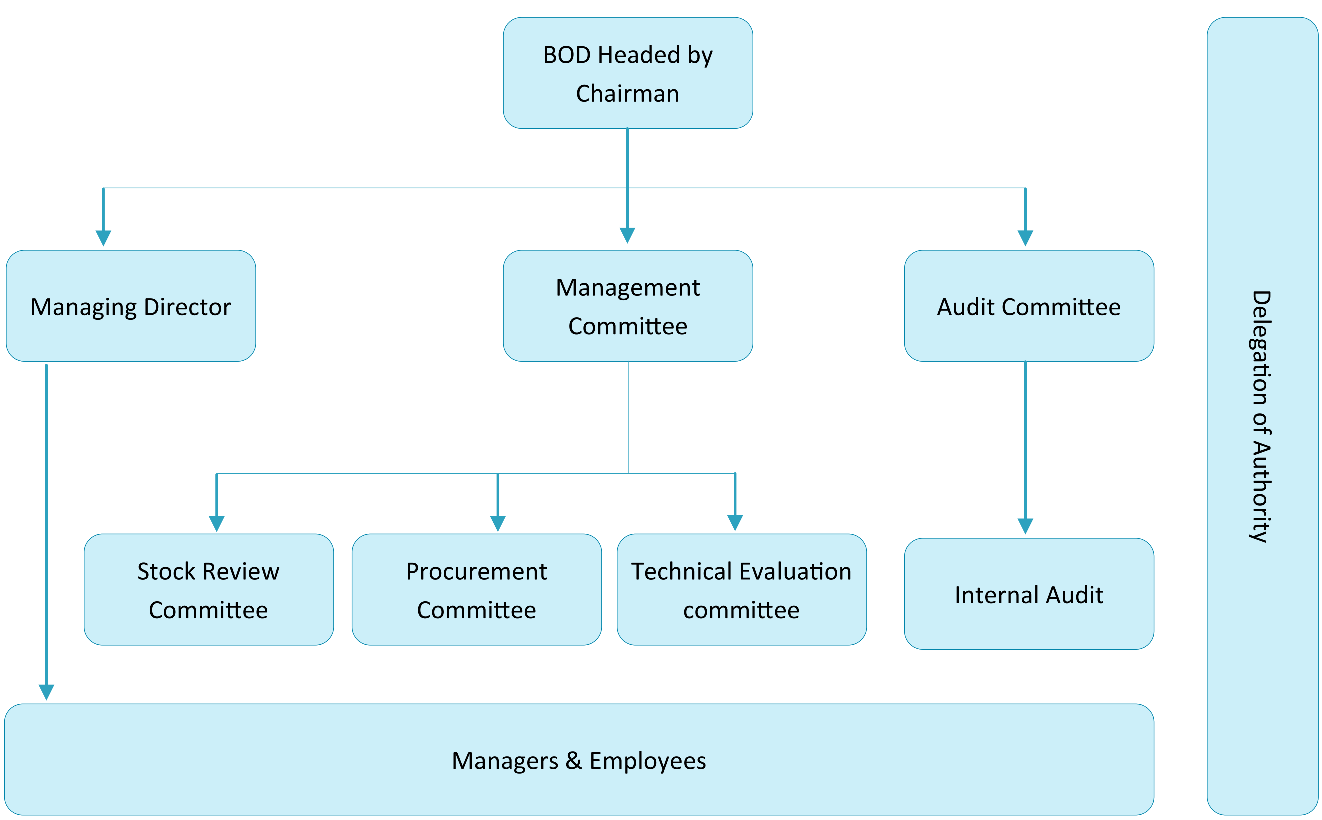

FILLING

GOVERNANCE REPORTS

CORPORATE GOVERNANCE

Sound corporate governance provides a strong foundation to create sustainable value for the stakeholder, Corporation's resources and to achieve strategic growth objectives. Independent review by the Committee of Public Enterprises (COPE) and the interest placed by the general public over the operations and activities of CPC is the key in driving compliance, in embedding the highest levels of integrity and ultimately in ensuring good governance. Corporate governance framework has been guided by the principles and requirements contained on the internal and external instruments.

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



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.

APPOINTMENTS

The Corporation's 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 2019 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.

Director	Directorship status	Appointment/ Reappointment Date	Resignation Date
Mr. G. S. Withanage	Chairman	22.01.2019	18.11.2019
Mr. N R R Jayasekera	Managing Director	21.01.2019	18.11.2019
Mr. K. A. Vimalenthirarajah	Director	06.02.2019	18.11.2019
Mr. Mohan Wijesinghe	Director	21.01.2019	18.11.2019
Mr. Mohommad Yoosuf Hussain	Director	21.01.2019	18.11.2019
Mr. W. R. Perera	Director	01.03.2019	18.11.2019
Mr. P. P. Saman Rohitha	Director	02.04.2019	18.11.2019
Ms. J M Thilaka Jayasundara	Director	06.11.2019	18.11.2019
Mr. Chaminda Hettiarachchi	Actg. Chairman	06.12.2019	

Details of the present Board of Directors are given below. Summarized expertise of present directors outlining their qualifications and experiences are included on pages 21 to 25 of this report.

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 Nadeera Polwattage	Director

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 13 board meetings were held. The table below shows each director's attendance at the board meetings

.

Director	Attendance
Mr. G. S. Withanage	13/13
Mr. N R R Jayasekera	13/13
Mr. K. A. Vimalenthirarajah	7/12
Mr. Mohan Wijesinghe	9/13
Mr. Mohommad Yoosuf Hussain	12/13
Mr. W. R. Perera	11/11
Mr. P. P. Saman Rohitha	8/9
Ms. J M Thilaka Jayasundara	0/1
Mr. Chaminda Hettiarachchi	-/-

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 30 in the financial statements in the page No. 160.

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.
Apart from the above, Board holds the responsibility for granting approval for Annual Financial Statements, the Annual Budgets, Corporate Plan, Annual Report, Action Plan and reviewing financial performance on regular basis. The Board oversees the granting of approvals relating to key appointments, staff promotions, major capital expenditure investments and credit facilities to Corporate Customers.

ROLE OF THE CHAIRMAN

The Chairman provides leadership to the Board, ensuring that all Directors contribute effectively to decision making processes. 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.

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 30 in the financial statements page number 160.

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 95 & 96 of this Annual Report.

MANAGEMENT COMMITTEE

During the year, the Management Committee consisted of either two or three 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 94.

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. This regular close monitoring process enables the Corporation to function smoothly with uninterrupted supply of fuel in the country while minimizing the import, refining and holding cost.

PROCUREMENT COMMITTEE AND TECs

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.
Following procurement committees are functioning based on the value of purchase.

- Regional procurement committee
- Department procurement committee
- Ministry procurement committee
- Cabinet appointed procurement committee
- Project procurement committee

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 present system of internal controls provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Internal Audit function of the Corporation is entrusted to review all internal control procedures and their adequacy and effectiveness and make recommendations for improvements of internal controls to safeguard the Corporations resources and to ensure the proper reporting and compliance system.

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. Internal audit function is assigned to carry out special investigations 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, discussion of Auditor General's report with the replies to audit queries and periodic review of the audit plans with the actual work carried out are the other functions performed by the Internal Audit.

CORPORATE MANAGEMENT

The Chairman and Managing Director manages 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 is 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 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 26 to 28 of this report.

COMPLIANCE AND TRANSPARENCY

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 Ceylon Petroleum Corporation is committed to maintain transparency in all its activities. The Corporation complies with Sri Lanka Accounting Standards (SLFRS/LKAS) and relevant regulations to ensure accountability. The internal control system is integrated into the Corporation's daily operations in accordance with Finance Act No. 38 of 1971 and Ceylon Petroleum Corporation Act No 28 of 1961. Financial statements are published annually and tabled in the Parliament. In compliance with the Finance Act, the Auditor General carries out the External Audit of the Corporation.

MANAGEMENT COMMITTEE REPORT

Management committee of CPC is a subcommittee of the Board of Directors and members of the Committee were appointed by the Board of Directors and it is accountable to the Board. The primary role of the Management Committee is to ensure smooth operation of the Corporation and take workable mechanism to overcome the challenges. The Committee's responsibilities include the following:

> Monitor business operations
> Review the risks that the Corporation is exposed to, the actions taken to mitigate the risk and their effectiveness.
> Filter the operational matters that would be submitted for the Board of Directors.
> Address the HR related issues

COMPOSITION OF THE COMMITTEE & MEETINGS

The Management Committee consists of three members of the Board and all DGMs and other required managers. During this year under review, Corporation has conducted three (03) Management Committee meetings. The Charter of the Committee has been prepared covering scope of responsibilities, authorities and specific duties stipulated by the Board of Directors.

Director	Designation	Attendance
Mr. G. S. Withanage	Chairman	3/3
Mr. N R R Jayasekera	Managing Director	3/3
Mr. Mohan Wijesinghe	Director	0/3
Mr. M. Yoosuf Hussain	Director	3/3
Mr. E A S Edirisinghe	Act. Refinery Manager	3/3
Mr. M A D Mallikarachchi	DGM (TS & CA)	3/3
Mr. M K Garusinghe	DGM (C & SC)	2/3
Mr. V N Weerasooriya	DGM (F)	3/3
Mr. W M K R B Wickramasinghe	DGM (M)	3/3
Mr. S P Withana	Act. DGM (HR&A)	3/3
Mrs. R A K C Ariyaratne	CLO	3/3
Mr. R A T I Ranasinghe	Mgr. (IA)	3/3

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 Corporation
> Reviewed issues pertaining to Filling Stations inspected during the year. And their outcome
> Discussed the requirement of SAP Module.
> Discussed and provide the approvals & directions for the management committee papers submitted by the respective functions.
> Made recommendations to the board of directors for the specific strategic issues.

CONCLUSION

The Committee have communicated to the Board of Directors by forwarding the minutes of the Committee Meetings with its recommendations for the strategic issues.

Sumith Wijesinghe
Chairman - Management Committee

AUDIT COMMITTEE REPORT

Audit committee of CPC is a subcommittee of the Board of Directors and non-executive directors, who possess the relevant qualifications and experience, were appointed to the Audit committee by the Board of Directors and it is accountable to the Board. The primary role of the Audit Committee, which reports its findings to the Board of Directors, 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:

- Monitor compliances in business operations
- The integrity of the financial statements and the significant reporting judgments contained in them.
- Oversee the financial statements in order to ensure the adequacy of disclosures in financial reporting system.
- The activities and effectiveness of the internal audit function.
- 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 three (03) Audit Committee meetings for which Non-Executive Directors were appointed by the Board of Directors as Committee Members. At the 84th Audit Committee Meeting three non-Executive Directors namely Mr. K. A. Vimalenthirarajah (Chairman), Mr. Mohan Wijesinghe & Mr. Yousef Hussain acted as members of the Audit Committee and continued as Members for the 85th and 86th Audit Committees. The Audit Charter of the Committee has been prepared covering scope of responsibilities, authorities and specific duties stipulated in Treasury Circular issued in relation of conducting Audit Committees in Public Commercial Enterprises.

TASKS OF AUDIT COMMITTEE

The Committee reserves the adequacy, timing and existence of the internal control systems of the Corporation and in compliance on business operations, adequacy of disclosures in financial reporting system. It also ensures consistence of accounting policies adopted and compliance with the financial reporting system including SLFRS/LKAS used for preparation of financial statements. Apart from above, the Committee reviews the risks that the Corporation is exposed to and the actions taken to mitigate the risk and their effectiveness.

