



ENERGY FOR TOMORROW



Ceylon Petroleum Storage Terminals Limited
Annual Report 2022



ENERGY FOR TOMORROW



CONTENTS

Corporate Information	05
Performance Highlights	10
Year At A Glance	12
Our Leadership	14
Chairman's Message	16
The Board Of Directors	20
Senior Management Team	26
Management Discussion & Analysis	31
Operating Environment	32
Financial Capital	44
Manufactured Capital	48
Human Capital	55
Governance & Compliance	64
Corporate Governance	66
Risk Management	78
Annual Report Of The Board Of Directors	89
Audit And Management Committee Report	92
Financial Statements	96
Auditor General's Report	98
Statement Of Financial Position	111
Statement Of Comprehensive Income	112
Statement Of Changes In Equity	113
Statement Of Cash Flows	114
Notes To The Financial Statements	115
Detailed Income Statement	151
Five Year Financial Summary	153

CORPORATE INFORMATION

NAME OF THE ENTITY

Ceylon Petroleum Storage Terminals Limited

LEGAL FORM:

Incorporated under the Companies Act
No: 17 of 1982 in terms of Section 2 (1) of
the Conversion of Public Corporation or
Government Owned Business Undertaking
into Public Companies Act.

REGISTERED OFFICE:

Oil Installation, Kolonnawa,
Wellampitiya, Sri Lanka.

TELEPHONE

+94 11 2694482

+94 11 2691643

+94 11 2532122

FAX +94 11 2547827

E-MAIL secret@cpstl.lk

WEBSITE www.cpstl.lk

TAX PAYER IDENTIFICATION NO:

134011157

FINANCIAL YEAR

01st January to 31st December

CHAIRMAN / MANAGING DIRECTOR

Mr. M. UVAIS MOHAMED

DIRECTORS

Mr. E.A. Rathnaseela

Mr. Dipak Das

Mr. Aseem Bhargava

Mr. Rajesh Kumar Bhagat

Mr. D.G.R. Manoj Kumar

Mr. Dharmadasa Panditharathna

Mr. Yasiru Lankathilake

PARENT COMPANY

Ceylon Petroleum Corporation

SECRETARIES

Accounting Systems Secretarial
Services (Pvt) Ltd.
No. 11, Castle Lane, Colombo 04.

AUDITORS

The Auditor General

BANKERS

People's Bank, Bank of Ceylon



VISION

To Be The Most Efficient Petroleum Terminal Operator In South Asia.

MISSION

To Remain As The Most Efficient Terminal Operator In South Asia, Meeting Stakeholders Expectations And Committed To Make Perceivable And Continual Improvement In The Level Of Customer Satisfaction, While Preserving The Quality And Ensuring The Exact Quantity Of The Petroleum Products Being Delivered To The Terminal Facility Users/Customers, Honouring The Health, Environmental And Safety Standards In Force Through Dedicated Participation Of A Loyal, Contended And Well Trained Workforce, Guided By The Feedback Of The Customers And The General Public.

ABOUT US

Ceylon Petroleum Storage Terminals Limited is a company duly incorporated under the Companies Act No. 17 of 1982 in terms of Section 2 (1) of the conversion of Public Corporation or Government owned business undertaking into Public Companies Act as Common User Facility (CUF) consisting of Oil Terminals, Storage Facilities, Pipeline and the Bowser Fleet, more fully described in the Government Gazette Extraordinary bearing No. 1310/8 dated 13th October 2003.

We are a company engaged in bulk Petroleum Storage and Distribution activities with state-of the-art infrastructure facilities for management of downstream petroleum product handling in Sri Lanka and continued to consistently enhance our stakeholder value propositions, demonstrating our commitment to support Sri Lanka's development journey through building a healthy and competitive fuel storage & distribution.

The company is a subsidiary of Ceylon Petroleum Corporation (CPC) owning 2/3 of share capital and the balance owned by - Lanka IOC PLC. Ceylon Petroleum Storage Terminals Limited benefits from the parent entity's almost six-decades of experience and expertise to proposition Sri Lanka's economic development, driving innovation and ensuring environmental sustainability in the energy sector.

We serve around one thousand retail outlets island wide owned by Ceylon Petroleum Corporation and Lanka IOC PLC to meet the energy demand of the retail consumers in the country and the large number of bulk consumers in various industrial sectors involved in economic development process. Two main terminals supported by 11 bulk depots which are involved in the storage and distribution network with around 2,500 employees actively participate in various activities of the company.

MAIN TERMINALS

- Kolonnawa Installation & Muthurajawela Terminal

BULK DEPOTS

- | | |
|------------------|------------------|
| ▪ Anuradhapura | ▪ Badulla |
| ▪ Kotagala | ▪ Kurunegala |
| ▪ Batticaloa | ▪ Galle |
| ▪ Matara | ▪ Peradeniya |
| ▪ Haputale | ▪ Kankasanthurai |
| ▪ Sarasavi Uyana | |

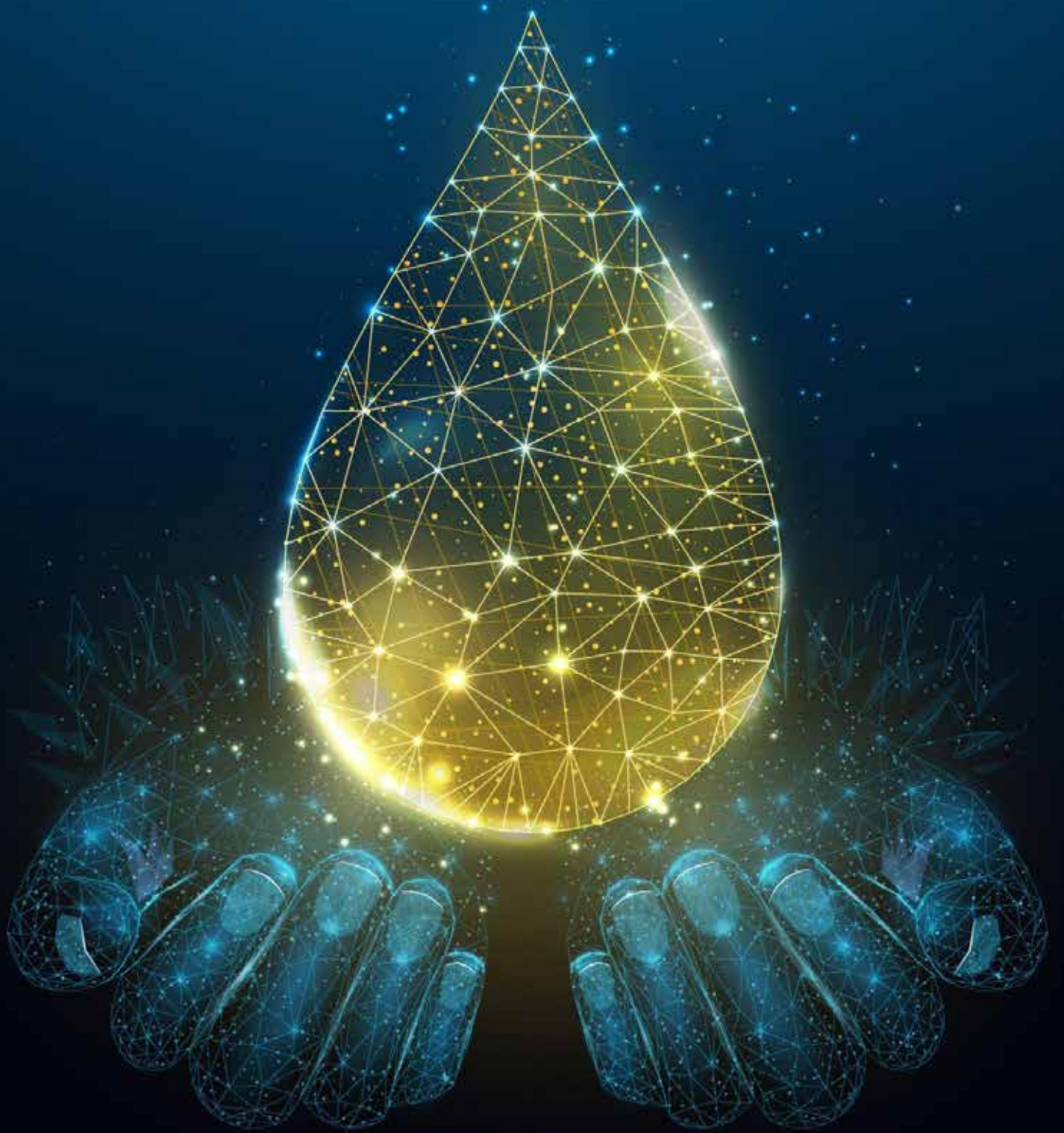
Kolonnawa Installation handles 13 petroleum products whereas Muthurajawela Terminal handles 3 petroleum products.

Distribution function of CPSTL undertake deliveries of petroleum products on behalf of two marketing companies CPC and LIOC operating two main terminals at Kolonnawa and Muthurajawela while strengthening the distribution of petroleum products island wide, CPSTL is operating 11 outstation bulk depots and one inland railside depot. Replenishment of Products to these locations and Inland railside depot are through rail bogies loaded at Kolonnawa Installation and by road using CPSTL and hired road tankers from main terminals. Aviation fuels is stored at Kolonnawa Installation only and transferred to Banadaranayake International Airport (BIA) at Katunayake on daily basis by railway. Rathmalana and other air fields operated by Sri Lanka Air Force get their requirement by road. Low Sulphur Furnace Oil is stored only at Muthurajawela Terminal and is transferred to only customer which is Kerawalapitiya power plant through a dedicated pipeline.



PERFORMANCE HIGHLIGHTS

		2022	2021	2020	2019	2018	2017	
		(Restated)						
FINANCIAL CAPITAL	STRATEGIC PRIORITY: FINANCIAL GROWTH							
	Revenue	LKR Mn	9,433	14,276	13,568	15,340	13,130	14,176
	Operating profit	LKR Mn	(989)	1,377	1,906	1,966	1,405	3,208
	Profit / (Loss) before tax	LKR Mn	(704)	1,578	2,215	2,289	1,522	3,273
	Profit / (Loss) after tax	LKR Mn	(1,059)	1,169	2,001	1,305	197	2,800
	Return on equity	%	-4%	4%	7%	5%	1%	11%
	Financial Stability							
	Total assets	LKR Mn	33,481	33,999	32,588	31,522	30,322	29,991
	Total liabilities	LKR Mn	6,252	5,999	5,369	5,773	5,556	4,828
	Shareholders' funds	LKR Mn	27,229	28,000	27,218	25,749	24,766	25,163
	Cash and cash equivalent	LKR Mn	2,006	2,257	3,442	3,999	3,149	1,474
	Shareholder information							
	Earnings per share	LKR	(1.41)	1.56	2.67	1.74	0.26	3.73
	Dividends per share (paid)	LKR	-	-	0.48	0.30	0.868	0.54
MANUFACTURED CAPITAL	Net asset value per share	LKR	36	37	36	34	33	33
	Economic value added	LKR Mn	(704)	1,812	2,458	2,319	1,613	3,616
	STRATEGIC PRIORITY: OPERATIONAL EXCELLENCE							
	Property, plant and equipment							
	Terminals & Depots	Nos	13	13	13	13	13	14
Capital expenditure	LKR Mn	925	1,358	1,085	981	375	833	
HUMAN CAPITAL	STRATEGIC PRIORITY: INVESTING IN PEOPLE							
	Total employees	Nos	2,474	2,629	2,766	2,856	2,932	3,045
	Female representation	Nos	308	343	321	326	334	343
	Payments to employees	LKR Mn	6,745	6,908	5,918	6,636	6,853	5,570
	Employee attrition rate	%	6%	6%	4%	5%	6%	1%
	Investments in training	LKR Mn	2	3	4	17	22	32
	Total training hours	Hours	5,006	3,806	6,245	9,706	12,609	21,832
	Average training hours/employee	Hours	8	4	6	5	7	9
	Revenue per employee	LKR Mn	3.81	5.43	4.91	5.37	4.48	4.66
SOCIAL AND RELATIONSHIP CAPITAL	Net profit (Loss) per employee	LKR Mn	(0.43)	0.44	0.68	0.42	0.09	0.89
	Indirect employees (approx.)	Nos	70	75	61	71	63	105
	Customer touch points	Nos	40	40	40	40	40	40
	Investment in CSR	LKR Mn	0.3	6.5	1.7	3.8	2.1	6.1
	No. of beneficiaries (approx.)	Nos	775	8,600	4,000	8,800	8,700	8,500
	Contribution to Government	LKR Mn	1,796	1,608	1,683	2,441	2,579	2,175
SOCIAL AND RELATIONSHIP CAPITAL	STRATEGIC PRIORITY: SUSTAINABILITY							
	Energy consumption	Kwh	4,717,569	5,342,888	5,602,794	6,360,903	6,397,024	5,554,900
	Water consumption	KL	204,872	280,239	270,023	299,011	333,344	276,214
	Sludge Disposal	KL	99.6	32.4	244.2	118.8	165	-



YEAR AT A GLANCE

**SALES
VOLUME**

3,954,237 KL

REVENUE

9.43 Bn.LKR

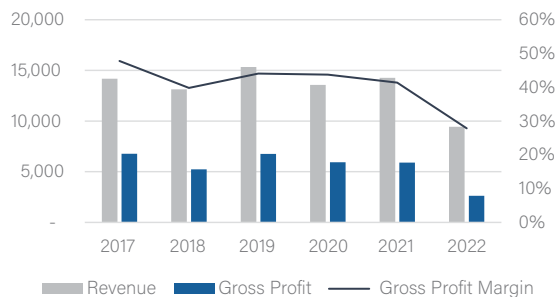
**ASSET
BASE**

**PROFIT
AFTER TAX**

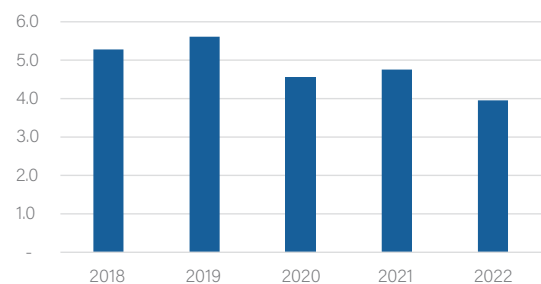
-1.0 Bn.LKR

33.5 Bn.LKR

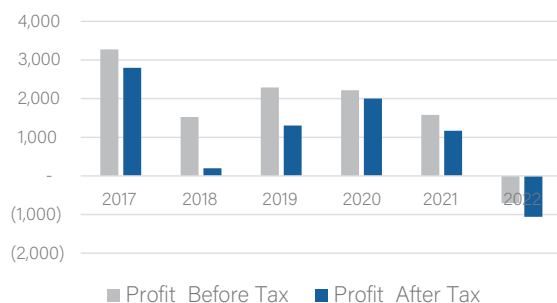
**Revenue & GP Margin Trend
(LKR Mn)**



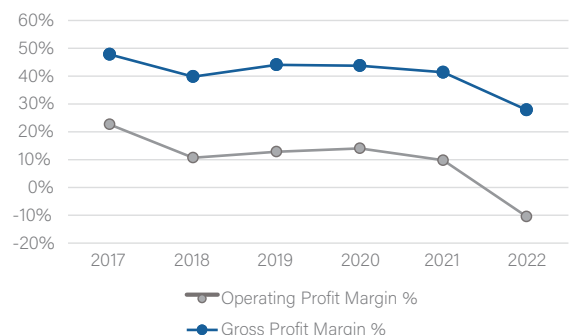
Sales Volume (KL Mn)



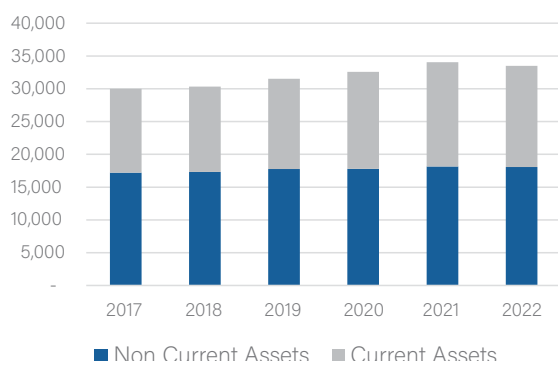
**Pre Tax & Post Tax Profit
(LKR Mn)**



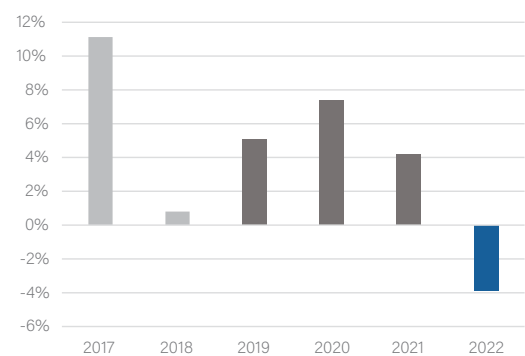
Operating Performance



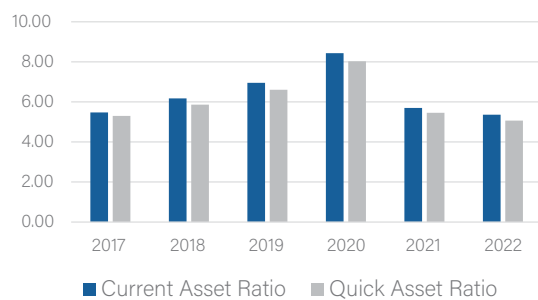
Total Asset Growth (LKR Mn)



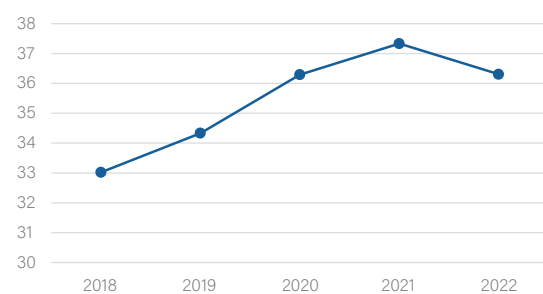
Return On Equity %



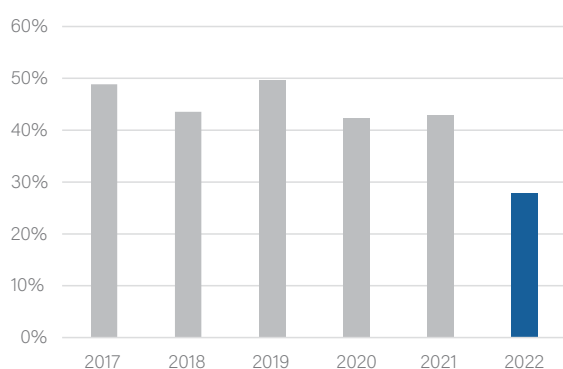
Current/Quick Asset Ratio (Times)



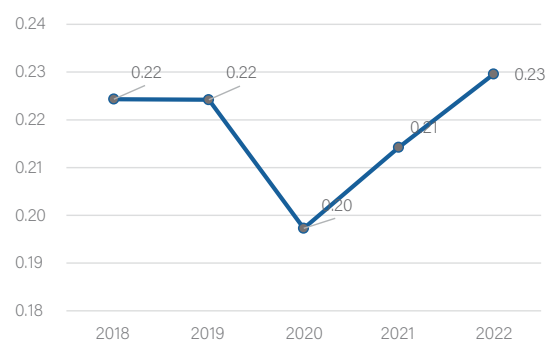
Net Asset Value Per Share (LKR)



Asset Turnover Ratio



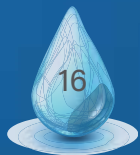
Gearing Ratio (Times)



OUR LEADERSHIP







CHAIRMAN'S MESSAGE



Sri Lanka's local economy faced challenges during this period, characterized by economic difficulties and policy shortcomings. Throughout these challenges, CPSTL remained committed to supporting the national economic stability through responsible business practices and corporate citizenship.



On behalf of the Board of Directors, I am pleased to present the annual report of Ceylon Petroleum Storage Terminals Limited (CPSTL) for the year 2022. The global oil industry experienced significant changes and encountered noteworthy challenges in 2022. After the economic downturn resulting from the COVID-19 pandemic in 2020, we observed a remarkable recovery in oil prices during 2022.

Despite the challenging operational landscape faced by our services in the fiscal year under review, stemming from developments in the local and macroeconomic environments, as well as sector-specific challenges in the petroleum industry, CPSTL continued its journey to become the most efficient petroleum terminal operator in South Asia. This was made possible through the dedication of our expert professionals and the unwavering support of our loyal, satisfied, and well-trained workforce.

Operational milieu:

In 2022, Sri Lanka experienced a severe fuel crisis due to a shortage of foreign exchange liquidity, leading to social unrest, hoarding, and long queues at fuel stations. To address the crisis, the government initiated several measures, including securing short-term credit facilities, revising pricing formulas, and implementing priority systems for exporters, QR code-based fuel distribution, and prepaid cards for tourists.

During this time, global crude oil prices remained high due to geopolitical tensions and supply constraints but moderated somewhat in early 2023. These fluctuations impacted CPSTL's operations and decision-making. However, CPSTL demonstrated adaptability by embracing technology and aligning with changing consumer preferences to ensure operational resilience.

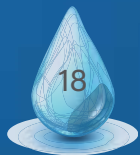
Global crude oil prices experienced ups and downs throughout the year, initially surging to \$140 per barrel in March due to geopolitical tensions and sanctions on Russia. In the latter part of the year, downward pressure on prices emerged due to concerns about a global economic slowdown, monetary policy tightening, COVID-19 restrictions in China, and U.S. strategic oil releases. Despite this, sporadic upward movements occurred due to factors such as OPEC production cuts, price caps on Russian oil by G7 countries, EU bans on Russian crude imports, and signs of demand recovery in China.

Sri Lanka's local economy faced challenges during this period, characterized by economic difficulties and policy shortcomings. Throughout these challenges, CPSTL remained committed to supporting the national economic stability through responsible business practices and corporate citizenship.

Capital wealth:

In 2022, CPSTL faced significant economic challenges, including a 34% reduction in revenue compared to the previous year. This drop was mainly due to decreased sales volume, a result of fuel stock shortages in the midst of a fuel supply chain crisis, leading to a 17% decrease in sales volume compared to 2021. This decline in revenue had a domino effect, causing a 56% reduction in gross profit, lowering the gross profit margin from 41% in 2021 to 28% in 2022. Consequently, CPSTL recorded an operating loss of Rs. 0.9 billion in 2022, contrasting with a 10% operating profit margin in 2021.

Despite the hardships, CPSTL remains committed to overcoming adversity, with confidence in strategic adjustments and a forward-thinking approach.



CHAIRMAN'S MESSAGE

to navigate the evolving business landscape and emerge as a stronger, more agile, and prosperous company.

Built environment:

CPSTL's Muthurajawela Terminal, established in 2004, originally handled 500MT of Diesel, Furnace, and Kerosene daily with 52 staff members. Now, due to increased fuel demand, it manages 6000MT daily with 306 employees. Future plans aim to increase this capacity. The semi-automated terminal offers efficiency advantages, like swift turnaround times for road tankers and direct product transfers from SPBM-02 without port charges. Its strategic location at the Outer Circular Expressway entrance enables cost-effective island-wide distribution.

CPSTL intends to boost gantry filling capacity, especially for petrol. This involves installing high-capacity pumps at Zone 07, constructing a new product pump house at Zone 06 (Rs. 36 million), and trenching for pipelines (Rs. 50 million), with completion expected in early 2024.

In-line with American Petroleum Institution (API) recommendations, CPSTL introduces Internal Floating Roofs (IFR) to reduce evaporation losses. IFR has been implemented in Kolonnawa Installation and Lanka Bulk Depots, with plans to complete Tank No. 04 and Tank No. 05 at LBD Magalle by December 2023.

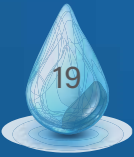
The LBD Kurunegala project involves constructing a new filling gantry, product pipelines, fire foam feeding pipelines to LS 92 storage tanks with IFR, and tank drench pipelines for safety. It is 80% completed and set to finish in February 2023.

Skill reservoir:

The organization highly values its human capital, which includes employees' knowledge, skills, experience, and well-being. We believe that employees are crucial to our success and are committed to supporting their career growth and recognizing their contributions. The organization prioritizes creating a motivating work environment and has governance structures in place to enhance employee productivity. Our workforce consists of 2,474 employees who help achieve our strategic objectives while upholding corporate values. The organization recognizes the importance of a forward-looking learning strategy to meet future business demands and is committed to developing our workforce through a Training & Human Resource Development division.

Acknowledgments:

Our courageous operations were complemented by a deep-rooted confidence in our capabilities. We undertook strategic investments in infrastructure and technology, optimizing our storage and distribution systems to enhance efficiency and reliability. Our workforce, driven by a shared belief in our vision, displayed remarkable confidence in their abilities, ensuring that our facilities operated seamlessly to meet the nation's energy needs. We navigated regulatory changes and market volatility with a surefootedness that only comes from a steadfast belief in our mission. As we present this annual report, we do so with the confidence that our diligent efforts will continue to play a pivotal role in fueling the aspirations of Sri Lanka's people and its burgeoning economy. Our courageous and confident operations in 2022 have positioned us as a beacon of

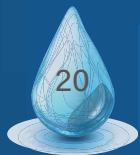


stability and reliability in the energy sector, and we remain unwavering in our commitment to achieving even greater success in the years ahead.

The Board is dedicated to ensuring effective governance and the integrity of CPSTL. I am deeply grateful to my fellow Board members for their guidance and support throughout the challenging year of 2022. I also extend my thanks to the CPSTL team for their resilience and strength in facing the year's challenges.

I take this opportunity to express my sincere gratitude to Hon. Minister of Power & Energy - Kanchana Wijesekara and Hon. State Ministers D.V. Chanaka and Indika Anuruddha for their confidence in us and their guidance. I extend my heartfelt gratitude to my esteemed fellow directors, dedicated management team, committed employees, and invaluable business partners for their unwavering loyalty and steadfast support. As we embark on the journey ahead, I am confident that our collective unity and unwavering dedication will enable us to meet and conquer the new challenges that lie before us.

M. U. Mohamed
Chairman & Managing Director



THE BOARD OF DIRECTORS

01



Mr. Mohamed Uvais Mohamed
Chairman/ Managing Director

02



Mr. E.A. Rathnaseela
Director

01

Mr. M. Uvais Mohamed Chairman/Managing Director

"Train People well enough so they can leave, treat them well enough so they don't want to." – Richard Branson.

Mr. Mohamed Uvais Mohamed is a strong believer in the potential of his workforce and believes the only way to move forward in a productive manner is united and together. He has accumulated around two decades of experience in leadership positions during his career.

At Present he holds the Chairman positions of both Ceylon Petroleum Corporation (CPC) and Ceylon Petroleum Storage Terminals Limited

(CPSTL). He also serves as the Chairperson at the Energy Ministry for Enterprise Resource Planning.

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 College of Business in United Kingdom during 2003 to 2006. He further functioned as the Director at National Apprentice and Industrial Training Authority (NAITA), Founder Advisory Member in Sri Lanka Youth Parliament. His work experience and exposure extends to multiple regions of the world including Europe and other parts of South Asia.

03



Mr. Dipak Das
Director

As the youngest Chairman appointed at CPSTL in the recent past, Mr. Uvais has proven tactful people solving skills whilst moving ahead with innovative business ideas and solutions which he successfully implemented through the prevailing pandemic.

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 Accountants (CIMA), ACB at Toastmaster International. Over the years he has equipped himself with numerous industry professional qualifications and certifications in his fields of passion

04



Mr. Aseem Bhargava
Director

including IT and Accounting. A particular passion remains in the implementation of Corporate ERP Systems at an Enterprise level.

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 possesses a 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.

THE BOARD OF DIRECTORS

05



Mr. Rajesh Bhagat
Director

06



Mr. D G Ravindra Manoj Kumar
Director

02

Mr. E.A. Rathnaseela
Director

Director General – Department of Public Finance, Sri Lanka Administrative Service, Class 1 by profession, Mr. E.A. Rathnaseela holds MA in Policy Economics – 2007/2008 Williams College, Massasuchest, USA. He has obtained his Bachelor of Science in year 1992/1995 from University of Ruhuna. He has also completed the Post Graduate Diploma in Economic Development – 2002 in University of Colombo and Post Graduate Diploma in Development Studies – 2003/2004 from IDE Advanced School of Economics, Chiba, Japan.

Mr. E.A. Rathnaseela started his career as an Assistant Director – Department of Fiscal Policy

in year 2001 until 2006 and promoted to Deputy Director at Department of Trade & Tariff in year 2007 to 2010. Further he served as a Director of Department of National Planning in year 2011 to 2013 and a Director of Sri Lanka Customs in year 2013 to 2016. Also year 2016 to 2023, he is served as a Director/Additional Director General of Department of Public Finance.

Mr. E.A. Rathnaseela has represented General Treasury as a Director in the Board of Directors in several state institutions as State Development and Construction Corporation, Industrial Technology Institute, National Research Council, National Development Bank and presently service as a Director in the Board of Directors in National School of Business Management and Land Reform Commission.

07



Mr. P.D. Dharmadasa Panditharathna
Director

08



Mr. Yasiru Lankathilake
Director

03

Mr. Dipak Das
Director

Mr. Dipak Das is a Mechanical Engineering graduate from NIT Silchar and holds certificate in Petroleum Management. With over 27 years' expertise in the Petroleum Sector, Mr. Das has wide experience in various roles in Indian Oil Corporation Ltd., (IOCL), a Global Fortune 500 Company.

He played a lead role in various capacities in the State of Kerala, Telangana, Andhra Pradesh, Rajasthan, West Bengal and Northeastern States in India covering vast geographies.

Apart from his various key portfolios in Retail Sales and Operations sector, Mr. Das played

important roles to bring Lakshwadeep Islands into the Energy Map in India and Petroleum Retail Outlets were set up in the Kavaratti, Minicoy, Andrott and Kalpeni islands of Lakshwadeep including Storage Terminals in two islands during his tenure as the Retail Sales Head in Kerala State.

