



ENERGIZING ECONOMIC **RESILIENCE**

**Ceylon Petroleum Storage Terminals Limited
Annual Report 2023**

ANNUAL REPORT 2023

CEYLON PETROLEUM STORAGE TERMINALS LIMITED

ENERGIZING ECONOMIC RESILIENCE





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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

Mr. D. J. A. S. De S. Rajakaruna

MANAGING DIRECTOR

Dr. Mayura Neththikumarage

DIRECTORS

Mr. W. S. Hemantha Kumara
Mr. S. Hemantha Vijitha Kumara
Mr. Dipak Das
Mr. Avinash Singhal
Mr. Sunil Kanta Maharana
Mr. A. J. L. Wimalaratne
Mr. Migara Methlochana Christy Doss

PARENT COMPANY

Ceylon Petroleum Corporation

SECRETARIES

Deloitte Corporate Services (Private) Limited
No. 100, Braybrooke Place,
Colombo 02.

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, CONTENTED AND WELL TRAINED WORKFORCE, GUIDED BY THE FEEDBACK OF THE CUSTOMERS AND THE GENERAL PUBLIC.

ABOUT US

Ceylon Petroleum Storage Terminals Limited (CPSTL) stands as an important player of Sri Lanka's energy infrastructure, dedicated to ensuring the secure and efficient storage and distribution of petroleum products across the nation. As a Common User Facility (CUF), CPSTL operates Oil Terminals, Storage Facilities, Pipelines and a Bowser Fleet, catering to both public and private organizations. CPSTL is a subsidiary of the Ceylon Petroleum Corporation (CPC), with 2/3 of its share capital owned by CPC and the remaining portion held by Lanka IOC PLC.

What we do

Comprehensive Distribution Network: With two main terminals and eleven island wide bulk depots.

Partnerships with Leading Marketing Companies: Undertakes deliveries on behalf of CPC, LIOC and Sinopec, catering to diverse market needs.

Aviation Fuel Transfer: Transferring aviation fuels to Bandaranayake International Airport and those operated by the Sri Lanka Air Force.

Critical Fuel Supply to Power Plants: The dedicated pipeline from Muthurajawela Terminal to supply of Low Sulphur Furnace Oil to the Kerawalapitiya power plant.

Specialized Handling of Petroleum Products: Kolonnawa Installation manages 13 petroleum products, while the Muthurajawela Terminal handles 3 petroleum products.

Value



Our Commitment:

At CPSTL, we're dedicated to safety, sustainability and excellence. Our infrastructure meets global standards for handling petroleum products, prioritizing environmental protection.



Our Team:

With over 2,000 employees, our diverse team excels in engineering, operations, environmental management and customer service.



Our Responsibility:

As a responsible corporate citizen, we're committed to Sri Lanka's socio-economic development, maintaining ethical standards. We engage in community initiatives, environmental conservation and sustainable partnerships, aiming for growth and prosperity for all.

OUR NETWORK



PERFORMANCE HIGHLIGHTS

			2023	2022	2021	2020	2019	2018
FINANCIAL CAPITAL	STRATEGIC PRIORITY: FINANCIAL GROWTH							
	Revenue	LKR Mn	10,150	9,433	14,276	13,568	15,340	13,130
	Operating profit	LKR Mn	(621)	(989)	1,377	1,906	1,966	1,405
	Profit / (Loss) before tax	LKR Mn	(314)	(704)	1,578	2,215	2,289	1,522
	Profit / (Loss) after tax	LKR Mn	37	(1,059)	1,169	2,001	1,305	197
	Return on equity	%	0.1%	-4%	4%	7%	5%	1%
	Financial Stability							
	Total assets	LKR Mn	32,228	33,481	33,999	32,588	31,522	30,322
	Total liabilities	LKR Mn	5,747	6,252	5,999	5,369	5,773	5,556
	Shareholders' funds	LKR Mn	26,481	27,229	28,000	27,218	25,749	24,766
	Cash and cash equivalent	LKR Mn	2,006	2,006	2,257	3,442	3,999	3,149
	Shareholder information							
	Earnings per share	LKR	0.05	(1.41)	1.56	2.67	1.74	0.26
	Dividends per share (paid)	LKR	0.48	-	-	0.48	0.30	0.868
	Net asset value per share	LKR	35	36	37	36	34	33
	Economic value added	LKR Mn	(333)	(704)	1,812	2,458	2,319	1,613
MANUFACTURED CAPITAL	STRATEGIC PRIORITY: OPERATIONAL EXCELLENCE							
	Property, plant and equipment							
	Terminals & Depots	Nos	13	13	13	13	13	13
HUMAN CAPITAL	Capital expenditure	LKR Mn	157	925	1,358	1,085	981	375
	STRATEGIC PRIORITY: INVESTING IN PEOPLE							
	Total employees	Nos	2,299	2,474	2,629	2,766	2,856	2,932
	Female representation	Nos	288	308	343	321	326	334
	Payments to employees	LKR Mn	6,361	6,745	6,908	5,918	6,636	6,853
	Employee attrition rate	%	7%	6%	6%	4%	5%	6%
	Investments in training	LKR Mn	4	2	3	4	17	22
	Total training hours	Hours	4,863	5,006	3,806	6,245	9,706	12,609
	Average training hours/employee	Hours	5	8	4	6	5	7
	Revenue per employee	LKR Mn	4.41	3.81	5.43	4.91	5.37	4.48
SOCIAL AND RELATIONSHIP CAPITAL	Net profit (Loss) per employee	LKR Mn	0.02	(0.43)	0.44	0.72	0.46	0.07
	Indirect employees (approx.)	Nos	53	70	75	61	71	63
	Customer touch points	Nos	40	40	40	40	40	40
	Investment in CSR	LKR Mn	1.7	0.3	6.5	1.7	3.8	2.1
	No. of beneficiaries (approx.)	Nos	1,034	775	8,600	4,000	8,800	8,700
NATURAL CAPITAL	Contribution to Government	LKR Mn	1,408	1,796	1,608	1,683	2,441	2,579
	STRATEGIC PRIORITY: SUSTAINABILITY							
	Energy consumption	Kwh	4,504,889	4,717,569	5,342,888	5,602,794	6,360,903	6,397,024
	Water consumption	KL	182,354	204,872	280,239	270,023	299,011	333,344
	Sludge Disposal	KL	-	99.6	32.4	244.2	118.8	165

YEAR AT A GLANCE

**SALES
VOLUME**
3,950,596 KL

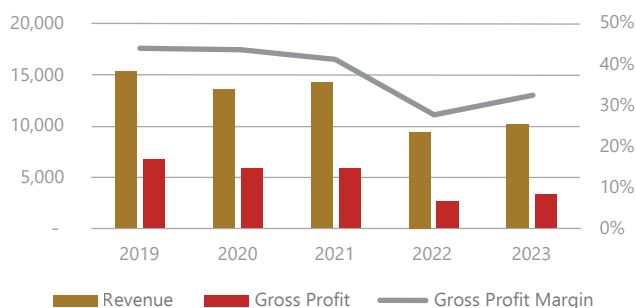
REVENUE
10.15 Bn.LKR

**ASSET
BASE**

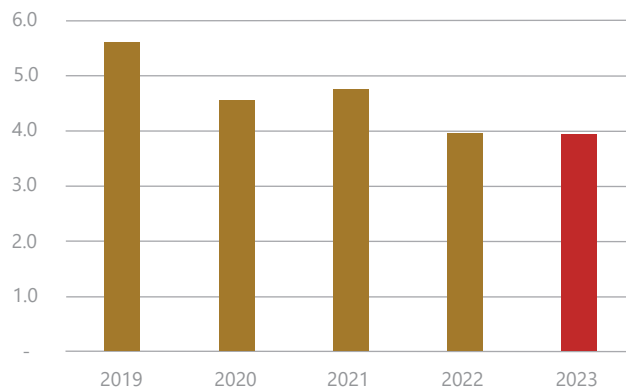
**PROFIT
AFTER TAX** 37 Mn.LKR

32 Bn.LKR

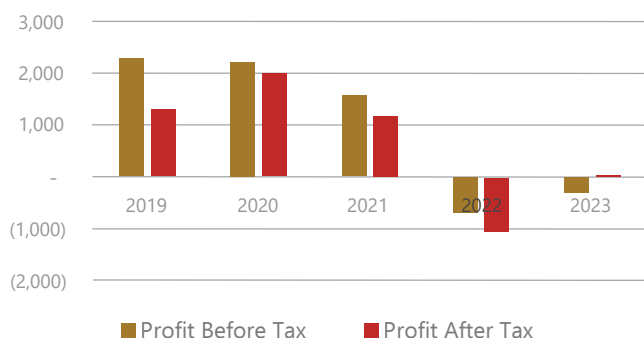
**Revenue & GP Margin Trend
(LKR Mn)**



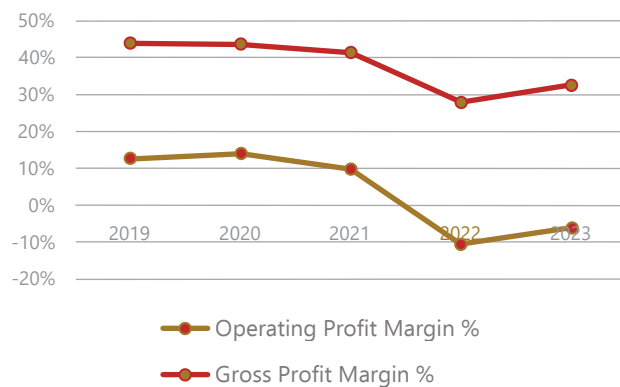
Sales Volume (KL Mn)



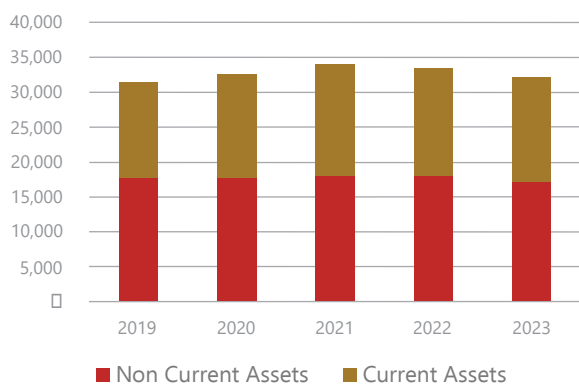
**Pre Tax & Post Tax Profit
(LKR Mn)**



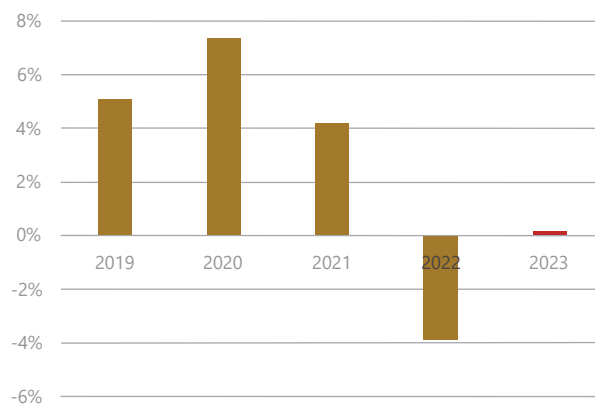
Operating Performance



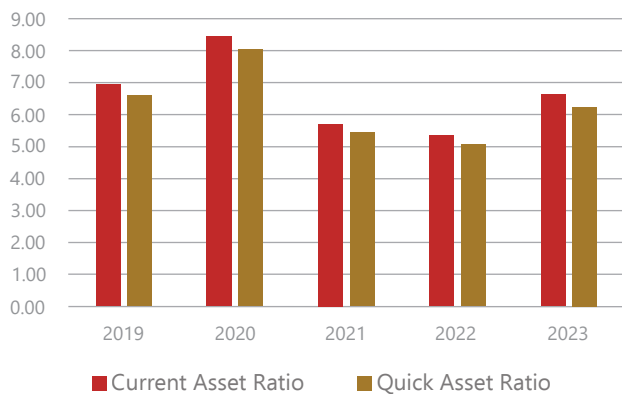
Total Asset Growth (LKR Mn)



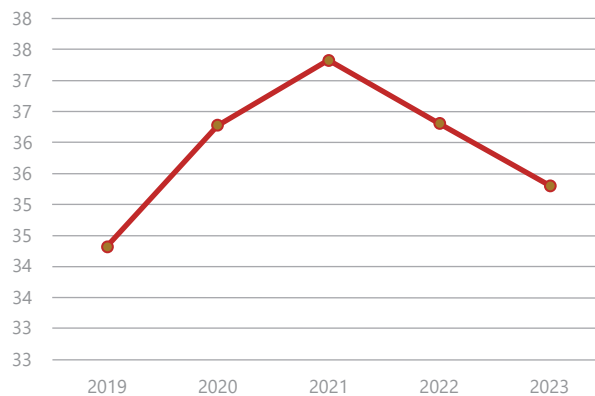
Return on Equity %



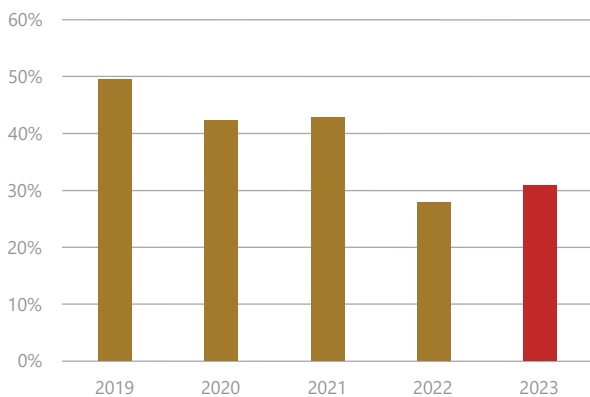
Current/ Quick Asset Ratio (Times)



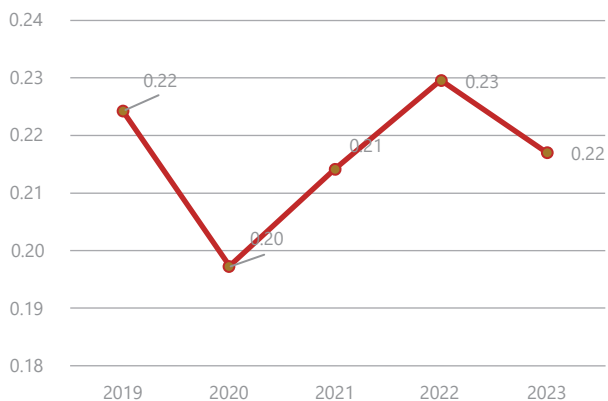
Net Asset Value Per Share (LKR)



Asset Turnover Ratio



Gearing Ratio (Times)



AWARDS AND ACCOLADES

Reaffirming our commitment, we have been recognized with winning the National Silver Award under the “Extra Large Services” category at the CNCI Achiever Awards 2023, organized by the Ceylon National Chamber of Industries (CNCI), the premier Industrial Chamber in the country.





OUR LEADERSHIP





CHAIRMAN'S MESSAGE

“Our unwavering commitment to operational excellence, safety, and sustainability has enabled us to play a pivotal role in meeting the energy demands of Sri Lanka while contributing meaningfully to the national economy.”



On behalf of the Board of Directors, it is my privilege to present this message, reflecting on the achievements and milestones of Ceylon Petroleum Storage Terminals Limited (CPSTL) during the financial year 2023. I am delighted to report that CPSTL has made remarkable progress, further strengthening its position as a leader in the petroleum storage and handling industry. Our unwavering commitment to operational excellence, safety, and sustainability has enabled us to play a pivotal role in meeting the energy demands of Sri Lanka while contributing meaningfully to the national economy.

At the heart of our success lies the dedication, professionalism, and technical expertise of our workforce. Their adherence to stringent safety protocols and operational standards has been instrumental in driving CPSTL's performance and fostering resilience amidst a challenging economic environment.

Performance Highlights :

Despite the economic headwinds of 2023, CPSTL recorded significant financial growth. Revenue increased by 11%, reaching LKR 10 billion compared to LKR 9 billion in 2022, while gross profit surged by 26% to LKR 3 billion. Continuing our commitment to delivering value to our shareholders, we maintained a robust dividend policy, distributing LKR 360 million. These results underscore our focus on ensuring financial sustainability while driving shareholder returns.

CPSTL's supply network serves over 1,100 retail outlets nationwide, in partnership with Ceylon Petroleum Corporation and Lanka IOC. Our client portfolio extends to bulk consumers such as the Sri Lankan Armed Forces, power generation facilities, and critical industries, reflecting the integral role we play in the nation's economic fabric.

Among the 10 petroleum product categories under our stewardship, Lanka Auto Diesel emerged as the largest contributor, with 1,439,874 KL, representing 36.4% of the total volume. Lanka Petrol 92 Octane accounted for 32.4% of sales, while Furnace Oil and Aviation Oil recorded noteworthy volumes of 398,164 KL and 470,717 KL, respectively.

Development Projects and Strategic Initiatives :

CPSTL is entrusted with the stewardship of a vast and strategically vital storage and distribution infrastructure, comprising the Kolonnawa Installation, the Muthurajawela Terminal, and 11 bulk depots. To meet the growing energy demand, which has averaged a 4-5% annual increase, we embarked on several key projects to expand capacity and modernize operations.

The Board has approved the construction of three new storage tanks at the Muthurajawela Terminal and the replacement of Tank No. 30 at the Kolonnawa Installation. Additionally, we are upgrading the existing 10-inch pipeline from Kolonnawa to the Seram Gate at the Colombo Harbour to an 18-inch diameter pipeline to accommodate increased throughput.