TASKS PERFORMED BY THE AUDIT COMMITTEE

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

- Reviewed the adequacy of internal control system to safeguard the all assets of CPC.
- Discussed the key strategic issues faced by the Corporation
- Discussed issued pertaining to Filling Stations inspected during the year.
- Reviewed summary of Internal Audit reports.
- Discussed the requirement of SAP Module.
- Discussed the audit report issued by Auditor General on the financial statements for the year ended 31.12.2018 and observations thereon.
- Reviewed and passed the Annual Internal Audit Plan for the year 2020.

MEETINGS

During the year under review, three (03) Audit Committee meetings have been conducted to discuss duties entrusted to them as noted above.

Meeting No.	Date	Partici-pation	Members present
84	06.05.2019	2/3	Mr. K A Vimalenthirarajah Mr. Mohan Wijesinghe
85	12.07.2019	2/3	Mr. K A Vimalenthirarajah Mr. M. Yousef Hussain
86	17.09.2019	2/3	Mr. K A Vimalenthirarajah Mr. M. Yousef Hussain

INTERNAL AUDIT FUNCTION

The key functions of the Internal Audit includes assessing internal controls, identifying risk areas and verifying accuracy and completeness of transactions through audit procedures which are implemented through the Audit Plan approved by the Audit Committee at the beginning of the year. Audit queries are raised to highlight matters identified during the audit process. In addition to the above, Internal Audit Function is engaged in special investigations to provide observations and recommendations to the management about various matters of importance, identification of risk related to the areas of product losses, revenue losses, discussion of Auditor General's Reports and replies to Audit queries and periodic review of Annual Audit Plan and the performance of Internal Audit Function based on actual works carried out.

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

- Discussed 2019 monthly financial Statements.
- Discussed Auditor General's Report on Financial Statements for the year ended 31 December 2018.
- Reviewed the adequacy of internal controls system and communicate weaknesses to respective parties.
- Carried out 180 Audits as per the Audit Plan
- Discussed Internal Audit Reports at the Audit Committee meeting.
- Discussed the current position and action taken on the Auditor General's report on Financial Statements.

CONCLUSION

The audit committee is of the opinion that although internal control system of the corporation provides an assurance that the affairs of the corporation are managed in accordance with the approved policies of the Corporation, it is required to take measures including internal checks and balances to address certain issues as recommended by the Audit Committee.

R.M.D.K Rathnayake
Chairman - 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 31 December 2019, Chairman's Message, Managing Directors Review, Management Review, Value Creation, Corporate Governance, Audit Committee Report, Auditors' Report etc. 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 situated at No. 609, Dr. Danister De Silva Mawatha, Colombo 09. 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 and 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

CPC has a one subsidiary, Ceylon Petroleum Storage Terminals Limited (CPSTL), 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 31 December 2019 have been approved by the Board of Directors at the Board meeting held on 27th February 2020.

DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Corporation and its Group, which reflects a true and fair view of the state of affairs of the Corporation and of the Group. 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.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

During the year under review, except the accounting policy for the excise duty on the petroleum products imported, 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 102 to 122.

REVIEW OF THE YEAR'S PERFORMANCE

A review of the operations of CPC during the financial year 2019 and performance are contained in the Chairman's Review on pages 14 to 16, MD's Review on pages 18 to 20, and Performance of the Corporation on pages 39 to 45.

DIRECTORS

The names of the Directors who are currently holding offices 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 Nadeera Polwatta	Director

DIRECTORS' MEETINGS

Details of the directors' meetings which comprises of Board meetings, Audit Committee and Management Committee meetings are presented on pages 91 to 96.

Directors' attendance at the meetings held during the year is given on page 91 of the Annual Report.

DIRECTORS' REMUNERATION

Directors' emoluments paid during the year are as follows;

	2019 Rs. Mn	2018 Rs. Mn
Directors' emoluments	2.319	1.595

DIRECTORS' INTEREST IN CONTRACTS

Directors' direct and indirect interests in contracts with the Corporation are disclosed in Note 30 to the Financial Statements.

RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Board of Directors assumes overall responsibility for managing risks. For this purpose, the Board of Directors has instituted an effective and comprehensive system of Internal Controls in the Corporation. Specific steps taken by the Corporation in managing risk are detailed in the Risk Management report on pages 81 to 86.

CORPORATE GOVERNANCE DIRECTORS' DECLARATIONS

The Board of Directors declares that

The Corporation complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations;

- The Directors have declared all material interests in contracts involving the Corporation;
- The business is a going concern with supporting assumptions and the Board of Directors has reviewed the Corporation's Corporate / Business plans and is satisfied that the Corporation has adequate resources to continue its operations in the foreseeable future.
- The directors have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.
- The procedures and practices in conformity with the Corporate Governance rules and regulations are described in the Corporate Governance Report on pages 89 to 93 of this report.

FINANCIAL OUTCOME

Summary of the financial results of the Corporation for the year ended 31 December 2019 with comparative figures are given below.

	2019 Rs. Bn	2018 Rs. Bn
Net sales Revenue	630.859	575.492
Cost of Sales	(626.599)	(579.616)
Gross Profit	**4.260**	**(4.124)**
Other Operating Income	0.529	0.812
Selling & Distribution Expenses	(17.981)	*(14.914)*
Administrative Expenses	(5.869)	*(6.022)*
Financial Charges	(14.698)	*(12.065)*
Finance Income	13.525	12.889
Exchange rate variation	8.397	(82.717)
Profit / (Loss) before Tax	**(11.835)**	**(106.140)**

REVENUE

The revenue of the Corporation has increased by 9.62% in to Rs. 647 billion compared to the year 2018 recording the ever highest revenue generated in the history of the Corporation.

PROFITS

There is a notable increase in Gross Profit in the year 2019 from the gross loss incurred in the year 2018. Favorable international petroleum price movements coupled with the appreciation of the Sri Lankan Rupee against US Dollars mainly contributed for the improvement of the profitability of the Corporation.

SEGMENTAL PERFORMANCE

Transport sector generated revenue of Rs. 430.4 Bn, a 4.29% improvement compared to the year 2018 and CPC incurred a loss of Rs. 25.9 Bn. (2018 – Rs.96 Bn.) as the selling prices were not adequate to cover total cost. 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 20% of the revenue as taxes to the Government. Revenue from the electricity generation increased 58.75% generating Rs. 118.6 Bn due to the drought condition prevalent during the year.

	2019	2018
	Rs. Mn.	Rs. Mn.
Transport	430,425	412,716
Power Generation	118,675	74,757
Aviation	58,990	64,190
Industrial	13,498	13,660
Domestic	21,211	17,687
Agro Chemical	457	151
Export & Bunkering	4,336	9,090
Total	**646,591**	**592,253**

Aviation sector earned an income of Rs. 58.9 Bn., recording an 8.10% reduction in the year against prior year. Consequences of the Easter Sunday attacks guided to the drop of the aviation fuel demand by 5.01%. The price reduction to promote tourism industry coupled with the decreased demand led to incur loss of Rs. 1.2 Bn.

Revenue generated from industries sector stood at Rs. 13.4 Bn., 1.19% lesser than the previous year due to the consequences of the Easter Sunday attacks. Domestic sector to generate a loss of Rs. 7.4 Bn. due to the sale of Kerosene at a subsidized price. Agro sector represented an improvement of 202% compared year 2018 while generating a profit of Rs. 106 Mn. from the sector.

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 detail tax liability is given in the Note 07 to Financial Statements on page 140.

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 2016 to 2024 to the Income Statement. Accordingly, Rs. 1,000 Mn has been amortized for the year 2019.

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 141.

CONTRIBUTED CAPITAL

The total Contributed Capital of the Corporation as at 31 December 2019 was Rs. 28,487.125 Mn (2018 -Rs. 28,487.125 Mn).

CAPITAL RESERVES

Capital reserves of the Corporation as at 31 December 2019 was Rs. 4,992.686 Mn (2018 - 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 to training & development and career advancements to build sustainable human capital. Human capital details are given on the Value Creation in pages No. 61 to 66.

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.

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 126,351 Mn (2018 Rs 125,357 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 158 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 CORPORATION

The audit fee of Rs. 3.5 Mn has been recognized in the financial statements for the year ended 31 December 2019 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 contents of this Annual Report.

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

Chairman

Managing Director

FINANCIAL STATEMENTS

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. POE/A/CPC/1/19/01 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 05 November 2020

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 2019 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 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements of the Corporation and its Group give a true and fair view of the financial position of the Corporation and the Group as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

1.2 Basis for Qualified Opinions

1.2.1 Going Concern of the Corporation

Attention is drawn to the matter that the operations of the Corporation had resulted in an after tax loss of Rs. 11,856.6 million and a total comprehensive expense of Rs.11,751 million for the year 2019, had a negative net assets position of Rs. 293,213 million as at the end of the year under review. The heavy losses incured during past years mainly due to the continues negative impact of exchange rate variations during the recent past, 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) According to the consolidated financial statements of the Corporation, it was eliminated only Rs. 3,845.56 million as intercompany balances whereas according to the audited financial statements of the CPSTL it was Rs. 6,248.78 million. Therefore, un-reconciled difference of Rs. 2,403.22 million had been erroneously stated as receivable from the Corporation under trade and other receivable of the consolidated financial statement. Further, such un-reconciled balance includes unadjusted cash in transit amount of Rs. 1,029.13 million at the end of the year under review.

(b) Differences had been observed between the amounts shown in the consolidated financial statement and the audited financial statement of the subsidiary (CPSTL) in respect of the financial assets and administrative expenses by Rs. 9.78 million, differed tax by Rs. 2.74 million, trade and other payable by Rs. 54.97 million, other operation income by Rs. 76.35 million and income tax expense by 24.12 million.

(c) According to the Accounting Policies stated in the financial statements of the Corporation "*Monetary assets denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date and all* *differences are taken in to income statement. All Aviation Customers of the CPC are reported in foreign currencies".* However, monetary assets denominated in foreign currencies had not been converted using closing rate of functional currency at the reporting date and as a result, an understatement of the balances of certain Aviation customers totalling Rs. 910.8 million and profit for the year under review by similar amount were observed.

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

According to the Board Decision No. 38/1140 dated 29 October 2013, the Board has 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 and MUF had been charged only from 11 out of 248 dealers. Therefore, more than Rs. 300 million per annum had been lost to the Corporation since the year 2014. Accordingly, an approximate cumulative loss of Rs. 1,900 million had been incurred by the Corporation for the period of 2014 to 2019. Even though this matter was reiterated in my previous audit reports, effective action had not been taken by the Corporation to charge MUF from all dealers in both categories as mentioned above. Further, no any adjustment had been made in the financial statements of the year under review in this regards.

(e) Three negative bank balances aggregating Rs. 1,941.76 million had been netted off against the positive bank balances and shown under current assets instead of been shown under current liabilities.

1.2.3 Deviating with Sri Lanka Accounting Standards (LKAS)

(a) Paragraphs 36 of LKAS 16 - Property, Plant & Equipment: Fully depreciated assets approximately costing Rs. 5,098.89 million are being continuously used by the Corporation without reassessing the useful economic lifetime of those assets and account them accordingly. Further, test check revealed that, 22 lots of land belongs to the Corporation as at the end of the year under review had not been revalued and it shows a considerable low amount.