In addition to his main role as the Managing Director of Lanka IOC PLC, Mr. Das serves as a Director on the Board of Ceylon Petroleum Storage Terminals Limited. He is also the Managing Director of Trinco Petroleum Terminal (Pvt) Ltd., which is a joint venture of CPC & Lanka IOC contributing his expertise to the Sri Lankan petroleum sector. Also, he serves as the Chairman (Government Liaising) of Indian CEO Forum and perform as an active member of



THE BOARD OF DIRECTORS

various chambers such as Ceylon Chamber of Commerce, National Chamber of Commerce, International Chamber of Commerce Sri Lanka, Sri Lanka India Society etc., while organizing various CSR programs to assist the needy persons across the island.

04

Mr. Aseem Bhargava
Director

Mr. Aseem Bhargava has over two decades of varying work experience in Indian Oil Corporation Limited, in the fields of Finance, International Trade & Commercial aspects of the Oil & Gas sector. He has also worked at Refinery location for a substantial period of time.

This varied exposure has enabled him to correlate financial objectives with business objectives in order to achieve the desired organizational strategies. As Senior Vice President (Finance), he takes care of the entire financial matters of the company.

He is a member of the Institute of Chartered Accountants of India (ICAI) and holds a degree of Bachelor of Commerce (Hons) from Delhi University. He has also successfully completed Company Secretaryship from the Institute of Company Secretaries of India with 10th rank in India in the merit list and Masters Diploma in Business Administration (Finance) from Symbiosis Institute of Management Studies, Pune, India.

During his stint at IOC, he had hands on experience at various organizational levels and discipline such as Refinery Finance, Refineries Head Office, Corporate Finance, International etc. Mr. Bhargava is also a Director of the Ceylon Petroleum Storage Terminals Limited (CPSTL) and a member of Audit and Management Committee of CPSTL.

05

Mr. Rajesh Kumar Bhagat
Director

Mr. Rajesh Kumar Bhagat has over 20 years of experience in the petroleum sector and is presently the Senior Vice President (Operations, Imports & Bunker sales) in Lanka IOC PLC. He had joined the Indian Oil Corporation Ltd as a Management Trainee in 2001 and has worked in Operations for four years in Tuticorin Terminal located at Southern Part of India, since the year 2005, worked in Institutional Sales department at Mumbai & Pune in the State of Maharashtra looking into sales of various Petroleum products required by major industries like Tata Group, Adani Group, major Government sectors etc. including Bunker sales for ONGC and other Shipping Industries. Presently, he is spearheading the bunker business of Lanka IOC PLC including imports of Petroleum Products for the country demand.

Mr. Bhagat, has done M. Tech in Production Engineering and Post Graduate Diploma in Business Management from Narsee Monjee, Mumbai a reputed college for Management. As a Director in the Board of CPSTL, Mr. Bhagat brings his immense experience in oil terminal operations and bunkering operations including sales of Bunker Fuel so as to further enrich the Board level decision making.

06

Mr. D.G.R. Manoj Kumar
Director

Mr. R. Manoj Gamage (D G R Manoj Kumar) was appointed to the Board of Ceylon Petroleum Corporation (CPC) & Ceylon Petroleum Storage Terminals Limited (CPSTL) on 13th December 2022. He is an Attorney-at-Law in the Supreme Court of Sri Lanka and is a Senior Council Member of the Bar Association of Sri Lanka.



Mr. R. Manoj Gamage (D G R Manoj Kumar) serves as Director – Legal to His Excellency the President Ranil Wickramasinghe and Director of the Boards of National Medicines Regulatory Authority (NMRA) and Property Development Limited (A subsidiary of Bank of Ceylon) and a member of Private Health Service Regulatory Council (PHSRC).

He is a well experienced journalist who was working in both Sri Lanka National Rupavahini Corporation and TV Derana for many years.

As the president of the Lawyers for Justice Association, he engages and takes part in major Civil Activities.

In addition to the above, he was a Public Coordinating Secretary to Former Prime Minister Mahinda Rajapaksa & he was a Director – Legal to former President Gotabhaya Rajapaksa, Director of National Livestock Development Board (NLDB) and Director of Industrial Technology Institute (ITI).

07 **Mr. Dharmadasa Panditharathna** **Director**

Mr. Dharmadasa Panditharathna is a Board Director of Ceylon Petroleum Storage Terminals Limited (CPSTL) since August 2022. He worked as the employee of CPSTL in Engineering Function in 1990s. He has over 25 years' experience served as a member of Kesbawa Urban Council & is a confident, articulate and multifaceted Politician who is well-respected by the electorate in his area. His passion for social justice, making a tangible difference in the community and resolving people's problems has led to win the people's hearts.

08 **Mr. Yasiru Lankathilake** **Director**

Mr. Yasiru Lankathilake has been appointed as a Board of Director of CPSTL since March 2023. Also serves as a member to the Audit and Management Committee of CPSTL.

He is a graduate of Performing Arts BPA in Shakespeare Centre, Sri Lanka and has an advanced diploma in Motor Vehicle Engineering at City & Guilds, UK. Further, he is an Associate Member of Institute of Automotive Engineers Sri Lanka.

He is an innovative and performance - driven entrepreneur with a deep passion for technology and business in automobile sector. He is the Chairman/Managing Director of Lucksons Trading Company (Pvt) Ltd since 2022 which is currently providing solutions for total energy storage segments in the community. Mr. Lankathilake has wide experience in various areas such as planning & managing organizations, financing & human resources handling & working with multi-cultural societies and to gain best solutions for the community.

SENIOR MANAGEMENT TEAM



Mr. O.P. Kaggoda Arachchi
Deputy General Manager (Finance)



Mr. G.M.A. Bandara
Deputy General Manager
(Eng. & Support Services)



Mr. T.V. Sarathchandra
Deputy General Manager
(Operations)



Mr. H.N.B U. Jayawardena
Manager (Security)



Mr. D.A.J.S. Dharmapriya
Operations Manager (Automobile)



Mrs. S.N. Gamage
Manager (Corporate Affairs)



Mr. E.A.R.D. Bandara
Actg. Deputy General Manager
(Human Resource & Admin) / Manager
(Training & Productivity Development)



Mr. J.A.U.R.K. Jayalath
Manager (Finance)



Mr. D.R.F. Dias
Manager (Information Systems)



Mr. R.S.S. Premakumara
Manager (Procurement)



Mr. W.M.T.W.A. Bandara
Manager (Distribution)



Mr. Ajith Wijesuriya
Manager (Premises & Eng. Services)



SENIOR MANAGEMENT TEAM



Mr. W.S. Hemantha Kumara
Manager (Bulk Movements &
Bulk Products)



Dr. Mrs. R. Susiriwardena
Medical Officer



Mr. K.H.M. Jayasekara
Manager (Internal Audit)



Mr. N.M. Munas
Human Resource Manager



Mrs. W.P.G.A.W. Jayawardana
Chief Legal Officer



Mr. G.H.N.M. Chandrasiri
Manager (Laboratory)



Major. R.M.N. Jayathilake
WWV RWP RSP (Rtd)
Manager (Investigation)



Group Capt. P.M.C.P. Dias
Manager (Fire & Safety)



Mr. H.M.U. Bandara
Engineering Manager



Mr. D.J.A.S. De S. Rajakaruna
Actg. Manager
(Muthurajawela Terminal)




Mr. D.R.J. Bopearachchi
Actg. Manager (Offshore Operations)



Mr. M.D.A. Asoka Kumara
Actg. Manager (Stores)



An abstract geometric pattern of glowing blue lines and dots is positioned on the left side of the image, extending from the top left towards the bottom left. The pattern consists of interconnected lines forming various polygonal shapes, with some dots appearing as bright, glowing points. The background is a solid dark blue color.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT

The operating environment for Ceylon Petroleum Storage Terminal Ltd (CPSTL) during the fiscal year 2022 was characterized by a complex interplay of geopolitical dynamics, economic volatility, technological advancements, and a growing global concern for climate change. These factors had a substantial impact on our operations and strategic decision-making processes. In this dynamic and multifaceted operating environment, CPSTL demonstrated its agility and strategic acumen. We recognized that success in this environment required constant adaptation to changing market conditions, embracing technological advancements, and aligning with evolving consumer preferences. This adaptability formed the cornerstone of our operational resilience and ability to seize emerging opportunities.

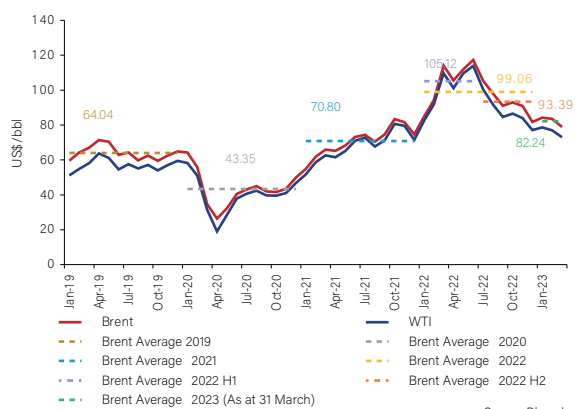
Global Petroleum Market

In 2022, the global oil industry witnessed substantial transformations and encountered notable challenges. Following the economic downturn brought about by the COVID-19 pandemic in 2020, a noteworthy recovery in oil prices took shape in 2022. The global crude oil prices exhibited notable fluctuations, influenced by a range of factors. Initially, prices surged during the first half of the year, with Brent crude briefly reaching a high of \$140 per barrel in March. This increase was primarily attributed to geopolitical tensions in Eastern Europe and sanctions imposed on Russia, a major petroleum exporter. However, as the second half of the year unfolded, downward pressures emerged due to concerns about a global economic slowdown.

Several factors contributed to the declining trend in crude oil prices during the latter part of 2022. These included slowing global growth, aggressive monetary policy tightening by major central banks worldwide (expected to reduce global energy demand), ongoing COVID-19 restrictions in China, and substantial releases of crude oil from the strategic reserves of the United States. Nevertheless, there were sporadic upward price movements towards the end of 2022. These included the announcement of production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and its allies in October, the imposition of a price cap on Russian crude oil by G7 countries, a European Union ban on Russian crude imports in December, and signs of demand recovery in China.

The average price of Brent crude oil for the year increased by 39.9% to \$99.06 per barrel in 2022 compared to the previous year's average of \$70.80 per barrel. Similarly, the West Texas Intermediate (WTI) price trended upward, averaging \$94.41 per barrel in 2022, compared to \$67.94 per barrel in 2021. However, there was a slight moderation in global crude oil prices observed in the first quarter of 2023. Also, the major refined petroleum product prices, including petrol (92 octane and 95 octane), auto diesel, super diesel, and kerosene, rose by 40% to 75% year-on-year in 2022. These increases were in line with the rising trends in global crude oil prices.

Trends in Global Crude Oil Prices



Global Operating Environment

In 2022, the global operating environment presented a multifaceted landscape of challenges and opportunities spanning geopolitics, economics, technology, and the environment:

Geopolitics: The year witnessed ongoing shifts in power dynamics, notably with China's emergence as a global player. Trade tensions persisted among major economies, while regional conflicts posed stability challenges, necessitating international efforts for peaceful resolutions. Also, the Russia-Ukraine crisis has triggered extensive economic sanctions from the U.S. and EU against Russia, creating concerns about gas supplies and prices in Europe. Reduced Russian gas sales in late 2021 had already contributed to high gas prices.

Economics: The global economic outlook indicates a decline in growth, transitioning from an estimated 3.5 percent in 2022 to a projected 3.0 percent for both 2023 and 2024. Although the forecast for 2023 shows a slight improvement compared to earlier predictions in the April 2023 World Economic Outlook (WEO), it still falls short of historical growth standards. The global economy displayed signs of recovery, propelled by fiscal stimulus, monetary policies, and vaccination campaigns. However, disparities in recovery persisted, and the emergence of inflationary pressures was attributed to supply chain disruptions and increased government spending. In terms of inflation, global headline inflation is anticipated to decrease from 8.7 percent in 2022 to 6.8 percent in 2023 and further to 5.2 percent in 2024. However, underlying (core) inflation is expected to decline at a more gradual pace, and forecasts for inflation in 2024 have been revised upwards.

Technology: The adoption of emerging technologies gained momentum, reshaping various industries and fostering innovation. However, escalating cybersecurity threats underscored the importance of robust security measures and international collaboration. In 2022, the adoption of digital technologies, such as AI and IoT, was increasing in the industry.

Environment: The urgency to address climate change took center stage, marked by efforts to reduce greenhouse gas emissions and transition towards clean energy sources. The rise in extreme weather events underscored the risks associated with climate change, prompting discussions on resilience and adaptation. Additionally, biodiversity and conservation efforts gained recognition, with a focus on protecting and restoring ecosystems.

Energy Transition: The transition away from fossil fuels toward renewable energy sources is accelerating. Electric vehicle adoption is growing rapidly, with major automakers pledging to phase out internal combustion engine vehicles. As wind and solar generation expand globally, concerns about their variability and impact on power system reliability are growing. In response, there's a rising interest in firm and flexible clean energy solutions in 2023. Energy storage is expected to see significant growth, particularly in markets like Japan, California, and China. Nuclear energy is also poised for expansion in countries like Japan, South Korea, and China.

Energy Policies: Introducing stricter environmental regulations and emissions reduction targets. Carbon pricing mechanisms, renewable energy incentives, and emissions trading systems are being implemented to curb greenhouse gas emissions.

Global Oil Industry Dynamics

During the reporting period, the global oil industry observed a gradual rebound in demand, despite facing several challenges. The fluctuating oil prices were influenced by a delicate balance of factors, including supply adjustments, geopolitical developments, and the ongoing global shift towards sustainable energy sources. Navigating this complex environment required us to maintain vigilant monitoring and implement proactive strategies.

In 2022, the global oil industry experienced significant developments and difficulties. Following the economic downturn caused by the COVID-19 pandemic in 2020, oil prices began to recover as economies reopened

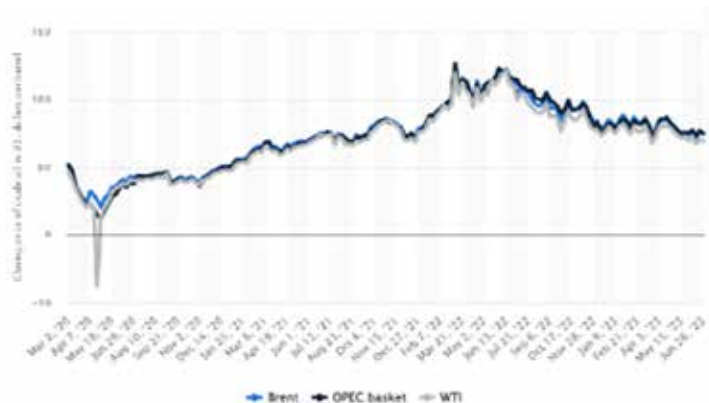
OPERATING ENVIRONMENT

and travel restrictions eased. This recovery was closely tied to the improving global economic conditions. However, it's important to note that the rebound was not consistent across all regions; some countries showed a stronger recovery than others.

Throughout this period, the role of the Organization of the Petroleum Exporting Countries (OPEC) and OPEC+ was pivotal in maintaining stability within the oil markets. In 2022, OPEC+ adopted a gradual approach to ease production cuts implemented in response to the pandemic. This measured strategy effectively averted a sudden oversupply of oil, thereby providing essential support to prices. As we transition into 2023, the oil market remains on a trajectory of stabilization, marked by relatively steady prices.

Geopolitical factors loomed as an ongoing concern for the oil industry. Tensions in the Middle East, a region of paramount importance in oil production, held the potential to disrupt supply chains and exert a palpable influence on global prices. Conflicts and geopolitical events in oil-producing regions had the capacity to introduce significant volatility into the market. Beyond the confines of the OPEC+ alliance, non-OPEC production, notably including shale oil from the United States, continued to be a substantial contributor to the global oil supply. The responses of non-OPEC producers to shifting market conditions, price levels, and investment decisions remained instrumental in shaping the overarching supply dynamics. The interplay between OPEC+ and non-OPEC producers retained its pivotal role in configuring the global oil supply landscape.

The global shift towards mitigating climate change placed substantial pressure on



Global Petroleum and Other Liquids

	2021	2022	2023	2024
Brent crude oil				
spot price (dollars per barrel)	70.89	100.94	84.09	94.91
Global liquid fuels production				
(million barrels per day)	95.70	99.95	101.26	102.19
OPEC liquid fuels production				
(million barrels per day)	31.66	34.17	33.30	33.19
Non-OPEC liquid fuels production				
(million barrels per day)	64.04	65.78	67.96	69.01
Global liquid fuels consumption				
(million barrels per day)	97.14	99.16	100.92	102.24
Global GDP				
(percentage change)	6.4	3.3	2.9	2.6

oil companies. Governments, corporations, and consumers emphasized reducing greenhouse gas emissions and transitioning to renewable energy sources. This shift led many oil firms to diversify their portfolios by investing in renewable energy projects, particularly affecting oil demand growth, notably in sectors like transportation. As environmental sustainability gains priority, the oil industry faces continued challenges in meeting evolving demand.

Also, the oil industry underwent notable transformations through technological advancements. Digitalization, automation, and artificial intelligence played crucial roles in streamlining operations, boosting efficiency, and reducing costs for oil companies. Additionally, advanced drilling techniques and enhanced oil recovery methods enabled the extraction of oil from previously untapped reserves. These technological innovations allowed the industry to maintain production levels while adapting to changing market dynamics and the increasing demand for cleaner energy sources.

Local Economic Dynamics

In the context of Sri Lanka's local economy, the period under review was marked by significant challenges. Economic hardship and policy lapses presented formidable obstacles that required deliberate corrective measures and a transition towards economic equilibrium. As a key player in the nation's energy landscape, CPSTL remained committed to supporting national economic stability through prudent business practices and responsible corporate citizenship.

The economic challenges

Exchange Rate Stabilization: A deliberate adjustment followed by a transition to a floating exchange rate regime to address demand pressures and achieve currency stability.

Monetary Policy Tightening: Implementing assertive measures to tighten monetary policy aimed at curbing inflation and managing demand pressures.

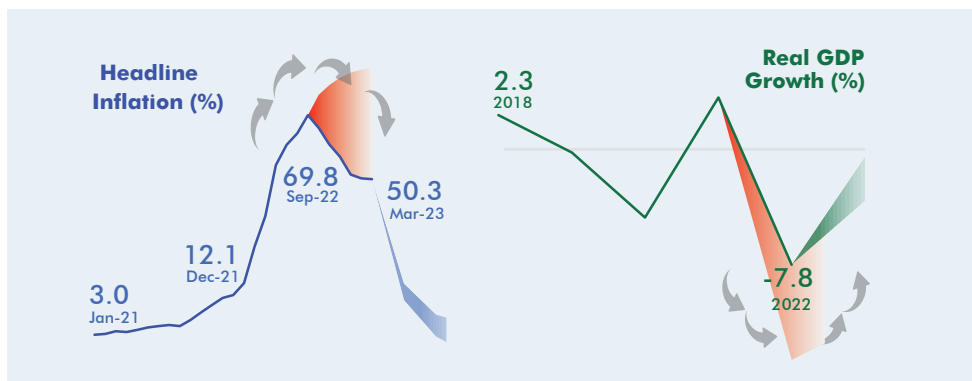
Foreign Exchange Management: Ensuring the availability of foreign exchange for essential imports, prioritizing imports, and implementing control measures to manage capital outflows.

Sri Lanka Economic Data					
	2018	2019	2020	2021	2022
Population					
(million)	21.8	21.9	22.2	22.4	21.7
GDP					
(USD bn)	89.0	84.5	88.7	74.2	94.4
GDP per capita					
(USD)	4,084	3,855	4,003	3,315	4,357
GDP					
(LKR bn)	15,911	15,672	17,600	24,148	15,352
Economic Growth					
(Nominal GDP, ann. var. %)	3.6	-1.5	12.3	37.2	6.7
Economic Growth					
(GDP, ann. var. %)	-0.2	-4.6	3.5	-7.8	2.3

Government Initiatives: Enacting a range of government-led initiatives, including enhancing revenue generation, curtailing expenditure, reforming State-Owned Enterprises (SOEs), implementing import controls, and rationing energy supply.

OPERATING ENVIRONMENT

Seeking International Assistance: Pursuing avenues for international support, including seeking assistance from the International Monetary Fund (IMF), and actively engaging in debt restructuring efforts.



Outlook for 2023: The upcoming year is poised to sustain its focus on executing vital structural reforms, fostering effective coordination among stakeholders, and ensuring the timely implementation of policies aimed at achieving sustainable economic progress and prosperity.

Key Highlights

- Sri Lanka's economy contracted by 7.8% in 2022, impacting all major sectors, specially manufacturing and construction due to input shortages and supply chain disruptions.
- Headline inflation peaked at 69.8% in September but closed at 57.2% for the year, influenced by global commodity prices, fiscal deficits monetization, currency depreciation, and food supply constraints.
- The central bank raised policy rates by 1,050 basis points since January 2022 to combat inflation.
- Half a million jobs were lost in industry and services, leading to increased poverty rates, particularly in urban and estate areas.
- The trade deficit reduced to US\$ 5.2 billion in 2022 due to increased exports, but lower remittances and tourism receipts contributed to income losses and food insecurity.
- The Sri Lankan Rupee (LKR) depreciated by 78% against the US Dollar but stabilized amid low market confidence.
- The fiscal deficit decreased with revenue measures and controlled expenditure, but interest payments remained high.
- The country faced severe foreign exchange liquidity constraints, resulting in shortages of essential goods like fuel and medicine.
- Sri Lanka announced an external debt service suspension in April 2022, and a foreign exchange management strategy somewhat stabilized the external sector.
- The IMF approved a US\$2.9 billion Extended Fund Facility program in March 2023.
- The outlook is uncertain, with growth prospects tied to debt restructuring and reforms, while fiscal consolidation may dampen growth. Inflation is expected to decline, and the current account deficit is projected to decrease.
- Downside risks include a slow debt restructuring process, limited external financing, a global economic slowdown, and adverse effects on poverty and the financial sector.

- Mitigating impacts on the poor is crucial, and international support could help restore confidence and attract capital inflows for economic recovery.

Local Energy Sector

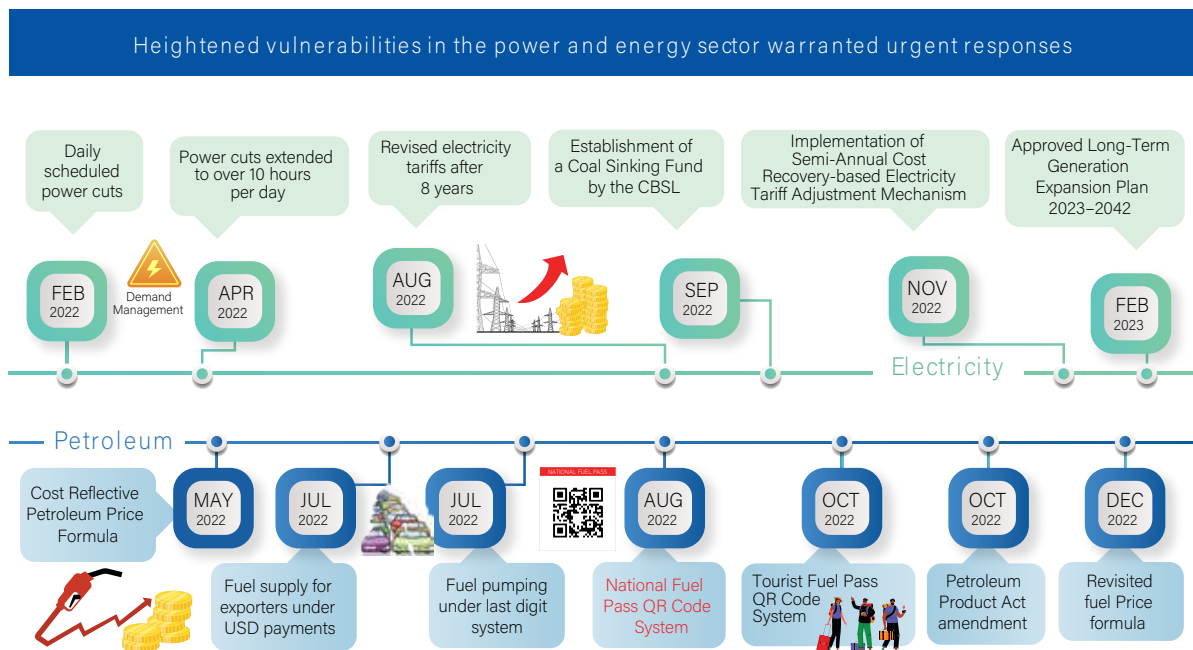
In 2022, Sri Lanka grappled with a severe fuel crisis due to a shortage of foreign exchange liquidity. This crisis led to social unrest, hoarding, and long queues at fuel stations.

To mitigate the crisis, the government secured short-term credit facilities, revised pricing formulas, and implemented various measures to manage fuel distribution. These included priority systems for exporters, QR code-based fuel distribution, and prepaid cards for tourists.

Global crude oil prices remained high, driven by geopolitical tensions and supply constraints, although they showed some moderation in early 2023.

Despite these challenges, Sri Lanka worked diligently to stabilize fuel supply and pricing, supporting essential sectors such as industry, agriculture, and tourism. These efforts were crucial for sustaining economic activity and facilitating the recovery of the tourism industry post-COVID-19.

Electricity sectors also face significant challenges in supplying electricity due to fuel and coal shortages, foreign exchange constraints, and declining reservoir levels. This led to extended power outages, impacting the economy. The Central Bank and authorities took measures to address these issues, including establishing a coal procurement fund. As a result, total electricity generation declined by 4.6% in 2022, with decreased contributions from hydropower, fuel oil-based, and coal power generation.





OPERATING ENVIRONMENT

Local Petroleum Industry

The complex operational environment in Sri Lanka directly affected petroleum industry and two dominant key players The Ceylon petroleum corporation (CPC) and the Indian Oil Company (CIC) are involve to the local petroleum industry under the regulatory supervision.

Throughout the year, the fuel prices in Sri Lanka were influenced by global oil price fluctuations, import costs, taxes, and government regulations. The authorities carefully managed fuel prices to strike a balance between cost recovery and affordability for consumers, considering the economic difficulties faced by the general public.

The recent opening of the domestic retail market in Sri Lanka to foreign oil companies, including Chinese, American, and Australian firms, will have implications for the entire industry.

In 2022, the domestic sales volume of petroleum products experienced a decline. This decrease was attributed to a combination of factors, including reduced imports due to a lack of foreign exchange liquidity, higher prices of domestic petroleum products, fuel rationing, and subdued economic activity throughout the year.

To manage this situation, the government introduced demand management strategies, implementing a QR code-based fuel rationing system starting in August 2022. The aim was to balance supply and demand in the domestic market.

In contrast, LIOC's sales volumes experienced notable growth during the same period, partly due to disruptions in CPC's fuel supply.

The shift toward increased hydropower generation, supported by favorable reservoir levels, and ongoing power interruptions due to limited fuel supply, owing to foreign exchange constraints, led to an overall decrease in fuel demand from the power generation sector. As a result, sales of fuel for power generation contracted by 6.8 percent year-on-year during the year.

Throughout 2022, the Sapugaskanda refinery remained inactive for nearly 225 days due to the unavailability of crude oil required for its operations. Consequently, the overall volume of crude oil processed at the refinery plummeted by 58.4 percent year-on-year. Moreover, the production of key petroleum products, including diesel, petrol, fuel oil, and naphtha, witnessed significant declines of 65.4 percent, 68.8 percent, 45.7 percent, and 71.2 percent, respectively, during this period.

In the tumultuous year of 2022, the Ceylon Petroleum Corporation (CPC) faced a challenging financial landscape marked by significant hurdles.

One of the key highlights of CPC's financial performance in 2022 was the improvement in its operational losses. The unaudited provisional financial statements revealed that CPC managed to limit its operational loss to Rs. 6.2 billion during the year. This marked a substantial improvement compared to the operational loss of Rs. 41.3 billion recorded in the preceding year. This improvement could be attributed, in part, to the impact of price revisions, even in the midst of notable fluctuations in global crude oil prices. However, the most significant challenge that CPC faced was the sharp and sustained depreciation of the Sri Lanka Rupee against the US dollar, which occurred from March to May 2022. This depreciation resulted in a staggering exchange rate variation loss amounting to Rs. 527.0 billion for CPC. This mammoth loss significantly weighed on CPC's overall financial performance, culminating in an overall loss (before tax) of Rs. 615.1 billion in 2022. This was in stark contrast to the loss (before tax) of Rs. 81.8 billion recorded in the preceding year.

