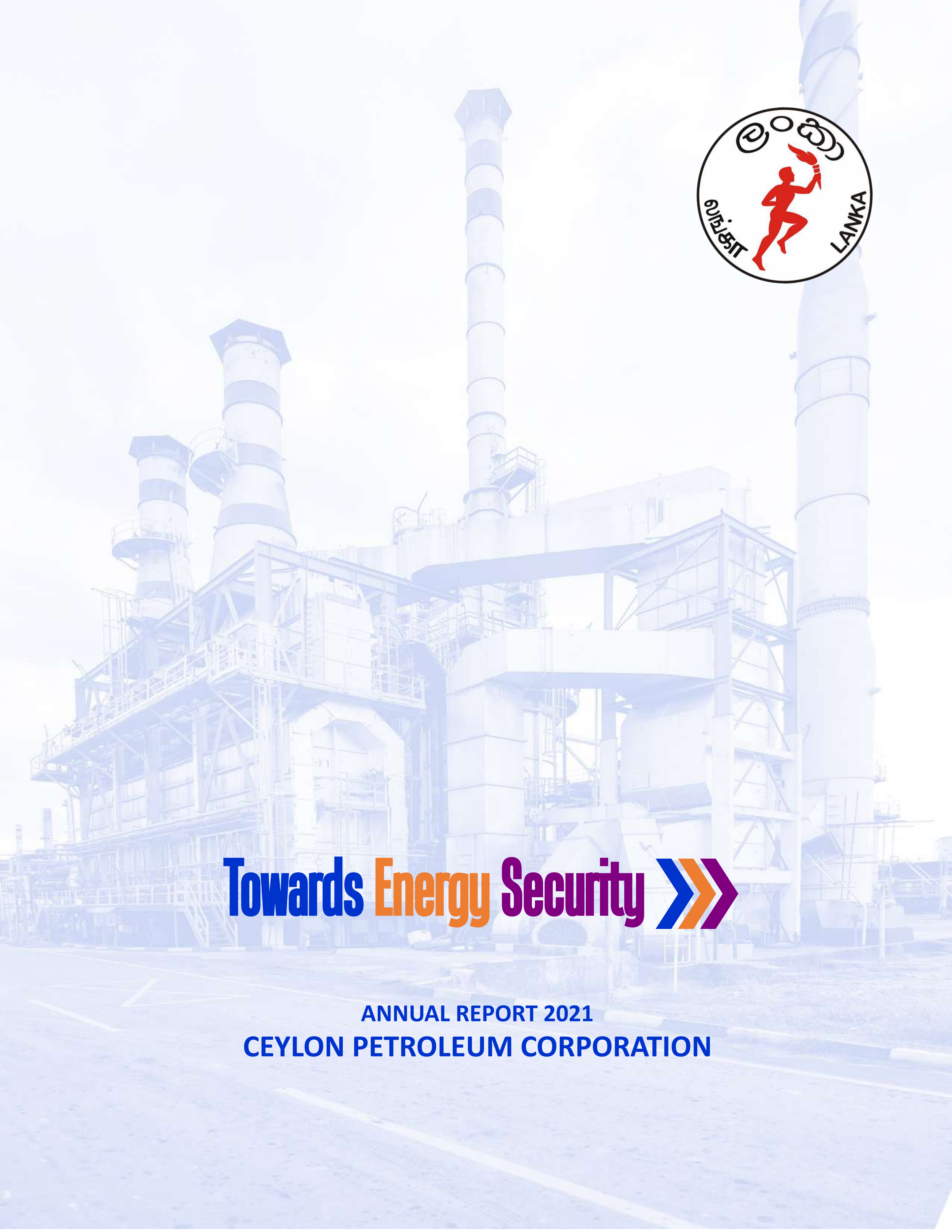

Towards Energy Security

ANNUAL REPORT 2021

CEYLON PETROLEUM CORPORATION

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Towards Energy Security

We, the market frontrunner in the petroleum industry of Sri Lanka continued even under the turbulent environment to cater continuous fuel supply to the nation, which is paramount important for the national economic growth mandates. Although, Sri Lanka is not a country with minable petroleum resources, we continuously worked hard over last six decades to fulfill the fuel needs of the society as petroleum products associated with lifestyle of the people. As the energy security is a key contributor to economic growth, CPC always committed towards the energy security of the nation to meet its development agendas.

Table of Contents

About Us

The Corporation

Ceylon Petroleum Corporation (CPC) is a public corporation incorporated under Ceylon Petroleum Corporation Act, No. 28 of 1961 with the purpose of importing, refining and selling of Petroleum Products in Sri Lanka. Our island-wide distribution channels are dispersed throughout the country enabling nation to reach their fuel needs.

We assured the market leader by maintaining over 80% of the market share and our fleet of 1343 filling stations spread over the island.

As a state owned corporation, we are determined to pledge the best possible domestic energy prices by transferring the economic benefits to the society.

Refinery & Subsidiary

The CPC Refinery, our key strategic asset that plays crucial role with creating value to the nation over the 50 years of operation. We refine and cater 30% of CPC sales via our Refinery and gap are catered from the importation of refined products.

Our subsidiary, Ceylon Petroleum Storage Terminals Limited (CPSTL) having over 2/3 of the stake, plays a significant role in our operation. CPSTL has been established with the aim of storage and distribution of petroleum products and provision of information technology services.

Business Lines

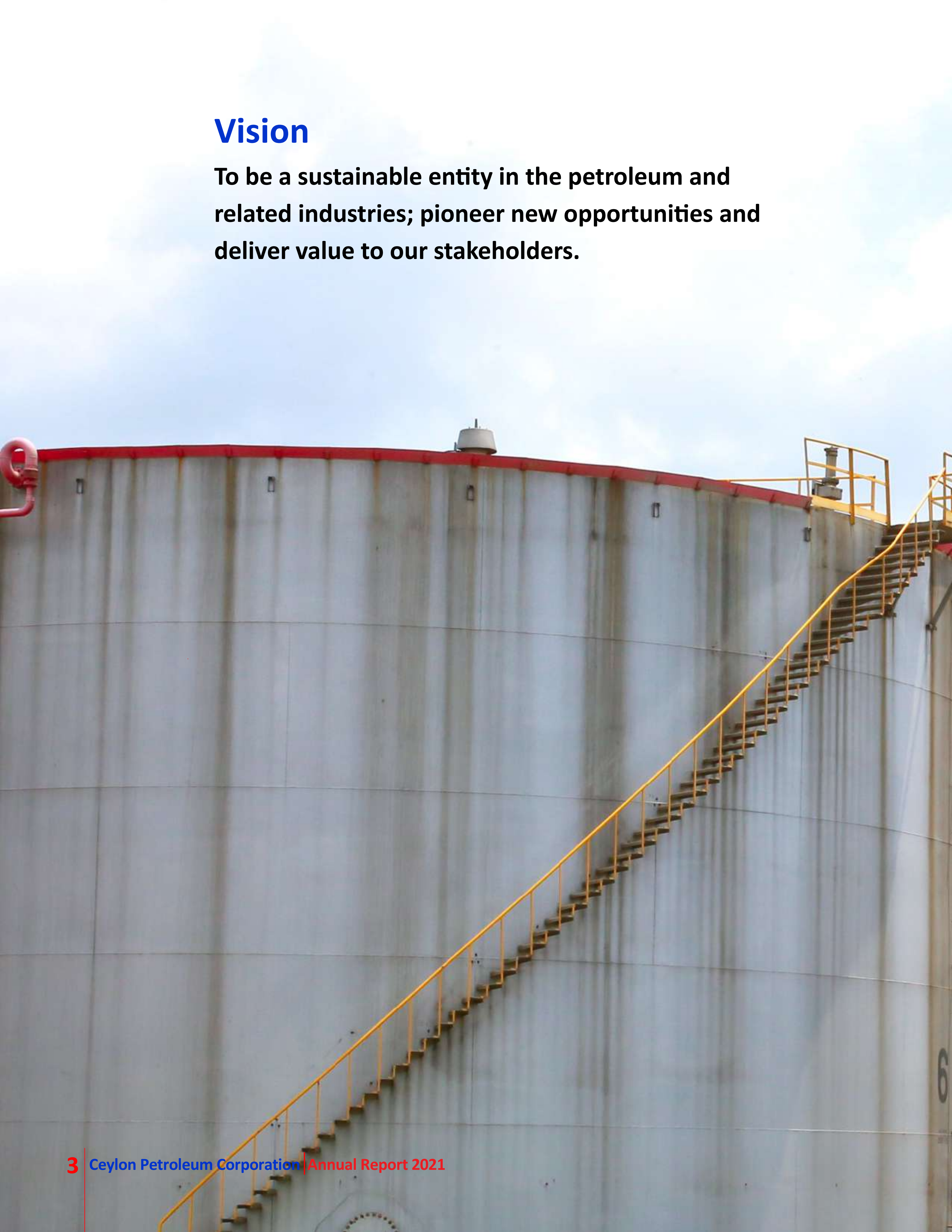
Our business lines extended many areas that we supply fuel and agrochemical products. Our domestic sales are the dominant income during the year. The revenue of the corporation stood at Rs. 594 billion for the year 2021 (2020 Rs. 531 billion) .

Our Business Lines

- Auto fuel supply through the filing stations
- Fuel for power generation
- Aviation fuel supply
- Fuel for industries
- Agrochemical business
- Export
- Bunkering business.

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 of 1961

1962

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

1964

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

1968

CPC built a 38,000 BPD Refinery

1969

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

1971

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

1978

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

1979

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

1987

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

1992

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

1994

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

1995

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

1999

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

2002

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

2003

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

2010

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

2011

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

2012

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

2013

Upgraded the 90 Octane petrol to 92 Octane petrol.

2014

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

2016

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

2018

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

2019

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

2020

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

2021

Re-enter in to the Bunkering business.

About Our Report

Our Annual Report 2021 has been prepared on integrated approach for reporting our activities to become more transparent on the Corporation's strategy, performance, governance, risk, and value creation.

Scope and Boundaries

This annual report provides information relating to Ceylon Petroleum Corporation's business model, operating context, strategies, material risks and opportunities, governance and operational performance for the period from 01 January 2021 to 31 December 2021. The report covers the performance of our strategic business units during the period.

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

Materiality

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

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

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

Understanding our business (pages 2 to 12), our business model (page 47 to 48) and our activities and impacts across our value chain (pages 49 to 75) 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 31 to 34) and by our response to the risks and opportunities (pages 81 to 86).

Our performance (pages 35 to 44), our leadership team (pages 19 to 28), and our governance practices (pages 87 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 timely basis on the execution of the combined assurance plan. The Audit & Management Committee report is on pages 93 to 94. The Auditor General provided the assurance on our Annual Financial Statements 2021 (see pages 102 to 134).

The established process provide the assurance on our Integrated Report 2021, which contains both financial and non-financial information.

Navigation to Our Report

Capitals	Stakeholders	Strategic Pillars
Financial Capital	Shareholders	Profitable Growth
Manufactured Capital	Customers	Sustainability
Human Capital	Regulators	Operational Excellence
Social & Relationship Capital	Employees	Technological Advancement
Intellectual Capital	Community	Investment in Human Capital
Natural Capital	Suppliers	

Feedback

CPC dedicated for enhancing the readability and relevance of our report. We welcome your suggestions, inquiries and feedback on CPC Annual Report 2021. Please forward your feedback to,

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

finadminsec@ceypetco.gov.lk
0094115455147

Financial Highlights

	CPC		Group	
	2021	2020 Restated	2021	2020 Restated
	Rs. Mn	*Rs. Mn*	*Rs. Mn*	*Rs. Mn*
OPERATING RESULT				
Revenue - Gross	593,833.049	531,272.752	594,097.875	531,494.925
Gross (Loss)/Profit	(4,068.172)	67,652.692	(11,779.404)	60,735.767
Operating (Loss)/Profit	(41,731.876)	33,920.573	(40,272.450)	35,503.005
Finance Income	18,369.081	11,187.890	18,570.652	11,497.173
Profit /(Loss) for the year	(82,225.782)	2,356.377	(81,116.261)	4,091.331
Total comprehensive income	(82,313.506)	20,547.545	(80,878.244)	22,167.748
FINANCIAL POSITION				
Total Assets	419,799.131	325,449.478	441,165.215	347,054.473
Inventories	41,915.633	52,507.840	42,636.842	53,206.909
Cash & Cash Equivalent	141,607.205	64,563.572	143,772.001	68,005.593
Equity	(357,536.669)	(275,223.164)	(333,852.630)	(252,974.387)
Non current liabilities	9,627.771	8,973.494	12,846.906	12,585.686
Non-current borrowings	5,893.394	5,066.323	5,893.394	5,066.323
Short term borrowings	510,268.933	390,750.148	510,268.933	390,750.148
Total Borrowings	516,162.327	395,816.471	516,162.327	395,816.471

KEY RATIOS — CPC	2021	2020	2019	2018
Gross Profit Ratio	-0.70%	12.95%	0.68%	-0.72%
Operating Profit Margin	-7.14%	6.49%	-3.02%	-4.21%
Net Profit Ratio	-13.85%	0.44%	-1.88%	-18.45%
Return on Total Assets	-9.94%	10.42%	-5.81%	-7.28%
Inventory Turnover Ratio	14.05	8.66	9.53	9.51
Assets Turnover Ratio	1.39	1.57	1.93	1.73
Current Ratio	0.47	0.45	0.47	0.44
Quick Ratio	0.42	0.36	0.36	0.34
Interest Cover	(1.63)	1.62	(1.30)	(2.01)

Capital Investments
2,525
(Rs. Mn.)

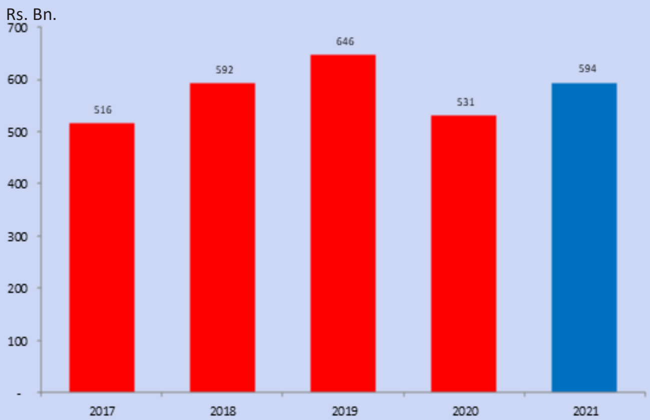
Contribution to the Government
105,198
(Rs. Mn.)

Revenue
593,833
(Rs. Mn.)

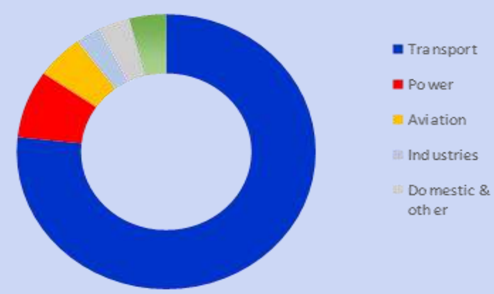
Finance Income
18,369
(Rs. Mn.)

Total Assets
419,799
(Rs. Mn.)

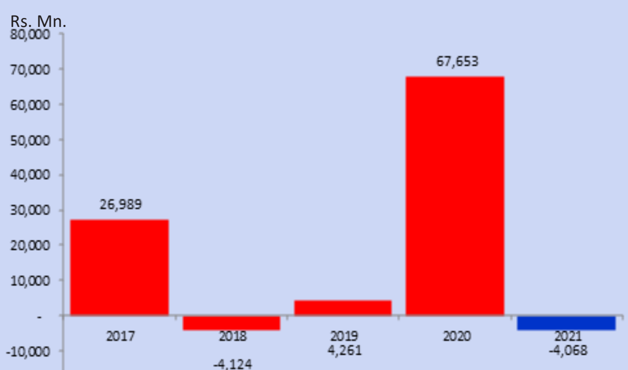
Revenue



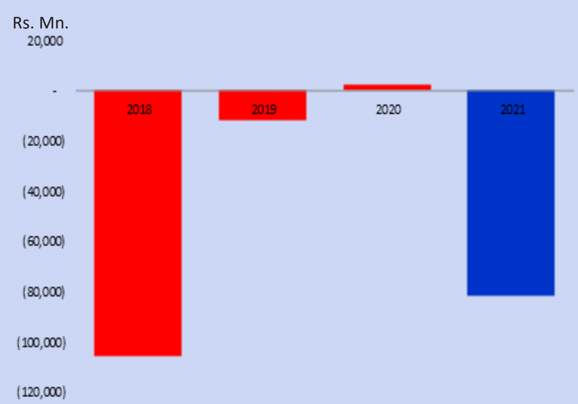
Revenue Mix



Gross Profit



Net Profit



Operational Highlights

	Metric	2021	2020
Sales	M.Ltrs.	5,130	5,029
Stock at the year end	M. Ltrs.	278.113	410.251
Total filling stations	No.	1,343	1,322
New filling Stations	No.	21	25
Total workforce	No.	2,377	2,508
Staff cost	Rs. Mn.	6,891	5,719
Training cost	Rs. Mn.	4.08	4.47
Cumulative service experience	years	38,270	38,350
Operating Time Efficiency - Crude Distiller	%	85.54	99.03
Operating Time Efficiency - Bitumen Blower	%	22.02	30.44
Expected loss	MT	7,519	4,325
Specific energy consumption	MMK Cal/Crude T	.5106	.493
Water consumption	MT	566,838	843,590
Health & Safety at Refinery			
Lost time accidents	No.	-	-
First aid accidents	No.	2	-
Minor fire reported	No.	-	-
Lost days	No.	-	-

REFINERY OPERATIONS	Crude Intake in MT	Days for year	MT per calendar day
2021	1,269,938	314	4452
2020	1,685,441	362	4,605
2019	1,864,817	357	5109
2018	1,675,245	327	5141
2017	1,646,041	351	4510
2016	1,746,180	362	4771

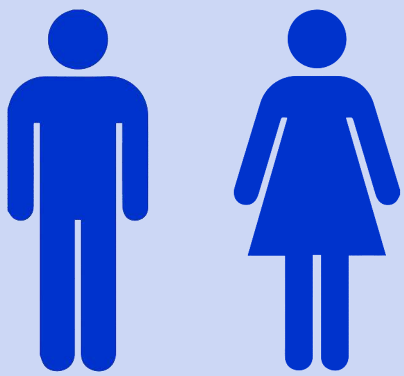
Sales Volume
5,130
(Mn. Ltrs.)

Filling Stations
1,343

Permanent Employees
2,304

Staff Cost
6,891
(Rs. Mn.)

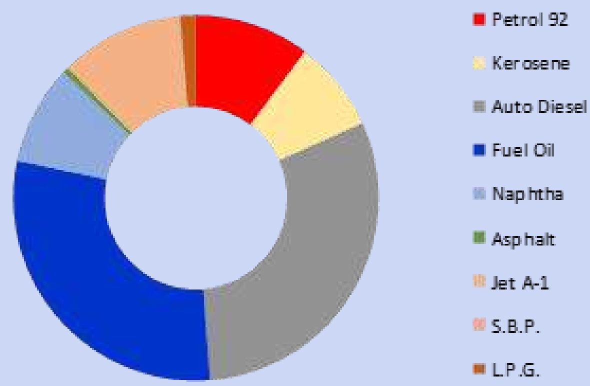
Crude Intake
1,270
(000' MT)



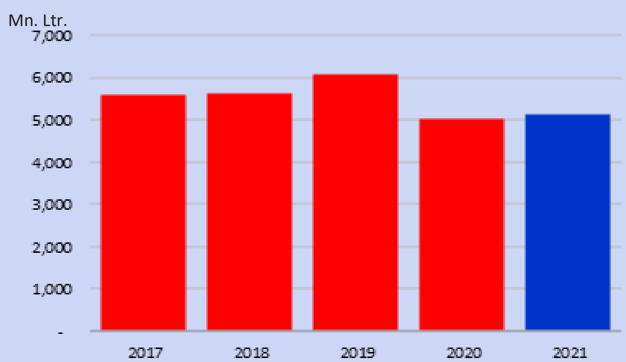
1941 **363**

Permanent Employees

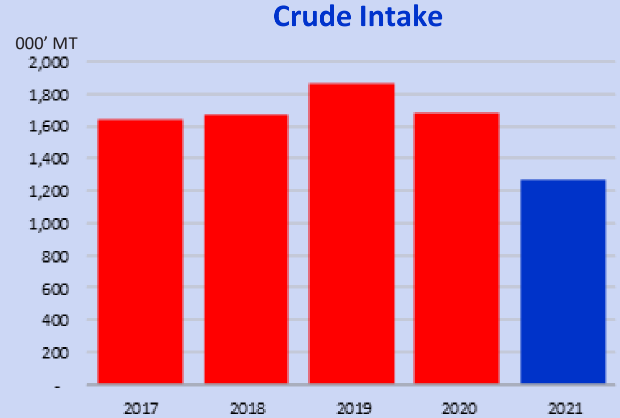
Refinery Production



Sales Volume



Crude Intake



Chairman's Message

It is my pleasure to present the Annual Report for the year 2021 of Ceylon Petroleum Corporation.

We are happy to inform that CPC successfully assured uninterrupted fuel supply to the nation in 2021 despite the extraordinary challenges faced during the year under review.

Global Context

According to the World Economic Outlook (WEO) issued by the International Monetary Fund (IMF), the global economy expanded by 6.1 percent in 2021, compared to the contraction of 3.3 per cent recorded in 2020. During 2021, advanced economies were estimated to have a growth of 5.2 per cent, while a growth of 6.8 per cent was estimated in relation to emerging market and developing economies as the global growth rebounded considerably in 2021 supported by exceptional fiscal and monetary stimulus, as well as the relaxation of mobility restrictions by most of the economies to recover from the contraction due to the Covid-19. With he recovery than expected, the world oil demand improved in 2021 resulting to increase Oil prices due to the supply restrictions.

The average crude oil used by CPC (Murban) price stood at US dollars 69.91 per barrel in 2021 a sharp increase from US dollars 42.45 recorded in 2020 reflecting a increase of the prices by 64.69% in 2021 and the continuous increase of the global petroleum prices largely affected toward the financial performance of the Corporation.

Local Environment

As per the CBSL, the Sri Lankan economy rebounded with the economic growth of 3.7 per cent compared to the contraction of 3.6 per cent recorded in 2020 driven by the recovery of the Covid-19 and resume of the economic activities. All sectors namely agriculture, industry and services sectors have registered a growth of 2.0 per cent, 5.3 per cent and 3.0 per cent respectively.

The average exchange rate has depreciated by 7.0 per cent in 2021 against US Dollars exerted the pressure on financial performance and position of the CPC. We are taking every endeavor to neutralize the impact of the exchange rate variation by strengthening the treasury operations.

As a responsible corporate citizen, CPC continues to be one of a key contributor to the national economy, contributing over Rs 105 Bn. as taxes and levies to the government. We strongly believe that these funds would have been utilized by the Government for infrastructure development as well as to provide economic relief to the general public.

Towards Energy Security

As the market leader in the petroleum industry in the country continued over last six decades to fulfill the fuel needs of the society as petroleum products are paramount important for the people's lifestyle. As the energy security is a crucial to economic development, CPC always committed towards the energy security of the nation to meet its development agendas.

Performance

Our key strategic asset, the Refinery processed 1,269,938 MT of crude oil during the year and the gap in refined products demand were filled through importation of finished products. Despite the challenges arose due to the Covid-19, the refinery successfully completed the major shutdown to upkeep in to the original workable condition. By knowing the paramount importance of the fuel to the national economy, CPC took every tern to cater the fuel demand even the refinery was in temporary shutting down period.

With the recovery of national economy, the overall demand for the petroleum products has marginally increased by 2% YoY representing significant movement in transport sector as well as aviation fuel business. The total revenue increased to Rs. 594 billion, an increase of 11.78% against 2020 driven by the increase of the selling prices coupled with the increased sales volume.

As the market leader, CPC took it every endeavors to assure continuous fuel supply to the economic activities. However, the continuous increase of the international prices coupled with the depreciation of Rupee and high financial cost ended with the net loss of Rs. 82.2 billion for the year under review.

Sustainable Operations

Sustainable policies have been embedded in our strategies and our utmost priority is given to the sustainability of the business operations. CPC promotes environmentally friendly fuels such as Euro 4 Petrol and Euro 4 Diesel to encourage sustainable consumption and environmental conservation. CPC maintains international level standards at CPC refinery and agro chemical process to comply and maintain towards the sustainability. Further, our transparent procurement procedures enable more sustainable sourcing of all petroleum products.

Future Outlook

As always , we are committed to provide energy security of the Country with enabling to available quality petroleum products that meets the required specifications. As the market leader in the industry in Sri Lanka, CPC takes its endeavors to facilitate for the infrastructure development of the petroleum industry in Sri Lanka and we happy to inform that CPC invested Rs. 2.5 billion during the year for this purpose. We continue to optimize our value chain by improving the efficiency of the island wide network of filling stations by adding and upgrading the existing filling stations to meet standards.

The Corporation continues to invest in number of short-term and long-term strategic projects to contribute the infrastructure availability of the country. That will add the value to our stakeholders.

Although Covid-19 pandemic created many challenges, we expedited the expansion project implemented at the Bandaranaike International Airport (BIA), procurement process for the Jet A-1 pipeline project from Mathurajawela to BIA and the Refinery upgrading project to enhance the infrastructure facilities. We believe, our commitment towards future developments will facilitate for the energy security of the country.

Acknowledgement

I would like to express my utmost appreciation for my formidable, experienced and highly capable fellow Board members for their stewardship. CPC is thankful to the efforts expended by the Corporate team of CPC guided by the Managing Director, who worked tirelessly to achieve the set goals of CPC despite the pressure exerted by the internal and external environment specially due to the Covid-19 pandemic and the consequences arisen subsequently .

The Hon. Minister, Hon. State Minister and officials of the Ministry of Power & Energy helped us with advice, guidance and direction at every turn, and I extend my sincere thanks on behalf of the Corporation for their immense support and dedication.

We believe that our dedicated professional human capital will collaborate CPC to transform into a profitable and sustainable enterprise in the future.

Mohamed Uvais Mohamed
Chairman
28.11.2022

Managing Director's Review

"CPC invested Rs. 2,525 million on our infrastructure to enhance the efficiency and effectiveness of CPC operations. We expedited the major project of the development and upgrading of the aviation facility and hydrant system at the BIA to meet future demand with latest state-of-the art technology even under the Covid-19 challenges"

I would like to present our Annual Report 2021 together with the audited financial statements of Ceylon Petroleum Corporation for the year ended 31 December 2021.

Despite the challenges in 2021 due to unprecedented volatilities in the business environment, CPC executed its mandate by assuring the energy security of the country even under the health challenges from the Covid-19 Pandemic.

Operating Environment

In response to the slight recovery of the advanced economies and emerging & developing economies, demand Outstrips the supply and Crude oil (WTI) prices recorded a continuous escalation during 2021. Considering the recovery of the economies from Covid -19 pandemic, demand side increased and as per the OPEC, world oil demand improved to average 95.1 mb/d in 2021 an increase from 90.4 mb/d recorded in 2020. Limited supply with the increased demand tend to hike the international prices gradually during the year 2021.

Average WTI oil prices increased sharply to US Dollars 67.99 per barrel compared to the US Dollars 39.22 per barrel recorded in 2020. The sharp increase of the global petroleum prices affected critically towards financial performance of the Corporation.

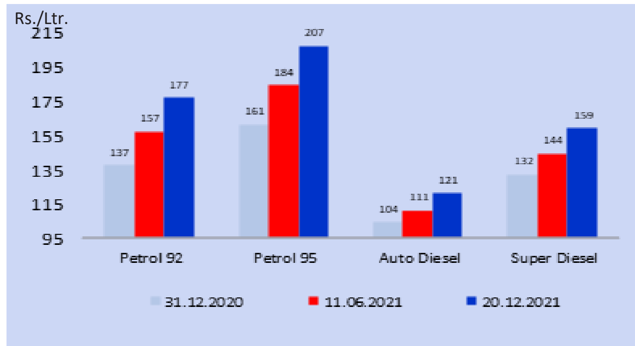
The Sri Lankan economy rebounded with the economic growth of 3.7 per cent compared to the contraction of 3.6 per cent recorded in 2020 driven by the recovery of the Covid-19 and resume of the economic activities. Although the merchandise exports improved compared to the previous year, a high increase in merchandise imports widened resulting to depletion of the foreign reserves at the end of the year creating high pressure on the exchange rate.

Although, the government maintained the stable exchange rate during last quarter and the Sri Lanka rupee has depreciated by 7.0 per cent in 2021. The depreciation of Sri Lankan Rupee against US Dollars exerted the pressure on financial performance and position of the CPC due to the massive foreign currency loans and bills. Although, we are taking every endeavor to neutralize the impact of the exchange rate variation, CPC incurred an exchange rate loss of Rs. 33.2 billion during the year.

Domestic Pricing Mechanism

Considering the sharp increase of the international fuel prices, the government increases domestic selling prices of the generic petroleum products two times in June and December with a view to minimize the loss incurred on the supply of the petroleum products.

Domestic Selling Prices



Our Operations

The recovery of the national economic activities driven the national economy upward and simultaneously, the revenue generated from our operations recorded to Rs. 594 billion, an increase by 11.78% YOY.

The refinery processed 1,269,938 MT of Murban crude oil during the year 2021 and generated a 1,216,085 MT of refined petroleum products. It is commendable to note that CPC Refinery successfully completed the Refinery major shutdown, the major repair done periodically even under the Covid-19 conditions.

In parallel with the recovery of the national economy after Covid-19, Petrol & Diesel supplied through the Filling Stations increased by 10.36% simultaneously. The quantity increase together with the upward price revisions resulted for the revenue increase to Rs. 455 Bn. and we are happy to note that 21 new filling stations added to our existing fleet of filling stations for revenue generation.

Although revenue generated from the power generation decreased due to the lesser demand for fuel from the electricity generation, the revenue generated from the Aviation fuel sector has increased by 57.98% with the restarting the normal operations by the airports after the Covid-19 pandemic.

Additionally, relaxation of the measures taken to curb the Covid-19 pandemic, industries sector improved sharply by 42.12%. It is notable to indicate that CPC re-enter in to the Bunkering business in the year 2021 and CPC generated a revenue of Rs. 6.6 Bn. during the year under review. As this is a profitable avenue, strategic focus has been given for our resource allocations.

Although the domestic selling prices increased two times during the year, they were not adequate to cover the cost and the continuous increase of the international petroleum prices together with the sharp depreciation of Rupee, massive interest expense and exchange rate variation reported during the year resulted to record a net loss of Rs. 82, 226 million for the year 2021. This loss consists of subsidy element amounting to Rs. 45,158 million which are forwarded to the society as social profits even under high liquidity issues faced by CPC. Further, as CPC has financed the accumulated losses over last decade through the short-term foreign currency borrowings obtained from the state banks, CPC incurred a finance cost of Rs. 25,643 million to service the short term loans as well as exchange variation of Rs. 33,220 million during the year adding to the social profits shifted to the society though supplying the petroleum products at a subsidized price.

In addition to the social profits, CPC has contributed over Rs. 105 Bn. as taxes and duties during the period which are used for the development agendas and provision of relief to the national economy.

Investments

As the market leader in the industry, CPC invested Rs. 2,525 million on our infrastructure to enhance the efficiency and effectiveness of CPC operations. We expedited the major project of the development and upgrading of the aviation facility and hydrant system at the Bandaranaike International Airport to meet future demand with latest state-of-the art technology even under the Covid-19 challenges.

CPC continued with the Refinery projects which are required for the smooth operation in compliance with the internationally recognized standards. We embedded sustainability for our strategies to extend our efforts towards the sustainable operation.

CPC 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 contributing the development mandates of the nation.

Appreciation

I would like to express my sincere gratitude to the then Chairman, Board of Directors & Managing Director and present Chairman and Board of Directors for their tireless contribution to reach the set goals of CPC, despite the pressure exerted by the extraordinary volatile internal and external environment, specifically from the developments in the global & local economic outlook due to the Covid-19. I also convey my sincere appreciation to my Corporate and Senior Management team for their hard work that enabled resolving of disputes and brought the best out of our formidable workforce and consolidated the inter-organizational relationships, thereby achieving the set outcome.

Further, I wish to take this opportunity to extend sincere gratitude to Hon. Minister of Power & Energy, Hon. State Minister, Officials of Ministry of Energy for guiding and mentoring us towards our journey. We extend our appreciation to Ministry of Finance, Central Bank, Bankers, Auditors, our Customers & Suppliers and all our other stakeholders for their continued support.

L E Susantha Silva
Managing Director
28.11.2022

Board of Directors

Mr. Mohamed Uvais Mohamed
Chairman

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

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

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

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

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

Mr. Susantha Silva
Managing Director

Mr. Susantha Silva appointed as the Managing Director of CPC on 23.07.2022.

Mr. Silva holds over 38 year of experience in leadership positions at leading establishments. At present, Mr. Silva functions as the Group Chief Executive Officer of Prestige Group. Further, he functions as the Managing Director of Ceylon Petroleum Storage Terminals Limited. In addition, Director/Audit Committee Chairman at the HDFC Bank, council member of the governing Councils of the University of Kelaniya and the Post Graduate institute of Pali and Buddhist Studies of the University of Kelaniya.

He holds a MBA at the Open University of Malaysia, PGD in Computer Technology and B com (Special) from the University of Kelaniya,. Mr. Silva holds numerous local and international professional qualifications such as he is a fellow member (FCA) of the ICASL, fellow member of CMASL (FCMA), memberships of Certified Practicing Accountants of Australia (CPA Australia) , Associate member of the Public Finance Accountants of Sri Lanka (APFASL), Associate Member of the Certified Practicing Accountants of PNG, fellow member of Institute of Chartered Professional Managers of Sri Lanka (FCPM) and Member of Sri Lanka Institute of Service Management (MSLICM). He holds associate membership of Association of Computer Society, fellow member of the PNG Computer society and certificate in Marketing Management of Sri Lanka Institute of Marketing.

He was the Managing Director of CPC during 2012 to 2015 and Director/Audit Committee Chairman of CPSTL during the same period. He also has held Executive Director at Litro Gas Lanka Ltd, Director of Litro Gas Lanka Terminals (Pvt) Ltd., Director/Audit Committee Chairman of Airport Aviation Services (Sri Lanka) Limited, CEO/Vice Chancellor of IBS University of Papua New Guinea and many other Director/CEO positions in the prestigious companies as well as many positions in several Cabinet appointed Committees in Sri Lanka.

With the vibrant profile of Mr. Silva, is a key player in converting the loss making businesses to profitable business ventures. During his eminent career, he has held CEO positions more than 9 times in prestigious organizations expelling his expertise. He closely associated with the IT sector, he has spearheaded many IT verticals which includes be the President of Papua New Guinea Computer Society in the global context. Mr. Silva is also a trainer of human capital development. He has rendered professional services as a capacity trainer and lecturer in many recognised institutes.