(b) According to the paragraph 47 of the SLFRS 16, firms are required to follow single accounting model for all leases. Firm should present operating lease either as right of use assets separately from other assets in the balance sheet or disclosed separately in the notes. Similarly, lease liabilities should present separately from other liabilities in the balance sheet or disclosed separately in the notes. However, the Corporation had not complied with such provision. According to the information provided to the audit, total operating lease rental expense for the year 2019 was Rs.43.12 million.

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

The audit opinion on the financial statements of the Ceylon Petroleum Storage Terminal Ltd (CPSTL) for the year under review was disclaimed by me due to the following matters which will cause to a disagreement with the corresponding balances/transactions of the Corporation and the Group.

(a) As per paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant and Equipment (LKAS 16), the useful life of the assets shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, the useful life of the fully depreciated property, plant and equipment costing Rs. 6,074 million are being continuously used by the Company had not been reviewed and accounted accordingly. Further, the Company had not re-valued its assets since the inception of the Company in 2003.

(b) **Inter Company Balances**

The accuracy, existence, valuation and completeness of the Inter Company balances between the Ceylon Petroleum Corporation (CPC) and Lanka Indian Oil Company (LIOC) were not assured in audit due to following reasons.

(i) As per the information available for audit, the receivable amount of Rs. 1,173 million from CPC, the Parent, had been written off from their accounts to eliminate the loan interest components of throughput charges of 13 cents per litre considering the settlement of Exim Bank Loan in the year 2018. However, it has not concluded or no any impairment provision had been made in this

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தேசிய கணக்காய்வு அலுவலகம்
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NAOSL

regard by the Company. Therefore, the recoverability of this receivable balance is critically doubt in audit.

(ii) As per the financial statements of the Company, the amount receivable from the CPC at the end of the year under review was Rs. 6,248.87 million. However, as per the financial statements of the CPC the amount payable to the Company (before deducting the cash in transit of Rs. 1,029.45 million) at the end of the year under review was Rs. 4,625.74 million. Hence, an un-reconciled difference of Rs.1,623.13 million was observed between these two balances.

(iii) According to balance confirmation received from the LIOC, the amount payable to the Company was Rs.370.9 million, whereas according to the financial Statements of the Company the corresponding amount was shown as Rs. 376.0 million. Hence, an un-reconciled difference of Rs.5.1 million was observed between these two balances.

(c) More than 1,300 types of inventory items which comprises of significant quantity were observed in the Enterprises Resources Planning (ERP) system i.e SAP of the Company without being entered the value of such inventory items to the system for longer period. Therefore, the accuracy, valuation and completeness of inventory items valued at Rs.676 million shown in the statement of financial position as at the end of the year under review could not be relied upon in audit.

(d) In contrary to the LKAS 08, Tug Boat charges aggregating Rs. 357.7 million which comprise an amount of Rs.62.5 million for the period 2010 to 2014, an amount of Rs.225.15 million for the period 2014 to 2018 and amount of Rs.70.1 million for the year 2018 had been accounted for the year under review and Rail track maintenance charges aggregating Rs.1.91 million relevant to year 2017 and 2018 had been accounted as expenses for the year under review.

(e) 11 items aggregating Rs.82.62 million which had been purchased in 2018 and 2019 had not been properly accounted and laying under advance account by the Company as at the end of the year under review

(f) **Trade and Other payable balances**

(i) Debit balances of 48 trade and other payables aggregating Rs. 38.96 million which comprise of Government Supplies, Procurement Supplies, General Voucher Supplies and Transport's Vendors were observed at the end of the year under review. It shows 14 vendors aggregating Rs. 2.98 million from the year 2010 or before, 03 vendors aggregating Rs. 0.55 million over 05 years to 10 years and 31 debit balances aggregating Rs. 35.42 million over 01 year to 05 year were remained unsettled. It was observed that the Company has made subsequent transaction with those venders who are having debit balances without settling the existing debit balances. Therefore, the existence, accuracy and valuation of those debit balances were not assured in audit due to absence of sufficient and appropriate audit evidences.

(ii) Trade payable balances aggregating Rs. 7.18 million of 81 parties since year 2010 or before, 310 payable balances aggregating Rs. 40.18 million over 05 to 10 years and 18 payable balances aggregating Rs. 39.45 million over 01 year to 05 years were remained unsettled as at the end of the year under review. However, audit was unable to ensure the existence, accuracy and valuation of those balances due to absence of sufficient and appropriate audit evidences.

(g) Other receivables totalling Rs. 8.8 million was remained unrecovered for over 5 years as at the end of the year under review. Therefore, recoverability of this balance was not assured in audit due to absence of sufficient and appropriate audit evidences.

(h) A difference of Rs.437.53 million was observed between total of Income Tax payable, Value Added Tax (VAT) payable, Withholding Tax payable, Pay As You earn (PAYE) payable and Economic Service Charge (ESC) Payable balances appeared in the financial statements of the Company and the corresponding amounts shown in the records maintained by the Department of Inland Revenue (IRD) as at the end of the year under review.

1.2.5 Lack of Evidence for Audit

(a) 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. However, reasons for continuation of such balances for a longer period were not clear to audit. Further, no provision had been made in this regard in the financial statements in the year under review.

(b) According to the confirmation received, an amount of Rs. 5,072.94 million had to be paid by the Corporation to the People's Bank as at the end of the year under review in respect of hedging transactions taken place for procurement of oil during the period of 2007 to 2009. However, it had not been brought to accounts of the Corporation.

(c) A sum of Rs. 317.17 million and a balance of Rs. 1.02 million had been continuously carried forwarded as payables and as vested property respectively for longer period. However, audit was unable to verify the existence, accuracy, valuation and presentations of such balances since sufficient and appropriate evidences were not made available in this regard.

(d) A sum of Rs. 103.82 million was observed under accrued charges in two dummy accounts namely "RF Dummy and HO Dummy" in the financial statements for the year under review without been cleared for a longer period. Therefore, the accuracy and existence of these balances were critically doubt in audit.

(e) Payable amounts totalling Rs. 143.47 million shown under Refundable Deposits and Others relating to 41 employees accounts were remained unsettle for over years. However, reasons for not setting these balances over the years were not ascertained in audit.

(f) Value Added Tax (VAT) aggregating Rs. 565.2 million was shown as other receivables and advances in the statement of financial position at the end of the year under review. Out of the above balance an amount of Rs.326.4 million is continued since 2011. Moreover, the tax invoices and other relevant supporting documents were not made available to audit in this regard. Therefore, the existence and recoverability of those balances is doubt.

(g) Even though there is no 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. Further, it was unable to confirm by alternative means the recoverability of this balance shown under other receivable.

(h) A sum of Rs.749.66 million of debit balances in trade and other payables could not be verified in audit due to absence of sufficient and appropriate audit evidences.

(i) Long outstanding balances of Rs. 805,376 in cash in transit and Rs. 7,651,679 good in transit agro product 2017 had not been cleared and raises critical suspicious over its accuracy and existence.

(j) It was observed that 7,718.7 KL of petroleum product (Petrol Octane 90) was available as at the balance sheet date as per the records of the SAP system. This stock was neither valued nor physicaly verified at the annual physical stock verification.

(k) An uncleared credit balance of Rs. 32.82 million and debit balance of Rs.1.02 million were observed in prepayments as at the balance sheet date and could not be verified in audit due to absent of sufficient and appropriate audit evidences.

1.2.6 Un-reconciled Differences

(a) A difference of Rs. 31.78 million was observed between the amount shown in the financial statement and the balance confirmed by the Ceylon Electricity Board (CEB) at the end of the year under review.

(b) According to the financial statements of the Corporation, NBT and net Income Tax payable to the IRD as at 31 December 2019 were Rs. 3,242.5 million and Rs.2,950.8 million respectively. However, as per the records of IRD it shows as Rs.707.9 million and 16,268.0 million respectively. Accordignly, differences of Rs.2,534.6 million and Rs. 13,317.2 million were observed.

(c) According to the records of IRD Rs. 33.5 million of PAYE tax payable to IRD for the years 07/08, 96/97, 02/03 was observed. However, no such liability is in existence in the books of the Corporation as at the end of the year under review.

ජාතික විගණන කාර්යාලය
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NAOSL

(d) 239 debit balances totalling Rs. 280.57 million over 05 years and 369 debit balances totalling Rs. 3,443.44 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 are 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 297 venders totalling Rs.37,089.11 million relating to the trade and other payable amount shown as at the end of the year under review were remained unsettle for over 05 years. However, audit was unable to ensure whether any favourable action had been taken by the Corporation to settle these outstanding balances. Therefore, the accuracy and existence of such balances is doubt in audit.

(f) Total amount of USD 250,925,169 is to be paid to the National Iranian Corporation, Tehran in relation to purchase of Petroleum Product by the Corporation which is equivalent to Rs. 32,343.52 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 as at the end of the year under review has been increased to Rs. 45,811.68 million.

It was also observed that the payment of these balance had not been done due to uncontrollable external factors. However, audit was unable to ensure whether Corporation had taken any effort to settle this amount by alternative forms and evaluate the financial feasibility of keeping the balance unsettle in a situation where gradually depreciating the LKR over USD for longer period. Further, financial impact due to sanctions had not been clearly disclosed in the financial statements.

(g) Accuracy of remaining amount of Rs. 2,500,000 as provision for disputed items since 2010 in the accounts of corporation without clear is doubt in audit.

(h) Audit was unable to ensure the accuracy, existence and valuation of Rs. 110.8 million remained unsettle for longer period under refundable deposit as at the end of the year under review due to absent of sufficient and appropriate audit evidences.

(i) According to the information provided to the audit, the demurrage payable balance as at 31 December 2019 was Rs. 337.24 million whereas according to the calculation by our own, it was Rs. 363.12. Therefore a difference of Rs. 25.89 million was observed between those two balances as at the end of the year under review.

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 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.

1.4 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

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

- Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, 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 requirements of section 12 (a) of the National Audit Act, No. 19 of 2018.

- 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.

- 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 (d), 1.2.3 (a), 1.2.5 (a), (b),(f),(g) and 1.2.6 (a),(b) in this report.

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

- 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

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NATIONAL AUDIT OFFICE
NAOSL

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

Reference to law, 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 4.3	Minutes of Board meetings had not been forwarded to the Secretary to the line Ministry within 10 days after confirmation of such minutes.
(ii) Guideline 5.2.2	106 capital projects which have an estimated cost aggregating Rs. 34,094.5 million, had been carriedout without a proper feasibility study.
(iii) Guidelines 5.2.4 and 5.2.5	Copies of the final updated Budget approved by the Board had not been forwarded to the line Ministry, the Department of Public Enterprises, General Treasury and the Auditor General not later than 15 days before the commencement of the year 2019.
(iv) 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.
(v) 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 the Ministry of Finance and Planning.	Covering up duties of a vacant post should be limited to a period of 03 months. Nevertheless, 05 officers had been assumed for cover up duties of the vacant posts including 03 Grade A posts, for more than 08 months.
(c)	Public Enterprises Department Circular No. FP/06/35/02/01 dated 04 November 2013 and No. PED 03/2016 dated 29 April 2016	The Corporation had borne the Pay As You Earn (PAYE) tax of its employees amounting to Rs. 173.7 million without deducting it from their personal emoluments for the year under review.
(d)	Guideline 4.2 of the Government Procurement Guidelines (2006)	Master Procurement Plan had not been prepared at least for three years by the Corporation
(e)	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, 67 issued but not presented cheques totalling to Rs.2, 776,064 were remained without reversing.