Despite these dire challenges, CPC managed to turn the tide in its favor from July 2022 onwards, with the corporation starting to record monthly profits (before taxes). This positive shift could be attributed to the implementation of cost reflective price adjustments and a gradual stabilization in exchange rate volatilities. The Sri Lankan government also played a pivotal role in addressing CPC's financial woes by taking measures to enhance its financial viability. One such measure

Petroleum Sector Performance

Item	2021 (a)	2022 (b)	Growth Rate (%)	
			2021 (a)	2022 (b)
Quantity Imported (mt '000)				
Crude Oil	1,182	649	-29.1	-45.1
Refined Products	4,553	3,927	13.0	-13.8
Coal	2,206	1,707	-15.1	-22.6
L.P. Gas	422	290	-3.3	-31.2
Domestic L.P. Gas Production (mt '000)	17	6	-34.1	-65.8
Value of Imports (CIF)				
Crude Oil (Rs. million)	123,865	157,408	15.0	27.1
(US\$ million)	625	484	7.2	-22.6
Refined Products (Rs. million)	564,681	1,294,311	75.5	129.2
(US\$ million)	2,840	4,048	63.0	42.5
Coal (Rs. million)	55,118	99,949	37.1	81.3
(US\$ million)	278	365	27.8	31.3
L.P. Gas (Rs. million)	64,436	75,882	47.1	17.8
(US\$ million)	324	234	37.2	-27.8
Average Price of Crude Oil (CIF)				
(Rs./bbl)	13,645	32,573	62.2	138.7
(US\$/bbl)	68.86	100.11	51.1	45.4
Quantity of Petroleum Exports (mt '000)	853	641	7.0	-24.9
Value of Petroleum Exports (Rs. million)	100,975	177,194	46.7	75.5
(US\$ million)	506	568	35.6	12.2
Local Sales - Refined Products (mt '000)	4,447	3,833	-3.3	-13.8
o/w Petrol (92 Octane) (c)	1,238	1,119	8.7	-9.6
Petrol (95 Octane)	116	69	-3.5	-40.7
Auto Diesel (d)	1,875	1,693	7.1	-9.7
Super Diesel	75	78	8.2	5.0
Kerosene	185	98	5.6	-46.9
Furnace Oil	720	496	-25.8	-31.1
Avtur	224	246	18.6	9.8
Naphtha	11	32	-93.5	203.6
Local Sales - L.P. Gas (mt '000)	457	294	-3.3	-35.6
Local Price (End Period) (Rs./litre)				
Petrol (92 Octane)	177.00	370.00	29.2	109.0
Petrol (95 Octane)	207.00	510.00	28.6	146.4
Auto Diesel	121.00	420.00	16.3	247.1
Super Diesel	159.00	510.00	20.5	220.8
Kerosene	87.00	365.00	24.3	319.5
Furnace Oil				
800 Seconds	110.00	320.00	57.1	190.9
1,500 Seconds	110.00	320.00	57.1	190.9
L.P. Gas (Rs./kg)				
Litro Gas	214.00	368.80	79.2	72.3
Laugfs Gas	227.20	424.00	90.2	86.6
International Crude Oil Prices (US\$/bbl)				
Brent	70.80	99.06	63.3	39.9
WTI	67.94	94.41	70.8	39.0
Petroleum and other liquids				
World Supply (million barrels per day)	95.7	99.9	1.9	4.3
World Demand (million barrels per day)	97.1	99.4	5.6	2.4

(a) Revised

(b) Provisional

(c) Including XtraPremium Euro 3

(d) Including XtraMile Diesel

Sources: Ceylon Petroleum Corporation
Lanka IOC PLC
Lanka Marine Services (Pvt) Ltd
Litro Gas Lanka Ltd
Laugfs Gas PLC
Sri Lanka Customs
Bloomberg
U.S. Energy Information Administration

involved the transfer of US dollars 2.5 billion of Government guaranteed foreign currency debt stock of CPC to the Government balance sheet. This strategic move significantly reduced CPC's outstanding foreign currency denominated loans and import bills, which plummeted from US dollars 3.4 billion at the end of 2021 to a mere US dollars 0.2 billion by the end of 2022.

Additionally, CPC's financial landscape saw an increase in total outstanding trade receivables from public corporations, amounting to Rs. 220.3 billion by the end of 2022, reflecting a substantial rise of Rs. 59.3 billion compared to the figures at the end of 2021. Among these trade receivables, SriLankan Airlines (SLA) and the Ceylon Electricity Board (CEB) stood out, accounting for 49.3 percent and 31.1 percent, respectively, of the total trade receivables by the end of 2022. Notably, the rupee value of trade receivables from SLA experienced a significant increase during 2022, partly due to a parity adjustment made to SLA's liabilities to CPC, aligning with the sharp depreciation of the exchange rate.

LPG Gas

In 2022, Sri Lanka faced significant disruptions in the supply of LPG (Liquefied Petroleum Gas) due to a shortage of foreign exchange, primarily during the first half of the year. This shortage had a notable impact on urban and semi-urban households. However, with financial assistance from the World Bank and efforts by the Central Bank to increase foreign exchange liquidity, LPG imports were facilitated, and normal supply was restored.

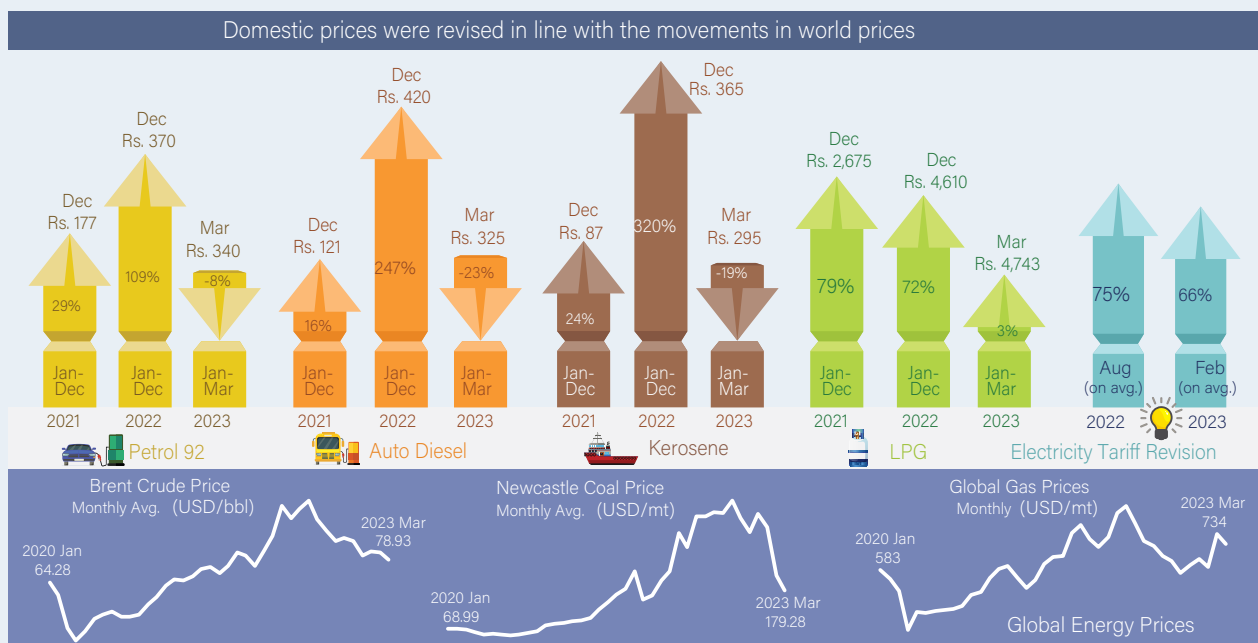
OPERATING ENVIRONMENT

In August 2022, the government approved a cost-reflective formula to determine domestic LPG prices, which was implemented from that month onwards. Companies like Litro Gas Lanka Ltd. and Laugfs Gas PLC adjusted their domestic LPG prices throughout the year in response to global price fluctuations. Prices were revised both upward and downward on multiple occasions to align with changing market conditions.

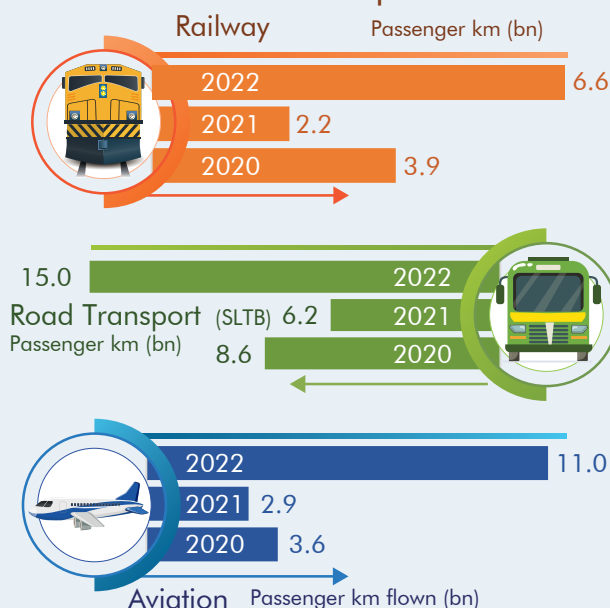
Furthermore, to ease the financial burden on LPG imports, the Ports and Airports Development Levy (PAL) on LP gas imports was reduced from 7.5% to 2.5% of the import cost, effective from January 1, 2023. This reduction aimed to make LPG more affordable and accessible to consumers.

Global LPG prices initially surged to a peak of US dollars 954 per metric ton in April due to supply-side concerns in the global energy market. However, they gradually moderated, falling by about 31.9% to US dollars 650 per metric ton by December 2022. This decline was driven by a decrease in global consumption demand.

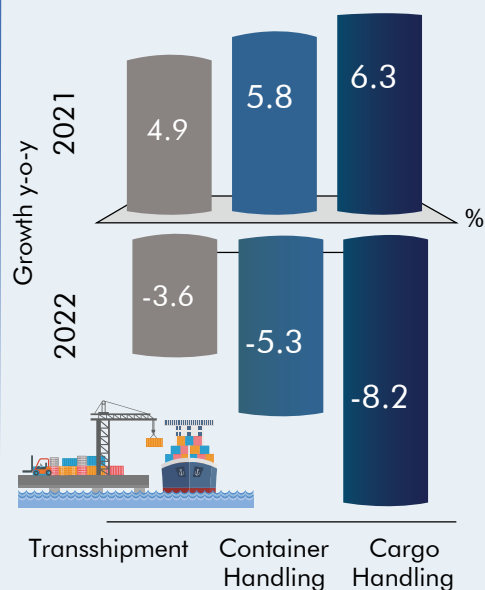
Despite this moderation, global LPG prices remained relatively high, staying above US dollars 700 per metric ton as of the end of the first quarter of 2023. This indicates that while there was a significant drop in prices during 2022, they still retained elevated levels into early 2023.



Rebound in Transport sector



Contracted Port Activities



New Registration of Motor Vehicles

Item	2021	2022 (a)	Growth Rate (%)	
			2021	2022 (a)
New Registration of Motor Vehicles (No.)	33,850	20,510	-83.3	-39.4
Buses	281	404	-51.4	43.8
Motor Cars	3,495	1,489	-83.4	-57.4
Three Wheelers	2,093	36	-70.7	-98.3
Dual Purpose Vehicles	771	760	-91.9	-1.4
Motor Cycles	8,011	9,060	-94.7	13.1
Goods Transport Vehicles	4,432	1,832	12.5	-58.7
Land Vehicles	14,764	6,929	77.8	-53.1
Quadricycles and Motor Homes	3	-	-99.4	-

(a) Provisional

Source: Department of Motor Traffic

OPERATING ENVIRONMENT

Rail Transportation

In 2022, Sri Lanka Railways (SLR) saw a modest improvement in its operational performance, signaling a gradual return to public mobility following the COVID-19 pandemic. The estimated overall operated kilometrage and passenger kilometrage of SLR witnessed substantial increases, rising by 67.3 percent and 205.9 percent year-on-year, respectively, over the course of 2022. However, the transport of goods, as measured by goods kilometrage, experienced a decline of 14.2 percent year-on-year, amounting to 138.7 million metric tonnes-kilometres, compared to the previous year's figure of 161.6 million metric tonnes-kilometres.

In 2022, Sri Lanka Railways (SLR) continued to face financial challenges, with its operating loss increasing to Rs. 12.4 billion, up from Rs. 10.3 billion in 2021. However, there was a positive note as SLR's total revenue grew by Rs. 8.4 billion, reaching Rs. 11.1 billion in 2022. This revenue increase was primarily driven by improved income from passenger transport activities, following a fare hike implemented in July 2022.

On the expenditure side, SLR's total spending also increased, rising by Rs. 2.1 billion, totaling Rs. 42.5 billion in 2022. The increase in expenditure was mainly due to higher recurrent costs, primarily stemming from fuel price adjustments that occurred throughout the year. Notably, capital expenditure decreased by 30.7 percent to Rs. 19.0 billion during the same period.

Aviation

In 2022, the civil aviation sector showed significant improvement as global travel activity gradually recovered from the COVID-19 pandemic. Passenger movements surged to 5.5 million in 2022, marking an impressive year-on-year growth of 266.8 percent. This growth was largely attributed to the resumption of global travel and the low statistical base in 2021. On the other hand, cargo handling experienced a contraction of 9.3 percent year-on-year, totaling 166,969 metric tons.

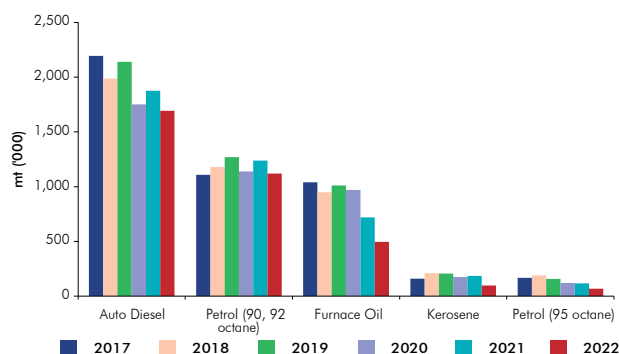
By the end of 2022, Sri Lanka hosted 33 international airlines and five domestic airlines, contributing to a total of 42,196 aircraft movements, which saw a remarkable increase of 68.2 percent. The Bandaranaike International

Airport (BIA) alone recorded substantial growth in aircraft movements, with a 70.7 percent increase to reach 41,547 movements during the year.

Petroleum Product Price



Sales of Petroleum Products



Sources: Ceylon Petroleum Corporation
Lanka IOC PLC

Regulatory and Legal Environment

Current Regulatory Framework

The Minister of Energy holds overall regulatory authority over the petroleum industry.

The regulation of the downstream petroleum industry in Sri Lanka is presently governed by the Petroleum Products (Special Provisions) Act No. 33 of 2002 and the Ceylon Petroleum Corporation Act No. 28 of 1961.

Additionally, following regulations will regulate the relevant activities of the industry.

- Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Shop and Office Employees Act of 1954
- Inland Revenue Act No. 24 of 2017.

Supply Chain and Infrastructure

Integral components of our supply chain and the critical infrastructure supporting our operations includes.

Refinery Transfers and Pipeline Deliveries: We utilize a network of three pipelines connecting our refinery to Kolonnawa, ensuring secure and efficient product transfers.

Bulk Distribution Function: Our island-wide distribution network efficiently delivers bulk petroleum products through various modes, including road and rail. Strategic stock management in Grade I and Grade II depots enhances our supply chain. Daily aviation fuel deliveries to airports ensure seamless aviation operations.

Muthurajawela Terminal: Operational since 2004, this terminal expanded in 2008 to handle Gasoline 92 octane and Low Sulphur Fuel Oil. It utilizes two dedicated receiving pipelines and a dual-path buoy.

Offshore Operations: Our offshore team manages tanker arrivals at the Muthurajawela buoy, navigating challenging conditions safely. Mooring masters, divers, and marine fitters ensure precise unloading, while our

Maintenance and Emergency Response Vessel (MERV) stands ready for emergencies.

Distribution from Kolonnawa Terminal: Our Kolonnawa Terminal acts as a central hub, supporting rail deliveries, pipeline transfers, and Premium Petroleum Products (PPP) storage.

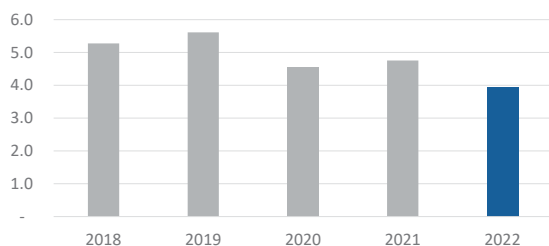
FINANCIAL CAPITAL

Financial Performance

Revenue

Under many economic challenges during year 2022, the revenue of the company dropped by 34% compared to the year before, mainly due to decrease in sales volume of the company. Availability of limited fuel stock due to crisis prevailed in the fuel supply chain in year 2022 highly affected sales volume of the company. With compared to year 2021, sales volume has decreased by 17% in 2022.

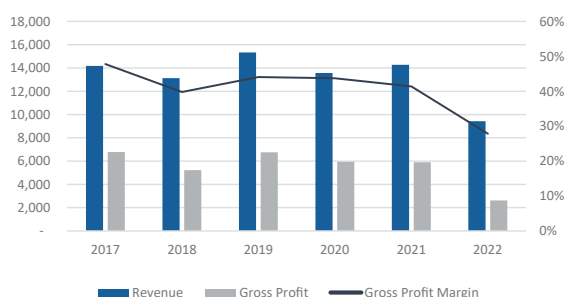
Sales Volume (KL Mn)



Profitability

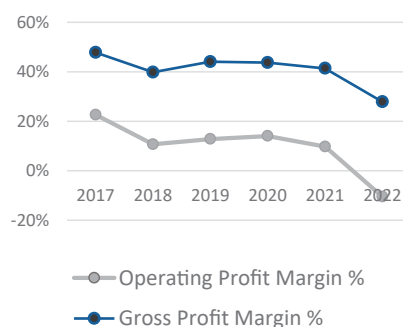
Gross profit dropped by 56% in 2022 compared to the year before, following the decline in revenue. Accordingly Gross profit margin was dropped to 28% in 2022 whereas it was 41% in year 2021.

Revenue & GP Margin Trend (LKR Mn)

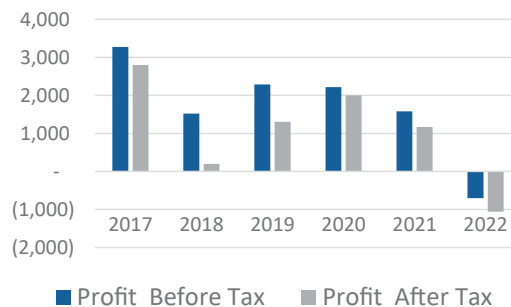


The company recorded a operating loss of Rs. 0.9 billion and operating loss margin of 10% in year 2022 whereas it was 10% operating profit margin in 2021.

Operating Performance



Pre Tax & Post Tax Profit (LKR Mn)



During the year under review, loss before tax was reported as Rs. 0.7 bn which is 324% decline of profit before tax of year 2021. Eventhough there were some cost savings from expenses such as personel cost, staff welfare during year 2022, such savings were not enough to cover up the revenue drop. Even under the inflationary situation of the economy, direct expenses and aministration expenses dropped by 19% and by 3% respectively.

Finance income consist of interets income from fixed deposits , repos and interest from staff loans. Increase of interest rates on deposits raised finace income by 42% in year 2022. Loss after tax for the year under review was Rs. 1 bn representing 210% drop ,mainly due to decline

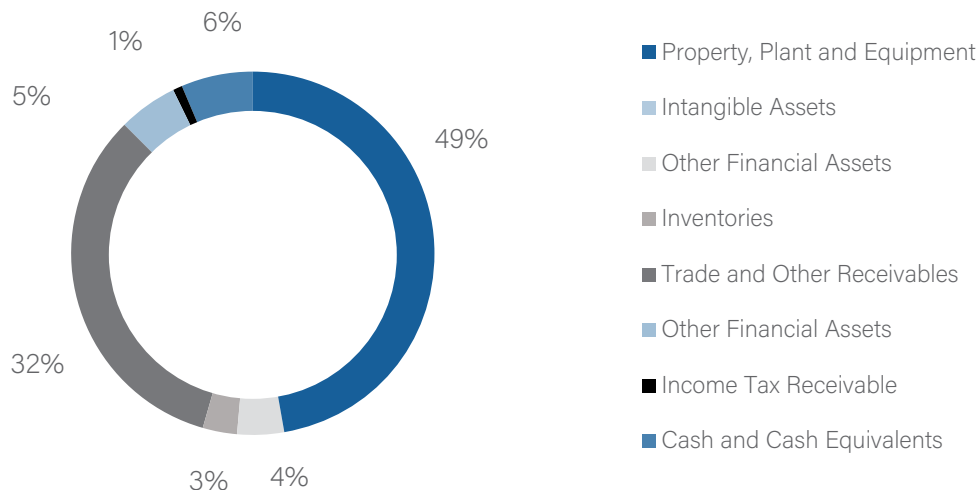
in revenue as a result of decrease in sales volume in 2022. The income tax expenses of Rs. 354mn is due to effect of deferred tax expense which was increased as a result of increase in tax rate to 30% from 24% in 2022.

The Company's Other Comprehensive Income (OCI) mainly comprised of actuarial loss on defined benefit obligations.

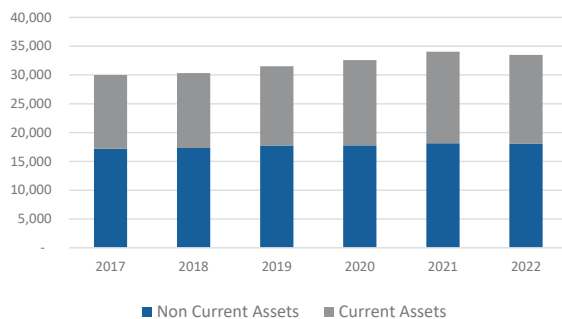
Financial Position

Total Assets

Total Asset Composition



Total Asset Growth (LKR Mn)



The balance sheet is more towards to non- current assets, which accounted for 49% of the total assets. Out of current assets, more are towards to trade and other receivables which accounted for 32% of the total assets.

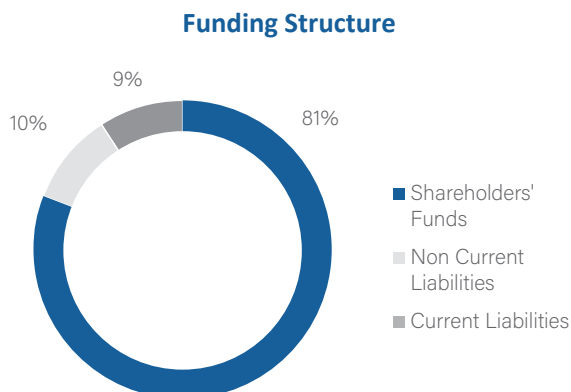
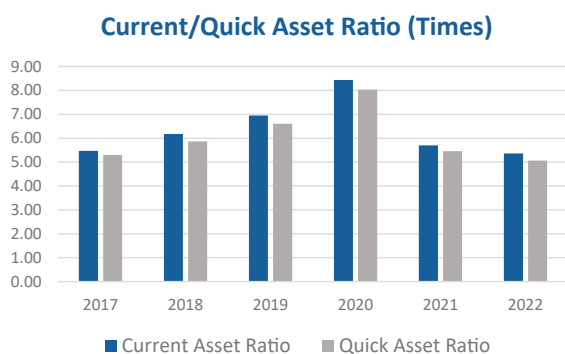
Trade and other receivables were accumulated due to non-settlement of dues on time. Other financial assets and cash represent 5% and 6% respectively.

The total asset base decreased by 2% in 2022 to Rs. 33.4 bn at the year end with compared to Rs.34 bn in 2021. Cash & cash equivalents reduced as a result of inflation and reduction of revenue due to slow down of the economy.

Working Capital

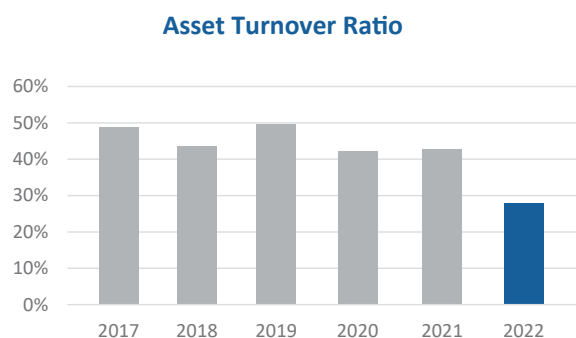
The current assets ratio and quick assets ratio amounts to 5.36 and 5.06 respectively as at the year end 2022 where both the ratios have decreased considerably than the year before as a result of considerable increase in current liabilities and decrease in current assets.

FINANCIAL CAPITAL



Asset Turnover Ratio

The assets turnover ratio measures the efficiency of Company's use of its assets to generate sales. The asset turnover ratio decreased to 28% during 2022 from 43% in 2021 as a result of considerable drop of revenue in 2022. According the efficiency of using assets to generate sales has reduced due to economic situation prevailed in 2022 which is beyond control of the company.

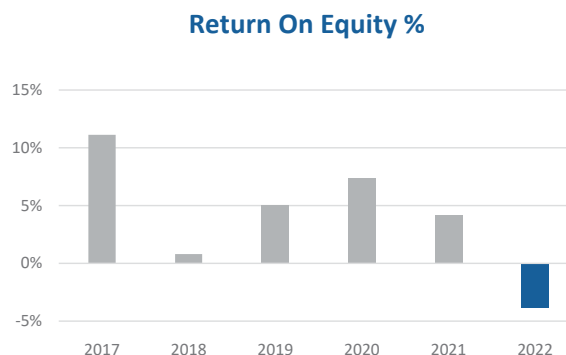


Equity and Liabilities

CPSTL is well capitalised with shareholder's funds of Rs. 27.2 bn funding 81% of the company's assets. The Company paid off all the borrowings in 2016 and no new borrowings are obtained this year too. CPSTL's total liability increased to Rs. 6.2 bn in 2022 from Rs. 6.0 bn in 2021.

Return on Equity

The company has recorded return on equity of - 4% for the year under review compared to +4% of the year before. The drop is mainly due to recording of loss after tax in 2022.

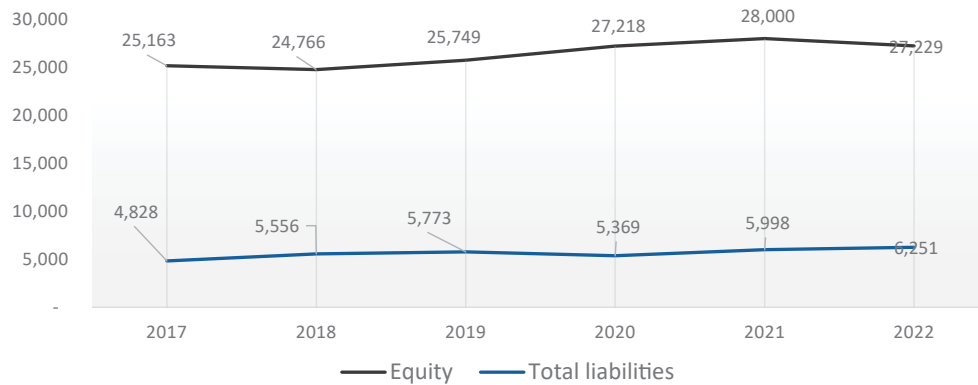


Leverage and Capital Structure

77% of assets of the company are financed through equity capital and balance 23% is financed through long term and short term debts whereas it was 79% from equity capital and 21% from short and long term capital in 2021. As depicted in graphs below, the contribution from equity capital has slightly decreased in 2022 with compared to year 2021 due to effect of loss after tax reported in 2022.

Gearing ratio of the company has increased to 23% at the year end of 2022 compared to 21% at the beginning of the year.

Sources of Funding LKR (Mn)

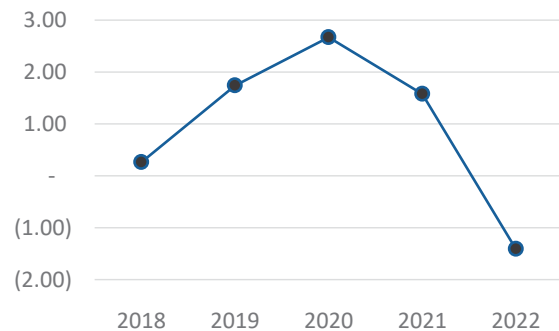


Shareholder Value Creation

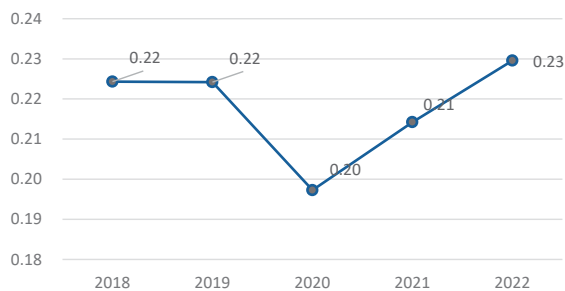
	2022	2021
Earnings per share (Rs.)	(1.41)	1.56
Net asset value per share (Rs.)	36	37

Earnings per share is (1.41) in 2022 whereas it's 1.56 in 2021. The net assets value per share decreased from 37 times to 36 times as at the year end of 2022. The decrease in Earning per share is due to loss after tax reported for the year 2022 and decrease in net asset value per share is due to decrease in net assets during the year under review.

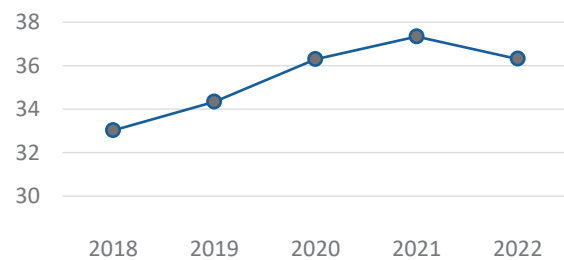
Earning Per Share (LKR)



Gearing Ratio (Times)



Net Asset Value Per Share (LKR)



MANUFACTURED CAPITAL

1. Infrastructure Development Facilities at Muthurajawela

CPSTL Muthurajawela Terminal was commissioned in year 2004 to deliver 500MT of three products (Diesel, Furnace, and Kerosene) per day with a total staff of 52 Nos. However, due to the increased demand of fuel in the country, in addition to above three products, petrol delivery had to be started and presently about 6000MT of fuel is delivered per day from the Muthurajawela Terminal with 306 Nos. staff. The demand for fuel in the country is to be maintained or increased in future and it is necessary to continue with the present quantity delivered from Muthurajawela Terminal.

At the time of initial planning of the Muthurajawela Terminal, the infrastructure facilities provided for the employees were for only 52 employees and existing facilities are highly inadequate for the present staff. Vehicle parks, increased stores facilities to cater the material demand for maintenance works, security office, workers restrooms, and canteen extensions are the improvements proposed to be implemented. Further, staff quarters, invoice office and a conference hall are to be incorporated in the project. CPSTL also determined to implement the project complying with green building concepts and energy efficient building codes.

The Muthurajawela Terminal is a semi-automated terminal and has several advantages in terms of efficiency and productivity when compared with Kolonnawa Installation and other bulk depots of CPSTL. All the bays of the filling gantry is capable of loading 10 compartment road tankers and the turnaround time of a road tanker is lessor compared to other installations. In addition, the products unloaded at SPBM -02 are directly transferred to Muthurajawela Terminal without being subjected to port charges. Another significant advantage is that the terminal is located at the entrance of Outer Circular Expressway (OCE) which was into operation by year 2019. The OCE connects all the expressways originating from Colombo, enabling Muthurajawela Terminal to reach any part of the island with minimal operating costs. This strategic

advantage of geographical positioning is expected to optimize by developing the infrastructure facilities at Muthurajawela Terminal.