Significant progress has also been made in major repair works. Notably, the repairs of Tank No. 4 at LBD Magalle and Tanks No. 12, 20, and 21 at the Muthurajawela Terminal have been successfully completed, while repairs on Tank No. 5 at LBD Magalle have reached 30% completion. Furthermore, the internal 18-inch diesel cargo line setup at the Muthurajawela Terminal has been modified to include a provision for discharging Petrol 92, enhancing operational flexibility and efficiency.

In pursuit of operational excellence, CPSTL successfully implemented a GPS-based distribution optimization system, resulting in annual cost savings of approximately LKR 500 million. This initiative has significantly enhanced fuel transport efficiency, serving as a benchmark in cost management and operational innovation. Furthermore, the installation of an advanced CCTV surveillance system at the Kolonnawa Terminal has strengthened security, improved operational transparency, and elevated accountability across our facilities.

Acknowledgements :

I extend my deepest gratitude to my fellow Board members for their strategic guidance and steadfast support. I also commend the exceptional contributions of our management team and employees, whose dedication and expertise have been the cornerstone of our achievements.

CHAIRMAN'S MESSAGE

To our valued stakeholders customers, transport operators, project contractors, and shareholders I express my heartfelt appreciation for your trust and partnership. Your collaboration continues to inspire and propel us forward in our mission to ensure Sri Lanka's energy security through sustainable and forward-thinking initiatives.

As we look to the future, CPSTL remains steadfast in its resolve to meet emerging challenges with innovation and resilience, further strengthening our position as a key player in the energy sector and a driver of national progress.

Thank you.



D. J. A. S. De. S. Rajakaruna
Chairman

MANAGING DIRECTOR'S MESSAGE

“Throughout the year, the Sri Lankan economy grappled with a myriad of challenges stemming from economic strains and policy deficiencies. Despite these challenges, CPSTL remained committed to strengthening the nation's economic stability. Through unwavering dedication to meeting the country's energy needs, CPSTL played a pivotal role in supporting Sri Lanka's economic resilience and growth trajectory.”



MANAGING DIRECTOR'S MESSAGE

I am privileged to convey my reflections through the Company's Annual Report for the year ending December 31, 2023. In this report, we are committed to providing you with comprehensive insights into our stakeholder-centric strategies for sustainable growth as well as compliance and corporate governance.

In 2023, global petroleum prices experienced volatility driven by a combination of factors including geopolitical tensions, supply-demand dynamics, and macroeconomic conditions. Both Brent crude oil and West Texas Intermediate (WTI) prices fluctuated throughout the year, reflecting uncertainties in the market. In the first half of 2023, crude oil prices fluctuated following the EU import ban on Russia's crude oil, several interest rate hikes among global central banks, inflation and recession concerns. However, Brent crude oil prices in the first half of 2023 were significantly less volatile than in 2022, when prices reached multi-year highs as a result of Russia's full-scale invasion of Ukraine. In the second half of 2023, geopolitical tensions and concerns around crude oil demand resulted in more price fluctuations. The price of Brent crude oil averaged \$83 per barrel in 2023, down from \$101 per barrel in 2022.

Throughout the year, the Sri Lankan economy grappled with a myriad of challenges stemming from economic strains and policy deficiencies. Despite these challenges, CPSTL remained committed to strengthening the nation's economic stability. Through unwavering dedication to meeting the country's energy needs, CPSTL played a pivotal role in supporting Sri Lanka's economic resilience and growth trajectory.

Operational Review

In 2023, Kolonnawa Terminal boasted a storage capacity of 252,012 MT, while Muthurajawela Terminal reached a capacity of 205,649 MT. These terminals serve as crucial hubs for storing and distributing petroleum products. Additionally, our network of eleven regional bulk depots, with the capacity of 20,794 MT, ensures localized storage solutions tailored to meet the diverse needs of our customers.

During the year, CPSTL facilitated the delivery of 10 petroleum products and recorded a total delivery volume of 3,950,596 Kilo Liters. Auto Diesel emerged

as the most delivered product, comprising 36.4% of the total deliveries while Octane 92 Petrol accounted for 32.4%. Additionally, Aviation Fuel constituted a significant portion of CPSTL's deliveries, making up 11.9% of the total volume and Furnace Oil accounting for 10.1%.

While these products dominated CPSTL's delivery volumes, the remaining six experienced varying levels of demand. Octane 95 Petrol, Super Diesel, Kerosene, Industrial Kerosene, Naptha, and SPB collectively comprised smaller percentages of the total deliveries, ranging from 0.1% to 4.4%. Despite their lower demand, each product serves niche markets or industrial applications, contributing to the overall diversity and resilience of Sri Lanka's petroleum ecosystem.

Financial Performance

For the financial year ended 31st December 2023, the company achieved revenue of Rs. 10.1Bn, marking an 8% increase from Rs. 9.4Bn in the previous year, despite a slight drop in overall sales volume. The key factor contributing to this revenue growth was the increased throughput rate for last two months of 2023. As a result of this revenue increase, the gross profit surged by 26% compared to the preceding year, leading to a gross profit margin of 33% in 2023, up from 28% in 2022. Additionally, the profit after tax for the year amounted to Rs. 36Mn, representing a 103% increase.

CPSTL remains well capitalized, with shareholder's funds totaling Rs. 26.4Bn, financing 82% of the company's assets. In the current year, a Self-Insurance Reserve has been established, allocating Rs. 2.5 billion from retained earnings according to the Board's decision. This reserve is designated to offset the net book value of any major loss or damage to CPSTL properties in the future, which are not covered by existing insurance policies due to accidents or natural disasters. Furthermore, CPSTL's total liability decreased to Rs. 5.7 Bn in 2023 from Rs. 6.2 Bn in 2022, primarily due to reductions in trade payable balances.

Capital Investments

In 2023, CPSTL achieved notable advancements in infrastructure and operational efficiency through strategic capital investments. The 14-inch diameter pipeline, essential for transferring imported black oil from the Dolphin Tank Berth to the Kolonnawa Installation, underwent critical inspections and rehabilitation. By replacing coatings and addressing localized corrosion, the pipeline's lifespan has been extended by over a decade, ensuring reliable operations. To minimize evaporation losses, Internal Floating Roofs (IFRs) were installed in Tanks No. 04 and No. 05 at LBD Magalle. Repairs to Tank No. 04 were completed and handed over for operations in November 2023, while work on Tank No. 05 is progressing, with completion expected in 2024.

CPSTL successfully implemented a GPS-based vehicle tracking and fuel monitoring system to optimize bowser fleet operations. With a capital allocation of Rs. 14 million and a nominal monthly rental of Rs. 1,500 per bowser, the system has improved fleet efficiency and accountability. Additionally, a modern CCTV camera system was installed at the Kolonnawa Oil Installation to enhance security through online monitoring and forensic data storage for critical infrastructure, including tank farms and pump houses. Although global economic challenges initially delayed progress, the project resumed under a revised timeline with a capital allocation of Rs. 125 million. These investments reflect CPSTL's unwavering commitment to sustainable operations, technological innovation, and ensuring a reliable energy supply for the nation.

A word of appreciation

I extend my heartfelt gratitude to the Minister of Power and Energy, Chairman, Board of Directors, and Senior Management team for their invaluable contributions to CPSTL's progress. I also convey my sincere appreciation to our entire staff across all categories for their dedication and commitment that enabled us to navigate this uncertain and volatile business environment. We extend our thanks to all our stakehold-

ers including bankers, customers and suppliers for their continued support in our journey.

Thank You.



Dr. Mayura Neththikumarage
Managing Director

THE BOARD OF DIRECTORS

01



Mr. D. J. A. S. De S. Rajakaruna
Chairman

02



Dr. Mayura Neththikumarage
Managing Director

01 Mr. D. J. A. S. De S. Rajakaruna Chairman

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

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

the country's energy security.

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

Mr. Rajakaruna's strong academic background includes an M.Sc. in Industrial Chemistry from the University of Peradeniya and a B.Sc. (Honors) degree in Chemistry, Physics, and Pure Mathematics from the University of Kelaniya. This robust educational foundation,

03



Mr. W. S. Hemantha Kumara
Executive Director

coupled with extensive hands-on experience, empowers him to oversee complex operations with a focus on safety, efficiency, and innovation.

He has further honed his expertise through specialized training in critical areas of the oil and gas sector, including LNG value chain management, bulk liquid storage tank operations, and custody transfer practices. His participation in advanced training programs in Japan, the UAE, and Malaysia has deepened his understanding of global best practices, which he has seamlessly integrated into CPSTL's operations. In addition, he has completed training in supervisory management and industrial practices, further enhancing his leadership capabilities.

Mr. Rajakaruna also served as a key member of the Technical Specification Committee

04



Mr. S. Hemantha Vijitha Kumara
Director

of the Ceylon Petroleum Corporation (CPC), where he actively contributed to the development of technical standards guiding Sri Lanka's petroleum industry.

Currently, as Chairman of CPSTL and Chairman of the Ceylon Petroleum Corporation, Mr. Rajakaruna plays a pivotal role in overseeing Sri Lanka's national petroleum infrastructure. His visionary leadership focuses on enhancing operational efficiency, fostering innovation, and driving sustainable practices in the energy sector.

An advocate for clean and sustainable energy, Mr. Rajakaruna has successfully completed the Clean Energy Application Technology for Developing Countries training program in China. His forward-thinking vision aims to transform the energy sector by integrating sustainable practices to benefit both the

THE BOARD OF DIRECTORS

05



Mr. Dipak Das
Director

06



Mr. Avinash Singhal
Director

organization and the nation.

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

02 **Dr. Mayura Neththikumarage** Managing Director

Dr. Mayura Neththikumarage is a seasoned business management professional with nearly two decades of experience in both local and international markets. Known for his transformative leadership, he has successfully revitalized numerous

organizations. Dr. Neththikumarage is a recognized international business strategist, corporate transformation specialist, digitalization expert, and AI evangelist.

Currently, he serves as the Managing Director of the Ceylon Petroleum Corporation and Ceylon Petroleum Storage Terminals Limited. He also holds directorships at Litro Gas Lanka Limited, Litro Gas Terminal Lanka (Pvt) Limited, and Trinco Petroleum Terminal (Pvt) Limited. Additionally, he contributes as a member of the Ministerial Consultative Committee of the Ministry of Energy for the Government of Sri Lanka.

Dr. Neththikumarage's international career began in 2005 with a regional leadership role at The Coca-Cola SABCO, where he played a pivotal role in expanding the Company's business across the Asian region, later

07



Mr. Sunil Kanta Maharana
Director

extending his impact to both Asia and Africa. After his tenure in the FMCG sector, he transitioned to the energy sector, gaining extensive experience in both midstream and downstream businesses. He has worked with leading multinational energy brands such as TotalEnergies, Petredec, Kleenheat, and SLOGAL Energy, as well as regional brands like Laugfs-Bangladesh, in roles ranging from Country Manager to Chief Operating Officer and Energy Trader. His expertise includes designing and building infrastructure for terminals, tank farms, ship berthing/loading facilities, filling plants, cylinder plants, fuel station networks, and industrial installations, along with channel development in the energy sector.

In addition to FMCG and energy, Dr. Neththikumarage has contributed to the IT sector, focusing on artificial intelligence,

08



Mr. A. J. L. Wimalaratne
Director

machine learning, data lakes, business process reengineering, bespoke development, and user experience design.

Dr. Neththikumarage holds a Ph.D. in Management and Business, an MBA (Merit pass), a BSc (Honors) in Mechanical Engineering, along with diplomas in Politics, Software Engineering, and Computer-Based Accountancy. He also achieved a top national ranking in mathematics stream in the GCE (A/L) and holds memberships in professional bodies including IESL, ECSL, SLIM, and CPM.

03 Mr. W.S. Hemantha Kumara **Executive Director**

Mr. W.S. Hemantha Kumara has been appointed to the Board of Directors of Ceylon Petroleum Storage Terminals Limited

THE BOARD OF DIRECTORS

09



Mr. Migara Methlochana Christy Doss
Director

(CPSTL) on September 26, 2024. With an extensive career in the oil and gas industry since 1985, Mr. Hemantha has amassed significant expertise in refinery operations, cargo planning, and downstream operations management. Prior to his board appointment, he served as the Operations Manager at CPSTL, where he played a pivotal role in overseeing full-spectrum operations from import to distribution, with a strong focus on optimizing resources and ensuring regulatory compliance, thereby driving operational excellence. His career at CPSTL has included key positions such as Senior Deputy Manager, Deputy Manager, Assistant Manager, Senior Executive, and Operations Technician, along with an early start as an apprentice at the Oil Refinery in Sapugaskanda.

Mr. Hemantha holds a Bachelor of Science degree from the University of Sri

Jayewardanepura and professional qualifications from the Institute of Chemistry Ceylon (MI.Chem. C and LI.Chem. C). He was also awarded the Apprentice Technician certification by NAITA.

Throughout his tenure, he has made significant contributions to the CPSTL, including serving as a core team member for the SAP ERP Project, expanding gantries and enhancing pumping capacity, and minimizing product variations at the Kolonnawa Terminal. Additionally, he has managed bunker fuel operations, developed a fully automated tanker database for CPSTL, automated tank gauging systems, and created a fully automated planning and report-generating tool utilizing Power BI.

Mr. Hemantha's dedication and extensive experience are invaluable assets to CPSTL as the organization continues to enhance its operational capabilities and address the evolving energy needs of the country.

04 Mr. S. Hemantha Vijitha Kumara Director

Mr. S. Hemantha Vijitha Kumara is a distinguished Class 1 Officer of the Sri Lanka Planning Service (SLPS), bringing over 22 years of dedicated service in the public sector. He currently serves as the Additional Director General at the Department of Development Finance under the Ministry of Finance, a role he has held with distinction since 2014. Mr. Kumara's deep expertise in economic development and financial planning has been instrumental in driving key initiatives within the department.

Mr. Kumara holds a Master's Degree in Economics from the International University of Japan (2013) and a Bachelor of Science (1st Class Honours) degree in Mathematics, Statistics, and Computing, along with Chemistry, from the University of Kelaniya. His strong academic foundation, combined with his extensive

experience in public service, has made him a key figure in shaping policies related to economic development and financial management in Sri Lanka.

Throughout his career, Mr. Kumara has demonstrated exceptional leadership and commitment to enhancing the efficiency and effectiveness of government financial systems. He also serves as the Chairman of the Audit and Management Committee of the Ceylon Petroleum Storage Terminals Limited (CPSTL).

05 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 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.

06 Mr. Avinash Singhal Director

Mr. Avinash Singhal is a Commerce Graduate from Hindu College, Delhi University and a Chartered Accountant from the Institute of Chartered Accountants of India.

Mr. Avinash Singhal had joined Indian Oil Corporation in 2005 and has over 19 years of rich and varied experience in the field of Finance, Treasury and Taxation. He has handled various assignments in the areas of Finance like Corporate Treasury, Investor Relations, Indirect Taxation and Accounting at Indian Oil Corporation. He has extensive experience in Foreign Exchange Risk Management, Working Capital Management, Funds raising from the international markets, Investor relations, Credit ratings and Company valuations.

He is presently Senior Vice President (Finance) at Lanka IOC Plc where he heads the Finance function.

07 Mr. Sunil Kanta Maharana Director

Mr. Sunil Kanta Maharana, a Post Graduate Diploma in Management from Xavier Institute of Management, Bhubaneswar, India, has over 17 years of rich experience in marketing & operation of petroleum products in various geographies of India.

Presently working as the Vice President (Operations, Imports & Bunker Sales) of Lanka IOC.

He has handled the retail sales for over 15 years as a sales professional in different positions & different geographies of India. Also lead a team as the Divisional Retail Head at Goa, India looking after the

THE BOARD OF DIRECTORS

network expansion, supply management & Modernization of the retail infrastructure.

During his tenure at Marketing Head Office of IndianOil, he was part of the core team for the Retail transformation project, driving many initiatives for changing the facility & service levels of retail outlets across the country.

He also had worked in the Operation function overlooking the Terminal operations, including, Tanker, Bunker & Pipeline Operations.

08 Mr. A. J. L. Wimalaratne Director

Mr. A J L Wimalaratne is a distinguished professional with over 35 years of experience in public sector Auditing and Finance Management. He brings a wealth of expertise to the Board of CPSTL, offering a proven track record in Auditing and Financial Management. Mr. Wimalaratne's career began in 1987 at the Auditor General's Department, where he served as an Audit Examiner until 2003. During his tenure, he advanced to the role of Superintendent of Audit, a position he held from 2003 to 2018. In 2018, he was appointed as Senior Assistant Auditor General at the National Audit Office until 2022.

In 2023, Mr. Wimalaratne transitioned into the private sector as the Head of Finance at The One Transworks Square (Pvt) Ltd, a role he continues to excel in. His diverse background in both public and private financial management provides him with a comprehensive understanding of auditing, fiscal responsibility, risk management, and strategic financial planning.

Mr. Wimalaratne holds a Master of Public

Management (MPM) from the Sri Lanka Institute of Development Administration (SLIDA) and is a passed finalist of the Association of Chartered Accountants (ACA). He is also a Senior Member (SAT) of the Association of Accounting Technicians of Sri Lanka, a Certified Business Accountant (CBA) with the Institute of Chartered Accountants of Sri Lanka, and a Member of the Association of Public Finance Accountants of Sri Lanka. His credentials and ongoing professional development reflect his commitment to excellence in the field of Auditing and Finance.