Mr. Sumith Wijesinghe
Director

Mr. Wijesinghe appointed as the Director of the Corporation on 10.06.2022. He was the Chairman of the Corporation during 03.01.2020 to 05.06.2022.

He also functions as the Chairman of the Trinco Petroleum Terminals Limited, the newly formed subsidiary of the Corporation.

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

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), Director of Export Development Board (2011-2012), Director of National Savings Bank (2012-2014), Director of Mobitel (Pvt) Ltd. (2007-2010), Director of National Development Trust Fund (Gar) Ltd. (2007-2010), Director of National Development Trust Fund Company (2007-2010), Director of National Transport Commission, Director of SLT Yellow Pages Company (Pvt) Ltd and SLT Man Power Company (Pvt) Ltd.

Mrs. R.M.D.K Rathnayake
Director

Ms. Rathnayake was appointed as the Director of the Corporation on 13.01.2020.

Currently she serves as Additional Director General of Department of Treasury Operations.

Ms. Rathnayake holds a Bachelor of Science (Business Administration) from University of Sri Jayewardenepura. She also holds Master of Arts (Economic Development) from University of Colombo and a Master of Arts (Public Policy) from Australian National University.

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

Dr. Prabath Samarasinghe
Director

Dr. Prabath Samarasinghe appointed as the Director of CPC on 09.04.2021.

Dr. Samarasinghe presently function as the Chairman/CEO of Nexus Business Solutions (Pvt) Ltd, Chairman of Nexus Maldives (Pvt) Ltd., Senior consultant of the National Institute of Occupational Safety and Health (NIOSH) under the Ministry of Labour.

He holds a PhD in Management (Process Improvement and Human capital Utilization) from Preston University, USA, MBA from the University of Colombo, Graduate Institute of Chemistry and Bsc. Chemistry Honours Degree from University of Colombo.

Dr. Prabath holds number of professional qualifications namely Lead Auditor and Trainer ISO 22000/HACCP safety food standards and on ISO 14001 Environmental Management Standards, Consultant on C-TPAT based Security Standards for USA customs Regulation and Diploma in Quality Management.

During his eminent career, he has over 15 years of Senior Management and Consultant level experience and consulted over 300 leading companies in Sri Lanka and globally. He was a consultant to UNAIDS under UN also Consultant to many leading star level hotels and resorts in Sri Lanka and Maldives. Further, he was consultant to National Institute of Safety & Health (NIOSH) and visiting lecturer in Management and TQM for Many leading Universities and Institutes in Sri Lanka and he was a senior consultant to National Institute of Occupational safety and health (NIOSH) under Ministry of Labour.

Corporate Management

MR. E A S EDIRISINGHE
Refinery Manager

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

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

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

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

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

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

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

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

MR. V N WEERASOORIYA
Deputy General Manager (Finance)

Mr. Weerasooriya obtained a bachelors in Business Administration from the USJP and an MBA from the Postgraduate Institute of Management of the same university. He is a fellow of the Institute of Chartered Accountants of Sri Lanka, an associate member of CPA (ASA) and a fellow of the CMA (FCMA).
He commenced his career at B.R. De Silva & Co, in 1994 as an Audit Clerk and Tax Supervisor. Subsequently, he joined as an accountant for Microcells Limited, Finance Manager for the Institute of Bankers of Sri Lanka, Management Accountant for Tuwade Brothers, Group Finance and Administration Manager for Vcom International, Group Finance Manager for Nkar Travels and Tours Limited, Finance and Administrative Manager for Fez Freez Private Limited in Melbourne, Australia. Finance Manager for Hunter & Company PLC before joining CPC as Deputy General Manager of Finance in 2017.

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

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

Mr. Mallikarachchi 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 23 years of experience in the oil and gas industry in various disciplines. He started his career at the Jinasena Group as an engineer in 1996 and then served at Interbatch Porcelain Pvt. Limited as an assistant mechanical engineer.

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

MR. 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 27 years of experience in the field of process control instrumentations and held various positions in the Instrument Department. In his present position as Deputy Refinery Manager (Electrical & Instruments), he is heading Electrical, Instrument & Materials Departments of the Refinery.

MR. D M P DISSANAYAKE
Deputy Refinery Manager (Maintenance & Projects)

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

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

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

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

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

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

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

He started his career at CPC Refinery as Mechanical Engineer in year 1993. He poses more than 26 years of experience in the field of engineering in Projects, Maintenance, inspection & technical services at the Refinery.

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

MR. K G H KODAGODA
Deputy Refinery Manager (Manufacturing and Operations)

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

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

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

Senior Management

Ms. R A K C Ariyaratne
Chief Legal Officer

Ms. M C D Perera
Senior Manager (Finance)

Mr. G P Upananda
Manager (Human Resources)

Maj. M R S P Samarasinghe,
Manager (Security & Investigation)

Mr. G P K Wijekoon
Manager (Engineering & Premises)

Mrs. M S R Fernando
Manager (Information Technology)

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

Mr. K K A Jayawickrama
Manager (Commercial)

Mr. A G D Bandara
Manager (Shipping)

Mr. N B M P Jeewasiri
Manager (Operations – Stocks & Terminal Operations)

Mr. S M C P Samarakoon
Manager (Marketing)

Mr. M G A J Somadasa
Manager (Corporate Planning & Business Development)

Ms. W A A C Weerasinghe
Manager (Human Re-source Development).

Mr. K V J Chandrawanka
Manager (Engineering - Electrical) .

Mr. R A S Rajapakshe
Manager (Materials)

Mr. K A K K Kuruppu
Manager (Engineering - Projects).

Mr. W A N R Wick-ramasinghe, Manager (Technical Services)

R A B Thilanga
Manager (Engineering - Mechanical)

Mr. W S Rabel
Manager (Engineering - Instrument)

Mr. P F W Dayanath
Manager (Engineering - Civil).

Ms. H G Kumudini
Manager (Procurement & Stores) (Actg)

Mr. R W S M Rajasinghe
Deputy Manager (Aviation - Operations)

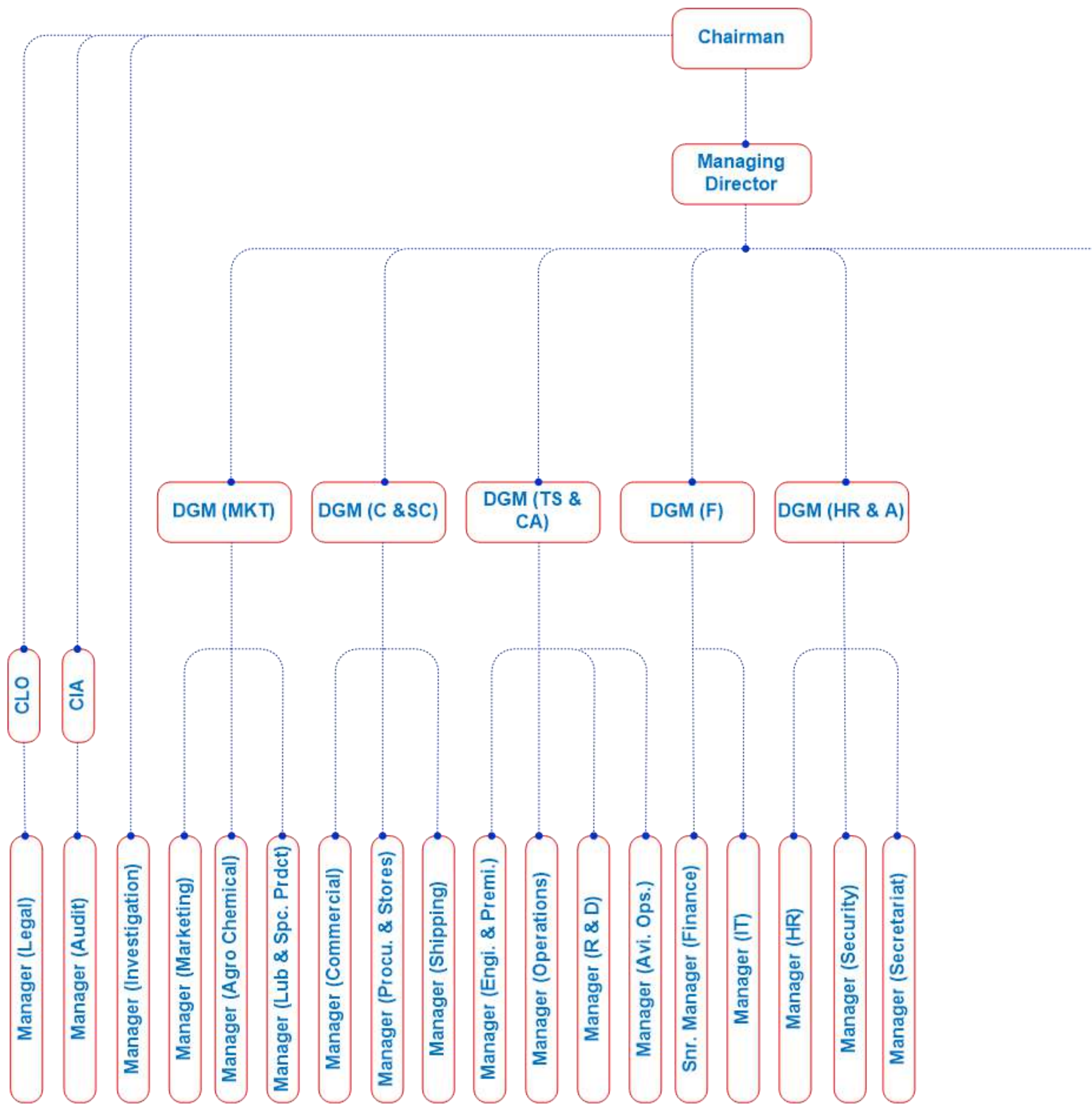
Mr. R M M W Bandara
Deputy Manager (Fire & safety)

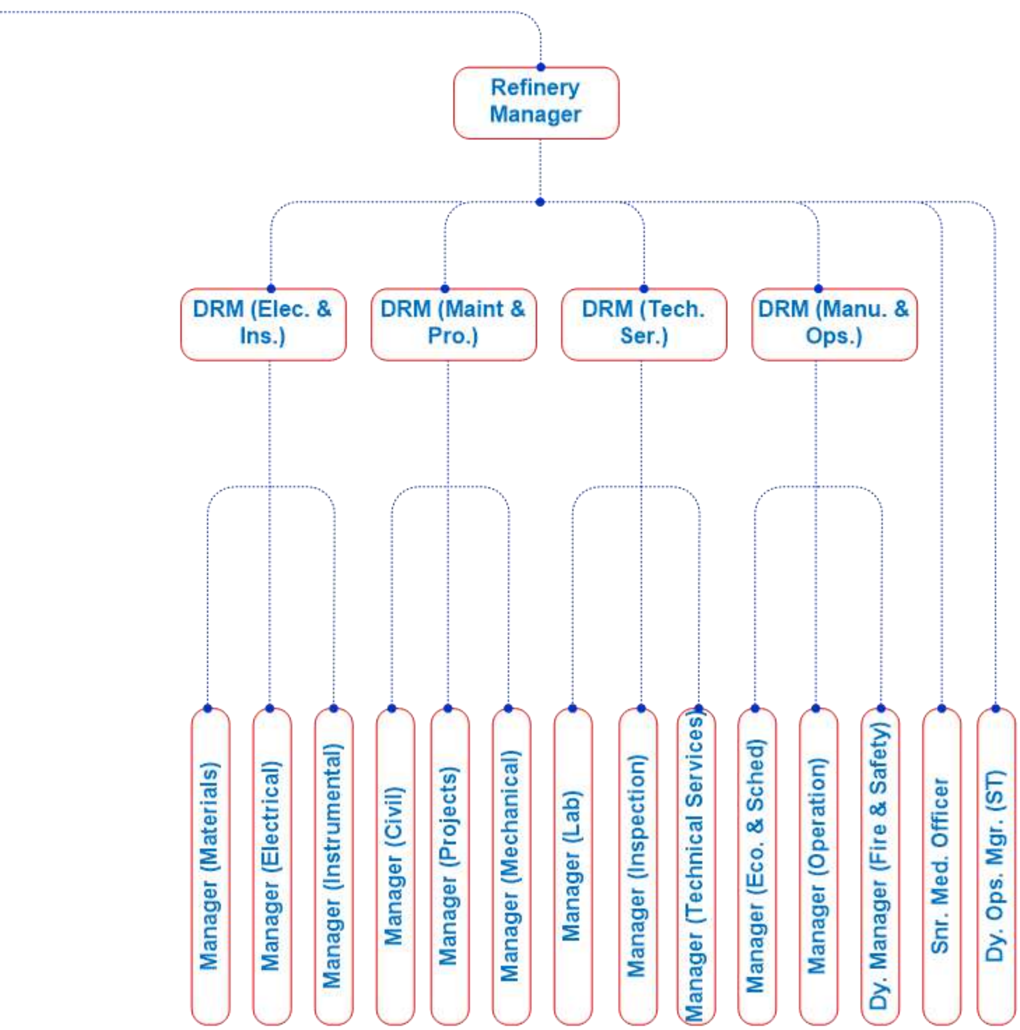
. Ms. A S Premakanthi
Manager (Economic & Scheduling)

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)

Management Review & Outlook

96.62

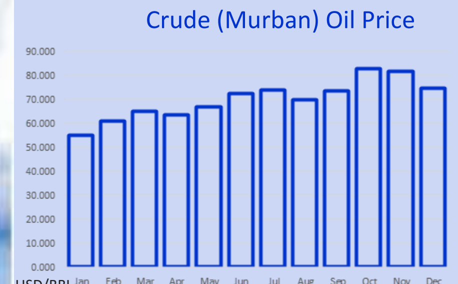
World Fuel Demand

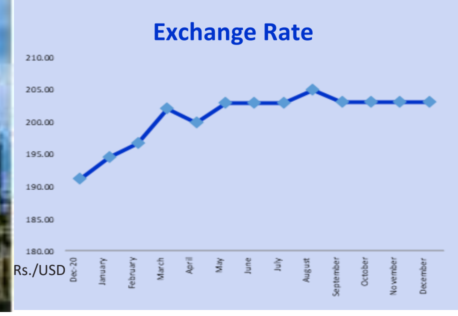
(million barrels per day)

6.1

World GDP Growth

(per cent)

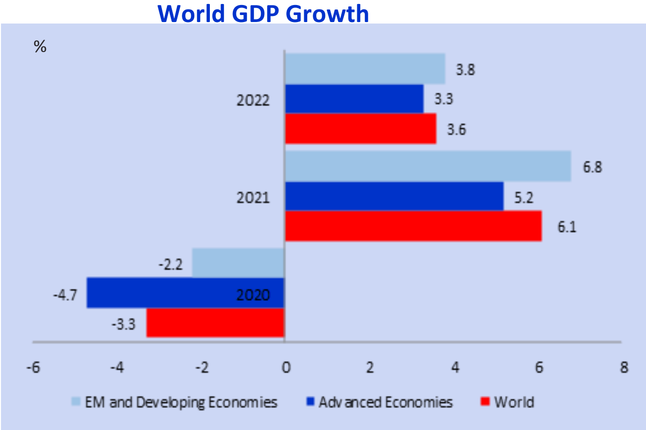




Global Environment

According to the World Economic Outlook (WEO) issued by the International Monetary Fund (IMF), the global economy expanded by 6.1 percent in 2021, compared to the contraction of 3.3 per cent in 2020. During 2021, advanced economies were estimated to have a growth of 5.2 per cent, while a growth of 6.8 per cent was estimated in relation to emerging market and developing economies. The global growth rebounded considerably in 2021 supported by exceptional fiscal and monetary stimulus, as well as the relaxation of mobility restrictions by most of the economies.

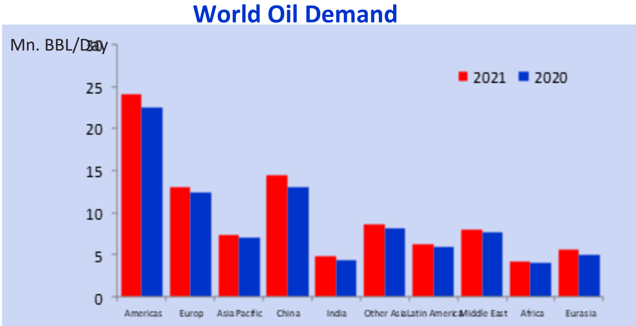
World GDP Growth



Source : IMF - Word Economic Outlook 2022-April

As per the OPEC, world oil demand improved to average 95.1 mb/d in 2021 an increase from 90.4 mb/d recorded in 2020. The demand for the oil has rebounded to pre-pandemic level resulting to increase Oil prices due to the supply restrictions.

World Oil Demand



Source : OPEC Monthly Oil Market Report - March 2022

In response to the slight recovery of the advanced economies and emerging & developing economies, demand Outstrips the supply and Crude oil (WTI) prices recorded a continuous escalation during 2021.

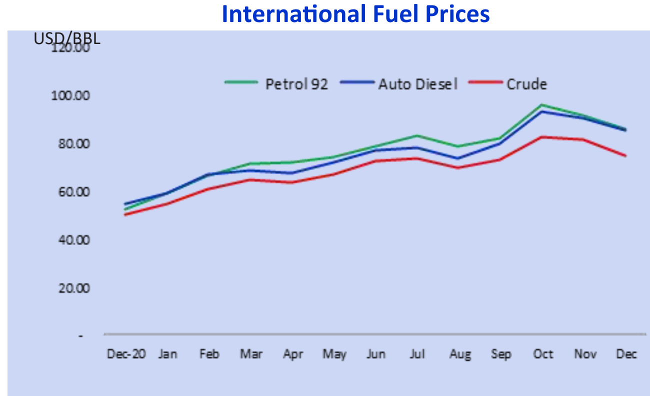
Considering the recovery of the economies from Covid 19pandemic, demand side increased more than 5% YoY. Limited supply with the increased demand escalation the international prices gradually during the year 2021.

WTI Singapore Prices

Average WTI oil prices increased sharply to US Dollars 67.99 per barrel compared to the US Dollars 39.22 per barrel recorded in 2020. The average crude oil (Murban) price that stood at US dollars 69.91 per barrel in 2021 a sharp increase from US dollars 42.45 recorded in 2020 reflecting a increase of the prices by 64.69% in 2021. The continuous increase of the global petroleum prices affected critically toward the weak financial performance of the Corporation.

The tension between Russia and Ukraine created high increase of expected fuel prices as Russia is a one of main Supplier of the petroleum products. Fuel price escalations are having a global impact, with vulnerable populations particularly in low-income countries most affected.

International Fuel Prices

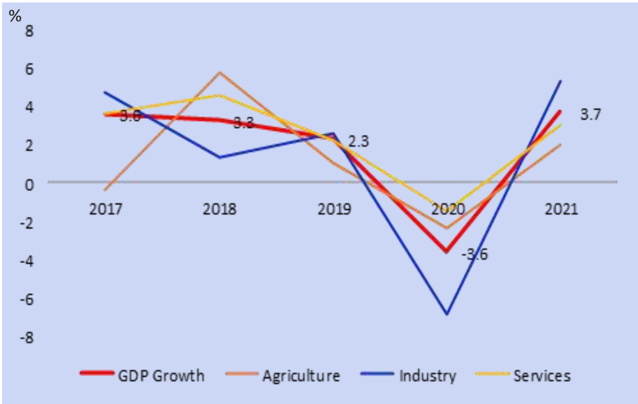


As forecasted by the IMF, the global growth is expected to slow significantly to 3.6 percent in 2022, largely as a consequence of the war between Ukraine and Russia. It is expected that the economic costs of war are expected to spread farther afield through commodity markets.

Local Environment

The Sri Lankan economy rebounded with the economic growth of 3.7 per cent compared to the contraction of 3.6 per cent recorded in 2020 driven by the recovery of the Covid-19 and resume of the economic activities. All sectors namely agriculture, industry and services sectors have registered a growth of 2.0 per cent, 5.3 per cent and 3.0 per cent respectively.

GDP Growth

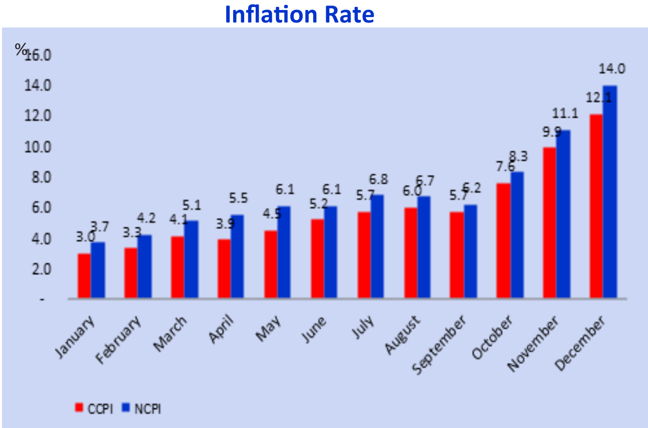


Source : Central Bank of Sri Lanka

With the steady recovery of the economy, the overall size of the economy expanded to US dollars 84.5 billion and per capita GDP improved to US dollars 3,815 in 2021 from US dollars 3,695 recorded in 2020.

As published by the CBSL, headline inflation accelerated in 2021 driven mainly by global and domestic supply side disturbances, the surge in global commodity prices and upward revisions to administered prices, while core inflation also accelerated reflecting the lagged effect of significant monetary accommodation.

Inflation Rate



Source : Department of Statistics

External sector faced with numerous challenges, including a sharp widening of the current account deficit, depletion of gross official reserves and which have exerted pressure for the significant depreciation of the Sri Lanka rupee.

→ Economic Growth Rate 3.7%

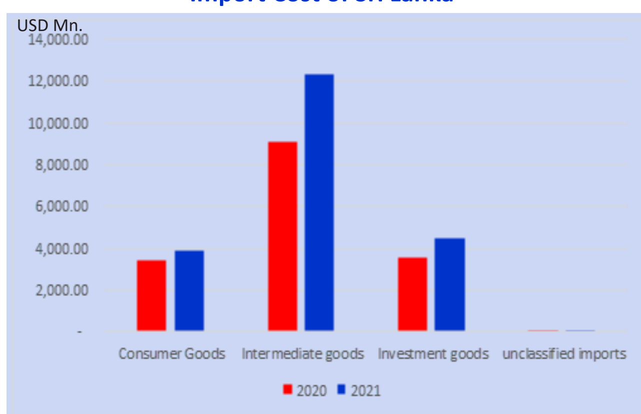
→ Inflation Rate 7%

→ Avg Exchange Rate 198.88 Rs./USD

→ Imports of the Country USD 20,637 Mn.

Higher commodity prices including prices of fuel, increased demand for imported items due to normalization of economic activity, higher importation of medical and pharmaceutical items such as vaccines, and the relaxation of some of the restrictions on importation of non-essential goods driven to increase the importation expenditure.

Import Cost of Sri Lanka



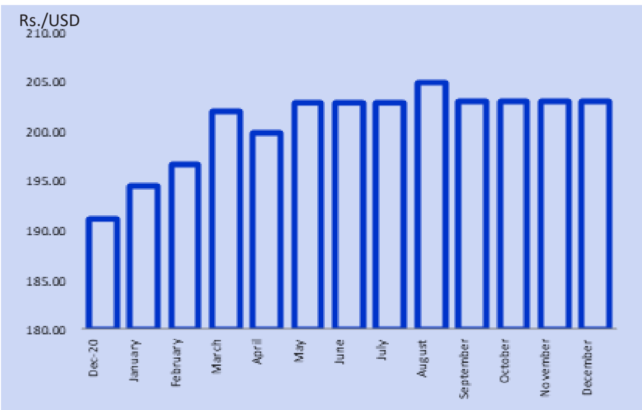
Source : Central Bank of Sri Lanka

Although the merchandise exports improved compared to the previous year, a high increase in merchandise imports widened the trade deficit to USD 8,139 Mn. in 2021 an increase from deficit of USD 6,008 million in the year 2020 resulting to depletion of the foreign reserves at the end of the year.

Although the government maintained the stable exchange rate during last quarter, the Sri Lankan Rupee has depreciated by 7 per cent in 2021.

The depreciation of Sri Lankan Rupee against US Dollars exerted the pressure on financial performance and position of the CPC due to the massive foreign currency loans and bills. CPC incurred an exchange rate loss of Rs. 33.2 billion during the year while we took every endeavor to neutralize the impact of the exchange rate variation.

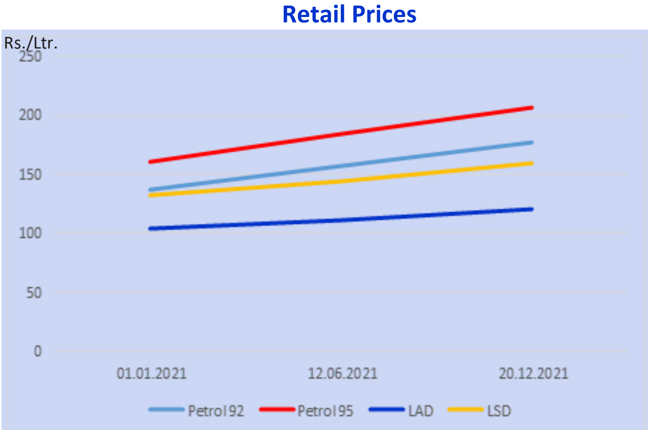
Exchange Rate



The airport operations were normalized with the relaxation of the Covid-19 regulations and mobility restrictions resulted to resume and picked-up the sales revenue generated through the fuel supply to aircrafts.

The government changed the fuel prices of Petrol & Diesel two times during the year 2021 in order to cover the cost incurred by CPC due to the sharp increase of the international fuel prices and depreciation of exchange rate.

Retail Prices



Way Forward

As per the IMF, the global economy is expected to expand 3.6% in 2022 and 3.6% in 2023. However, the impact of the war between Ukraine and Russia will subdue the expected global growth rate due to the expected economic cost of the war. The Sri Lankan economy is expected to subdue and GDP growth rate of 1.0% in 2022. The economic instability due to the external condition specially matters with the availability of the foreign reserves, the above growth level has been estimated.

The vaccination process helped to curb the spread of the pandemic and resume the economic activities create avenues for fuel demand resulting high level of foreign currency outflows.

With the normalization of the economic activities, CPC expects that the revenue generated from all the sectors will be recovered to the pre-pandemic level and CPC is very much confident that we will be able to cater the demand even under the challenging economic conditions.

Operational Review

With the controlling measures taken by the Government to curb Covid-19 pandemic, the national economy has rebounded in 2021 with a economic growth of 3.7 per cent driven for the improvement of CPC operations. The overall demand for the petroleum products has marginally increased by 2% YoY representing significant movement in transport sector as well as aviation business with recording to Gross Revenue of Rs. 594 Bn., an increase of 11.78% over 2020. As the international prices increased significantly during the year, the government revised the domestic selling prices two times in the year under review resulted to revenue increase and domestic sales remained as the dominant source of income of the Corporation.

5,130
Sales
(Ltr. million)

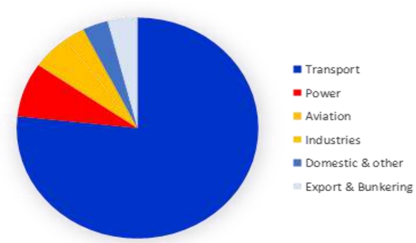
594
Revenue
(Rs. *billion)*

1,270
Crude Intake
(000' MT*)*

85.5%
Operating Time Efficiency
(000 MT*)*

Sector	Revenue (Rs. Mn.)
Transport	455,477.94
Power generation	47,322.79
Aviation	30,784.06
Industries	16,249.05
Domestic & other	20,377.58
Exports & bunkering	23,621.62
Total	593,833.05

Revenue Mix

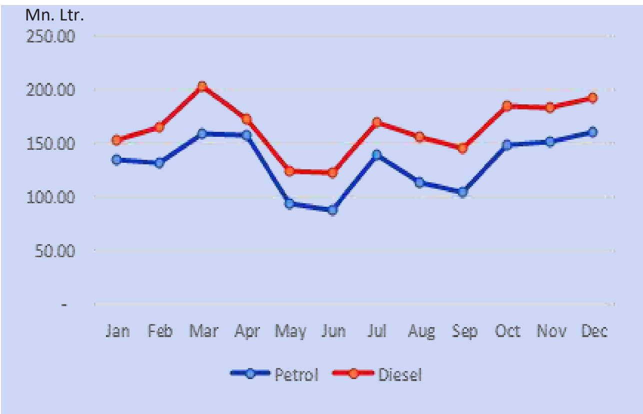


Transport

As the economic activities resumed under new normal condition, most of the sectors of the national economy improved significantly. Transport sector comprises auto fuel supplied through our extensive island-wide dealer network of 1343 filling stations. This is the most price sensitive sector as small change of the fuel prices directly impacts to the general public of the country resulting to change their cost of living and lifestyle.

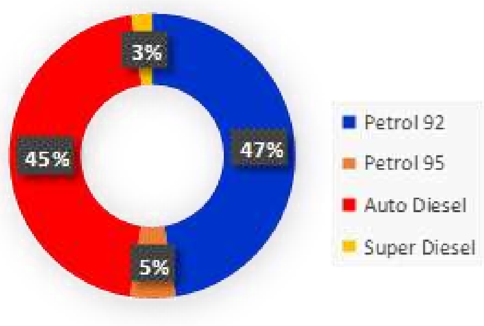
This sector generates the highest contribution of Rs. 455.47 Bn. (Rs. 389.43 Bn in 2020) to the total income and, a 16.96% revenue increase compared to the year 2020 mainly due to the increase of sales prices two times in the year.

Transport Sector Demand Behavior



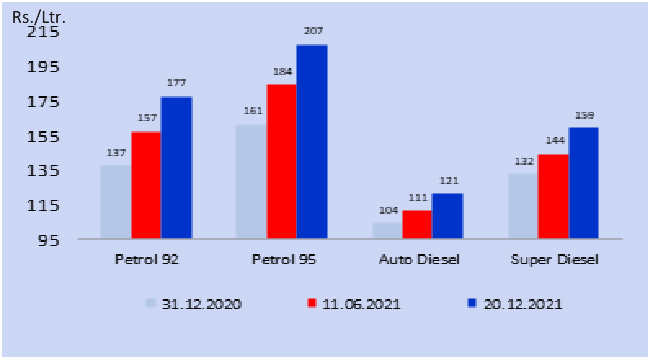
Demand volume of main products increased by 7.57%, 13.43% and 11.25% of Petrol 92, Auto Diesel and Super Diesel respectively.

Revenue Mix—Auto Fuel



Domestic selling prices of the auto fuel changed two times during the year and the revenue increase mainly driven by sales price increases.

Domestic Selling Prices



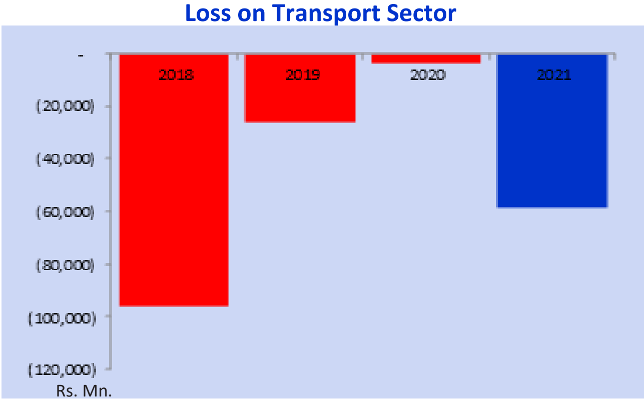
As 21 new filling stations commissioned during the year added to the existing island-wide network to enhance the convenient accessibility to the products. Construction letters issued during 2020 and 2021 are still to be concluded and it is expected that once done, these filling stations will be equipped with better facilities than those in existing operations. CPC renovates ten Corporation Owned Dealer Operated filling stations to improve services with latest technology and creating environmental friendly filling stations.

CPC always promotes environmental friendly Euro 4 Petrol and Euro 4 Diesel to assure sustainable consumption pattern and environmental protection. Strategies were in placed to promote these products. Stern actions were taken to monitor and control the adulteration of the Kerosene by the heavy transporters such as busses and Lories misusing the Kerosene subsidy given for the low income families and fisheries community due to the price gap between the Diesel and Kerosene.

Specific random audits were carried out to identify the operational weaknesses of the filling stations and dynamic actions were taken to rectify them to assure the good customer relationship and environmental friendly business.

Newly opened filling station

Loss on Transport Sector



The escalation of the international prices coupled with the sharp depreciation of the Sri Lankan Rupee caused CPC to sharp increase of losses from Rs. 3.5 Bn. to Rs. 58.5Bn. during the year. Considering the energy security of the country, CPC assured continuous fuel supply to the nation despite the heavy loss recorded during the year under review.

We granted various credit facilities to upkeep the financial burdens to upheld their lives. Continuous supply and instructions & guidelines to maintain health and safety environment at the filling station were provided.

Strategies

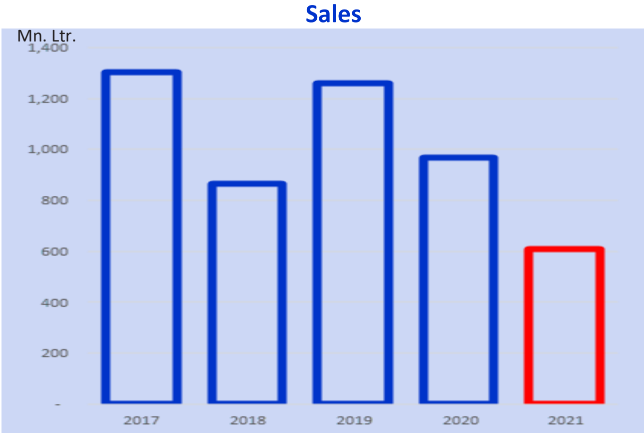
- Upgrade the existing fleet of filling stations to improve the visibility and operational capacity.
- Installation new dispensing pumps to the CODO filling stations to equip with the latest state of art technologies.
- Addition of new filling stations at strategic locations.
- Continuous dealer training for the better customer satisfaction levels.
- Improvement of the dealer stock level monitoring systems to assure the required stock levels.
- Introduction of various compliance checks to build and maintain customer satisfaction.