Considering the requirement, a service of a consultant to do architectural and structural services, quantity surveying and site inspection works was obtained by CPSTL. Priority Items have been identified by the user function (MT). Bidding document and estimate, drawings are revised accordingly. The board approval is to be obtained for the implementing the project within the available budget.

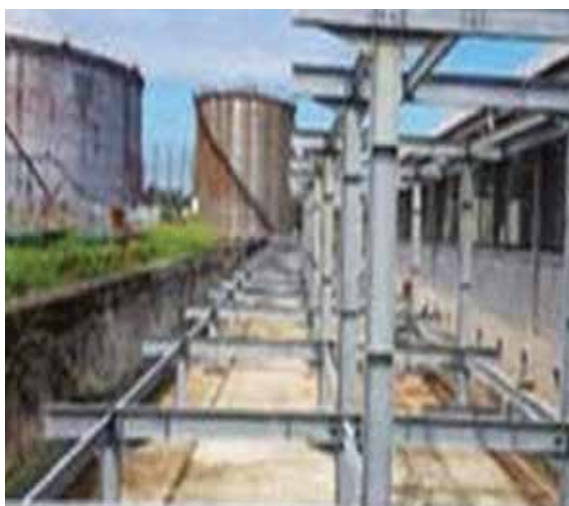


2. Upgrading Pipe System at Zone 6

The demand for fuel in the island steadily grows annually. CPSTL has planned to increase the filling capacity of the gantries to cater this demand. Enhancement of the petrol filling capacity is planned under this objective. The filling capacity of the main petrol filling gantry at Zone 07 will be enhanced by installing new high-capacity pumps. A new product pump house was constructed at zone 06, Kolonnawa Installation. The total contract value of the project is Rs. 36 million and in parallel with the pump house construction work, a pipeline trench construction was carried out. The trench construction was successfully completed and the total investment of the pipeline trench is Rs. 50 million.

The procurement of required pipes, valves and other accessories such as pressure gauges were procured during the financial year 2019 and 2020. The total value of the procurement was LKR 55.7 million.

The pipe manufacturing is carried out complying with the specification API 54L – Grade B at the steel mill in Romania. The pipes were successfully tested with Third Party Inspection. During the year 2022, construction of pipe supports was started with an investment of LKR 60 million and completion of the project is scheduled in the first quarter in 2024.



MANUFACTURED CAPITAL

3. Rehabilitation of Existing 14" dia. Pipeline from Colombo Harbour to Kolonnawa Installation

14" dia. pipeline is used to transfer imported black oil from Dolphin Tank Berth (DTB) at Colombo Harbour to Kolonnawa Installation. The total length of the pipeline is 7200m and consisted with sub-sea & onshore segments. The segment from DTB to Tunnel Gate at Colombo harbour (1750m) is 23 years old and segment from Tunnel Gate at Colombo Harbour to Kolonnawa Installation (5750m) is about 50 years old. Frequent product leakages have been experienced in the segment from Tunnel Gate at Colombo harbour to Kolonnawa and the segment was inspected by Inspection Unit of Engineering Function to assess the condition. As per outcomes of the inspection wall thickness of the pipeline is acceptable and the pipeline can be used more than 10 years by replacing the existing coating and the repairing the areas having localized corrossions.

Considering the requirement, the rehabilitation work is in progress. 90% of project work is completed and balance work is to be completed by 30.09.2023.



4. Design, Supply and Installation of Internal Floating Roofs and Repairs to Tank No. 04 and Tank No. 05 at LBD Magalle

Installation of Internal Floating Roofs (IFR) is a method recommended by American Petroleum Institution (API), to reduce the evaporation on fixed dome roof tanks. CPSTL has attended introduction of IFR to gasoline tanks at Kolonnawa Installation and Lanka Bulk Depots in recent past to reduce the evaporation losses. Relevant codes and standards (API 650) also recommend installing IFR to minimize evaporation losses.

Tank No. 04 is vertical, cone/fix welded tank having capacity 425m³ and Tank No. 05 is vertical, cone/fix welded tank having capacity of 335m³ located at LBD Magalle which has been constructed in 20 years ago.

Tank No. 04 and 05 has been operated with Pressure Vacuum Valves (PVV) to reduce the evaporation losses. However, the losses with PVV are very high as gasoline vapour goes out of the tanks during product receiving to the tank and due to heat.

The project to install Internal Floating Roofs and perform repairs on Tank No. 04 and Tank No. 05 at LBD Magalle is currently in progress and is scheduled to be completed by December 2023.



5. Development of Pipelines System at LBD Kurunegala

New filling gantry has been constructed under the development of LBD Kurunegala project and installation of product pipelines scope under the same project will be attended and completed in this project scope.

These product pipelines are planned to be laid above ground from main pump house and to be connected to gantry pipelines. The fire foam feeding pipelines to LS 92 storage tanks with Internal Floating Roofs will be laid and foam feeding point will be installed at a location for safe operation. Also proper arrangement of tank drenches pipelines and feeding point will be installed at a location for safe operation.

Removing of abandoned and temporary pipelines and relocation of product pumps to main pump house, yard concreting and necessary electrical installation have to be attended to complete above deliverables. Considering the requirements, total budget of Rs. 29.9 Mn was allocated. Currently, 80% of work is completed and scheduled to be completed the project by February 2023.

MANUFACTURED CAPITAL



6. Supply, Installation & Commissioning of CCTV Camera System at CPSTL Oil Installation Kolonnawa

CPSTL Oil Installation, Kolonnawa is a vulnerable location with respect to security aspects and it is essential to have a CCTV camera system to monitor online as well as to store data for forensic purposes. Further, tank farms, pump houses and other important locations are also needed to be monitored online and also for forensic purposes. Therefore, a reliable and effective CCTV system has to be installed at Oil Installation at Kolonnawa for this purpose.

CPSTL Board approval was obtained for Rs. 125.0 Mn. for installation of CCTV camera system in Oil Installation, Kolonnawa. Public bids were invited, and a contractor was selected following a formal procurement process. The contract was awarded, and the site was handed over on 01.11.2021.

The contractor proceeded with work and completed 34% mostly the field work. However, the contractor could not proceed with the purchase of cameras due to global economic situation creating foreign currency shortage and import restrictions. A crisis response plan has been agreed upon, and the project is proceeding with a revised time schedule.

7. Bowser Parking Facility at CPSTL Muthurajawela Terminal

Sri Lanka Land Development Corporation (SLLDC) agreed to allocate 2- and 3-acre rudes 34.51 perches near Muthurajawela Terminal. CPSTL Board approval was obtained for the purchase of land with development of parking facility with a fund allocation of Rs. 66.62 Mn. Deed for the land purchase was signed on 17.12.2019 with a payment of Rs. 272,622,128.00 and acquired the land. The possession was taken over by CPSTL. A bidding document for development of parking facilities was prepared.

In the meantime, the land behind the CPSTL land has been filled by SLLDC and hence CPSTL land is also to be filled. Therefore, a quotation has been obtained from SLLDC which amounts to Rs. 42.4 Mn. and fence with a retaining wall also need to be constructed. Board approval has been taken for 123.02 million for all three-project land filling by SLLDC, perimeter fencing and bowser parking facility.

The Land filling project has been already awarded to SLLDC and completed. Bids for other two projects are to be invited through National competitive bidding process. However, RDA is to raise the road by 0.8 m and the site is to be further raised. Accordingly, the bowser parking facility is to be developed with additional land filing to the required level. The bids are to be invited via public bidding method.

8. Dry Docking of SPBM – Muthurajawela

Muthurajawela dual path buoy installed in year 2010 for the purpose of unloading clean finished products (Gas oil, Gasoline) & fuel oil through separate 18" pipe lines to Muthurajawela tank farm. It has two separate hose strings for this purpose. Muthurajawela SPBM is one of the critical infrastructures, not only for CPSTL, but also for the entire nation. It is one of the main finished products unloading point to the country and the only inbound product discharging facility for Muthurajawela

Terminal. On average annually around 40 nos of tankers were discharged amounting to more than 1 billion metric tons of finished products through in SPBM Muthurajawela.

After successful operation of 08 years, a seal leak occurred at the Multi-Product Distribution Unit (MPDU) of the buoy at the furnace oil system from 2017 September. Due to this development, CPSTL was closely monitoring the system to identify right time span for a major maintenance. Further to the above seal leak, in 2019, the technical teams identified another minor MPDU seal leak from Gas oil system.

The technical team analyzed the situation of buoy and with the manufacturer's recommendation, it was decided to attend the major overhauling of the buoy under the supervision of buoy manufacturer without further delay.

Dry docking is carried out for overhauling of buoy for use of further 5 to 8 years in sea. This is the first dry docking of the Muthurajawela buoy.

Major Maintenance Activities being conducted under dry docking

01. Complete overhauling of Multi-Product Distribution Unit (MPDU)
02. Complete cleaning, repair and painting of hull
03. Complete overhauling of the rotating system
04. Complete replacing of the buoy cathodic protection system

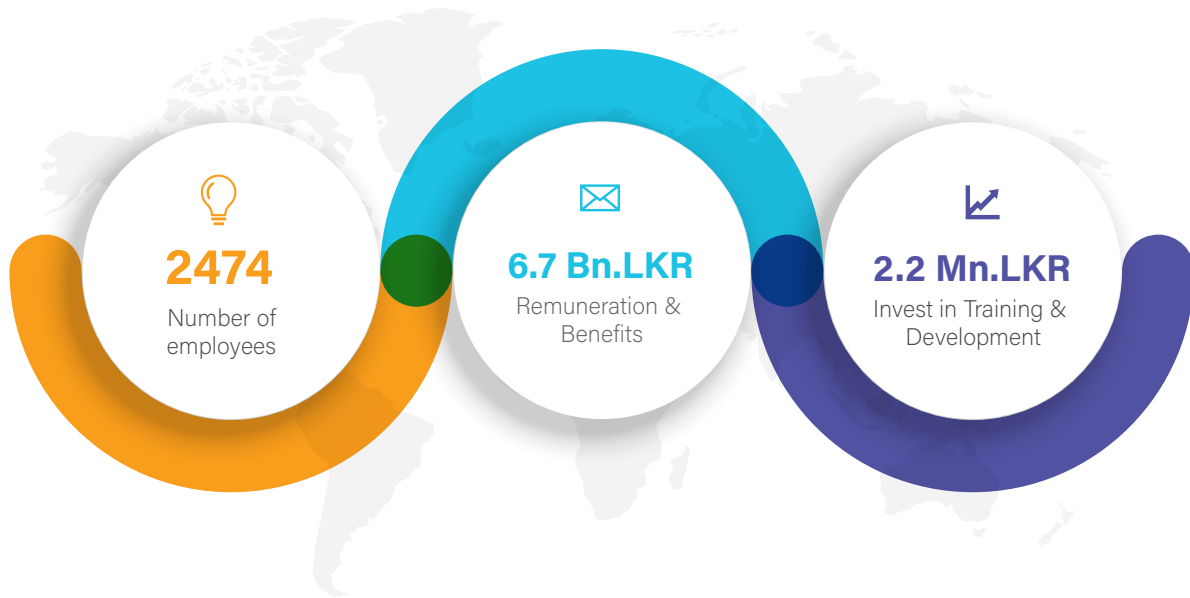
This repair is carried out under the supervision of buoy manufacturer M/s. IMODCO Services and under the guidance of internationally recognized 3rd party surveyor.

The safe and efficient operation of the SPBM is assured for a period of 05 years by conducting the dry dock maintenance. Other benefits also include availability of dual paths for the buoy operations. Prior to the dry docking only one line was available for operation. The reliability of the buoy operations is enhanced with the dry docking.

MANUFACTURED CAPITAL



HUMAN CAPITAL



In our organization, human capital stands as our most invaluable asset. It encompasses the amalgamation of collective knowledge, skills, experience, as well as investments in training and well-being. At CPSTL, we hold the firm belief that our employees constitute a pivotal cornerstone of our enterprise, playing an instrumental role both collectively and individually in steering our business towards excellence. We remain steadfast in our commitment to enhance and develop the quality of our human capital. This is achieved through diligent adherence to a robust human resource management framework that is dedicated to realizing our employees' career aspirations and equitably recognizing their performance contributions.

Areas we mainly focus

- Employee diversity and equal opportunity
- Fair pay and other benefits
- Rewards and recognition
- Training and professional development
- Health and safety

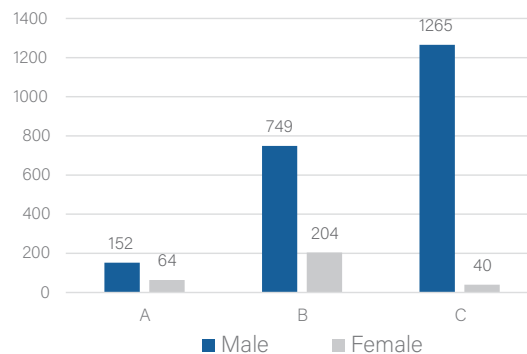
CPSTL places a paramount focus on generating value for its workforce by cultivating an exceptional work environment. This environment is characterized by highly motivated teams working alongside individuals driven to achieve excellence. Our commitment to this objective is reflected in the establishment of robust governance structures, comprehensive policy frameworks, and efficient systems and processes. These have been meticulously designed to bolster employee productivity and underscore how the organization fosters value for its personnel. CPSTL's workforce, comprising 2,474 dedicated employees, serves as the driving force behind the realization of our strategic objectives while exemplifying our core corporate values.

Employee Diversity and Equal Opportunity

Our commitment to inclusivity and equity is embedded through our HR processes, from recruitment and training opportunities to remuneration and promotions regardless of gender, race, religion, age, nationality, civil status or political view. We welcome people from diverse backgrounds, social status, education, exposure levels, experience and demographics into our company. Diversity promotes every person to contribute with unique, creative skills and ideas which would help organization to deliver better outcomes. At CPSTL we

HUMAN CAPITAL

understand the importance of employee diversity and equal opportunity and taken actions to promote diversity and foster inclusion. At the heart of this commitment currently we are providing employment opportunities for 3 differently abled people in different functions of the company. Employees are recruited from all the districts of the country covering all the races and religions & 12% represents the female employees. Female representation is relatively low in non-executive grades while it's 30% in Executive grades because of the nature of the industry we are engaged in.



Benefits, Rewards and Recognition

Even under the crisis, CPSTL maintained its remuneration policies and standards while ensuring 100% job security of employees.

CPSTL's reward structures have been designed with transparency. It is fairly and equitably benchmarked against the grades maintaining uniform standards across the business with no discrepancy between men & women. All employees undergo annual performance appraisals, based on a defined competency framework.

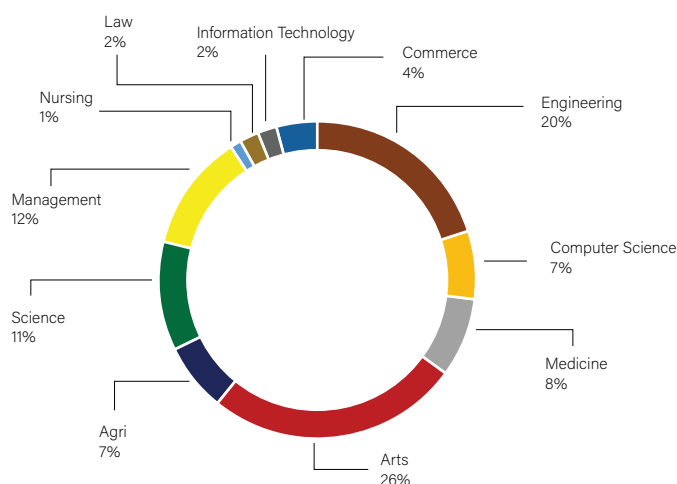
The benefits provided to permanent workforce of CPSTL as follows,

Employee benefits to permanent cadre	Description
Leave	
▪ Annual leave	14 days
▪ Casual leave	7 working days
▪ Medical leave	21 working days
▪ Maternity leave	▪ 84 working days
	▪ Half pay for 84 days
	▪ No pay leave for 84 days
▪ Accident leave	Employee accident while on duty
▪ Lieu leave	Employee who work on 4 Saturdays of the month can obtain 2 days of leave and overtime
▪ Special leave	During special incident (Election , Curfew etc.)
▪ Duty leave	On special instances for official duties
▪ No pay leave	For foreign studies, training , workshops etc.
Increment	Evaluate employee duties, attendance and behavior
Allowances	Meal allowances, travelling allowances, Terminal allowances, Attendance incentive, Shift allowances, Annual leave incentive, Cost of living allowances, Professional allowances, Weekend allowances, Official telephone benefit etc.

Employee benefits to permanent cadre	Description
Bonus	Annual Bonus
Loans	
▪ Distress loan	10 months salary, simply concessionary interest rate, recoverable in 60 months
▪ Housing loan	Purchasing land or houses or house construction. Simply concessionary rate , recoverable in 300 months or balance service period of the employee whichever is lower
▪ House repair loan	For repairing houses, simply concessionary interest rate, recoverable in 120 monthly installments
▪ Home facilities loan	To purchase furniture. Simply concessionary interest rate, Recoverable in 60 monthly installments.
▪ Thrift society loan	03 months salary. Simply concessionary interest rates, recoverable in 60 monthly installments.
▪ Car loan	Applicable only for executives. Simply concessionary interest rate. Recoverable in 60 monthly installments.
▪ Motor cycle loan	Simply concessionary interest rate, recoverable in 60 monthly installments.
▪ Three wheeler loan	Simply concessionary interest rate, recoverable in 60 monthly installments.
Advances	
▪ Festival advance	Interest free. Recoverable in 10 months
▪ New year advance	Interest free. Recoverable in 10 months
▪ School book advance	Interest free. Recoverable in 10 months
Presentation of awards	Depends on the service period of employees
Welfare related benefits	<ul style="list-style-type: none"> - Every employee is entitled to a 3 days / 2 nights stay with family at any CPSTL / CPC circuit bungalow - Participation in CPSTL sports club events - Annual picnic - Blood donation campaign - Co-operative shop at CPSTL premises - Cafeteria is maintained at CPSTL premises
Medical benefits	<ul style="list-style-type: none"> In house medical officer at CPSTL and also provide free medicine & reimbursement of medical expenses - Medical insurance for hospitalization - Reimbursement of lab testing - Reimbursement of special testing (CT scan, MRI etc.)
Death benefit	Death compensation
Thrift society benefits	<ul style="list-style-type: none"> -Death donation including death of employees, and immediate family members - Gratuity is granted as same as statutory gratuity
Retirement provision	Statutory gratuity
Other facilities	Providing uniforms for special duties, Meals for night duty employees

HUMAN CAPITAL

CPSTL serves children of employees by encouraging them for higher education by granting scholarships for undergraduates. During the year 129 scholarships were granted for undergraduates in different fields.



Scholarships granted for children of the employees – 2022

Employees those who have covered particular years of service are felicitated annually by the Company.

Service Period Completed	No. of Employees
20 Years	14
30 Years	01
35 Years	21
40 Years	01

Training and Professional Development

In the current dynamic and intricate operational environment, the adoption of a forward-looking learning strategy assumes paramount significance as a fundamental requirement for aligning with prospective business demands. The organization acknowledges that the prowess of its workforce plays an indispensable role in the realization of its vision and the pursuit of enduring value creation objectives. Consequently, the cultivation and retention of a competitive talent pool stand as pivotal enablers in the execution of the company's strategic roadmap and the attainment of its growth milestones. To this end, CPSTL's dedicated Training & Human Resource Development division is wholly

committed to the perpetual personal enhancement of its workforce, alongside vigilantly assessing and addressing the training requisites of all employees.

The Company identifies its employees' training needs through performance feedback and talent discussions. Employees are encouraged to participate in training programs conducted by third parties, such as professional bodies and training organizations, in addition to internal training programs.

Conducted several training programs to develop technical knowledge, soft skills and leadership skills of employees translating to 5,006 training hours during the year.

Programs / Workshops / Seminars	Duration	No. of Participants	Training hours
Employee Disciplinary Development for the Security Function	7 hrs	31	217 hrs
Training for Tank Guagers	21 hrs	8	168 hrs
Music Therapy	3 hrs	25	75 hrs
Employee Disciplinary Development for the Engineering Function	7 hrs	17	119 hrs
Risk Assessment	7 hrs	37	259 hrs
Price Escalation Workshop	7 hrs	88	616 hrs
Labour Law	7 hrs	127	889 hrs
Employee Disciplinary Development	7 hrs	80	560 hrs
Personal Grooming	7 hrs	52	364 hrs
Training for Tank Fillers	21 hrs	11	231 hrs
Personal Skills, Values & Worklife Balance	7 hrs	37	259 hrs
Employee Disciplinary Development	3 hrs	12	36 hrs
CIA (Certified Internal Auditor) series	32 hrs	25	800 hrs
Emotional Intelligence	7 hrs	59	413 hrs
Total			5006 hrs

The company is always interested in employee career development and lends its support to employees who wish to join accredited professional bodies, motivates them for professional development, and provides financial assistance to pursue MBA and other postgraduate studies. The company also reimburses annual professional body subscriptions and promotes continuous professional development by reimbursing fees for conferences and workshops held by professional bodies.



HUMAN CAPITAL

Occupational Health & Safety

The company is fulfilling its responsibility on maintaining highest standards of health and safety across its operations, by providing a safe and injury free working environment for all employees.

CPSTL stands as the premier petroleum terminals operator in Sri Lanka, carrying out the management and distribution of highly flammable petroleum products. Given the inherent risks associated with these operations, they fall within the high-risk category. As a pivotal economic hub, any large-scale fire incident within CPSTL's facilities could potentially have crippling ramifications on the nation's economy. Consequently, Industrial and Occupational Health and Safety assume paramount importance in CPSTL's operational framework. CPSTL has a dedicated in-house,

- Fire and Safety function with 24hrsx7days, Ready to Deploy, In-House, Fire Brigade to regulate safety of the operations.
- Medical Center to monitor the health and attend medical emergencies of the employees with 24hrsx7days, In-house Ambulance.



The Company pays special attention to matters of health & safety and the elimination of risk in:

- The provision and maintenance of machinery, equipment and work systems
- The handling, storage and transportation of fuel
- The provision of relevant information, training & supervision
- The maintenance of work conditions
- The prevention of health & safety hazards at work
- The strict adherence to health and safety instructions by all the employees

Employee Events

Blood Donation Campaign

Annual blood donation campaign at Muthurajawela Terminal was conducted successfully in year 2022 as well for the 8th consecutive year with full and active participation of the employees of the company.



Shramadana Campaign

Shramadana campaigns were conducted in the office premises by CPSTL employees including all the depots.



HUMAN CAPITAL

Buddhist Sermons

Buddhist Association of CPSTL conducts Buddhist Sermons on poya days in office premises and invites all the employees to participate.



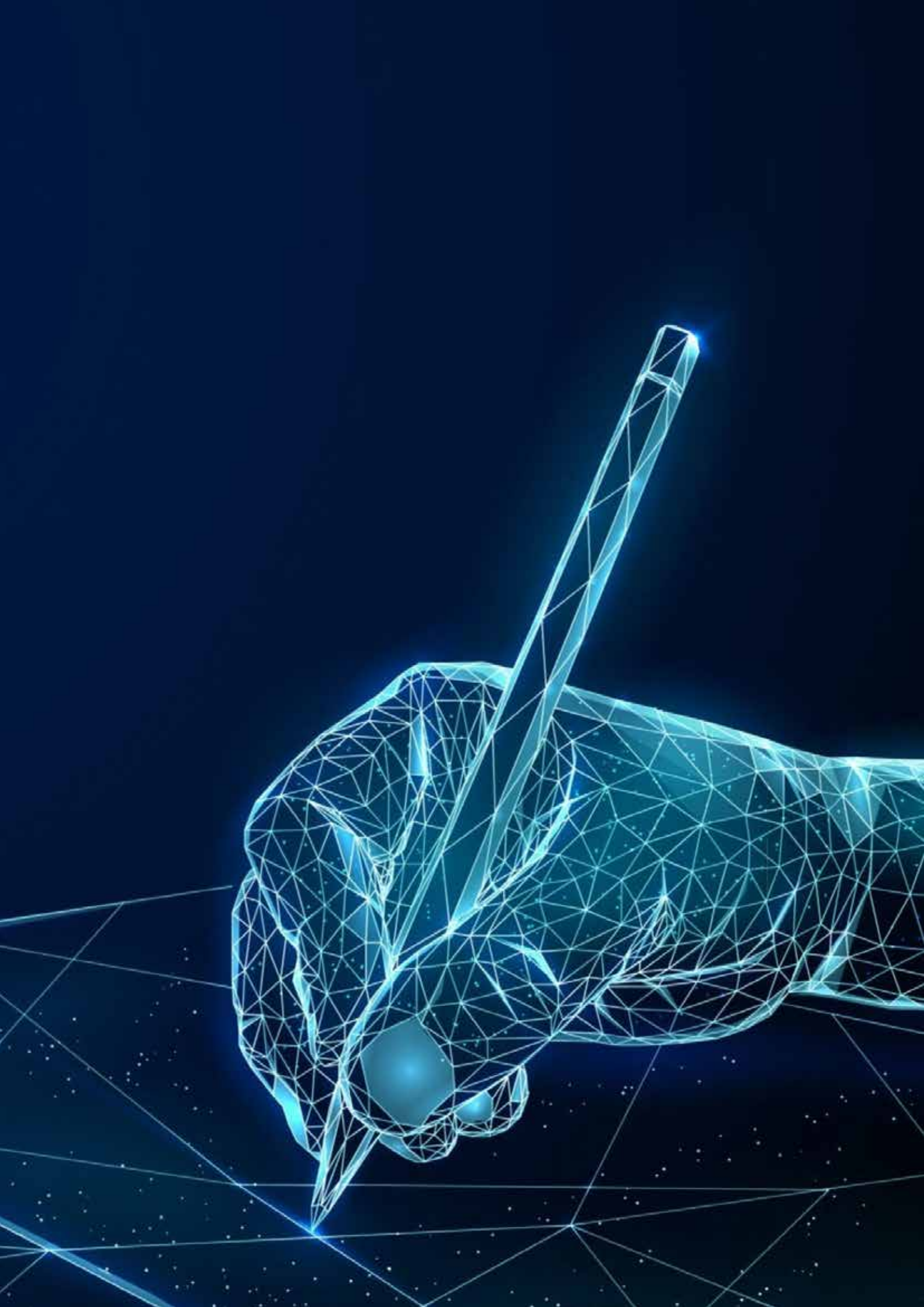
Workshop on Music Therapy

Workshop on Music Therapy was conducted by training & human resource development function with the objective of having a balance between work and life covering how to understand music without words, melody, rhythm, harmony, technical and practical aspects of music therapy etc.



GOVERNANCE & COMPLIANCE





CORPORATE GOVERNANCE

DECLARATION BY THE BOARD

On behalf of the Board, I wish to confirm that the Board of Directors of CPSTL is firmly committed to observing the application of Corporate Governance principles across the Company and that the Corporate Governance Report provides a fair account of Corporate Governance practices within the Company.

Accordingly, I declare that the Board of Directors and all personnel have acted in compliance with the applicable regulatory and statutory requirements.

Mr. M. Uvais Mohamed
Chairman / Managing Director

Corporate Governance at CPSTL is designed to create sound and effective corporate culture which strengthens Board and Management accountability, transparency, fairness in all transactions and helps to build public trust of the organization. The purpose of Corporate Governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of a Company. In broader sense it also encompasses;

- How the vision, mission, objectives and strategy are designed and communicated
- How well the values are complied with
- How risks are managed
- How transparency is promoted
- How to manage operations in sustainable way
- How future leaders are encouraged and developed
- How corporate culture is promoted to enhance stakeholder values

As the main facilitator of storage and distribution of Petroleum Products in Sri Lanka, the organization

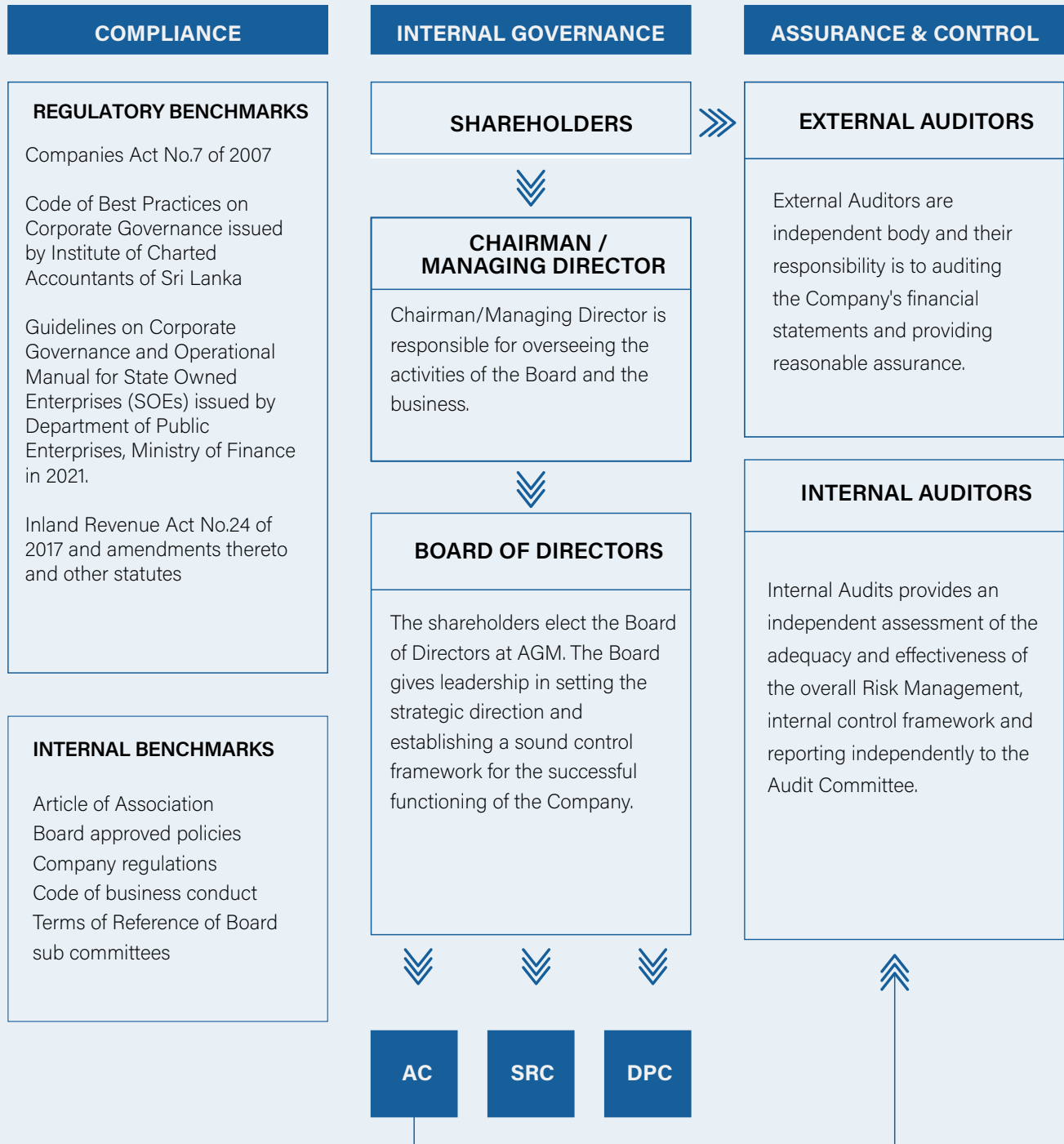
assures to practice the principals of Corporate Governance in compliance with legislations, regulations and codes set out by regulatory bodies of the country and it adheres with the internal policies & guidelines set out by the company.