A versatile and dynamic leader, Mr. Wimalaratne is recognized for his management skills, creativity, negotiation abilities, and critical thinking. He thrives in high-pressure environments and consistently adheres to tight deadlines, demonstrating exceptional leadership and a strong dedication to achieving organizational objectives. His comprehensive expertise is invaluable in shaping CPSTL's strategic direction and ensuring sound Audit and Management practices.

09 Mr. Migara Methlochana Christy Doss Director

Mr. Migara Methlochana Christy Doss is a highly skilled and accomplished Attorney-at-Law with a strong background in civil law and legal advocacy. He was admitted to the Bar in December 2014 after completing his legal education at the Sri Lanka Law College, where he excelled both academically and in extracurricular activities. In addition to his professional legal qualifications, Mr. Doss holds a Bachelor of Arts (Special) in Sociology from the University of Colombo and is currently pursuing his Master of Laws (LL.M.) at the Faculty of Law, University of Colombo. He also holds a Merit Pass in International Relations from the Bandaranaike Centre for International Studies.

Mr. Doss has been practicing law since 2014 and works with the prestigious Chamber of Leading Civil Law Counsel. He

has built a strong reputation for his expertise in various branches of civil law, including land law, partition law, money recovery, commercial law, family law, labor law, and administrative law. His experience includes representing clients in landmark cases involving fundamental rights and criminal appeals, showcasing his versatility and deep understanding of Sri Lanka's legal system.

In addition to his legal expertise, Mr. Doss is a well-rounded individual with a history of leadership and involvement in extracurricular activities. During his time at Sri Lanka Law College, he served as President of the English Literary Association. He was also a key member of the Law College Debating Team and represented the College at various national and international debating competitions. Mr. Doss was an active participant in student leadership at St. Thomas' College, where he served as House Prefect, President of the Red Cross Society, and Secretary of the Model Parliament. His passion for leadership and service to the community has been a consistent theme throughout his academic and professional journey. Mr. Doss aims to contribute significantly to the legal field and to advocate for justice and fairness in every case he handles.

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



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



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



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



Dr. Mrs. R. Susiriwardena
Medical Officer



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



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

SENIOR MANAGEMENT TEAM



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



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



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



Mr. H. M. U. Bandara
Engineering Manager



Mr. N. M. Munas
Human Resource Manager



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



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



Mr. N. Defni Thasneem
Actg. Manager (Procurement)



Mrs. S. Ekanayake
Actg. Manager (Information Systems)



Mr. L. L. D. W. Jayathilake
Actg. Engineering Manager
(Premises & Civil Engineering)

MANAGEMENT DISCUSSION AND ANALYSIS





OPERATIONAL REVIEW

CPSTL ensure safe, clean and efficient storage and handling of bulk petroleum products for our customers by developing and operating critical infrastructure. Serving as a common user facility provider, CPSTL does not possess ownership over the stored petroleum products, but rather facilitates their storage on behalf of customers. We enable the delivery of products that are vital to the economy and the daily lives of people across the island.

Ceylon Petroleum Corporation (CPC) and Lanka Indian Oil Company (LIOC) have been our longstanding customers since CPSTL's inception, entrusting us with their petroleum storage and logistics needs. Furthermore, in August 2023, we welcomed SINOPEC as a new addition to our esteemed clientele, further expanding our reach and reinforcing our reputation as a trusted partner in the industry.



We operate two major terminals and eleven bulk depots island wide; these terminals comprise storage tanks, bowser and rail loading stations and pipelines, and provide access to road, rail and pipeline networks. CPSTL provides common storage and logistics services to customers and we store our customers' products for extended periods at these terminals. Consequently, our customers are able to benefit from economies of scale as they do not have the direct cost of owning and maintaining complex infrastructure. By optimizing storage and handling processes and operating more efficiently, we allow our customers to focus on their core business.

Major Terminals

- Kolonnawa Installation
- Muthurajawela Terminal

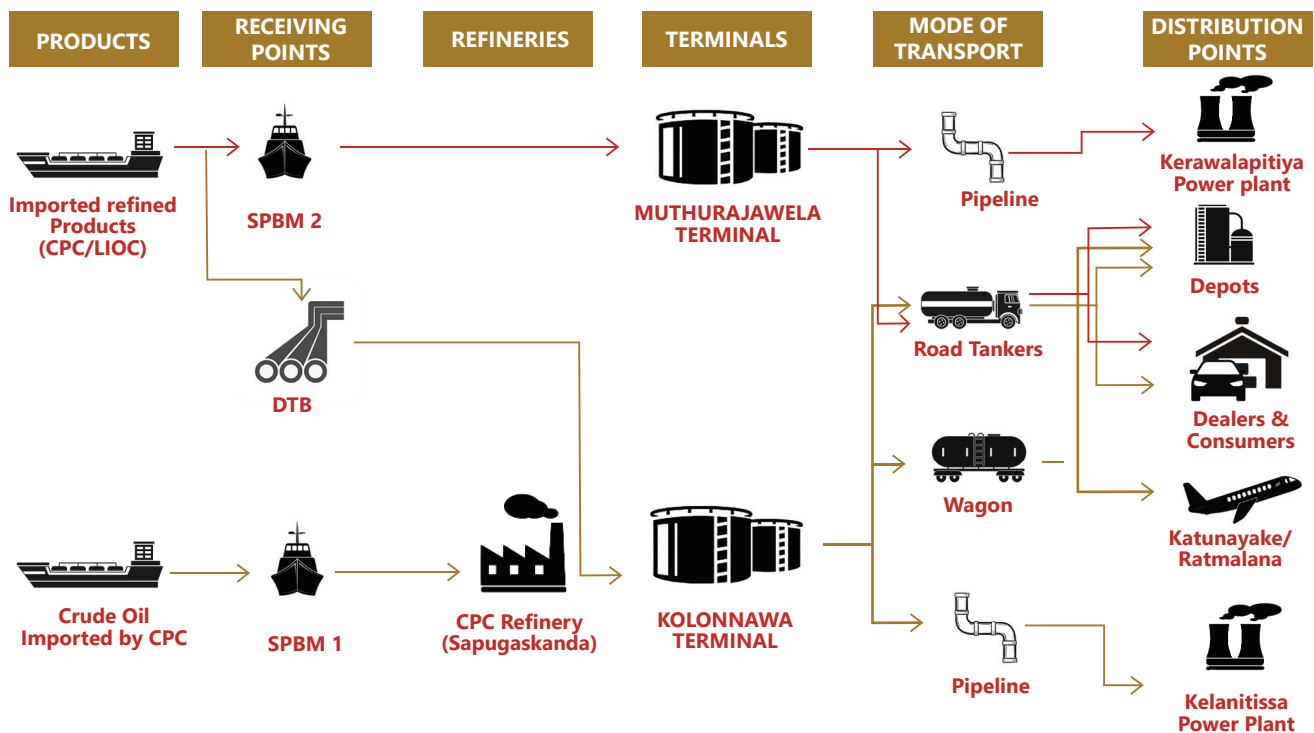
Bulk Depots

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

Off-Shore Operation

Off-Shore Operation is one of the key functions of CPSTL and mainly looks after handling operations of product tankers arriving at Muthurajawela Single point buoy Mooring (SPBM-2) in the mid sea and Dolphin Tanker Berth (DTB) inside the Colombo Port and crude oil tanker arriving at Crude oil SPBM-1 belong to CPC at mid sea. Providing all necessary facilities for berthing the vessel at above three terminals and connecting the ship manifold to the respective pipe lines with the use of Loading arms or flexible hoses and operations of valves at these terminals are under their responsibility.

We meticulously oversee the safe handling operations of the three aforementioned terminals, ensuring strict adherence to international codes and standards. Our commitment to maintaining these terminals in optimal condition guarantees uninterrupted service for ship unloading process.



Business Verticals

As a leading Petroleum Terminal Company, CPSTL stands at the forefront with two primary business verticals: Storage and Distribution. Our revenue streams, driven by Throughput Revenue and Transport Income are the engines propelling our success. In the fiscal year 2023, we managed to reach total revenue of 10 bn LKR, reflecting our strong performance across both verticals.

OPERATIONAL REVIEW

Storage Operation

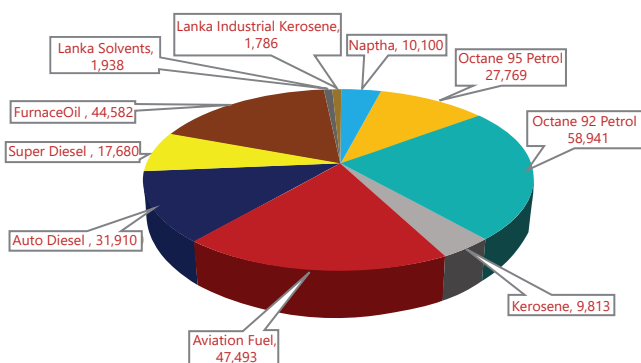
CPSTL's storage operation is a cornerstone of our business, encompassing three key locations: Kolonnawa Terminal, Muthurajawela Terminal, and eleven regional bulk depots strategically positioned across the region.

At Kolonnawa Terminal, our flagship facility boasts a storage capacity of 252,012 MT, serving as a crucial hub for petroleum storage and distribution. Muthurajawela Terminal supplements our operations with an additional capacity of 205,649 MT, further enhancing our storage capabilities in the region. Additionally, our network of eleven regional bulk depots, with a capacity of 20,794 MT, ensures localized storage solutions to meet the diverse needs of our customers.

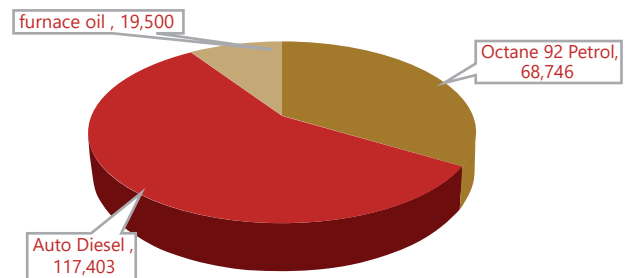
Operational efficiency is paramount in our storage operations to minimize costs and maximize profitability. By adopting best practices in bulk petroleum product management and storage facility maintenance, we are committed to enhance operational efficiency to optimize throughput and minimize idle time, leading to cost savings and improved service delivery.

Storage Capacity Analysis

Storage Capacity at Kolonnawa Terminal (M.T.)



Storage Capacity at Muthurajawela Terminal (M.T.)



At Kolonnawa Terminal, we boast significant storage capacities for a range of petroleum products. Notably, our capacities for Octane 92 Petrol (58,941 MT), Aviation Fuel (47,493 MT), and Furnace Oil (44,582 MT) are substantial, reflecting the terminal's role as a primary hub for high-demand products. However, it's crucial to acknowledge that some products, such as Industrial Kerosene (1,786 MT) and Lanka Solvents (1,938 MT), have lower capacities, aligning with their niche market presence.

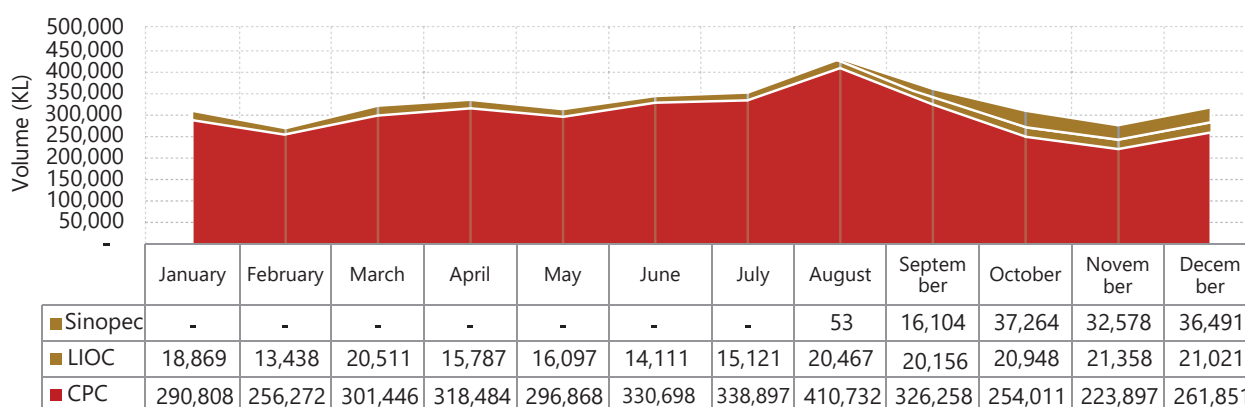
Meanwhile, at our Muthurajawela Terminal, we continue to expand our storage capacities to enhance regional distribution capabilities. The capacities for Auto Diesel (117,403 MT) and Octane 92 Petrol (68,746 MT) take precedence, reflecting the terminal's strategic importance in serving regional markets. Additionally, the capacities for Furnace Oil (19,500 MT) signify our commitment to meeting specific product demands in the region.

According to current market dynamics, Octane 92 Petrol emerges as a key focus, with substantial capacities allocated at both terminals to cater to high demand. Aviation Fuel also commands significant storage space at Kolonnawa Terminal, aligning with its importance in the aviation industry. Furthermore, the higher capacity for Auto Diesel at Muthurajawela Terminal reflects its prominence in regional markets, highlighting our efforts to meet localized demand.

Distribution Operation

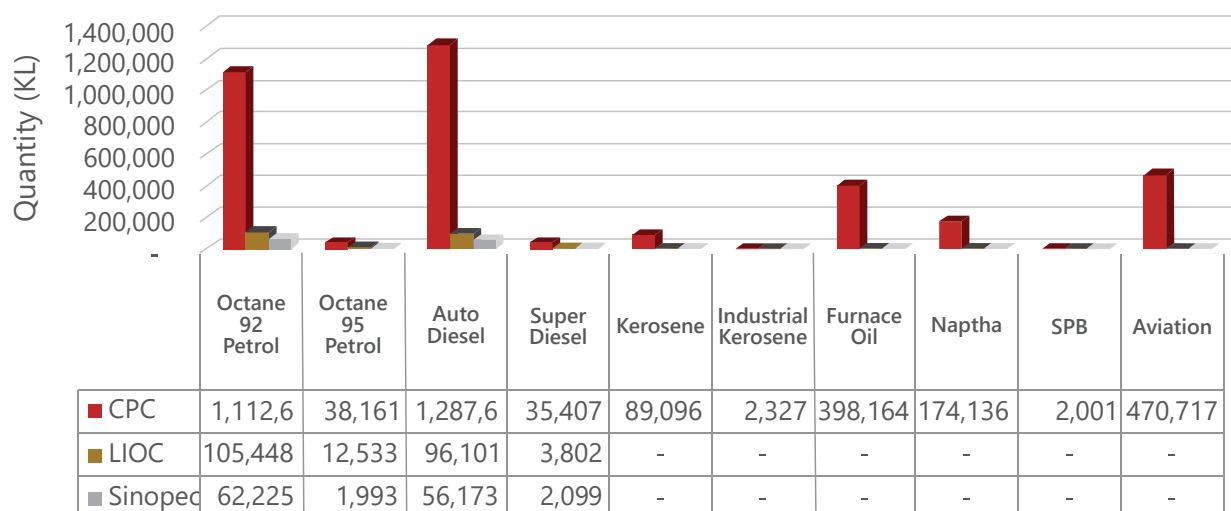
At the forefront of Sri Lanka's energy sector, CPSTL plays a crucial role in distributing fuel island-wide. In line with the fuel requirements of Ceylon Petroleum Corporation, Lanka Indian Oil Company, and Sinopec Fuel Oil Lanka (Pvt) Ltd, we ensure the smooth flow of fuel across the nation. With strategically positioned terminals such as Kolonnawa and Muthurajawela, along with regional depots, we guarantee timely fuel delivery. Our operations utilize railways, pipelines, and fuel tankers in serving the nation's energy needs.

Volume Distributed by CPSTL in 2023



In the fiscal year 2023, CPSTL recorded a total delivery quantity of 3,950,596 kilo liters. This distribution comprised 3,610,222 kilo liters of fuel from Ceylon Petroleum Corporation, 217,884 kilo liters from Lanka Indian Oil Company, and 122,489 kilo liters from Sinopec Fuel Oil Lanka (Pvt) Ltd. Notably, 91% of CPSTL's total fuel distribution was sourced from Ceylon Petroleum Corporation, while Lanka Indian Oil Company accounted for 6%, and Sinopec Fuel Oil Lanka (Pvt) Ltd. contributed the remaining 3%.

Product wise Quantity Delivered - 2023



OPERATIONAL REVIEW

Product	Quantity Delivered in 2023 (Kilo Liters)			Total	%
	CPC	LIOC	Sinopec		
Octane 92 Petrol	1,112,613	105,448	62,225	1,280,286	32.4%
Octane 95 Petrol	38,161	12,533	1,993	52,688	1.3%
Auto Diesel	1,287,601	96,101	56,173	1,439,874	36.4%
Super Diesel	35,407	3,802	2,099	41,307	1.0%
Kerosene	89,096	-	-	89,096	2.3%
Industrial Kerosene	2,327	-	-	2,327	0.1%
Furnace Oil	398,164	-	-	398,164	10.1%
Naptha	174,136	-	-	174,136	4.4%
SPB	2,001	-	-	2,001	0.1%
Aviation	470,717	-	-	470,717	11.9%
Total	3,610,222	217,884	122,489	3,950,596	
% on Total Quantity	91%	6%	3%		

In 2023, CPSTL facilitated the delivery of 10 petroleum products, each catering to diverse sectors and industries across Sri Lanka. Among these, Auto Diesel emerged as the most delivered product, comprising 36.4% of the total deliveries, totaling 1.4 million kilo liters. Following closely behind was Octane 92 Petrol, representing 32.4% of the deliveries, amounting to 1.2 million kilo liters. These two products collectively dominated CPSTL's delivery portfolio, reflecting their widespread usage in transportation and everyday consumer needs. Additionally, Aviation Fuel constituted a significant portion of CPSTL's deliveries, making up 11.9% of the total volume, approximately 0.5 million kilo liters. This product serves as a lifeline for the aviation industry in Sri Lanka, ensuring the smooth operation of flights and supporting the country's connectivity with the rest of the world. Furnace Oil, accounting for 10.1% of CPSTL's deliveries, approximately 0.4 million kilo liters, primarily used for power generation purposes.