Power Generation

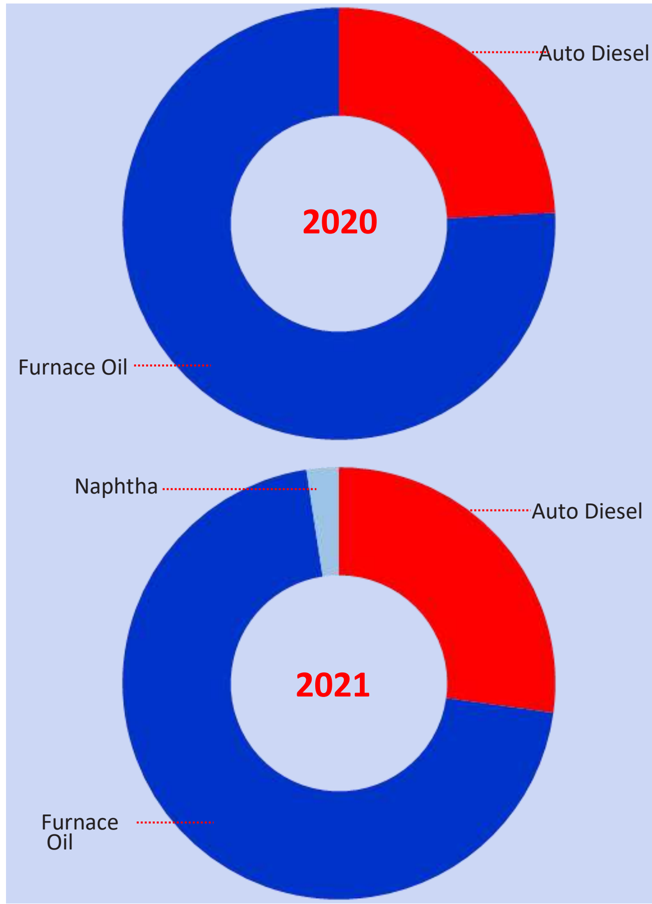
Fuel for Power Generation is one of most crucial sector for the economy as electricity generation plays a vital role in the country. CPC supplies fuel to CEB and Independent Power Producers (IPPs) for their thermal power plants to generate the electricity requirements of the country.

Overall lower demand for the electricity and fuel for the power generation purposes declined by 37.08% year on year 2021 resulting to drop the revenue generated from this sector by 41.68%.

Sales



Fuel Mix



Although the international petroleum prices increased gradually during the year, prices of Furnace oil high sulfur, low sulfur and Furnace oil super were remained at Rs. 70.00 per ltr. up to year end resulting to incur heavy losses from the power generation. However, prices were increased with effects from 27.12.2021 to minimize future losses.

This sector remained the second highest income generator of CPC accounting for Rs. 47.3 Bn (2020-Rs. 81.1 Bn.).

The weak settlements of the CEB and IPPs resulting CPC to face with the heavy liquidity issues on the cash inflows guiding to loans and borrowing cost.

Disregarding the weak settlement patterns by the CEB and Independent power producers, CPC took utmost effort to provide continued fuel supply knowing that the continuous electrify supply is crucial for the smooth operation of the economy.

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

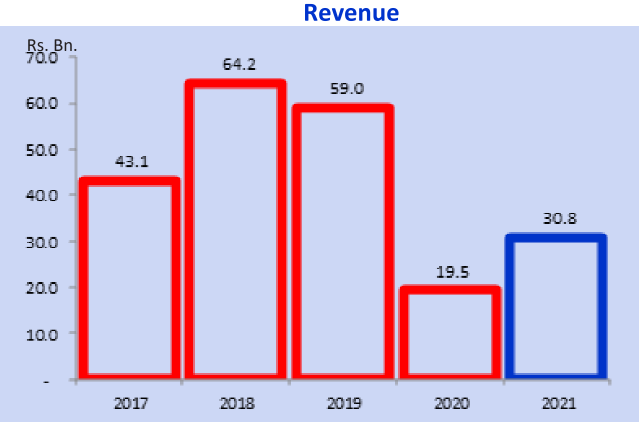
Aviation

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

Although this sector was our most impacted sector in the year 2020, the relaxation of the airport operations led to resume the aviation fuel sales to local and international airlines.

We are committed to meets the international standards for the aviation operations as safety is our primary concern. Annual audits to check the compliance to the international standards were carried out by the Joint Inspection Group (JIG) to assure that the quality assurance requirements are met. It is commendable to indicate that CPC was able to achieve the status of 'Good' (above average) in the year 2021 as well indicating the operational excellence of our aviation operations.

Revenue



The Corporation continued with reduced aviation fuel prices in parallel with the government policies to provide relief to international airlines and allied services to attract international airlines to Sri Lanka.

The aviation sector reported revenue of Rs. 30.78 billion during the year 2021, an increase on 57.98% year on year driven by the increase of sales quantities by 18.5% and increase of sales prices.

Annual audits to check the compliance to the international standards were carried out by the Joint Inspection Group (JIG) to assure that the quality assurance requirements are met. CPC has been accredited to the status of 'Good' (above average) consecutively for 2021 that indicate the operational excellence of CPC aviation sector.

Way forward

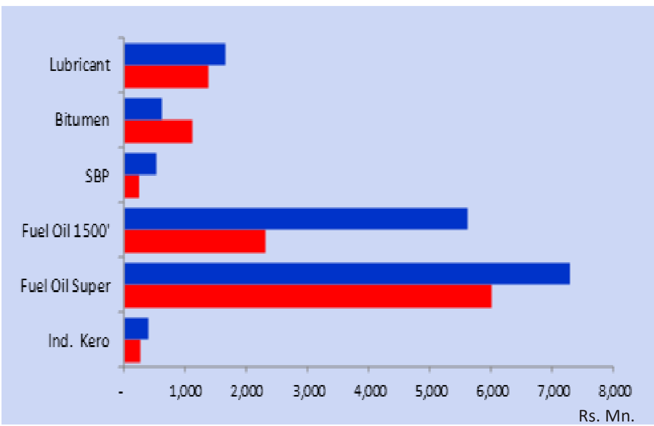
CPC is committed to assure the quality aviation fuel with the continued supply to the airports of Sri Lanka. All the necessary actions are taking to enhance the infrastructure facilities and supply the fuel with the state-of-the-art technology. Two major projects are in pipeline to enhance the capacity and fuel continuity to the Bandaranaike international Airport.

- CPC started the new hydrant system and expansion project at the Bandaranaike International Airport in parallel with the airport expansion project in January 2018. Although the project delayed due to the Covid-19 pandemic, it has been achieved a 65% of the physical progress at the end of 2021.
- Procurement process to build up the storage facilities for Jet A-1 and pipeline from the Muthurajawela to Bandaranaike International Airport to transfer the aviation fuel at a minimum cost has been initiated.

Industries

Industries sector comprises the revenue generated from Industrial Kerosene, Fuel Oil to industries, Lubricant, Bitumen and Solvent (SBP) supplied to the private consumers. Revenue generated from the sector improved to Rs. 16.25 Bn. an increase of 42.12 % year on year. The recovery of the economy under the new normal condition led to enhance the operations of the industries sector resulting to the above increase of the income generated from the fuel supply to the industries.

Revenue



Fuel Oil generated the revenue of Rs. 12.9 Bn. securing the highest contributor of the revenue from the industries. The demand for Fuel Oil increased by 50.2% year on year due to the rebounding of economic activities.

The road construction activities were not recovered to pre -pandemic level resulting to drop the demand for Bitumen resulting to decrease the revenue generated from Bitumen to Rs. 0.6 Bn.

CPC supplies the quality bulk bitumen and barrel bitumen to cater the government infrastructure development projects and road maintenance activities. The imported barrel bitumen is issued at the bitumen yard at Muthurajawela while manufactured Bitumen is supplied at the Sapugaskanda Refinery.

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

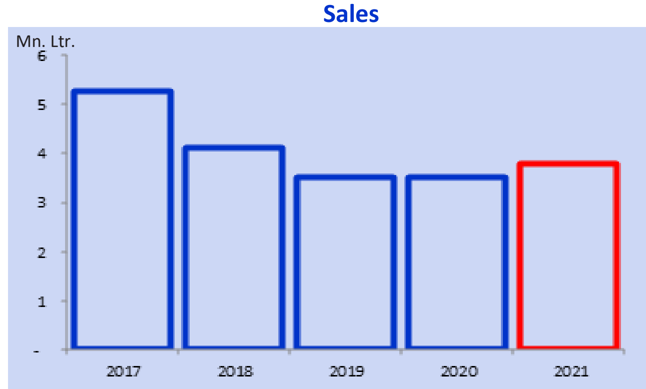
Lubricant is one of our highly competitive and strategic business unit in the Industries sector.

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

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

The lubricant sales quantity has increased by 7.5% YOY and the revenue increased by 19.62% to Rs. 1.7 Bn. the recovery of the economic activities led to increase the demand for the lubricant products and CPC adopted price differentiation strategy to re-capture the lubricant market share.

Sales



The increase of the cost of lubricant product caused CPC to generate lesser profit during the year 2021 to Rs. 156 million.

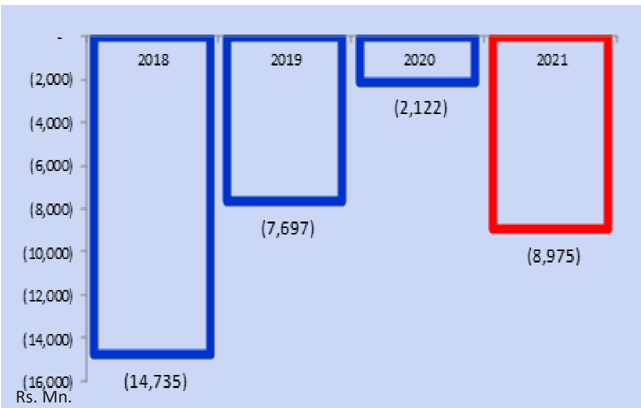
The recovery of the economic activities led to increase the demand for the SBP and has been increased by 115.71% and the revenue has increased to Rs. 535 Mn. an increase of 115.71% against year 2020.

Domestic

Domestic sector comprises Kerosene and Liquefied Petroleum Gases (LPG). This sector continued to make losses on account of kerosene being sold at a highly subsidized price. The loss recorded in the sector has increased to Rs. 8.7 Bn. during the year.

CPC supplies Kerosene at highly subsidized government decided price of Rs. 87/- per ltr. in order to provide the relief to the low income families and fisher communities. Kerosene generated loss of Rs. 8.9 Bn. We believe that even though Kerosene generated loss to CPC, this is the contribution toward the social wellbeing and sustainable consumption for the low income families.

Loss on Kerosene



Revenue from Kerosene has increased by 13.25% due to the recovery of the economic activities during the year. Kerosene subsidy is misused by some of the heavy transporters such as busses and lorries due to the price gap between Diesel and Kerosene. Stringent actions have been taken to control the adulteration of kerosene by some of the heavy transporters. Ministry level attention also given to minimize the leakages of the subsidy elements to the unintended parties. These actions helps to minimize the losses incurred by CPC sharply.

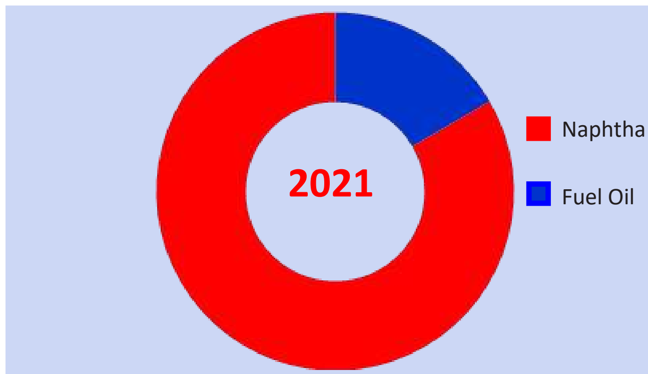
LPG sales generated a revenue of Rs. 2,411 Mn. during the year and profits increased from Rs.9 Mn. to Rs. 202 Mn. due to refined cost.

Exports

Direct export generated Rs. 17.01 Bn. during the year, a increase from Rs. 11.26 Bn. As there was a weaker demand from the power sector for the Naphtha and fuel oil during the year, exerted pressure to export the them as the storage capacities are limited.

The limited storage capacity pressurize to export Naphtha and Furnace oil even below the cost in order to continue the Refinery production process to store the refinery production. Although the sales generated in US Dollars, the sector generated a loss of Rs. 1.7 Bn. a reduction from Rs. 4.5 Bn recorded in 2020.

Export Mix



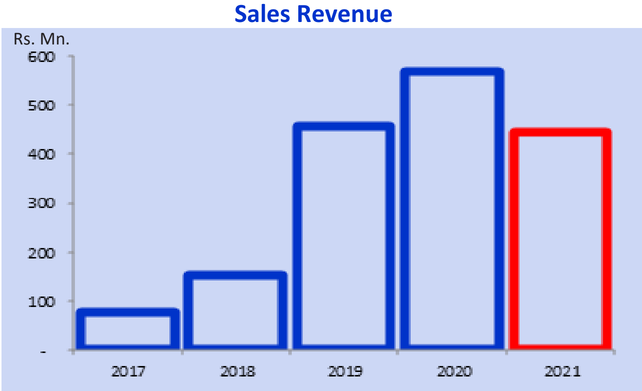
Agrochemicals

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

The agrochemical sector impacted significantly with the government policies to restrict the importation of the agrochemical products to the Sri Lanka. Therefore, the revenue has dropped drastically.

Sales revenue generated through the Agrochemical decreased to Rs. 446 Mn. from Rs. 639 Mn. recorded in 2020.

Sales Revenue



CPC reported 0.295 Mn. Ltr. (2020 - 0.517 Mn. ltr). of agrochemical sales during the year under review.

The sector reported a profit of Rs. 67 Mn. a decrease from Rs. 171 Mn. due to the loss of revenue with the government policies for limitation of agro chemicals.

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

Way Forward

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

Bunkering Business

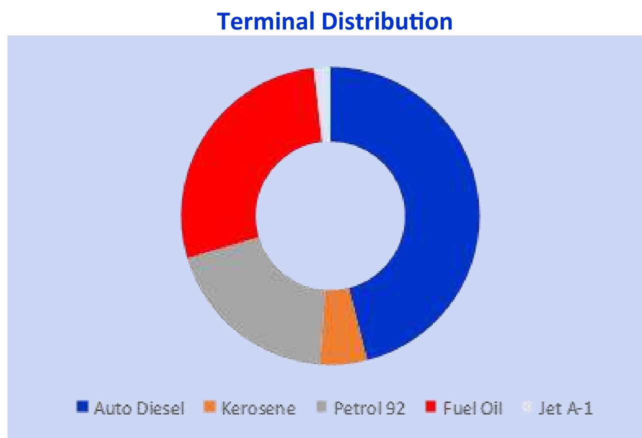
The Corporation re-enter in to the bunkering business in the year 2021, a strategic business unit that generates revenue in US Dollars to CPC as well as to the Country. Considering the competitive advantage inherited due to the market leader in the petroleum business, CPC captured a significant amount of revenue through the bunkering business even during a shorter period of time.

CPC made a sale of Marine Diesel and Marine Fuel Oil to the ships and total of 62.77 Mn. Ltrs of sales were made during 2021. It generated a revenue of Rs. 6.6 Bn. while securing a profit of Rs. 224 Mn.

Sapugaskanda Distribution Terminal

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

The Terminal has distributed 453.47 Mn. of fuel including Jet A-1 during the year.



Refinery Operations

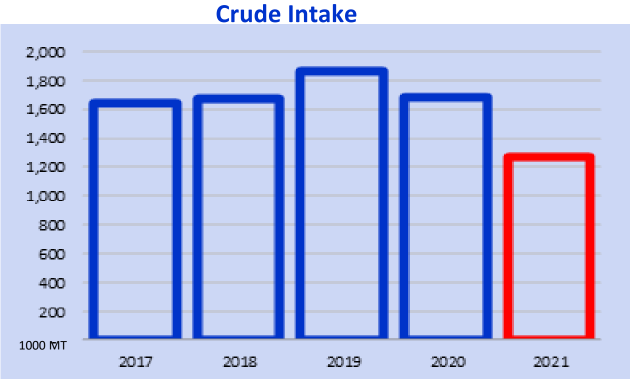
The Refinery at Sapugaskanda is our main strategic asset that creates immense value addition to our nation since 1969. Although the Refinery cater full demand of the country during the 1970, currently it cover around 30%-35% of the total CPC sales.

How it Creates Value ?
• Operating with 100% Sri Lankan staff.
• Provides direct employment opportunities for more than 1100 citizens.
• Caters 30%-35% of the total CPC sales volume.
• Savings of foreign currency outflows.
• Successfully completed 52 years of continued operations.
• `High recognition of the Refinery Training by overseas countries.

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

The refinery processed 1,265,938 MT of Murban crude oil during the year 2021 and which is a 25% reduction than the prior year due to difficulties to find foreign currency to import crude and major shutdown for maintenance.

Crude Intake

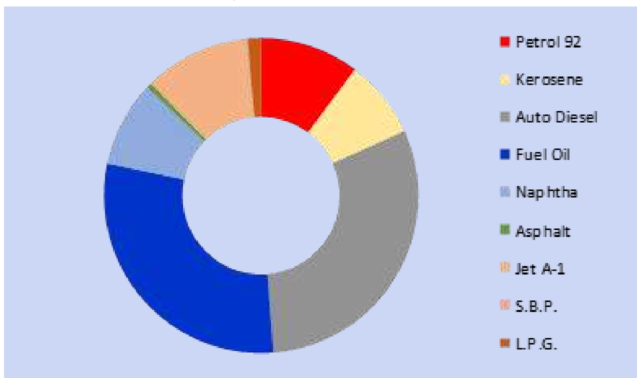


During the months of January, April, May, July and August 2021, the refinery was operated at normal throughput which was around 5200 MT/D and the refinery throughput was at around 3500 MT/D during the rest of period in the year.

Criteria	2021	2020
Operating days	285.70	362.44
Average throughput - TPSD (MT)	3456	4650
Operating Efficiency	85.54%	99.03%

Refinery major shutdown was conducted in February - March 2021 leading to lower annual throughput of the refinery. Due to the unavailability of crude oil, which is extremely rare situation, the refinery was shut down on 15th November until early December.

Refinery Production 2021



The refinery produced 1,216,085 MT of 09 petroleum products. Auto Diesel, Fuel Oil, Jet A-1, Petrol 92 and Kerosene were the main contributor from the refinery output. The Refinery has transferred these products to Kolonnawa Installation, Sapugaskanda Distribution Terminal and Directly transferring to customers such as CEB and Independent Power Producers.

Product to Customers	2021 MT	2020 MT
LPG	16,707	25,210
Furnace oil to CEB	103,547	162,392
Furnace oil to Asia Power	10,137	35,628
Total	**130,391**	**223,230**

Our Strategies

The petroleum products plays a crucial role to operate the national economy smoothly as it is vital for the transportation, energy for the production process as well as for the electricity generation. Hence, CPC committed to assure continuous fuel supply to the nation to meet the national goals of the Country.

Profitable Growth

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

Key Strategies

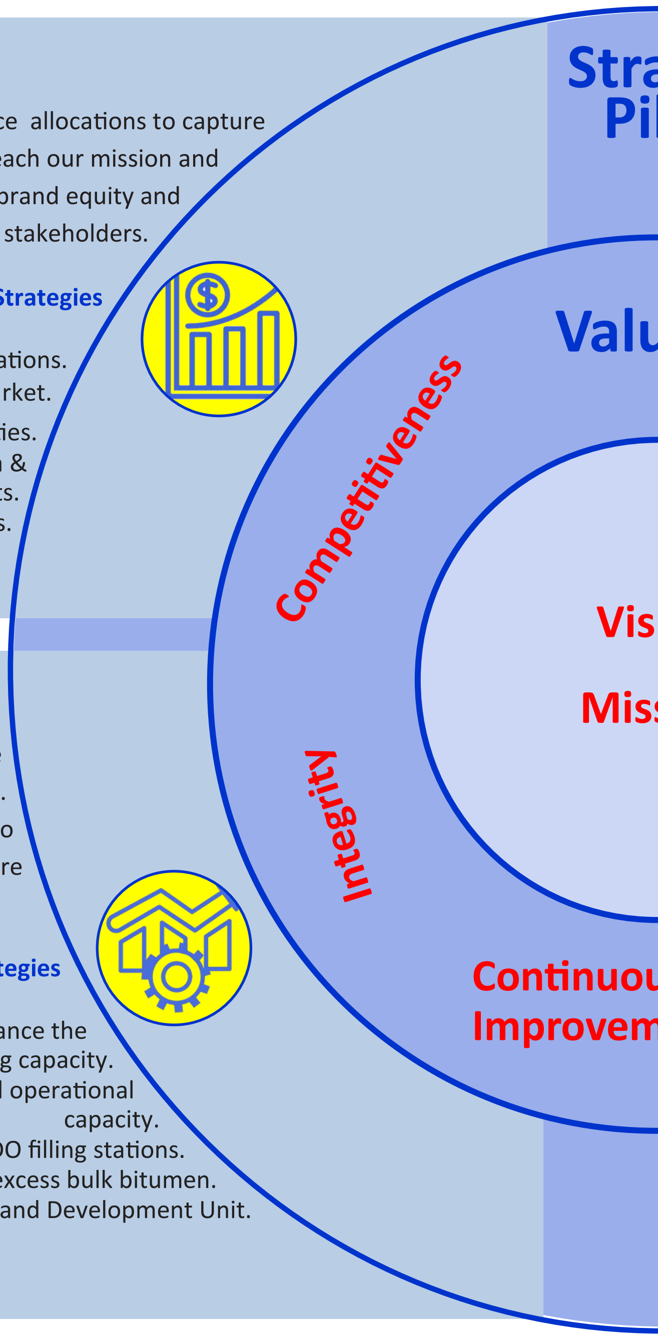
- Addition of new filling stations at the strategic locations.
- Introduction of new profitable products to the market.
- Enhancement of storage capacities.
- Refinery upgrade to convert the bottom level products such as Naphtha & Fuel oil to high valued products.
- Diversification of our strategic business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

Operational Excellence

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

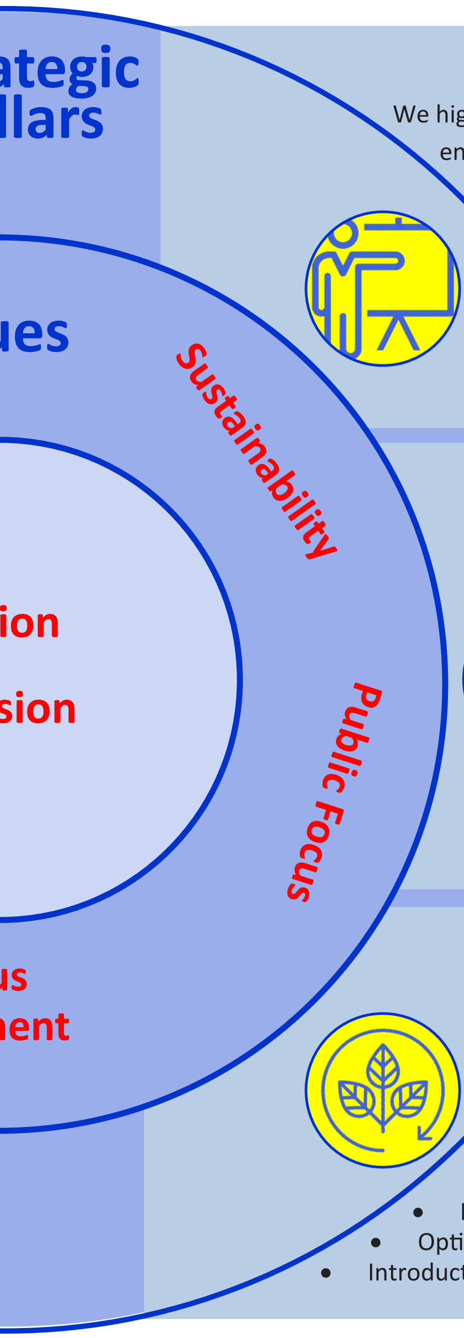
Key Strategies

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



Challenges: Subsidized Fuel Prices | Restraints on Dollar | Borrowing Cost

We, the market leader in the petroleum business, CPC developed its strategies and they align with the short-term, medium and long term strategies to contribute to achieve for the national goals and objectives. Our summarized strategic pillars and strategies are given below.



Development of Human Capital

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

Key Strategies

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

Technological Advancement

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

Key Strategies

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

Sustainability

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

Key Strategies

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

A Price Taker | **Shortage of Storage** | **Dilapidated Pipe Lines**

Our Business Model

Input | **Process**

Financial Capital
Shareholders funds
Borrowings
Capital management

Manufactured Capital
Filling Stations network
Property, Plant & Equipment

Human Capital
Our People
Experience
Skills & Competencies
Training & development

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

Intellectual Capital
Technological Expertise
Branding
Process enhancements

Natural Capital
Energy management
Water management
Other natural resources

Vision

Strategic Pillars
Profitable Growth
Sustainability
Operational Excellence
Technological Advancement
Investment in Human Capital

Primary Activities
Marketing
Importing – Crude oil & Refined fuel
Refining – Crude oil
Distributing – Island wide customers

Corporate Governance | **Risk Management**

Value Creation

Output

Outcome

Financial Capital

Gross Revenue
Rs. 594 Bn.
Sales Volume
5,130 Mn. Ltr.

Shareholders

Creation of Wealth
Financial Growth

Mission

Manufactured Capital

New Filling Stations 21
Total Filling Stations 1,343
PPE amounting Rs. 43.3Bn.

Customers

Quality products
Availability across the country
Fair price

Business Lines

Transport
Fuels for Power Generation
Aviation
Industries
Domestic
Bitumen
Agro Chemicals
Lubricants
Exports
Bunkering

Human Capital

Staff Cost Rs. 6.89 Bn.
Workforce 2377

Employees

Talented & Efficient workforce
Safe & Equitable environment

Social & Relationship Capital

Contribution to Government Rs. 105 Bn.

Regulators

Contribute for the energy security
Contribution for the economic development

Supporting Activities

Business Strategy
Technical & Financial services
People management
IT support

Intellectual Capital

Cumulative service experience 38,270 yrs.

Community

Sustainable relationships

Natural Capital

Energy management
Compliance with Laws

Suppliers

Sustainable value chain

External Environment

Financial Capital

593.8
Revenue
(Rs. billion)

4.1
Gross Loss
(Rs. billion)

82.2
Net Loss
(Rs. billion)

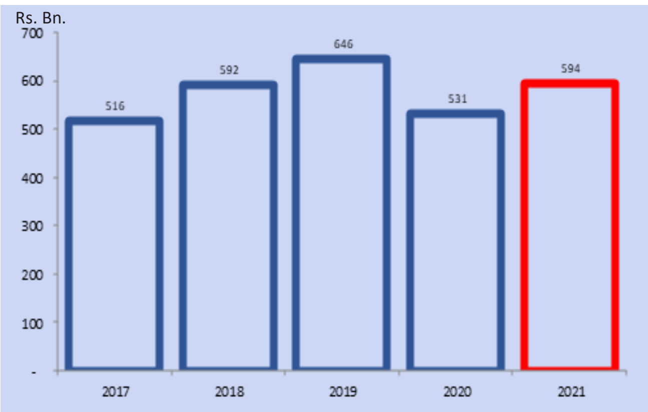
(82.3)
Other Comprehensive Income
(Rs. billion)

80.9
Net Cash Inflows
(Rs. billion)

Revenue

With the controlling measures taken by the Government to curb Covid-19 pandemic, the national economy has rebounded in 2021 . With the recovery of the economy, the overall demand for the petroleum products has marginally increased by 2% YoY representing significant movement in transport sector as well as aviation business. Domestic sales remained as the dominant source of income of the Corporation. As the international prices increased significantly during the year, the government revised the domestic selling prices two times in the year under review.

Sales Revenue



Auto Diesel continued to generate highest income in the year 2021 followed by Petrol 92, the second highest income generator. As the Auto Diesel dealt widely in the national economy, recovery of the economic activities resulted to improve the sales volume by 10.36% YoY.

Sector	Revenue (Rs. Mn.)
Transport	455,477.94
Power generation	47,322.79
Aviation	30,784.06
Industries	16,249.05
Domestic & other	20,377.58
Exports & bunkering	23,621.62
Total	593,833.05

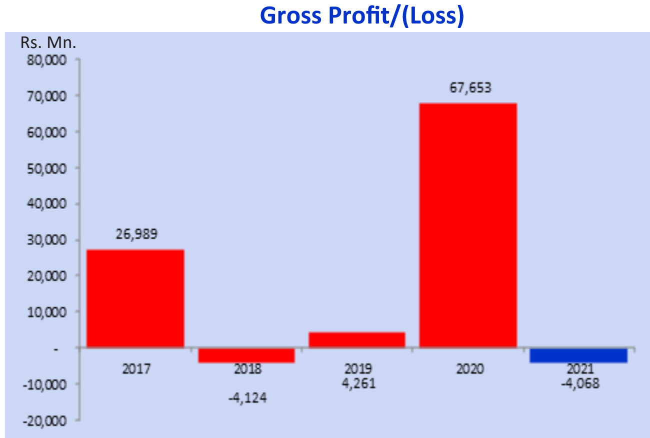
The revenue generated from the aviation sector recovered to some extent resulted to improve the revenue from the aviation. CPC restarted the bunkering business and it generated revenue of Rs. 6.6 Bn. during the year. Lesser demand from the electricity generation sector compelled to export Naphtha and fuel oil even at the loss to create storage facilities to continue the refinery operations. Export sector generated the income of Rs. 17.0 Bn during the year with an increase of 51.03% against the year 2020.

Gross Profit

Year	Gross Profit /(loss) (Rs. Mn.)	Gross Profit /(loss) Margin (%)
2017	26,989	5.23
2018	(4,124)	(0.70)
2019	4,261	0.66
2020	67,653	12.73
2021	(4,068)	(0.69)

Continuous escalation of the international fuel prices coupled with the sharp depreciation of Sri Lankan Rupee against US Dollars and non-adjustment of selling prices in parallel with the increase of international prices caused to record Gross Loss of Rs. 4 Bn. (Rs. 67.6 Bn. gross profit in 2020) during the year.

Gross Profit/(Loss)



Other Income

Other income has increased from Rs. 818 Mn. to Rs. 1,120 Mn. during the year under review. The write back of the unsettled long outstanding credit balances and provisions added to the other operating income.

 Income on the Investment properties, rental income and the sales of the filling station equipment are also recognised in the other operating income column.

Exchange Rate Variation

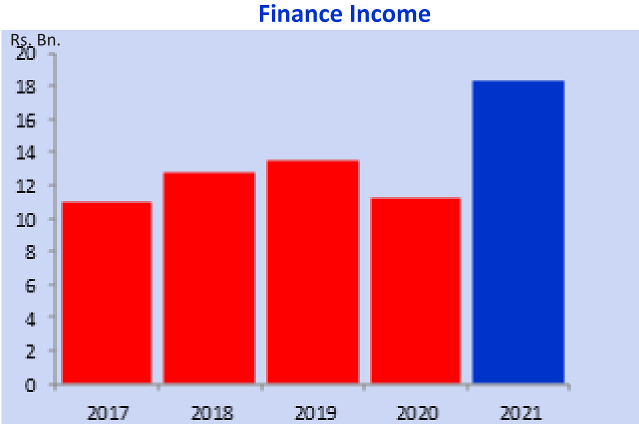
CPC recorded an exchange loss of Rs. 33,220 million (2020 - Rs. 21,841Mn.) in the year 2021 due to the sharp depreciation of Sri Lankan Rupee. The year end exchange rate has increased from Rs. 189.18 per USD to Rs. 202.99 per USD.Limited availability of the foreign currency in Sri Lanka to settle the foreign currency loans to two state banks further contributed for the CPC loss position.

Finance Income

Finance income consists investment income from Treasury Bonds, Fixed deposits, Call Deposits and charges on the delayed customer settlements. Daily excess cash was invested in high interest yielding sources.

The finance income has increased by 64.19% compared to the year 2020 due to the increase of market interest rates as well as the increase of delayed interest on the outstanding receivables from the customers specially form CEB and Sri Lankan Airlines. The Corporation invested the excess daily cash in the interest yielding investments .

Finance Income



Finance Expenses

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

Further, deep depreciation of Sri Lankan Rupee affects adversely to the interest cost as the loan interests are to be settled in US Dollar terms. The finance cost increased by 22.62% against the year 2020 due to the above reasons coupled with the increase of the interest rates by the banks.

	2021 Rs. Mn.	2020 Rs. Mn.
Finance expenses	25,643	20,911
Exchange variation	33,220	21,841

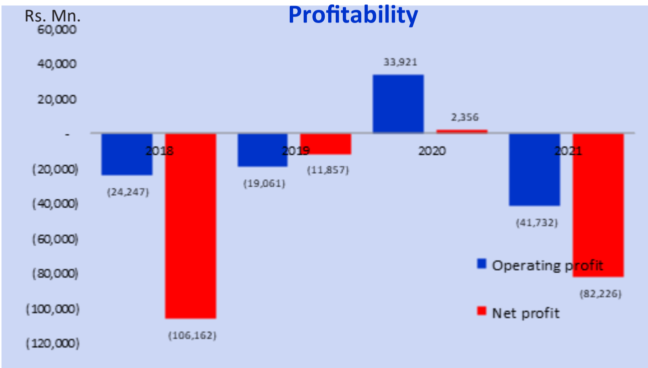
Income Tax Expenses

As the Corporation is entitled to claim the carried forward taxable business losses against the current taxable income as per the Inland Revenue Act No. 24 of 2017, no income tax liability has been arisen during the year.

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

Profitability

Significant hike of international prices, sharp depreciation of Sri Lankan Rupee against US Dollars and increased interest cost resulted to the incur net loss of Rs. 82.23 Bn. and it is a movement from the profit of Rs. 2.4 Bn. recorded in the year 2020.



Trade Receivables

CPC supplies petroleum products to the government institutions and other parties on credit basis for facilitating to ensure smooth operation of the national economy. Some of the institutions have not settle the outstanding invoices on due dates resulted to accumulate the trade receivable balance. The trade receivables have increased by 14.15% YoY to Rs. 161 Bn as at end of the year 2021.

	2021 Rs. Mn.	2020 Rs. Mn.
Set-off of government receivables against taxes and duties	11,401	11,208

Continuous negotiations with the intervention of the line ministries and the General Treasury are conducted to recover the outstanding receivable balances. The Corporation recovered the trade receivables from Tri-forces, Sri Lanka Police and Railway Department amounting to Rs. 11,401 Mn. against the taxes payable to the government as a Treasury set-offs.

Despite the massive outstanding balances from the state owned enterprises such as CEB, SLA, etc., CPC committed continuous fuel supply to these institutions to facilitate continuous contribution to the economic development and to avoid tarnish of goodwill of the country.

The strategies have been implemented to curtail the credit facilities provide to the private dealers and consumers and they encourage to use the e-banking facilities to settle their invoices which is convenient and fast for the payment and fuel ordering process.

Loans and Borrowings

Long term borrowings increased by Rs. 851 Mn. from the self-financing loan obtained to investment in the project for the construction of new expansion an hydrant system in parallel with the Bandaranaike International Airport expansion project. The loan amount will be increased based on the work in progress of the project.

Category	2021 Rs. Bn.	2020 Rs. Bn.
Long term Loans	5.89	5.06
Short term loans	510.27	390.75
Total	516.16	395.81

The accumulated losses due to non-adjustment of selling prices during last decade has been financed through the short term loans obtained from the banks. Accordingly, the loans and bills have been reached above 500 billion.