CORPORATE GOVERNANCE STRUCTURE

The fundamental relationships among the Board, its sub committees, Senior Management, shareholders, regulators and other stakeholders are guided by CPSTL Governance structure.

The Corporate Governance structure at CPSTL can be illustrated under main three pillars of;

1. Compliance
2. Internal Governance structure
3. Assurance & Control



AC - Audit Committee
SRC - Stock Review Committee
DPC- Departmental Procurement Committee

CORPORATE GOVERNANCE

01. Compliance

Corporate Governance practices of Company adheres to the requirements of following frameworks of legislation, codes & voluntary practices.

- Code of Best Practices on Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka.
- Guidelines on Corporate Governance and Operational Manual for State Owned Enterprises (SOEs) issued by Department of Public Enterprises, Ministry of Finance in 2021.
- Companies Act No.7 of 2007.
- Inland Revenue Act No.24 of 2017 and amendments thereto and other statutes.
- Article of Association of the Company.
- Board approved policies.
- Company regulations.
- Code of business conduct.
- Terms of Reference of Board sub committees and Management committees.

02. Internal Governance Structure

The Board of Directors

The Board is committed to maintain the highest standards of Corporate Governance across all activities of the Company. The purpose of Governance is to create long-term sustainable shareholder value through effective and prudent management.

Board Responsibilities

- Providing direction and guidance in the formulation of strategies which are aimed at promoting the long-term success of the organization.
- Providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives for the Company.

- Reviewing and approving annual plans and long-term business plans.
- Monitoring systems of governance and compliance.
- Approving and monitoring financial and other reporting practices adopted by the Company.
- Reviewing and approving major acquisitions, disposals and capital expenditure.
- Determining any changes to the discretions/ authorities delegated from the Board to the executive levels
- Overseeing systems of internal control and risk management procedures.

Board Composition

The composition of the Board of Directors as at 31st December 2022 was as follows;

Name	Designation
Mr. M U Mohomad	Chairman
Mr. L E Susantha Silva	Managing Director
Mr. E A Rathnaseela	Director
Mr. Manoj Kumar Gupta	Director
Mr. Aseem Bhargava	Director
Mr. Rajesh Bhagat	Director
Mr. Dharmadasa Panditharatne	Director
Mr. Manoj Gamage	Director

Changes of Directors during the year 2022;

	Name of the Director	Date of Appointment to the Board	Date of resigned from the Board	Position
01	Mr. Nalaka Perera	21/12/2021	07/03/2022	Chairman
02	Retd Major General M R W De Zoysa	09/03/2022	02/08/2022	Chairman/MD
03	Mr. M U Mohomad	05/08/2022		Chairman
04	Mr. Samindra Abeysekera	21/12/2021	07/03/2022	MD
05	Mr. L E Susantha Silva	05/08/2022		MD
06	Mr. Buddhika Ruwan Madihahewa	27/01/2020	13/07/2022	NED
07	Mr. E A Rathnaseela	27/01/2020		NED
08	Mr. Manoj Kumar Gupta	20/05/2019		NED
09	Mr. Thilina Peris	15/03/2021	07/03/2022	NED
10	Mr. Aseem Bhargava	18/08/2021		NED
11	Mr. Rajesh Bhagat	18/08/2021		NED
12	Mr. Prasanna Amarathunga	28/12/2021	07/03/2022	NED
13	Mr. H D Bandula Saman Kumara	09/03/2022	18/10/2022	NED
14	Mr. Dharmadasa Panditharatne	09/03/2022		NED
15	Mr. Manoj Gamage	13/12/2022		NED

The profiles of current Directors on pages 20 to 25 of the Annual Report demonstrate a wealth of experience and sufficient caliber to provide independent judgement on issues of strategy, performance, resources and business practices which is vital to the Company.

• Board Diversity and Board Balance

The Board of Directors is the main component of the Corporate Governance framework. The Board diversity in different skills, knowledge, experience, professional qualifications, age, nationalities aim to benefit with more effective decision making, better utilization of the talent pool and resources.

During the year under review the Board comprised eight Directors who are having optimal mix of skills, expertise and experience in different fields.

• Appointment of Directors

Directors are appointed to the Board through an Annual General Meeting subject to the terms of Article of Association. In considering candidates for Directorship,

the Board will take into account all factors it considers appropriate, including among other things, breadth of experience, understanding of business and financial issues, ability to exercise sound judgement, diversity, leadership, and achievements and experience in matters affecting business and industry.

• Division of Responsibilities

Mr. Nalaka Perera upheld his position as the Chairman, while Mr. Samindra Abeysekera retained his role as the Managing Director until 07th March 2022.

After the resignation of Mr. Nalaka Perera and Mr. Samindra Abeysekera from the board, Retd Major General M R W De Zoysa appointed as the Chairman/ Managing Director of the company with effect from 09th March 2022 and he holds both the responsibility of overseeing the activities of the Board and the executive responsibility of overseeing the business of the Company until 02nd August 2022 which helps to expedite the decision-making process and avoid disputes. The

CORPORATE GOVERNANCE

Company maintained its position that the combination of the two roles was most appropriate at this stage, in meeting stakeholder objectives and given the need for nimble and agile leadership.

Subsequent to the resignation of Retd Major General M R W De Zoysa from the board, the roles of the Chairman and Managing Director were separated with a clear distinction of responsibilities between them, which ensures the balance of accountability and authority between the running of the board and the executive responsibility for the running of the business. Accordingly, Mr. M. Uvais Mohamed appointed as the Chairman and Mr. L E Susantha Silva appointed as the Managing Director of the company with effect from 05th August 2022.

Operations of CPSTL can be divided into sub categories namely, Operations in Kolonnawa installation, Operations

in Muthurajawela Terminal, Oil Facility Office at Port of Colombo and Operations in Lanka Bulk Depots in island wide. Muthurajawela Terminal Operations headed by Terminal Manager (Muthurajawela). Operation Manager (Offshore Operations) is the head of Oil Facility Office at Port of Colombo and Lanka Bulk Depots are headed by Depots' Superintendents under the supervision of Deputy General Manager (Operations).

• Board Meetings and Attendance

Regular Board meetings are held monthly, while special Board meetings are convened as and when required. Senior Managers also attend meetings on invitations. The Board meetings are conducted on a formal agenda and Directors are provided with relevant comprehensive background information by corporate Management prior to meetings. There were 12 Board meetings during the year 2022.

The attendance of Directors at these meetings is set out in the table below;

Name	27/ Jan	23/ Feb	16/ Mar	9/ Apr	25/ May	20/ Jun	28/ Jul	19/ Aug	12/ Sep	14/ Oct	24/ Nov	14/ Dec
Mr. Nalaka Perera	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Retd Major General M R W De Zoysa	N/A	N/A	P	P	P	P	P	N/A	N/A	N/A	N/A	N/A
Mr. M U Mohomad	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P
Mr. Samindra Abeysekera	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. L E Susantha Silva	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P
Mr. Buddhika Ruwan Madihahewa	P	P	P	P	P	AB	N/A	N/A	N/A	N/A	N/A	N/A
Mr. E A Rathnaseela	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Manoj Kumar Gupta	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Thilina Peris	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Aseem Bhargava	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Rajesh Bhagat	P	AB	P	AB	P	P	P	P	P	P	P	P
Mr. Prasanna Amarathunga	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. H D Bandula Saman Kumara	N/A	N/A	P	P	P	P	P	P	P	P	N/A	N/A
Mr. Dharmadasa Panditharatne	N/A	N/A	P	P	AB	AB	P	P	P	P	AB	P
Mr. Manoj Gamage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P

P - Present / AB - Absent

- **Delegation of Authority and Committees**

Other than the matters reserved for the Board, the Board has delegated authority to Board Sub Committees.

The Board is supported by the following Committees which have been delegated with specific responsibilities;

- a) **Audit Committee**

The Audit committee is appointed by the Board of Directors of the Company and reports directly to the Board. The Audit Committee functions within the overall Governance process established by the Board of Directors of the Company and assists the Board in effectively discharging its responsibilities.

CPSTL Audit Committee consists of 03 members who are Non-Executive Directors appointed by the Board of Directors. The composition and functions carried out by the Audit Committee are presented on page 92 of the Annual Report.

- b) **Stock Review Committee**

Stock review committee is held weekly with the participation of CPSTL staff and representatives of CPC and LIOC. The stock position is reviewed, and the requirement for the next three months is preplanned. The Quantity to be imported, is identified after considering the forecasted demand in the country, the refinery production capabilities and the tank storage capacity. Regular close monitoring enables the Corporation to ensure uninterrupted supply of fuel in the country.

- c) **Department Procurement Committee**

The Company follows the guidelines issued by the National Procurement Agency for the purchase of products, goods, work and services, through TEC (Technical Evaluation Committee) and DPC (Department of Procurement Committee) functions to ensure the transparency of Procurement function, minimize supply delays and to obtain financially the most advantages and qualitatively best services and supplies to the Company.

The committee is headed by Chairman/Managing Director of CPSTL and comprises of Deputy General Manager- Operations and representative from the Ministry of Petroleum Resources Development.

- **Board access to Information and Resources**

Directors have unrestricted access to Management and organization information, as well as the resources required to carry out their duties and responsibilities effectively. Executive Management makes presentations on matters including business performance against operating plans, strategy, Financial Management, Costing, Asset Management, Risk Management, Compliance and Regulatory changes. Access to independent professional advice and information, is available to Directors at the Company's expense where it is considered necessary.

- **Company Secretaries**

Accounting Systems Secretarial Services (Private) Limited acts as Secretaries to the Board, guiding the Board on discharging its duties and responsibilities and promoting best practices in Corporate Governance. All Directors have access to the Company Secretary. The Company Secretary coordinates scheduling of Board meetings and other Sub – Committee meetings, keeping minutes and other relevant records.

03. Assurance and Control

- **Financial Reporting**

The Board of Directors is responsible for true and fair view presentation of financial statements. The financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS and LKAS and Audit Committee has reviewed and discussed the financial reports prior to publication with the Management and external auditors including the extent of complicate with Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgmental matters.

CORPORATE GOVERNANCE

• Transparency & Compliance

The Board is responsible to maintain transparency in all its transactions and to ensure strict compliance with laws and regulations while preserving the ethical standards, labour and human rights and Company policies.

- The internal controls system of the Company is designed in accordance with the provisions of the Ceylon Petroleum Corporation Act No. 28 of 1961 and Finance Act No. 38 of 1971.
- In compliance with Finance Act.38 of 1971, the Auditor General carries out the External Audit of the organization and financial statements are published annually and tabled in Parliament.
- To ensure accountability, the organization adheres to new Sri Lankan Accounting Standards (SLFRS/ LKAS) and other relevant regulations.

• Internal Controls

The Board ensures a sound and effective internal control system is properly established and maintained to provide reasonable assurance regarding the achievement of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations as well as Risk Management. It confirms the integrity of financial and accounting information, meet operational and profitability targets and transmit management policies throughout the organization. It is crucial to state that any internal control system can ensure only a reasonable assurance and not absolute assurance that errors and irregularities will be presented or detected within a reasonable time period.

The Internal Audit Function ensures the organization is efficiently operating within the established internal control system of CPSTL.

• Internal Audit

Internal audits are conducted by the Internal Audit Division which is independent of Management. The objective of an internal audit is to keep stringent

control over all the activities of an organization. The Management needs assurance of the authenticity of the financial records and the efficiency of the operations of the organization. An internal audit helps establish both. It ensures the proper internal control system is maintained within the organization in line with the laid down procedures, rules and regulations.

The scope of Internal Audit Division is as follows;

- To ensure that all business transactions are properly authorized before execution, in accordance with existing rules and regulations.
- To ensure all accounting information is properly recorded in SAP as well as primary records are accurately maintained, and relevant statistics and control data are properly designed to ensure efficient Management.
- To ensure that the financial accounting statements reveal a true and fair view of the status of the organization.
- To assess the efficiency of systems of internal control in operation.
- To adapt the system-based approach to review and appraise;
 - The design and operation of all systems and procedures which are intended to control a department's operation including those used by Management to measure the extent to which programs and other operations run by the department are successful in achievement of policy objectives.
 - The degree of compliance with legislation and other requirements laid down and Management plans, procedures and policies.
 - The acquisition, disposal and safeguarding of assets and interest from losses, including those arising from fraud, malpractice and irregularity.
 - The arrangements for the economic and efficient use of resources and avoid waste.

- The adequacy, reliability and integrity of the information being provided for decision making and for accountability, and the extent to which this information is used.

• External Audit

External Auditors are responsible for auditing the Company's financial statements and providing reasonable assurance on fair and true representation of the Company's financial position and performance.

In compliance with Finance Act.38 of 1971 and National Audit Act 2018, the Auditor General carries out the External Audit of the organization and financial statements are published annually and tabled in Parliament.

Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017.

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
A	Directors		
A.1	The Board	The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company.	Complied
A1.1	Regular Board meetings	<ul style="list-style-type: none"> ▪ Board meetings are held monthly, while special Board meetings are convened as and when required. ▪ The attendance of Board meetings is described in the table on page 70 	Complied
A1.2	Roles & Responsibilities of the Board	<p>The Board is to provide entrepreneurial leadership by undertaking responsibilities for;</p> <ul style="list-style-type: none"> ▪ Strategy formulation & implementation. ▪ Skills and succession of the key Management personnel. ▪ Integrity of information, internal controls, business continuity and Risk Management. ▪ Compliance with laws, regulations and ethical standards. ▪ Consideration of all stakeholder interests in decision making. ▪ Sustainable business development. ▪ Adopting appropriate accounting policies and compliance with financial regulations. 	Complied
A1.3	Act in accordance with the laws of the country.	The Board ensures the Company is compliant with all applicable rules, laws and regulations.	Complied

CORPORATE GOVERNANCE

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
A1.4	Access to the advice and services of the Company Secretary	<ul style="list-style-type: none"> Accounting Systems Secretarial Services (Private) Limited acts as Secretaries to the Board, guiding the Board on discharging its duties and responsibilities and promoting best practices in Corporate Governance. The Secretary also informs the Board of any new laws and regulations that will need to be adhered with. 	Complied
A1.5	Independent Judgement	Equal opportunity is available for Directors to express their views independently on matters relating to the Board.	Complied
A1.6	Dedicate adequate time and effort to matters of the Board and the Company	All Directors are provided with Notice, Agenda and Board papers in advance of each meeting to ensure that Directors have sufficient time to review the same and call for additional information or clarifications if required.	Complied
A1.7	If necessary, in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board.		Not applicable
A1.8	Board induction and training.	The Directors are regularly updated by the Chairman, Managing Director, Executive Director and Senior Management on the relevant information regarding internal and external environment.	Complied
A.2	Division of responsibilities between the Chairman and CEO	The roles of Chairman & Managing Director were combined during the year under review. Pls refer A.2.1 for justification	Refer A.2.1
A.2.1	Justification of combining roles of Chairman and CEO in one person	Retd Major General M R W De Zoysa appointed to the BOD with effect from 09 th March 2022 and continued to play the role of the Managing Director in addition to the role of Chairman until 02 nd August 2022. The Company maintained its position that the combination of the two roles was most appropriate at this stage, in meeting stakeholder objectives and given the need for nimble and agile leadership.	Complied

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
A.3	Chairman's role in preserving good Corporate Governance	<p>The Chairman provides leadership to the Board and ensure,</p> <ul style="list-style-type: none"> The effective participation and contribution of the Directors. The views of Directors on issues under consideration are ascertained. The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders. 	Complied
A.4	Availability of financial acumen	<p>There are two finance professionals in the Board to possess the necessary financial knowledge and expertise to guide the Board in managing the financial matters of the company.</p> <ul style="list-style-type: none"> Mr. M U Mohomad holds a BA (Hons) in Business Accounting at the University of London Metropolitan, UK and Final Level of the Chartered Institute of Management Accountant (CIMA). Mr. L E Susantha Silva holds numerous finance related professional qualifications such as fellow member (FCA) of the ICASL, fellow member of CMASL (FCMA), membership of Certified Practicing Accountants of Australia (CPA Australia), Associate member of the Public Finance Accountants of Sri Lanka (APFASL) and Associate Member of the Certified Practicing Accountants of PNG. 	Complied
A.5	Board Balance		Complied
A.6	Provision of appropriate and timely information		Complied
A.7	Appointments to the Board		Complied
B	Directors' remuneration		
B.1	Establish process for developing policy on executive and Director remuneration.		Complied
B.2	Level & Make Up of Remuneration		Complied
B.3	Disclosure of aggregate Board remuneration paid	Financial Information-Detailed Income Statement	Complied

CORPORATE GOVERNANCE

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
C	Relations with Shareholders		
C.1	Constructive use of Annual General Meeting (AGM) and conduct of General Meetings		Complied
C.3	Directors should disclose to shareholders all proposed material transactions including related party transactions		Complied
D	Accountability & Audit		
D.1	Financial Reporting	<ul style="list-style-type: none"> All efforts are taken to ensure that the Annual Report presents a balanced review of financial position, performance, business model, Governance structure, risk management, internal controls, challenges and opportunities. In preparation of Annual Report and other Interim Reports Company complied with relevant laws and regulations applicable to the Company. The below mentioned disclosures are included in Annual Report as guided by the Code. <ol style="list-style-type: none"> Management Discussion and Analysis on pages 31 - 62 Annual Report of the Board of Directors on pages 89-91 Statement of Director's responsibilities in relation to the financial statements of the Company on page 111 Statement on going concern on page 115 Directors' statement on internal control on page 89 Independent Auditors' report on pages 98 - 110 Chairman's & Managing Director's statement of responsibility on pages 16 -19 Related party transactions disclosed in Note 19 to the financial statements No serious loss of capital to summon. Company has presented other Interim Reports required by the Ministry as per the Government Circulars. 	Complied

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
D.2	Risk Management and Internal Control	A sound Risk Management framework is adopted by the company consisting of policies, internal controls and periodic monitoring with the guidance of the Audit Committee and with the assistance of Internal Audit Department. These are described in the Risk Management section on page 78 - 88 and Audit Committee Report on page 92 - 95	Complied
D.3	Audit Committee	The Audit Committee comprised of 03 members who are Non- Executive Directors appointed by the Board of Directors. It is supported by the Internal Audit division. The composition and functions carried out by the Audit Committee are presented on page 92 - 95 of the Annual Report.	Complied
E	Institutional Investors		
	Shareholder Voting	All institutional shareholders are encouraged to participate at shareholder meetings and their views are communicated to all concerned	Complied
	Evaluation of Governance Disclosures	The Annual Report describes the Corporate Governance process.	Complied
G	Internet of Things and Cybersecurity		
	The Board should have a process to manage the cyber risks and how the IT devices within and outside the company connect to the organization network.	<ul style="list-style-type: none"> Disaster Recovery Management Centre (DRMC) project is going on. Implementation of network protection technology to manage network perimeter defense, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities together with regular testing and verification of controls. Backup server & recovery server Further details are described in the Risk Management Report on pages 78 - 88 	Complied
H	Environmental and Social Factors Governance Reporting (ESG)		
H.1	Providing an adequate disclosure of the ESG performance	The Annual Reports provides a holistic review of performance. The performance of the various capitals used by the group are described in separate sections of the report.	Complied



RISK MANAGEMENT

CPSTL firmly upholds the importance of sound Risk Management practices for ensuring sustainable long-term growth. Our overarching objective is to enhance the enduring value of all our organizational endeavors. This commitment extends to a thorough consideration of both the potential advantages and disadvantages associated with factors that could adversely impact our ongoing operations. Our approach to Risk Management is characterized by its continuous and adaptive nature, making it a pivotal element in the successful execution of our corporate strategy.

The business risks faced by our company are influenced by several factors, and it's important to acknowledge that not all these factors fall under our direct control. These externally driven challenges, in tandem with general business risk exposures encompassing corporate reputation, security, environmental concerns, health and safety considerations, product quality, and information technology, are vigilantly and consistently assessed as integral components of our comprehensive Risk Management process.

Uncertainty in Socio-economic Landscape

In the year 2022, Sri Lanka initially showed signs of recovering from the COVID-19 pandemic to some extent. However, the country soon faced a new set of challenges that had a much greater impact on businesses and the population. Throughout 2022, Sri Lanka has been grappling with an unprecedented economic crisis characterized by soaring inflation, escalating commodity prices, power shortages, and severe fuel scarcity. This crisis has been exacerbated by a failed agricultural transition, resulting in a significant decline in agricultural production. In response to these dire circumstances, mass protests erupted in March 2022 due to severe shortages of essential items, including food, fuel, and medicines. The situation escalated to the point where, on July 13, the President left the country, leading the Prime Minister to declare a state of emergency.

The energy sector was also directly impacted by the challenges mentioned below, exacerbating the country's economic woes.

- Rising global fuel prices and rupee depreciation in 2022 increased import costs to Sri Lanka.
- The country faced a severe foreign exchange crisis, making it challenging to obtain the needed foreign currency for fuel imports.
- Economic difficulties in the country made it challenging to ensure a continuous fuel supply.
- Due to fuel shortages, distributing limited quantities of fuel among the public became difficult, leading to lengthy queues and challenges in maintaining a fair distribution system.

Amidst these numerous macro and micro environmental challenges, the company has made every effort to ensure uninterrupted service to the people in the country. As a result, the company's risk mitigation strategy prioritizes the implementation of robust business continuity plans. These plans enable the company's operations and functions to continue seamlessly through alternative working arrangements, all while maintaining strict adherence to and support for government directives.

Enterprise Risk Management (ERM) Policy for CPSTL

Risk Management strategy is an integral part of Corporate Governance, management decisions and business processes in the Company. Integrated Risk Management is essential to the effective functioning of operations from top to bottom. Inculcating Risk Management initiatives into business planning and the decision-making process would provide an effectual integration between planning, reporting, auditing and managing information systems. Although Ceylon Petroleum Storage Terminals LTD follow Risk Management practices, there was no formal Enterprise Risk Management (ERM) policy for CPSTL. As a company which is inheritably operating in a volatile and turbulent business environment, CPSTL leadership; the Chairman, Mr. Uvais Mohomad, has very prudently decided to establish a professional framework for Enterprise Risk Management function for CPSTL with effect from 01/11/2021 initiative to strengthen its governance process further.

Enterprise Risk Management (ERM) had been a long-awaited policy initiative for CPSTL due to the fact that its primary business objective is to act as the custodian of bulk petroleum products of CEYPETCO and LIOC. In discharging the responsibilities of CPSTL, it is paramount that the risks are being precisely identified because establishing effective RISK mitigation strategies would ensure its objectives will not be disrupted by an unforeseen event. Furthermore, managing risks within a professional framework would lead to accrue numerous benefits to any organization, particularly one which operates in a highly inflammable environment similar to CPSTL. In the context of CPSTL, the newly prepared Risk Policy will clearly define the responsibilities of the Board of Directors, Senior Management and each individual employee which will pave the way for a cultural shift in the organization. This is mainly because ERM policy will emphasis the fact that Risk Awareness and Risk Culture would be the platform of its success. The implementation of the ERM framework would require not only the managerial commitment but also the lower-level staff contribution, which will create a participatory approach for risk mitigation.

Risk Governance

The Board is ultimately responsible for providing strategic direction and risk management. They have implemented a Risk Governance Structure to facilitate timely risk identification and clear accountability for the same. The Board of Directors, Audit Committee, and Internal Audit Department guide and support the Company's managers and employees in the Risk Management process.



RISK MANAGEMENT

Risk Management Process

Risk Management is a continuous process and integrated in to the performance review and decision-making processes of the Company. The purpose of Risk Management is to identify potential problems before they occur, so that risk-handling activities may be planned and invoked as needed or project to mitigate adverse impacts on achieving objectives.

Risk Management process consists of four steps:

01. Risk Assessment

A systematic process of identifying, analyzing and evaluating current, future and potential risks from internal and external environment to the business.

02. Risk Treatment/Risk Mitigation

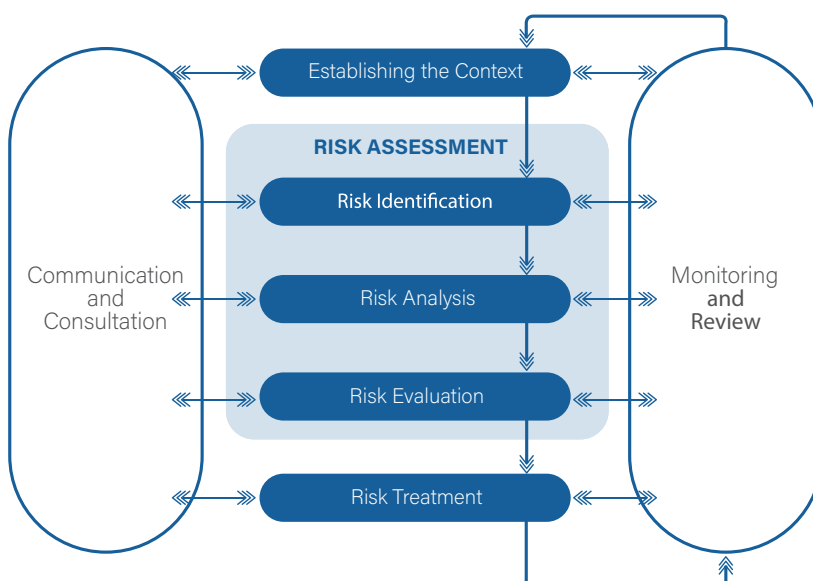
Risk treatment is an action that is taken to manage a risk. That is whether the Company will avoid, transfer, reduce or accept the risk, which is depending on the nature and the evaluation of the risk.

03. Monitoring and Review

Risk monitoring is the ongoing or continuous process which identifies any necessary adjustments to Risk Management strategies in placed.

04. Communication and Consultation

Communication and consultation are not a distinct stage in the management of risk, but runs through the whole process. An organization should ensure that everybody within its staff, according to their role, knows the organization's risk strategy, risk priorities and related accountabilities. Board responsibilities, among other things, include ensuring sound internal information and communication processes, and taking responsibility for external dissemination on Risk Management and Internal Control.



Company Approach to Risk Management

The Company adopts a two lines of defense model as summarised below to identify, manage and mitigate risk properly.

1 st LINE OF DEFENCE
FUNCTIONAL HEADS <p>Functional Heads are responsible for identifying, measuring, monitoring, reporting and managing risks relevant to their functions.</p> <p>Company has designed a comprehensive System of Internal Controls which covers all policies and procedures enabling the sectional heads to detect, manage and prevent the risks associated.</p>
2 nd LINE OF DEFENCE
INTERNAL AUDIT & EXTERNAL AUDIT <p>Internal Audits provides an independent assessment of the adequacy and effectiveness of the overall Risk Management, internal control framework and reporting independently to the Audit Committee.</p> <p>External Auditors are independent body and their responsibility is to auditing the Company's financial statements and providing reasonable assurance.</p>

Overview of Key Risks Affecting the Company		
Risk	Key Drivers	Mitigation Strategies
Pandemic risk <p>In the year 2022, Sri Lanka initially exhibited signs of a more extensive recovery from the COVID-19 pandemic. However, the company maintained its focus on health and safety measures, without eliminating the associated risk factors entirely.</p> 		<p>The Company continues below measures to ensure the safety of its employees.</p> <ul style="list-style-type: none"> • Provision of required safety equipment and gear. • Maintain social distancing at work. • Maintain the highest standards of hygiene. • Required PPE and disinfectants are made available to employees and other visitors to the premises. • Temperature checking and screening of staff members. • Preserving a backup team for key jobs. 

RISK MANAGEMENT

Overview of Key Risks Affecting the Company		
Risk	Key Drivers	Mitigation Strategies
Competitor risk		
<p>Competition from other Terminal Companies that can supply our customers with comparable storage capacity at a lower price could adversely affect our financial condition and results of operations. With the amendment of the Petroleum Products (Special Provisions) Act No. 33 of 2002, through the bill passed on October 21, 2022, private parties will be granted licenses for the import and distribution of petroleum products in Sri Lanka which may create a competitor risk in future.</p>	<ul style="list-style-type: none"> • We face competition from other Terminal Companies (CPC & LIOC) who are the two shareholders of the CPSTL. • Granting private players entry into the petroleum industry may increase the risk of competition in the future. 	<ul style="list-style-type: none"> • The expansion of existing terminals such as by increasing storage capacity or otherwise. • Enhance the bowser fleets. • Higher service standards are maintained by recruiting, training and coaching employees with the right caliber. • To be ahead with our competitors, we focus continuously on innovation through research and development to cater to the changing customer preferences by applying new technologies
Employee retention risk		
<p>Our future success depends upon the continued service of our executive officers and other key personnel. If we lose the services of one or more of our executive officers or key employees, our business, operating results, and financial condition could be harmed.</p> <p>Due to the current prevailing uncertainty in the country, there is a trend of skill migration, which could potentially impact the company through the loss of experienced employees.</p>	<ul style="list-style-type: none"> • Economic and political uncertainty in the country • Employee disappointment on existing promotion scheme and procedures. • Lack of career development opportunities. • Feeling under valued • Poor leadership • Lack of flexibility 	<ul style="list-style-type: none"> • Succession planning for key roles. • Implement the "Skill Fit" program to high quality talent. • Maintaining employee motivation through strong employee value proposition which features employee recognitions, appraisals and promotions. • Opportunities for career progression. • Continuous engagement and hosting social and welfare events. • Continued investment in training and development and structured training program covering all employees.



Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Economic risk		
<p>Our financial results depend on the demand for the light refined products, heavy refined products, crude oil and other related services that we perform at our terminals. Due to the poor economic conditions in the country, exacerbated by a foreign currency crisis resulting from the COVID-19 pandemic, the nation is facing challenges in maintaining a continuous fuel supply. This situation is likely to result in a significant reduction in storage usage and distribution service at our terminals, which, in turn, could adversely impact our cash flow.</p>	<ul style="list-style-type: none"> Government policy and regulations to control COVID-19 for the best interest of all citizens of Sri Lanka. i.e The Government adopted strict measures including curfew and work-from-home programs to ensure social distancing. The Sri Lankan Rupee demonstrated a sharp depreciation from March 2020 following the economic fallout of COVID-19. Implication of pricing formula to crude oil will cause to change fuel prices constantly according to the price per barrel in global market. Government policies on duties/taxes, interest rates, inflation, energy prices have a direct impact on demand on fuel products. 	<ul style="list-style-type: none"> Investments in short-term and long-term financial instruments are in place to face uncertain financial crises arising through adverse economic factors. Improving income from other sources i.e. Laboratory testing charges, Training to private bowser/ porter charges, Servicing fire extinguishers, Calibration charges, Rental Income etc <p>The government has taken measures to mitigate the risk of fuel supply disruptions caused by the foreign currency crisis by liberalizing the petroleum industry. This move allows private players to enter the market, which can help ensure a continuous fuel supply and potentially alleviate the pressure on foreign currency reserves.</p>
Political Risk		
<p>The company may face several political risks, given that it operates in the petroleum industry in Sri Lanka, where political and regulatory factors can significantly impact the business environment. Some potential political risks that CPSTL may encounter include</p>	<ul style="list-style-type: none"> Regulatory Changes: Amendment of Petroleum Products (Special Provisions) Act No. 33 of 2002, to liberalize the petroleum industry in Sri Lanka. Fuel Price Controls 	<ul style="list-style-type: none"> To mitigate these political risks, CPSTL may engage in proactive risk management and government relations efforts. This could involve ongoing dialogue with government officials, adherence to regulations and compliance standards, Diversification of business operations.


RISK MANAGEMENT

Overview of Key Risks Affecting the Company		
Risk	Key Drivers	Mitigation Strategies
Economic risk		
	<ul style="list-style-type: none"> Government Policy Changes: Shifts in government policies related to the petroleum industry, including pricing regulations, taxation, and import/export policies, can directly affect CPSTL's operations and profitability. Foreign Exchange Controls: In response to currency crises or economic challenges, the government may impose foreign exchange controls that affect CPSTL's ability to access foreign currency for imports and payments. Geopolitical Tensions: Sri Lanka's geopolitical relationships with neighboring countries and global powers can impact the petroleum industry and introduce uncertainty. 	
Employee relations risk		
<p>Around 99% of our employees are unionized as we recognized the right to freedom of association. For example, several protests were conducted during the year against the privatization of government organizations and the amendment of the Petroleum Act</p>	<ul style="list-style-type: none"> Unionized labour strikes may cause unwanted disruptions. 	<ul style="list-style-type: none"> Strengthening relationships with trade unions and using this as a platform to resolve grievances before they escalate into risk threats. Regular structured dialogue with union representatives to identify areas of concerns Open door policy for employees to discuss areas of concern.


Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Natural hazards & Uncertainties		
<p>Our operations may be affected by natural disasters and other events beyond our control.</p> 	<ul style="list-style-type: none"> • Interruptions from floods, landslides, severe storms. • Acts of terrors. 	<ul style="list-style-type: none"> • Insurance covers are obtained against certain risks identified. • Since the Company is a nerve center of the economy, high security measures and controls are implemented.
Operational risk		
<p>Operational related hazards may affect to Company.</p>	<ul style="list-style-type: none"> • Unexpected leakages / damages to pipe lines may cause operational delay. • Disruptions in supply infrastructure or logistics. • Accidents • Large scale fires 	<ul style="list-style-type: none"> • Regular servicing and maintenance of pipelines to minimize leakages and damages. • Employees are adequately trained to minimize any harmful effect. • CPSTL has dedicated In- House Fire Unit. 
Legal Risk		
<p>Our operations are subject to legal and Sri Lanka laws and regulations relating to product quality specifications, and we could be subject to damages based on claims brought against us by our dealers as a result of the failure of products we distribute to meet certain quality specifications.</p>	<ul style="list-style-type: none"> • Legal requirement on product quality specifications or blending requirements including vapor pressure, Sulphur content, ethanol content and biodiesel content. • Violations of product quality laws attributable to our operations could subject us to significant fines and penalties as well as negative publicity. 	<ul style="list-style-type: none"> • CPSTL has sophisticated laboratory for any kind of petroleum fuel tests and followed Stringent quality control mechanisms and compliance with regulatory and certification.

RISK MANAGEMENT


Overview of Key Risks Affecting the Company		
Risk	Key Drivers	Mitigation Strategies
Economic risk		
	<ul style="list-style-type: none"> Off-specification (Substandard) product distributed for public use, could result in poor engine performance or even engine damage which could result in liability claims regarding damages and negative publicity 	
Health, Safety & Environmental Risk		
<p>We may incur significant costs and liabilities in complying with environmental, health and safety laws and regulations, which are complex and frequently changing.</p>	<ul style="list-style-type: none"> The operational activities are coming under high-risk category since the flammability of the key products handling by the Company. The small mistake can ignite a large-scale fire which will cause to cripple the Company operations as well as the economy of the country. Storage, handling and transportation of petroleum products may cause to the emission and discharge of harmful materials & gases into the environment our business is inherently subject to accidental spills, leakages, discharges or other releases of petroleum or hazardous incidents into the environment and neighboring areas, for which we may incur substantial liabilities to investigate and remediate. Failure to comply with applicable environmental, health, and safety laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, permit revocations, and injunctions limiting or prohibiting some or all of our operations. 	<ul style="list-style-type: none"> CPSTL has dedicated In House Fire Unit, First Aid Training, Fire Drills, Safety Training and Awareness programs. Fire safety equipment are constantly checked and ensure that are in peak condition. i.e. Servicing and testing of fire siren regularly, oiling and testing office equipment, drenchers and hoses are done regularly. CPSTL is periodically dispose Sludge oil with proper tendering process and ensure that waste would not damage the environment. Wastewater discharging system is regulated to retain the quality of wastewater within the required standard. Proper garbage separation and dispose system is implemented. Employed well trained staff for handling pipeline / offshore leakages.

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
<p>Cyber Risk</p> <p>We utilize technology systems to operate our assets and manage our businesses. A cyber-attack or other security breach of our information technology systems could result in a breach of critical operational or financial controls and lead to a disruption of our operations, commercial activities or financial processes.</p> 	<ul style="list-style-type: none"> • Due to the COVID-19 outbreak, the employees working from home logged in through open internet is exposed to risks on information and device security. • Impact of cyber incidents via a targeted attack from hackers, collateral damage as a result of a non-targeted attack, insider attack, an accidental cyber incident or any combination of these. 	<ul style="list-style-type: none"> • Implementation of network protection technology to manage network perimeter defense, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities together with regular testing and verification of controls. • Fully operationalized Disaster Recovery Management Centre (DRMC). • Backup server & recovery server
Risk on Inventory, Property and Equipment		
<p>Due to the flammable nature of storing products any inadequate/ ambiguity in insurance cover may result in dishonor of insurance claims by the insurance companies.</p>		<ul style="list-style-type: none"> • Insurance obtained from reputed Companies registered under IBSL. • CPSTL has taken adequate insurance policies like Fire & Commercial Insurance, Hull policy (Offshore pipeline), Product insurance, Vehicle insurance, Storage Tanks & Equipment insurance etc.
Non availability/ limited availability of contractors for specific works related to Oil Terminal Industry		
<p>Impact the speed of execution of works and higher cost of work.</p>		<ul style="list-style-type: none"> • Local parties being developed by entrusting them with jobs. Enabled participation of foreign capable parties as Consortium partners with the local parties
Risk on Local Community relations		
<p>Empowering and contributing towards the Socio-economic progress of the Communities we operate in is crucial for the image of the Company.</p> <p>e.g. Dispute among villagers/ residents over new pipeline project from Colombo to Kolonnawa</p>		<ul style="list-style-type: none"> • High level of community engagement and nurturing meaningful relationships with our communities. <p>e.g. Public Places disinfection and distribution of sanitizes to the public to control the COVID 19 within the country.</p>

RISK MANAGEMENT

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Cyber Risk 		<ul style="list-style-type: none"> Investment in ongoing community development projects. <p>e.g. Providing new houses to shanty dwellers who were living illegally near the fuel pipeline from Colombo Fort to Kolonnawa Terminal.</p>
Frauds & illegal acts		
Risk of management fraud, employee fraud and other illegal acts		<ul style="list-style-type: none"> CPSTL has separate Internal Audit division to provide independent assurance on Internal Control Processes. Delegation of authority has been set out for each process under the supervision of sectional Heads and the guidance of the internal audit division. Integrity of financial statement evaluated by external auditors

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY



The Board of Directors have pleasure in presenting the Annual Report for the year ended 31st December 2022 on the affairs of the Company prepared in terms of the provisions of the Companies Act No. 7 of 2007.

These were approved by the Directors on 31st August 2023.

Principal Activity

The principal activity of the Company is the Common User Facility (CUF) established to facilitate the petroleum storage & distribution activities in Sri Lanka and to own and operate the storage and distribution infrastructure of Ceylon Petroleum Corporation (CPC) consisting of Oil Terminals, Storage Facilities, Pipelines and the Bowser Fleet, more fully described in the Government Gazette extraordinary bearing No. 1310-8 dated 13th October 2003 and the right to use and/or leasehold rights enjoyed by Ceylon Petroleum Corporation pertaining to the installations at Kolonnawa and Muthurajawela, bulk depots island wide and the related facilities, oil facilities at Colombo Port, and the ownership and/or the functions and/or the rights of Ceylon Petroleum Corporation pertaining to pipelines from Single Point Buoy Mooring to Muthurajawela installation, Colombo Port to Kolonnawa installation and their branches upto the customer's battery limits, Galle Harbour to Magalle bulk depot, and internal pipelines within the installations and bulk depots referred above.

Review of Operations and Financial Highlights

The operation has shown revenue of Rs 9,433,316,086/= with a Net loss of (Rs.704,084,743/=)

Particulars	31.12.2022	31-12-2021
	Rs.	Rs. (Restated)
Turnover	9,433,316,086	14,276,189,292
Profit Before Taxation	(704,084,743)	1,578,247,372
Profit / (Loss) After Tax (PAT)	(1,058,696,799)	1,169,211,614

Stated Capital

The Stated Capital of the Company as at 31st December 2022, was Rs. 7,500,000,000/=. The distribution of shareholdings is as follows.

	Ordinary shares
Ceylon Petroleum Corporation	500,000,000
Lanka IOC Limited	250,000,000



ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

Property Plant & Equipment

The movements in property, plant and equipment during the year are set out in Note 10. to the Financial Statement.

Dividend

Directors did not recommend a dividend for the financial year ended 31st December 2022.

Corporate Donations

During the year the Company made donations & sponsorship payments amounting to Rs. 317,000/-

Directors as at 31 December 2022

The Board of Directors of Ceylon Petroleum Storage Terminals Limited as at 31st December 2022 were as follows;

Mr Mohamed Uvais Mohamed
Mr L E Susantha Silva
Mr E A Rathnaseela
Mr Manoj Kumar Gupta
Mr Aseem Bhargava
Mr Rajesh Bhagat
Mr Dharmasiri Panditharathna
Mr D G Ravindra Manoj Kumar

Remuneration of Directors

Remuneration received by the Directors is set out in detailed Income Statement to the Financial Statements.

Interest Register

Company maintains an Interest Register in terms with provisions of Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act No.07 of 2007. The related entries were made in the Interest Register during the year under review.

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments in relation to the Government and to the Employees have been settled to date or are provided for in the books of the company.

Going Concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Post Balance Sheet Events

There are no significant events that have occurred after the balance sheet date which would have any material effect on the Company that require adjustments to be decided by the Board of Directors other than those disclosed in note 30 to the financial statements.

Auditors

In terms of the 19th Amendment to the constitution, company is required to appoint Auditor General or his nominee as Auditors of the company.

Audit for the financial year ended 31st December 2022 was carried out by National Audit Office. The fees paid to auditors are disclosed in detailed income statement to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the company other than those disclosed above. The auditors also do not have any interest in the Company or its Group Companies. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Annual General Meeting of the Company

The Annual General Meeting of the company will be held on 11th September 2023 at 3pm at the Registered Office of the Company.

For and on behalf of the Board of Directors



M U Mohamed
Chairman



Director

By Order of the Board,



Accounting Systems Secretarial Services (Private) Limited
Secretaries to the Company

AUDIT AND MANAGEMENT COMMITTEE REPORT

Composition

The Audit & Management Committee of the CPSTL for the Year 2022 consisted of 03 members, who were Non – Executive Independent Directors appointed by the Board of Directors.

- Mr. E. A. Rathnaseela - The Chairman
- Mr. Buddhika Madihahewa (Served only upto 19.05.2022) - Member
- Mr. Aseem Bhargava - Member

The Audit Charter of the Committee has been primarily prepared by covering the scope of responsibilities, authorities and specific duties stipulated in Treasury Circulars issued in relation of conducting Audit and Management Committees at Public Commercial Enterprises as well as covering the areas assigned by the Board of Directors.

Tasks of Audit & Management Committee

The Committee reviews the financial reporting system adopted by the Company in preparation, presentation and adequacy of disclosures in the annual financial statements to ensure reliability of the processes, consistency of the accounting policies & methods adopted and their compliance with the Sri Lanka Accounting Standards. The Committee also reviews the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. The Committee also reviews the adequacy of the internal controls and assesses the independence & performance of the external auditors. The Committee recommends the financial statements to the Board for its approval and issuance. The Committee also reviews the risks the company is exposed to and approves the actions to be taken by the company so as to manage and mitigate the impact arising from such risks.

Internal Audits

The Committee reviewed the accounting system and the scope & coverage of the internal audit process to assess the effectiveness of financial controls that have been designed to provide reasonable assurance to the Board of Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Internal Audit function has been established within the company. Follow-up reviews are scheduled periodically to ascertain that audit recommendations are being acted upon.

The Risk Based Internal Audit was a newly introduced approach during 2018 in order to broaden the scope of Internal Audit. The Risk Rating provides the management a greater attention on such issues for immediate remedial actions. The scope of the Internal Audit is governed by the approved Internal Audit Charter.

Statutory Audits

The Committee also deliberates with the Statutory Auditors, National Audit Office of Sri Lanka to review the nature, approach and scope of audit in accordance with the National Audit Act 2018. Actions taken by the Management in response to the issues raised as well as the effectiveness of internal controls in place are also discussed.

Meetings

During the year under review, six (06) Audit & Management Committee meetings have been conducted to perform the tasks entrusted to them as noted above.

The Appointed Members and the Observers attended the Committee Meetings during the year are noted below.

Serial No.	Date	Strength of the Committee	No of members participated	Names of the Members
01.	21.01.2022	03	03	Mr. E. A. Rathnaseela Mr. Buddhika Madihahewa Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer) Mr. D.P.S.J. Kumara (Observer)
02.	22.02.2022	03	03	Mr. E. A. Rathnaseela Mr. Buddhika Madihahewa Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer) Mr. D.P.S.J. Kumara (Observer)
03.	19.05.2022	03	03	Mr. E. A. Rathnaseela Mr. Buddhika Madihahewa Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer) Mr. D.P.S.J. Kumara (Observer)
04.	25.08.2022	03	02	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer) Mr. D.P.S.J. Kumara (Observer)
05.	12.10.2022	03	02	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer) Mr. D.P.S.J. Kumara (Observer)
06.	28.12.2022	03	02	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer) Mr. D.P.S.J. Kumara (Observer)

AUDIT AND MANAGEMENT COMMITTEE REPORT

Role of the Audit & Management Committee

The Audit & Management Committee has taken number of measures and has made recommendations on strategic issues for submission to the Board of Directors for workable actions.

- Review the adequacy of internal control system with the management, Auditor General and Internal Auditors.
- Overseeing the financial reporting process to ensure the preparation and fair presentation of the financial statements by ensuring the transparency, understandability and reliability of financial statements.
- Identifying causes and effects for the losses incurred and detailed analysis and studies were carried out to propose or recommend immediate suitable actions for turning around the loss making units.
- Review of the Annual Internal Audit Programme, significant audit findings and action plan.
- Identification of risks and the remedial actions for mitigating the risk to acceptable level, by ensuring the risk management process is comprehensive and ongoing.
- Creating an organization wide commitment to strong and effective internal controls, emanating from the tone at the top.
- Reviewing corporate policies relating to compliance with laws and regulations, ethics, conflicts of interest and the investigation of misconduct or fraud.
- Continually communicating with the Senior Management regarding status, progress and new developments as well as problematic areas.

Audit & Management Committee Recommendations to improve the Organizational Efficiency & Effectiveness

- Introduction of GPS tracking system to CPSTL bowser fleet with the objective of curtailing fuel wastage and other malpractices – Cost saving approximately Rs. 225 Mn. per annum.
- Introduction of new payroll system to mitigate fraud risk.
- In order to improve the effectiveness of governance process the committee recommended to introduce the Risk Committee and the role of Risk Officer.
- Recommended to revalue the Fixed Assets of the company to reflect the fair value of the financial figures in the Balance Sheet.

Conclusion

The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL). The financial statements are prepared under the historical cost convention. The Audit & Management Committee is satisfied that the Company's accounting policies and internal controls provide reasonable assurance that the affairs of the Company are managed in accordance with its policies and that the Company's assets are properly accounted for and adequately safeguarded.



E A Rathnaseela
The Chairman
Audit & Management Committee

FINANCIAL STATEMENTS







ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No. }

ENR/C/CPTSL/01/22/01

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

16 August 2023

The Chairman

Ceylon Petroleum Storage Terminal Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Petroleum Storage Terminal Limited for the year ended 31 December 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Petroleum Storage Terminals Limited ("Company") for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. 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 Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Emphasis of Matter

I draw attention to Note 20.1 (b) to the financial statements which describes the uncertainty related to assessment raised by Inland Revenue Department to the Company which describes the long outstanding balances of totalling Rs. 791 million of Income Tax and Pay as You Earn tax (PAYE). My opinion is not qualified in respect of this matter.

1.3 Basis for Qualified Opinion

- (a) The Company had not recognized differed tax asset of Rs. 274.7 million relating to the unused tax loss of Rs. 915.3 million for the year under review in terms of the paragraph 34 of LKAS 12 – Income Taxes.
- (b) According to the financial statements of the Company, amount receivable from Ceylon Petroleum Corporation was Rs. 8,000.3 million. However balance confirmed by CPC was Rs. 7,458 million. Accordingly, Rs. 542.3 million difference was observed between those two balances and a long outstanding receivable balance of Rs. 110.2 million was observed therein.
- (c) According to the financial statements for the year 2022 of the Company, amount payable to the CPC was Rs. 836.2. million. However, in the financial statements of the CPC amount receivable from CPSTL was Rs. 1,247 million. Accordingly, an unreconciled difference of Rs.410.8 million was observed between those two balances.
- (d) According to the paragraph 32 of LKAS 01, an entity should not offset assets and liabilities. However, the Company had offset 03 credit balances in other receivables accounts amounting to Rs. 3 million against other receivables and 50 debit balances in other payables accounts amounting to Rs. 111.3 million against other payables in the financial statements for the year under review.
- (e) There was other receivable balance (excluding related parties) amounting to Rs. 97.3 million as at the end of the year under review, out of that a sum of Rs.7.6 million relating to 12 other receivables accounts had been remained unrecovered for over 05 years.



AUDIT REPORT



ජාතික විගණන කාර්යාලය
நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

- (f) Fully depreciated assets valued at Rs. 8,391.6 million which comprise 24,175 items are being used by the Company without reassessing the useful economic lifetime of those assets and accounted them contrary to the paragraph 51 of LKAS 16. Further, the Company had not revalued its assets since the inception of the Company in 2003 and a proper revaluation policy was not established for this purpose.
- (g) A sum of Rs. 36.8 million worth of property plant and equipment had been shown in the financial statements for the year under review as working progress despite the constructions activities of those assets were completed and available for use as at 31 December 2022 and depreciation of such assets had not been started as per the paragraph 55 of the LKAS 16.
- (h) Disposal gain of fuel tanks amounting to Rs. 4.1 million which relating to the previous year had been erroneously recognized in the year under review and erroneous journal entries had been created as to overstating the operating expense and sundry creditors in the comparative balances of the previous year. Further, investing cash flows for the year under review had been overstated by the same amount.
- (i) The Company had identified unrecorded its own fuel consumption for the year 2021 amounting to Rs. 12.8 million by restating 2021 comparative information. However, the Company had erroneously restated other operating expenses instead of restating direct expenses. Accordingly the gross profit for the year 2021 had been overstated by that amount.
- (j) According to paragraph 32 of LKAS 01, an entity should not be offset income and expenses unless required or permitted by a standard. However, the Company had deducted staff loan impairment gain amounting to Rs. 9.5 million from administrative expenses instead of presenting as other income in the statement of comprehensive income for the year under review.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities

for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.4 Other information included in the Company's 2022 Annual Report.

The other information comprises the information included in the Company's 2022 Annual Report but does not include the financial statements and my auditor's report thereon which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Company's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.5 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to

AUDIT REPORT



ජාතික විගණන කාර්යාලය
நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company.

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 Company'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 Company'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 Company 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 and Companies Act, No. 7 of 2007 include specific provision 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 Company as per the requirement of section 163(2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

AUDIT REPORT



ජාතික විගණන කාර්යාලය
நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

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

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018 except for the matters stated in 1.3 (b), 1.3 (c) and 1.3 (f).

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 Company has any direct or indirect interest in any contract entered into by the Company 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 Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12(f) of the National Audit Act, No. 19 of 2018 except for;

Reference to law/ direction

Description

Guidelines on Corporate Governance for State Owned Enterprises.

(i) Guideline 2.3

The finalized strategic plan together with the action plan and annual budget had not been submitted by the Company to the Ceylon Petroleum Corporation (Parent Company).

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

- (a) As reiterated in previous reports, it was observed that the Shareholders Agreement and Share Sales Purchase Agreement for the common user facility among CPC, LIOC and CPSTL had expired on 31 December 2008. However, the Company had not taken any action to extend the agreement for a further period of time or to enter into a new agreement with related parties by way of proper evaluation and approval of the Board. As a result, the pricing formula used for the purpose of determining the throughput charges, transport charges including slab recoveries with the consent of all the related parties had not been revised after 2011.
- (b) It was observed that written procedure manual had not been designed and applied showing the controls that were in place to prevent and detect internal control weaknesses or any possible errors and irregularities that could occur in all operations of the Company. It is important and beneficial to the Company to keep track records of controls in place for each process of the Company to ensure that the management prescribed/designed process was operating without exceptions. Further, once a procedure manual is designed it should be periodically evaluated at reasonable intervals to ensure its relevance.
- (c) The main business of the Company was to store the fuel stocks owned by CPC and LIOC through 02 main terminals and 11 sub-depots and distribute them to the authorized dealers and customers spread across the country as per the instructions of those companies.

The main activities in the process of supplying of petroleum products, such as accepting fuel orders from dealers and consumers, verifying the credit limits and related pre-qualifications, issuing invoices, collecting cash from dealers, which should have been handled by the marketing entities (essentially by CPC), had been carried out by the Company. Therefore, it was observed that the Company

AUDIT REPORT



ජාතික විගණන කාර්යාලය
நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

had been engaging in the tasks outside its main scope of storage and distribution of petroleum product. Further, such activities were not covered by the Common User Facilities Share Holder's Agreement dated 30 December 2003 entered into between the Government of Sri Lanka (GOSL), the CPC and the LIOC.

2.2.4 to state that the resources of the Company 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) The Company had commenced to construct new pump house in Zone 06 of the Kollonnawa Oil Terminal in the year 2018. Instead of constructing pump house as single package of construction, Company had initially sliced this work into 05 separate constructions such as construction of pump house building, construction of pipe support, electrical fittings, yard development and make simplex basket strainer and the Company had awarded these 05 constructions to 05 separate contractors. The construction activities of construction of pump house building, electrical fittings and yard development had been completed during the year 2019 and 2020. However it was observed in site visit that construction of pipe support had not completed and procurement activities of construction of pipe line connecting pump house, filling gantry and tank farm had not been initiated up to 31 May 2023. As a result, pump house is not in a condition for intended use and sum of Rs 115.2 million incurred by the end of the year under review was become an idle asset and it was observed that contract packaging was ineffective.
- (b) The Company had awarded a tender to procure, construct and commissioning of a storage tank with a capacity of 15,000m³ and 02 storage tanks with a capacity of 7,000m³ at Kolonnawa installation to a local company. Even though the selected bidder was in a position to purchase most of the raw materials (except for preliminaries) such as cement, sand, labourers, etc., and to recruit technical staff locally, the bidder had submitted quotation in foreign currency (USD). However, there was no sufficient evidence to verify whether the TEC had considered the above facts in detailed bid evaluation. Further, the contractor had presented interim bills in USD terms and the Company had settled interim bills in Rupees at the

exchange rate prevailed at the date of interim bill payment. Accordingly, the Company had to incur an additional cost of depreciation of Rupee value against the USD. The company had to incur this additional payment mainly due to the lack of preparation of bidding documents to minimize foreign exchange loss, lack of evaluation of bid both technical and financial perspective and poor contract administration. Further contactor had stated that one of the reasons quoting bid in foreign currency was that the contract is not subject to the price variation.

2.3 Other Matters

- (a) According to the Section 03 of the Settlement Agreement dated 05 January 2007 between the Government of Sri Lanka and LIOC, the delivery of petroleum products by LIOC from its China Bay installation had been limited to a maximum of 5 per cent of the Country's throughput of petroleum products, and the delivery of petroleum products by CPC had been limited to a maximum of 5 per cent excluding the deliveries from Sapugaskanda Refinery. However, a proper system to monitor the delivery process had not been established by the Company. Therefore, there was a risk of losing of income from throughput charges of the Company.
- (b) According to the agreement between Ceylon Petroleum Corporation and Ceylon Petroleum Storage Terminals LTD entered into on 21 of May 2019, there are no provisions included in the agreement to charge Demurrage Charges and Leakage Losses suffered by CPC from CPSTL. However, Rs. 486.3 million Demurrage charges and Rs. 115.3 million Leakage Loss was charged by CPC from CPSTL in the year 2022 without a mutual agreement.
- (c) The ownership of 09 bulk depot lands are vested with Sri Lanka Railway Department and the Company uses these lands under lease basis. The lease agreement with Sri Lanka Railway Department to use these lands had been expired on 31 December 2013 and Company uses these lands continuously after expiry of lease agreement neither entering in to a new agreement nor renewing exiting agreement. However the Company had not made relevant disclosures in the financial statements in this regard.

AUDIT REPORT



ජාතික විගණන කාර්යාලය
நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

(d) Utilization of Company own and hired bowzers

Distribution of petroleum products to its own bulk depots and registered dealers and consumers of CPC and LIOC is the main business of the Company. For this purpose, there was a fleet of 130 company owned bowzers and a fleet of 581 hired bowzers at the end of December 2022. Following observations are made in this regard.

- (i) According to the vehicle performance report of the SAP (ERP system) for the month of December 2022, a considerable number of Company own bowzers had not been optimally utilized. As per the audit test carried out relating to the month, it was observed that out of 130 Company own bowzers, 68 bowzers had not been utilized/ circulated even a single trip during the month and out of used bowzers, 18 bowzers had only been used in a single day during the month.
- (ii) Even though, the Company had not utilized its own bowzers optimally, a considerable amount of fixed overhead costs such as maintenance of its bowser fleet including salaries, wages and other allowances for drivers and porters, and vehicle licensing etc. had been incurred by the Company. As a result, the Company was unable to recover at least the fixed cost incurred by the Company due to underutilization of bowser fleet.
- (iii) The Company had not followed Government Procurement Guidelines when selecting outside transporters (Bowzers). Accordingly, transparency of procurement process used for hired bowzers was doubt in the audit.
- (iv) According to the hired bowzers performance report for the month of December 2022, 182 bowzers or 31 percent of the registered bowzers had not been provided any trip during the month, while 138 bowzers or 24 percent of registered bowzers had been provided trips for less than 11 days. However, 55 bowzers or 9.5 percent of registered bowzers had been provided trips for more than 20 days during the month including 6 selected bowzers which had been

provided trips for 24 days during the month. Therefore, the basis of allocating trips to private bowzers was not clear in the audit.

- (e) According to the financial statements of the Company, trade and other payable balance was Rs. 2,041.2 million as at the end of the year under review, out of that a sum of Rs. 24 million relating to 182 payable accounts had been remained unsettled for over 05 years.

(f) **Staff Loan**

The Company has introduced number of loan schemes to its staff such as Motor vehicle Loans, Housing Loans, Distress Loans, Thrift Society Loans, Special loan, Disturbance loans, advances etc. The total loan outstanding as at the end of 31 December 2022 was Rs. 3,148 million. The following observations are made in this regard,

- (i) According to the information made available , a proper policy for providing loan facilities to staff and recovery procedure had not been established and maintaining by the HR Department of the Company. Therefore the default loan balances as at the end of the year under review were Rs. 32 million.
- (ii) According to the minutes of the Audit and Management Committee Meetings (AMC), it was discussed the importance of outsourcing the loan scheme to commercial bank or finance institution to overcome above issues without harming to the employees. However, audit was unable to ensure whether, the Company has given their prompt attention to the recommendation given by the AMC in this regard up to date.