While these products dominated CPSTL's delivery volumes, the remaining six products experienced varying levels of demand. Octane 95 Petrol, Super Diesel, Kerosene, Industrial Kerosene, Naptha, and SPB collectively comprised smaller percentages of the total deliveries, ranging from 0.1% to 4.4%. Despite their lower demand, each product serves specific niche markets or industrial applications, contributing to the overall diversity and resilience of Sri Lanka's petroleum ecosystem.

FINANCIAL CAPITAL

Financial Review

The following discussion and analysis must be read in line with Audited financial statements for the year ended 31st December 2023. Financial review contains certain financial performance measures that assist in gaining understand on financial and operational performance of the Company.

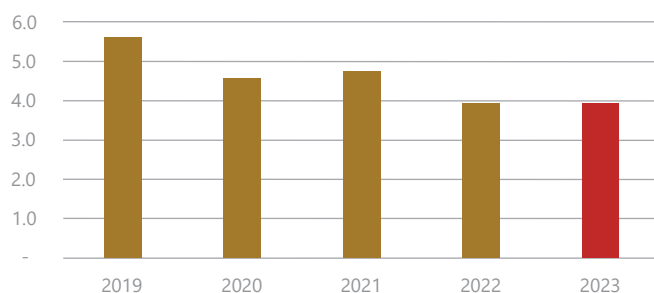
Financial Performance

Revenue

Revenue of the Company consist of throughput income and transport income.

For the financial year ended 31st December 2023, the Company reached revenue of Rs. 10.1Bn compared to Rs. 9.4Bn last year recording 8% increase. The overall sales volume slightly dropped during the year even though it reports a slight increase in demand for power supply during the year. The limited fuel supply under QR code system and fuel price affected demand of fuel for personal usage. With reduced sales volume, the main reason for increased revenue is increase in throughput rate for last two months of the year 2023.

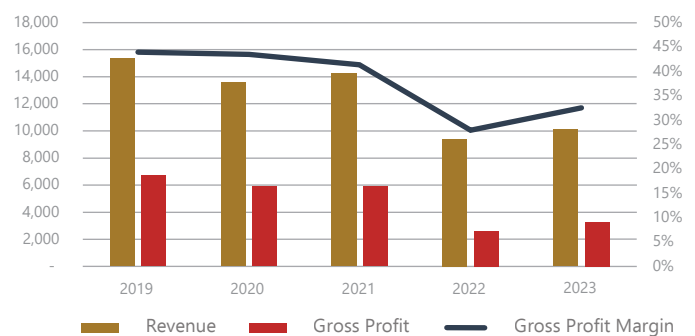
Sales Volume (KL Mn)



Profitability

Following the increase in revenue, Gross profit increased by 26% in 2023 compared to the year before. Accordingly Gross profit margin recorded as 33% in 2023 whereas it was 28% in year 2022.

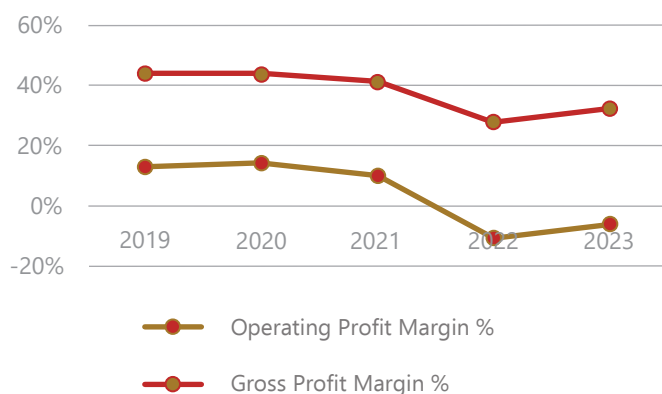
Revenue & GP Margin Trend (LKR Mn)



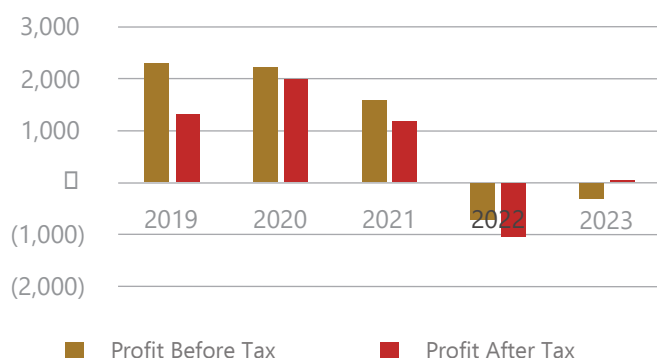
The Company recorded a operating loss of Rs. 0.6 Bn and operating loss margin of 6% in year 2023 whereas it was 10% operating loss margin in 2022 which is favourable.

FINANCIAL CAPITAL

Operating Performance



Pre Tax & Post Tax Profit (LKR Mn)



During the year under review, loss before tax was reported as Rs. 0.3 bn which is 55% decline of loss before tax of year 2022 mainly due to the increasing revenue.

Finance income consists of interest income from fixed deposits, repos and interest from staff loans. The increase in interest rates on deposits resulted in a finance income rise of 8% in the year 2023. The profit after tax for the year under review was Rs. 36 million, representing a 103% increase. This increase was mainly due to revenue growth resulting from an increasing throughput rate for the last two months of 2023 and income tax credits arising from the increasing deferred tax assets.

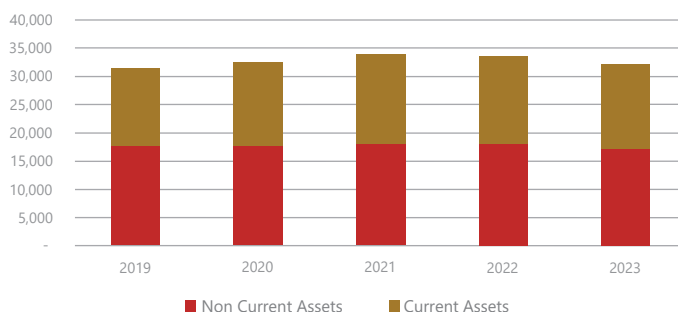
The Company's Other Comprehensive Income (OCI) mainly comprised of actuarial loss on defined benefit obligations.

Financial Position

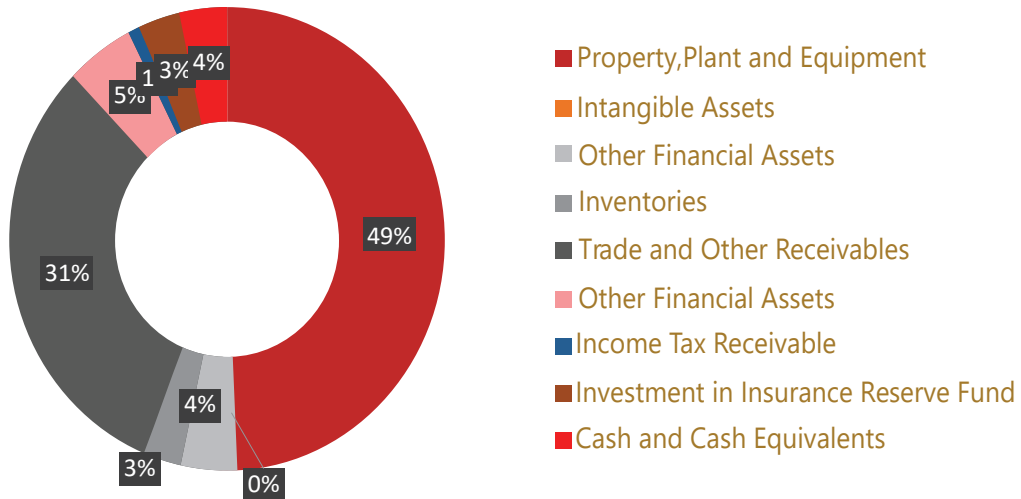
Total Assets

The balance sheet reflects a predominant focus on non-current assets, constituting 49% of the total assets, while current assets, particularly trade and other receivables, account for 31%. The accumulation of trade and other receivables is attributed to delays in settling dues. Other financial assets and cash represent 5% and 6%, respectively. Additionally, in alignment with a Board decision, Rs. 1 billion has been allocated to establish externally invested funds for repurchasing or rebuilding CPSTL properties in the event of significant loss or damage not covered by existing insurance policies. The total asset base decreased by 4% in 2023, amounting to Rs. 32.2 billion by year-end, primarily due to reduced capital investment during the year.

Total Asset Growth (LKR Mn)

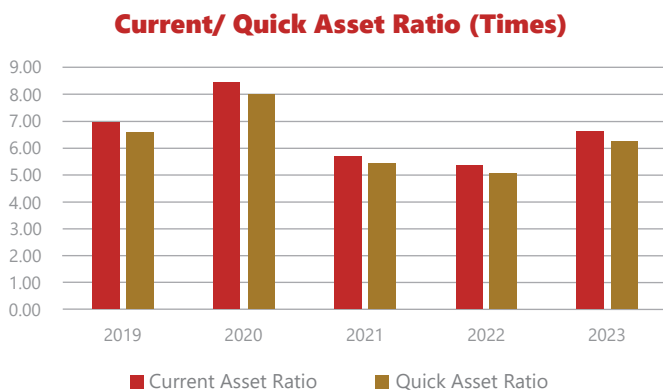


Total Asset Composition



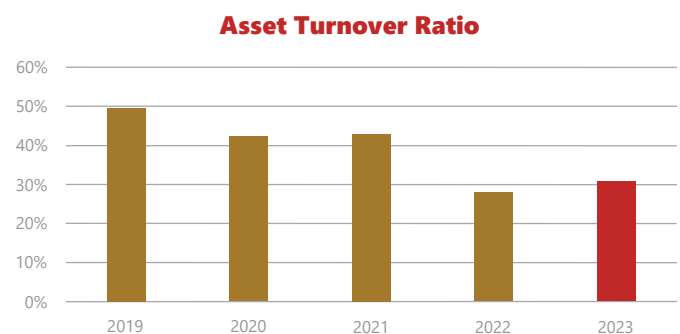
Working Capital

As of the year-end 2023, the current assets ratio and quick assets ratio stand at 6.62 and 6.23, respectively. Both ratios have increased compared to the previous year, primarily due to a reduction in trade payable balances.



Asset Turnover Ratio

The assets turnover ratio measures the efficiency of a Company's asset utilization in generating sales, witnessed an increase to 31% during 2023 from 28% in 2022, propelled by the revenue growth experienced in 2023. This enhancement underscores the Company's heightened efficiency in leveraging its assets to drive sales and revenue growth.



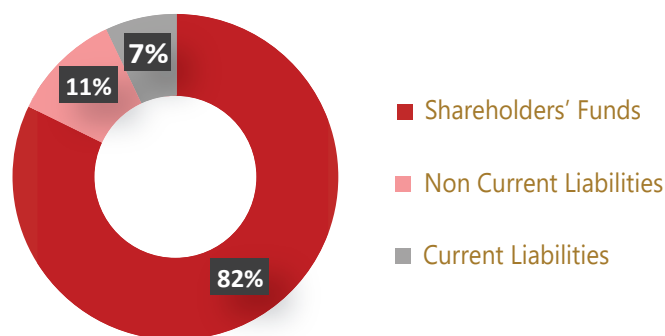
FINANCIAL CAPITAL

Equity and Liabilities

CPSTL is well capitalized, with shareholder's funds of Rs. 26.4 billion financing 82% of the Company's assets. In the current year, a Self-Insurance Reserve has been established, allocating Rs. 2.5 billion from retained earnings according to the Board's decision. This reserve is designated to offset the net book value of any major loss or damage to CPSTL properties in the future, which are not covered by existing insurance policies due to accidents or natural disasters.

Furthermore, CPSTL's total liability decreased to Rs. 5.7 billion in 2023 from Rs. 6.2 billion in 2022, primarily due to reductions in trade payable balances. The Company paid off all its borrowings in 2016 and no new borrowings were obtained this year as well.

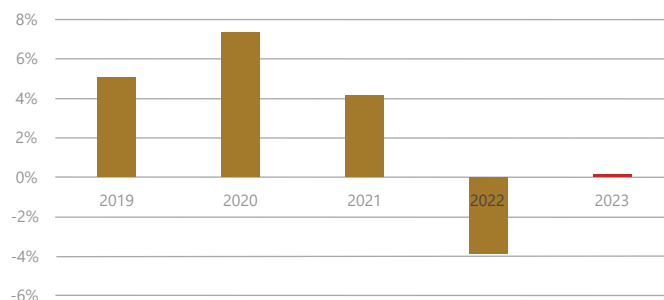
Funding Structure



Return on Equity

The Company has recorded a return on equity of 0.1% for the year under review, marking a significant improvement from the -4% recorded the year before. This improvement is primarily attributed to the recording of a net profit of Rs. 37 million during the year 2023, compared to the net loss incurred in the previous year. The increase in revenue and the income tax credit arising from the growing deferred tax assets have contributed to this positive outcome.

Return On Equity %

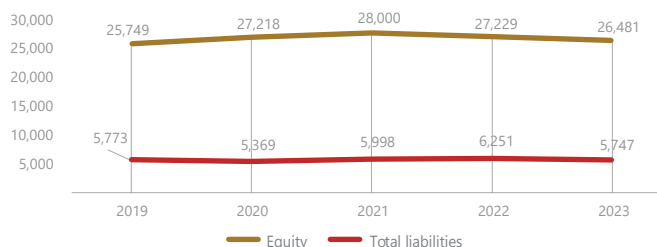


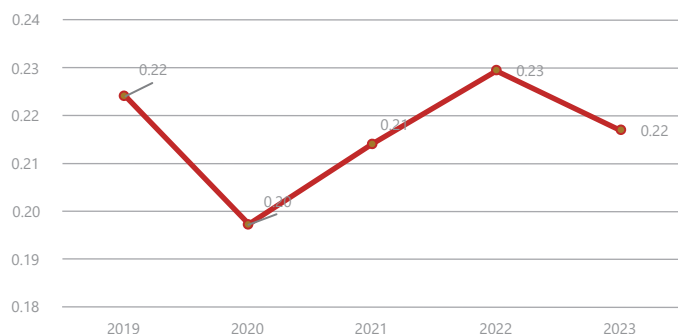
Leverage and Capital Structure

78% of the Company's assets are financed through equity capital, with the remaining 22% funded through long-term and short-term liabilities. This marks a slight decrease from the previous year, where 77% was financed through equity capital and 23% through short and long-term liabilities. The reduction in the contribution from equity capital in 2023 is mainly attributed to the effect of a reduction in other comprehensive income.

The gearing ratio of the Company decreased to 22% at the year-end of 2023 compared to 23% at the beginning of the year, primarily due to the reduction in liabilities.

Sources of Funding LKR (Mn)

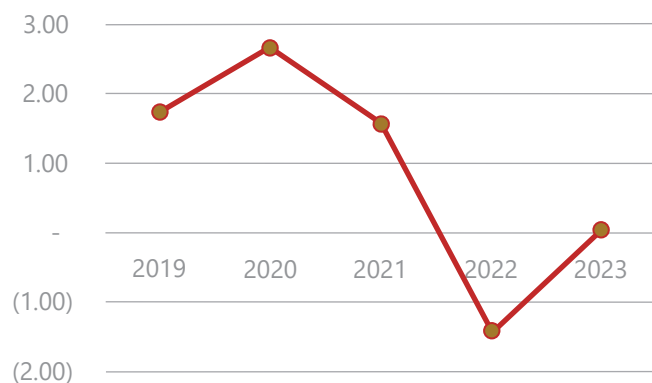


Gearing Ratio (times)**Net Asset Value Per Share (LKR)**

Shareholder Value Creation

Ratio	2023	2022
Earnings per share (Rs.)	0.05	(1.41)
Net asset value per share (Rs.)	35	36

In 2023, the earnings per share increased to 0.05, compared to (1.41) in 2022. The net asset value per share decreased from 36 times to 35 times as of the year-end of 2023. The increase in earnings per share is attributed to the rising profit after tax reported for the year 2023, while the decrease in net asset value per share is due to the reduction in net assets during the year under review.

Earning 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, Kolonna-wa 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.

Rehabilitation work was successfully completed on 31.12.2023.





Tank No. 04 and 05 have 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.

Repairs to Tank no.04 including installation of IFR was successfully completed and handed over to operation on 16.11.2023. Repairs to Tank No. 05 is currently in progress and scheduled to be completed by March 2024.



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

MANUFACTURED CAPITAL

5. 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.