- Short-term borrowings accelerated by Rs. 119,519 million during the year due to the lesser cash collections, non-availability of the foreign currency in the market to purchase and settle and sharp depreciation of Sri Lankan Rupee.
- The bank overdraft of Rs. 538 Mn. included in the above and this reflects only the cheque issued but not realized at the reporting date.
- Trade and other payables including outstanding letter of credit also increased by Rs. 56,160million reflecting the high value import bills due to the sharp increase of the international furl prices and lesser amounts spend to settle the bills.

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

The short term borrowings increased by 30.59% to Rs. 510.2 Bn. at the end of the year due to the new loans generated through the conversion of the import bills, non-availability of US Dollars in the market as well as increase of the exchange rate. The import prices were increased sharply during 2021 and the import bills also increased simultaneously resulting to high amount of short term foreign currency loans.

Equity Capital

The Corporation sells main petroleum products at a government decided subsidized price contributed to the massive accumulated losses and they have been financed through interest bearing short-term foreign currency bank loans obtained from the two state commercial banks. As the Corporation reported a loss of Rs. 82 Bn in the year 2021, negative equity capital of the Corporation has increased to Rs. 357.5 Bn. at the year end.

Cash Flows

Cash & Cash Equivalent position has increased from Rs. 59.1 Bn. to Rs. 140.1 Bn. Non-availability of the US Dollars in the market to purchase and settle the foreign currency loans resulted to accumulation of cash and cash equivalents at the year end.

Value Added

Category	2021 Rs. Mn.	2020 Rs. Mn.
Sales Revenue	584,754	522,533
Other Income	19,490	12,007
Bought in materials & services	(546,055)	(350,574)
Depreciation	(2,682)	(2,668)
Value Added	55,507	181,298
Applied to		
Employees		
Salaries, wages & other benefits	6,891	5,719
Providers of capital		
Interest on loans	25,643	20,911
The Corporation		
Retained Profit	(82,226)	2,356
The Government		
Taxes and duties	105,199	152,311
Value Added	**55,507**	**181,298**

Manufactured Capital

2.5
Investments on Fixed Assets
(Rs. billion)

1,343
Filling Stations

21
New Filling Stations

419.8
Total Assets
(Rs. billion)

60.2
Fixed Assets
(Rs. billion)

Our Contribution to SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our Manufactured Capital comprises property, plant & equipment, investment properties, intangible assets including information technology (IT) systems & software and Corporation Owned filling station network. We nurture manufactured capital to refine, supply and distribute the petroleum products with the aim of sustainable business operations and energy security of the country.

The Corporation is the entity with the development of infrastructure facilities for the petroleum industry for the energy security of the nation. Therefore, emphasis is given for the development and maintenance of our manufactured capital.


Buoy

Property, Plant & Equipment

The Corporation invested Rs. 2,525 Mn. on Fixed Assets adding to the current fixed assets bin. The working progress of the new hydrant and expansion project at the Bandaranaike International Airport contributed massively for the above addition. Our property, plant and equipment including investment properties increased to Rs. 60,319 Mn. while net book value recorded to Rs 43,431 Mn.

Outline 2021

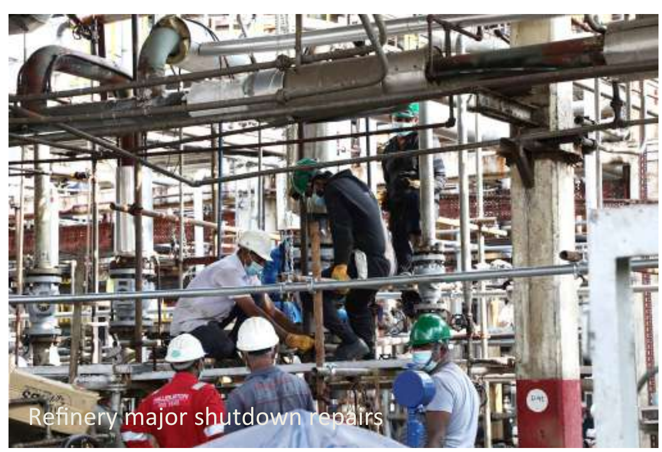
- The deprecation recorded for the year is Rs. 2,682 million.
- We invested Rs. 2,525 million in to the existing fixed asses bin.
- CPC disposed Rs. 48 million worth of fixed assets during the year.
- Number of major projects are in progress and planned.

Major assets in our PPE includes the Refinery, Aviation Function assets in the airports, SPM facilities and head office building .


Refinery pipeline

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

Although the Refinery already crossed 50 years of its age, it functions smoothly mainly due to the proper maintenance and replacement of the equipment that are in disorder. A major refinery shutdown for the maintenance work carried out once a three year completed in the year 2021 with many challenges due to the impact of the Covid-19. The major maintenance work carried out with Geo bubble concept.


Refinery major shutdown repairs

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

CPC Aviation assets at the Airports also plays a vital role to provide the aviation fuel to the aircrafts. Katunayake and Mattala airports functioned in round the clock and the latest state of the art hydrant equipment available with CPC enables to provide the fuel to all the types of the aircrafts.


Fueling to Aircraft

Investment Property

Investment properties include properties located at Thurstan Road and Flower Road in Colombo and Corporation owned filling stations. Thurstan Road Building and Flower Road building have been rented out to the Ministry of Power & Energy and Prime Minister's office.

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

No additions have been made to the investment properties during the year. Depreciation for the year is Rs. 1.91 Mn. The income of Rs. 42.46 Mn. has been generated from the investment properties including the rental received from the corporation owned filling stations.

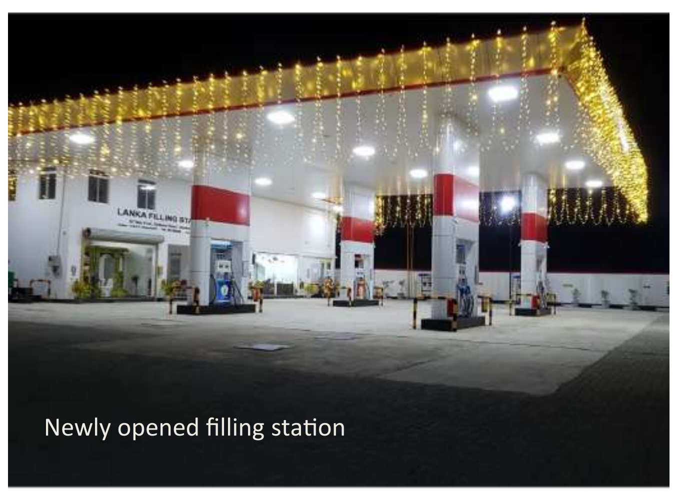
Distribution Channel

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

Filling stations have been categorized in to Corporation Owned Dealer Operated (CODO) filling stations and Dealer Owned Dealer Operated filling stations (DODO). The total number of filling stations have been increased to 1343 with the 21 new filling stations added to the extensive distribution network during the year.

The geographical footprint enabled CPC to distribute the petroleum products to the general public all over the country. This geographical footprint facilitates to maintain market leadership while achieving more than 80% market share of the country demand. More than 76% of the total revenue of the Corporation generated through this net-work.

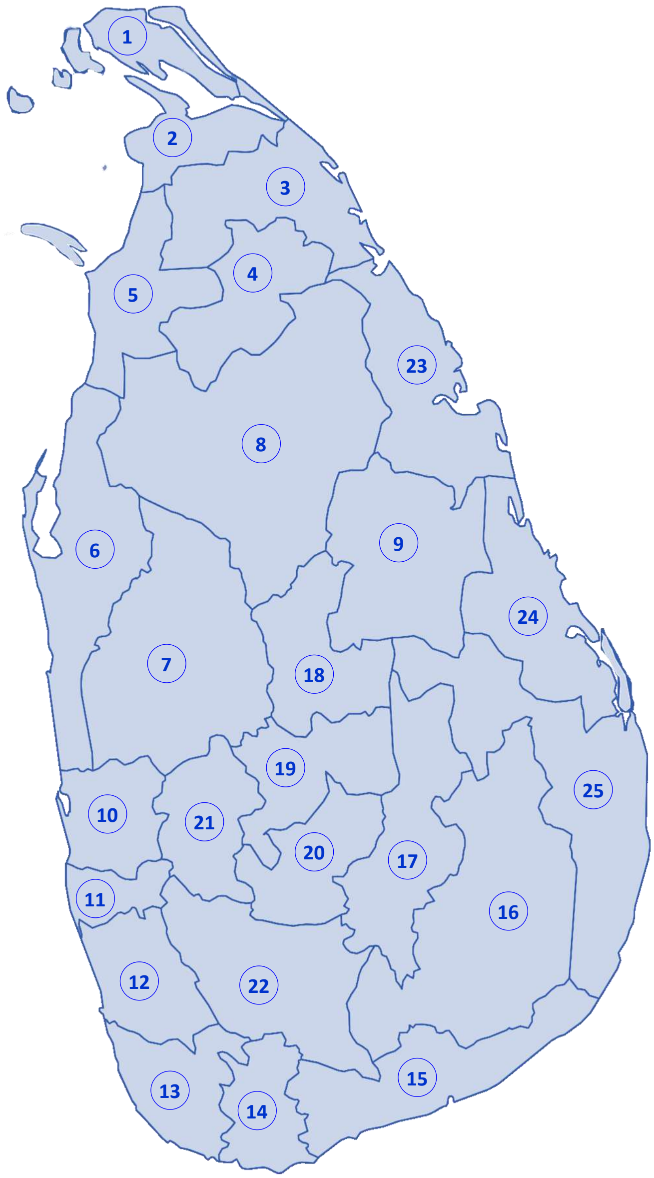
Category	No. of Filling Stations
CODO	243
DODO	1,100
Total	**1,343**


Newly opened filling station

Auto Fuel Distribution Channel

Northern Province

	District	CODO	DODO	Total
1	Jaffna	22	66	88
2	Kilinochchi	4	15	19
3	Mullativ	-	23	23
4	Vavuniya	1	22	23
5	Mannar	5	31	36
	Total	32	157	189



Eastern Province

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

North Western Province

	District	CODO	DODO	Total
6	Putlam	7	75	82
7	Kurunegala	14	97	111
	Total	21	172	193

Sabaragamuwa Province

	District	CODO	DODO	Total
21	Kegalle	6	27	33
22	Ratnapura	9	41	50
	Total	15	68	83

North Central Province

	District	CODO	DODO	Total
8	Anuradhapura	12	46	58
9	Polonnaruwa	8	20	28
	Total	20	66	86

Central Province

	District	CODO	DODO	Total
18	Matale	3	21	24
19	Kandy	18	48	66
20	Nuwara-eliya	13	5	18
	Total	34	74	108

Western Province

	District	CODO	DODO	Total
10	Gampaha	17	127	144
11	Colombo	39	87	126
12	Kalutara	11	43	54
	Total	67	257	324

Southern Province

	District	CODO	DODO	Total
13	Galle	11	59	70
14	Matara	9	37	46
15	Hambantota	7	28	35
	Total	27	124	151

Uva Province

	District	CODO	DODO	Total
16	Moneragala	6	20	26
17	Badulla	7	24	31
	Total	13	44	57

Capital Progress & Way Forward

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

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

Development & upgrading of aviation refueling terminal & the existing fuel hydrant system and installation of a fuel hydrant system at new apron – E in par with phase ll stage 2 development project of Bandaranaike international airport, Katunayake was started in January 2018 and construction works are in progress. The project has achieved 65% and 49% of physical and financial progress respectively. At the completion of the project, CPC will be able to cater the future increased aviation fuel demand at the airport smoothly with the latest state-of–art technology.

BIA development project

- Procurement process is in the progress for the Construction of a Jet A-1 transfer Pipeline from Muthurajawela To BIA Katunayake and construction of Jet A-1 storage tanks and associated facilities with modifications to the existing Terminal facility at Muthurajawela. This enables CPC to assure energy security for the Katunayake airport and easy the Jet A -1 distribution channel.
- Refinery modification project has been planned and that will enable to upgrade the bottom products into high yielding products leading to avoid the loss arisen from the export of Naphtha due to lack of storage capacity.
- 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.
- Initial preparations were done to build a drumming plant at Sapugaskanda Refinery with an aim to provide high quality drum bitumen.

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

Capital Trade-Off

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

Intellectual Capital

38,270
Cumulative Service Experience
(yrs.)

4.08
Training Cost
(Rs. million)

85.5%
Operating Efficiency - Refinery

1,008
No. of Employees over 20 yrs Experience

Our Contribution to SDGs

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

Initiatives were taken place in the main areas of strategy and IT in order to continue the petroleum product supply without any interruption. Systems had been developed to facilitate work from home during the lockdown period with limited physical staff availability to bringing greater efficiencies and operational excellence. Our responsiveness and adaptation to changing environment due to the Covid-19 outbreak reflect our greater flexibility and the commitment of our staff.

Our Branding

Our brand with "ENERGIZING THE FUTURE" having more than 60 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 LUBRICANTS
The Best From The Best

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

CEYPETCO AGRO - "ගොවිතැන සහකරුවී"

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

Our Values

CPC has its owned ethical standards and values that are built into the culture of the Corporation. As our product impacts to the cost of living and living standards of the every person in all over the country, we maintain the fully standardized product to commit that the people are getting the quality product.

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

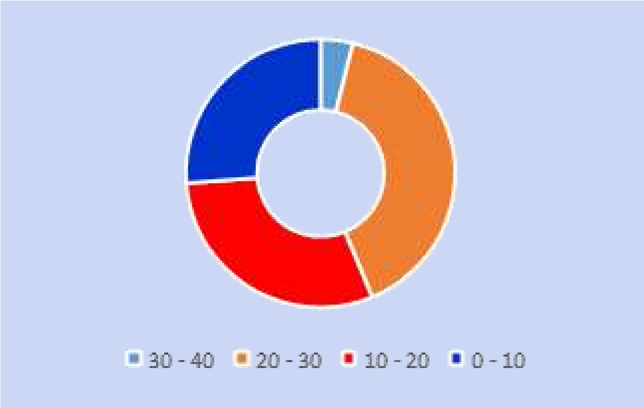
Process enhancements

Online payment system has been developed and automation system has been upgraded to enhance the security and degree of accuracy of the transactions. The system helps to collect the funds immediately to CPC accounts and process the customer orders without delays adding more banks for the settlements.

Continuous Learning & Development

A knowledge base forms an important intangible asset in the current business environment. Since creating the knowledge base organization is a key strategy, plenty of training and development opportunities to strengthen their competencies are provided to fulfill their duties and responsibilities. CPC invested Rs. 4.08 Mn. for the training and development of employees to enhance and upgrade the competencies.

Categorization of Employees as per Experience



Our knowledge base consists of 1,008 employees who are having more than 20 years of continuous service experience. Cumulative service experience of the currently available workforce is surpassing 38,270 years. The learning and supportive culture of the Corporation makes sure to maintain and tacit knowledge to build the better operational excellence to reach vision and mission into the reality.


Major shutdown maintenance

Tacit knowledge is the knowledge gained through on the job experience and professional development and it is a strategic assets that we possessed specially through the only refinery in Sri Lanka which create immense value to the national economy. It is proven that, although the CPC refinery built in five decades ago, it functions smoothly even up to date although it possessed old technology for the crude refining process. The tacit knowledge of our people in the Refinery contributes for this continuous operations and maintenance of the refinery to create value to the national economy. Most of the engineers possess more that 15 to 20 years of experience that that build massive knowledge base for our competitive advantage.

Refinery petroleum laboratory is one of best laboratory available in Sri Lanka with ability to test petroleum and petro chemical specifications. Our competent well knowledge human capital together with the latest state of the art technology guaranteed the best and accurate results to the Sri Lankans.

Human Capital

2304 Number of Employees

141 Service Awards

77 Recruitments

6.89 Staff Cost
(Rs. billion)

71 No. of Trainees

Our Contribution to SDGs

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

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

Category	No. of Employees
Permanent staff	2,304
Contract	2
Trainee technicians	-
Trainees (from external academic institutions)	71
Total	2,377

Governance

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

Diversity

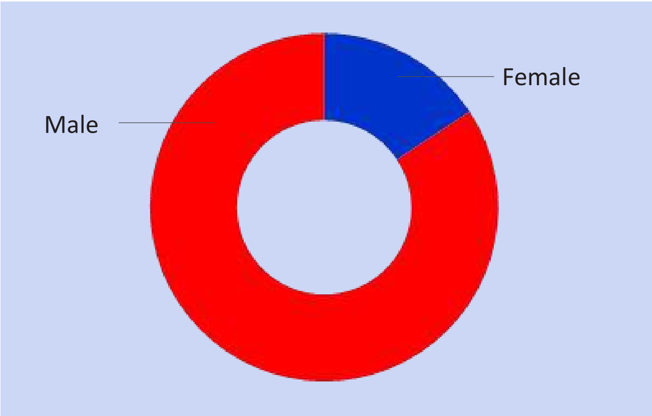
Our HR policy recognise and encourages the creating a diverse team and have in place stringent policies against any form of discrimination based on gender, age, race, religion or any other factor.

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

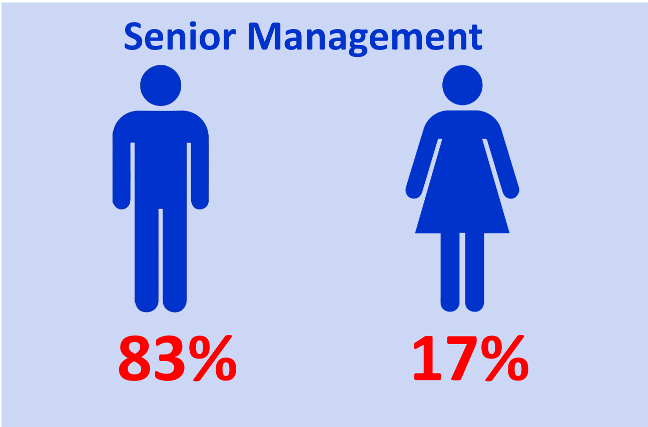
Staff by Province	Male	Female	Total
Western	1668	295	1963
Eastern	25	1	26
North	14	4	18
Uva	16	2	18
North Western	36	12	48
Central	48	18	66
Sabaragamuwa	23	13	36
Southern	83	11	94
North Central	28	7	35
Total	1941	363	2304

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

Gender-wise Employees



The Corporation always encourages participation of the female employees at every level of the Corporation and we would like to highlight that 17% of senior management and above categories are women.



Rewards and Recognition

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

CPC offers reward package consisting both financial and non-financial benefits in par with the market rates. CPC assures all employees of 2,304 in permanent cadre, receive fair and competitive remuneration in line with the nature of the job. Rewards system is linked with the performance of the employees and annual performance evaluation is made based on their overall performance.

All permanent employees are provided numerous other financial and non-financial benefits based on the employment category including bonuses, traveling allowances for certain grades, holiday bungalows, staff loans, medical benefits, gratuity through Thrift Society, maternity leave and retirement benefits.

The collective bargaining agreement is in place covering total cadre, with all pay / benefit revisions incorporated through the renewal cycles. The prevailing agreement was renewed in January 2021, for the period 01st January 2021 to 31st December 2023.

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

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. The awards have been granted based on our HR policy and details of the awards during the year CPC granted 141 awards to the employees who have made their greater contribution towards the Corporation.

Service Category	No. of Awards
20 years of service	131
30 years of service	7
35 years of service	3
Total	141

Recruitments

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

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

During the year 2021, the Corporation recruited 77 employees to our workforce.

PROMOTIONS

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

Grade	A	B	C	Total
No. of Promotions	45	69	26	140

Training & Development

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

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

Procurement training

The Corporation has spent Rs. 4.08 million to upgrade through the various training programs during the year 2021. The training focused on increasing productivity, strengthening governance, enhancing asset quality and building a compliance culture. The pandemic created many challenges in providing learning solutions.

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

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

Ethical Behavior & Compliance

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

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

Retirements

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

Total of 102 employees left during the year due to the retirements, deaths, resignations.

Retirements/deaths/resignations			
Group	Male	Female	Total
18-30 years	—	-—	—
31-40 years	—	—	—
41-50 years	2	- —	2
51-60 years	88	12	100
Total	90	12	102

Health & Safety

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

Health & Safety at Refinery		
Health & Safety	2021	2020
Lost time accidents	-	-
First aid accidents	02	-
Minor fires reported	-	-

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

Covid-19 outbreak created additional health and safety concerns during the year 2021 as well. A special Covid-19 Control Committees were formed for both Refinery and Head office to formulate an action plan and to protect staff during the pandemic. The Corporation operated with the minimum number of staff under the stringent health and safety guidelines during the lockdown period.

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

Welfare

Staff welfare is vital to build loyal and engaged employees toward the Corporation and motivates to attract and retain the employees. Number of welfare programs and activities were implemented to assure healthy and committed workforce. Year 2021 was the special year that requires more attention on the employees due to the impact of the Covid-19 pandemic. CPC provided the various facilities such as staff transport, sanitizers for official and personal use, etc. enabling staff for their wellbeing and upgrading the livelihood during the pandemic period. Number of loan schemes at concessionary interest rates was provided to all the employees to improve their living standards and recognize their contribution towards the Corporation. CPC has granted number of loans and advance facilities during the year.


Scholarships to children of the staff

CPC extended its contributions to the children of CPC employees to facilitate and encourage work life balance. There were 26 new scholarships given under this program to the children those have reached to educational excellence such as children who have selected to the university education etc.

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

Opportunities are provided for all the religious employees to worship according to their religious.

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

Employee Engagement

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

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

Staff engagement activities

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

Industrial relations & Compliance

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

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

A freedom to join with the trade union as per the employees requirements has been given to all the employees. There are nine registered trade unions were existed as at 31.12.2021 and the Corporation maintains cordial relationship with all the trade unions to guarantee an uninterrupted operations.

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

Social & Relationship Capital

105
Contribution to Government
(Rs. billion)

2,352
Fuel Imports
(USD *Million)*

680
No. of Non-oil Procurements

1,130
Crude Imports
(000 MT)

8.9
Kerosene Subsidy
(Rs. billion)

Our Contribution to SDGs

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

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

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

Petroleum imports

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

The Corporation imported 13 number of crude shipments with the total volume of 1,130,237 MT (1,666,807 MT – 2020) of Murban Crude oil during the year for the production process at the Sapugaskanda Refinery.

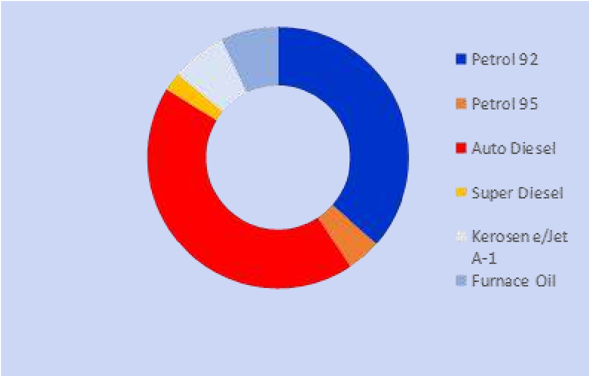
Fuel discharging

As the Refinery cater around 30% - 35% of the total CPC sales, the gap is filled through the direct imports as refined products. The Corporation imported USD 1,755.06 million (USD 949.83 million in 2020) (DAP basis) worth of refined petroleum products to country through the aforementioned procurement process.

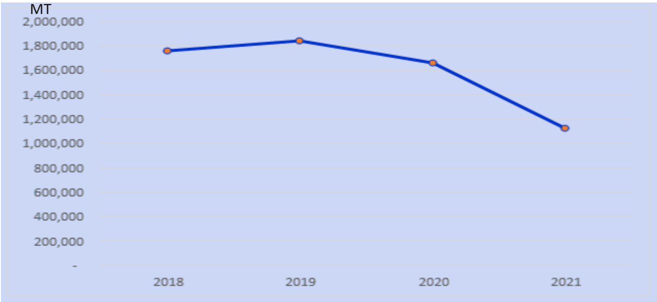
Petroleum Imports

Category	2021 USD Mn.	2020 USD Mn.
Crude oil	596.94	583.34
Refined bulk products	1,755.06	949.83
Total	**2,362.00**	**1,533.17**

Refined Import mix by cost



Crude Importation



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

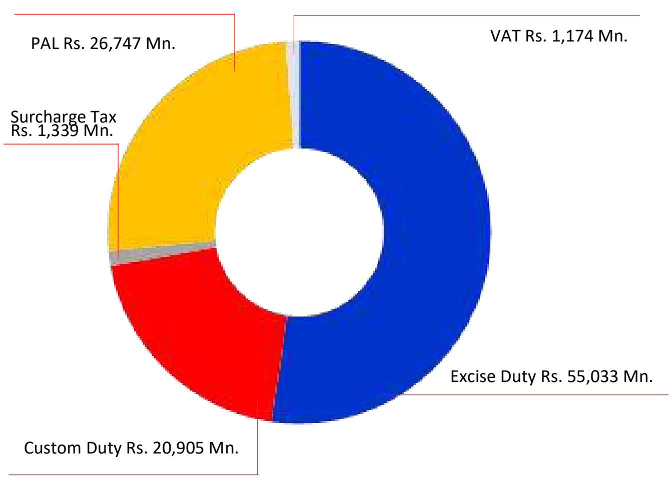
Non– oil procurements		
Procurement category	No. of Procurement completed	Amount (Rs. Mn.)
Departmental procurement committee	680	327.39
Total	680	327.39

Government Contribution

The Corporation is one of largest tax contributors to the Government tax income that are used for the infrastructure development and economic activities. During the year, CPC contributed Rs.105,198 Mn which is 18% of CPC revenue. As the international prices increased continuously, the government decreased the taxes on petroleum products to minimize the losses incurred by CPC.

Government decreased the Custom Import Duties (CID) on the importation of Petrol and Diesel during the year and the CID contribution decreased by 68%.

Tax Contribution



Surcharge Tax has been removed in parallel with the increase of international price to reduce the total cost incurred. Exercise Duty has increased by 10% due to the increase of sales quantities compared to 2020. As the international prices increased, Ports & Airports Development Levy (PAL) has increased by 73% against the year 2020. The total taxes and duties contribution has dropped by increased by 30.93% compared to 2020.

Business Partnering

The extensive island-wide dealer network of 1,343 filling stations guarantee the product availability to the general public. It is our primary concern to maintain a cordial business relationship with our business partners to discharge our main responsibility of energy security to the general public as CPC is the market leader in the petroleum industry of Sri Lanka maintaining more than 80% of the market share. Strict guiding procedures and controls have been formulated to maintain the filling stations with the expected level of standards for the quality products.

Provincial filling stations	
province	No. of FS
Western	324
North Western	193
North Central	86
Central	108
Northern	189
Southern	151
Uva	57
Eastern	152
Sabaragamuwa	83
Total	1343

In addition to the above, our Agro chemical and Lubricant stockiest and dealers also play and important role for the product availability.

Support to Business Partners

As all the business sectors affected with the Covid-19 pandemic even in the year 2021, our business partners also faced with many challenges during the year. The Corporation granted various benefits to our business partners to drive their businesses during the outbreak and to help revive their businesses back to pre-pandemic levels to protect and assure the survival of the business. CPC granted various product loan schemes, waive- off the various penalties, etc. to protect and we remain committed to support the Government for its efforts to rebuild the economy in the wake of Covid-19.

Product Responsibility

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

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

Dynamic actions were taken on the filling stations to overcome the shortcomings identified and take the corrective actions to avoid in the future. More controlling mechanisms were in placed to capture the adulteration of Kerosene and make sure the quality of the products they consumed.

CPC monitoring team visited randomly selected filling stations covering all over the island 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. and immediate actions are taken to correct the shortcomings and continuous follow-up are made.

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

Support for education

As the only Refinery in Sri Lanka, ample of training opportunities are provided to the local students to gather the industry knowledge that is an added value to the career development. Since there is a high demand for the experienced petroleum engineers from the overseas countries, CPC provides the maximum possible training opportunities to bring the foreign exchange to the country. Additionally, industrial visits are provided to the technical students for their knowledge development purposes.

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

Community Engagement

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

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

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

Kerosene Subsidy

CPC is the sole supplier of the Kerosene in Sri Lanka. Low income families and fishing community consume Kerosene for their daily energy needs. Kerosene price revised by Rs. 7/- ltr in June and Rs. 10/- ltr. in December. Since the cost of Kerosene increased sharply, the domestic prices have not been revised in parallel with the international prices.

Sales of Kerosene during the year is 236 million ltrs.

Kerosene Subsidy is Rs. 38.04 per ltr.

Total subsidy is Rs. 8,975 million.

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

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

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

Social wellbeing

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

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

Natural Capital

0.6%
Normal Loss

00
No. of Hazard Accidents

567
Water Consumption
(000 *MT*)

63
Owned Consumption
(000 *MT*)

0.5106
Specific Energy Consumption

Our Contribution to SDGs

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

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

Water Consumption

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

Water Consumption at the Refinery			
	2021 MT	2020 MT	Reduction
Purified water via our water intake	528,283	672,302	21.42%
Water board	38,555	171,288	77.49%
Total	**566,838**	**843,590**	32.81%

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

Energy Consumption

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

The Refinery generates the electricity for the operations and gap is filled through the CEB supply. The Refinery consumed electricity (CEB supply) during normal hours varied between 159.0MWh and 285.0MWh per month and 45.5MWh and 88.9MWh per month during peak hours. The maximum demand in the CEB supply varied from 1136 KVA to 1613KVA.

Generator	Operating Hours
TG1	4,632 hrs.
TG2	2,634 hrs.
DG1	4,884.5 hrs.
DG2	4,793.5 hrs.

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

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

Material Management

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

Responsible Sourcing

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

Disposal of Hazards Materials

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

The refinery also generates an amount of hazards waste and those are disposed as per the internationally acceptable methodologies. Hazards waste are sent to the flame and burn to avoid to mix with the environment and during this year, total fuel gas to flare quantity was recorded as 556MT and the quantity of CDU gas to flare was 442 MT.

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

Sustainable & Environmental Friendly Economy

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

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

Biodiversity

We committed to mitigate the adverse impacts on the biodiversity that may arise through oil spills, emission, wastages, etc. Stern operational procedures have been implemented to affirm that all measures have been taken to mitigate the adverse impacts to the biodiversity.

The extreme heavy rains occurred in the evening of 2nd and 3rd June 2021, the wastewater inflow to the oily water treatment plant has been increased due to the flooding of plant areas and tank farms with the contamination of water system with the storm water creating inflow to the API Separator. Once the matter is reported, immediate actions were taken to control the situation.

Compliance

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

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

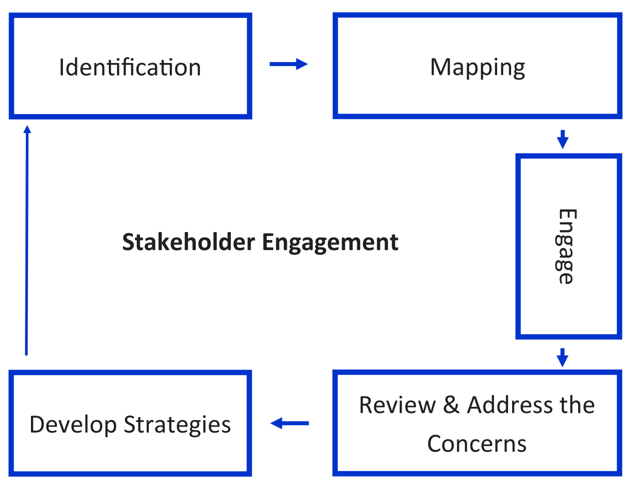
Stakeholder Engagement

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

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

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

Engagement Framework



Shareholders

Engagement Mechanisms

Submission of monthly financial statements
Annual financial statements
Annual report
Corporate website

Concerns Raised

Review of periodic financial performance
Financial reporting disclosures
Future growth and outlook

Our Responses

Submission of financial and non-financial information on timely manner, updating the corporate website.

Employees

Engagement Mechanisms

Performance appraisals
Employee engagement activities
Meetings with the trade unions
Sport & other events
Welfare facilities to the staff

Concerns Raised

Competitive remuneration scheme Job security
Skill and knowledge development
A safe workplace
Career progression and succession

Our Responses

We provide continuous training and development opportunities, attractive rewarding system in line with the industry standards, safe working environment and development of engaged employee workforce.

Regulators

Engagement Mechanisms

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

Concerns Raised

Corporate governance
Compliance with regulations
Compliance with taxes
Environmental protection

Our Responses

We submit the information requested by the regulators and maintain open dialogue with the regulators to encourage industry development

Community

Engagement Mechanisms	Regional office engagements CSR activities and sponsorships Media and other social events
Concerns Raised	Job opportunities Accessibility to the products Economic & social impacts CSR activities Sponsorships
Our Responses	Develop a cordial relationship with the Communities. Empowerment and uplift the living standards.

Customers

Engagement Mechanisms	Product, promotion campaigns Engagement through filling stations Customer satisfaction surveys Communications through marketing channels Online and local engagement by the regional offices
Concerns Raised	Convenience and accessibility Product quality Affordability Customer care service
Our Responses	We have strengthened island wide distribution network to assure easy accessibility. Customer care unit strengthen to attend the customer complaints and solve them immediately.

Suppliers and service providers

Engagement Mechanisms	Transparent bidding process Supplier registration process Regular meetings, written communication & relationship management
Concerns Raised	Long term partnership Settlements within the timeline. Adhering to the procurement guidelines. Compliance with regulations.
Our Responses	Encourage long term good relationships, settlement on timely manner, assure sustainability and quality standards of products and services.

Contribution to SDGs

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

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

SDG	How we contribute
	Diverse workforce of 2377 is rewarded in far with the industry rate and the Corporation has paid Rs. 6.89 billion as a employee cost to upgrade their livelihoods. Further, various welfare activities such as loan schemes, medical facilities are provided with aim to improve the living standard of employees and their families. We provide more than 15,000 employment opportunities island-wide through our distribution networks with contributing to the society to reduce the poverty. CPC is the only organization to supply Kerosene and the Kerosene is supplied at a highly subsidized price with a aim to provide economic relief to upgrade livelihood of the low income families and fisher communities. The subsidy amount for the year 2021 is amounted to Rs. 8,975 Mn.
	As petroleum products are inheritably exposed to the health and safety risk, stringent actions have been taken to provide good health and safety environment to the employees as well as for the society as a whole. International level standards are maintained at the Refinery to minimize the hazards environment. The Corporation has provided benefits including medical benefits through medical scheme covering the employees & their family members, gratuity, maternity leave, etc. to enhance the heath and well being.
	The Corporation is a equal opportunity employer and do not discriminate based on the gender. All the employees treated with a non-discriminating rewarding policy between men and women leading both parties eligible for the same rewarding scales (1:1) for the same job categories adhering to the all the statutory and other requirements.
	Most of the products are provided at a subsidized price for the betterment of the livelihood and economic activities while ensuring energy security of the country. Kerosene supplies at a highly subsidized price with a aim to enhance the affordability of the products to the low income families and fishermen. Procedures are in place to assure that consumers are consume the quality standardized petroleum product.