(g) **Vehicle Administration**

- (i) The Company had used a daily vehicle trip sheet instead of being used a vehicle running charts for each vehicle. Accordingly, it was observed that there was a possibility to manipulate and make changes erroneously to the trip sheets attached to the file. Further, the details of fuel consumption, fuel insert, fuel



ජාතික විගණන කාර්යාලය
நேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

balancing and the driver's comments about the running conditions of the vehicle had not been included in trip sheets. Also, the details of drivers' duty on and off time had not been monitored by an authorised officer.

- (ii) Fuel consumption of the vehicles had not been regularly checked and monitored by the Garage Function of the Company, and vehicle log books had not been maintained to record repairs and maintenance of vehicles. Therefore, it was observed that the internal control over the vehicle administration and monitoring of the maintenance and fuel consumption were not at satisfactory level.
- (h) The Company has recruited 15 persons on contract basis during the year under review without obtaining the prior approval from the Secretary to the General Treasury.


W.P.C. Wickramaratne
Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

ASSETS	Note	2022 LKR	2021 LKR Restated
Non Current Assets			
Property, Plant and Equipment	10	16,582,140,151	16,516,996,810
Right -of-use Assets	10.6	-	2,408,512
Intangible Assets	11	36,898,958	66,674,599
Other Financial Assets	14.1	1,434,856,012	1,560,844,565
		18,053,895,122	18,146,924,485
Current Assets			
Inventories	12	862,523,461	682,055,187
Trade and Other Receivables	13	10,596,319,671	11,089,317,954
Other Financial Assets	14.2	1,681,713,979	1,757,378,627
Income Tax Receivable		280,560,047	66,195,469
Cash and Cash Equivalents	15	2,006,109,225	2,256,929,658
		15,427,226,383	15,851,876,895
Total Assets		33,481,121,505	33,998,801,381
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	7,500,000,000	7,500,000,000
Capital Reserves	16.1	979,000,000	979,000,000
Retained Earnings		18,749,877,607	19,520,691,240
Total Equity		27,228,877,607	27,999,691,240
Non Current Liabilities			
Defined Benefit Obligation	17	1,283,872,850	1,609,324,160
Deferred Tax Liabilities	8.1	2,090,996,061	1,609,811,239
Right -of-use Lease Liability		-	-
		3,374,868,911	3,219,135,398
Current Liabilities			
Trade and Other Payables	18	2,877,374,987	2,066,274,173
Right -of-use Lease Liability		-	2,665,004
Surcharge Tax Payable		-	711,035,566
Total Liabilities		2,877,374,987	2,779,974,743
Total Equity and Liabilities		33,481,121,505	33,998,801,381

I certify, these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.


Head of Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,


Director


Chairman / Managing Director

The accounting policies and notes on pages 08 through 36 form an integral part of the Financial Statements.

28th February 2023
Colombo



STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	2022 LKR	2021 LKR Restated
Revenue	3	9,433,316,086	14,276,189,292
Direct Expenses		(6,806,068,685)	(8,369,310,193)
Gross Profit		2,627,247,401	5,906,879,099
Other Operating Income	4	1,308,502,495	705,511,809
Other Operating Expense	4.1	-	(174,338,317)
Administrative Expenses		(4,925,116,033)	(5,061,376,456)
Operating Profit		(989,366,137)	1,376,676,135
Finance Income	5	285,281,394	201,571,237
Profit Before Tax	6	(704,084,743)	1,578,247,372
Income Tax Expense	7.1	(354,612,056)	(409,035,758)
Profit for the Year		(1,058,696,799)	1,169,211,614
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods			
Actuarial gain/loss on Defined Benefit Obligations	17	411,261,666	428,606,379
Tax on Other Comprehensive Income	8.1	(123,378,500)	(102,865,531)
Other Comprehensive Income for the Year, Net of Tax		287,883,166	325,740,848
Total Comprehensive Income for the Year, Net of Tax		(770,813,633)	1,494,952,462
Earnings Per Share	9.2	(1.41)	1.56

The accounting policies and notes on pages 08 through 36 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Stated Capital LKR	Capital Reserve LKR	Retained Earnings LKR Restated	Total LKR
Balance As at 1 January 2021	7,500,000,000	979,000,000	18,739,200,294	27,218,200,294
Profit for the Year			1,169,211,614	1,169,211,614
Adjustments for prior period changes			(2,425,950)	(2,425,950)
Adjustment for surcharge tax			(711,035,566)	(711,035,566)
Other Comprehensive Income			325,740,848	325,740,848
Total Comprehensive Income	-	-	781,490,946	781,490,946
Balance As at 31 December 2021	7,500,000,000	979,000,000	19,520,691,240	27,999,691,240
Profit for the Year			(1,058,696,799)	(1,058,696,799)
Other Comprehensive Income			287,883,166	287,883,166
Total Comprehensive Income	-	-	(770,813,633)	(770,813,633)
Balance As at 31 December 2022	7,500,000,000	979,000,000	18,749,877,607	27,228,877,607



STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	2022 LKR	2021 LKR Restated
Cash Flows From/(Used in) Operating Activities			
Profit before Income Tax Expense		(704,084,743)	1,595,321,623
Adjustments for			
Finance Income	5	(285,281,394)	(201,571,237)
Finance Expenses	5.2	-	-
Allowance for impairment of staff loans		(9,483,126)	33,641,168
Allowance for impairment of Inventory & other trade receivable		324,325	157,894,565
Loss/ (Profit) on disposal of Property, Plant and Equipment	4	(3,808,632)	69,236
Provision for Defined Benefit Plans		270,587,099	242,758,885
Depreciation	10.2	846,452,285	893,144,073
Amortisation of Intangible Asset	11.2	29,775,640	28,186,363
Amortisation Right-of- use Assets	10.5	2,408,512	8,461,853
Lease Interest - Right of - use Assets	10.6	-	335,753
Operating Profit/(Loss) before Working Capital Changes		146,889,965	2,758,242,283
(Increase)/ Decrease in Inventories		(180,792,599)	(21,580,466)
(Increase) / Decrease in Trade and Other Receivables		492,998,283	(2,383,015,907)
(Increase)/ Decrease in Other Financial Assets		211,136,327	(218,393,508)
Increase / (Decrease) in Trade and Other Payables		824,595,179	716,132,860
Cash Generated From/(Used in) Operations		1,494,827,155	851,385,262
Income Tax Paid		(211,170,312)	(650,205,907)
Surcharge Tax paid		(711,035,566)	-
Defined Benefit Paid	17	(184,776,742)	(220,472,106)
Net Cash Flows From/(Used in) Operating Activities		387,844,535	(19,292,751)
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	10.1	(925,467,991)	(1,357,927,201)
Proceeds from Property, Plant and Equipment		4,186,632	-
Finance Income	5	285,281,394	201,571,237
Net Cash Flows From/(Used in) Investing Activities		(635,999,965)	(1,156,355,964)
Cash Flows From Financing Activities			
Repayments of borrowings		-	-
Dividends Paid		-	-
Payment of Lease Creditor		(2,665,004)	(9,442,200)
Net Cash Flows From/(Used in) Financing Activities		(2,665,004)	(9,442,200)
Net Increase / (Decrease) in Cash and Cash Equivalents		(250,820,434)	(1,185,090,915)
Cash and Cash Equivalents at the Beginning of the Year	15	2,256,929,658	3,442,020,573
Cash and Cash Equivalents at the End of the Year	15	2,006,109,224	2,256,929,658

The accounting policies and notes on pages 08 through 36 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

1. CORPORATE INFORMATION

1.1 General

Ceylon Petroleum Storage Terminals Limited ("Company") is a limited liability Company incorporated on 8th October 2003 under the Companies Act No.07 of 2007 and the company is domiciled in Sri Lanka. The registered office of the Company is located at Ceylon Petroleum Storage Terminals Limited, oil installation, Kolonnawa.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were storage and distribution of petroleum products

1.3 Parent Entity and Ultimate Controlling Party

In the opinion of the Directors, the Company's ultimate parent undertaking is Ceylon Petroleum Corporation, which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The Financial Statements of Ceylon Petroleum Storage Terminals Limited for the year ended 31 December 2022 was authorized for issue in accordance with a resolution of the Board of Directors on 28th February 2023.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No 7 of 2007.

2.1.1 Basis of Measurement

The Financial Statements of the Company have been prepared on the historical cost basis, except

for the following items in the Statement of Financial Position:

- The liability for Defined Benefit Obligations are actuarially valued and recognized at the present value

2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.2 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

2.3 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year's figures and phrases have been rearranged whenever necessary to conform to the current presentation.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards, requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows:

(a) Employee Benefit Liability

The cost as well as the present value of defined benefit plans - gratuity is determined using Actuarial Valuations. The Actuarial Valuation involves making assumptions about discount rates, future salary increases and other important related data. Due to the long term nature of employee benefits, such estimates are subject to significant uncertainty. Further details of assumptions together with an analysis of their sensitivity as carried out by the management in relation to the above key assumptions and the results of the sensitivity analysis are given in Note 17.2 & 17.4.

(b) Impairment of Trade Receivables

The Company assesses at the date of statement of financial position whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual are anticipated impairments. The company does not recognized any impairment during the year 2021 on trade and other receivables as disclosed in note 13 and 19.

(c) Income Tax and Deferred Tax

The Company is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The entity recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current

and deferred income tax assets and liabilities in the period in which such determination is made. Further information is disclosed in Note 07 and 08.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is the Company'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 retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to statement of comprehensive income. 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 a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, returns, rebates and sales taxes (value added taxes).

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

a) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

Terminal Charge

Consists of the operating costs recovered from the marketing companies as per the common user agreement signed between Ceylon Petroleum Corporation, Lanka IOC and Treasury department in year of 2003, subsequently revised in year of 2011 and 2019. Which is recognized at the Point of transferring the petroleum products owned by them. Terminal charge is measured at per litre of petroleum products sold.

Operation Margin

Operation margin is recognized based on the pre-determined rate in the pricing formulae. Operation margin is measured at per litre of petroleum products sold.

Transport Income

Recover of the transport cost incurred on railway wagons, pipelines and bowser dealers. Income is recognized on the basis of volume of liters and distance travelled.

Board of Directors at the Meeting held on 24th November 2022, given approval to recover inter-terminal bulk fuel transport charges on LBD fuel sales as per clause no. 06 of the new agreement to be signed with CPC & LIOC instead of recovery of historical SLAB rates with effect from 01st January 2022.

b) Finance Income

Finance income is recognized as interest accrues, using the effective interest method.

c) Others

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature arising from the disposal of Property, Plant and Equipment and other non-current assets including investments have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis

2.5.3 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 Statement of comprehensive income for the period.

2.5.4 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit for the year, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current Taxes

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The Provision for Income Tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislation.

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

Deferred Taxation

Deferred income 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

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 the 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 difference 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 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.

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.

Surcharge Tax

Basis of preparation of financial statements

Further, the tax liability arising from the Surcharge Tax Act No. 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note no. 22.2 on Income Taxes.

Sales Tax (Value Added Tax and Social Security Contribution Levy)

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is

not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

2.5.5 Financial Instruments – Initial Recognition and Subsequent Measurement

2.5.5.1 Financial Assets

The company's financial assets include cash and short-term deposits, trade and other receivables, and amount due from related parties.

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After

initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Company 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 Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company 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 Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company 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.

Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Asset that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present values of the estimated future cash flows are discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

2.5.5.2 Financial Liabilities

The Company's financial liabilities include trade and other payables, due to related parties, bank overdrafts and interest bearing loans and borrowings.

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. Any difference between initial fair value and the nominal amount is included as component of operating lease income and recognised on a straight line basis over the applicable time period.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

De-recognition

A financial liability is de-recognised 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.5.6 Fair Value Measurement

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 Company.

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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5.7 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 is the 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.

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

Consumables,	-	At purchase cost on
Motor Spares &		weighted average basis
General hardware		
for repairing		
Finished Goods	-	At Actual Purchase cost

2.5.8 Property Plant and Equipment

Property, Plant and Equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Capital work in progress represents all amounts paid on work undertaken, and still in an unfinished state as at the end of the year.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from date of availability for use. On disposal of assets, depreciation ceases on the date that the asset is de-recognized.

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

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

2.5.9 Accounting for leases – where the company is the lessee

The Company 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.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets

Right-of-use assets

The Company recognises right-of-use assets retrospectively in year 2020. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement 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, as follows:

Motor Vehicles – Operating Lease Period 5 years

2.5.10 Intangible assets

a) ERP System and Licenses fees for ERP

License fees represent costs pertaining to the licensing of software applications purchased. License fees are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 5 years.

2.5.11 Cash and Cash Equivalents

Cash and cash equivalents are defined as 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. Investments with original maturities of three months or less are also treated as cash equivalents.

2.5.12 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.5.13 Provisions

Provisions are recognized when the Company 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 Company 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.

2.6 Employee Benefits

a) Defined Benefit Obligations – Gratuity

The company measures the value of the promised retirement benefits of gratuity obligation which is a defined plan with the advice of the actuary every financial year using the "Project Unit Credit Method". Actuarial gains and losses are recognized in other comprehensive income (OCI) in the period in which it arises. The liability is not funded.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in Other Comprehensive Income in the year in which they arise.

b) Defined Contribution Plans

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 15% and 10 % respectively of the employee's monthly gross salary (excluding overtime) to the Employee's Provident Fund

Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees'

Trust Fund maintained by the Employees Trust Fund Board.

c) Medical Benefit Scheme

The medical benefit scheme for CPSTL employees is managed by Allianz Insurance Lanka Limited. The Cost of the Insurance by the company is recognized as an expense during the year.

2.7 EXPIRY OF SHARE HOLDERS AGREEMENT AND SHARE SALE PURCHASE AGREEMENT- COMMON USER FACILITIES

Shareholders agreement and share sale purchase agreement- common user facilities between Ceylon Petroleum Corporation, Lanka Indian Oil Company PLC and Ceylon Petroleum Storage Terminals Limited had expired on 31 December 2008. The renewal or extension of the said agreement has not been finalized and the income and expenses stated in the agreement have been accounted in these financial statements after considering the terms of the said agreement and any subsequent changes which have been approved by the Directors of the company.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

	2022 LKR	2021 LKR Restated
3. REVENUE		
3.1 Throughput Revenue		
Terminal Income	6,891,331,880	8,363,888,241
Operation Margin	2,492,318,423	2,983,425,462
	9,383,650,303	11,347,313,703
Rendering of Services		
Transport Income	49,665,783	2,928,875,589
	49,665,783	2,928,875,589
Total Revenue	9,433,316,086	14,276,189,292
4 OTHER OPERATING INCOME		
Interest on Staff Loans and Others	699,532,464	457,423,182
Loss on disposal of Property, Plant and Equipment	3,808,632	(69,236)
Rental Income	11,922,876	10,941,824
Discharging Charges	2,290,000	4,930,000
Laboratory Testing Charges	188,028,587	99,938,982
Training to Private Bowsers Driver/Porter	9,764,294	3,368,649
Scrap Sales	19,004,039	9,718,504
Servicing Fire Extinguishers	72,590	441,132
Clalibration Charges	6,262,750	6,657,077
Exchange Gain/ Loss	356,398,600	92,104,967
Sundry Income	8,053,489	18,055,837
Circuit Bungalows Income	507,800	95,400
Non-refundable Tender Deposits	2,856,374	1,905,491
Write Back of Long Outstanding Creditor Balances	-	-
	1,308,502,495	705,511,810
4.1 Write off / back of Irrevocable debts	-	174,338,317
	-	174,338,317
5. FINANCE INCOME		
Finance Income		
Interest on REPO Investments	58,806,447	29,087,636
Interest on Deposits	226,474,947	172,483,601
	285,281,394	201,571,237

	2022 LKR	2021 LKR Restated
6. PROFIT BEFORE TAX		
<i>Stated after Charging /Crediting</i>		
Included in Direct Expenses		
Personal Cost	3,190,140,824	3,188,058,702
Depreciation Charge for the Year	681,494,842	727,384,093
Included in Administrative Expenses		
Directors' Emoluments	4,500,145	7,957,893
Fees for Directors	1,737,500	2,090,000
Personal Cost	3,555,055,732	3,720,333,582
Defined Benefit Obligation : Charge for the Year	270,587,099	242,758,885
Audit Fee - Current Year	2,780,000	1,920,000
Depreciation Charge for the Year	164,957,443	165,759,980
Amortisation Charge for the Year	29,775,640	28,186,363
Allowance/(Reversal) for Impairment of Staff Loans	(9,483,126)	33,641,168
Provision for Inventory	324,325	630,498

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2022 and 31 December 2021 are as follows :

	2022 LKR	2021 LKR Restated
7.1 Income Statement		
<i>Current Income Tax:</i>		
Current Tax Expense	-	505,568,268
Under/(Over) Provision of Current Taxes in respect of Prior Year	(3,194,266)	(6,928,800)
<i>Deferred Tax:</i>		
Deferred Taxation Charge/ (Credit) (Note 8)	357,806,322	(89,603,710)
Income Tax Expense / (Credit) Reported in the Income Statement	354,612,056	409,035,758

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

7. TAX EXPENSES (Contd..)

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 December 2022 and 31 December 2021 are as follows :

	2022 LKR	2021 LKR Restated
Accounting Profit Before Tax	(704,084,743)	1,595,321,623
Aggregate Disallowed Items	911,087,610	1,388,180,547
Aggregate Allowable Items	(1,855,359,290)	(1,168,462,126)
	(1,648,356,423)	1,815,040,044
Interest Income	431,467,843	291,494,405
Total Statutory Income	(1,216,888,580)	2,106,534,449
Less: Carried Forward Tax Losses Utilized	-	-
Taxable Profit/ (Loss)	(1,216,888,580)	2,106,534,449
Income Tax for Taxable Profit	-	505,568,268
Current Income Tax Expense	-	505,568,268

8. DEFERRED TAX LIABILITIES

8.1 Deferred Tax

Deferred Tax Assets, Liabilities and Income Tax relate to the followings ;

	Statement of Financial Position		Statement of Comprehensive Income		Other Comprehensive Income	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	2,483,277,026	1,999,721,176	483,555,850	(79,614,948)	-	-
Intangible Assets	7,589,171	10,292,598	(2,703,427)	3,585,265	-	-
	2,490,866,197	2,010,013,774				
Deferred Tax Assets						
Inventories	5,122,349	4,020,042	(1,102,308)	(151,320)	-	-
Provisions	9,585,932	9,944,696	358,764	(8,073,880)	-	-
Defined Benefit Plans	385,161,856	386,237,798	(122,302,557)	(5,348,827)	(8,042,309)	102,865,531
Effect from Tax Losses	-	-	-	-	-	-
	399,870,137	400,202,535				
Deferred Income Tax - Income						
Net Deferred Tax Liability / (Assets)	2,090,996,061	1,609,811,239	357,806,322	(89,603,711)	123,378,500	102,865,531

8.2 Impact of Change in Income tax rate

Deferred tax has been calculated using effective tax rate @ 30.0%. The single tax rates applied different levels of taxable income, resulting Rs. 481,184,822/- increased in deferred tax liability as at 31st December 2022.

Pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 (certified on 19 December 2022), Corporate Income Tax arising from business income has been increased to 30% w.e.f. 01 October 2022. As deferred tax is calculated based on the liability method as per LKAS 12 - Income Taxes, the new tax rate of 30% has been applied to the cumulative temporary differences as at 31st December 2022. This change in income tax rates resulted in deferred tax expenses/(reversal) of Rs. 564 Mn/- and Rs. (27 Mn)/- for the Company as at 31st December 2022.

9. EARNINGS PER SHARE

9.1 Earnings Per Share is calculated by dividing the net profit for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the period and the previous period are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

9.2 The following reflects the income and share data used in the Earnings Per Share computation.

	2022 LKR	2021 LKR Restated
Amounts Used as the Numerator		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	(1,058,696,799)	1,169,211,614
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	750,000,000	750,000,000
Earnings Per Share	(1.41)	1.56

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

At Cost	Balance as at 01.01.2022 LKR	Additions LKR	Transfers LKR	Disposals LKR	Balance as at 31.12.2022 LKR
Freehold land	4,805,518,404				4,805,518,404
Freehold building	1,795,929,730	982,270	116,577,664	(804,000)	1,912,685,664
Storage tank	7,000,110,481		1,670,269,925	(7,663,000)	8,662,717,406
Motor vehicles	1,870,359,156				1,870,359,156
Pipelines	7,796,662,802	26,858,632			7,823,521,434
Furniture, fittings & equipment	2,324,542,855	39,939,690	22,003,591	(2,022,195)	2,384,463,941
Computers	333,993,614	8,010,300			342,003,914
Single/Dual point mooring buoy	3,330,770,472	26,588,798	9,119,003		3,366,478,272
Pumps & gantries	1,502,334,782	5,587,793			1,507,922,575
Low Value Assets	707,203	194,155			901,358
Total Cost of Depreciable Assets	30,760,929,500	108,161,638	1,817,970,183	(10,489,195)	32,676,572,126
Capital Work In Progress	2,041,175,887	817,306,353	(1,817,970,183)	(11,694,929)	1,028,817,128
	32,802,105,387	925,467,991	-	(22,184,124)	33,705,389,254

10.2 Depreciation

At Cost	Balance as at 01.01.2022 LKR	Charge for the year LKR	Transfers LKR	Disposals LKR	Balance as at 31.12.2022 LKR
Freehold building	783,387,307	53,338,770		(426,001)	836,300,076
Storage tank	3,090,992,422	175,798,767		(7,663,000)	3,259,128,189
Motor vehicles	1,740,591,332	96,733,511			1,837,324,843
Pipelines	4,054,524,635	290,251,620			4,344,776,255
Furniture, fittings & equipment	1,989,588,093	77,635,727		(222,759)	2,067,001,061
Computers	268,876,732	33,838,165			302,714,898
Single/Dual point mooring buoy	3,116,473,815	85,663,081			3,202,136,896
Pumps & gantries	1,240,045,364	33,047,862			1,273,093,226
Low Value Assets	628,878	144,781			773,659
	16,285,108,578	846,452,285	-	(8,311,760)	17,123,249,103

10.3 Net Book Value

	2022 LKR	2021 LKR Restated
Freehold land	4,805,518,404	4,805,518,404
Freehold building	1,076,385,588	1,012,542,424
Storage tank	5,403,589,218	3,909,118,059
Motor vehicles	33,034,313	129,767,824
Pipelines	3,478,745,179	3,742,138,167
Furniture, fittings & equipment	317,462,880	334,954,762
Computers	39,289,016	65,116,882
Single/Dual point mooring buoy	164,341,377	214,296,658
Pumps & gantries	234,829,349	262,289,418
Capital work in progress	1,028,817,128	2,041,175,887
Low Value Assets	127,699	78,326
Total Carrying Value of Property, Plant & Equipment	16,582,140,151	16,516,996,810

- 10.4** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 925,467,991/- (2021 - Rs.1,357,927,201/-). Cash payments amounting to Rs. 925,467,991/- (2020 - Rs. 1,357,927,201/-) were made during the year for purchase of Property, Plant and Equipment. During the year Rs. 1,817,970,183/- transferred from work in progress to main assets.

10.6. Right-of-use assets

Set out below are the carrying amount of Right-of-use Assets recognised and movements during the year.

	2022 LKR	2021 LKR Restated
Cost		
Balance as at 31st December	42,309,263	42,309,263
Effect of Adoption of SLFRS 16 as at 01 January 2020	-	-
Addition and Improvement	-	-
Balance as at 31st December	42,309,263	42,309,263
Accumulated Amotisation		
Balance as at 31st December	39,900,751	31,438,898
Charge for the year	2,408,512	8,461,853
Balance as at 31st December	42,309,263	39,900,751
Net Book Value as at 31st December	-	2,408,512.10



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

10.7. Right -of-use Lease Liability

Set out below are the carrying amounts of lease liabilities and the movements during the period

	2022 LKR	2021 LKR Restated
Balance as at 31st December	2,665,004	11,771,450
Effect of Adoption of SLFRS 16 as at 01 January 2020		
Accretion of Interest	-	335,753
Payments	(2,665,004)	(9,442,200)
Balance as at 31st December	-	2,665,004
Balance as at 31st December		
Current liability	-	2,665,004
Non current liability	-	-
	-	2,665,004

10.8 The Useful Lives Of the Assets are Estimated as Follows:

	2022	2021
Freehold Building	35 Years	35 Years
Storage Tanks	40 Years	40 Years
Bulk Tanks	30 Years	30 Years
Pipelines	30 Years	30 Years
Pumps	20 Years	20 Years
Vehicles		
- New Acquisitions	5 Years	5 Years
- Vested Items	Over Remaining Useful life time	
Gantries	15 Years	15 Years
Equipments		
- Electronic	5 Years	5 Years
- Other	10 Years	10 Years
Furniture & Fittings		
- Hard	5 Years	5 Years
- Other		
Muthurajawela other assets		
- Dual point mooring buoy	10 Years	10 Years
- PLEM	10 Years	10 Years
- Pipelines	20 Years	20 Years
Computers	04 Years	04 Years

11. INTANGIBLE ASSETS

11.1 Gross Carrying Amounts

	ERP System	SAP ERP License	Automation System of offshore Pipeline	Total
	LKR	LKR	LKR	LKR
As at 01.01.2022	561,374,796	9,380,250	37,793,560	608,548,606
Additions	-	-	-	-
Disposals	-	-	-	-
As at 31.12.2022	561,374,796	9,380,250	37,793,560	608,548,606

11.2 Amortisation

	ERP System	SAP ERP License	Automation System of offshore Pipeline	Total
	LKR	LKR	LKR	LKR
As at 01.01.2022	494,700,197	9,380,250	37,793,560	541,874,007
Charge for the year	29,775,640	-	-	29,775,640
As at 31.12.2022	524,475,838	9,380,250	37,793,560	571,649,648

11.3 Net Book Value as at 31.12.2021

	66,674,599	-	-	66,674,599
--	------------	---	---	------------

11.4 Net Book Value as at 31.12.2022

	36,898,958	-	-	36,898,958
--	------------	---	---	------------

11.5 Intangible assets includes fully depreciated assets having a gross carrying amount of Rs.459,670,405/- (2021 - Rs.459,670,405/-).

12. INVENTORIES

	2022 LKR	2021 LKR Restated
General Hardware for Repairing	457,139,827	409,024,236
Motor Spare parts	326,871,796	259,905,274
Consumables	80,814,725	24,164,078
Finished Goods		
Lanka Petrol LP-95	-	-
Lanka Petrol LP-92	1,623,931	602,667
Lanka Auto Diesel-LAD	13,147,680	5,109,105
	879,597,959	698,805,360
Provision for Slow- Moving Inventory	(17,074,498)	(16,750,173)
	862,523,461	682,055,187



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

13. TRADE AND OTHER RECEIVABLES

	2022 LKR	2021 LKR Restated
Trade Receivables - Related Parties (Note 13.1)	8,492,160,381	9,317,649,253
Other Receivables	97,380,718	81,040,415
Deposits ,Advances and Prepayments (Note 13.3)	2,006,778,573	1,690,628,286
	10,596,319,671	11,089,317,954

13.1 Trade Receivables- Related Parties

	Relationship		
Ceylon Petroleum Corporation net of Impairment (Note 13.2)	Parent Entity	8,000,362,924	8,607,570,164
Lanka IOC PLC net of Impairment (Note 13.2)	Other Major Share Holder	491,797,457	710,079,090
		8,492,160,381	9,317,649,253

13.2 As at 31 December 2022, the age analysis of trade receivables is set out below.

	Total	0-30 Days	31-90 days	91-180 days	181-365 days	More than 365 days
Ceylon Petroleum Corporation	8,000,362,924	2,266,424,266	1,366,137,408	252,083,086	421,814,386	3,693,903,778
	8,000,362,924	2,266,424,266	1,366,137,408	252,083,086	421,814,386	3,693,903,778
Lanka IOC PLC	491,797,457	247,793,345	41,489,800	2,257,085	-	200,257,227
	491,797,457	247,793,345	41,489,800	2,257,085	-	200,257,227

13.3 Deposits ,Advances and Prepayments

	2022 LKR	2021 LKR Restated
Deposits ,Prepayments and Advances	803,026,712	681,671,234
Prepaid Staff Benefits	1,203,751,861	1,008,957,052
	2,006,778,573	1,690,628,286

	2022 LKR	2021 LKR Restated
14. OTHER FINANCIAL ASSETS		
Loans to Company Officers		
Motor Vehicle Loans	183,570,349	217,195,096
Housing Loans	1,453,812,070	1,590,350,388
Distress Loans	1,158,360,899	1,221,725,914
Other Loans	352,779,779	330,388,025
	3,148,523,097	3,359,659,422
(-) Allowance for Impairment	(31,953,105)	(41,436,231)
	3,116,569,992	3,318,223,191
14.1 Non Current Financial Assets		
Motor Vehicle Loans	146,856,279	173,756,077
Housing Loans	1,319,952,838	1,428,524,719
(-) Allowance for Impairment	(31,953,105)	(41,436,231)
	1,434,856,012	1,560,844,565
14.2 Current Financial Assets		
Motor Vehicle Loans	36,714,070	43,439,019
Housing Loans	133,859,231	161,825,669
Distress Loans	1,158,360,899	1,221,725,914
Other Loans	352,779,779	330,388,025
	1,681,713,979	1,757,378,626
15. CASH AND CASH EQUIVALENTS		
Favourable Cash & Cash Equivalent balances		
Cash and Bank Balances	(47,051,772)	(257,060,110)
Short Term Investments	2,053,160,997	2,513,989,768
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	2,006,109,225	2,256,929,657

16. STATED CAPITAL

	2022		2021	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares	750,000,000	7,500,000,000	750,000,000	7,500,000,000

16.1 Capital Reserve

At the time of incorporation and the transfer of assets from Ceylon Petroleum Corporation, a capital reserve of Rs. 979,000,000 was created as a part of capitalization process.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

17. DEFINED BENEFIT OBLIGATION

Balance as at 01 January

	2022 LKR	2021 LKR Restated
Balance as at 01 January	1,609,324,159	2,015,643,759
Current Service Cost	85,514,820	81,507,384
Interest Cost	185,072,279	161,251,501
Actuarial (Gain) / Loss	(411,261,666)	(428,606,379)
Benefits Paid	(184,776,742)	(220,472,106)
Balance as at 31 December	1,283,872,850	1,609,324,159

- 17.1** Actuarial valuation of Retirement Benefit Obligation as at 31 December 2022 was carried out by Messrs Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Projected Unit Credit Method" as recommended by LKAS 19 - 'Employee Benefits'.