- 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) The Corporation is being supplied the liquid petroleum gas to a private company continuously without entering into an agreement for longer period.

(b) It was observed that there was no any agreement or a Memorandum of Understanding between the Corporation, Ceylon Petroleum Storage Terminal Ltd (CPSTL) and Lanka Indian Oil Company (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 is not adequately utilized, especially for the fuel stock reviewing purposes and refinery function.

(c) Following observations are made with regard to Common User Facilities

(i) The Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30th December 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 13th 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 in 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 30th 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 into 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 back dating the effective date, CPC had to pay extra amount of Rs.173.77 million for the month of April 2019.

(iv) According to the Common User Facilities Shareholders'Aggreement (among CPC, LIOC and GOSL) dated 30 December 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 to blockages in the pipeline and inefficiencies in the storage system, the Corporation is compeled to pay demurrages. Accordingly, aggregated amount of USD 2,606,556 had been paid and a sum of USD 12,644,257 to be paid as demurrages for the last 05 years without shifting such cost to service provider.

(v) According to the agreements, throuput charges consist of Storage Terminal cost and profit margin. Storage Terminal Cost includes personal cost, overhead and maintenance cost and depreciation of the assets base of CPSTL. It implied that transport charges to CPSTL are separate from agreed throughput charges. However, audit was unable to ensure whether the transport related cost of the CPSTL was excluded when deciding the storage terminal cost of throuput charges. As a result reimbursement of transport charges to CPSTL could be duplicated. According to the records of the Corporation, an amount of Rs. 2,247.2 million had been paid as transport charges to CPSTL during the year under review.

(vi) According to the definitions of the Common User Facilities Share Holders' Aggreement (among CPC, LIOC and GOSL) dated 30 December 2003, Storage terminal Cost defined as *"(c) 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 agreements 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 expirey of the agreement. It was observed that such payment had been made without proper evaluation and confirming the real amount to be paid in terms of the agreement.

(vii) Maintenance of the pipelines to the accepted standards and provide sufficient storage facilities is the main role of 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 Rs. 1,029.1 million as depreciation during the year under review and the amount for the last 10 years was Rs. 10,085.52 million. In addition, an amount of Rs. 3,400.97 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 ten years was Rs.40,802.66 million from both CPC and LIOC. However, audit was unable to ensure that the CPSTL has taken any favourable action to develop new infrastructure facilities and maintain the existing facilities promptly.

(d) **Lubricant Business**

The Following information are relating to the Lubricant Business of the Corporation

Year	2019	2018	2017	2016
Sales Units – Kilo Liters	3,518	4,071	5,412	5,446
Sales – Rs.million	1,517	1,584	1,975	2,043
Net Profit – Rs. Million	127	131	162	159
Market Share (Percentage)	5.7*	6	8	8
Market Place	6	5	5	5

*Average first three quarters of the year 2019

The following observations are made in this regards.

(i) It was observed that the number of units sold and sales value of lubricant products of the Corporation has been gradually declined. According to the record of Public Utilities Commission of Sri Lanka, the Market share and market place in Sri Lankan Lubricant Market of the Corporation also had been gradually deteriorated. Market place of the Corporation up to third quarter of the year 2019 had been further deteriorated from 5th place to 6th place. However, net profit of the Lubricant sales of the Corporation had been increased. Therefore, it seems, the lubricant business is a profitable business in Sri Lanka for which less attention had been given by the Corporation.

(ii) The Corporation has a highest sales network covering all part of the country consisting over 1,200 filling stations managed by the Corporation. In additions, the transport mode, billing process, stock control and monitoring of entire operation of Lubricant business could be easily managed in line with existing well established fuel storage and distribution network of the Corporation at minimum effort and cost. As a public entity, Corporation has a higher opportunity to be the lubricant provider of the government agencies including the government entities which widely use the lubricant products such as Tri-Forces, Police, the Electricity Board, the Water Board, the Road Development Authority, Railway, Sri Lanka Transport Board, etc… The Corporation has developed all infrastructure facilities in relation to storage and supply of lubricant product in Sri Lanka. In addition, the Corporation had entered into an agreement with Hyrax Oil SDN BHD (HOSB) to build a Lubricant Blending Plant in Sri Lanka under a Build, Operate and Transfer (BOT) basis on 06 May 2016 for a period of 20 years. Further, a separate Lease Agreement and a Supply Agreement (enable to purchase the products from HOSB) had been signed with the HOSB on the same date by the Corporation. The construction works of the Lubricant Plant had been completed and ceremonially opened on June 24, 2019. However, audit was unable to ensure whether Corporation has commenced the operation with a feasible strategic business plan.

(iii) It was observed a considerable delay in completion of the procurement process. As a result, lack of stocks in the warehouse, shortage of lubricants and grease products in the market and possibility of attracting customers to competing firms were observed.

(iv) There are 04 lubricant depots including the main depot located at the Muthurajawela Terminal. However, proper records including stock levels of each product were not maintained in the depots. Irregular storing of stocks, storing without considering the environmental factors such as temperature and a large damaged lubricants stocks were observed at the audit inspection in the warehouses. Further, action had not been taken to identified the stock loss of over Rs.6 million, at the special physical inventory verification carried out in October 2018.

3. Other Audit Observations

(a) As stated in my previous year reports, the formal agreements for fuel supply had not been entered into with 13 major customers including CEB who represent a total outstanding balance of Rs. 91,722 million as at the end of the year under review.

(b) **Recovery of Duties and Taxes**

As stated in previous audit report, amount of Rs. 1,617.2 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.

(c) **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 form the official websites of the National Audit office of Sri Lanka.

(d) **Tricomalee 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 01 April 1964. Nevertheless, no legal documents had been obtained up to date from the Government for the above land.

In 2003, the Government of Sri Lanka had entered into an agreement with the 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.

(e) **Stock Review Committee**

As stated in previous audit reports, the Stock Review Committee consisted of members from the Corporation, CPSTL, JCT Oil Bank and LIOC, members of CEB and an officer from the line Ministry and its meetings are held in every week. However, the Corporation had not maintained proper records relating to the stock levels, i.e. re-order level, maximum and minimum levels, and re-order quantity etc. in each petroleum product. The order quantity of petroleum products was decided solely based on the Stock Quantity Maintenance Report submitted by the CPSTL and no any other documents with regard to the maintenance of stocks of petroleum products had been submitted to the Stock Review Committee. However, it was revealed that, since the introduction of SAP system in 2010, the Corporation was unable to extract data to produce the reports on stock requirement.

(f) **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 the amount from the General Treasury. However, this amount had not been reimbursed even up to the date of this report.

(g) **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 2019 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. In addition to that, a sum of US$ 27.8 million plus interest is shown in the books of accounts of the People Bank as receivable from the Corporation with regard to the hedging transactions.

(h) **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, whereby 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.

(i) **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 intendant purpose and it had been occupied by more than 700 squatters.

(ii) **Mahahena Land** – Aaccording 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 2019	CPC 2018 Restated*	Group 2019	Group 2018 Restated*
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2	630,859.713	575,492.513	631,015.609	576,763.673
Cost of Sales		(626,599.056)	(579,616.718)	(634,716.632)	(586,959.438)
Gross (Loss)/Profit		**4,260.657**	**(4,124.205)**	**(3,701.023)**	**(10,195.765)**
Other Operating Income	3	529.415	812.825	1,148.850	1,076.449
Selling & Distribution Expenses		(17,981.314)	*(14,914.092)*	(3,259.363)	(3,615.075)
Administrative Expenses		(5,869.335)	*(6,021.760)*	(10,879.795)	(10,541.905)
Operating (Loss)/Profit	4	**(19,060.577)**	**(24,247.232)**	**(16,691.331)**	**(23,276.296)**
Exchange Rate Variation		8,397.549	(82,717.291)	8,397.549	(82,717.291)
Finance Income	5	13,525.966	12,889.174	13,848.996	13,007.051
Finance Expenses	6	(14,698.539)	*(12,065.056)*	(14,698.539)	(12,065.056)
Profit /(Loss) before tax		**(11,835.600)**	**(106,140.404)**	**(9,143.324)**	**(105,051.592)**
Income tax Expense	7	(21.000)	*(22.010)*	(1,159.412)	(1,346.922)
Profit/(Loss) for the year		**(11,856.600)**	**(106,162.414)**	**(10,302.736)**	**(106,398.514)**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to Profit or Loss:					
Re-measurement gain/(loss) on Retirement Benefit plan	18	84.038	137.696	(51.764)	212.776
Revaluation of Property, Plant & Equipment		21.470	159.841	21.470	159.841
Tax on Other Comprehensive Income		-	-	38.024	(18.336)
Items that are or may be reclassified subsequently to Profit or					
Net loss on Financial Instrument at fair value through OCI	10.1	-	(16.500)	-	(16.500)
Other comprehensive income / (expense) for the year		105.508	281.037	7.730	337.781
Total comprehensive Income/(expense) for the year, net of tax		**(11,751.092)**	**(105,881.377)**	**(10,295.006)**	**(106,060.731)**
Total Comprehensive Income attributable to :					
Owners of the entity		(11,751.092)	(105,881.377)	(10,830.184)	(106,145.419)
Non-Controlling interests		-	-	535.178	84.688
		(11,751.092)	**(105,881.377)**	**(10,295.006)**	**(106,060.731)**

*Certain numbers shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 127 to 161 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	Note	CPC 2019 Rs. Mn	CPC 2018 Restated* Rs. Mn	Group 2019 Rs. Mn	Group 2018 Restated* Rs. Mn
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	**8**	26,436.412	23,406.070	42,451.172	39,452.925
Investment Property	**8.3**	54.179	38.681	54.179	38.681
Intangible Assets	**8.4**	-	-	101.433	127.342
Investment in Subsidiary	**9**	5,000.000	5,000.000		
Non-Current Financial Assets	**10**	333.221	25,414.541	333.221	25,414.541
Trade & Other Receivables	**11**	8,895.364	12,970.641	10,525.746	14,109.472
		40,719.176	66,829.933	53,465.751	79,142.961
Current Assets					
Inventories	**13**	65,757.217	60,920.209	66,432.827	61,577.047
Trade & Other Receivables	**11**	164,152.545	94,907.195	170,080.427	100,401.890
Short term Investments	**14**	25,093.723	4,302.182	25,093.723	4,302.182
Cash and Cash Equivalents	**15**	30,617.646	106,297.581	34,617.358	109,446.226
		285,621.131	266,427.167	296,224.335	275,727.345
Total Assets		**326,340.307**	**333,257.100**	**349,690.086**	**354,870.306**
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	**10.1**	(38.000)	(38.000)	(38.000)	(38.000)
Revaluation Reserve	**17.2**	10,392.218	10,370.748	10,392.218	10,370.748
Retained Earnings		(337,047.477)	(325,274.915)	(324,616.510)	(313,764.857)
Non Controlling Interest		-	-	8,715.598	8,255.421
Total Equity		(293,213.448)	(281,462.356)	(272,066.883)	(261,696.877)
Non - Current Liabilities					
Retirement Benefits Obligation	**18**	1,686.148	1,680.958	3,392.246	3,132.929
Deferred Tax	**23**	-	-	2,083.176	1,997.626
Loans & Borrowings	**19**	3,928.702	1,539.455	3,928.702	1,539.455
		5,614.850	3,220.413	9,404.124	6,670.010
Current Liabilities					
Trade and Other Payables	**20**	305,869.933	316,798.461	304,283.873	315,196.592
Current portion of Loans & Borrowings	**19.1**	75.959	37.980	75.959	37.980
Short term Borrowings	**21**	307,993.013	294,662.602	307,993.013	294,662.601
		613,938.905	611,499.043	612,352.845	609,897.173
Total Equity and Liabilities		**326,340.307**	**333,257.100**	**349,690.086**	**354,870.306**

*Certain numbers shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 127 to 161 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 2019 and its loss for the year then ended.