SDG	How we contribute
8 DECENT WORK AND ECONOMIC GROWTH	The Corporation has contributed Rs. 105 billion as a various taxes and duties to the Government for the economic growth of the country. Uninterrupted fuel supply for more than 80% of the country's fuel demand affirmed the continuous energy supply to industries for the economic development of the country. Further, Refinery added economic value over 30% of our turnover to the national economy.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Develop quality, reliable, sustainable and resilient infrastructure and to support economic development and human well-being, with a focus on affordable and equitable access for all. CPC implements/plans number of medium and long-term strategic projects that will enhance the operational capacities and efficiencies of CPC operations. We have invested Rs. 2.5 billion on the fixed assets during the year for this purpose.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	We maintain environmentally sound management of chemicals and all wastes throughout their life cycle specially in Refinery and agro chemicals, in accordance with agreed international frameworks and ensures non-release to air, water and soil in order to minimize their adverse impacts on human health and the environment. Hazards waste is dispose based on the internationally accepted with complying to the laws and regulations. The Corporation assures the efficient and effective use of resources for the sustainable production pattern and every endeavors taken for the sustainable consumption. The Corporation had introduced Euro 4 standard Diesel and Petrol to provide environmental friendly efficient fuel leading to sustainable fuel consumption
13 CLIMATE ACTION	We inbuilt the procedures and practices to our strategies to minimize and avoid the impacts to climate-related hazards and natural disasters. We integrate the climate change measures implemented by the government into our strategies. Training and awareness programs are provided for the Refinery staff for the proactive measures.
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 avoid the risk of oil spills. The Corporation is a member of the international fund (IOPC) which provide compensation for the oil pollution damage resulting from spills of persistent oil from tankers and this enables to take prompt actions to prevent the water pollution.
15 LIFE ON LAND	We ensure the sustainable production of agro chemical products and distribution as per the acceptable standards. Information and trainings are provided to bring the zero level harm to the lives on the earth and to maintain the zero level environmental pollution.

Risk Management Report

As the Corporation is the market leader in the petroleum industry, risk management plays an integral role in this robust social and economic environment. Risk Management Policy has been placed covering all the risk areas to mitigate all the risks in order to assure the continuity of the business operation smoothly for the energy security of the country.

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

Risk Management Framework

Our Risk management framework is developed proactively identify the key risks affecting the Corporation, and evaluate the impact and manage those risks effectively to ensure continuous energy supply to the nation. Risk management framework has implanted comprising the risk policies and defined roles and responsibilities.

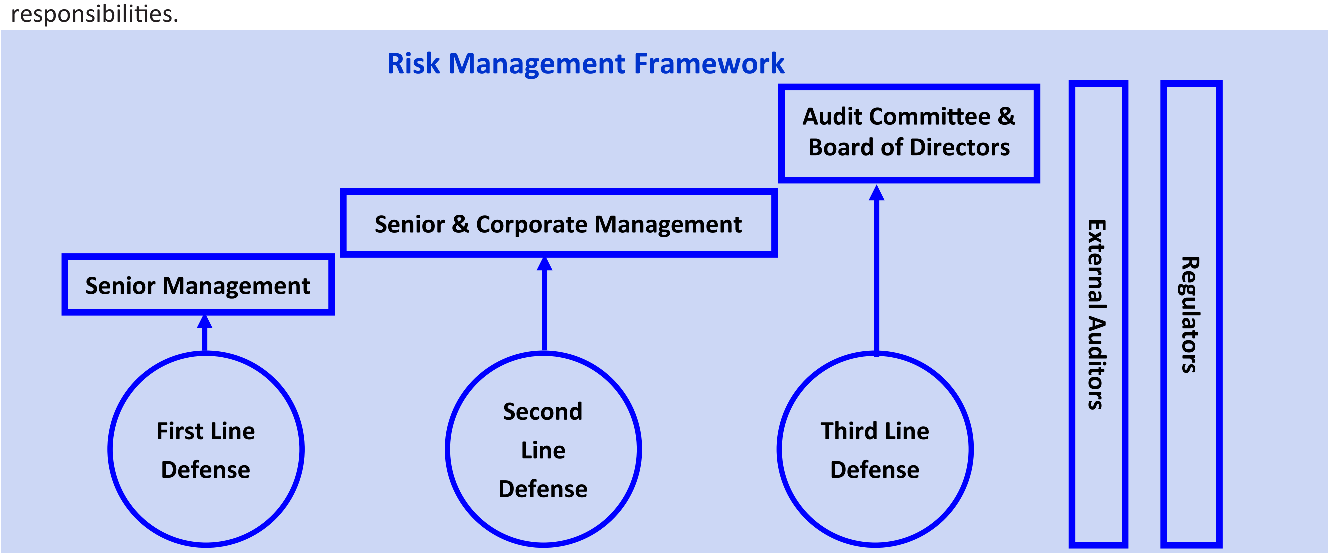
It enables the Corporation to perform its activities in a consistent and controlled manner leading to effective and efficient planning and decision making.

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

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

First Line Defense

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



Second Line Defense

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

Third Line Defense

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

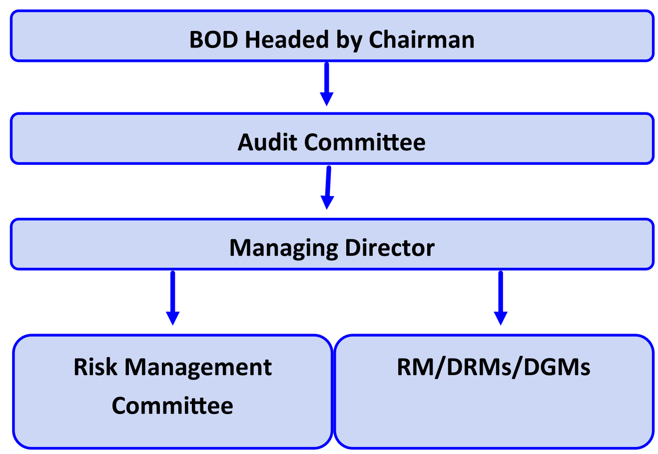
The above risk governance structure ensures the risks are identified, measured, mitigated and reported.

Risk Governance

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

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

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



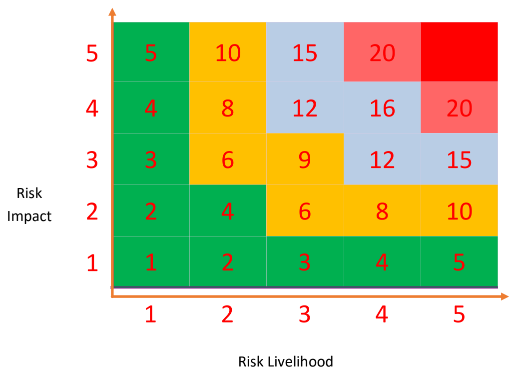
Strategies to Manage Risk

CPC is exposed to many risks due to the inherent risks nature of the petroleum products specially on the health and safety risks. Therefore, the Corporation analyses in debt to identify the risks that are likely to and strategies are formulated to control/mitigate them at all three defense levels. The Corporation applies the strategies to manage the risks depends on the likelihood and the severity of the risk. Once a risk is properly identified, CPC will either;

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

Risk Appetite

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



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

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

Special considerations are given for the Refinery operations as they faces with many risks areas. The CPC Refinery has been built in six decades ago, CPC is vulnerable for many risks areas and the risk management plays a vital role for the Refinery Operations. The Aviation function also operates in live airports with vulnerable to many risk areas. The agro chemical function also vulnerable for the various health risks and the risk management strategies and implement them to assure the continuity of the business operations are key considerations.

Risks Exposure to CPC

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

Economic Risk

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

Mitigating factors

- Effective cost management initiatives.
- Transparent pricing mechanisms.
- Competitive pricing on competitive products such as lubricant & bitumen.

Strategies

- Introduce pricing mechanism that balance the both profitability of the Corporation and socio economic conditions.
- Reimbursement of subsidy element by the Government.

Commodity Price Risk

As Sri Lanka does not have minable petroleum products, crude oil and other refined petroleum products are imported to the country from international market and Sri Lanka is a small buyer to the international market. Since CPC is a price taker in the international petroleum market, the Corporation always exposed to the commodity price risk as crude oil and refined petroleum products import to refine/distribute within the country. Adverse movement in global oil prices impact negatively on cost of sales, profitability and cash flows of the Corporation.	**Mitigating factors** • Continuous price monitoring and gain benefit of price movement. • Purchase of stocks in the most cost effective way and store. **Strategies** • Enhance the storage capacity to maintain stocks when prices down in the global market. • Introduce transparent pricing mechanism that covers the cost. • Increase the number of suppliers to increase the competition.

Interest Rate Risk

As the Corporation's equity has eroded due to the accumulated losses, CPC borrows funds for the working capital arrange-ments to ensure smooth flow of petroleum products to the country to assure energy security. CPC incurred finance cost amounting to Rs. 25,643 million during the year in review as CPC owed (loans) over USD 2.5billion as at 31.12.2021. Further, CPC imports petroleum products through the letter of credits (LC) established via the government commercial banks and these LCs converted in to the loans at the maturity of the LCs. Change in the interest rate impacts significantly on the financial performance of the Corporation as fluctuation of interest rate creates additional financial burden on CPC crash the profitability.	**Mitigating factors** • Continuous negotiations with the banks to reduce the interest rate. • Investment of daily excess cash balances in the interest yielding sources. • Government interventions for the finance cost controlling mechanisms. **Strategies** • Government should settle the subsidy element without a delay to settle the bank loans. • Conversion of US Dollar Loans to Rupee loans and settles using Rupee collection. • Search for lesser cost & long term financing facilities.

Liquidity Risk

Inability of the Corporation to meet its short term contractual and other liabilities in timely manner creates liquidity risk. As CPC working capital requirements are satisfied through the short term borrowings from the two state banks, CPC exposes to high liquidity risk. Additional interest cost need to be incur due to non settlement of the liabilities when they become due. Inability of the Corporation to settle the liabilities and supplier dues tarnish the reputation of the Corporation.	**Mitigating factors** • Arrangement of different short-term and long term funding methods. • Consistently monitor liquidity position and manage as per maturity schedules. • Effective collection mechanism. **Strategies** • Regularize the credit management policy. • Search for long term funding facilities. • Recover subsidy element receivable from the Government.

Safety Risk

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

Mitigating factors

- Stringent policies and procedures on health and safety.
- Regular staff trainings on fire, health and safety.
- Regular maintenances to meet standards and procedures.
- Major overhaul of Refinery at once three years to upkeep the assets.

Strategies

- Continuous in-house/external structured and unstructured staff trainings.
- Refinery upgration to meet current technological advancements.
- Obtaining quality and safety standards such as ISO, SLSs for the operations.

Information Technology (IT) Risk

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

Mitigating factors

- Uses the SAP - ERP system to record and report its transactions MIS.
- Provide continuous IT training to users.
- Continuous Investment on information technology infrastructure.

Strategies

- Maximize the effective use of ERP system such as use of Plant model, etc.
- Proper control over the SAP ERP system.
- Updating the system to latest model.

Information Technology (IT) 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.

- Competence based recruitment system.
- Better rewarding system.
- Training and Development of employees.
- Collective agreements with labor unions.
- Staff welfare and other benefit schemes.

Strategies

- Enhancement of performance based rewarding system.
- Create more career advancement opportunities.
- Train and developments for the technological advancements and new innovations.

Credit Risk

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

Mitigating factors

- Sets-off the receivable from government institutions against a part of taxes payable.
- Government intervention for the recovery of the outstanding balances.
- Legal action to recover the outstanding balances.
- Regularize the credit policy.

Strategies

- Credit sales to the Government institutions on security basis and enter into contracts.
- Update and regularize the credit policy
- Involvement of General Treasury for the recovery of Government outstanding balances.

Exchange Rate Risk

More than 90% of the sales revenue is generated in Sri Lankan Rupees while import cost of the petroleum products and loan including interest repayments are largely settled in US Dollars. Accordingly, CPC is highly exposed to the exchange rate risks as CPC owed loans over USD 2.5 billion and letter of credits and bills payables amounting to over USD 1 billion as at 31.12.2021. Movement of exchange rate by Rs. 1/- impacts in billions to the financial performance of CPC. Depreciation of Sri Lankan Rupee against US Dollar create additional burden of exchange rate loss on the profitability, financial position and cash flows.

Mitigating factors

- Continuous monitoring of exchange rates quoted by all banks and market behaviors and dynamic purchase of the US Dollars.
- Negotiations with the banks to purchase Dollars at a reasonable exchange rate.
- Government intervention to decide USD selling rates by the banks and margin on it.

Strategies

- Provide autonomy to purchase US Dollars at competitive rates from all licensed commercial banks
- Convert the US Dollar loans to Sri Lankan Rupee loans.
- Settlement of subsidy element by the Government to settle the loans to banks.

Corporate Governance

Good corporate governance contributes to sustainable development by enhancing the performance and increasing their access to outside capital and to achieve strategic growth objectives. Our Corporate governance concerns the relationships among the Board of Directors, management, controlling shareholders, and other stakeholders.

Our governance principles focus on promoting and maintaining objectivity, transparency, accountability that ensure corporate success and sustainable growth.

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

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

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

Board of Directors

Board of Directors is the main driving force of the Corporation who makes decisions on strategic, financial and reputational matters. Ceylon Petroleum Corporation Act No. 28 of 1961 sets out the parameters for the Board to function and ensures good corporate governance. Further it sets out the roles and responsibilities of the directors, including the composition and tenure of the directors. The present Board of Directors is noted below.

Name	Directorship status
Mr. Mohamed Uvais Mohamed	Chairman
Mr. L E Susantha Silva	Managing Director
Mrs. R.M.D.K Rathnayake	Director
Mr. W.W.D. Sumith Wijesinghe	Director
Dr. Prabath Samarasinghe	Director

The board is well equipped with the vast areas of expertize and business acumen that contributes individually as well as collectively to reach the vision and mission of the Corporation. Summarized expertise of the directors with their qualifications and experiences are included on pages 19 to 22 of this report.

Director	Directorship status	Appointment/ Reappointment Date	Date of Resignation
Mr. W.W.D. Sumith Wijesinghe	Chairman	03.01.2020	
Mr. Buddhika R. Madihahewa	Managing Director	17.01.2020	
Mrs. R.M.D.K Rathnayake	Director	13.01.2020	
Mr. Chaminda Hettiarachchi	Director	17.01.2020	07.12.2021
Mr. Thilanga N Polwattage	Director	17.01.2020	30.03.2021
Mr. Tharindu H Eknendagedara	Director	17.01.2020	30.03.2021
Mr. Buddhika Iddamalgoda	Director	17.01.2020	14.03.2021
Mr. Dammika Rathmale	Director	05.03.2021	
Dr. Prabath Samarasinghe	Director	09.04.2021	
Mr. Bandula Saman Kumara	Director	21.04.2021	
Mr. Rohana Thalpawila	Director	07.12.2021	

Appointments

The Board of Directors is appointed by the Minister of Power & 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 2021 all directors were non-executive except the Chairman and Managing Director. As per the Ceylon Petroleum Corporation Act No. 28 of 1961, the Directors have initial tenures not exceeding three years on the Board subject to reappointment.

Board Meetings

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

There were 14 Board meetings have been conducted during the year 2021. The participation for the Board meetings are noted below.

Director	Attendance
Mr. W.W.D. Sumith Wijesinghe	14/14
Mr. Buddhika R. Madihahewa	14/14
Mrs. R.M.D.K Rathnayake	14/14
Mr. Chaminda Hettiarachchi	13/13
Mr. Thilanga N Polwattage	3/3
Mr. Tharindu H Eknendagedara	3/3
Mr. Buddhika Iddamalgoda	½
Mr.Dammika Rathmale	7/12
Dr. Prabath Samarasinghe	11/11
Mr. Bandula Saman Kumara	10/11
Mr. Rohana Thalpawila	-/-

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. The Director's interests are disclosed under the Note No 31 in the financial statements in the page No. 176.

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. Apart from the above, the following role and responsibilities also need to be performed/discharged.

- Ultimate accountability for realizing CPC's strategy, overseeing its operating performance and financial results.
- Act as the ultimate custodian of CPC's corporate governance framework.
- Establishing systems of risk management, internal control and compliance
- Ensuring integrity of financial reporting processes
- Comply with statutory requirements and ethical standards.

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

Board also responsible for granting approval for Annual Financial Statements, the Annual Budgets, Corporate Plan, Annual Report, Action Plan and reviewing financial performance on regular basis. Additionally, the Board grant approvals for the key appointments, staff promotions, major capital investments, borrowings and credit facilities to Customers.

Role of the Chairman

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

Role & Responsibilities of Chairman
• Ensure that Board proceedings are conducted in a proper manner.
• Submission of information to Directors prior to the meetings
• Maintenance of proper records.
• Facilitating and encouraging the expression of diverse views by Board members.
• Ensuring the participation of all Directors during discussions.
• Ensuring compliance to all applicable laws and regulations
• Representing the Corporation.

Role of the Managing Director

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

The Managing Director provides strategic direction and guidance to the Chairman and members of the Board, to keep them aware of developments within the industry and ensure that the appropriate policies are developed to meet the company's mission and objectives and to comply with all relevant statutory and other regulations.

Director's Remuneration

The fees/remuneration of the Chairman, Managing Director and Directors are determined and paid as per the circulars issued by the General Treasury. Fees and remuneration paid to the management is disclosed under Note 31 in the financial statements page number 177.

Sub committees

Board sub committees have been established by the Board of Directors for the specific tasks to support the Board of Directors to discharge their responsibilities effectively. The Audit and Management Committee 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 & Management Committee

The Audit & Management committee plays an independent role from Management with accountability to the Board. The Audit & Management committee comprises of three non-executive directors as determined by the Board. The composition, the Charter, number of meetings, role played, and the attendance of the Audit & Management Committee is elaborated in the Audit Committee Report on pages 93 & 94 of this Annual Report.

Stock Review Committee

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

Procurement Committee and TEC

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

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

Relations with the parent

The Corporation's business continuity depends on cordial and meaningful relationship with all its stakeholders. The Corporation recognizes the importance of promoting mutual understanding between the Corporation and its stakeholders. In the opinion of the Directors, the Corporation's ultimate parent undertaking and controlling party is the Government of Sri Lanka. The Corporation closely associates with the Ministry of Power & 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 and sustainable. 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 for the strategic decision making process.

The internal control system covers financial, operational and compliance controls together with risk management that required for the sustainable and continuous business operations. The internal control system manages the CPC's key areas of risk within an acceptable risk levels with applicable mitigating factors to reach its vision and mission into reality. The internal control system of the Corporation provides reasonable assurance that the financial statements are free from the material misstatements.

Internal Audit

Audit Plans prepared by the Internal Audit Function are reviewed and approved by the Audit & Management Committee and they were in place to assess the internal controls, to identify the level of risk, risk likelihood, risk areas and to verify the completeness of transactions. Special audits are assigned to Internal audit function with the objective of providing observations and recommendations to the management regarding the specific matters referred.

Role & Responsibilities of Internal Audit
• Review the adequacy of internal controls system and communicate weaknesses to rectify.
• Discuss Auditor General's Report and current position of the findings in the report.
• Carried out audits as per the approved Audit Plan.
• Conduct special investigation audits.
• Carried out management audit to identify process improvements and increase efficiency.

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

Corporate Management

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

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

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

Head office functions are segregated in to several functions and each function is headed by a Deputy General Manager or a Manager who assists the Chairman and Managing Director in day-to-day functioning of the Corporation. The Corporate Managers of both Refinery and Head Office are well skilled, expertise and qualified with academic and relevant professional qualifications in their respective functional areas. Summarized biographies of Corporate Management outlining their qualifications are included on pages 23 to 26 of this report.

Compliance

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

Audit & Management Committee Report

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

- Oversee the financial reporting system in order to ensure the adequacy of disclosures and compliance with the reporting standards.
- The integrity of the financial statements and the significant reporting judgments contained in them.
- Monitor compliances in business operations.
- Review activities and effectiveness of the internal audit function.
- Review the effectiveness of the internal control and risk management systems.
- Review the risks that the Corporation is exposed to, the actions taken to mitigate the risk and their effectiveness.
- Discuss and approve the audit plan for the year.
- Discuss the audit reports 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 four (04) Audit Committee meetings for which Non-Executive Directors were appointed by the Board of Directors as Committee Members.

Mrs. R.M.D.K Rathnayake (Chairperson), Mr. Chaminda Hettiarachchi (Member) and Mr. Tharindu Eknendagedara (Member) were appointed as the Committee members for the Audit & Management committee meeting No. 92 and 93 and Mrs. R.M.D.K Rathnayake (Chairperson), Mr. Chaminda Hettiarachchi (Member) and Dr. Prabhath Samarasinghe (Member) were the Committee members for the Audit & Management committee meeting No. 94 and 95. The brief profiles of the Audit & Management Committee members are given on page 20 to 22. Their individual as well as collective expertise on financial, operational and governance matters are bought to discharge their responsibilities effectively.

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

Meetings

Meeting No.	Date	Partici-pation	Members present
92	02.02.2021	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Mr. Tharindu Eknendagedara
93	29.03.2021	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Mr. Tharindu Eknendagedara
94	01.10.2021	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Dr. Prabhath Samarasinghe
95	29.12.2021	3/3	Mrs. R.M.D.K Rathnayake, Mr. Chaminda Hettiarachchi Dr. Prabhath Samarasinghe

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

Tasks Performed by the Audit & Management Committee

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

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

- Discussed Auditor General's Report for the year ended 31 December 2019 with current position.
- Monitored the summery of audit reports issued in the year 2021.
- Reviewed current position of pending disciplinary action, issues pertaining to unsettled housing loan balances and issues pertaining to collection of monthly utility fees.
- Discussed differences in intercompany balances between CPC and CPSTL
- Reviewed and approved the CPC Internal Audit Charter and approved the internal audit plan for year 2022
- CPC internal audit manual has been reviewed and approved.
- Key performance indicators has been reviewed.
- Discussed risk analysis of CPC activities.

Internal Audit Function

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

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

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

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

- Reviewed the adequacy of internal controls system and communicate weaknesses to rectify.
- Discussed Auditor General's Report and current position of the findings in the report.
- Carried out 90 audits as per the approved Audit Plan.
- Discussed Internal Audit Reports at the Audit & Management Committee meeting.
- Carried out management audit to identify process improvements and increase efficiency.

Conclusion

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

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

Director's Report

The Board of Directors of Ceylon Petroleum Corporation has pleasure in presenting the Annual Report together with the Audited Financial Statements of the Corporation and its group for the year ended on 31st December 2021, Chairman's Message, Managing Director's Review, Management Review, Value Creation, Corporate Governance, Audit Committee Report, Auditors' Report and other information in accordance with Section 32(3) of the Ceylon Petroleum Corporation Act No. 28 of 1961.

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

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

Principal Activities

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

Subsidiary Company

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

Financial Statements of the Corporation and the Group

The Audited Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31st December 2021 have been approved by the Board of Directors at the Board meeting held on 19th October 2022.

Accounting Policies

During the year under review, except the accounting policy for the exchange rate and disclosure of the gross revenue, 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 134.

Review of the Performance

A review of performance and affairs of the CPC during the financial year 2021 are included in the Chairman's Review on pages 13 to 15, MD's Review on pages 16 to 18, and Performance of the Corporation on pages 35 to 44.

Directors

The names of the Directors who were holding offices as at 31.12.2021 are ;

Name	Directorship status
Mr. W.W.D. Sumith Wijesinghe	Chairman
Mr. Buddhika R. Madihahewa	Managing Director
Mrs. R.M.D.K Rathnayake	Director
Mr. Dammika Rathmale	Director
Dr. Prabath Samarasinghe	Director
Mr. Bandula Saman Kumara	Director
Mr. Rohana Thalpawila	Director

The names of the present Board of Directors are;

Name	Directorship status
Mr. Mohamed Uvais Mohamed	Chairman
Mr. L E Susantha Silva	Managing Director
Mrs. R.M.D.K Rathnayake	Director
Mr. W.W.D. Sumith Wijesinghe	Director
Dr. Prabath Samarasinghe	Director

Meetings

Details of the Directors' meetings which comprises of Board meetings and Audit and Management Committee meetings are presented in Corporate Governance report on pages No. 87 to 94.

Directors' attendance at the meetings held during the year is given on page No. 88 of the Annual Report.

Directors' Remuneration

Directors' emoluments paid during the year are as follows;

	2021 Rs. Mn	2020 Rs. Mn
Directors' emoluments	10.568	5.547

Directors' Interest in Contracts

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

Internal Control System

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

Risk Management

The Corporation has established an effective risk management framework as well as Risk Management Committee to identify, evaluate and to take the workable & remedial action to mitigate the risks that are exposed by the Corporation. Detailed risks, impacts of the Risks and strategies to control or mitigate the impacts of the risks are elaborated in the risk management Report in pages from 81 to 86.

Financial Performance

The year 2021 was a year with high turbulent environment due to the impacts of the Covid 19 pandemic all over the world. Although the impact due to Covid 19 pandemic recovered up to some extent, upward movement of the international fuel prices coupled with the depreciation of Sri Lankan Rupee against US Dollars resulted to negative financial performance for the year. The domestic prices of the petroleum products increased two times during the year and the increases were not adequate to cover the loss incurred by the Corporation. Summary of the financial performance of the Corporation for the year ended 31 December 2021 are given below.

	2021 Rs. Mn.	2020 Rs. Mn.
Net Sales Revenue	584,754	522,532
Cost of Sales	(588,822)	(454,880
Gross Profit	**(4,068)**	**67,652**
Finance & Operating Income	19,489	12,006
Expenses	(64,427)	(55,462)
Exchange rate variation	(33,220)	(21,841)
Profit / (Loss) before Tax	**(82,226)**	**2,356**

Revenue

The revenue of the Corporation enhanced by 11.78% to Rs. 594 billion year on year. The recovery of the country in the most of the sectors with the vaccination program implemented by the government and the normalization of the economic activities together with the domestic price revisions of the petroleum products drive to increase the revenue by 62 billion.

Segmental Performance

	2021 Rs. Mn.	2020 Rs. Mn.
Transport	455,478	389,435
Power Generation	47,323	81,147
Aviation	30,784	19,486
Industrial	16,249	11,433
Domestic	19,931	17,871
Agro Chemical	446	639
Export & Bunkering	23,622	11,261
Gross revenue	**593,833**	**531,272**

The transport sector generates the highest contribution of Rs. 455.5 Bn. (Rs. 389.4 Bn in 2020) to the total income and, a 16.95% revenue increase compared to the year 2020 mainly due to the increase of sale quantities together with price revisions two times in the year.

Demand volume increased by 7.57%, 13.43% and 11.25% of Petrol 92, Auto Diesel and Super Diesel respectively and 21 of new filling stations were added to the existing island -wide network.

The power sector remained the second highest income generator of CPC accounting for Rs. 47.3 Bn (2020-Rs. 81.1 Bn.) and the demand for the power generation decreased by 41.68%. Although the international petroleum prices increased gradually during the year, prices of Furnace oil were remained at Rs. 70.00 per ltr. up to year end and prices were revised with effects from 27.12.2021.

The aviation sector reported revenue of Rs. 30.78 billion during the year 2021, an increase of 57.98% year on year driven by the increase of sales quantities by 18.5% due to the normalization of the aviation operations and increase of sales prices.

Revenue generated from Industries sector improved to Rs. 16.11 Bn. an increase of 42.50 % year on year. The recovery of the economy under the new normal condition led to enhance the operations of the industries sector. Sales revenue from the domestic sector increased by 11.53%.

Direct export sector generated Rs. 17.01 Bn. during the year, a increase from Rs. 11.26 Bn. As there was a lesser demand from the power sector for the Naphtha and fuel oil during the year, exerted pressure to export them as the storage capacities are limited. CPC restarted the bunkering business and it generated a revenue of Rs. 6.6 Bn. during the year.

The refinery operated 314 number of calendar days during the year 2021 and the Crude intake stood at 1,269,938 MTs. The refinery contributed 1,216,085 MT of refined petroleum products for the revenue generation.

Profits

Continuous increase of the international prices coupled with the depreciation of Sri Lankan Rupee against US Dollars and non-adjustment of selling prices in parallel with the increase of international prices caused to incur gross loss of Rs. 4.07 Bn. during the year. Rupee depreciation and increased finance cost resulted to the incur net loss of Rs. 82.22 Bn. a negative movement from the profit of Rs. 2.4 Bn. recorded in the year 2020.

Taxation

Income tax expense has been paid as per the Inland Revenue Act No. 24 of 2017 and the amendments thereto. Since the Corporation incurred a loss and there is an accumulated carried forward tax loss, no material income tax liability has been arisen for the year. The detailed tax liability is given in the Note 07 to Financial Statements on page 153.

Special Fee

During the year 2014, the General Treasury instructed CPC to pay Rs. 10 Bn as a special fee and requested to charge that fee as an expense of Rs. 250 Mn for the year 2014, Rs. 750 Mn for the year 2015 and Rs. 1,000 Mn per annum for the period from 2016 to 2024 to the Income Statement. Accordingly, Rs. 1,000 Mn has been amortized for the year 2021.

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 154.

Contributed Capital

The total Contributed Capital of the Corporation as at 31 December 2021 was Rs. 28,487.125 Mn (2020 -Rs. 28,487.125 Mn).

Capital Reserves

Capital reserves of the Corporation as at 31 December 2021 was Rs. 4,992.686 Mn (2020 - 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 during the year to enhance its human capital and to optimize their contribution towards sustainable operations of the Corporate. CPC HR policy encourages training & development and career advancements to build sustainable human capital. Details of the Human Capital are provided in pages No. 62 to 67 of the Value Creation.

Outstanding Litigations

The Directors is in the opinion that the pending litigations against the Corporation disclosed under Note 27 of the Financial Statements will not have material impact on the financial stability of the Corporation or on its future operations.

Compliance with Laws and Regulations

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

Environmental Protection

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

Donations

The Corporation has incurred Rs. 8.5 million as Corporate Social Responsibility activities during the year under review.

Statutory Payments

The Directors, to the best of their knowledge and belief, all the statutory payments due to regulatory and statutory authorities have been settled on time with the available limited financial capabilities.

Contribution to the Government

The Corporation has contributed Rs 105,198 Mn (2020 Rs 152,311 Mn) during the year to the Government in term of duties, taxes and other statutory duties & levies to the Sri Lanka Customs & Inland Revenue Department.

Events after the Reporting Date

No material events after the reporting date of the Statement of Financial Position other than those disclosed in Note 28 to the Financial Statements on page 174, to adjust/ disclose in the Financial Statements.

Going Concern

Despite the negative equity capital position of the Corporation, the Board of Directors has prepared the Corporate Plan with a strong satisfaction to improve the outlook of the Corporation, to enhance the operations and to ensure strengthened financial and commercial viability of its operation in the future. Accordingly, the Financial Statements have been prepared and presented based on a going concern basis.

Appointment of Auditors

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

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

Auditors' Remuneration and Interest in Contracts with the CPC

The audit fee of Rs. 23.07 Mn. (2020 - Rs. 4 Mn) including under provision has been recognized in the financial statements for the year ended 31 December 2021 by the Corporation.

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

Acknowledgment of the Contents of the Report

As required by the Section 32(3) of the Ceylon Petroleum Corporation Act No. 28 of 1961, the Annual report of the Corporation for the year 2021 has been prepared and presented by the Board of Directors.

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

Chairman
28.11.2022

Managing Director

Directors' Responsibility Statement

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

Accordingly, the Board of Directors oversees the Managements' responsibilities for financial reporting through their regular meeting, and the Audit Committee. The Audit & Management Committee Report is given on pages 93 to 94.

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

Board of Directors consider that they adopted appropriate accounting policies on a consistent basis and ensures that the preparation and presentation of the Financial Statements of the CPC and its Group on pages 135 to 178, which reflects a true and fair view of the state of affairs of CPC and the Group.

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

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

Managing Director

Financial Statements & Audit Report

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No.	ENR/A/CPC/1/21/01	ඔබේ අංකය / உமது இல. / Your No.		දිනය / திகதி / Date	23 December 2022

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 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Petroleum Corporation ("Corporation") and the consolidated financial statements of the Corporation and its subsidiary ("Group") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation and the Group as at 31 December 2021, and of its financial performance and its 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, பொல்தூவ 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 Emphasis of Matters

I draw attention to Note 07 & 27 to the financial statements which describe the uncertainty related to assessment raised by Inland Revenue Department to the Corporation which describes the long outstanding balances of totalling Rs. 10.346 million of Income Tax, Value Added Tax (VAT) and Pay as You Earn tax (PAYE). My opinion is not qualified in respect of this matter.

1.3 Basis for Qualified Opinion

1.3.1 Going Concern of the Corporation

Attention is drawn to the matter that the operations of the Corporation had resulted in a loss after tax of Rs. 82,225.78 million for the year ended 2021, and accordingly, had recorded a negative net assets position of Rs. 357,536.67 million as at the end of the year under review. Significant increase in short-term borrowings and hence continued rise in finance costs, negative impact of exchange rate fluctuations, increase in dealer commissions, inappropriate pricing policy decisions and long-term negative effects of previous hedging transactions had caused the Corporation to incur huge losses in the past years. As a result, the net asset position of the corporation had further eroded. Thus, the ability of the Corporation to continue as a going concern without the financial assistance from the Government is in doubt.

1.3.2 Accounting Deficiencies

(a) Inter Company Balances

According to the records of the Corporation, the net amount payable to the Ceylon Petroleum Storage Terminal Ltd (CPSTL), the subsidiary of the Corporation, was Rs. 7,668.39 million which had comprised amounts payable to the CPSTL and amounts receivable from the CPSTL of Rs. 8,330.84 million and Rs. 662.45 million respectively. However, as per the financial statements of the CPSTL, the net amount receivable form the Corporation was Rs. 8,360.87 million which had comprised amounts receivable from the Corporation and amounts payable to the Corporation amounting to Rs. 8,764.83 million and Rs. 403.97 million respectively. Therefore, there was an un-reconciled difference of Rs. 692.47 million (comprising Rs. 433.99 million and Rs. 258.48 million respectively) in the intercompany balances of two entities.

(b) Kerosene Subsidy

As per the Treasury Circular Letters No. FP/06/100/02/2016 dated 24 November 2015 and No. TTIP/1/83(1)T dated 04 December 2014, the Government has agreed to reimburse the loss incurred by the Corporation as Government subsidy due to price reduction of kerosene. Accordingly, The Corporation sells kerosene at a concessional price decided by the Government. Even though the total amount of subsidy recoverable for the period from 2014 to 2021 was a sum of Rs. 48,561.58 million, the General Treasury had reimbursed only a sum of Rs. 4,459 million as at the end of the year under review. Accordingly, even though the total subsidy receivable at the end of the year under review was amounted to Rs. 44,102.30 million, only a sum of Rs. 5,097.72 million had been accounted for. As a result, the subsidy receivable as at the end of the year under review had understated by Rs. 39,004.58 million while the turnover had understated by Rs. 8,973.75 million in the year under review and by Rs. 30,030.83 million in the previous years (from the year 2017). Further, all direct and indirect taxes on that income had not been paid and accounted for.