6. GPS Based vehicle tracking system and fuel tank monitoring solution at CPSTL

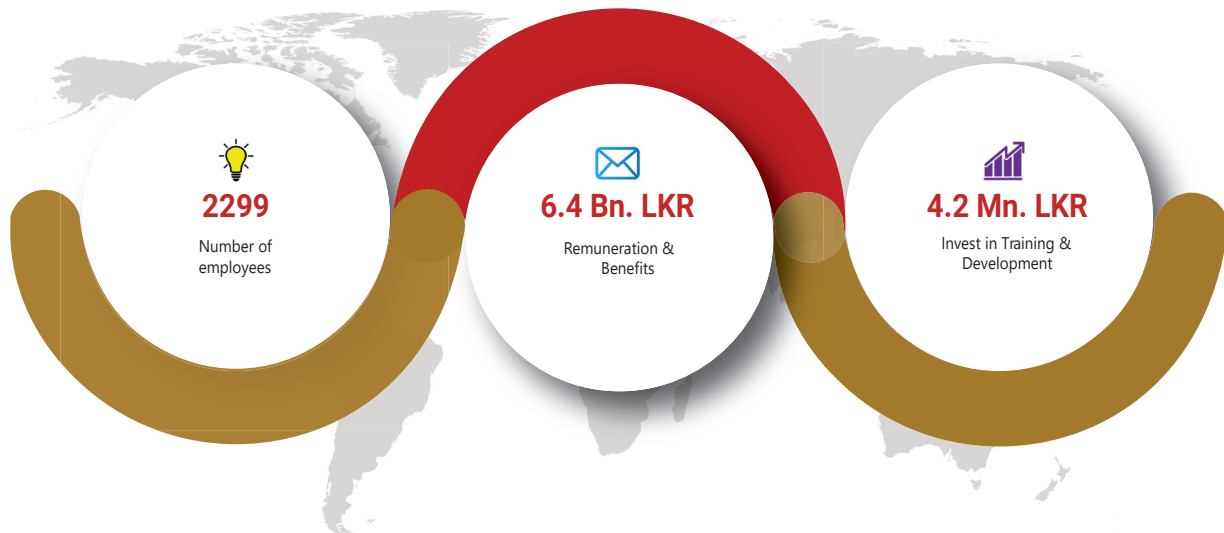
CPSTL Management has identified that vehicle fleet management is a useful tool in optimizing movement, fuel usage and driver's behaviour. The system is proposed to install as cloud based system with a monthly subscription. It is proposed to purchase the system with 01-year comprehensive maintenance package and subsequently enter in to Comprehensive Annual Maintenance Agreements with the successful bidder to maintain the system.

A total number of 133 CPSTL owned bowzers are proposed by the Procurement Entity to be fitted with the proposed system.

Considering the above, the Board of Directors of CPSTL, having deliberated the proposal submitted by the management, granted a capital budget allocation of Rs 14,000,000 for installation of the system and payment of Rs. 1,500 as monthly rental for each bowser.

The project was successfully completed in year 2023.

HUMAN CAPITAL



At CPSTL, we understand that our most valuable asset is our people. Our employees bring a wealth of knowledge, skills and experience to the table, shaping our success both collectively and individually. We prioritize the growth and well-being of our workforce by ensuring their career aspirations are met and their performance is fairly rewarded through effective human resource management practices.

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 enriches the employee experience by fostering an exceptional workplace environment, where motivated teams collaborate seamlessly alongside individuals driven to excel. Our governance structures, policy frameworks and operational systems are meticulously designed to bolster employees'

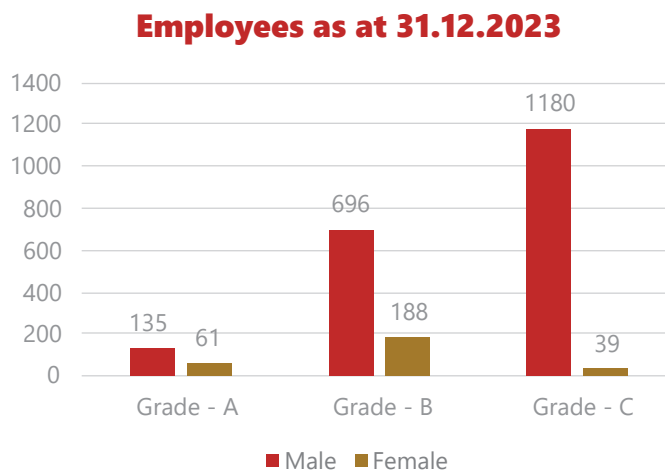
productivity goals and underscore the value we create for our workforce. CPSTL's workforce, comprising 2,299 dedicated employees, serves as the backbone of our strategic initiatives, embodying our corporate values.

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 understand the importance of employee diversity and equal opportunity and taken actions to promote diversity and

HUMAN CAPITAL

foster inclusion. At the heart of this commitment currently we are providing employment opportunities for 2 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 & 13% represents the female employees. Female representation is relatively low in non-executive grades while it's 31% in Executive grades because of the nature of the industry we are engaged in.



Benefits, Rewards and Recognition

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.

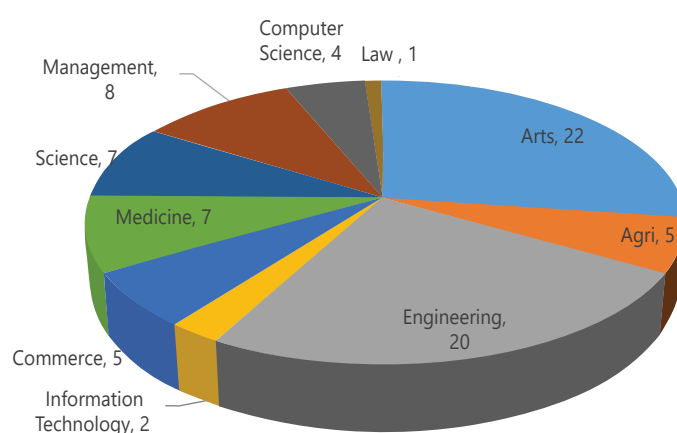
The benefits provided to permanent workforce of CPSTL as follows,

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 leaves	Employee accident while on duty
• Lieu leave	Employee who works 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	Medical 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 & Three-wheeler loan	Simply concessionary interest rate, recoverable in 60 monthly installments.
• Advances	
• Festival advance	Interest free. Recoverable in 10 months
• New year advance	Concessionary interest rate, 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	- Every employee is entitled to 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	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	- 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 81 scholarships were granted for undergraduates in different fields.



Scholarships granted for children of the employees - 2023

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

Service Period Completed	No. of Employees
20 Years	27
30 Years	07
35 Years	15

Training and Professional Development

In the dynamic realm of modern business, continuous learning serves as a linchpin for future adaptability and success. CPSTL acknowledges the pivotal role of its workforce in realizing organizational vision and long-term value creation. Consequently, fostering the development and retention of competitive talent is paramount to executing our strategic imperatives and achieving growth objectives. Our dedicated Training & Human Resource Development function stands committed to the continual personal evolution of our workforce, meticulously addressing training needs and promoting a culture of growth.

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.

CPSTL spearheaded multiple training initiatives aimed at enhancing employees' technical acumen, soft skills and leadership capabilities resulting in an aggregate of 4,863 training hours invested throughout the year.

Programs / Workshops / Seminars	Duration	No. of Participants	Training hours
Emotional Intelligence	7 hrs	40	280 hrs
Safety Driving Workshop for Drivers of CPSTL	7 hrs	42	294 hrs
Leave, Salary & Increment Related Issues	3 hrs	105	315 hrs
Motivation Training Program	7 hrs	38	266 hrs
Mental Health Development Program	3 hrs	42	126 hrs
Government Procurement Procedures & Guidelines	7 hrs	203	1421 hrs
Use of social media in Safe Way	3 hrs	103	309 hrs
Financial Regulations I	7 hrs	57	399 hrs
Microsoft Power BI	14 hrs	22	308 hrs
Stress Management	2 hrs	51	102 hrs
Developing Supervisory Abilities of Supervisors	7 hrs	54	378 hrs
Essence of Public Procurement of Corporate Staff	7 hrs	56	392 hrs
Stress Management	3 hrs	35	105 hrs
Industrial Safety & Environmental Issues	3 hrs	56	168 hrs
Total			4863 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.

As the leading petroleum Terminals Operator in Sri Lanka, CPSTL manages highly flammable products, placing our operational activities in a high-risk category. Given our role as an economic powerhouse, a significant fire incident could have devastating consequences for the country's economy. Therefore, ensuring Industrial and Occupational Health and Safety is a top priority in our 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 24hrsx 7days, 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 Kolonnawa Terminal was conducted successfully in year 2023 as well as for the 42nd year with full and active participation of the employees of the Company.



Buddhist Sermons

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



Song Commentary Program

A song commentary program called “Geethalankara” was organized by the Arts Society of CPSTL and the program served as a means of relaxation and stress relief, enhancing overall employee well-being and job satisfaction.



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. D. J. A. S. De S. Rajakaruna
Chairman

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

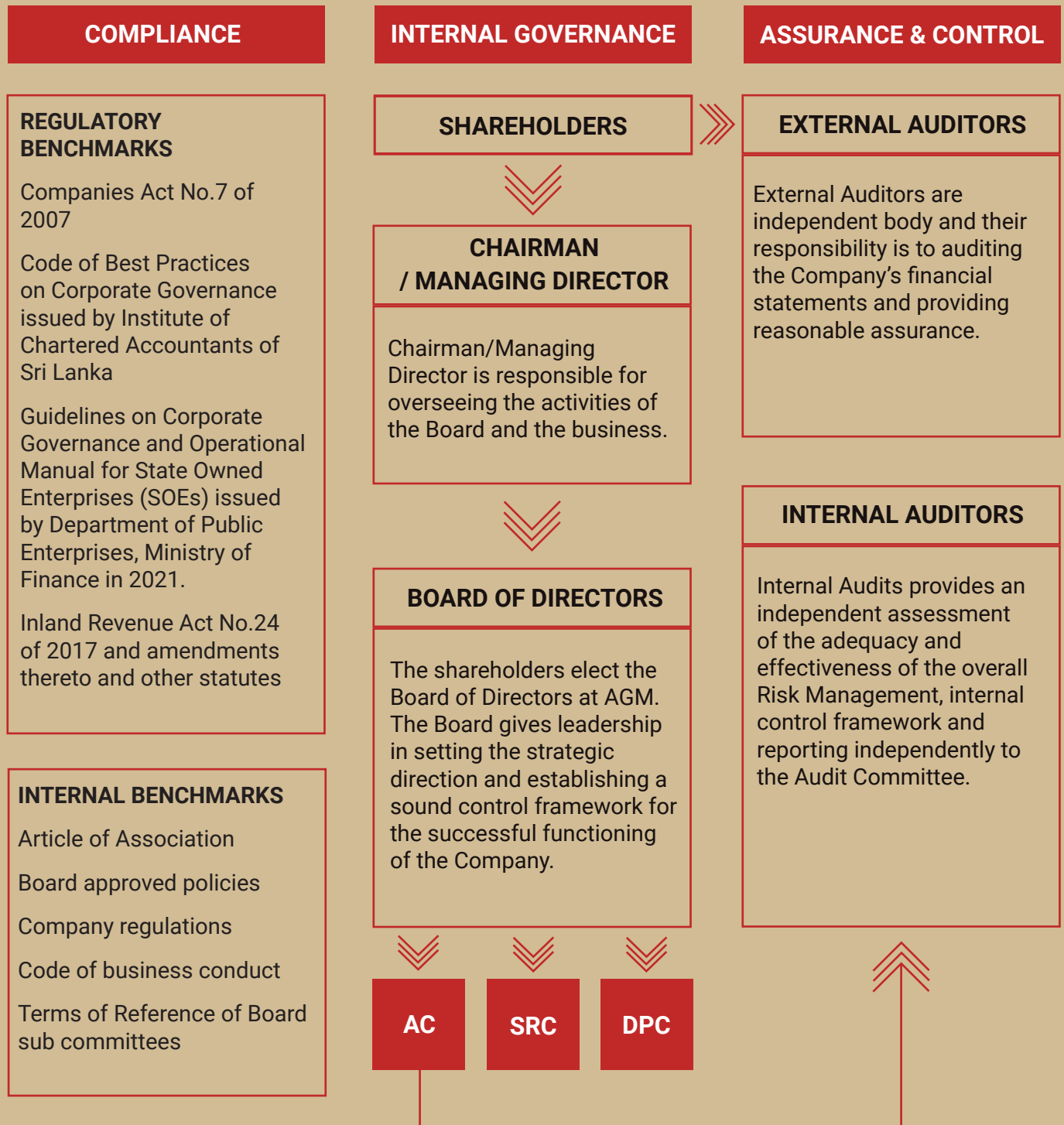
As the main facilitator of storage and distribution of Petroleum Products in Sri Lanka, the organization assures to practice the principals of Corporate Governance in compliance with legislations, regulations and codes set out by regulatory bodies of the country and it adheres with the internal policies & 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 - Department 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
- 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.

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

Key responsibilities of the Board are as follows;

- Providing direction and guidance in the formulation of strategies which are aimed at promoting the long-term success of the organization.

• Board Composition

The composition of the Board of Directors as at 31 December 2023 was as follows;

1. Mr Saliya Wickramasuriya- Chairman
2. Col (Rtd) Priyadarshana Rathnayake- Managing Director
3. Mr Dipak Das- Director
4. Mr E A Rathnaseela- Director
5. Mr Aseem Bhargava- Director
6. Mr Rajesh Bhagat- Director
7. Mr Dharmadasa Panditharatne- Director
8. Mr Manoj Gamage- Director
9. Mr Yasiru Lankathilake- Director

Changes of Directors during the year 2023;

	Name of the Director	Date of Appointment to the Board	Date of Resigned from the Board	Position
01	Mr. M U Mohomad	05/08/2022	23/02/2023	Chairman
		24/02/2023	04/10/2023	Chairman/ MD
02	Mr Saliya Wickramasuriya	10/10/2023		Chairman
03	Mr. L E Susantha Silva	05/08/2022	14/02/2023	MD
04	Col (Rtd) Priyadarshana Rathnayake	10/10/2023		MD
05	Mr. E A Rathnaseela	27/01/2020		NED
06	Mr. Manoj Kumar Gupta	20/05/2019	06/04/2023	NED
07	Mr. Aseem Bhargava	18/08/2021		NED
08	Mr. Rajesh Bhagat	18/08/2021		NED
09	Mr. Dharmadasa Panditharatne	09/03/2022		NED
10	Mr. Manoj Gamage	13/12/2022		NED
11	Mr Dipak Das	30/05/2023		NED
12	Mr Yasiru Lankathilake	31/03/2023		NED

NED Non-Executive Director

MD Managing Director

The profiles of current Directors on pages **24 to 31** 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 nine 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 judgment, diversity, leadership, and achievements and experience in matters affecting business and industry.

• Division of Responsibilities

Mr. M. Uvais Mohamed continued to play the role of the Managing Director in addition to the role of Chairman with effect from 24th February 2023. 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.

CORPORATE GOVERNANCE

Therefore Mr. M. Uvais Mohamed holds both the responsibility of overseeing the activities of the Board and the executive responsibility of overseeing the business of the Company until 04th October 2023 which helps to expedite the decision-making process and avoid disputes.

After the resignation of Mr. Uvais from the Board, Mr. Saliya Wickramasuriya appointed as the Chairman and Col (Rtd) Priyadarshana Rathnayake appointed as the Managing Director of the Company with effect from 10th October 2023.

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 Manag-

er (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 9 Board meetings during the year 2023.

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

	Name	Position	Feb	Apr	May	July	Aug	Sep	Oct	Nov	Dec
1	Mr Saliya Wickramasuriya	Chairman	-	-	-	-	-	-	✓	✓	✓
2	Col (Rtd) Priyadarshana Rathnayake	MD	-	-	-	-	-	-	✓	✓	✓
3	Mr M U Mohamed	Chairman /MD	✓	✓	✓	✓	✓	✓	-	-	✓
4	Mr L E Susantha Silva	MD	✓	-	-	-	-	-	-	-	-
5	Mr E A Rathnaseela	Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
6	Mr Manoj Kumar Gupta	Director	✓	-	-	-	-	-	-	-	-
7	Mr G L C Yasiru P Lankathilake	Director	-	✓	✓	✓	✓	✓	-	✓	✓
8	Mr Dipak Das	Director	-	-	✓	✓	✓	✓	✓	✓	✓
9	Mr Aseem Bhargava	Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
10	Mr Rajesh Bhagat	Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
11	Mr Dharmadasa Panditharatne	Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
12	Mr Manoj Gamage	Director	✓	✓	✓	✓	✓	✓	✓	✓	✓

• **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 04 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 89 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) Departmental 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 Recourses 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**

Deloitte Corporate 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 ex-

CORPORATE GOVERNANCE

ternal auditors including the extent of complicate with Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgmental matters.

• 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.