V N Weerasooriya
DY. GENERAL MANAGER (FINANCE)

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

Sumith Wijesinghe
CHAIRMAN
27 February 2020, Colombo

Buddhika Madihahewa
MANAGING DIRECTOR

Chaminda Hettiarachchi
DIRECTOR

STATEMENT OF CHANGES IN EQUITY

CPC	Contributed Capital	Revaluation Reserves	Capital Reserves	Financial Instrument fair value	Retained Earnings	Total Equity
	Rs. Mn	*Rs. Mn*	Rs. Mn	*Rs. Mn*	Rs. Mn	*Rs. Mn*
As at 1 Jan 2018	**28,487.125**	**10,210.907**	**4,992.686**	**(21.500)**	**(220,661.110)**	**(176,991.892)**
Prior Period Adjustments	-	-	-	-	1,410.913	1,410.913
Re -stated balance as at 1 Jan 2018	**28,487.125**	**10,210.907**	**4,992.686**	**(21.500)**	**(219,250.197)**	**(175,580.979)**
Loss for the year	-	-	-		(106,162.414)	(106,162.414)
Other Comprehensive Income				(16.500)	137.696	121.196
Revaluation surplus		159.841				159.841
As at 31 Dec 2018	**28,487.125**	**10,370.748**	**4,992.686**	**(38.000)**	**(325,274.915)**	**(281,462.356)**
Loss for the year					(11,856.600)	(11,856.600)
Other Comprehensive Income					84.038	84.038
Revaluation surplus		21.470				21.470
As at 31 Dec 2019	**28,487.125**	**10,392.218**	**4,992.686**	**(38.000)**	**(337,047.477)**	**(293,213.448)**

GROUP	Contributed Capital	Revaluation Reserves	Capital Reserves	Financial Instrument fair value	Retained Earnings	Shareholders Fund	Non Controlling Interest	Total Equity
	Rs. Mn	*Rs. Mn*	Rs. Mn	*Rs. Mn*	Rs. Mn	*Rs. Mn*	Rs. Mn	*Rs. Mn*
As at 1 Jan 2018	**28,487.125**	**10,210.907**	**4,992.686**	**(21.500)**	**(208,887.009)**	**(165,217.790)**	**8,387.732**	**(156,830.059)**
Prior Period Adjustments					1,410.913	1,410.913		1,410.913
Re -stated balance as at 1 Jan 2018	**28,487.125**	**10,210.907**	**4,992.686**	**(21.500)**	**(207,476.096)**	**(163,806.877)**	**8,387.732**	**(155,419.146)**
Loss for the year					(106,464.287)	(106,464.287)	65.773	(106,398.514)
Other Comprehensive Income for the year				(16.500)	175.526	159.026	18.915	177.941
Revaluation surplus		159.841				159.841		159.841
Dividend paid							(217.000)	(217.000)
As at 31 Dec 2018	**28,487.125**	**10,370.748**	**4,992.686**	**(38.000)**	**(313,764.857)**	**(269,952.297)**	**8,255.421**	**(261,696.877)**
Loss for the year					(10,870.507)	(10,870.507)	567.771	(10,302.736)
Other Comprehensive Income for the year					18.853	18.853	(32.593)	(13.740)
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)**	**(324,616.510)**	**(280,782.481)**	**8,715.598**	**(272,066.883)**

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The notes appearing on pages 127 to 161 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC 2019 Rs. Mn	CPC 2018 Restated* Rs. Mn	Group 2019 Rs. Mn	Group 2018 Restated* Rs. Mn
CASH FLOWS FROM OPERATING ACTIVITIES					
	24	(75,037.350)	4,772.084	(73,008.312)	8,065.240
Interest Paid		(14,182.746)	(11,214.798)	(14,182.746)	(11,214.798)
Retiring Gratuity Paid	18	(170.527)	(152.227)	(317.349)	(325.892)
Income Tax /ESC paid		(7,030.536)	(6,613.479)	(7,239.083)	(7,220.087)
Net Cash Generated from/(used in) Operating activities		(96,421.159)	(13,208.421)	(94,747.490)	(10,695.537)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant & Equipment		2.832	0.046	42.048	26.640
Acquisition of Property, Plant & Equipment	8	(1,574.592)	(594.680)	(2,555.438)	(969.910)
Dividends Received		129.001	390.663	0.001	0.063
Interest Received		7,145.090	6,805.872	7,468.120	6,923.750
Investment in Treasury Bonds		4,289.779	5,663.025	4,289.779	5,663.025
Net Cash Flows from /(Used in) Investing Activities		9,992.110	12,264.927	9,244.509	11,643.568
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend Paid		-	-	(75.000)	(217.000)
New loans obtained		541,907.914	396,214.810	541,907.914	396,214.810
Repayment of Loans		(531,647.853)	(303,202.620)	(531,647.853)	(303,202.620)
Net Cash Flows From/(Used in) Financing Activities		10,260.061	93,012.190	10,185.061	92,795.190
Net Increase/(Decrease) in Cash & Cash Equivalents		(76,168.988)	92,068.696	(75,317.920)	93,743.222
Cash & Cash Equivalents at the Beginning of the Year		103,670.252	11,601.556	106,818.898	13,075.676
Cash & Cash Equivalents at the End of the Year	15	**27,501.266**	**103,670.252**	**31,500.978**	**106,818.898**

*Certain numbers shown here do not correspond to the 2018 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 127 to 161 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 Power and 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 2019 were authorized for issue in accordance with a Resolution of the Board of Directors on 27th February 2020.

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 2019 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. 293,214 Million and Rs. 272,067 Million respectively as per the financial statements prepared for the year ended 31st December 2019.

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:

Asset	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 formula:

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
(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
(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. 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 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	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Domestic	583,821.170	519,323.054	583,821.170	519,323.054
Export	62,770.368	72,434.772	62,770.368	72,434.772
Bunkering	-	495.054	-	495.054
Terminal Charge & Others	-		155.896	1,271.160
Total Sales	**646,591.538**	**592,252.880**	**646,747.434**	**593,524.040**
Less : Excise Duty & NBT	(15,731.825)	(16,760.367)	(15,731.825)	(16,760.367)
Net Revenue	**630,859.713**	**575,492.513**	**631,015.609**	**576,763.673**

3. OTHER OPERATING INCOME

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Income on Investment Property	45.869	39.879	45.869	39.879
Staff Loan Interest	239.194	214.659	885.907	794.110
Rental Income	10.861	10.914	14.676	14.311
Profit/(loss) on disposal of PPE	2.617	0.046	32.062	26.468
Profit on Sale of Filling Station equipment	20.474	17.149	20.474	17.149
Dividend Income	150.001	434.063	0.001	0.063
Sundry Income	60.401	96.115	149.862	184.469
	529.415	**812.825**	**1,148.850**	**1,076.449**

4.OPERATING PROFIT

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Operating Profit stated after charging the following expenses				
Directors' emoluments	2.319	1.595	8.282	13.027
Auditors' remuneration	3.500	2.000	5.480	3.943
Depreciation (Note 8)	722.568	725.587	1,543.531	1,545.840
Advertising Expenses	28.002	37.476	28.002	37.476
Legal charge & Other Professional fee	79.427	62.454	79.427	62.454
Disallowed VAT	2,308.966	2,741.672	2,308.966	2,741.672
Special Fee to General Treasury	1,000.000	1,000.000	1,000.000	1,000.000

5. FINANCE INCOME

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Interest Income on Treasury Bills, Fixed Deposits and Call Depo.	3,240.940	4,749.463	3,563.970	4,867.340
Interest Income on Credit invoice & Overdue trade debts	12.339	17.576	12.339	17.576
Interest Income on CEB/IPP/Aviation debtors	7,674.845	5,152.444	7,674.845	5,152.443
Interest Income on Treasury Bonds	2,596.985	2,968.441	2,596.985	2,968.440
Interest Income on R.F.C. A/C & Others	0.856	1.252	0.856	1.252
	13,525.966	**12,889.174**	**13,848.996**	**13,007.051**

6. FINANCE EXPENSES

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Interest on Long Term Loans	18.610	29.244	18.610	29.244
Interest on Foreign Currency Bank Loans	14,671.758	12,024.101	14,671.758	12,024.101
Other Finance Cost	8.172	11.711	8.172	11.711
	14,698.539	**12,065.056**	**14,698.539**	**12,065.056**

7.TAX EXPENSE

	CPC		Group	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Current tax:				
Current income tax	-	-	1,023.914	333.928
Under/(over) provision of previous years		(21.390)	(9.076)	7.454
WHT on Dividend	21.000	43.400	21.000	43.400
Deferred tax:			-	-
Origination and reversal of temporary differences - Income	-	-	123.574	962.139
Income tax expense - income statement	**21.000**	**22.010**	**1,159.412**	**1,346.922**
Income tax expense - Other Comprehensive Income	**-**	**-**	**(38.024)**	**18.336**
Total income tax expense	**21.000**	**22.010**	**1,121.388**	**1,365.258**

A reconciliation between current tax charge and profit before tax is given below:

Accounting profit/(loss) before tax	**(11,835.600)**	**(106,140.404)**	**(9,143.324)**	**(105,051.592)**
Add: Disallowable expenses	29,989.461	49,042.211	31,500.831	50,500.145
Less: Allowable expenses & exempt income	(1,350.122)	(1,520.186)	(2,046.382)	(3,158.891)
Adjusted trade profit	**16,803.739**	**(58,618.379)**	**20,311.125**	**(57,710.338)**
Less: Utilisation of tax losses	(16,803.739)	(7,883.226)	(16,803.739)	(7,883.226)
Add: Tax losses for the year		66,501.605	-	66,501.605
Taxable income	**-**	**-**	**3,507.386**	**908.042**
Income tax charged at				
28%	-	-	1,023.914	-
Concessionary rates	-	-	-	333.928
Under/(over) provision of previous years	-	(21.390)	(9.076)	7.454
WHT on Dividend	21.000	43.400	21.000	43.400
Deferred tax charge to income statement	-	-	123.574	962.139
Origination and reversal of temporary differences - OCI	-	-	(38.024)	18.336
Income tax expense	**21.000**	**22.010**	**1,121.388**	**1,365.258**

Assessments have been issued to the Taxable years of 2013/14 and 2014/2015 to the value of Rs. 100 Mn and Rs.723 Mn respectively and CPC has made valid appeals for those Assessments. Inland Revenue Department has given the determination for the year of assessment 2013/14 and 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 01/01/2019	16,026.394	1.016	11,438.261	2,238.273	1,324.990	2,305.387	700.087	34,034.407
Additions/Transfers	185.988	-	884.663	192.703	11.302	69.583	2,646.712	3,990.952
Re-valuation	21.470	-	-	-	-	-	-	21.470
Disposals	-	-	(0.011)	-	(9.094)	(3.744)	-	(12.850)
Bal 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
8.2 Depreciation								
Bal as at 01/01/2019	912.460	0.397	5,839.315	1,331.785	820.041	1,724.341	-	10,628.337
Charge for the Year	122.193	-	587.801	39.251	157.770	74.850	-	981.864
Disposals	-	-	(0.011)	-	(9.094)	(3.529)	-	(12.634)
Bal 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**
Cost as at 31.12.2018	16,026.394	1.016	11,438.261	2,238.273	1,324.990	2,305.387	700.087	34,034.407
Acc.Dep as at 31.12.2018	912.460	0.397	5,839.315	1,331.785	820.041	1,724.341	-	10,628.337
NBV as at 31.12.2018	**15,113.934**	**0.619**	**5,598.947**	**906.488**	**504.949**	**581.046**	**700.087**	**23,406.070**

CPC has changed its accounting policy for the measurement of Land to the revaluation model and revalued amounts have been incorporated to the Financial statements. CPC revalued Land at Filling Station, Rabukkana during the year 2019 and engaged the Valuation Department, an accredited independent valuer, to determine the fair value of its land. Fair value is determined by reference to market-based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property.