17.2 Principle Actuarial Assumptions

Principle Actuarial Financial Assumptions underlying the valuation are as follows:

	2022	2021
Discount Rate	18.50%	11.50%
Salary Incremental Rate	30% once in 3 Years	25% once in 3 Years
Staff Turnover	1%	1%

17.3 Maturity Profile of the Defined Benefit Obligation Plan

	2022 LKR	2021 LKR
Less than 1 Year	172,740,147	162,355,684
Between 1-2 years	156,115,292	154,674,908
Between 2-5 years	366,290,752	385,374,669
Beyond 5 years	588,726,658	906,918,900
	1,283,872,850	1,609,324,160

The average durations of the Defined benefit Obligation Plan at the end of the reporting period is 5.4 years for executive staff and 5.7 years for non executive staff. The average remaining working life of executive staff is 10.5 years and 11.4 years for non executive staff.

17.4 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible changes in the key assumptions employed with all other variables held constant in the defined benefit liability measurement, in respect of year 2022.

Sensitivity Level	Discount Rate		Future Salary Increment Rates	
	Increase 1%	Decrease -1%	Increase 1%	Decrease -1%
Impact on Defined Benefit Obligation	1,224,838,494	1,348,482,311	1,303,819,083	1,264,286,601

18. TRADE AND OTHER PAYABLES

	2022 LKR	2021 LKR Restated
Trade Payables - Related Parties (18.1)	836,158,852	403,967,660
- Others	388,987,224	284,207,201
Other Payables	800,007,581	885,169,318
Sundry Creditors Including Accrued Expenses	852,221,330	492,929,994
	2,877,374,987	2,066,274,173

18.1 Trade Payables- Related Parties

Relationship

Ceylon Petroleum Corporation	Parent Entity	836,158,852	403,967,660
		836,158,852	403,967,660

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

19. RELATED PARTY DISCLOSURES

Nature of Transaction	Parent Entity - Ceylon Petroleum Corporation		Other Major S/H - Lanka IOC PLC		Total	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Receivable/(Payable) as at 01 January	8,200,900,931	6,888,065,189	710,079,090	655,641,458	8,910,980,021	7,543,706,647
Service for Oil Storage & Distribution	10,879,127,237	14,933,348,730	752,327,406	610,013,579	11,631,454,642	15,543,362,309
Own Use Fuel Consumption	(827,698,067)	(401,147,331)	-	-	(827,698,067)	(401,147,331)
Interest Payments	-	-	-	-	-	-
Other Expenses	(162,169,051)	(93,559,459)	-	-	(162,169,051)	(93,559,459)
Adjustment for error correction	-	(360,352,811)	-	-	-	(360,352,811)
(Receipt)/Payment for Services	(10,925,956,978)	(12,765,453,386)	(970,609,039)	(555,575,947)	(11,896,566,016)	(13,321,029,333)
Amounts Receivable/(Payable)						
as at 31 December	7,164,204,072	8,200,900,931	491,797,457	710,079,090	7,656,001,529	8,910,980,021

The amounts receivables from or payable to related parties as at 31 December are disclosed under notes 13.2 and 18.1 in the financial statements.

19.1 Transactions with Key Management Personnel of the Company

The Key Management Personnel are the members of the Board of Directors, of the company, Payments made to Key Management Personnel during the year were as follows:

	2022 LKR	2021 LKR
Fees for Directors	1,737,500	2,090,000
Directors Emoluments	4,500,145	7,957,893
	6,237,645	10,047,893

19.2 Transactions with the Government of Sri Lanka and its Related Entities

Since the Government of Sri Lanka directly controls the Parent entity, the Company has considered the Government owned company of Sri Lanka 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".

The Company enters into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and the results of significant transaction have been reported in follows,

Nature of the transactions		As at 31.12.2022	As at 31.12.2021
People's Bank	Cash at Bank	15,613,598	665,601
People's Bank	Short term Deposits	154,097,898	151,043,274
Bank of Ceylon	Balance at Bank	(65,594,334)	(271,033,405)
Bank of Ceylon	Short term Deposits	1,899,063,099	2,270,812,698

Further, transaction as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

Maintaining bank accounts and entering in to Banking transactions with Bank of Ceylon and Peoples Bank

Payments of statutory rates and taxes.

Payment for utilities mainly comprising of telephone, electricity and water.

Payment for employment retirement benefit EPF and ETF to Central Bank of Sri Lanka.

20. COMMITMENTS AND CONTINGENCIES

20.1 CONTINGENCIES

Pending Litigations

- (a) As per the Company lawyers outcome of following cases cannot be reasonably ascertained as at the reporting date. Accordingly, a provision has not been made in this financial statements for such pending litigations. The Company is a respondent or an applicant of following pending legal cases as at reporting date.

Although there can be no assurance based on the information currently available, the management believe that the ultimate resolution of this legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity of the Company. Accordingly, no provision for any liability has been made in these financial statements in this regard.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

Pending Supreme Court Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
SC FR 68/17	Colombo	To get issue a suitable amount of shares not exceeding 10% or distribute an equivalent sum of money amongst the employees.	Declaration of infringement of Fundamental Rights of the Petitioners, compensation is determined by the Court and to issue a suitable amount of shares not exceeding 10% or distribute an equivalent sum of money amongst the employees.
SC FR 244/17	Colombo	Filed by two Employees Seeking for a Promotion to Grade B-1.	Back wages and / or compensation determined by the court
SCFR 343/18	Colombo	Requesting for Vehicle Permit	
SCFR /90/22	Colombo	Filed by an employee seeking for a promotion to Grade A-6.	Back wages and / or compensation determined by the court
SCFR /222/22	Colombo	Filed by an employee seeking for a promotion to Grade A-6.	Back wages and / or compensation determined by the court

Pending Court of Appeal Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
Writ 142/13	Colombo	Filed by 17 employees of CPSTL claiming promotions which were recommended by PVC.	Total payments for all the applicants could be amounted to Rs.13,936,944/-.
Writ 370/2021	Colombo	Writ application against The Arbitration Award No. 3439	Total payments for all the applicants could be amounted to Rs.2,869,608.51

Pending District Court Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
241/L	Minuwangoda	To quash some Deeds.	Compensation determined by the court.
3168/M	Attanagalla	Filed against CPSTL claiming damages arising from an accident	Rs. 2,500,000/- plus legal interest liability is vested with Allianz Insurance Lanka Limited. Insurance Company agreed to pay upto Rs.1,000,000/- if it decided over Rs. 1,000,000/- company has to bear up. (CPSTL has taken third party property claim only upto Rs. 1,000,000/-)
DMB 182/20	Colombo	Filed against former employee claiming Mortgage value arrears	Rs. 1,008,093.80 plus 14.4% interest

Pending Magistrate Court Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
46557/05	Colombo	To enforce the Arbitration Awards A3439 against CPSTL	Mentioned under Writ 370/2021
5/21/57265	Colombo	To remove squatters from Railway reseration (V. D. Gnawathi)	These Cases were filed by CPSTL to obtain an ejection order to eject unauthorized squatters from pipeline premises
5/21/57266	Colombo	To remove squatters from Railway reseration (W. L. D. Gunathilka)	
5/21/5/7267	Colombo	To remove squatters from Railway reseration (T. Ramani)	
5/21/5/7268	Colombo	To remove squatters from Railway reseration (M. M. A. K. Fonseka)	
5/21/5/7269	Colombo	To remove squatters from Railway reseration (V. C. J. Podimenike)	
5/21/5/7270	Colombo	To remove squatters from Railway reseration (M. Subramaniam)	
5/21/5/7271	Colombo	To remove squatters from Railway reseration (P. Renuka)	
5/21/5/7272	Colombo	To remove squatters from Railway reseration (S.S. Kanna)	
5/21/5/7273	Colombo	To remove squatters from Railway reseration (N. K. Gunawardana)	
5/21/5/7274	Colombo	To remove squatters from Railway reseration (S. A. D. Subaseeli)	
5/21/5/7275	Colombo	To remove squatters from Railway reseration (W. A. S. Hemantha)	
5/21/5/7276	Colombo	To remove squatters from Railway reseration (G. G. Mary)	
63036	Labour Commissioner	To grant penalty Gatuity payments to Mr. P D A Piyarathna Labour Department Vs CPSTL	Rs. 508,318.90

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

Pending Labour Tribunal Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Name of the applicant	Maximum Possible claim Outcome (up to December 2022)
2/600/ 15	Borella	Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	R Heiyanthuduwa	Reinstatement with back wages (Rs.50,000 x 130 months) Rs. 6,500,000
1/AD/44/12	Battaramulla	Filed by a dismissed employee (w.e.f. 10.05.2012) seeking reinstatement with back wages.	L.G.Gamini	Reinstatement with back wages. Rs.68,518 x 118 months Rs.8,085,124/-
2/AD/ 3596/12	Battaramulla	Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	M A S D Munasingha	"Reinstatement with back wages. Rs.80,524 x 118 months Rs.9,501,832
2/935/2019	Borella	Filed by a Former Trainee seeking for reinstatement with back wages	R.W.H.B. Kumari	Reinstatement with back wages. Rs.1,500.00 x 42 days. Rs.63,000
LT/ BT/398/22		Filed by a dismissed employee. Seeking for reinstatement with back wages.	T Balendaran	Filed by a dismissed employee. Seeking for reinstatement with back wages

Pending Court of Appeal Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
CC/C/IR/700/ 17	Colombo	Seeking for reinstatement with back wages	Back wages Rs.81,130/-
A/74/ 2019	Colombo	Seeking for promotion to Filling Forman Grade B-1	Arbitrator awarded Rs. 875,734.98 as back wages. Decided to file a Writ application against the award.
CC/LT/C/10/ 18	Colombo	To grant withheld two increments.	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/ IR/613/2019	Colombo	Filed by Two Employees seeking promotions to Grade A-7 (Accounts Executive)	Back wages has to be paid if ordered. (amount to be determined as per the order)
IR/COM/04/ 2019/236 A/ 66/2022	Colombo	Filed by an Employee seeking a promotion to Grade A-7 (Accounts Executive)	Back wages has to be paid if ordered. (amount to be determined as per the order)

Pending Court of Appeal Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
CC/C/IR/10/560/282	Colombo	Filed by Two Employees seeking promotions to Grade B-1 (Fire & Safety)	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/301/2022	Colombo	Filed by Two Employees seeking promotions to Grade B-3 (Gantry Foreman)	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/10/10/161/2022	Colombo	Request for allowance	Laid by Applicant's request
CC/C/IR/10/313/2021	Colombo	Filed by daily pay employee. Request for EPF & ETF	Rs. 154,291/85 with penalty. (2019 November salary + 20% EPF +Penalty)
CC/C/IR/10/58/2022	Colombo	Filed by Two Employees seeking promotions to Grade B-2 (Management Assistant)	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/522/2021	Colombo	Filed by Two Employees seeking promotions to Grade A- 7 (Executivet Assistant - Security)	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/30/2020	Colombo	Filed by Two Employees seeking promotions to Grade A-5	Back wages has to be paid if ordered. (amount to be determined as per the order)
OMB/02/02/3496/2021	Colombo	Filed by Two Employees seeking promotions to Grade A-7 (Executive t Assistant - Premises)	Back wages has to be paid if ordered. (amount to be determined as per the order)
DL/AD/COM/2022	Colombo	Filed by an Employees to have withheld increments, allowances & promotion to Grade A/1	Back wages has to be paid if ordered. (amount to be determined as per the order)
COM/SID/00/K/2022	Colombo	Reinstatement	Reinstatement and back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/307/2022	Colombo	Filed by an Employees seeking promotion to Grade B/1 (Manangement Assistant - Procurement)	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/83/2022	Colombo	Filed by an Employees requesting gratuity & other allowances	Gratuity & allowances have to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/440/2021	Colombo	Reinstatement	Back wages has to be paid if ordered. (amount to be determined as per the order)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

Pending Court of Appeal Cases as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
CC/C/IR/10/309/2022	Colombo	Reinstatement	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/116/2021	Colombo	PVC Promotion	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/539/2021	Colombo	Filed by an employee seeking promotion to Grade B/1	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/319/2022	Colombo	Cancel the interview for Grade A/6 Security Officer	Laid by until the Supreme Court case determination
CC/C/IR/10/421/2021	Colombo	Request for special leave for Covid period @ security function	Bonus has to be paid , if ordered to cancel the no pay leave obtained during the Covid period
CC/C/WB/10/582/2022	Colombo	Reinstatement	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/10/657/2022	Colombo	Reinstatement	Back wages has to be paid if ordered. (amount to be determined as per the order)
JEL/COM/03/319/2022/12	Colombo	Reinstatement	Back wages has to be paid if ordered. (amount to be determined as per the order)
DL/AD/COM/2022	Colombo	All allowances for interdicted period	Allowance & back wages have to be paid if ordered (amount to be determined as per the order)
MTR/COM/08/228/2022/03	Colombo	Request for unpaid overtime amount	Allowances have to be paid if ordered (amount to be determined as per the order)

Pending Cases before Human Rights Commission as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
HRC/2451/16	Colombo	2016 new appointment	Compensation determined by HRC
HRC/2454/ 16	Colombo	2016 new appointment	Compensation determined by HRC
HRC/2456/ 16	Colombo	2016 new appointment	Compensation determined by HRC

Pending Cases before Human Rights Commission as at 31st December 2022

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2022)
HRC/1991/ 16	Colombo	Challenge the appointment of present medical officer of CPSTL	Compensation determined by HRC
HRC/2903/ 19	Colombo	Against PVC promotions given in 2019	Compensation determined by HRC
HRC/3888/ 19	Colombo	Against illegal transfers	Compensation determined by HRC
HRC/2963/ 19	Colombo	Against PVC Promotions	Compensation determined by HRC

(b) Income tax assessments

Out of the tax assessments (Income Tax, DVD) raised for the period upto 31.12.2009 by the Department of Inland Revenue, the company has a contingent liability of Rs. 401Mn including penalties. With the professional advice, company has appealed against the said assessments.

The Department of Inland Revenue raised assessments ((Income Tax, PAYE) amounting to Rs. 390Mn including penalties for the period from 2010-2022 and with the professional advice the company has appealed to the Commissioner General of Inland Revenue against the said assessments.

20.2 CONTINGENCIES

The following capital commitments have been approved by the board of directors as at 31st December 2022.

Outstanding LC Payments as at 31st December 2022

LC No	Amount (Rs.)	LC Value	Description of Purchase
0042002220011430	Rs. 18,408,999.71	US\$ 49,250.00	Fully Automated Cloud /Pour Point Instrument
0042007220001035	Rs. 15,552,956.99	Euro 42,509.80	Existent Gum Bath for IP 540/ASTMD381

Bank Guarantees as at 31st December 2022

Bank Guarantee No	Amount (Rs.)	Guarantor issued Party
0043501120007655	182,000	M/S/ Daynacom Engineering (Pvt) Ltd.
0043501120007628	270,000	M/S/ Daynacom Engineering (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

20.2 CAPITAL COMMITMENTS (Contd..)

*The projects which are mentioned below are contract value worth More than Rs 2,000,000.

Projects approved by Board but not completed as at 31st December 2022

Description	Contract Value (LKR)	Paid As At 31-12-2022 (LKR)	Work Done As At 31-12-2022 (LKR)	Payable Amount (LKR)
Infrastructure Development Facilities - MT	182,000,000	6,142,500	6,142,500	175,857,500
Proposed circuit bungalow at anuradhapura	85,000,000	15,516	15,516	84,984,484
Renovation of boundary wall (stage 2)	15,000,000	5,894,306	5,894,306	9,105,694
Development of bowser parking	123,020,000	38,430,099	38,430,099	84,589,901
Tank farm improvement at LBD Kurunagala	82,879,031	34,378,433	34,378,433	48,500,598
Construction of 06 No . Storage tanks- Kolonnawa	2,286,812,821	328,113,919	328,113,919	1,958,698,901
Pipeline connection for new fire pumps	6,239,831	5,866,131	5,866,131	373,700
Rehabilitation of existing 14" Dia. Pipe	94,508,595	57,541,814	57,541,814	36,966,781
Upgrading pipe system at zone - 6	170,000,000	108,739,399	108,739,399	61,260,601
Construction of Filling Gantry at Zone -03	32,790,215	30,984,684	30,984,684	1,805,531
Repair of single path spare buoy so-12280	173,000,000	-	-	173,000,000
Dry docking of SPBM -Muthurajawela	880,896,341	340,101,220	340,101,220	540,795,121
CCTV camera system at CPSTL Kolonnawa	125,000,000	56,694,273	56,694,273	68,305,727
Upgrading of diking and oil recovery system	13,000,000	979,148	979,148	12,020,852
IFR & Repair of Storage Tanks mo. 04 & 05- Galle	45,624,666	4,374,984	4,374,984	41,249,682
Electrical Fittings Zone 6 New Pump House	18,000,000	6,508,030	6,508,030	11,491,970
Modification of CPSTL Housing Units	14,200,000	1,623,750	1,623,750	12,576,250
Improvement of Existing Rail Tanker Unloading	9,845,850	2,428,921	2,428,921	7,416,929
Total Value of the projects	4,357,817,350	1,028,817,129	1,028,817,129	3,329,000,221

* Amounts paid include advances.

*The projects which are mentioned below are contract value worth More than Rs 10,000,000.

Projects awarded but not started As At 31-12-2022

Project Name or Description	Contract Value (LKR)
Replacement of existing diesel engine driven fire pump with associated auxiliary equipment at Oil Installation, Kolonnawa	44,833,000
Supply and installation of explosion proof of type lighting fixture and switch gears at Kolonnawa & bulk depots	37,404,774
01 nos. diesel engine driven fire pumps for Kolonnawa (capacity 10,000 l/m @ 8 bar)	30,000,000
Fully automated cloud point & pour point & pour point instrument	20,368,757
Temperature controlled bath for kinematic viscosity of transparent & opaque liquids	18,845,588
Evaporation bath with related accessories to determine the gum content in gasoline 92 & 95 and jet A1	18,191,716
Design, supply, installation & commission of GPS based fleet/ delivery management & fuel monitoring system	14,000,000
Projects approved by Board and awarded As At 31-12-2022	183,643,835

Projects approved by Board and not awarded As At 31-12-2022

Project Name or Description	Contract Value (LKR)
Construction of 03 nos. new storage tanks at Muthurajawela Terminal	1,495,900,000
Improvement to the product filling facility at Muthurajawela Terminal	717,080,000
Intergrity assesment of cpstl product pipe line segments by line inspection	325,012,512
Repairs to tank no. 31 at Kolonnawa Installation	224,784,525
Replacement of tank no. 30 at Kolonnawa Installation	539,188,462
Upgrading of instruments in semi-automat ed tank gauging and road tanker loading systems at Muthurajawela Terminal	132,000,000
Repairs to tank no. tk -31, and tk 32- petrol loading tanks in Muthurajawela Terminal	261,637,747
Proposed circuit bungalow at Anuradhapura	85,000,000
Repairs to tank no. 34 at Kolonnawa Installation	248,534,829
Intergration of solar PV power generating	101,899,071
Repairs to tank no.32 at Kolonnawa	98,378,602
Improvements to fire fighting facilities in Muthurajawela Terminal	37,200,000
Development of the existing product filling facilities at zone 07 Kolonnawa Installation	27,000,000
Renovation of quarters at Jayanthipura, Batticaloa	27,700,000
Procurement, construction and commissioning of a 470m3 fire water tank at LBD Galle	18,967,190
Purchase of marine hoses and accessories for SPBM Muthurajawela	608,623,606
Accessories for buoy anchoring system of SPM Muthurajawela	128,924,003
Supply,install & commissioning of 35kva generators for Katharagama, Watapuluwa & Nuwaraeliya circuit bungalows	18,000,000
Procurement of 01 no of 15" circumferences mooring hawser for SPBM Muthurajawela.	16,000,000
Projects approved by Board and not awarded As At 31-12-2022	5,111,830,547

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

21. ASSETS PLEDGED

No assets have been pledged as at the reporting date.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no any events after the balance sheet date as at 31st December 2022.

22.1 Explanation on prior year adjustments of financial statements

During the year 2020 & 2021, CPSTL has not recorded all the fuel issues in the SAP due to the pandemic situation prevailing in those years amounting to Rs. 97,799,887/- and Rs. 44,085,745/- respectively. Further, written back of long outstanding sundry payables and disposal of old storage tanks for construction of new tanks. These changes have been corrected retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

22.2 Surcharge Tax

The Surcharge Tax Act No. 14 of 2022 was enacted on 8th April 2022, confirming the imposition of a one-time tax of 25% on entities in which the taxable income exceeded Rs. 2 bn for the year of assessment 2020/21. The surcharge tax is applicable to Ceylon Petroleum Storage Terminals Ltd as the taxable income of the company calculated in accordance with the provisions of the Act, exceeded the set threshold. Total Surcharge Tax liability of Rs. 711 Mn has been recognized for the Company as an opening adjustment to the 1 January 2021 retained earnings in the statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020. On 20 April 2022, the Company paid the first installment of the Surcharge Tax liability. The final installment of Surcharge Tax payable as of 31st December 2021 has been paid on 20 July 2022.

22.3 Reconciliation of profit & loss

	Total Comprehensive Income for the Year, Net of Tax	
	2021 LKR	2020 LKR
As per the previous financial statements	1,507,928,892	1,886,447,864
Adjustment for prior period changes in accounting estimates (Own Use)	(12,887,619)	(31,830,549)
Adjustment for prior period changes in accounting estimates (Sundry Creditors / Disposal)	(4,186,631)	28,638,509
Income Tax saving	4,097,820	766,090
Restated balance	1,494,952,462	1,884,021,914

22.4 Financial instruments by category

Loans & receivables at amortised cost		
	2022 LKR	2021 LKR Restated
Trade and other receivables	10,596,319,671	11,089,317,954
Staff loans and advances	1,681,713,979	1,757,378,627
Cash and cash equivalents	2,006,109,225	2,256,929,658
	14,284,142,875	15,103,626,239

The above financial assets are measured at amortised cost using effective interest rate method. Carrying value of those assets considered as same as to the fair value.

22.4 Financial instruments by category

Other financial liabilities at amortised cost		
	2022 LKR	2021 LKR Restated
Trade and other payables	2,877,374,987	2,066,274,173
	2,877,374,987	2,066,274,173

Company does not have financial assets classified into fair value through profit or loss, held to maturity or available for sale categories. As well as no financial liabilities were classified into the fair value through profit or loss category.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's Board of Directors is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Company.

The Audit Committee provides guidance to the Company's Board of Directors that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

23.1 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the two types of risk:

1. Interest rate risk
2. Foreign Currency risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

23.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating rates.

Interest rates sensitivity

The following table demonstrates the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the company's profit before tax (through the impact on floating rate Long term borrowings)

Increase / (Decrease) in basis points	Effect on Profit Before Tax	
	LKR 2022	LKR 2021
(+)100 basis points	-	-
(-)100 basis points	-	-

The assumed spread of basis points for interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as LIBOR

23.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value monetary assets and liabilities including derivatives financial instruments existing as at 31 December 2022 will fluctuate because of changes in foreign exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate with all other variables held constant. The impact of the Company's profit before tax is due to changes in the fair value monetary assets. The company's exposure to foreign currency changes for all other currencies is not material.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax (LKR)
2022				
Cash and Cash Equivalents -Cash in Hand(USD)	32,616	363.11	+/- 1%	+/- 118,433
Cash and Cash Equivalents -Fixed Deposit (USD)	2,056,269	363.11	+/- 1%	+/- 7,466,519
2021				
Cash and Cash Equivalents -Cash in Hand(USD)	19	200.43	+/- 1%	+/- 38
Cash and Cash Equivalents -Fixed Deposit (USD)	2,243,914	200.43	+/- 1%	+/- 4,497,562

23.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

The following policies are implemented within the company in order to manage credit risk related to receivables: Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.

23.3 Liquidity risk

The Company monitors its risk to a shortage of funds by forecasting its operational cash requirements on an annual basis and project cash flow requirements as per the project implementation period. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and financing for current operations is already secured.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 1 year	
	LKR	LKR Restated
Trade and Other Payables	2,877,374,987	2,877,374,987
	2,877,374,987	2,877,374,987



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

23.4 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the gearing ratio.

	2022 LKR	2021 LKR Restated
Total equity	27,228,877,607	27,999,691,240
Total capital	27,228,877,607	27,999,691,240
Gearing ratio	0.00%	0.00%

DETAILED INCOME STATEMENT

Statement	2022 LKR	2021 LKR Restated
Revenue	9,433,316,086	14,276,189,292
Direct Expenses I	(6,806,068,685)	(8,369,310,193)
Gross Profit	2,627,247,401	5,906,879,099
Other Operating Income	1,308,502,495	705,511,809
Other Operating Expense		(174,338,317)
Administrative Expenses II	(4,925,116,033)	(5,061,376,456)
Operating Profit	(989,366,137)	1,376,676,135

STATEMENT I

DIRECT EXPENSES

Outside transport cost	875,432,022	3,207,337,388
Direct personnel cost	3,190,140,824	3,188,058,702
Insurance	152,943,765	123,934,495
Own Use Fuel Expense	1,061,818,584	367,527,832
Depreciation -storage tanks, pipelines, gantries and pumps	499,098,249	496,374,400
Depreciation -motor vehicles	96,733,511	154,958,542
Depreciation- SPBM	85,663,081	76,051,151
Vehicle maintenance	184,540,454	157,328,438
Storage maintenance	2,399,655	4,261,944
Property maintenance	214,090,829	221,687,503
Rail track maintenance	26,518,074	32,359,544
Consignment Seals	28,820,153	29,628,692
Cleaning & Sanitary Expenses	50,134,143	34,955,913
Water	4,089,089	4,555,020
Electricity	107,820,710	100,886,819
Security Charges	28,063,374	20,874,600
Vessel charges	193,835,470	143,734,164
Shipping, clearing and transport	1,186,582	600,338
Advertising and Promotional Expenses	2,740,116	4,194,708
	6,806,068,685	8,369,310,193

DETAILED INCOME STATEMENT

STATEMENT II

ADMINISTRATIVE EXPENSES

Statement	2022 LKR	2021 LKR Restated
Directors' fees	1,737,500	2,090,000
Chairman's and MD's salaries	4,500,145	7,957,893
Personnel cost	3,555,055,732	3,720,333,582
Gratuity	270,587,099	242,758,885
Prepaid staff benefit on staff loan	508,742,753	357,433,889
Staff welfare	94,760,447	214,429,039
Medical	64,404,165	82,208,224
Office requisites	27,536,568	22,165,334
Communication expenses	20,728,071	18,619,686
Rent and rates	28,638,710	22,433,804
Depreciation of buildings, furniture and fittings, equipment and computers	164,957,443	165,759,980
Amortization of intangible assets	29,775,640	28,186,363
Amotisation Right-of- use Assets	2,408,512	8,461,853
Travelling, subsistence, batta and taxi fare	23,135,432	20,922,086
Auditors' remuneration	2,780,000	1,920,000
Electricity	17,100,750	16,001,010
Water	15,340,905	17,088,923
Allowance/(Reversal) for impairment of staff loans	(9,483,126)	33,641,168
Allowance/(Reversal) for impairment of receivables	-	-
Legal fees	3,206,875	4,941,999
Professional fees	46,609,811	38,579,101
Charity & donations	317,000	6,510,820
Staff training	2,201,025	2,754,265
License and registration	4,016,798	4,677,910
Stamp duty	5,800	55,675
Sundry expenses	35,250,450	18,964,758
Hand Sanitizer & Bleaching	-	-
Exchange (Gain) or Loss	-	-
Commission and Bank Charges	10,477,203	1,849,711
Allowance/(Reversal) of inventory provision	324,325	630,498
	4,925,116,033	5,061,376,459

FIVE YEAR FINANCIAL SUMMARY

		2022	2021 Restated	2020	2019	2018
Operating Results						
Revenue	LKR MN	9,433	14,276	13,568	15,340	13,130
Gross Profit	LKR MN	2,627	5,907	5,933	6,760	5,227
Operating Profit	LKR MN	(989)	1,377	1,906	1,966	1,405
Profit Before Tax	LKR MN	(704)	1,578	2,215	2,289	1,522
Income Tax	LKR MN	355	409	214	984	1,325
Profit After Tax	LKR MN	(1,059)	1,169	2,001	1,305	197
Dividends	LKR MN	-	-	360	225	651
Capital Employed						
Stated Capital	LKR MN	7,500	7,500	7,500	7,500	7,500
Retained Earnings	LKR MN	18,750	19,521	18,739	17,270	16,287
Capita Reserve	LKR MN	979	979	979	979	979
Shareholders' Funds	LKR MN	27,229	28,000	27,218	25,749	24,766
Non-Current Liabilities	LKR MN	3,375	3,219	3,615	3,792	3,450
Current Liabilities	LKR MN	2,877	2,780	1,755	1,981	2,106
Total Liabilities	LKR MN	6,252	5,999	5,369	5,773	5,556
Assets Employed						
Non-Current Assets	LKR MN	18,054	18,147	17,792	17,756	17,313
Current Assets	LKR MN	15,427	15,852	14,795	13,765	13,009
Total Assets	LKR MN	33,481	33,999	32,588	31,522	30,322
Key Ratios						
Gross Profit Margin	%	28%	41%	44%	44%	40%
Operating Profit Margin	%	-10%	10%	14%	13%	11%
Net Profit Margin	%	-11%	8%	15%	9%	2%
Return On Capital Employed(ROCE)	%	-3%	6%	6%	7%	5%
Return On Equity(ROE)	%	-4%	4%	7%	5%	1%
Asset Turnover	%	28%	43%	42%	50%	44%
Current Ratio	Times	5.36	5.70	8.43	6.95	6.18
Quick Asset Ratio	Times	5.06	5.46	8.03	6.61	5.86
Gearing ratio (Debt to Equity)	Times	0.23	0.21	0.20	0.22	0.22
Net Asset Value Per Share	LKR	36.31	37.33	36.29	34.33	33.02



Ceylon Petroleum Storage Terminals Limited
Kolonnawa, Wellampitiya, Sri Lanka
Tel : 011 - 2572307
Website : www.cpstl.lk