CORPORATE GOVERNANCE

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	- 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 66	Complied
A1.2	Roles & Responsibilities of the Board	The Board is to provide entrepreneurial leadership by undertaking responsibilities for; - 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
A1.4	Access to the advice and services of the Company Secretary	- Deloitte Corporate 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 Judgment	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

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
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 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.	Mr. M. Uvais Mohamed continued to play the role of the Managing Director in addition to the role of Chairman until 04th October 2023. 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
A.3	Chairman's role in preserving good Corporate Governance	The Chairman provides leadership to the Board and ensure, - 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	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. - 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. Aseem Bhargava is a member of the Institute of Chartered Accountants of India (ICAI) and holds a degree of Bachelor of Commerce (Hons) from Delhi University.	Complied

CORPORATE GOVERNANCE

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.5	Board Balance	Out of the nine Directors as at 31 December 2023, seven are Non- Executive Directors. (NEDs)	Complied
A.6	Provision of appropriate and timely information	The Board papers and Agenda are circulated in advance to provide an adequate briefing on relevant information to Directors prior to the scheduled meeting.	Complied
A.7	Appointments to the Board	Directors are appointed to the Board through an Annual General Meeting subject to the terms of Article of Association. The changes of the Director Board during the year 2023 is depicted in the table on page 65	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
C	Relations with Shareholders		
C.1	Constructive use of Annual General Meeting (AGM) and conduct of General Meetings		Complied
C.2	Communication with shareholders	Company has proper channel with other two shareholders to disseminate timely information.	Complied
C.3	Directors should disclose to shareholders all proposed material transactions including related party transactions		Complied

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
D	Accountability & Audit		
D.1	Financial Reporting	- 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. i. Management Discussion and Analysis on pages 36-59 ii. Annual Report of the Board of Directors on pages 86-88 iii. Statement of Director's responsibilities in relation to the financial statements of the Company on pages 103 iv. Statement on going concern v. Directors' statement on internal control on page 86 vi. Independent Auditors' report on pages 96-102 vii. Chairman's & Managing Director's statement of responsibility on page 18-23 viii. Related party transactions disclosed in Note 19 to the financial statements ix. No serious loss of capital to summon. - Company has presented other Interim Reports required by the Ministry as per the Government Circulars.	Complied
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 of the Audit Committee and with the assistance of Internal Audit Department. These are described in the Risk Management section on page 75-85 and Audit Committee Report on page 89-93	Complied

CORPORATE GOVERNANCE

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
D.3	Audit Committee	The Audit Committee comprised of 04 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 89-93 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.	- 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 page 75-85	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.

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.

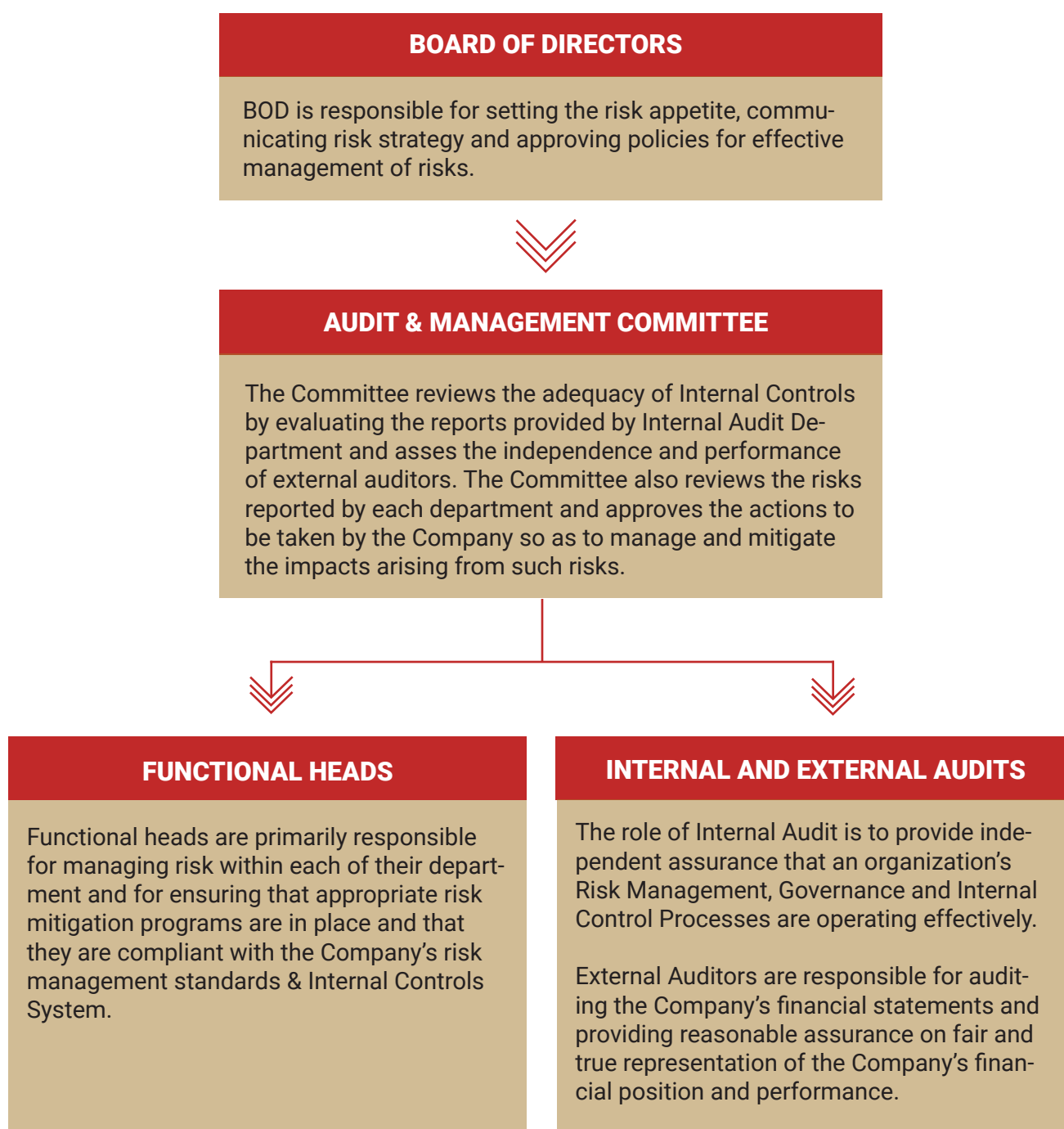
Enterprise Risk Management (ERM) had been a long-awaited policy initiative for CPSTL due to the fact that its primary business objective is to act as the custodian of bulk petroleum products of CEY-PETCO, LIOC and SINOPEC. In discharging the responsibilities of CPSTL, it is paramount that the risks are being precisely identified because estab-

lishing 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 emphasize 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 MANAGEMENT

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 and Management Committee, and Internal Audit Department guide and support the Company's managers and employees in the Risk Management process.



Company Approach to Risk Management

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

1st LINE OF DEFENCE

FUNCTIONAL HEADS

Functional Heads are responsible for identifying, measuring, monitoring, reporting and managing risks relevant to their functions.

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.

2nd LINE OF DEFENCE

INTERNAL AUDIT & EXTERNAL AUDIT

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.

External Auditors are independent body and their responsibility is to auditing the Company's financial statements and providing reasonable assurance.

RISK MANAGEMENT

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Competitor risk		
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 have also been granted licenses for the import and distribution of petroleum products in Sri Lanka which may create a competitor risk in future.	• CPSTL face competition from other Terminal Companies (CPC & LIOC) who are the two shareholders of the CP-STL. • Granting private players entry into the petroleum industry may increase the risk of competition in the future.	• 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		
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. 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.	• 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	• 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		
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.	• 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.	• 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. • 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.

RISK MANAGEMENT

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Political risk		
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:	• Regulatory Changes: Amendment of Petroleum Products (Special Provisions) Act No. 33 of 2002, to liberalize the petroleum industry in Sri Lanka. • Fuel Price Controls • 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.	• 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.

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Employee relations risk		
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	Unionized labor strikes may cause unwanted disruptions.	- 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.
Natural hazards & uncertainties		
Our operations may be affected by natural disasters and other events beyond our control.	- Interruptions from floods, landslides, severe storms. - Acts of terrors.	- 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		
Operational related hazards may affect to Company.	- Unexpected leakages / damages to pipe lines may cause operational delay. - Disruptions in supply infrastructure or logistics. - Accidents - Large scale fires	- 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.

RISK MANAGEMENT

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Legal risk		
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.	• 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. • Off-specification (Sub-standard) 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.	• CPSTL has sophisticated laboratory for any kind of petroleum fuel tests and followed Stringent quality control mechanisms and compliance with regulatory and certification.

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Health, safety & environmental risk		
We may incur significant costs and liabilities in complying with environmental, health and safety laws and regulations, which are complex and frequently changing.	- 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.	- CPSTL has dedicated In House Fire Unit, First Aid Training, Fire Drills, Safety Training and Awareness programs. Fire safety equipment is 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.

RISK MANAGEMENT

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Cyber risk		
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.	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.	- 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		
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.		- 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		
Impact the speed of execution of works and higher cost of work.		- Local parties being developed by entrusting them with jobs. - Enabled participation of foreign capable parties as Consortium partners with the local parties.

Overview of Key Risks Affecting the Company		
Risk	Key Drivers	Mitigation Strategies
Risk on local community relations		
Empowering and contributing towards the Socio-economic progress of the Communities we operate in is crucial for the image of the Company.		• High level of community engagement and nurturing meaningful relationships with our communities. • Investment in ongoing community development projects.
Frauds & illegal acts		
Risk of management fraud, employee fraud and other illegal acts		• 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 BOARD OF DIRECTORS

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 2023 on the affairs of the Company prepared in terms of the provisions of the Companies Act No. 7 of 2007.

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 Muthurajawella, 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 Muthurajawella installation, Colombo Port to Kolonnawa installation and their branches up to 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 10,150,031,584/= with a Net profit of Rs.36,611,411/=.

Particulars	31.12.2023 Rs.	31.12.2022 Rs.
Turnover	10,150,031,584	9,433,316,086
Profit Before Taxation	(314,493,117)	(704,084,743)
Profit / (Loss) After Tax (PAT)	36,611,411	(1,058,696,799)

Stated Capital

The Stated Capital of the Company as at 31st December 2023, 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

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 2023.

Corporate Donations

During the year, the Company made donations & sponsorship payments amounting to Rs. 1,701,750/=.

Directors as at 31 December 2023

The Board of Directors of Ceylon Petroleum Storage Terminals Limited as at 31st December 2023 were as follows;

Mr. Saliya Wickramasuriya	- Chairman
Col (Rtd) Priyadarshana Rathnayake	- Managing Director
Mr. Dipak Das	- Director
Mr. E A Rathnaseela	- Director
Mr. Aseem Bhargava	- Director
Mr. Rajesh Bhagat	- Director
Mr. Dharmadasa Panditharatne	- Director
Mr. Manoj Gamage	- Director
Mr. Yasiru Lankathilake	- Director

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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2023 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 December 2024 at 3pm at the Registered Office of the Company.

For and on behalf of the Board of Directors


Chairman
Director

By Order of the Board,

Sgd.
Deloitte Corporate Services (Private) Limited
Secretaries to the Company

AUDIT AND MANAGEMENT COMMITTEE REPORT

Role of the Committee

The Audit & Management Committee (AMC) is a formally constituted sub-committee of the Board of Directors (Board). It reports to and is accountable to the Board. The primary role of the AMC is to implement, address issues and support the oversight function of the Board in relation to the Company's Governance Process, Risk Management process and Internal Control process while ensuring the integrity and reliability of Financial Reporting process. It ensures compliance with international best practices, accounting standards as defined by the Institute of Chartered Accountants of Sri Lanka and applicable local laws and regulations.

Composition

The Audit & Management Committee of the CPSTL for the Year 2023 consisted of 04 members, who were Non – Executive Independent Directors appointed by the Board of Directors.

- | | |
|---|----------------|
| • Mr. E. A. Rathnaseela | - The Chairman |
| • Mr. Aseem Bhargava | - Member |
| • Mr. D.G.R Manoj Gamage (Served from 18.07.2023) | - Member |
| • Mr. G.L.C. Yasiru P Lankathilake (Served from 18.07.2023) | - 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.

AUDIT AND MANAGEMENT COMMITTEE REPORT

Internal Audits

Internal Audit Function is headed by Mr. Mahendra Jayasekara FCMA, CPA (Aus), MBA since Oct 2020. The Internal Audit team has a mix of expertise in the disciplines of Finance, Information Technology, Information Security including Cyber Security, fraud investigation and the division leverages on global best practices of IIA Institute (Institute of Internal Auditors).

The Audit & Management 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, seven (07) 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.	01.02.2023 (extension to the AMC meeting held on 28.12.2022)	03	02	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer- NAO) Mr. D.P.S.J. Kumara (Observer - MoPE)
02.	27.02.2023	03	02	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer - NAO) Mr. D.P.S.J. Kumara (Observer - MoPE)
03.	10.05.2023	03	02	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.A.S. Anulasiri (Observer - NAO) Mr. D.P.S.J. Kumara (Observer - MoPE)
04.	18.07.2023	04	04	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.R Manoj Gamage Mr. G.L.C. Yasiru P Lankathilake Mr. D.G.A.S. Anulasiri (Observer -NAO) Mrs. K.S. Samadara (Observer - NAO) Mr. D.P.S.J. Kumara (Observer - MoPE)
05.	20.09.2023	04	04	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.R Manoj Gamage Mr. G.L.C. Yasiru P Lankathilake Mr. D.G.A.S. Anulasiri (Observer - NAO) Mrs. K.S. Samadara (Observer - NAO) Mr. D.P.S.J. Kumara (Observer - MoPE)
06.	31.10.2023	04	04	Mr. E. A. Rathnaseela Mr. Aseem Bhargava Mr. D.G.R Manoj Gamage Mr. G.L.C. Yasiru P Lankathilake Mr. D.G.A.S. Anulasiri (Observer - NAO) Mrs. K.S. Samadara (Observer - NAO) Mr. D.P.S.J. Kumara (Observer - MoPE)
07.	22.12.2023	04	03	Mr. E. A. Rathnaseela Mr. D.G.R Manoj Gamage Mr. G.L.C. Yasiru P Lankathilake Mr. D.G.A.S. Anulasiri (Observer - NAO) Mrs. K.S. Samadara (Observer - NAO) Mr. D.P.S.J. Kumara (Observer - MoPE)

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

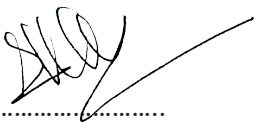
- The committee instructed the management to rethink the current operating model to incorporate efficiencies which would yield cost savings to the Company.
- To get only private bowzers to operate on Sundays instead of use of own bowzers, was welcomed by the committee as it could reduce the overhead cost and OT cost.
- Assign private bowzers to Batticaloa, Kotagala, Jaffna, Haputale and Badulla bulk depots, as these are long distances and incur substantial cost if own bowzers are used.
- Recommended to introduce a new HR System that includes Recruitment, Payroll, Succession Planning, and optimization of human resources.

- Recommended to introduce a Performance Appraisal system for employees.
- Recommended the development of a comprehensive Corporate Plan for the next 5 years to pave the way for a bright future and ensure the organization's growth and success.
- Recommended to finalize Common User Facility agreement with all industry players on equal rights basis.
- Recommended to complete the CCTV project to strengthen the control environment.

Conclusion

The Audit & Management Committee is satisfied that the Company's accounting policies, internal controls, and risk management processes are adequate to provide reasonable assurance that the financial affairs of the Company are managed in accordance with accepted accounting standards.

On behalf of the Board Audit Committee.



.....
E. A. Rathnaseela
The Chairman
Audit & Management Committee

FINANCIAL STATEMENTS





AUDIT REPORT



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මගේ අංකය
எனது இல.
My No.

} ENR/C/CPSTL/FS/23/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

} 27 September 2024

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 Terminals Limited for the year ended 31 December 2023 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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. 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 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a.) Transactions with Related Parties

- i. According to the financial statements of the Company for the year under review amount receivable from Ceylon Petroleum Corporation (CPC) was Rs. 7,357 million. However, as per the financial statements of the CPC, the



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corresponding payable balance was Rs. 6,128 million and a difference of Rs. 1,229 million was observed. The company had reconciled the differences and had discussions with the CPC to agree with these differences. Accordingly, the company had mutually agreed with a net difference, of Rs. 313 million. However no any adjustments had been made in the accounts.

- ii. According to the financial statements of the Company for the year under review amount receivable from The Lanka Indian Oil Company (LIOC) was Rs. 693 million. However as per the balance confirmed by the LIOC it was Rs. 289 million and a difference of Rs.404 million was observed. Accordingly, the reconciliation had been prepared to identify the differences and bulk transport charges amounting Rs. 301 million had not been mutually agreed with the LIOC.
- (b.) According to the financial statements of the company for the year under review the amount payable to CPC was Rs. 301 million. However, as per the financial statements of the CPC the amount receivable from the company was Rs.228 million. Accordingly, a net difference of Rs.73 million was observed between these two balances as at 31 December 2023. However, gross transactions recorded by CPC amounting Rs. 173.6 million, which lead to the above difference had not been mutually agreed and recorded in the financial records of the company as at 31 December 2023.
- (c.) Property Plant and Equipment
- (i.) Fully depreciated assets valued at Rs. 8,388 million which comprises 25,297 items of Property Plant & Equipment are being used by the Company without reviewing their residual value and useful life according to the paragraph 51 of the LKAS 16 and those assets were not presented in the financial statements in accordance with paragraph 79(b) of the Standard. Therefore, it is observed that the fair value of the non-current assets is not reflected in the financial statements for the year under review.
 - (ii.) According to the paragraph 07 of the LKAS 16, the Company had not capitalized installation of GPS tracking system completed on 31 March 2023 for 133 no's bowser fleet of the company amounting Rs.13 million. Instead, those assets had been accounted in work in progress in the financial statements for the year under review
- (d.) According to the balance confirmation letter from the Department of Inland Revenue, income tax liability, VAT & PAYE tax liability were Rs.364 million, Rs.322 million and Rs. 13 million respectively for the company. Further, the Company had appealed against those assessments. However, the company had not

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disclosed those material tax assessments as contingent liabilities in the Notes to the financial statements 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 opinion.