If these lands were measured using the cost model, the carrying amounts would be as follows:

	2019 Rs. Mn	2018 Rs. Mn
Cost / Carrying amount	0.031	0.031

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2019 is Rs.5,098.894 Mn. (2018-Rs.4,821.475 Mn)

8. PROPERTY, PLANT & EQUIPMENT - GROUP

	Land & Building Rs. Mn.	Vested Property Rs. Mn.	Plant, Mach & Equip. Rs. Mn.	SPM Facility Rs. Mn.	Motor Vehicles Rs. Mn.	Furn/ Fittings, Off. Equip & Other Assets Rs. Mn.	Capital Work in Progress Rs. Mn.	Total Rs. Mn.
8.1.Cost								
Bal as at 01/01/2019	22,208.207	1.016	20,340.541	5,038.682	3,162.626	11,403.307	1,335.601	63,489.983
Additions/Transfers	544.838	-	1,926.044	192.703	84.230	24.710	2,199.272	4,971.798
Re-valuation	21.470	-	-	-	-	-	-	21.470
Disposals	-	-	(12.136)	-	(49.300)	(6.415)	-	(67.852)
Bal 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**
8.2 Depreciation								
Bal as at 01/01/2019	1,543.940	0.397	10,320.756	3,808.349	2,108.930	6,254.685	-	24,037.058
Charge for the Year	171.100	-	1,437.218	39.251	321.220	16.247	-	1,985.036
Disposals	-	-	(12.136)	-	(40.945)	(4.785)	-	(57.866)
Bal 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**
Cost as at 31.12.2018	22,208.207	1.016	20,340.541	5,038.682	3,162.626	11,403.307	1,335.601	63,489.983
Acc.Dep as at 31.12.2018	1,543.940	0.397	10,320.756	3,808.349	2,108.930	6,254.685	-	24,037.058
NBV as at 31.12.2018	**20,664.267**	**0.619**	**10,019.786**	**1,230.333**	**1,053.696**	**5,148.622**	**1,335.601**	**39,452.925**

8.3 Investment Property

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Cost				
Bal at the beginning of the year	57.891	57.891	57.891	57.891
Add: Additions / Transfers	17.227		17.227	-
Bal as at the end of the year	75.118	57.891	75.118	57.891
Depreciation				
Bal at the beginning of the year	19.210	17.763	19.210	17.763
Add: Transfer from PPE				-
Add: Charge for the year	1.729	1.447	1.729	1.447
Bal as at the end of the year	20.939	19.210	20.939	19.210
Net Book Value	**54.179**	**38.681**	**54.179**	**38.681**

Investment property consists of properties located at Thurstan Road, Flower Road & Filling Stations given on rent.

Description	Fair Value Rs. Mn.
No.80, Flower Road, Colombo 07	40.000
No.22/1, Thurstan Road, Colombo 03	
Filling Stations	35.510

Fair value of the investment properties was based on the valuations carried out in the years 2012 and 2016 by the Valuation Department, who are independent valuers not connected with the Corporation.

8.4 Intangible Assets

	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	414.697	9.382	37.794	461.873
Charge for the Year	25.908	(0.002)		25.906
At the end of the year	440.605	9.380	37.794	487.779
Carrying value				
As at 31.12.2019	**101.433**	**-**	**-**	**101.433**
As at 31.12.2018	**127.342**	**-**	**-**	**127.341**

8.5 Capitalization 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% form the Commercial loan taken from Peoples Bank and the Balance 85% on Self financing basis by the contractor).

The amount of borrowing cost capitalized during the year 2019 was Rs.152.558 Mn.(2018-Rs.30.237 Mn). The rate was to determine the capitalisation of Barrowing cost was 6.31% p.a.

9. INVESTMENT IN SUBSIDIARY

	CPC				Group	
	Holding %	Holding %	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Ceylon Petroleum Storage Terminals Ltd.	66.67%	66.67%	5,000.000	5,000.000	-	-
			5,000.000	**5,000.000**	**-**	**-**

10.NON CURRENT FINANCIAL ASSETS

	Note	CPC		Group	
		2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated 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	320.181	25,401.501	320.181	25,401.501
		333.221	**25,414.541**	**333.221**	**25,414.541**

10.1 Quoted equity Investments

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Lanka Cement Ltd.				
5,000,000 Ordinary Shares of Rs.10/= each fully paid	12.500	29.000	12.500	29.000
Adjustment for fair value changes	-	(16.500)	-	(16.500)
	12.500	**12.500**	**12.500**	**12.500**

10.2.Unquoted Equity Investments

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 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	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Investment in Treasury Bonds	320.181	25,401.501	320.181	25,401.501
	320.181	**25,401.501**	**320.181**	**25,401.501**

11 . TRADE & OTHER RECEIVABLE

	CPC			
	2019		2018	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	152,890.749	281.790	82,575.246	3,601.342
Receivables- Inland Revenue & Custom Dept.	2,017.958	-	1,949.609	-
Other Receivables	6,022.903	4,250.607	6,389.704	5,000.607
Deposits & Prepayments	335.879	442.664	376.945	833.577
Advance	2,842.316	-	3,572.133	-
Loans & Advances to Employees	42.740	3,920.303	43.558	3,535.116
TOTAL	**164,152.545**	**8,895.364**	**94,907.195**	**12,970.641**

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

	CPC	
	2019 Rs. Mn	2018 Rs. Mn
Less than 30 days	14,650.479	18,143.703
30 - 90 days	13,733.710	10,930.265
91 - 180 days	29,396.827	17,384.670
181 - 365 days	54,438.542	30,583.025
More than 365 days	41,002.387	9,610.400
Total	**153,221.945**	**86,652.064**
Provision for impairment	(49.405)	(475.476)
	153,172.539	**86,176.588**

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

	CPC	
	2019 Rs. Mn	2018 Rs. Mn
Balance as at 1st January	475.476	49.278
Less: Amount Recovered	(0.648)	(1.097)
Less: Amount write off	(425.424)	-
Add: Provision for the year	-	427.295
Balance as at 31st December	**49.405**	**475.476**

TRADE & OTHER RECEIVABLE

	Group			
	2019		2018	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	155,739.044	281.790	84,956.226	3,601.342
Receivables- Inland Revenue & Custom Dept.	2,017.958		1,949.609	
Other Receivables	6,351.541	4,250.607	6,629.877	5,000.607
Deposits & Prepayments	1,561.027	442.664	1,727.046	833.577
Advance	2,842.316	-	3,572.132	-
Loans & Advances to Employees	1,568.541	5,550.684	1,566.998	4,673.947
TOTAL	**170,080.427**	**10,525.746**	**100,401.890**	**14,109.472**

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

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Sri Lankan Rupees	104,772.259	60,826.272	107,620.554	63,207.252
United States Dollars	48,400.280	25,350.316	48,400.280	25,350.316
	153,172.539	**86,176.588**	**156,020.834**	**88,557.568**

12 FINANCIAL INSTRUMENTS

	CPC		Group	
Financial Assets by category	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Financial assets at amortized cost				
Trade and other receivables	171,029.952	105,928.227	177,363.067	111,211.653
Investments in treasury bonds	25,408.904	29,698.682	25,408.904	29,698.682
Placements with banks	5.000	95,022.630	5.000	95,022.630
Cash in hand and at bank	30,617.646	11,279.951	34,617.358	14,428.587
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	**227,074.542**	**241,942.530**	**237,407.369**	**250,374.592**

	CPC		Group	
Financial Liabilities by category	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Financial Liabilities at amortized cost				
Borrowings	311,997.675	296,240.036	311,997.675	296,240.036
Trade and other payables	286,117.829	287,898.384	284,087.291	286,005.429
TOTAL	**598,115.504**	**584,138.420**	**596,084.966**	**582,245.465**

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		Fair value	
		2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 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
Investment in Fixed Deposits	12.1.3	-	5.000	-	5.000
Investment in Treasury Bonds	12.1.1	320.181	25,401.501	320.181	25,401.501
Trade & Other receivables	12.1.4	171,079.532	106,403.879	171,029.952	105,928.227
Short term investments					
Bank deposits	12.1.3	5.000	95,017.630	5.000	95,017.630
Government bonds	12.1.1	25,088.723	4,297.181	25,088.723	4,297.181
Cash and cash equivalents	12.1.4	30,617.646	11,279.951	30,617.646	11,279.951
Total		**227,124.122**	**242,418.181**	**227,074.542**	**241,942.530**
Financial liabilities					
Loans & borrowings	12.1.3	4,004.662	1,577.435	4,004.662	1,577.435
Trade & other payables	12.1.4	286,117.829	287,898.384	286,117.829	287,898.384
Short term borrowings	12.1.4	307,993.013	294,662.601	307,993.013	294,662.601
		598,115.504	**584,138.420**	**598,115.504**	**584,138.420**

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.

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

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

12.1.3 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 2019, the carrying amounts of deposits, loans & borrowings are not materially different from their fair values.

12.1.4 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.

12.2 Fair value hierarchy

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

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

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

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

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

	CPC - 2019			
	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	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Crude Oil	18,033.942	10,125.490	18,033.942	10,125.490
Other Raw material	815.066	847.482	815.066	847.482
Finished Products	43,684.312	47,034.244	43,692.014	47,042.363
Intermediate Product	746.347	624.056	746.347	624.056
Other Materials & Supplies	2,838.782	2,670.653	3,523.111	3,335.054
Less: Provision for Slow Moving Items	(361.232)	(381.717)	(377.653)	(397.399)
	65,757.217	**60,920.209**	**66,432.827**	**61,577.047**

14.SHORT TERM INVESTMENTS

	CPC		Group	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Bank Deposits	5.000	5.000	5.000	5.000
Investment in Treasury Bonds	25,088.723	4,297.182	25,088.723	4,297.182
	25,093.723	**4,302.182**	**25,093.723**	**4,302.182**

15.CASH AND CASH EQUIVALENTS

	CPC		Group	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Components of Cash and Cash Equivalents				
Cash at Bank and in hand	30,617.646	106,297.581	34,617.358	109,446.226
	30,617.646	106,297.581	34,617.358	109,446.226

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	CPC		Group	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Cash and cash equivalents	30,617.646	106,297.581	34,617.358	109,446.226
Bank overdrafts (Note 21)	-	-	-	-
	30,617.646	**106,297.581**	**34,617.358**	**109,446.226**
Add/Less: Adjustment for foreign currency translation	(3,116.380)	(2,627.328)	(3,116.380)	(2,627.328)
	27,501.266	103,670.252	31,500.978	106,818.898

16.CONTRIBUTED CAPITAL

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 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.