(c) Collection of Monthly Utility Fee (MUF)

According to the Board Decision No. 38/1140 dated 29 October 2013, the Board had approved to charge a Monthly Utility Fee (MUF) from all Corporation Owned Dealer Operated (CODO) Filling Stations and Treasury Owned Dealer Operated (TODO) Filling Stations with effect from 01 January 2014. However, this decision had not been fully implemented, and accordingly, the loss of income for the year under review was Rs. 510.223 million and the accumulated loss of income as at the end of the year under review was Rs. 3,557 million. As a result, the net income for the year under review and the current assets and accumulated income/retained earnings as at the end of the year under review had understated by similar amounts respectively. According to the Board Decision No. 27/1267 dated 06 July 2022, the Managing Director had informed to the Board that collection of MUF had been initiated with effect from 01 July 2022.

However, appropriate actions had not been taken by the Corporation to recover the accumulated MUF from dealers up to the date of this report. As a result, accumulated loss of income as at 31 October 2022 had increased to Rs. 4,011 million

(d) Taxes on Understated Dealer Commissions

NBT and other related taxes that had to be paid to the Inland Revenue Department (IRD), in rectification of error relating to the understatement of dealer commissions in the financial statement of the Corporation, had not been fully adjusted in the accounts and paid. As a result, there was a risk of underestimation of related tax liability for the respective years of assessment by the Corporation. Further, amended tax returns in relation to that rectification had not yet been submitted to the IRD.

1.3.3 Deviations with Sri Lanka Accounting Standards (LKAS)

In contrary to the requirements of LKAS 16, fully depreciated assets amounting to Rs. 10,654.46 million had been continuously used by the Corporation without being reassessed the useful economic lifetime and accounting for. Further, an audit test check revealed that, 22 lots of land belonged to the Corporation as at the end of the year under review had not been revalued, and accordingly, a substantially lower amount had been shown as land in the financial statements.

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

1.3.4.1 Emphasis of Matters

I draw attention to the following notes to the financial statements which describe the matters related to the fair valuation of assets, and the assessment raised by Inland Revenue Department to the Company relating to long outstanding balances. My opinion is not qualified in respect of these matters.

(a) Note 10.5 to the financial statements which describes revaluation of fixed assets to bring up to its fair value. The Company had not established a proper policy to revalue its assets since its inception in 2003, and accordingly, Rs. 7,875.28 million worth of fully depreciated property plant and equipment, comprising

22,902 items, had been continuously used by the Company without being reassessed and accounted for the useful economic lifetime.

(b) Note 20.1(b) to the financial statements which describes the assessment raised by Inland Revenue Department to the Company relating to the long outstanding balances totalling Rs. 897 million of Income Tax, Value Added Tax (VAT) and Pay as You Earn tax (PAYE).

1.3.4.2 The audit opinion on the financial statements of the CPSTL, the subsidiary, for the year under review was qualified by me due to the following matters which will cause to a disagreement with the corresponding balances/transactions of the Corporation and the Group.

(a) Property, Plant and Equipment

(i) Property plant and equipment amounting to Rs. 142,505,091 where the construction works had been completed and readily available for use had been shown in the financial statements of the year under review as work in progress (WIP). Further, provision for depreciation had not been provided in terms of the LKAS 16.

(ii) The Company had incurred a sum of Rs. 10,171,541 during the year 2021 for renovation of official residence of the Minister of Energy which had not been belonged to the Company, and it had been recorded as WIP in the financial statement of the year under review.

(b) Inter Company Balances

The following observations are made.

(i) According to the records maintained by the Company, amounts receivable from and payable to the CPC had been Rs. 8,608 million and Rs. 404 million respectively. However, as per the records maintained by the CPC, the amount payable to and receivable from the Company had been Rs. 8,331 million and Rs. 662 million respectively. Accordingly, it was observed that there was an un-reconciled net difference of Rs. 535 million, which had comprised a sum of Rs. 277 million of receivables and a sum of Rs. 258 million of payables respectively in the intercompany balances between the two entities.

(ii) According to the records maintained by the Company, the amount receivable from the LIOC was amounted to Rs. 710 million while the confirmation received from LIOC, the amount payable to the Company, was amounted to Rs. 715 million. Accordingly, it was observed that there was an un-reconciled difference of Rs. 5 million between the two entities in the intercompany balances.

(c) Cash and Cash Equivalent

The aggregated exchange gain of Rs. 92.134 million arising in connection with conversion of foreign currency denominated bank balances into Rupees over a period of more than 5 years was fully recognized as income in the year under review. However, out of that exchange gain, sums of Rs. 19.898 million, Rs. 20.290 million and Rs. 51.946 million were related to the years of 2021, 2020 and prior to 2020 respectively. Consequently, the balance of cash and cash equivalent as at the end of the year 2020 and the income of exchange gain for the year 2020 had understated by Rs. 72.235 million and Rs. 20.29 million respectively. Further, the exchange gain for the year under review had overstated by Rs. 72.235 million.

(d) Trade and Other Payable Balances

(i) The aggregate of 25 payable balances amounting to Rs. 1,446,123 had been outstanding for over 05 years, and 13 payable balances amounting to Rs. 823,996 had been outstanding ranging from 01 to 05 years as at the end of the year under review. However, the management of the CPSTL had not taken proper actions to settle them, and accordingly, existence and accuracy of those balances could not be ascertained properly in audit.

(ii) There were 20 debit balances in trade and other payable accounts amounting to Rs. 5,936,685 as at the end of the year under review. Ten debit balances, out of the above, amounting to Rs. 4,100,099 had been remained unsettled for over 5 years, and other 10 debit balances included in the trade and other payable accounts amounting Rs. 1,836,585 had been remained unsettled ranging from 01 to 05 years. However, the Company had made some subsequent transactions with vendors without being settled their debit balances. Therefore, existence and accuracy of those debit balances were questionable in audit.

(e) Trade and Other Receivables

(i) There was a trade and other receivable balance (including related parties) of Rs. 11,246,582,021 as at the end of the year under review, and out of which a balance of other receivables amounting to Rs. 7,565,491 had been remained unrecovered for over 5 years. However, balance confirmations especially on recoverability of them were not made available to audit.

(ii) There were credit balances in 07 other receivable accounts amounting to Rs. 2,568,941 as at the end of the year under review. However, the Company had made some subsequent transactions with those suppliers without being cleared their credit balances. Therefore, existence and accuracy of those credit balances were questionable in audit.

(f) Correction of Prior Year Errors

As stated in the Note No. 22.1 of the financial statements for the year under review, the over-recoveries of transport charges from CPC amounting to Rs. 77.801 million, Rs. 125.288 million and Rs. 157.264 million for the years of 2019, 2020 and 2021 respectively had been rectified retrospectively. However, instead of restating the over charged transport income in the relevant year, it had been recorded as other operating expense. As a result, income and the gross profit of the Company and other operating expenses shown in the financial statements had overstated by Rs. 125.288 million and by Rs. 157.264 million for the years of 2020 and 2021 respectively. Further, cumulative effect to the retain earnings of Rs. 57.054 million as at 01 January 2020 had not been adjusted, and the corresponding tax saving for the year 2019 had erroneously overstated by Rs. 2.075 million.

1.3.5 Lack of Evidence for Audit

(a) Write-off the receivable balances

(i) As per the Board decision No. 08/1252 dated 22 July 2021, it was approved to write-off the receivable balance amounting to Rs. 1,516.039 million from the books of accounts of the Corporation due to lack of sufficient information. However, according to the information made available, it was unable to ascertain in audit whether the Board had taken proper actions to check any possibility of occurring fraudulent actions with that balance based transactions and events before taking a decision to write-off the receivables. Also, no any action had been taken against the officers who had been responsible to maintain documents relating to that balance. Further, it was unable to ascertain in audit whether the Corporation had complied with the requirements of the public finance circular No. 01/2020 dated 28 August 2020 in this regard.

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

(b) Payable amounts under Refundable Deposits and Others relating to employee's accounts were remained unsettled for a longer period without being taken appropriate actions to settle them. However, reasons for not settling those balances for a longer period were not made available to audit.

(c) As reiterated in previous audit reports, sufficient and appropriate evidences relating to debit balances of trade and other payables amounting to Rs. 193.217 million were not made available to audit. Accordingly, accuracy and existence of those balances could not be satisfactorily verified in audit.

(d) Cash and Cash Equivalents

(i) A sum of Rs. 186.249 million had been recorded in the books of accounts as payments made to the Director General of Customs during the period from 2017 to 2022 through 22 journal entries. However, in fact such payments had not been made to the Customs, and no any cheque had been issued in this regard. Management of the Corporation was unable to explain the reasons for recording such transactions. Nevertheless, the risk of fraudulent misappropriation through inaccurate accounting practices could not be ruled out in the audit, and it could have caused to unfair presentation of financial statements. As a result, bank balances and the related payable balances had understated by similar amount.

(ii) Five bank accounts with the total balance of Rs. 0.338 million had been remained unchanged for over five years without making any transaction. However, the reasons for maintaining of those accounts without any transaction for such a long period were not made available to audit.

(e) The Balance Confirmations

According to an audit test carried out on trade and other receivables, following observations are made in relation to the balance confirmations from third parties.

(i) There was a difference of Rs. 9,773 million between the trade receivable balances shown in the financial statements and balance confirmations received directly from 131 customers. Out of those 131 customers, the balance confirmed by 80 customers had been greater than the amount shown in the ledger accounts by Rs. 9,381 million while the balance confirmed by other 51 customers had been lower than amount shown in the ledger accounts by Rs. 392 million.

(ii) The balance confirmed by 3 customers as at the end of the year under review was amounting to Rs. 4.022 million, while the corresponding credit balance shown in the ledger accounts was amounting to Rs. 4.031 million.

Accordingly, an un-reconciled difference of Rs. 8.053 million between those two sources was observed.

1.3.6 Un-reconciled Differences

(a) Taxable income of the Corporation had been underestimated by Rs. 3,243 million due to making an adjustment for excise duty, and that amount had been recognised as Nation Building Tax (NBT) payable to IRD in the financial statements of the year 2018. However, that balance had been remained un-settled in the books of accounts for a longer period without being settled. Further, amended NBT returns had not been submitted.

(b) As per the age analysis of trade receivables shown in the financial statements of the year under review, 78 debit balances amounting to Rs. 2,308.285 million and 20 credit balances amounting to Rs. 7.706 million were remained unrecovered/unsettled for more than 05 years. However, it was observed that subsequent transactions with those customers had been carried out without being cleared the outstanding balances. Accordingly, the accuracy and existence of those balances could not be ascertained in audit.

(c) Balance of Rs. 137.548 million consisting of 16 debit balances which were outstanding for more than 05 years, and 18 debit balances of Rs. 1,164.044 million which were outstanding ranging from 01 to 05 years had been shown under the trade and other payables balance in the financial statements of the Corporation as at the end of the year under review without being taken proper actions to get them recovered early. Furthermore, it was observed that without being taken immediate steps to get those debit balances recovered, the Corporation had made transactions with those parties afterward. Therefore, the accuracy and existence of those balances are in doubt.

(d) According to the age analysis of trade and other payables, 41 venders with the carrying forward balance of Rs. 40,081 million as at the end of the year under review had been remained unsettled for over 05 years, while balances relating to 103 customers amounting to Rs. 11,765.714 million as at the end of the year under review had been remained unsettled for the period ranging from 01 to 05 years. However, according to the information made available, the Corporation had not taken prompt actions to settle those balances. Therefore, accuracy and existence of those balances are in doubt.

(e) According to the records of the Corporation, accumulated demurrages payable as at the end of the year under review was Rs. 726 million, and a totalling of USD 1,474,396 had been paid in the year under review as demurrages claimed by suppliers pertaining to the years 2014 to 2020. Further, demurrages claimed by the suppliers during the year under review had been increased from Rs. 67 million to Rs. 400 million or over 5 times compared with the previous year. However, the actual amounts of demurrages incurred by the Corporation had not been disclosed clearly in the financial statements for the year under review.

(f) According to the Gross Margin Statement, the sales quantity for the year under review was 4,532,994,911 Litres, while the sale quantity as per the ERP (SAP) system was 5,484,937,264 Litres. Accordingly, an unadjusted difference in sales volume of 951,942,353 litres was observed. Consequently, the sales quantity of Lanka Petrol (92 Octane), Lanka Auto Diesel and Jet A1 in GMS had overstated by 15,885 litres, 65,631 litres and 189,570 litres respectively. Further, the sales quantity of Naphtha and Furnace Oil in GMS had understated by 454,835,774 litres and 462,961,068 litres respectively when compared with the quantity stated in the ERP (SAP) system.

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.

1.4 Other information included in the Corporation's 2021 Annual Report.

The other information comprises the information included in the Corporation's 2021 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Corporation's 2021 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.5 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 intends 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.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

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

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

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

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2.1, 1.2.2(a)(i), 1.2.2(b), 1.2.2(d), 1.2.3, 1.2.5(d), 1.2.5(e), 1.2.5(h), 1.2.5(k)(i), 1.2.5(k)(ii), 1.2.6(c), 1.2.6(d), 1.2.6(e) described in the basis for Qualified Opinion section of my report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

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

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

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

Reference to laws, general and special directions issued by the Governing Body	Description
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(a) Public Enterprises Circular No. PED/12 of 02 June 2003 - Guidelines for Good Governance.	
(i) Guideline 7.2	Procedure manuals including all major activities for the Lubricant Business and Bunkering Business of the Corporation had not been prepared by the Corporation.
(ii) Guideline 9.3	A Scheme of Recruitments and Promotions which should have been approved by the appropriate Ministry with the concurrence of the Department of Public Enterprise of the General Treasury had not been prepared by the Corporation.
(iii) Guideline 9.12	Approval from the Department of Public Enterprises of the General Treasury had not been obtained for the welfare scheme of the Corporation. However, a sum of Rs. 26.06 million had been incurred by the Corporation as staff welfare expenses during the year under review.
(b) Finance Circular No. 124 of 24 October 1997 of Ministry of Finance and Planning.	Covering up duties of a vacant post should be limited to a period of 03 months. However, 12 officers, including Grade A posts, had been assigned for cover up duties of vacant posts for more than 03 months.

(c) Financial Regulation 396 | Issued Cheques passes six months from the date it had been dated should be considered as stale and reverse the original transaction. However, 9 cheques issued but not presented amounting to Rs. 1.642 million had retained without being reversed.

(d) As per the records of the Corporation, accumulated Customs duty relating to the period from 2011 to 2021 and payable as at the end of the year under review was amounted to Rs. 11,015.43 million. Accordingly, it was observed that Corporation had not settled the customs duty within the relevant period in terms of the Customs Ordinance. Further, the Corporation had not complied with the directions relating to the payment of duties/taxes prescribed in Secretary to the Treasury's letter No. TIP/TP/09/06-02/21 dated 30 December 2021.

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

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

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

(i) The Common User Facility Shareholders Agreement (GOSL/CPC/LIOC) dated 30 December 2003 entered into between the Government of Sri Lanka (GOSL), the Corporation and the LIOC, had expired on 31 December 2008 as per clause 15 of that agreement. Therefore, the common user facilities mentioned in the said agreement including the governance procedures for entities and the pricing formulas used for the purpose of determining the throughput charges and transport expenses (including slab charges) had not been revised with the collaboration of all related parties.

(ii) The Corporation had entered into an Agreement with the CPSTL on 13 May 2019 with regard to storing and transporting of petroleum products, and deciding the basis for throughput charges. Although similar terms and conditions apply, insufficient attention had been paid to LIOC, one of the main parties to the Common User Facility Shareholders Agreement dated 30 December 2003. Therefore, there was a risk that the LIOC might refuse to comply with the terms and condition included in the agreement entered into between the Corporation and CPSTL.

(iii) According to the Common User Facilities Shareholders' Agreement entered into between the Corporation, the LIOC and the GOSL on 30 December 2003 and the agreement entered into between the Corporation and the CPSTL on 13 May 2019, the CPSTL was responsible for maintaining of the pipelines at an accepted level of standards and for providing storage facilities to maintain stocks sufficient to 02 months fuel requirements. However, as a result of delaying in unloading fuel from vessels due to blockages in the pipelines and inefficient storage facilities, the Corporation itself was liable to pay demurrages.

(iv) Corporation had paid a sum of Rs. 250 million to Urban Development Authority in relation to rehabilitation of a 12″ diameter and 5,500m long pipeline from Colombo Port to Kolonnawa Oil installation in the year 2019. According to the information made available to audit, the Corporation had not entered into any agreement with the CPSTL, and no any negotiations had with the CPSTL in order to recover the paid amount later.

(v) According to the agreements, throughput charges consist of storage terminal cost and profit margin. Storage terminal cost includes personal cost, overhead and maintenance cost and depreciation of the assets of

CPSTL. It implies that all the transport charges of CPSTL should be excluded when determine the throughput charges. However, due to lack of sufficient evidence it was unable to ascertain whether the transport related cost of the CPSTL had been excluded when deciding the storage terminal cost of throughput charges. Therefore, there was a risk of duplication of repayment of transport charges to the CPSTL. According to the information made available, a sum of Rs. 2,501.8 million had been paid as transport charges to CPSTL during the year under review.

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

(vii) Maintenance of pipelines as per the accepted level of standards and provision of sufficient storage facilities was the main role of the CPSTL, subsidiary company. Accordingly, a considerable amount of funds had been transferred to the CPSTL as throughput charges for the development of infrastructure facilities relating to the storage and terminal facilities for the fuel supply in the country. CPSTL had recognised approximately a sum of Rs. 1,000 million as depreciation for the year under review, and the amount of depreciation for the last 11 years was more than a sum of Rs. 12,000 million. In addition to that, an amount of Rs. 2,983 million had been charged by the CPSTL during the year under review as profit margin, and accordingly, the total amount of the CPSTL had charged for the last 12 years was more than Rs. 46,523 million from both the Corporation and the

LIOC. However, there were no sufficient and appropriate evidences to ascertain whether the CPSTL had taken proper actions to develop new infrastructure facilities or to maintain the existing facilities promptly.

(c) Use of ERP System (SAP)

The ERP which was an initial version (SAP ECC 6.0) of SAP ERP system released in 2005 had been used by the Corporation since 01 April 2010 without being upgraded. According to the letter No. ADM/12/01/19 dated 09 April 2021, secretary to the Ministry of Energy instructed the Chairman of the corporation and the CPSTL to carry out a feasibility study and value for money audit in relation to the use of SAP system, and to take necessary actions in accordance with the recommendations of steering committee to prevent the risk of using an out-dated system. Further, according to the board decision No. 07/1252 dated 22 July 2021, the board had advised to get recommendations on the proposal of the upgraded version together with the requirement of relevant hardware upgrading and to submit for the consideration of the Board of Directors. However, Corporation had not taken prompt action to upgrade SAP system as advised.

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

(a) Receivable from Foreign Suppliers

According to the information made available to audit, the total amount to be collected from foreign suppliers was USD 4,392,675 pertaining to the period from 2012 to 2018. This amount is comprised with an amount of USD 1,476,556 for penalty imposed due to late delivery/ short loading, an amount of USD 178,678 for external losses, an amount of USD 2,630,423 for penalty for unacceptable quality and an amount of USD 107,017 for losses incurred due to price differences. However, the Corporation had not taken effective action to collect these amounts or to settle against the payable amounts even by the end of the year under review.

(b) According to the decision No 12/0295/510/003/TRB of 22 March 2012 taken by the Cabinet of Ministers, the line Ministry should make endeavour to enter into term contract for supply of petroleum products with extended credit facilities, as opposed to the spot buying on weekly basis. However, 28 shipments out of 99 shipments had been entered in the year 2021 on the basis of Spot (Single cargo) contacts in contrary to the above decision.

2.3 Other Matters

2.3.1 A sum of USD 250,925,169, equivalent to Rs. 32,344 million, had to be paid to the National Iranian Corporation, Tehran in relation to purchase of Petroleum Products by the Corporation in the year 2013. However, this amount could not be paid due to economic sanctions imposed to Iran. That balance had been shown in the financial statements as a payable amount from the inception of the transaction at the exchange rate as of the end of each year, and the difference of the adjustment had been transferred to exchange gain or loss of the respective year, payable balance and accumulated exchange loss (from 2012 to 2021) as at the end of the year under review had increased to Rs. 50,938 million and Rs. 18,594 million respectively. The exchange loss for the year under review was Rs. 3,004 million. It was further observed that any payment on that had not been made due to uncontrollable external factors. However, there were no sufficient and appropriate evidences to ascertain whether the Corporation had taken a prompt effort to settle that amount by alternative forms and to evaluate the financial viability of keeping the balance unsettled in a situation where depreciating of Rupee against US Dollar.

2.3.2 As stated in my previous year reports, formal agreements for fuel supply had not been entered into with major customers including Ceylon Electricity Board even at the end of the year under review.

2.3.3 Recovery of Duties and Taxes

As reiterated in previous audit reports, a sum of Rs. 1,617 million had been paid by the Corporation as custom duties and taxes before discharging the cargo of rejected shipments, in which excise duty amounting to Rs. 648 million had been included. However, the Corporation was unable to get that amounts recovered or to get them settled from subsequent payments made by the Corporation since January 2017.

2.3.4 Storage and Distribution of Petroleum Product

A special audit report on evaluation of existing petroleum storage capacity utilized in the country and appropriateness and productivity of the fuel transport pipeline system including railway and bowser transport system currently in operation in the country, with recommendations for smooth and safe operation of the petroleum storage complex, was tabled in Parliament. In that audit it was observed that a proper internal control system for smooth and safe operation of the petroleum storage complex and fuel transport process in the country had not been suitably designed and implemented by the Corporation.

2.3.5 Trincomalee Tank Farm

The Tank Farm contained of 100 Oil Tanks, each having a capacity of 12,500 cubic meters (m^3)(10,000 MT) and other associated facilities, had been constructed in Trincomalee in 1930. The land with an extent of 358.553 hectares belong to the Tank Farm had been given on lease basis by the Government of Sri Lanka to the Commissioners of the Lord High Admiralty of the British Government for a period of 999 years before gaining independence to Sri Lanka. In 1961 at the request of the Government of Sri Lanka, the Corporation had paid Sterling Pounds 250,000 in three instalments and taken over the possession of Land, Tank Farm, Buildings and other equipment with effect from 01 April 1964. Nevertheless, no legal documents had been obtained up to date from the Government for the above land.

In 2003, the Government of Sri Lanka had entered into an agreement with the LIOC and the Corporation to lease out the storage facilities and the land to the LIOC for a period of 35 years, and the lease agreement should have been executed within 6 months from the date of the agreement. However, the Corporation had not entered into any lease agreement, and not used the tanks yet. Nevertheless, the LIOC had been using those assets since the year 2003. Although the initial decision-making activities for the modernization of the 84 tanks in the abandoned upper section had been started on 29 April 2015, the necessary activities for the development and rehabilitation of the tank complex had not yet been carried out.

Although the Corporation and the LIOC had jointly established Trinco Petroleum Terminal (Pvt) Ltd for the purpose of developing the Trincomalee Oil Tank Complex, a proper action plan to achieve that objective had not yet been prepared by that Company.

2.3.6 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 2021 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.

2.3.7 Sapugaskanda Oil Refinery

As stated in previous audit reports, the existing Refinery, which had been constructed five decades back (commissioned in 1969), was a basic Refinery, and was not being able to cater the increasing demand of petroleum products in the country. This Refinery was operating with a low margin when compared to refineries operating with advanced technologies including facilities to produce petroleum products at lower cost, and comprising capabilities to upgrade bottom products to high value products such as petrol and diesel, where by maximizing its operating efficiency. However, the CPC was unable to implement the proposed Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) Project or alternative projects to ensure supplying of its products to the market in a cost-effective manner. Further, the land acquired incurring a cost of Rs. 1,003 million for that purpose had been remained idle even up to the date of this report. Further, the refinery had been shut down in several times due to lack of crude oil resulting in significant manpower and other resources being idle. However, a formal evaluation on economic and social value of running the refinery, by studying all the facts in detail, had not been done at the institutional level. Further, the Corporation is still unable to modernize and expand the oil refinery or to establish a new refinery.

2.3.8 Ship to Party operations done by the registered dealers

The petroleum products are distributed to end customers by the Corporation either directly or through registered dealers. If sales are made through dealers, a dealer commission has to be paid, and if petroleum products are sold directly to the consumer no dealer commission has to be paid. In addition to that, the Corporation had given the authority to some selected dealers to distribute fuel directly to private consumers, which is called as "Ship to Party System (SPS)", subject to a payment of dealer commission since the year 2008.

The following observations are made in this regards.

(a) In an audit test it was revealed that any handling cost or operational cost or overhead cost had not been borne by the dealers to distribute fuel directly to private consumers under SPS. Therefore, the rationale for implementing the SPS system with additional cost to the Corporation was not clear in the audit.

(b) There were sufficient numbers of bowsers in the bowser fleet of the CPSTL and in the fleet of hired bowsers to distribute fuel to all the private consumers. Therefore, there was no any barrier to private parties, who had registered as SPS customer, to register as a consumer, if that were the case, a large amount of dealer commission could be saved by the Corporation. Therefore, implementing and maintaining a SPS process for such a longer period by the Corporation is questionable.

(c) According to the information made available to audit, under the SPS system only 5 dealers had been selected and authorized to distribute fuel directly to private consumers, and a sum of Rs. 132.453 million had been paid as commission in the year under review. However, the basis for the selection of them was not explained in the audit.

2.3.9 Sales Commission to Dealers

According to the Board decision No. 05/1231 dated 30 July 2019, the Board had approved, in principle, a commission rate of 3% on petrol and diesel to DODO dealers and 2.75% to CODO dealers as a temporary measure for each of the following products between the upper and lower limits.

Particulars	Petrol		Diesel	
	92 Octane	95 Octane	LAD	LSD
Upper Cap	Rs.162.00	Rs.170.00	Rs.121.00	Rs.145.00
Lower Cap	Rs.117.00	Rs.128.00	Rs.95.00	Rs.110.00

A fixed commission rate of 2 % was granted for kerosene.

The following observations are made in this regard.

(a) Even though the Corporation had decided to implement the above mentioned decisions with effect from 15 August 2019, it had been communicated to dealers on 10 March 2022, i.e. delaying in more than 31 months. However, any disciplinary actions had been taken by the Corporation against the officers who had ignored the responsibility to communicate the Board's decision to the dealers timely. Further, the DGM (Marketing) had not provided the relevant details of the aforesaid revision of the dealer commission to the committee appointed to determine the dealer commission structure applicable to all dealers.

(b) The dealer commission had been provided to the dealers to recover the operational and other overhead costs of dealers and a profit margin. However, the correlation between the dealer commission and fuel price in determining the dealer commission based on selling price was not clear in audit.

(c) Prompt actions had not been taken by the then MD to implement that Board decision, and instead, the Marketing Manager (MM) had been instructed to carry out an analysis on income and expenditure of all dealers from the marketing point of view prior to the implementation of the decision. Even though the overpayment made to the dealers at that time was less than Rs. 100 million, the accumulating overpayment per day was more than Rs. 3 million. Accordingly, it was observed that the delays in implementation of that Board decision had negatively impacted to the financial position of the Corporation. Therefore, it was questionable in the audit that the MD had taken such action at his own discretion without implementing the board decision

(d) After communicating that decision to dealers, Petroleum Dealers' Association and four other dealers had filed a case in the Court against the implementation of that Board decision, and the court had issued an enjoining order to maintain a status-quo. According to the information made available, relevant facts and figures, such as, the basis used to determine the dealer commission, the board decision in this regard, the impact of dealer commission on the revenue of the Corporation and on oil price increase, possibility to misuse the public money by the third parties, overpayment of dealer commission (it was more than Rs. 10,400 million as at 31 October 2022), etc. had not been presented to the Court.

(e) The Colombo District Court had quashed the above injunction on 15 July 2022. Accordingly, necessary changes to the ERP system (SAP) had been made enabling the Corporation to update the new commission rates with effect from 16 July 2022 as there were no any legal impediments to implement that Board Decision. However, according to the information made available, the overpaid dealer commission up to 17 July 2022 amounting to Rs. 4,349.93 million had not been recovered by the Corporation.

(f) The Chairman had directed to remove the existing upper and lower CAP base with effect from 25 July 2022 subject to the approval of the Board in the absence of any legal impediment to the Corporation implementing the Board's decision and notwithstanding the financial distress of the Corporation. Accordingly, the dealer commission had been paid continuously, disregarding the Board's decision on the upper and lower limits of the dealer's commission.

The following observations are made in this regard.

(i) Consent of all members of the Board for amendment of the Board decision and the written approval of the Line Minister as per the Petroleum Act No. 28 of 1961 was not made available to audit.

(ii) After removal of upper and lower cap of the dealer commission, the overpayment to dealers as dealer commission from 26 July to 31 August 2022 was amounted to Rs. 1,963.87 million, and accordingly, the total accumulated overpayment of dealer commission as of that date had increased up to Rs. 6,537.96 million.

(g) When compared to the amount of Rs. 30.7 million of dealer commission payable per day in line with the Board decision, the actual overpaid amount of dealer commission (even under a controlled supply) on 26 July 2022 was Rs. 67.9 million. Accordingly, estimated impact of dealer commissions due to removal of the upper CAP of dealer commission rate is shown below.

Particulars	**Per Day**	**Per Month**	**Per Annum**
	Rs. Mn.	Rs. Mn.	Rs. Mn.
Dealer Commissions:			
Payable under prevailing Board decision (With Caps)	30.7	921	11,052
Payments made under the new instruction (Without Caps)	98.6	2,958	35,496
Difference - Increase	**67.9**	**2,037**	**24,444**
Increase as a % of the prevailing Board decision (with Caps)	**221**	**221**	**221**

The following observations are made in this regard

(i) As compared with the prevailing Board decision No. 05/1231 dated 30 July 2019, the cost of dealer commissions had increased by 221 per cent, and accordingly, the cost of dealer commissions per annum could increase by more than Rs. 24 billion. Accordingly, the increase of dealer commission during the year 2022 would be more than four times of the average of staff costs of the Corporation including the refinery staff for the year.

(ii) The details of the total of dealer commission, including the commissions for bitumen, lubricants, Agri-products and commissions for other government customers, paid by the Corporations for last five years are as follows.

Year	Rs. Mn
2017	10,995
2018	13,541
2019	14,132
2020	12,402
2021	14,486
Predictable Dealer Commission for the next 12 Months	**35,496**

Accordingly, the total of predictable dealer commission for the next 12 months period would be significant and unusual when compared to the average of the previous years. Therefore, when the fuel supply in the country returns to normal, the cost of dealer commission would further increase due to the dealer commission being decided based on the selling price of fuel without controlling the upper limit. Therefore, the selling price of the fuel would further increase due to the dealer commission is also included in the fuel price.

(h) The impact of Dealer Commission on Selling Price of Petrol and Diesel

According to Cabinet Decision No. 22/0673/522/002 and dated 23 May 2022, the fuel price mechanism of the Corporation had been used to determine the cost and selling price of petroleum products, and accordingly, the dealer commission had increased. The impact of dealer commission on fuel cost and selling price is as follows.

Particulars	Petrol		Diesel	
	92 Oct	95 Oct	LAD	Oct
	Rs.	Rs.	Rs.	Rs.
Local Market Price	450.00	540.00	430.00	510.00
Upper Cap	162.00	170.00	121.00	145.00
Dealer commission as per Price Formula	13.50	16.20	12.90	15.30
Actual dealer commission to be paid as per the Board decision	4.86	5.10	3.63	4.35
The increase of fuel price due to non-compliance with the Board Decision	**8.64**	**11.10**	**9.27**	**10.95**

Following observations are made in this regard.

(i) As a result of removal of upper cap of dealer commission, the cost of fuel had increased at least approximately by Rs. 10 per litre. Accordingly, the price of the Petrol Octane 92 and Octane 95 had increased by Rs. 8.64 and by Rs. 11.10 respectively while the price of the Lanka Auto Diesel and Lanka Super Diesel had increased by Rs. 9.27 and by Rs. 10.95 respectively, resulting the general public had to bear additional cost for fuel.

(ii) Also, the opportunity to improve the financial performance of the Corporation was also lost due to the loss of the advantage that the Corporation could have gained due to the increase in fuel prices. That situation would lead to further deterioration of the negative net assets position of the Corporation.

(i) Accordingly, it was observed that the decision for removal of the permitted upper and lower cap on dealer commission lacking a proper studying and evaluation on the present and future financial position of the Corporation would negatively impact to the sustainability of the Corporation in the long run.

2.3.10 Selling and Distribution of Fuel Stocks

The main business of the CPSTL was storing and distributing of fuel stocks to authorized dealers and consumers in island wide as per the instructions given by the Corporation and the LIOC through 02 main terminals and 11 sub-depots owned by the CPSTL. The following observations are made in this regard.

(a) Most of the activities of the fuel distribution process such as obtaining fuel orders from dealers and consumers, verifying the credit limits and related pre-qualifications, issuing invoices, collecting cash from dealers etc. had been handled by the CPSTL. However, those activities had not been assigned to the CPSTL as per the Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003 entered into between the Government of Sri Lanka (GOSL), the CPC and LIOC, and those activities should have been performed by the Corporation.

(b) Registered dealers and customers of the Corporation had placed their fuel orders directly to the CPSTL instead of being submitted to the Corporation, and most of the marketing activities of the Corporation and collection activities had been handled by the CPSTL without being obtained the consent of the Corporation.

(c) Due to insufficient stocks of petroleum products, priority lists for distribution of petroleum products throughout the island wide dealers and other consumers had been provided daily by the Corporation to the CPSTL. According to the audit examination carried out in this regard during the period from 07 to 18 of June 2022, the following observations are made.

(i) The Order Function (OF) of the CPSTL had been prepared daily in the SAP system for distribution of fuel to dealers without being considered the priority list provided by the Corporation. No any supervision had been carried out by the Corporation in the crisis situation.

(ii) 2,509 consignments of petroleum products (6,600 litres per consignment) had been distributed despite the priority list of the Corporation, and 2,524 consignments of petroleum included in the priority list, had not been distributed by the CPSTL to dealers.

(iii) The Corporation had instructed to give priority for the companies or industries that were ready to pay in foreign currencies (USD) to get some relief on foreign exchange issues faced by the Corporation. However, there were certain instances where even after making payments in foreign currencies requested products had not been delivered on due dates.