1.3 Other information included in the Company's 2023 Annual Report.

The other information comprises the information included in the Company's 2023 Annual Report but does not include the financial statements and my auditor's report thereon which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Company's 2023 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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.



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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.

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

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

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

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

AUDIT REPORT



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- 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 provisions for following requirements.

2.1.1 Except for the effects of the matters described in the basis for 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.

2.1.2 The financial statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 07 of 2007.

2.1.3 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.

2.1.4 The financial statements presented include all the recommendations made by me in the previous year except the audit matters of 1.2 (a)(i.), 1.2 (a)(ii.), 1.2 (b.), 1.2 (c)(i.) and 1.2 (c)(ii.) described in the basis of Opinion section of my report as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of the 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;



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**Reference to laws/
directions** **Non-compliance**

Section 2.3 of the Guidelines on Corporate Governance for State Owned Enterprises dated 17 November 2021

The finalized strategic plan had not been submitted by the Company to the Ceylon Petroleum Corporation (the Parent) and The General Treasury.

- 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;

The main business operation of the Company as per 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 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 who owns the fuel stock.

The main activities in the process of supplying of petroleum products to the authorized dealers of the CPC, 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 division of the CPC, had been carried out by the Company. Therefore, it was observed that the Company had been engaging in the tasks outside its main scope of storage and distribution of petroleum products. Further, such activities were not covered by the Common User Facilities Share Holder's Agreement.

- 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 the construction of new pump house in Zone 06 Kollonnawa Oil Terminal in the year 2018. Instead of constructing pump house as single package of construction, the Company had sliced this work in to 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 that the construction of pipe support had not been completed by the end of the year under review. As a result, pump house is not in a condition for intended use. However, sum of Rs. 97 million had been incurred for the construction up to the end of the year under review.

AUDIT REPORT

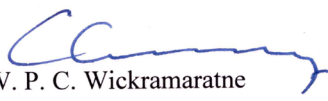


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(b.) The company has imported 02 Mooring Hawsers with thimbles at a cost of Euro 44,911 and it has been handed over to the company in 2022 and 2023. Further, it was observed that one Mooring Hawser worth Rs.13 million was damaged beyond use due to unsafe storage in an outdoor warehouse of the Company's Oil Facilities Division. Therefore, it is observed that the Company has not considered ascertaining the conditions under which the hawser to be stored and adequate measures had not been taken to prevent damages during storage. Furthermore, it is observed that the Company has not installed an online inventory monitoring systems covering this unit although it has used to storage high valued inventory in open air and assets relating to the offshore operations.

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.) 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. Therefore, it is observed that since 2011, the pricing formula used to determine the collection of transport charges, including finish charges and slab charges, has not been revised with the agreement of all parties concerned.
- (c.) The nine bulk depots maintained by the Company are being used under the lease basis of lands assigned to the Sri Lanka Railways Department. The lease agreement with the Department of Railways for the use of these lands had expired in 2013. Even though, the Company has still used these lands, without renewing the lease agreement or entering into new agreements.


W. P. C. Wickramaratne
Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

ASSETS	Note	2023 LKR	2022 LKR
Non Current Assets			
Property, Plant and Equipment	10	15,904,378,816	16,582,140,151
Intangible Assets	11	9,323,758	36,898,958
Other Financial Assets	14.1	1,333,567,815	1,434,856,012
		17,247,270,389	18,053,895,122
Current Assets			
Inventories	12	886,038,842	862,523,461
Trade and Other Receivables	13	10,087,520,325	10,596,319,671
Other Financial Assets	14.2	1,612,783,310	1,681,713,979
Income Tax Receivable		280,560,047	280,560,047
Investment in Insurance Reserve Fund		1,000,000,000	-
Cash and Cash Equivalents	15	1,113,340,473	2,006,109,225
		14,980,242,996	15,427,226,383
Total Assets		32,227,513,385	33,481,121,505
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
Self Insurance Reserve		2,500,000,000	-
Retained Earnings		15,501,672,905	18,749,877,607
Total Equity		26,480,672,905	27,228,877,607
Non Current Liabilities			
Defined Benefit Obligation	17	1,918,901,303	1,283,872,850
Deferred Tax Liabilities	8.1	1,566,066,771	2,090,996,061
		3,484,968,074	3,374,868,911
Current Liabilities			
Trade and Other Payables	18	2,261,872,406	2,877,374,987
Total Liabilities		2,261,872,406	2,877,374,987
Total Equity and Liabilities		32,227,513,385	33,481,121,505

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

O. R. Kaggoda Arachchi (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,

Colonel S. R. P. Ratnayake RWP RSP (Retired) Managing Director

Saliya Wickramasuriya Chairman

The accounting policies and notes on pages 107 through 140 form an integral part of the Financial Statements.

28th February 2024

Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	2023 LKR	2022 LKR
Revenue	3	10,150,031,584	9,433,316,086
Direct Expenses		(6,846,378,434)	(6,806,068,685)
Gross Profit		3,303,653,150	2,627,247,401
Other Operating Income	4	1,180,257,199	1,308,502,495
Other Operating Expense	4.1	(7,734,143)	-
Administrative Expenses		(5,097,503,828)	(4,925,116,033)
Operating Profit		(621,327,622)	(989,366,137)
Finance Income	5	306,834,505	285,281,394
Profit Before Tax	6	(314,493,117)	(704,084,743)
Income Tax Expense	7.1	351,104,528	(354,612,056)
Profit for the Year		36,611,411	(1,058,696,799)
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods			
Actuarial gain/loss on Defined Benefit Obligations	17	(579,415,871)	411,261,666
Tax on Other Comprehensive Income	8.1	173,824,761	(123,378,500)
Other Comprehensive Income for the Year, Net of Tax		(405,591,110)	287,883,166
Total Comprehensive Income for the Year, Net of Tax		(368,979,699)	(770,813,633)
Earnings Per Share	9.2	0.05	(1.41)

The accounting policies and notes on pages 107 through 140 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Stated Capital	Capital Reserve	Self Insurance Reserve	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR
Balance As at 1 January 2022	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 1 January 2023				18,749,877,607	27,228,877,607
Profit for the Year				36,611,411	36,611,411
Adjustment for surcharge tax				(19,225,003)	(19,225,003)
Other Comprehensive Income				(405,591,110)	(405,591,110)
Total Comprehensive Income	-	-		(388,204,702)	(388,204,702)
Dividends Paid				(360,000,000)	(360,000,000)
Transfer to Self Insurance Reserve			2,500,000,000	(2,500,000,000)	-
Balance As at 31 December 2023	7,500,000,000	979,000,000	2,500,000,000	15,501,672,905	26,480,672,905

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 LKR	2022 LKR
Cash Flows From/(Used in) Operating Activities			
Profit before Income Tax Expense		(314,493,117)	(704,084,743)
Adjustments for			
Finance Income	5	(306,834,505)	(285,281,394)
Allowance for impairment of staff loans		(4,917,710)	(9,483,126)
Allowance for impairment of Inventory		1,593,413	324,325
Allowance for Other Receivables		1,122,128	
Loss/ (Profit) on disposal of Property, Plant and Equipment	4	-	(3,808,632)
Provision for Defined Benefit Plans		300,507,148	270,587,099
Depreciation	10.2	830,785,668	846,452,285
Amortisation of Intangible Asset	11.2	27,575,201	29,775,640
Amotisation Right-of- use Assets		-	2,408,512
Operating Profit/(Loss) before Working Capital Changes		535,338,225	146,889,965
(Increase)/ Decrease in Inventories		(25,108,794)	(180,792,599)
(Increase) / Decrease in Trade and Other Receivables		508,799,347	492,998,283
(Increase)/ Decrease in Other Financial Assets		175,136,576	211,136,327
Increase / (Decrease) in Trade and Other Payables		(612,572,035)	824,595,179
Cash Generated From/(Used in) Operations		581,593,319	1,494,827,155
Income Tax Paid		-	(211,170,312)
Surcharge Tax paid		(19,225,003)	(711,035,566)
Defined Benefit Paid	17	(244,894,568)	(184,776,742)
Net Cash Flows From/(Used in) Operating Activities		317,473,748	387,844,535
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	10.1	(157,077,004)	(925,467,991)
Proceeds from Property, Plant and Equipment		-	4,186,632
Investment in Insurance Reserve Fund		(1,000,000,000)	-
Finance Income	5	306,834,505	285,281,394
Net Cash Flows From/(Used in) Investing Activities		(850,242,499)	(635,999,965)
Cash Flows From Financing Activities			
Repayments of borrowings		-	-
Dividends Paid		(360,000,000)	-
Payment of Lease Creditor		-	(2,665,004)
Net Cash Flows From/(Used in) Financing Activities		(360,000,000)	(2,665,004)
Net Increase / (Decrease) in Cash and Cash Equivalents		(892,768,751)	(250,820,434)
Cash and Cash Equivalents at the Beginning of the Year	15	2,006,109,224	2,256,929,658
Cash and Cash Equivalents at the End of the Year	15	1,113,340,473	2,006,109,224

The accounting policies and notes on pages 107 through 140 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

01. 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 2023 was authorized for issue in accordance with a resolution of the Board of Directors on 28th February 2024.

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 is 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.

02. 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

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 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 recognize any impairment during the year 2023 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 it satisfies a performance obligation by transferring a promised service to the customer at the amount of consideration to which the Company expects to be entitled in exchange for transferring such services to a customer.

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, 2019 and 2023. Which is recognized at the Point of transferring the petroleum products owned by them to dealers or consumers. Terminal charge is measured at per litre of petroleum products sold to dealers or consumers. The Company records turnover on a monthly basis based on the invoices raised to marketing companies.

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 to dealers or consumers. The Company records turnover on a monthly basis based on the invoices raised to marketing companies.

Transport Income

Recover of the transport cost incurred on railway wagons, pipelines and bowser dealers. Income is recognized on the basis of volume of litters and distance travelled. The Company records turnover on a monthly basis based on the invoices raised to marketing companies.

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

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Year ended 31 December 2023

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.

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. 22.1 on Surcharge Tax.

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 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

- Financial assets at fair value through profit or loss

However, the financial assets of the Company are limited to the categories of financial assets at amortised cost (debt instrument) and financial assets through profit or loss.

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.

Financial Assets at Amortised Cost (Debt Instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

NOTES TO THE FINANCIAL STATEMENTS

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

The Company's financial assets at amortised cost includes loans and receivables, cash & short-term deposits.

Re-classification of financial assets

The Company reclassified its financial assets when, and only when, the Company changes its business model for managing financial assets. If the Company reclassifies financial assets which were measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, the Company applies the reclassification prospectively from the reclassification date. The Company does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Company reclassifies a financial asset out of the amortized cost measurement category and in to the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in Profit or Loss.

If the Company reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category and into fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date, any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

Derecognition

A financial asset 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 receives cash flows from an asset or has entered a pass-through arrangement, it reevaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes a 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.

For other trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors to the economic environment.

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 SLFRS 9 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.

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Off Setting Financial Instruments

Financial Assets and Liabilities are offset and the net amount reported in the Statement of Financial Position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously.

2.5.5.3 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.

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

2.5.7 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.

2.5.8 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 amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 5 years.

2.5.9 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.

2.5.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less 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).

2.5.11 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 de-

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terminated 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 Co-operative Insurance Company Ltd. The Cost of the Insurance by the Company is recognized as an expense during the year.

2.7 Self-Insurance Reserve

Self-Insurance Reserve has been established according to the Board decision 02/241st of 06th December 2023 allocating Rs. 2.5bn from retained earnings. The nature and purpose of the fund is to set off net book value of any major loss or damage (due to an accident or natural disaster) in future to CPSTL properties which were not covered under any of the existing insurance policy.

2.8 Investment in Insurance Reserve Fund

According to the Board decision 02/241st of 06th December 2023, Rs.1bn has been invested for the purpose of building up externally invested funds for repurchasing or rebuilding CPSTL properties for major loss or damage which are not covered under any existing insurance policy.

2.9 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.

3. REVENUE**3.1 Throughput Revenue**

Terminal Income	7,426,004,892	6,891,331,880
Operation Margin	2,444,142,774	2,492,318,423
	9,870,147,666	9,383,650,303

Rendering of Services

Transport Income	279,883,918	49,665,783
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Total Revenue

10,150,031,584	9,433,316,086
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4. OTHER OPERATING INCOME

	2023 LKR	2022 LKR
Interest on Staff Loans and Others	836,118,394	699,532,464
Loss on disposal of Property, Plant and Equipment	-	3,808,632
Rental Income	11,655,742	11,922,876
Discharging Charges	2,080,000	2,290,000
Laboratory Testing Charges	264,651,958	188,028,587
Training to Private Browsers Driver/Porter	2,790,179	9,764,294
Scrap Sales	20,167,487	19,004,039
Servicing Fire Extinguishers	838,489	72,590
Calibration Charges	6,490,712	6,262,750
Exchange Gain/ Loss	-	356,398,600
Sundry Income	13,312,496	8,053,489
Circuit Bungalows Income	684,625	507,800
Non-refundable Tender Deposits	2,712,584	2,856,374
Write Back of Long Outstanding Creditor Balances	18,754,533	-
	1,180,257,199	1,308,502,494

4.1 Write off / back of Irrevocable debts

7,734,143	-
7,734,143	-

5. FINANCE INCOME**Finance Income**

Interest on REPO Investments	65,107,995	58,806,447
Interest on Deposits	241,726,510	226,474,947
	306,834,505	285,281,394

NOTES TO THE FINANCIAL STATEMENTS

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6. PROFIT BEFORE TAX

Stated after Charging /Crediting

Included in Direct Expenses

Personal Cost	2,964,376,836	3,190,140,824
Depreciation Charge for the Year	666,505,693	681,494,842

Included in Administrative Expenses

Directors' Emoluments	6,205,989	4,500,145
Fees for Directors	1,992,500	1,737,500
Personal Cost	3,396,891,201	3,555,055,732
Defined Benefit Obligation : Charge for the Year	300,507,148	270,587,099
Audit Fee - Current Year	2,315,139	2,780,000
Depreciation Charge for the Year	164,279,975	164,957,443
Amortisation Charge for the Year	27,575,201	29,775,640
Allowance/(Reversal) for Impairment of Staff Loans	(4,917,710)	(9,483,126)
Provision for Inventory	1,593,413	324,325

7. TAX EXPENSES

The major components of income tax expense for the years ended 31 December 2023 and 31 December 2022 are as follows :

7.1 Income Statement

Current Income Tax:

Current Tax Expense	-	-
Under/(Over) Provision of Current Taxes in respect of Prior Year	-	(3,194,266)

Deferred Tax:

Deferred Taxation Charge/ (Credit) (Note 8)	(351,104,528)	357,806,322
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Income Tax Expense / (Credit) Reported in the Income Statement

2023 LKR	2022 LKR
(351,104,528)	354,612,056

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 2023 and 31 December 2022 are as follows :

	2023 LKR	2022 LKR
Accounting Profit Before Tax	(314,493,117)	(704,084,743)
Aggregate Disallowed Items	1,277,049,302	911,087,610
Aggregate Allowable Items	(1,526,955,189)	(1,855,359,290)
	(564,399,004)	(1,648,356,423)
Interest Income	405,386,690	431,467,843
Total Statutory Income	(159,012,314)	(1,216,888,580)
Less: Carried Forward Tax Losses Utilized	-	-
Taxable Profit/ (Loss)	(159,012,314)	(1,216,888,580)
Income Tax for Taxable Profit	-	-
Current Income Tax Expense	-	-

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	
	2023	2022	2023	2022	2023	2022
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	2,478,892,824	2,483,277,026	(4,384,202)	483,555,850	-	-
Intangible Assets	476,783	7,589,171	(7,112,388)	(2,703,427)	-	-
	2,479,369,607	2,490,866,197				
Deferred Tax Assets						
Inventories	5,600,373	5,122,349	(478,024)	(1,102,308)		
Provisions	8,447,257	9,585,932	1,138,675	358,764		
Defined Benefit Plans	575,670,391	385,161,856	(16,683,774)	(122,302,557)	(173,824,761)	123,378,500
Effect from Tax Losses	323,584,815	-	(323,584,815)	-	-	
	913,302,836	399,870,137				
Deferred Income Tax - Income						
Net Deferred Tax Liability / (Assets)	1,566,066,771	2,090,996,060	(351,104,528)	357,806,321	(173,824,761)	123,378,500

NOTES TO THE FINANCIAL STATEMENTS

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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.522,272,408/- decreased in deferred tax liability as at 31st December 2023.

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.