17.1 CAPITAL RESERVE

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 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	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Balance as at 1st January	10,370.748	10,210.907	10,370.748	10,210.907
Surplus from revaluation (Note 8)	21.470	159.841	21.470	159.841
Balance as at 31st December	10,392.218	10,370.748	10,392.218	10,370.748

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	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Balance as at 01st January	1,670.933	1,692.425	3,122.904	3,166.414
Less: Payable for those who left during the period	(5.102)	(6.805)	(5.102)	(6.805)
Payments made during the year	(170.527)	(152.227)	(317.349)	(325.892)
	1,495.304	1,533.392	2,800.453	2,833.718
Add: Current service cost	94.214	97.531	266.418	175.973
Interest cost	170.643	177.705	263.585	325.988
Actuarial (gain)/loss	(84.038)	(137.696)	51.765	(212.776)
	1,676.122	1,670.933	3,382.221	3,122.904
Add: Benefit China Bay /LLL/NYLON/CPSTL Employees	10.025	10.025	10.025	10.025
Balance as at 31st December	**1,686.148**	**1,680.958**	**3,392.246**	**3,132.929**
Expenses on retirement benefit obligation				
Income Statement				
Current service cost	94.214	97.531	266.418	175.973
Interest cost	170.643	177.705	263.585	325.988
	264.857	**275.235**	**530.003**	**501.961**
Other Comprehensive income				
Actuarial (gain)/loss	(84.038)	(137.696)	51.764	(212.776)
	(84.038)	**(137.696)**	**51.764**	**(212.776)**

Actuarial valuation of retirement benefit obligation as at 31 December 2019 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 :

	2019	2018
Expected Salary increment	30% once in 3 years	30% once in 3 years
Expected Staff turnover	4.69%	4.00%
Interest /Discount Rate	10.23%	11.0%
Retirement age	60 years	60 years
No. of employees	2366	2461
Mortality	A 67/70 Mortality Table	A 67/70 Mortality Table

18.1 Sensitivity of actuarial assumption 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 2019. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Assumption	CPC		
	Change in the assumption	Sensitivity effect on Income statement	Sensitivity effect on Retirement Benefit Obligation
		2019 Rs. Mn	2018 Rs. Mn
Discount Rate @10.23%	Increased by 1%	114.824	(114.824)
	Decreased by 1%	(105.883)	105.883
Salary Increment	Increased by 1%	(103.971)	103.971
	Decreased by 1%	114.725	(114.725)

19.LOANS & BORROWINGS

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Treasury (A.D.B) Loan	37.980	113.939	37.980	113.939
Peoples Bank	1,410.994	1,425.516	1,410.994	1,425.516
Self Financing Facility(CNCEC-14) -BIA Project	2,479.728	-	2,479.728	-
	3,928.702	**1,539.455**	**3,928.702**	**1,539.455**

19.1. Current Portion of Loans & Borrowings

Treasury (A.D.B) Loan	75.959	37.980	75.959	37.980
	75.959	**37.980**	**75.959**	**37.980**

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.

19.2 Loans Repayable within five years from 31st December is as follows:

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Amount due within 2 years	75.959	75.959	75.959	75.959
Amount due within 3-5 years	995.203	361.063	995.204	361.063
Amount due after 5 years	2,933.499	1,140.412	2,933.499	1,140.412
	4,004.662	**1,577.435**	**4,004.662**	**1,577.435**

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 instalments 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 instalments commencing from June 30, 2022.

(c) Self Financial Facility USD 43.775 Mn. Loan - (Interest 6 months LIBOR+3.55%p.a.) repayable in biannual instalments commencing from July 19, 2021.

20. TRADE & OTHER PAYABLES

	CPC		Group	
	2019 Rs. Mn	2018 Restated Rs. Mn	2019 Rs. Mn	2018 Restated Rs. Mn
Foreign Bills Payable	278,740.318	245,452.883	278,740.318	245,452.883
Other Creditors			-	
- Amount due to Inland Revenue & Custom Dept.	19,752.104	28,900.077	20,870.478	29,191.160
- Accrued Expenses	5,094.256	40,456.654	1,317.674	37,177.662
- Refundable Deposits & Others	2,283.255	1,988.845	3,355.402	3,374.886
	305,869.933	**316,798.461**	**304,283.873**	**315,196.592**

Amount due to Inland Revenue & Custom Dept. includes the excise duty, NBT and income tax payable. Refundable VAT is included under other receivables.

21. SHORT TERM BORROWINGS

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Bank & Other loans				
- Wholly Repayable within one year	307,993.013	294,662.602	307,993.013	294,662.601
- Bank Overdrafts	-	-	-	
	307,993.013	**294,662.602**	**307,993.013**	**294,662.601**

Bank Borrowings 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. from June 2017 onwards.

22.EMPLOYEES

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
22.1 Staff Cost				
Salaries & Wages	5,101.997	5,259.272	10,856.362	11,172.713
Defined Contribution Plan	498.580	484.158	1,016.147	1,016.423
Defined benefit obligation (Note 18)	264.857	275.235	530.003	501.961
	5,865.434	**6,018.666**	**12,402.512**	**12,691.098**

23. DEFERRED TAX-CPC

CPC has carried forward tax losses amounting to Rs.286,537 Mn(2018 Rs.309,368 Mn) which are available to set-off against the future tax profits. Deferred tax assets not accounted on these losses amounts to Rs. 80,230 Mn (2018 Rs. 86,623 Mn)

23.1 Deferred Tax - Group

	Group	
	2019 Rs. Mn	2018 Rs. Mn
Balance at the beginning of the period	1,997.626	1,017.152
Origination and reversal of temporary difference - Income Statement	123.574	962.140
Other Comprehensive income	34.023	18.335
Balance at the end of period	**2,083.176**	**1,997.626**
Defferred tax assets	(487.167)	(360.250)
Deferred tax liability	2,570.343	2,357.876
Net deferred tax liability	**2,083.176**	**1,997.626**

23.2 Recognized deferred tax assets and liabilities

	2019 Rs. Mn		2018 Rs. Mn	
	Temporary difference	**Deferred tax Liability/(Asset)**	**Temporary difference**	**Deferred tax Liability/(Asset)**
Deferred tax liability				
Property, Plant & Equipment & Intangible assets	212.464	2,570.343	1,098.919	2,357.876
Deferred tax assets				
Inventories	(0.768)	(4.598)	15.379	(3.830)
Provisions	(3.010)	(4.862)	22.643	(1.850)
Employee benefit plan	(85.111)	(477.708)	(174.801)	(354.570)
Tax loss	-	-		-
	123.574	**2,083.176**	**962.139**	**1,997.626**

Deferred tax has been calculated using an effective tax rate @ 28%. The rate has been increased from 24.42% to 28% due to single tax rates applied different levels of taxable income, resulting Rs. 93.322 Mn increase in the deferred tax liability as at 31 December 2019.

24.CASH FLOWS FROM OPERATING ACTIVITIES

	CPC		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Profit/(Loss) before tax	**(11,835.600)**	**(106,140.404)**	**(9,143.324)**	**(105,051.592)**
Adjustment for :				
Depreciation	983.593	958.482	1,986.765	1,911.892
Amortisation	-	-	25.908	2.478
Unrealize exchange balance & Foreign Currency Translation	4,409.2034	47,578.962	4,409.203	47,578.962
Dividend Income	(150.001)	(434.063)	(0.001)	(0.063)
Interest Income	(13,525.966)	(12,889.174)	(13,848.997)	(13,007.053)
allowance for impairment	-	427.295	21.760	125.393
Interest Expenses	14,698.539	12,065.056	14,698.539	12,065.056
Provision for Retirement Obligation	264.857	275.235	530.003	501.961
(Profit)/Loss on Sale of Property, Plant & Equipment	(2.617)	(0.046)	(32.062)	(26.468)
Amotization of special levy	1,000.000	1,000.000	1,000.000	1,000.000
Operating Profit/(Loss) before Working Capital changes	**(4,157.991)**	**(57,158.656)**	**(352.205)**	**(54,899.433)**
Changes in Working Capital				
(Increase)/ Decrease in Inventories	(4,837.009)	(11,669.602)	(4,867.758)	(11,793.073)
(Increase)/ Decrease in Trade and Other Receivable	(60,204.695)	(4,600.608)	(61,276.798)	(7,015.906)
Increase/ (Decrease) In Trade and Other Payables	(5,837.655)	78,200.950	(6,511.551)	81,773.651
Cash Generated from/ (Used in) operating activities	**(75,037.350)**	**4,772.084**	**(73,008.312)**	**8,065.240**

25. OPERATING SEGMENT

	Transport Rs. Mn	Power Generation Rs. Mn	Aviation Rs. Mn	Industries Rs. Mn	Storage & Transportation Rs. Mn	Others Rs. Mn	Eliminations/ Adjustments Rs.	Total Rs. Mn
Revenue								
External Customers	415,905.426	117,495.442	58,989.992	10,550.635	155.896	27,918.218	-	631,015.609
Inter Segment					15,183.980		(15,183.980)	-
Total Revenue	**415,905.426**	**117,495.442**	**58,989.992**	**10,550.635**	**5,339.876**	**27,918.218**	**(15,183.980)**	**631,015.609**
Results								
Operating Profit	(22,332.103)	9,242.060	118.417	1,971.532	2,518.696	(8,060.483)	(149.450)	**(16,691.331)**
Exchange Rate Variation	6,336.085	1,577.755	-	122.265	-	361.444	-	**8,397.549**
Finance Cost	(9,974.062)	(2,483.651)	(1,342.201)	(192.466)	-	(706.159)		**(14,698.539)**
Finance Income					323.030		13,525.966	**13,848.996**
Profit /(Loss) before tax	**(25,970.080)**	**8,336.164**	**(1,223.784)**	**1,901.331**	**2,841.725**	**(8,405.197)**	**13,376.516**	**(9,143.324)**
Income tax Expense					(1,138.411)		(21.001)	**(1,159.412)**
Profit/(Loss) for the year	(25,970.080)	8,336.164	(1,223.784)	1,901.331	1,703.314	(8,405.197)	13,355.515	**(10,302.736)**

26. RESTATEMENT OF FINANCIAL STATEMENTS

26.1 .1 Accounting policy for the excise duty paid at the time of importation has been changed to adjust the cost of sales and inventory as per the accounting standards. Accordingly, Excise duties paid at the time of importation are considered as a cost of the particular product and the closing stock is valued including the excise duties to the cost. The policy change has been adjusted by restating the financial statement line items for prior periods.