(d) In an audit test conducted in June 2022, it was observed that, out of 1,143 dealers registered in Corporation, 120 dealers had not been provided any load of petrol, and 22 dealers had been provided only one load (6600 litres) of petrol per each. Meanwhile, 08 dealers had been provided more than 210,000 litres per each during that month. Lanka Auto Diesel (LAD) had not been distributed for 73 dealers, while 08 dealers had been provided only one load per each. Meanwhile 17 dealers had been provided more than 200,000 litres of LAD per each. Further, 66 dealers had not been provided any white oil product during that period while only one load had been distributed for 06 dealers per each. However, 15 dealers had been provided more than 350,000 litres of white oil per each during that month. However, the Corporation had not taken prompt actions to prevent and correct such issues on time.

2.3.11 Major Shutdowns and Maintenance of the Refinery (Sapugaskanda)

According to the Board Decision No. 52/1248 dated 15 March 2021, the major refinery shutdowns and maintenance for the year 2021 had been completed within the period from 15 February to 21 March 2021. The total estimated cost for the 35 days shutdown period was Rs. 907.30 million. In addition to the Board decision, provisions for payments and other procedures had been established by the internal circular No. RRM/03/2021 of the Refinery Manager.

Following observations are made in this regard.

(a) According to a sample test, it was observed that there were instances where payments including overtime had been made to the workers without being verified the attendance of them. Overtime allowances had also been paid to employees who had reported to work but not departed from the office as per the fingerprint machine. Further, several cases were observed where the number of days used to calculate allowances such as transport allowance, inconvenience allowance, meal allowance, overtime allowance etc. had been different when compared to the fingerprint machine records.

(b) According to the information made available, the personnel department of the refinery section had kept all the records of employees related to the shut down and maintenance of the refinery, and they had verified themselves the accuracy of such records in calculating all allowances to be paid to the employees. Accordingly, it was observed that the internal control system relating to the maintenance of attendance records was not at satisfactory level which might leads to fraudulent payments.

(c) According to the aforesaid internal circular, only 82.5% of the overtime can be paid as the shutdown allowance, if the shutdown was not able to complete within specified time period. However, even shutdown was delayed for 9 days, 100% of shutdown allowance had been paid in contrary to the circular. Accordingly, it was observed that an overpayment of Rs. 42.6 million had been made.

(d) According to that circular, Saturday should be considered as a holiday (lieu leave) and other days including public and corporation holidays, paydays and Sundays to be considered as working days during the shutdown period. Accordingly, the maximum 5 lieu leave days are entitled during that period. However, there were instances where lieu leave had been obtained exceeding 5 days, and resulted, an overpayment of Rs. 5.693 million.

2.3.12 Human Resource Management

(a) Staff Loans

The Corporation had introduced a number of loan schemes to its staff such as Motor vehicle Loans, Housing Loans, Housing repair Loans, Distress Loans, Thrift Society Loans, Special loan, Disturbance loans, advances etc. The total loan outstanding at the end of 31 December 2021 was amounting to Rs. 4.314 billion. The following observations are made in this regard,

(i) Even though a significant loan portfolio had been maintained by the Corporation, no proper source of financing had been established in relation to the management of loan portfolio.

(ii) Adequate study and evaluation of the ability to provide loans and the ability to recover loans with interest had not been done, and no related policy had been established by the Corporation. Further, a loan master file had not been maintained properly, and as a result, there were instances that resigned or retired staff had been included in the outstanding loan balances as unpaid or unrecovered balances. Further, the Corporation had not taken legal actions against the defaulters. Consequently, the defaulted loan balances as at the end of the year under review was Rs. 16.67 million.

(iii) Even though the monthly instalments of loans could be accommodated within 50 per cent of the employee salary/wage together with other deductions as per the Circular No. 1063 dated 01 July 1985 of the Personal Division of the Corporation, the repayment of monthly loan instalments made by 64 employees had exceeded 50 per cent of their salaries.

(iv) The Corporation had to delay or postponed very urgent and important capital improvement works due to lack of sufficient funds as maintaining a large amount of loan portfolio of the staff by the Corporation. However, Corporation had not paid any attention to outsource of the loan scheme to a commercial bank or a finance institution to overcome above issues.

(b) Overtime

The following observations are made in this regard

(i) Out of 2,296 of available cadre of the Corporation, overtime payment of 998 employees had exceeded 50 per cent of their basic salaries. Further, 391 employees or 17 per cent of total employees had exceeded 100 per cent of their basic salaries, including 16 employees who had exceeded their basic salaries by 200 per cent.

(ii) There were instances where the whole basic salary of some employees had been utilized for loans recoveries. Accordingly, the Corporation had to allow overtime works, even without real requirements, to recover the loans.

2.3.13 Assets Management

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

(a) **Halgaha Kumbura Land at Wanathamulla -** That land had been acquired for Rs. 10.6 million for the purpose of LP Gas Project and a Playground. However, it had not been utilized for the intended purpose, and as a result, more than 700 squatters had been constructed in that land.

(b) **Mahahena Land** – Acording information made available, the Corporation had acquired that land for Rs. 0.625 million, and that amount had not been accounted for. However, that land had been continuously used by the previous owner even after the acquisition in 1986.

W.P.C.Wickramaratne
Auditor General

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC		Group	
		2021	2020 Restated*	2021	2020 Restated*
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2	584,754.423	522,532.832	585,019.248	522,755.005
Cost of Sales		(588,822.595)	(454,880.140)	(596,798.652)	(462,019.238)
Gross (Loss)/Profit		**(4,068.172)**	**67,652.692**	**(11,779.404)**	**60,735.767**
Other Operating Income	3	1,120.531	818.670	1,727.572	1,145.615
Selling & Distribution Expenses		(31,792.158)	(28,183.603)	(18,172.857)	(15,554.972)
Administrative Expenses		(6,992.077)	(6,367.186)	(12,047.761)	(10,823.405)
Operating (Loss)/Profit	4	**(41,731.876)**	**33,920.573**	**(40,272.450)**	**35,503.005**
Exchange Rate Variation		(33,220.081)	(21,840.759)	(33,220.081)	(21,840.759)
Finance Income	5	18,369.081	11,187.890	18,570.652	11,497.173
Finance Expenses	6	(25,642.906)	(20,911.327)	(25,642.906)	(20,911.327)
Profit /(Loss) before tax		**(82,225.782)**	**2,356.377**	**(80,564.785)**	**4,248.092**
Income tax Expense	7	-	-	(551.476)	(156.761)
Profit/(Loss) for the year		**(82,225.782)**	**2,356.377**	**(81,116.261)**	**4,091.331**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to Profit or Loss:					
Re-measurement gain/(loss) on Retirement Benefit plan	18	(88.929)	99.573	339.677	(51.416)
Revaluation of Property, Plant & Equipment		-	17,675.906	-	17,675.906
Tax on Other Comprehensive Income		1.205	415.689	(101.660)	451.926
Other comprehensive income / (expense) for the year		(87.724)	18,191.168	238.017	18,076.417
Total comprehensive Income/(expense) for the year, net of tax		**(82,313.506)**	**20,547.545**	**(80,878.244)**	**22,167.748**
Total Comprehensive Income attributable to :					
Owners of the entity		(82,313.506)	20,547.545	(81,356.268)	21,545.507
Non-Controlling interests		-	-	478.024	622.241
		(82,313.506)	**20,547.545**	**(80,878.244)**	**22,167.748**

*Certain numbers shown here do not correspond to the 2020 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 139 to 178 form an integral part of the Financial Statements.

Statement of Financial Position

AS AT 31 DECEMBER	Note	CPC 2021 Rs. Mn	CPC 2020 Restated* Rs. Mn	Group 2021 Rs. Mn	Group 2020 Restated* Rs. Mn
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	8	43,379.484	43,541.537	59,896.481	59,613.156
Investment Property	8.3	51.792	53.703	51.792	53.703
Intangible Assets	8.4	0.656	-	67.331	75.525
Investment in Subsidiary	9	5,000.000	5,000.000	-	-
Non-Current Financial Assets	10	244.052	239.981	244.052	239.981
Trade & Other Receivables	11	7,464.536	7,519.518	9,025.380	9,153.749
		56,140.520	56,354.739	69,285.036	69,136.114
Current Assets					
Inventories	13	41,915.633	52,507.840	42,636.842	53,206.909
Trade & Other Receivables	11	180,135.773	151,930.737	185,471.336	156,613.267
Short term Investments	14	-	92.590	-	92.590
Cash and Cash Equivalents	15	141,607.205	64,563.572	143,772.001	68,005.593
		363,658.611	269,094.739	371,880.179	277,918.359
Total Assets		**419,799.131**	**325,449.478**	**441,165.215**	**347,054.473**
EQUITY AND LIABILITIES					
Capital and Reserves					
Contributed Capital	16	28,487.125	28,487.125	28,487.125	28,487.125
Capital Reserve	17.1	4,992.686	4,992.686	4,992.686	4,992.686
Financial Instrument fair value		(38.000)	(38.000)	(38.000)	(38.000)
Revaluation Reserve	17.2	28,063.101	28,068.124	28,063.101	28,068.124
Retained Earnings		(419,041.581)	(336,733.099)	(404,920.744)	(323,569.499)
Non Controlling Interest		-	-	9,563.201	9,085.177
Total Equity		**(357,536.669)**	**(275,223.164)**	**(333,852.630)**	**(252,974.387)**
Non - Current Liabilities					
Retirement Benefits Obligation	18	1,861.808	1,702.435	3,471.132	3,718.078
Deferred Tax	19	2,492.927	2,494.132	4,102.738	4,090.682
Loans & Borrowings	20	5,273.036	4,776.927	5,273.036	4,776.927
		9,627.771	8,973.494	12,846.906	12,585.687
Current Liabilities					
Trade and Other Payables	21	256,818.738	200,659.603	251,281.648	196,403.628
Current Portion of Loans & Borrowings	20.1	620.358	289.397	620.358	289.397
Short term Borrowings	22	510,268.933	390,750.148	510,268.933	390,750.148
		767,708.029	591,699.148	762,170.939	587,443.173
Total Equity and Liabilities		**419,799.131**	**325,449.478**	**441,165.215**	**347,054.473**

*Certain numbers shown here do not correspond to the 2020 financial statements and reflect adjustments made as detailed on Note 26.
The notes appearing on pages 139 to 178 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 2021 and its profit for the year then ended.

V N Weerasooriya
Deputy General Manager (Finance)

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

Mohamed Uvais Mohamed
Chairman
19 Oct 2022, Colombo

L E Susantha Silva
Managing Director

Damitha Rathnayake (Mrs.)
Director

Statement of Changes in Equity

CPC	Contributed Capital Rs. Mn	Revaluation Reserves *Rs. Mn*	Capital Reserves Rs. Mn	Financial Instrument fair Value *Rs. Mn*	Retained Earnings Rs. Mn	Total Equity *Rs. Mn*
As at 1 Jan 2020	**28,487.125**	**10,392.218**	**4,992.686**	**(38.000)**	**(339,957.298)**	**(296,123.269)**
Prior period Adjustments	-	-	-	-	352.560	352.560
As at 1 Jan 2020	**28,487.125**	**10,392.218**	**4,992.686**	**(38.000)**	**(339,604.738)**	**(295,770.709)**
Profit for the year					2,356.377	2,356.377
Other Comprehensive Income					515.262	515.262
Revaluation surplus		17,675.906				17,675.906
As at 31 Dec 2020	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(336,733.099)**	**(275,223.164)**
Loss for the year					(82,225.782)	(82,225.782)
Adjustment		(5.023)			5.023	-
Other Comprehensive Income					(87.724)	(87.724)
As at 31 Dec 2021	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(419,041.581)**	**(357,536.669)**

Group	Contributed Capital Rs. Mn	Revaluation Reserves *Rs. Mn*	Capital Reserves Rs. Mn	Financial Instrument fair value *Rs. Mn*	Retained Earnings Rs. Mn	Shareholders Fund *Rs. Mn*	Non Controlling Interest Rs. Mn	Total Equity *Rs. Mn*
As at 1 Jan 2020	**28,487.125**	**10,392.218**	**4,992.686**	**(38.000)**	**(327,484.989)**	**(280,747.149)**	**8,736.270**	**(274,914.690)**
Prior period Adjustments					45.891	45.891	(153.335)	(107.444)
Re-stated balance as at 1 Jan 2020	**28,487.125**	**10,392.218**	**4,992.686**	**(38.000)**	**(327,439.098)**	**(280,701.259)**	**8,582.935**	**(275,022.134)**
Profit for the year					3,430.839	3,430.839	660.493	4,091.331
Other Comprehensive Income for the year					438.760	438.760	(38.251)	400.509
Revaluation surplus		17,675.906				17,675.906		17,675.906
Dividend paid				-		-	(120.000)	(120.000)
As at 31 Dec 2020	**28,487.125**	**28,068.124**	**4,992.686**	**(38.000)**	**(323,569.499)**	**(259,155.753)**	**9,085.177**	**(252,974.387)**
Loss for the year					(81,485.705)	(81,485.705)	369.444	(81,116.261)
Other Comprehensive Income for the year					129.436	129.436	108.580	238.017
Adjustment	-	(5.023)	-	-	5.023	-	-	-
As at 31 Dec 2021	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(404,920.744)**	**(340,512.021)**	**9,563.201**	**(333,852.630)**

*Certain numbers shown here do not correspond to the 2020 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 139 to 178 form an integral part of the Financial Statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC 2021 Rs. Mn	CPC 2020 Restated* Rs. Mn	Group 2021 Rs. Mn	Group 2020 Restated* Rs. Mn
CASH FLOWS FROM OPERATING ACTIVITIES	**24**	(14,724.706)	(53,979.424)	(13,974.896)	(52,300.946)
				-	-
Interest Paid		(24,348.677)	(20,361.566)	(24,348.677)	(20,361.566)
Retiring Gratuity Paid	**18**	(190.171)	(137.855)	(410.643)	(269.182)
Income Tax /ESC paid		(31.615)	(3,778.620)	(681.821)	(5,014.899)
Net Cash Generated from/(used in) Operating activities		(39,295.169)	(78,257.465)	(39,416.037)	(77,946.593)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant & Equipment		8.514	1.707	8.514	1.707
Acquisition of Property, Plant & Equipment	**8**	(1,567.453)	(805.159)	(2,925.380)	(1,863.004)
Dividends Received		-	0.122	-	0.122
Interest Received		9,304.561	8,276.846	9,506.132	8,586.129
Investment in Treasury Bonds		83.520	25,094.373	83.520	25,094.373
Investment in Fixed Deposits		5.000	-	5.000	-
Net Cash Flows from /(Used in) Investing Activities		7,834.142	32,567.889	6,677.786	31,819.327
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend Paid		-	-	-	(120.000)
New loans obtained		421,982.969	407,387.132	421,982.969	407,387.132
Repayment of Loans		(309,551.761)	(330,106.638)	(309,551.761)	(330,106.638)
Net Cash Flows From/(Used in) Financing Activities		112,431.208	77,280.494	112,431.208	77,160.494
Net Increase/(Decrease) in Cash & Cash Equivalents		80,970.181	31,590.919	79,692.957	31,033.228
Cash & Cash Equivalents at the Beginning of the Year		59,092.185	27,501.266	62,534.206	31,500.978
Cash & Cash Equivalents at the End of the Year	15	**140,062.366**	**59,092.185**	**142,227.163**	**62,534.206**

*Certain numbers shown here do not correspond to the 2020 financial statements and reflect adjustments made as detailed on Note 26.

The notes appearing on pages 139 to 178 form an integral part of the Financial Statements.

Notes to the Financial Statements

1.1 Corporate Information

General

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

Principal activities and nature of operations

Entity	Principal activities
Ceylon Petroleum Corporation	Importing, refining, and selling of Petroleum Products in Sri Lanka.
Subsidiary Ceylon Petroleum Storage Terminals Limited	Storage and distribution of petroleum products

Parent entity and the ultimate controlling party

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

Date of authorization for issue

The Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31 December 2021 were authorized for issue in accordance with a Resolution of the Board of Directors on 19th October 2022.

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 2021 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. 357,537 Mn. and Rs.333,853 Mn. respectively as per the financial statements prepared for the year ended 31st December 2021.

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. During the year, the Corporation changed the source of exchange rate from the rate published by the People's Bank to Central Bank of Sri Lanka with effects from 01.01.2021 in order to record in more transparent manner.

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 re-serve.

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

Subsequent Costs

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

Restoration Costs

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

De-recognition

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

Depreciation

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

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

The estimated useful life of assets is as follows:

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

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

Capital Work in Progress

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

Impairment of non-financial assets

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

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

1.4.7 Investment Properties

Basis of Recognition

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

Measurement

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

Depreciation

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

De-recognition

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

1.4.8 Intangible assets

Basis of recognition

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

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

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

1.4.9 Investment in Subsidiary

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

1.4.10 Inventories

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

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

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

1.4.11 Cash and Cash Equivalents

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

1.4.12 Provisions & Liabilities

Provisions

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

Defined Benefit Obligations - Gratuity

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

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

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

This is not an externally funded defined benefit plan.

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

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

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

1.4.13 Capital Reserve

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

1.4.14 Financial Instruments

i. Financial assets

Initial recognition and measurement

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

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

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

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

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

The Group classifies its financial instruments in the following categories:

A. Financial assets at amortised cost

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

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

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

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

B. Financial assets designated at fair value through OCI

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

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are remote. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group review individually significant trade receivables at the each reporting date to assess whether impairment loss should be recognized in the income statement. Since the Group assess the trade receivable individually and found not to be additionally impaired.

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans &borrowings and trade and other payables at Amortised Cost

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

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

Derecognition

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

iii. Offsetting of financial instruments

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

Determination of fair value

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 12.1.

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

1.4.15 Accounting for leases

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Detail disclosure is given under Note 8.6.

1.4.16 Contingent liabilities, litigation & commitments

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

1.5 Accounting Standards Issued but not Yet Effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. The Corporation will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements. The following standards, amendments and improvements are not expected to have a significant impact on the Group's financial statements.

a). SLFRS 17 – Insurance Contracts

This standard is effective for annual periods commencing on or after 01 January 2023.

2. Revenue

	CPC		Group	
	2021 Rs. Mn	2020 Restated Rs. Mn	2021 Rs. Mn	2020 Restated Rs. Mn
Domestic	539,767.041	500,866.416	539,767.041	500,866.416
Export	47,452.519	30,406.336	47,452.520	30,406.336
Bunkering	6,613.489	-	6,613.489	-
Terminal Charge & Others	-	-	264.825	222.173
Total Sales	593,833.049	531,272.752	594,097.875	531,494.925
Less : Excise Duty & NBT	(9,078.626)	(8,739.920)	(9,078.626)	(8,739.920)
Net Revenue	**584,754.423**	**522,532.832**	**585,019.248**	**522,755.005**

3. Other Operating Income

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Income on Investment Property	42.461	41.898	42.461	41.898
Staff Loan Interest	227.615	194.673	685.038	623.136
Rental Income	10.498	9.889	15.074	13.879
Profit/(loss) on disposal of PPE	3.489	1.707	3.420	1.274
Profit on Sale of Filling Station equipment	20.906	21.350	20.906	21.350
Dividend Income	-	240.122	-	0.122
Sundry Income	815.562	309.031	960.672	443.957
	1,120.531	**818.670**	**1,727.572**	**1,145.615**

4. Operating Profit

	CPC		Group	
	2021 Rs. Mn	2020 Restated Rs. Mn	2021 Rs. Mn	2020 Restated Rs. Mn
Operating Profit stated after charging the following expenses				
Directors' emoluments	10.568	5.547	20.616	10.082
Auditors' remuneration	23.075	4.000	24.995	5.696
Depreciation (Note 8)	701.146	715.664	1,594.290	1,742.887
Advertising Expenses	17.779	18.800	17.779	18.800
Legal charge & Other Professional fee	125.688	188.193	125.688	188.193
Disallowed VAT	1,191.975	1,141.755	1,191.975	1,141.755
Special Fee to General Treasury	1,000.000	1,000.000	1,000.000	1,000.000

5. Finance Income

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Interest Income on Treasury Bills, Fixed Deposits and Call Deposits	7,726.756	2,574.185	7,928.328	2,883.468
Interest Income on Credit invoice & Overdue trade debts	14.717	13.117	14.717	13.117
Interest Income on CEB/IPP/Aviation debtors	10,584.379	6,285.950	10,584.379	6,285.950
Interest Income on Treasury Bonds	32.745	2,313.080	32.745	2,313.080
Interest Income on R.F.C. A/C & Others	10.482	1.558	10.482	1.558
	18,369.081	**11,187.890**	**18,570.652**	**11,497.173**

6. Finance Expenses

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Interest on Long Term Loans	-	7.976	-	7.976
Interest on Foreign Currency Bank Loans	25,630.751	20,874.180	25,630.751	20,874.180
Other Finance Cost	12.155	29.171	12.155	29.171
	25,642.906	**20,911.327**	**25,642.906**	**20,911.327**

7. Income Tax Expense

	CPC		Group	
	2021 Rs. Mn	2020 Restated Rs. Mn	2021 Rs. Mn	2020 Restated Rs. Mn
Current tax:				
Current income tax	-	-	541.045	682.567
Under/(over) provision of previous years	-	-	(2.831)	(36.441)
Deferred tax:			-	
Origination and reversal of temporary differences - Income statement	-	-	13.262	(489.365)
Income tax expense - income statement	**-**	**-**	**551.476**	**156.761**
Income tax expense - Other Comprehensive Income	**(1.205)**	**(415.689)**	**101.660**	**(451.926)**
Total income tax expense	**(1.205)**	**(415.689)**	**653.137**	**(295.165)**

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

Accounting profit/(loss) before tax	**(82,225.782)**	**2,356.377**	**(80,564.785)**	**4,248.092**
Add: Disallowable expenses	41,230.429	36,235.962	42,900.116	38,288.516
Less: Allowable expenses & exempt income	(1,289.942)	(1,285.978)	(2,366.270)	(2,386.214)
Adjusted trade profit	**(42,285.295)**	**37,306.361**	**(40,030.939)**	**40,150.394**
Less: Utilisation of tax losses	-	(37,306.361)	-	(37,306.368)
Add: Tax losses for the year	42,285.295		42,285.295	
Taxable income	**-**	**-**	**2,254.356**	**2,844.026**
Income tax charged at				
2020-24%(2019-28%)	-	-	541.045	682.567
Under/(over) provision of previous years	-	-	(2.831)	(36.441)
Deferred tax charge to income statement	-	-	13.262	(489.365)
Origination and reversal of temporary differences - OCI	**(1.205)**	(415.689)	101.660	(451.926)
Income tax expense	**(1.205)**	**(415.689)**	**653.137**	**(295.165)**

Assessments have been issued to the Taxable years of 1997/98, 2002/03, 2013/14, 2014/2015, 2015/16 and 2016/17 amounting to Rs. 25.12 Mn., Rs. 918.05 Mn., Rs. 99.94 Mn, Rs. 723.09 Mn., Rs. 54.67 Mn. and Rs. 6,735.94 Mn. respectively and CPC has made valid appeals for those Assessments. Income tax liabilities on the assessments for the year of assessment 1997/98 and 2002/03 had been recognized in the financial statements.

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

8. Property, Plant & Equipment - CPC

	Land & Building Rs. Mn.	Vested Property Rs. Mn.	Plant, Mach & Equip. Rs. Mn.	SPM Facility Rs. Mn.	Motor Vehicles Rs. Mn.	Furn/ Fittings, Off. Equip & Other Assets Rs. Mn.	Capital Work in Progress Rs. Mn.	Total Rs. Mn.
8.1.Cost								
Bal as at 01/01/2021	16,622.643	1.016	29,422.630	2,835.841	1,370.915	2,419.024	5,092.189	57,764.257
Additions	30.169	-	379.042	-	11.627	54.097	2,050.020	2,524.956
Transfers	-	-	43.334	-	-	(43.334)	-	-
Re-valuation	-	-	-	-	-	-	-	-
Disposals	(5.025)	-	(42.471)	-	-	-	-	(47.496)
Bal as at 31/12/2021	**16,647.787**	**1.016**	**29,802.536**	**2,835.841**	**1,382.542**	**2,429.787**	**7,142.209**	**60,241.718**
8.2 Depreciation								
Bal as at 01/01/2021	1,141.413	0.397	8,640.890	1,464.930	1,099.837	1,875.253	-	14,222.720
Charge for the Year	144.887	-	2,276.746	106.374	73.704	80.273	-	2,681.985
Transfers	-	-	(43.334)	-	-	43.334		-
Disposals	-	-	(42.471)	-	-	-	-	(42.471)
Bal as at 31/12/2021	1,286.300	0.397	10,831.831	1,571.304	1,173.541	1,998.860	-	16,862.234
NBV as at 31.12.2021	**15,361.487**	**0.619**	**18,970.705**	**1,264.537**	**209.001**	**430.926**	**7,142.209**	**43,379.484**
Cost as at 31.12.2020	16,622.643	1.016	29,422.630	2,835.841	1,370.915	2,419.024	5,092.189	57,764.257
Acc.Dep as at 31.12.2020	1,141.413	0.397	8,640.890	1,464.930	1,099.837	1,875.253	-	14,222.720
NBV as at 31.12.2020	**15,481.230**	**0.619**	**20,781.740**	**1,370.911**	**271.078**	**543.771**	**5,092.189**	**43,541.537**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2021 is Rs. 2,779.186 Mn.(2020-Rs 2,526.381 Mn).

Property, Plant & Equipment - Group

	Land & Building Rs. Mn.	Vested Property Rs. Mn.	Plant, Mach & Equip. Rs. Mn.	SPM Facility Rs. Mn.	Motor Vehicles Rs. Mn.	Furn/ Fittings, Off. Equip & Other Assets Rs. Mn.	Capital Work in Progress Rs. Mn.	Total Rs. Mn.
8.1.Cost								
Bal as at 01/01/2021	23,220.368	1.016	39,484.949	5,818.468	3,241.274	11,559.622	5,902.257	89,227.954
Additions/Transfers	33.891	-	379.275	42.822	11.627	102.630	3,293.302	3,863.547
Transfers	-	-	43.334	-	-	(43.334)	-	-
Re-valuation	-	-	-	-	-	-	-	-
Disposals	(5.025)	-	(42.471)	-	-	(0.184)	-	(47.680)
Bal as at 31/12/2021	**23,249.235**	**1.016**	**39,865.087**	**5,861.290**	**3,252.901**	**11,618.734**	**9,195.559**	**93,043.821**
8.2 Depreciation								
Bal as at 01/01/2021	1,871.829	0.397	14,451.278	4,149.920	2,685.470	6,455.906	-	29,614.799
Charge for the Year	197.858	-	2,773.120	182.426	228.663	193.062	-	3,575.129
Transfers	-	-	(43.334)	-	-	43.334	-	-
Disposals	-	-	(42.471)	-	-	(0.115)	-	(42.586)
Bal as at 31/12/2021	2,069.687	0.397	17,138.593	4,332.346	2,914.133	6,692.187	-	33,147.341
NBV as at 31.12.2021	**21,179.547**	**0.619**	**22,726.494**	**1,528.944**	**338.768**	**4,926.547**	**9,195.559**	**59,896.481**
Cost as at 31.12.2020	23,220.368	1.016	39,484.949	5,818.468	3,241.274	11,559.622	5,902.257	89,227.954
Acc.Dep as at 31.12.2020	1,871.829	0.397	14,451.278	4,149.920	2,685.470	6,455.906	-	29,614.799
NBV as at 31.12.2020	**21,348.539**	**0.619**	**25,033.671**	**1,668.548**	**555.804**	**5,103.716**	**5,902.257**	**59,613.156**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2021 is Rs 10,654.464 Mn (2020 - Rs10,254.024 Mn).

8.3 Investment Property

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Cost				
Bal at the beginning of the year	76.518	75.118	76.518	75.118
Add: Additions / Transfers	-	1.400	-	1.400
Bal as at the end of the year	76.518	76.518	76.518	76.518
Depreciation				
Bal at the beginning of the year	22.815	20.939	22.815	20.939
Add: Charge for the year	1.911	1.876	1.911	1.876
Bal as at the end of the year	24.726	22.815	24.726	22.815
Net Book Value	**51.792**	**53.703**	**51.792**	**53.703**

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

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

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

8.4 Intangible Assets

	CPC	Group			
	ERP System Rs. Mn	ERP System Rs. Mn	SAP License Rs. Mn	Automation System Rs. Mn	Total Rs. Mn
Cost /Carrying value					
At the beginning of the year	-	542.039	9.380	37.794	589.213
Additions/Transfers	0.683	20.019	-	-	20.019
At the end of the year	**0.683**	**562.058**	**9.380**	**37.794**	**609.232**
Amortisation					
At the beginning of the year	-	466.514	9.380	37.794	513.688
Charge for the Year	0.027	28.213	-	-	28.213
At the end of the year	0.027	494.727	9.380	37.794	541.901
Carrying value					
As at 31.12.2021	**0.656**	**67.331**	**-**	**-**	**67.331**
As at 31.12.2020	**-**	**75.525**	**-**	**-**	**75.525**

During the year CPC acquired PPE including intangible assets amounting to Rs. 2,525.639 Mn (2020 - Rs. 2,097.116) and of this CPC paid Rs 1,567.453 Mn (2020 Rs. 805.159Mn.)

During the year Group acquired PPE including intangible assets amounting to Rs.3,883.566 Mn (2020-Rs. 3,154.96 Mn.) and of this Group paid Rs 2,925.380 Mn (2020 Rs. 1,863.004 Mn.).

8.5 Capitalisation of Borrowing Cost

The Group commenced the Construction of Development & Upgrading of Aviation Refuelling Terminal & the Existing Fuel Hydrant System and Installation of a Fuel Hydrant System of CPC at New Apron –E Bandaranaike International Airport (BIA)in January 2018. This Project is financed by the two outsource facilities (15% from the Commercial loan taken from Peoples Bank and the Balance 85% on a Self-financing basis by the contractor).

The amount of borrowing cost capitalized during the year 2021 was Rs. 236.942 Mn. (2020-Rs. 208.042 Mn). The rate was to determine the capitalization of Borrowing cost was 4.20% p.a.

8.6 Lease Assets

CPC has obtained lands from the Government Institutions such as Sri Lanka Railway Department, Mahaweli Authority, Municipal Councils etc. and presently pays lease rentals as per the negotiations with the respective parties. Discussions with the relevant parties are in progress to enter into the formal contract for the lease arrangements. Lease rentals relating to the lease without agreements, short term and low value leases for the year 2021 is Rs. 44.19 Mn. (2020 - Rs. 24.16 Mn.) which are including the rental and arrears.

9. Investment in Subsidiary

	CPC				Group	
	2021 Holding %	2020 Holding %	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Ceylon Petroleum Storage Terminals Ltd.	66.67%	66.67%	5,000.000	5,000.000	-	-
			5,000.000	**5,000.000**	**-**	**-**

9.1. The summarized financial information of the Subsidiary company

Statement of Financial Position	2021 Rs. Mn	2020 Restated Rs. Mn
Non - Current Assets	18,144.516	17,781.376
Current Assets	15,895.529	14,795.412
Total Assets	**34,040.045**	**32,576.788**
Capital and Reserves	28,689.602	27,255.530
Non - Current Liabilities	3,219.135	3,612.193
Current Liabilities	2,131.308	1,709.065
Total Equity and Liability	**34,040.045**	**32,576.788**
Statement of Comprehensive Income	**2021 Rs. Mn**	**2020 Restated Rs. Mn**
Revenue	14,276.189	13,567.876
Expenses	(13,431.360)	(12,312.241)
Other Income	814.978	882.601
Profit before Tax	1,659.807	2,138.236
Income Tax Expenses	(551.476)	(156.761)
Profit for the year	1,108.331	1,981.475
Other comprehensive income	325.740	(114.752)
Total Comprehensive Income for the year	1,434.071	1,866.723
Dividend Paid to the non-controlling interest	-	120.000

10. Non-current Financial Assets

	Note	CPC		Group	
		2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 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	231.012	226.942	231.012	226.942
		244.052	**239.981**	**244.052**	**239.981**

10.1. Quoted equity investments

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Lanka Cement Ltd.				
5,000,000 Ordinary Shares of Rs.10/= each fully paid	12.500	12.500	12.500	12.500
Adjustment for fair value changes	-		-	-
	12.500	**12.500**	**12.500**	**12.500**

10.2. Unquoted equity investments

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 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	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Investment in Treasury Bonds	231.012	226.942	231.012	226.942
	231.012	**226.942**	**231.012**	**226.942**

11. Trade & Other Receivables

	CPC			
	2021		2020 Restated	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	161,022.727	-	140,767.094	287.599
Receivables- Inland Revenue & Custom Dept.	168.338	-	1,741.578	-
Other Receivables	11,200.806	2,250.607	7,567.401	3,250.607
Deposits & Prepayments	535.273	940.443	367.422	51.534
Advance	7,168.360	-	1,437.156	-
Loans & Advances to Employees	40.269	4,273.486	50.086	3,929.778
Total	**180,135.773**	**7,464.536**	**151,930.737**	**7,519.518**

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

	CPC	
	2021 Rs. Mn	2020 Rs. Mn
Less than 30 days	23,802.202	15,267.481
30 - 90 days	10,269.046	8,262.726
91 - 180 days	11,103.936	11,543.035
181 - 365 days	26,407.638	26,401.446
More than 365 days	89,496.942	79,629.784
Total	**161,079.764**	**141,104.471**
Provision for impairment	(57.037)	(49.778)
	161,022.727	**141,054.693**

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

	CPC	
	2021 Rs. Mn	2020 Rs. Mn
Balance as at 1st January	49.778	49.405
Less: Amount Recovered	(0.396)	(0.998)
Less: Amount write off	-	(9.123)
Add: Provision for the year	7.655	10.494
Balance as at 31st December	**57.037**	**49.778**

	Group			
	2021		2020 Restated	
	Current Rs. Mn	Non-Current Rs. Mn	Current Rs. Mn	Non-Current Rs. Mn
Trade Receivables	162,829.243	-	143,424.984	287.599
Receivables- Inland Revenue & Custom Dept.	168.338		1,741.578	-
Other Receivables	11,281.846	2,250.607	7,000.561	3,250.607
Deposits & Prepayments	2,225.901	940.443	1,445.086	51.534
Advance	7,168.360	-	1,451.734	-
Loans & Advances to Employees	1,797.648	5,834.330	1,549.324	5,564.010
	185,471.336	**9,025.380**	**156,613.267**	**9,153.749**

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

	CPC		Group	
	2021 Rs. Mn	2020 Restated Rs. Mn	2021 Rs. Mn	2020 Restated Rs. Mn
Sri Lankan Rupees	97,704.952	87,959.967	99,511.468	90,617.857
United States Dollars	63,317.775	53,094.726	63,317.775	53,094.726
	161,022.727	**141,054.693**	**162,829.243**	**143,712.583**

11.1 Kerosene Subsidy

The Corporation sells Kerosene at Government decided price and the Government has agreed to reimburse the loss incurred due to Kerosene price reduction through the letters issued by the Secretary to the General Treasury. Although the Corporation requested to reimburse the subsidy element, the government reimbursed only Rs. 4,459.28 for the year 2015. The Corporation is continuously negotiating with the General Treasury for the Kerosene subsidy element and the total subsidy receivable as at 31.12.2021 is Rs. 44,103 Mn. and Rs. 5,097.72 Mn. has been recognized up to 2017 in the financial statements and balance has not been recognized in the financial statements until the receipt/ confirmation from the General Treasury. Kerosene subsidy for the year is Rs. 8,974 Mn.

12. Financial Instruments

Financial Assets by category	CPC		Group	
	2021 Rs. Mn	2020 Restated Rs. Mn	2021 Rs. Mn	2020 Restated Rs. Mn
Financial assets at amortized cost				
Trade and other receivables	187,431.971	157,708.677	194,328.378	164,025.438
Investments in treasury bonds	231.012	314.532	231.012	314.532
Placements with banks	-	5.000	-	5.000
Cash in hand and at bank	141,607.205	64,563.572	143,772.001	68,005.593
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	**329,283.228**	**222,604.820**	**338,344.431**	**232,363.602**

Financial Liabilities by category	CPC		Group	
	2021 Rs. Mn	2020 Restated Rs. Mn	2021 Rs. Mn	2020 Restated Rs. Mn
Financial Liabilities at amortized cost				
Borrowings	516,162.326	395,816.472	516,162.326	395,816.471
Trade and other payables	244,225.382	185,897.892	238,688.293	181,587.532
Total	**760,387.708**	**581,714.365**	**754,850.619**	**577,404.003**

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	
		2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Financial assets					
Non Current Financial assets					
Quoted equity investments	12.1.1	12.500	12.500	12.500	12.500
Unquoted equity investments	12.1.2	0.540	0.540	0.540	0.540
Investement in Tresury Bonds	12.1.1	231.012	226.942	231.012	226.942
Trade & Other receivables	12.1.4	187,489.183	157,758.629	187,431.971	157,708.677
Short term investments					
Bank deposits	12.1.3	-	5.000	-	5.000
Government bonds	12.1.1	-	87.590	-	87.590
Cash and cash equivalents	12.1.4	141,607.205	64,563.572	141,607.205	64,563.572
Total		**329,340.440**	**222,654.773**	**329,283.228**	**222,604.820**
Financial liabilities					
Loans & borrowings	12.1.3	5,893.393	5,066.324	5,893.393	5,066.324
Trade & other payables	12.1.4	244,225.382	185,897.892	244,225.382	185,897.892
Short term borrowings	12.1.4	510,268.933	390,750.148	510,268.933	390,750.148
Total		**760,387.708**	**581,714.364**	**760,387.708**	**581,714.364**

12.2.Determination of fair value

Valuation Model

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

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

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

12.2.3 Investment in deposits and loans & borrowings are evaluated by the Group based on parameters such as interest rates, creditworthiness of the bank, and the risk characteristics of the instrument. As at 31 December 2021, the carrying amounts of deposits, loans & borrowings are not materially different from their fair values.

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

12.3 Fair value hierarchy

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

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

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

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

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

	CPC - 2021			
As at 31 December	**Rs. Mn**	**Rs. Mn**	**Rs. Mn**	**Rs. Mn**
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through OCI				
Quoted equity investments	12.500	-	-	12.500
Unquoted equity investments	-	-	0.540	0.540
	12.500	-	0.540	13.040

13. Inventories

	CPC		Group	
	2021 Rs. Mn	**2020 Rs. Mn**	**2021 Rs. Mn**	**2020 Rs. Mn**
Crude Oil	8,883.409	11,346.036	8,883.409	11,346.036
Other Raw material	1,125.992	580.440	1,125.992	580.440
Finished Products	27,919.023	37,374.897	27,963.889	37,405.335
Intermediate Product	1,120.112	436.767	1,120.112	436.767
Other Materials & Supplies	3,228.329	3,130.932	3,921.423	3,815.683
Less: Provision for Slow Moving Items	(361.232)	(361.232)	(377.982)	(377.352)
	41,915.633	**52,507.840**	**42,636.842**	**53,206.909**

14. Short Term Investments

	CPC		Group	
	2021 Rs. Mn	**2020 Rs. Mn**	**2021 Rs. Mn**	**2020 Rs. Mn**
Bank Deposits	-	5.000	-	5.000
Investment in Treasury Bonds	-	87.590	-	87.590
	-	**92.590**	**-**	**92.590**

15. Cash & Cash Equivalents

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Components of Cash and Cash Equivalents				
Cash at Bank and in hand	141,607.205	64,563.572	143,772.001	68,005.593

The bank deposits as at 31.12.2021 amounting to Rs. 52,143 million have been pledged as margin against the letter of credits issued by the banks to import petroleum products.

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

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Cash and cash equivalents	141,607.205	64,563.572	143,772.001	68,005.593
Bank overdrafts (note 22)	(537.991)	(787.658)	(537.991)	(787.658)
	141,069.214	**63,775.914**	**143,234.010**	**67,217.935**
Add/Less: Adjustment for foreign currency translation	(1,006.847)	(4,683.729)	(1,006.847)	(4,683.729)
	140,062.366	59,092.185	142,227.163	62,534.206

16. Contributed Capital

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Balance as at 31st December	**28,487.125**	**28,487.125**	**28,487.125**	**28,487.125**

No authorized capital has been fixed by the Parliament.

17. Reserves

17.1. Capital Reserve

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 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	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Balance as at 1st January	28,068.124	10,392.218	28,068.124	10,392.218
Disposals	(5.023)	-	(5.023)	-
Surplus from revaluation (Note 8)	-	17,675.906	-	17,675.906
Balance as at 31st December	28,063.101	28,068.124	28,063.101	28,068.124

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	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Balance as at 01st January	1,692.410	1,676.122	3,708.054	3,382.221
Less: Payable for those who left during the period	(8.808)	(6.615)	(8.808)	(6.615)
Payments made during the year	(190.171)	(137.855)	(410.643)	(269.182)
	1,493.431	1,531.653	3,288.603	3,106.423
Add: Current service cost	101.874	93.558	183.381	272.187
Interest cost	167.549	166.772	328.800	278.028
Actuarial (gain)/loss	88.929	(99.573)	(339.677)	51.415
	1,851.783	1,692.410	3,461.107	3,708.053
Add: Benefit China Bay /LLL/NYLON/CPSTL Employees	10.025	10.025	10.025	10.025
Balance as at 31st December	**1,861.808**	**1,702.435**	**3,471.132**	**3,718.078**
Expenses on retirement benefit obligation				
Income Statement				
Current service cost	101.874	93.558	183.381	272.187
Interest cost	167.549	166.772	328.800	278.028
	269.422	**260.331**	**512.181**	**550.214**
Other Comprehensive income				
Actuarial (gain)/loss	88.929	(99.573)	(339.677)	51.416
	88.929	**(99.573)**	**(339.677)**	**51.416**

Actuarial valuation of retirement benefit obligation as at 31 December 2021 was carried out by messes Actuarial and Management Consultants (Pvt) Ltd, a professional actuaries using the 'Projected Unit Credit method' as recommended by LKAS 19 - Employee Benefits

The principal actuarial assumptions used were as follows :

	2021	2020
Expected Salary increment	25% once in 3 years	30% once in 3 years
Expected Staff turnover	5.00%	3.90%
Interest /Discount Rate	11.00%	9.9%
Retirement age	60 years	60 years
No. of employees	2,303	2,334
Mortality	A 67/70 Mortality Table	A 67/70 Mortality Table

As the Government has increased the retirement age with effect from 2022, the impact of the change of retiring age will be adjusted In the financial statements for the year 2022 upon implementation of the change of employee's retiring age of the Corporation.

18.1 Sensitivity of actuarial assumptions used

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 December 2021. 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
		2021 Rs. Mn	2021 Rs. Mn
Discount Rate	Increased by 1% point	104.321	(104.321)
	Decreased by 1% point	(116.451)	116.451
Salary Increment	Increased by 1% point	(160.119)	160.119
	Decreased by 1% point	140.535	(140.535)

19. Deferred Tax - CPC

CPC has carried forward tax losses amounting to Rs. 298,103 Mn(2020 Rs.255,193 Mn) which are available to set-off against the future tax profits. Deferred tax assets not accounted on these lossess amounts to Rs. 71,545 Mn (2020 Rs. 61,246 Mn).

As gains from realizations of assets are subjected to tax separately, deferred tax liability on realization of lands are noted below.

19.1. Deferred Tax - CPC

	2021 Rs. Mn	2020 Rs. Mn
Balance at the beginning of the period	2,494.132	2,909.821
Origination and reversal of temporary difference - Income Statement	-	-
- Other Comprehensive income	(1.205)	(415.689)
Balance at the end of period	**2,492.927**	**2,494.132**
Deferred tax Assets	-	-
Deferred tax liability	2,492.927	2,494.132
Net deferred tax liability	**2,492.927**	**2,494.132**

19.2 Recognized deferred tax assets and liabilities

	2021 Rs. Mn		2020 Rs. Mn	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Land	(1.205)	2,492.927	(415.689)	2,494.132
	(1.205)	**2,492.927**	**(415.689)**	**2,494.132**

Deferred tax has been calculated using an effective tax rate @ 24%. The single tax rates applied different levels of taxable income, resulting to Rs. 1.205 Mn decrease in the deferred tax liability as at 31 December 2021.

19.1. Deferred Tax - Group

	2021 Rs. Mn	2020 Rs. Mn
Balance at the beginning of the period	4,090.682	4,995.736
Origination and reversal of temporary difference - Income Statement	(89.604)	(453.128)
- Other Comprehensive income	101.660	(451.927)
Balance at the end of period	**4,102.738**	**4,090.682**
Deferred tax Assets	(400.202)	(489.494)
Deferred tax liability	4,502.940	4,580.175
Net deferred tax liability	**4,102.738**	**4,090.682**

19.2 Recognized deferred tax assets and liabilities

	2021 Rs. Mn		2020 Rs. Mn	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Property, Plant & Equipment & Intangible assets	(79.614)	2,010.013	(484.298)	2,086.043
Land	2.380	2,492.927	(415.689)	2,494.132
Deferred tax assets				
Inventories	(0.151)	(4.020)	0.729	(3.869)
Provisions	(8.073)	(9.944)	0.251	(1.871)
Employee benefit plan	97.516	(386.239)	30.190	(483.755)
Tax loss	-	-		-
	12.058	**4,102.738**	**(868.817)**	**4,090.682**

Deferred tax has been calculated using an effective tax rate @ 24%. The single tax rates applied different levels of taxable income, resulting to Rs. 12.057 Mn increase in the deferred tax liability as at 31 December 2021.

20. Loans & Borrowings

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Peoples Bank-BIA Project	1,332.942	1,402.518	1,332.942	1,402.518
Self Financing Facility(CNCEC-14) -BIA Project	3,940.094	3,374.409	3,940.094	3,374.409
	5,273.036	**4,776.927**	**5,273.036**	**4,776.927**
20.1 Current Portion of Loans & Borrowings				
Treasury (A.D.B) Loan	-	37.980	-	37.980
Peoples Bank-BIA Project	156.817	73.817	156.817	73.817
Self Financing Facility(CNCEC-14) -BIA Project	463.541	177.600	463.541	177.601
	620.358	**289.397**	**620.358**	**289.397**

1.Peoples Bank Loan is guaranteed by a Treasury Guarantee of US$ 7.725 Mn issued to People's Bank on behalf of CPC.

2.Self Financing Loan facility obtained for the BIA Project from the project construction joint venture Partner Ms China National Chemical Engineering No 14. Construction Co.Ltd (CNCEC) and the loan is guaranteed by a Severing Guarantee of US$ 43.775 Mn issued to CNCEC on behalf of CPC.There is no cash flows through this loan and the project loan amount is recognised in the Financial Statement based on the working progress as per the loan facility agreement.

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

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Amount due within 2 years	1,240.710	792.231	1,240.710	792.231
Amount due within 3-5 years	1,861.070	1,508.503	1,861.071	1,508.503
Amount due after 5 years	2,791.614	2,765.590	2,791.614	2,765.590
	5,893.394	**5,066.324**	**5,893.394**	**5,066.324**

The carrying values of borrowings are considered to be the fair value.

(a). People's bank USD 7,725 Mn. Loan - (Interest 6 months LIBOR+5%p.a.) repayable in biannual instalments commencing from Dec 30, 2021.

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

21. Trade & Other Payables

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Foreign Bills Payable	224,686.870	175,564.683	224,686.870	175,564.683
Other Creditors			-	-
- Amount due to Inland Revenue & Custom Dept.	12,593.356	14,761.711	12,633.938	14,816.097
- Accrued Expenses	10,718.810	8,640.426	3,971.762	2,493.504
- Other payables	8,819.702	1,692.783	9,989.079	3,529.346
	256,818.738	**200,659.603**	**251,281.648**	**196,403.628**

Trade payables include the payable amounting to USD 250.925 million (Rs. 50,937.608 million as at 31.12.2021) to National Iranian Corporation, Iran on the purchase of two shipments of Crude Oil in the year 2012. This balance has not been settled due to the sanctions imposed to Iran. The Corporation has recognized exchange variation loss of Rs. 2,989.923 million for the year 2021 and Rs. 18,182.970 million for the period from 2012 to 2021. Although efforts, such as settlement through other mechanisms have been taken to settle the outstanding balance, no any settlement made during the year.

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

22. Short Term Borrowings

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Bank & Other loans				
- Wholly Repayable within one year	509,730.942	389,962.490	509,730.942	389,962.490
- Bank Overdrafts	537.991	787.658	537.991	787.658
	510,268.933	**390,750.148**	**510,268.933**	**390,750.148**

Bank Borrowings (except Overdraft) are guaranteed by a Treasury indemnity of US$ 3,300 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.

23. Employees

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
23.1 Staff Cost				
Salaries & Wages	6,029.236	4,944.554	12,344.136	10,715.059
Defined Contribution Plan	591.951	514.347	1,185.442	1,015.774
Defined benefit obligation (Note 18)	269.422	260.331	512.181	550.214
	6,890.609	**5,719.232**	**14,041.760**	**12,281.048**

24. Cash Flows From Operating Activities

	CPC		Group	
	2021 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2020 Rs. Mn
Profit/(Loss) before tax	**(82,225.782)**	**2,356.377**	**(80,564.785)**	**4,248.092**
Adjustment for :				
Depreciation	2,683.923	2,669.773	3,577.067	3,696.996
Amortisation	379.246	390.810	407.432	416.718
Unrealize exchange variation	11,903.959	6,967.224	11,903.959	6,967.224
Dividend Income	-	(0.122)	-	(0.122)
Interest Income	(18,369.081)	(11,187.890)	(18,570.653)	(11,497.174)
Allowance for impairment	1,709.626	15.969	1,743.897	15.882
Interest Expenses	25,642.906	20,911.327	25,642.906	20,911.327
Provision for Retirement Obligation	269.422	260.331	512.181	550.214
(Profit)/Loss on Sale of Property, Plant & Equipment	(3.489)	(1.707)	(3.420)	(1.274)
Amotization of special levy	1,000.000	1,000.000	1,000.000	1,000.000
Operating Profit/(Loss) before Working Capital changes	**(57,009.270)**	**23,382.092**	**(54,351.416)**	**26,307.883**
Changes in Working Capital				
(Increase)/ Decrease in Inventories	10,592.206	13,249.376	10,569.436	13,226.218
(Increase)/ Decrease in Trade and Other Receivables	(19,838.013)	16,118.087	(22,439.422)	14,479.040
Increase/ (Decrease) In Trade and Other Payables	51,530.371	(106,728.977)	52,246.504	(106,314.088)
Cash Generated from/ (Used in) operating activities	**(14,724.706)**	**(53,979.424)**	**(13,974.896)**	**(52,300.946)**

25. Operating Segments

	Transport Rs. Mn	Power Generation Rs. Mn	Aviation Rs. Mn	Industries Rs. Mn	Storage & Transportation Rs. Mn	Others Rs. Mn	Eliminations/ Adjustments Rs. Mn	Total Rs. Mn
Revenue								
External Customers	455,477.944	47,322.787	30,784.061	16,249.055	264.825	34,920.576	-	**585,019.248**
Inter Segment					14,011.364		(14,011.364)	-
Total Revenue	**455,477.944**	**47,322.787**	**30,784.061**	**16,249.055**	**14,276.189**	**34,920.576**	**(14,011.364)**	**585,019.248**
Results								
Operating Profit	(25,573.310)	(12,355.861)	2,333.682	973.771	1,458.236	(7,110.158)	1.190	**(40,272.450)**
Exchange Rate Variation	(27,399.167)	(3,602.294)	-	(765.872)	-	(1,452.748)	-	**(33,220.081)**
Net Finance Cost	(5,532.562)	(727.391)	(339.857)	(154.648)	-	(317.796)		**(7,072.254)**
Profit /(Loss) before tax	**(58,505.040)**	**(16,685.546)**	**1,993.825**	**53.251**	**1,458.236**	**(8,880.702)**	**1.190**	**(80,564.785)**
Income tax Expense					(551.476)		-	**(551.476)**
Profit/(Loss) for the year	**(58,505.040)**	**(16,685.546)**	**1,993.825**	**53.251**	**906.760**	**(8,880.702)**	**1.190**	**(81,116.261)**

26. Restatement of Financial Statements

1. The Subsidiary (CPSTL) has charged additional 03 cents from 2010 to 2019 as pipeline charges. As CPSTL written-off this balance, the Corporation adjusted the reversal of the expenditure amounting to Rs. 97.893 million in the financial statements for the prior periods. Further, the Corporation recognized the interest component for the period from 2016 to 2017 in the financial statements in respective periods and it has been written-off in the year 2018. However, as agreed with the Subsidiary and instruction given by the Ministry of Energy, loan interest amounting to Rs. 637.043 million has been recognized in the financial statements for the prior periods.
2. The impact of changes between the subsidiary last year's restated financial statements and the consolidated financial statements have been adjusted for the last year consolidated financial statement.
3. The Corporation had raised debit notes for the delay deliveries, short loading and other penalties for the period from 2013 to 2018 and these transactions had not been recorded in the financial statements in respective periods. Therefore, the Corporation recognized the penalties charged from the fuel suppliers amounting to Rs. 891.709 Mn. as an income for the prior periods.
4. The Corporation disclosed the Net Revenue (net of discounts and dealer margin) in the Financial Statements and it has changed to Gross Income basis without netting off the discounts and margins. The relevant tax impact of the disclosure change also adjusted.

The following tables summarize the impact on CPC and Group's financial statements.

26.1 Statement of Financial Position

1 January 2020	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Trade and Other Receivables	164,152.545	891.709	165,044.254	170,080.427	207.983	170,288.410
Others	164,129.524	-	164,129.524	181,561.203		181,561.203
Total Assets	**328,282.069**	**891.709**	**329,173.778**	**351,641.630**	**207.983**	**351,849.613**
Trade and Other Payables	305,869.933	539.149	306,409.082	304,228.902	315.426	304,544.328
Others	318,535.405	-	318,535.405	322,327.418	-	322,327.418
Total Liabilities	**624,405.338**	**539.149**	**624,944.487**	**626,556.320**	**315.426**	**626,871.746**
Retained earnings	(339,957.298)	352.560	(339,604.738)	(327,484.989)	45.891	(327,439.099)
Capital & Other reserves	43,834.029		43,834.029	52,570.299	(153.335)	52,416.964
Total Equity	**(296,123.269)**	**352.560**	**(295,770.709)**	**(274,914.690)**	**(107.444)**	**(275,022.134)**

31 December 2020	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Property, Plant & Equipment	43,541.537	-	43,541.537	59,586.486	26.67	59,613.156
Trade and Other Receivables	151,053.605	877.131	151,930.737	156,721.988	(108.721)	156,613.267
Other Assets	129,977.204	-	129,977.204	130,828.050		130,828.050
Total Assets	**324,572.346**	**877.131**	**325,449.478**	**347,136.524**	**(82.051)**	**347,054.473**
Trade and Other Payables	200,120.453	539.149	200,659.603	196,155.660	247.969	196,403.629
Others	400,013.039	-	400,013.039	403,625.232	-	403,625.232
Total Liabilities	**600,133.492**	**539.149**	**600,672.642**	**599,780.892**	**247.969**	**600,028.861**
Retained earnings	(337,071.081)	337.982	(336,733.099)	(323,462.147)	(107.352)	(323,569.498)
Non Controlling Interest	-	-	-	9,307.844	(222.667)	9,085.177
Capital & Other reserves	61,509.935		61,509.935	61,509.935		61,509.934
Total Equity	**(275,561.146)**	**337.982**	**(275,223.164)**	**(252,644.368)**	**(330.019)**	**(252,974.387)**

26.2 Statement of Comprehensive Income

For the year ended 31 December 2020	CPC			Group		
	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn	As previously reported Rs. Mn	Adjustments Rs. Mn	As restated Rs. Mn
Sales Revenue	510,131.005	12,401.827	522,532.832	510,353.178	12,401.83	522,755.005
Cost of Sales	(454,880.140)	-	(454,880.140)	(462,019.238)	-	(462,019.238)
Other Operating Income	818.670	-	818.670	1,145.615	-	1,145.615
S&D and Administrative Expenses	(22,134.384)	(12,416.405)	(34,550.789)	(13,746.760)	(12,631.617)	(26,378.377)
Others	(31,564.196)	-	(31,564.196)	(31,254.914)	-	(31,254.914)
Profit/(loss) before tax	2,370.955	(14.578)	2,356.377	4,477.882	(229.789)	4,248.092
Income tax Expenses	-	-	-	(208.809)	52.048	(156.761)
Profit /(Loss) for the year	2,370.955	(14.578)	2,356.377	4,269.073	(177.741)	4,091.331
Other Comprehensive Income	18,191.168	-	18,191.168	18,076.417	-	18,076.417
Total comprehensive income	**20,562.123**	**(14.578)**	**20,547.545**	**22,345.490**	**(177.741)**	**22,167.748**

27. Contingent Liabilities, Commitments & Litigations

Contingent Liabilities

Inland Revenue Department (IRD) has issued following assessments against the Corporation and the Corporation has made appeals before the Commissioner Generals of Inland Revenue for these assessments.

Assessments on the Nation Building Tax (NBT) for the periods 1509, 1512, 1610, 1630, 1640, and 1710 amounting (including penalties) to Rs. 77.04 Mn., Rs. 77.04 Mn., Rs. 203.48 Mn., Rs. 91.39 Mn., Rs. 81.97 Mn., Rs. 24.98 Mn. respectively. Assessments on Value Added Tax have been issued by IRD for the periods 4092, 4093, 6123, 7031, 12090, 13090, 14030, 15030, 15060, 1590, 1610, 1630, 1620 and 1810 amounting (including penalties) to Rs. 136.73 Mn., Rs. 79.23 Mn., Rs. 530.40 Mn., Rs. 54.86 Mn., Rs. 44.90 Mn., Rs. 4.94 Mn., Rs. 3.48 Mn., Rs. 71.78 Mn., Rs. 29.02 Mn., Rs. 12.06 Mn., Rs. 102.17 Mn., Rs. 48.71 Mn., 7.84 Mn. and 60.90 Mn. respectively. Assessments on Turnover Tax and Pay As You Earn Tax for the period 9697, 0203, 0708, 2021 amounting (including penalties) to Rs. 31.92 Mn., Rs. 14.25 Mn., Rs. 0.30 Mn. and Rs. 0.08 Mn. respectively.

IRD has given determination on NBT for the third and fourth quarters of 2015 with tax liability amounting to Rs. 102.7 Mn. The Corporation has appealed to the Tax Appeals Commission against the determination given by IRD.

Assessments issued under the Income Tax have been disclosed under the Note 07 – Tax Expense.

There were no any other material contingent liabilities existing at the date of statement of financial position.

COMMITMENTS

The material commitments of the CPC as at 31st December 2021 relates to following;

Commitments to the Banks

The Corporation established Letter of Credits (L/C) amounting to Rs. 50,732 Mn. (2020- Rs. 32,039 Mn.) and Rs. 83,232 Mn. (2020- Rs. 33,766Mn) 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. 47.65Mn and established bills collection amounting to Rs. 4.72Mn. at two states banks.

Pending Litigations at the reporting date

There were 172 (2020-197) unsettled legal cases as at 31st December 2021 and details are noted below.

Type of Legal Cases	No. of Cases			
	2021		2020	
	CPC	Group	CPC	Group
Labour Tribunal Cases	05	11	08	13
Magistrate Court Cases	04	19	03	04
District Court Cases	19	26	20	28
High Court Cases	04	04	08	08
Court of Appeal Cases	14	17	05	06
Supreme Court Cases	22	26	27	46
Human Rights Commission	22	35	34	44
Department of Labor	27	34	39	48
Total	**117**	**172**	**144**	**197**

Out of the above cases the following case is considered material to CPC

Commercial Bank has filed a case in the Commercial High Court, Colombo against CPC claiming USD 8.5 Mn. with interest and other cost for the Hedging transaction.

The aforementioned cases are still pending in the Courts and therefore, no related provisions are made.

28. Events After the Reporting Date

As per the agreement of "Modalities for the Possession, Development and use of the China Bay Oil Tank Farm by Ceylon Petroleum Corporation ("CPC"), Lanka IOC PLC ("LIOC") and Trinco Petroleum Terminal (Pvt) Limited ("JVC")" dated 06.01.2022, the Corporation invested in Trinco Petroleum Terminal (Pvt) Limited, a joint venture company and the Corporation holds 51% of the issued shares. The registered office of the joint venture company is No. 609, Dr. Danister De Silva Mawatha, Colombo 09.

All other material events after the reporting date, if any and where necessary have been considered and appropriate adjustments/disclosures have been made in the Financial Statements.

29. Impact of COVID -19

COVID-19 impacted on our business with the revenue reduction, exchange rate variation and liquidity position. Due to the uncertainty of the disease, CPC is not in a position to predict the future impact of the COVID-19 on our business with a high degree of confidence.

30. Financial Risk Management

The Group's activities expose to a variety of financial risks; market risk (including currency risk, interest rate risk), credit risk, liquidity risk and price risk. Risk management is carried out by management under policies approved by Board of Directors. Management identifies and evaluates the financial risks with reference to the operations of the Group. The Group's overall risk management programs seek to minimize potential adverse effects on the Group's financial performance.

The principal financial instruments of the Group comprise of fixed deposits, government securities, US Dollar deposits and cash. The main purpose of these finance instruments is to improve and maintain liquidity of the Group and to maximize financial return on the invested funds. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

(a) Market risk

(i) Foreign exchange risk

When the Corporation imports the petroleum products it is exposed to foreign exchange risk arising from currency exposure, primarily with respect to US dollars. The Group's functional currency is LKR in which most of the domestic transactions are denominated, and all other currencies are considered as foreign currencies for reporting purposes. Certain bank balances, trade receivables and trade payables are denominated in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Corporation's profit before tax due to changes in the fair value of USD denominated liabilities.

Item	Value as at 31 December 2021 USD Mn	Year end Exchange rate Rs./USD	Change in Exchange rate	* Effect on Profit Before tax Rs. Mn
Loans & borrowings	2,540.031	202.9992	1% increase	(5,156)
Trade & other payables	1,115.173	202.9992	1% increase	(2,264)
Trade & other receivables	316.344	198.5008	1% increase	628
Bank balance	7.723	198.5008	1% increase	15
Total				**(6,777)**

* The effect on the profit before tax is the result of a change in the fair value of related liability denominated in US Dollars, where the functional currency is Sri Lankan Rupee.

Financial statements of the Group which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk. The changes in foreign currency exchange rates affect the cost of materials, purchases and services obtained from various parties in foreign currencies. In particular, continuous depreciation of the LKR against the US$ and other foreign currencies has direct impact on the operating and financial result through its impact on cost of imported petroleum products and other purchases.

(ii) Interest rate risk

Interest rate risk of the Group arises mainly from the borrowings and investments in the form of government securities and fixed deposits. In the case of supplier credit, interest rate varies largely from prevailing market rates. Foreign currency loans obtained through two state commercial banks are at negotiated rates of interest. The Group analyses the interest exposure on a continuous basis and monitors London Inter Banking Offer Rate (LIBOR) and money market rates.

(b) Credit risk

Credit risk is the risk of financial loss to the Group, if a customer fails to meet its contractual obligations. Most of the Group's customers are not independently rated, therefore the quality of customers is considered by taking into account its financial position, past experience and other qualitative factors. The Corporation has established a credit policy under which each new customer is analyzed individually for credit worthiness before the credit limit is granted. Customers who fail to meet the corporations' credit policy may transact with the corporation only on cash basis.

Period	CPC	
	2021 Rs. Mn	2020 Rs. Mn
Less than 30 days	23,802.202	15,267.481
30 - 90 days	10,269.046	8,262.726
91– 180 days	11,103.936	11,543.035
181 - 365 days	26,407.638	26,401.446
More than 365 days	89,496.942	79,629.784
Total	**161,079.764**	**141,104.471**

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. 141,607.205 Mn that are expected to readily generate cash inflows for managing liquidity risk.

The table below shows the Corporation's non-derivative liabilities into relevant maturity grouping based on the remaining period at the reporting date to contractual maturity date.

December 2021 (Rs. million)					
	Less than 3 months	3 months to 12 months	1 – 2 years	3-5 Years	Over 5 years
Bank borrowings	510,269	-	-	-	-
Long term debt	232	389	620	1,861	2,792
Total	**510,501**	**389**	**620**	**1,861**	**2,792**

(d) Price Risk

The corporation is exposed to the commodity price risk of petroleum products (both Crude & Finished Products) & other raw materials imported from overseas countries in US Dollars and other currencies. Cost reflective price mechanism is not in place in deciding domestic retail sales prices of petroleum products in line with international oil price movements. The Corporation regularly holds weekly stock review meetings at which future product requirements are discussed and planned for the required future importation. At the same time the corporation continuously interacts with the General Treasury by giving financial information of Petroleum products to make suitable timely managerial decisions.

31. Directors' Interest In Contracts & Related Party Transactions

Board of Directors are considered as key management personnel. No Director has direct or indirect interest in the contracts with CPC & CPSTL except the following;

Mr. Buddhika Madihahewa is the Managing Director of CPC, and he serves as a Director of CPSTL.

Compensation of Key Management Personnel

	CPC	
	2021 Rs. Mn	2020 Rs. Mn
Short term Benefits	10.568	5.547

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

	2021 Rs. Mn	20120 Rs. Mn
Sales & Services rendered to related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	352.298	429.283
Other related parties		
Ministry of Petroleum Resources Development	26.708	24.176
	379.006	453.459
Services received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	13,665.432	12,922.794
	13,665.432	12,922.794
Dividend Received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	-	240.000
Amount due from related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	662.447	600.747
Other related parties		
Ministry of Petroleum Resources Development	4.167	14.075
	666.614	614.822
Amount due to related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	8,330.844	7,104.934

* Amounts are classified as trade and other receivables and trade and other payables, respectively

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

Since the Government of Sri Lanka directly controls the Corporation, CPC has considered the Government owned companies and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as Related Parties according to LKAS 24, 'Related Party Disclosures'.

32. Capital Management

Primary objective of capital management is to maintain an optimum capital structure and maintain going concern status while safeguarding key stakeholders' interests. However, as at 31st December 2021 CPC still had a negative net asset position of Rs. 357,537 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.

Decade at a Glance

	2012	2013	2014	2015	2016	2017	2018	2019	2020 Restated	2021
Domestic Prices	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Petrol - 92 Octane	159	162	150	117	117	117	125	137	137	177
Auto Diesel	115	121	111	95	95	95	101	104	104	121
Super Diesel	142	145	133	110	110	110	121	132	132	159
Kerosene	106	106	81	49	44	44	70	70	70	87
Furnace Oil 800"	92.2	92.2	92.2	80	80	80	92	96	96	110
Furnace Oil 1500"	65	90	90	80	80	80	96	96	96	110
Financial Performance	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Revenue	512,910	490,381	525,182	376,734	423,061	445,950	575,492	630,860	522,533	584,754
Cost of Sales	-540,439	-464,374	-499,956	-337,119	-326,441	-418,962	-579,617	-626,599	-454,880	-588,822
Gross Margin	-27,529	26,007	25,226	39,615	96,620	26,988	-4,124	4,261	67,653	-4,068
Net operating expenses and interest	-62,041	-33,897	-24,532	-55,637	-27,067	-24,173	-102,016	-16,096	-65,297	-78,158
Profit/(Loss) before tax	-97,182	-7,890	694	-19,886	69,553	2,815	-106,140	-11,836	2,356	-82,226
Financial Position	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Capital	3,500	3,500	3,500	28,487	28,487	28,487	28,487	28,487	28,487	28,487
Reserves	-232,045	-239,967	-236,791	-257,472	-214,334	-205,479	-309,949	-324,610	-303,710	-386,024
L/T Liabilities	1,998	1,351	703	342	266	190	1,539	6,838	7,271	7,766
Gratuity Provision	547	538	664	861	754	1,708	1,681	1,686	1,702	1,862
Total	**-226,000**	**-234,578**	**-231,924**	**-227,782**	**-184,827**	**-175,094**	**-278,242**	**-287,599**	**-266,250**	**-347,909**
Profitability Ratios										
Gross Profit Ratio	-5.40%	5.30%	4.80%	10.50%	22.80%	6.05%	-0.72%	0.68%	12.95%	-0.70%
Net Profit Ratio	-18.90%	-1.60%	0.00%	-5.30%	16.40%	0.24%	-18.45%	-1.88%	0.44%	-13.85%
Operating Ratios										
Inventory T/O Ratio	10.89	7.3	7.77	6.44	8.53	9.48	9.51	9.53	8.66	14.05
Interest Cover	-3.88	0.57	1.05	-0.32	7.1	1.32	-2.1	-1.3	1.62	-1.63
Liquidity Ratios										
Current assets Ratio	0.43	0.39	0.34	0.31	0.34	0.38	0.44	0.47	0.45	0.47
Quick Ratio	0.28	0.24	0.19	0.21	0.24	0.27	0.34	0.36	0.36	0.42

Corporate Information

Name of the entity:	Ceylon Petroleum Corporation
Legal form:	A public corporation incorporated under Ceylon Petroleum Corporation Act No. 28 of 1961
Registered office:	609, Dr. Danister De Silva Mawatha, Colombo 09.
Telephone:	+94 11 5455455
Fax :	+94 11 5455400
E-mail:	secratariat@ceypetco.gov.lk
Website:	www.ceypetco.gov.lk
Financial year:	01 January to 31 December
Board of Directors:	Mr. Mohamed Uvais Mohamed (Chairman) Mr. L E Susantha Silva (Managing Director) Mrs. R.M.D.K Rathnayake Mr. W W D Sumith Wijesinghe Dr. Prabath Samarasinghe
Subsidiary company:	Ceylon Petroleum Storage Terminals Limited, Oil Installation, Kollonnawa
Auditors:	The Auditor General
Bankers:	People’s Bank, Bank of Ceylon, Commercial Bank, Hatton National Bank, Nations Trust Bank, National Development Bank

CEYLON PETROLEUM CORPORATION

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