26.1.2 Inland Revenue Department has issued the assessments for the years of assessment 1997/98, 2002/03 and 2007/08 indicating that CPC is liable for the deemed dividend tax. The Court of Appeal affirmed the determinations given by Board of Review and Tax Appeals Commissions for the years of assessment 1997/98 and 2007/08. Accordingly the financial statements have been restated to adjust the tax liabilities for the prior periods.

26.1.3 Short term bank deposits have been classified in to the Cash & Cash Equivalent in the Statement of Financial Position and the Statement of Cash Flows. The summary of the impacts to the cash flow statement is given below.

The impact of the above prior year adjustments to the retained earnings and financial performance for the year 2018 are noted below.

Adjustment	As at 01.01.2018 Rs. Mn	For the year 2018 Rs. Mn
Policy change	5,097.629	(1,111.779)
Tax adjustment	(3,686.716)	-
Total	**1,410.913**	**(1,111.779)**

26.2 Statement of Financial Position

01 January 2018	CPC Impact of Adjustments			Group Impact of Adjustments		
	As previously reported Rs. Mn	**Adjustments Rs. Mn**	**As restated Rs. Mn**	**As previously reported Rs. Mn**	**Adjustments Rs. Mn**	**As restated Rs. Mn**
Inventories	44,152.978	5,097.630	49,250.608	44,559.109	5,097.630	49,656.739
Others	174,548.207	-	174,548.207	191,820.916	-	191,820.916
Total Assets	**218,701.185**	**5,097.630**	**223,798.815**	**236,380.025**	**5,097.630**	**241,477.655**
Trade and Other Payables	214,077.733	3,686.716	217,764.449	209,103.597	3,686.716	212,790.313
Others	181,615.344	-	181,615.344	184,106.487	-	184,106.487
Total Liabilities	**395,693.077**	**3,686.716**	**399,379.793**	**393,210.084**	**3,686.716**	**396,896.800**
Retained earnings	(220,661.110)	1,410.914	(219,250.196)	(208,887.009)	1,410.914	(207,476.095)
Capital & Other reserves	43,669.218		43,669.218	52,056.950		52,056.950
Total Equity	**(176,991.892)**	**1,410.914**	**(175,580.978)**	**(156,830.059)**	**1,410.914**	**(155,419.146)**

31 December 2018	CPC Impact of Adjustments			Group Impact of Adjustments		
	As previously reported	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported	Adjustments Rs. Mn	As restated Rs. Mn
Inventories	56,934.359	3,985.850	60,920.209	57,591.197	3,985.850	61,577.047
Non Current Financial Assets	25,419.541	(5.000)	25,414.541	25,419.541	(5.000)	25,414.541
Short-term Investments	99,314.811	(95,012.630)	4,302.182	99,314.811	(95,012.629)	4,302.182
Cash & Cash equivalent	11,279.951	95,017.629	106,297.581	14,428.596	95,017.629	109,446.226
Others	136,322.588	-	136,322.588	154,130.311	-	154,130.311
Total Assets	**329,271.250**	**3,985.848**	**333,257.100**	**350,884.456**	**3,985.848**	**354,870.306**
Trade and Other Payables	313,111.745	3,686.716	316,798.461	311,509.875	3,686.717	315,196.592
Others	297,920.994	-	297,920.994	301,370.591	-	301,370.591
Total Liabilities	**611,032.739**	**3,686.716**	**614,719.455**	**612,880.466**	**3,686.717**	**616,567.183**
Retained earnings	(325,574.048)	299.133	(325,274.915)	(314,063.990)	299.133	(313,764.857)
Capital & Other reserves	43,812.559		43,812.559	52,067.980		52,067.980
Total Equity	**(281,761.489)**	**299.133**	**(281,462.356)**	**(261,996.010)**	**299.133**	**(261,696.877)**

26.3 Statement of Comprehensive Income

For the year ended 31 December 2018	CPC Impact of Adjustments			Group Impact of Adjustments		
	As previously reported	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported	Adjustments Rs. Mn	As restated Rs. Mn
Sales Revenue	520,967.224	54,525.289	575,492.513	522,238.384	54,525.289	576,763.673
Cost of Sales	(523,982.111)	(55,634.607)	(579,616.718)	(531,324.830)	(55,634.607)	(586,959.438)
Selling & distribution Expenses	(14,911.630)	(2.462)	(14,914.092)	(3,612.614)	(2.462)	(3,615.075)
Others	(87,124.118)	-	(87,124.118)	(92,587.674)	-	(92,587.674)
Profit /(Loss) for the year	(105,050.635)	(1,111.780)	(106,162.414)	(105,286.734)	(1,111.780)	(106,398.514)
Total comprehensive income	**(104,769.598)**	**(1,111.780)**	**(105,881.377)**	**(104,948.951)**	**(1,111.780)**	**(106,060.731)**

26.4 Statement of Cash Flows

For the year ended 31 December 2018	CPC Impact of Adjustments			Group Impact of Adjustments		
	As previously reported	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported	Adjustments Rs. Mn	As restated Rs. Mn
Net Cash Generated from/(used in) Operating activities	(36,528.937)	23,320.516	(13,208.421)	(34,016.053)	23,320.516	(10,695.537)
Net Cash Flows from /(Used in) Investing Activities	(77,589.443)	89,854.370	12,264.927	(78,210.802)	89,854.370	11,643.568
Net Cash Flows From/(Used in) Financing	116,332.705	(23,320.516)	93,012.190	116,115.705	(23,320.516)	92,795.190
Net Increase/(Decrease) in Cash & Cash Equivalents	**2,214.325**	**89,854.370**	**92,068.696**	**3,888.851**	**89,854.370**	**93,743.222**
Cash & Cash Equivalents at the Beginning of the Year	6,438.298	5,163.258	11,601.556	7,912.418	5,163.258	13,075.676
Cash & Cash Equivalents at the End of the Year	**8,652.623**	**95,017.629**	**103,670.252**	**11,801.269**	**95,017.629**	**106,818.898**

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 2016 amounting to Rs. 1,188.632Mn. Assessments on Value Added Tax have been issued by IRD for the periods from 2004 to 2016 is amounting to Rs. 1,617.254 Mn and Assessments on Turnover Tax for the period from 1996-2000 is amounting to 19.313 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 was 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 2019 relates to following;

Commitments to the Banks

The Corporation established Letter of Credits (L/C) amounting to Rs.55,335Mn. and 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. 190Mn and established bills collection amounting to Rs. 9.079Mn. at two states banks.

Pending Litigations at the reporting date

There were 187 (2018-164) unsettled legal cases as at 31st December 2019 noted below.

Type of Legal Cases	No. of Cases	
	CPC	Group
Labour Tribunal Cases	05	10
Magistrate Court Cases	—	02
District Court Cases	19	30
High Court Cases	05	05
Court of Appeal Cases	03	04
Supreme Court Cases	23	39
Human Rights Commission	35	35
Department of Labor	52	62

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. 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.

	Value as at 31 December 2019 USD Mn	Year end Exchange rate Rs./USD	Change in Exchange rate	Effect on Profit Before tax Rs. Mn
Loans & borrowings (USD)	1,707.52	182.653	1% Increase	(3,119)
Trade & other payables	1,490.44	182.653	1% Increase	**(2,722)**

* 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.

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. 30,618 Mn , Investment in Treasury Bonds of Rs.25,089 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.

	Less than 3 months	3 months to 12 months	1 – 2 years	3-5 Years	Over 5 years
Bank borrowings	154,899	153,094			
Long term debt	38	38	38	957	2,933
	154,937	153,132	38	957	2,933

(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.

30. DIRECTORS' INTEREST IN CONTRACTS & RELATED PARTY TRANSACTION WITH THE COMPANY

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.

Compensation of Key Management Personnel

	CPC	
	2019 Rs. Mn	2018 Rs. Mn
Short term Benefits	2.319	1.595

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

	2019 Rs. Mn	2018 Rs. Mn
Sales & Services rendered to related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	449.516	496.328
Other related parties		
Sri Lankan Airline Ltd.	30,926.475	33,975.636
Ministry of Petroleum Resources Development	26.776	20.800
	31,402.767	34,492.764
Interest Income from related parties		
Other related parties		
Sri Lankan Airline Ltd.	1,930.494	718.177
	1,930.494	718.177
Services received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	14,741.030	11,369.446
	14,741.030	11,369.446
Dividend Received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	150.000	434.000
Amount due from related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	70.565	501.361
Other related parties		
Sri Lankan Airline Ltd.	47,905.673	28,516.773
Ministry of Petroleum Resources Development	10.158	9.523
	47,986.395	29,027.657
Amount due to related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	3,916.128	3,206.618

* 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'.

31. 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 2019 CPC still had a negative net asset position of Rs. 293,213 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

	2010	2011	2012	2013	2014	2015	2016	2017 (Restated)	2018 (Restated)	2019
Domestic Prices	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Petrol - 92 Octane	115	125	159	162	150	117	117	117	125	137
Auto Diesel	73	76	115	121	111	95	95	95	101	104
Super Diesel	88.3	98.3	142	145	133	110	110	110	121	132
Kerosene	51	61	106	106	81	49	44	44	70	70
Furnace Oil 800"	40	52.2	92.2	92.2	92.2	80	80	80	92	96
Furnace Oil 1500"	40	50	65	90	90	80	80	80	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	256,329	356,442	512,910	490,381	525,182	376,734	423,061	445,950	575,492	630,860
Cost of Sales	-269,316	-420,227	-540,439	-464,374	-499,956	-337,119	-326,441	-418,962	-579,617	-626,599
Gross Margin	-12,987	-63,785	-27,529	26,007	25,226	39,615	96,620	26,988	-4,124	4,261
Net operating expenses and interest	-13,936	-30,572	-62,041	-33,897	-24,532	-55,637	-27,067	-24,173	-102,016	-16,096
Profit/(Loss) before tax	-26,923	-94,357	-97,182	-7,890	694	-19,886	69,553	2,815	-106,140	-11,836
Financial Position	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Capital	1,000	3,500	3,500	3,500	3,500	28,487	28,487	28,487	28,487	28,487
Reserves	-38,369	-134,736	-232,045	-239,967	-236,791	-257,472	-214,334	-205,479	-309,949	-321,700
L/T Liabilities	28,478	27,646	1,998	1,351	703	342	266	190	1,539	3,928
Gratuity Provision	746	626	547	538	664	861	754	1,708	1,681	1,686
Total	**-8,145**	**-102,964**	**-226,000**	**-234,578**	**-231,924**	**-227,782**	**-184,827**	**-175,094**	**-278,242**	**-287,599**
Profitability Ratios										
Gross Profit Ratio	-5.10%	-17.90%	-5.40%	5.30%	4.80%	10.50%	22.80%	6.05%	-0.72%	0.68%
Net Profit Ratio	-10.50%	-26.50%	-18.90%	-1.60%	0.00%	-5.30%	16.40%	0.24%	-18.45%	-1.88%
Operating Ratios										
Inventory T/O Ratio	8.04	10.7	10.89	7.3	7.77	6.44	8.53	9.48	9.51	9.53
Interest Cover	-2.93	-9.48	-3.88	0.57	1.05	-0.32	7.1	1.32	-2.1	-1.3
Liquidity Ratios										
Current assets Ratio	0.82	0.58	0.43	0.39	0.34	0.31	0.34	0.38	0.44	0.47
Quick Ratio	0.57	0.45	0.28	0.24	0.19	0.21	0.24	0.27	0.34	0.36

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