Amounts Used as the Numerator

Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share

Number of Ordinary Shares Used as Denominator:

Weighted Average Number of Ordinary Shares in Issue

Applicable to Basic Earnings Per Share

Earnings Per Share

2023 LKR	2022 LKR
36,611,411	(1,058,696,799)
750,000,000	750,000,000
0.05	(1.41)

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

At Cost	Balance as at 01.01.2023 LKR	Additions LKR	Transfers LKR	Disposals LKR	Balance as at 31.12.2023 LKR
Freehold land	4,805,518,404	-	38,430,099		4,843,948,503
Freehold building	1,912,685,664	1,575,395	50,706,714		1,964,967,773
Storage tank	8,662,717,406	4,511,718	-		8,667,229,124
Motor vehicles	1,870,359,156	-	-		1,870,359,156
Pipelines	7,823,521,434	3,057,638	38,208,083		7,864,787,155
Furniture, fittings & equipment	2,384,463,941	56,340,468	-	(1,224,550)	2,439,579,859
Computers	342,003,914	5,441,200	-		347,445,114
Single/Dual point mooring buoy	3,366,478,272	-	340,101,220		3,706,579,492
Pumps & gantries	1,507,922,575	5,339,152	4,096,813		1,517,358,541
Low Value Assets	901,358	52,126	-		953,484
Total Cost of Depreciable Assets	32,676,572,126	76,317,698	471,542,929	(1,224,550)	33,223,208,203
Capital Work In Progress	1,028,817,128	80,759,306	(471,542,929)	(4,052,671)	633,980,834
	33,705,389,254	157,077,004	-	(5,277,221)	33,857,189,037

10.2 Depreciation

At Cost	Balance as at 01.01.2023 LKR	Charge for the year LKR	Transfers LKR	Disposals LKR	Balance as at 31.12.2023 LKR
Freehold building	836,300,076	57,340,576			893,640,652
Storage tank	3,259,128,189	226,053,160			3,485,181,349
Motor vehicles	1,837,324,843	29,194,046			1,866,518,889
Pipelines	4,344,776,255	287,564,561			4,632,340,816
Furniture, fittings & equipment	2,067,001,061	78,356,115		(1,224,550)	2,144,132,625
Computers	302,714,898	28,492,148			331,207,046
Single/Dual point mooring buoy	3,202,136,896	90,277,601			3,292,414,497
Pumps & gantries	1,273,093,226	33,362,918			1,306,456,145
Low Value Assets	773,659	144,544			918,203
	17,123,249,103	830,785,668	-	(1,224,550)	17,952,810,221

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

10.3 Net Book Value

	2023 LKR	2022 LKR
Freehold land	4,843,948,503	4,805,518,404
Freehold building	1,071,327,121	1,076,385,588
Storage tank	5,182,047,776	5,403,589,218
Motor vehicles	3,840,267	33,034,313
Pipelines	3,232,446,339	3,478,745,179
Furniture, fittings & equipment	295,447,234	317,462,880
Computers	16,238,068	39,289,016
Single/Dual point mooring buoy	414,164,996	164,341,377
Pumps & gantries	210,902,396	234,829,349
Capital work in progress	633,980,834	1,028,817,128
Low Value Assets	35,282	127,699
Total Carrying Value of Property, Plant & Equipment	15,904,378,816	16,582,140,151

10.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.157,077,004/- (2022 - Rs.925,467,991/-). Cash payments amounting to Rs.157,077,004/- (2022 - Rs. 925,467,991/-) were made during the year for purchase of Property, Plant and Equipment. During the year Rs. 471,542,929/- balance was transferred from work in progress to main assets.

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

	2023	2022
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
At Cost	LKR	LKR	LKR	LKR
As at 01.01.2023	561,374,796	9,380,250	37,793,560	608,548,606
Additions	-	-	-	-
Disposals	-	-	-	-
As at 31.12.2023	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
At Cost	LKR	LKR	LKR	LKR
As at 01.01.2023	524,475,838	9,380,250	37,793,560	571,649,648
Charge for the year	27,575,201	-	-	27,575,201
As at 31.12.2023	552,051,038	9,380,250	37,793,560	599,224,848

11.3 Net Book Value as at 31.12.2022 36,898,958 - - 36,898,958

11.4 Net Book Value as at 31.12.2023 9,323,758 - - 9,323,758

11.5 Intangible assets includes fully depreciated assets having a gross carrying amount of Rs.589,212,405/- (2022 - Rs.459,670,405/-).

12. INVENTORIES

	2023 LKR	2022 LKR
General Hardware for Repairing	489,505,740	457,139,827
Motor Spare parts	304,896,654	326,871,796
Consumables	92,018,164	80,814,725
Finished Goods		
Lanka Petrol LP-92	2,594,708	1,623,931
Lanka Auto Diesel-LAD	15,691,487	13,147,680
	904,706,753	879,597,959
Provision for Slow- Moving Inventory	(18,667,911)	(17,074,498)
	886,038,842	862,523,461

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

13. TRADE AND OTHER RECEIVABLES

	2023 LKR	2022 LKR
Trade Receivables - Related Parties (Note 13.1)	8,050,161,809	8,492,160,381
Other Receivables	336,855,392	97,380,718
Less -Impairment of Other Receivables	(1,122,128)	-
	8,385,895,074	8,589,541,098
Deposits ,Advances and Prepayments (Note 13.3)	1,701,625,251	2,006,778,573
	10,087,520,325	10,596,319,671

13.1 Trade Receivables- Related Parties

	Relationship	2023 LKR	2022 LKR
Ceylon Petroleum Corporation net of Impairment (Note 13.2)	Parent Entity	7,357,483,999	8,000,362,924
Lanka IOC PLC net of Impairment (Note 13.2)	Other Major Share Holder	692,677,811	491,797,457
		8,050,161,809	8,492,160,381

13.2 As at 31 December 2023, 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	7,357,483,999	845,660,339	4,362,963	2,184,105,534	1,846,694,900	2,476,660,263
	7,357,483,999	845,660,339	4,362,963	2,184,105,534	1,846,694,900	2,476,660,263
Lanka IOC PLC	692,677,811	101,980,959	132,080,436	152,539,371	108,761,573	197,315,472
	692,677,811	101,980,959	132,080,436	152,539,371	108,761,573	197,315,472

13.3 Deposits ,Advances and Prepayments

	2023 LKR	2022 LKR
Deposits ,Prepayments and Advances	573,006,035	803,026,712
Prepaid Staff Benefits	1,128,619,216	1,203,751,861
	1,701,625,251	2,006,778,573

14. OTHER FINANCIAL ASSETS**Loans to Company Officers**

	2023	2022
	LKR	LKR
Motor Vehicle Loans	179,342,812	183,570,349
Housing Loans	1,324,463,251	1,453,812,070
Distress Loans	1,179,881,356	1,158,360,899
Other Loans	289,699,101	352,779,779
	2,973,386,520	3,148,523,097
(-) Allowance for Impairment	(27,035,395)	(31,953,105)
	2,946,351,125	3,116,569,992

14.1 Non Current Financial Assets

	2023	2022
	LKR	LKR
Motor Vehicle Loans	143,474,250	146,856,279
Housing Loans	1,217,128,960	1,319,952,838
(-) Allowance for Impairment	(27,035,395)	(31,953,105)
	1,333,567,815	1,434,856,013

14.2 Current Financial Assets

	2023	2022
	LKR	LKR
Motor Vehicle Loans	35,868,562	36,714,070
Housing Loans	107,334,291	133,859,231
Distress Loans	1,179,881,356	1,158,360,899
Other Loans	289,699,101	352,779,779
	1,612,783,310	1,681,713,979

15. CASH AND CASH EQUIVALENTS**Favourable Cash & Cash Equivalent balances**

	2023	2022
	LKR	LKR
Cash and Bank Balances	(26,687,052)	(47,051,772)
Short Term Investments	1,140,027,525	2,053,160,997
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	1,113,340,473	2,006,109,225

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

16. STATED CAPITAL

	2023		2022	
	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.

17. DEFINED BENEFIT OBLIGATION

	2023 LKR	2022 LKR
Balance as at 01 January	1,283,872,850	1,609,324,159
Current Service Cost	62,990,670	85,514,820
Interest Cost	237,516,478	185,072,279
Actuarial (Gain) / Loss	579,415,871	(411,261,666)
Benefits Paid	(244,894,568)	(184,776,742)
Balance as at 31 December	1,918,901,301	1,283,872,850

17.1 Actuarial valuation of Retirement Benefit Obligation as at 31 December 2023 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:

	2023	2022
Discount Rate	13.00%	18.50%
Salary Incremental Rate	30% once in 3 Years	25% once in 3 Years
Staff Turnover	3%	1%

17.3 Maturity Profile of the Defined Benefit Obligation Plan

	2023 LKR	2022 LKR
Less than 1 Year	235,766,888	172,740,147
Between 1-2 years	220,487,067	156,115,292
Between 2-5 years	503,342,308	366,290,752
Beyond 5 years	959,305,039	588,726,658
	1,918,901,302	1,283,872,849

17. DEFINED BENEFIT OBLIGATION (Contd..)

The average durations of of the Defined benefit Obligation Plan at the end of the reporting period is 5.8 years for executive staff and 6.2 years for non executive staff. The average remaining working life of executive staff is 8.8 years and 9.5 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 2023.

Sensitivity Level	Discount Rate		Future Salary Increment Rates	
	Increase	Decrease	Increase	Decrease
	1%	-1%	1%	-1%
Impact on Defined Benefit Obligation	1,819,017,050	2,029,398,457	1,956,763,599	1,881,819,591

18. TRADE AND OTHER PAYABLES

	2023 LKR	2022 LKR
Trade Payables-Related Parties (18.1)	301,166,688	836,158,852
- Others	55,064,553	388,987,224
Other Payables	797,154,577	800,007,581
Sundry Creditors Including Accrued Expenses	1,108,486,588	852,221,330
	2,261,872,406	2,877,374,987

18.1 Trade Payables- Related Parties

	Relationship	2023 LKR	2022 LKR
Ceylon Petroleum Corporation	Parent Entity	301,166,688	836,158,852
		301,166,688	836,158,852

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

19. RELATED PARTY DISCLOSURES

Nature of Transaction	Parent Entity- Ceylon Petroleum Corporation		Other Major S/H - Lanka IOC PLC		Total	
	2023	2022	2023	2022	2023	2022
	LKR	LKR	LKR	LKR	LKR	LKR
Receivable/(Payable) as at 01 January						
Service for Oil Storage & Distribution	7,164,204,072	8,200,900,931	491,797,457	710,079,090	7,656,001,529	8,910,980,021
Own Use Fuel Consumption	10,807,700,050	10,879,127,237	869,519,149	752,327,406	11,677,219,199	11,631,454,642
Interest Payments	(2,610,442,084)	(827,698,067)	-	-	(2,610,442,084)	(827,698,067)
Other Expenses	-	-	-	-	-	-
Adjustment for error correction	(168,818,027)	(162,169,051)	-	-	(168,818,027)	(162,169,051)
(Receipt)/Payment for Services	(8,136,326,700)	(10,925,956,978)	(668,638,795)	(970,609,039)	(8,804,965,495)	(11,896,566,016)
Amounts Receivable/(Payable) as at 31 December						
	7,056,317,311	7,164,204,072	692,677,811	491,797,457	7,748,995,122	7,656,001,529

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:

	2023	2022
	LKR	LKR
Fees for Directors	1,992,500	1,737,500
Directors Emoluments	6,205,989	4,500,145
	8,198,489	6,237,645

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 31.12.2023	As at 31.12.2022
People's Bank	Cash at Bank	(63,858)	15,613,598
People's Bank	Short term Deposits	84,061,665	154,097,898
Bank of Ceylon	Balance at Bank	(29,643,064)	(65,594,334)
Bank of Ceylon	Short term Deposits	1,056,029,181	1,899,063,099

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 2023

Pending Supreme Court Cases as at 31st December 2023

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2023)
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 /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 2023

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2023)
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
Writ 159/2023	Colombo	Writ application against The Arbitration Award No. A/74/19	Total payments for all the applicants could be amounted to Rs.875,734.98

Pending District Court Cases as at 31st December 2023

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2023)
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 District Court Cases as at 31st December 2023 Contd.

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2023)
DMR/494/22	Colombo	Claiming damages. However the relevant vehicle has been sold out already	No Liability
DMR/00353		Filed against CPSTL arising from claiming damages and accidents	Paid Rs. 500,000/- as compensation

Pending Magistrate Court Cases as at 31st December 2023

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2023)
36630/36	Labour Commissioner	To grant penalty Gatuity payments to Mr. P D A Piyarathna Labour Department Vs CPSTL	Rs. 518,318.90
91319/5/23	Labour Commissioner	Filed by Commissioner of Labour on not complying the Ariitration Award of A/74/19	Rs. 875,734.98 mentioned under writ 159/23

Pending Labour Tribunal Cases as at 31st December 2023

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2023)
2/600/ 15	Borella	Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	Reinstatement with back wages (Rs.50,000 x 142 months) Rs. 7,100,000
1/AD/44/12	Battaramulla	Filed by a dismissed employee (w.e.f. 10.05.2012) seeking reinstatement with back wages.	Reinstatement with back wages. Rs.68,518 x 130 months Rs.8,907,340/-
2/AD/ 3596/12	Battaramulla	Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	Reinstatement with back wages. Rs.80,524 x 126 months Rs.10,146,024/-
2/935/2019	Borella	Filed by a Former Trainee seeking for reinstatement with back wages	Reinstatement with back wages.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

Pending Cases before Labour Department as at 31st December 2023

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2023)
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/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/10/30/2020	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 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 (Management Assistant - Procurement)	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)
A/14/2022	Colombo	Filed by an employee seeking promotion to Grade A/7	Back wages has to be paid if ordered. (amount to be determined as per the order)
A/66/2022	Colombo	Filed by an employee seeking promotion to Grade A/7	Back wages has to be paid if ordered. (amount to be determined as per the order)

Pending Cases before Human Rights Commission as at 31st December 2023

Case No	Location Of Commission	Description of court case	Maximum Possible claim Outcome (up to December 2023)
HRC/HO/4008/2023	Colombo	Filed by a vacated employee seeking reinstatement with back wages	Compensation determined by HRC

Pending Cases before Commercial High Courts as at 31st December 2023

CHC/20/2022/MR	Colombo	Forefeigting bank guarantees	Performance guarantee (USD 646,680) and two advance Guarantees (USD 1,260,000 *2)
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20.2 CONTINGENCIES

The following capital commitments have been approved by the board of directors as at 31st December 2023.

Outstanding LC Payments as at 31st December 2023

LC No	Amount (Rs.)	LC Value	Description of Purchase
0042007230000491	10,307,758	Euro 27,582.93	15" Mooring Hawser with Thimbles

Bank Guarantees as at 31st December 2023

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.

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 2023

Description	Contract Value (LKR)	Paid As At 31-12-2023 (LKR)	WorkDone As At 31-12-2023 (LKR)	Payable Amount (LKR)
Infrastructure Development Facilities - Muthurajawela	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
Construction of 06 No . Storage Tanks- Kolonnawa	2,286,812,821	328,113,919	328,113,919	1,958,698,901
Rehabilitation of existing 14" Dia. Pipe	133,068,861	97,472,300	97,472,300	35,596,561
Upgrading Pipe System at Zone - 6	170,000,000	97,054,941	97,054,941	72,945,059
CCTV Camera System at CPSTL Kolonnawa	163,403,556	56,694,273	56,694,273	106,709,283
Upgrading of diking and oil recovery system	13,000,000	979,148	979,148	12,020,852
IFR & Repair of Storage Tanks No. 04 & 05- Galle	62,541,938	27,527,069	27,527,069	35,014,869
Replacement of Tank No. 30 at Kolonnawa Installation	539,188,462	354,830	354,830	538,833,632
Electrical Fittings Zone 6 New Pump House	18,000,000	6,508,030	6,508,030	11,491,970
Installation of Fims for Fuel Bowser GPS Tracking	14,350,000	13,118,308	13,118,308	1,231,693
Total Value of the projects	3,667,365,638	633,980,834	633,980,834	3,033,384,803

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

Projects awarded but not started As At 31-12-2023

Project Name or Description	Contract Value (LKR)
Replacement of existing diesel engine driven fire pump with associated auxiliary equipment at Oil Installation, Kolonnawa	57,670,400
Replacement of existing 10" dia. pipeline with 14" dia. pipe line from Kolonnawa Installation to Seram gate at Colombo harbour	2,852,577,287
Supply and Installation of explosion proof of type lighting fixture and switch gears at Kolonnawa & bulk depots	37,404,774
Procurement of 01 no of 15" circumferences mooring hawser for SPBM Muthurajawela.	16,000,000
Intergration of solar power generating	101,899,071
Enhancement of fire water storage capacity and construction of new generator room at LBD Galle	12,000,000
Security improvement at KKS	10,198,000
Purchase of marine hoses and accessories for SPBM Muthurajawela	608,623,606
Replacement of plem valve	50,000,000
Projects approved by Board and awarded As At 31-12-2023	3,746,373,138

Projects approved by Board and not awarded As At 31-12-2023

Project Name or Description	Contract Value (LKR)
Supply, Installation and maintenance of 14 nos. fuel dispensing pumps at CPSTL oil Installation, Kolonnawa and bulk depots	8,990,884
Supply, Installation & commissioning of 35KVA generators for Katharagama, Watapuluwa & Nuwaraeliya circuit bungalows	18,000,000
Construction of 02 nos. 7000 m3 & 15000 m3 storage Tank at Kolonnawa construction of a 5000 m3 & 2 nos. 15000 m3 storage Tank at Kolonnawa	3,373,974,219
Repairs to Tank no. 31 at Kolonnawa Installation	224,784,525
Integrity assesment of CPSTL product pipe line segments by line inspection	634,842,373
Consultancy services for stabilizing unstable embankment at Tank farm area at LBD Peradeniya	5,000,000
Fabrication and installtion of sluice gates with cover mesh - fire water sump at Kolonnawa	13,741,356
Repairs to Tank No. 21	55,005,860
Supply of Double Block & Bleed (DBB) valves for Kolonnawa Installation	70,088,000
Relocation of the Tank No 51 and extension of existing cargo pipe lines for fuel oil at Kolonnawa Installation	41,111,090
Repairs to Tank No.32 at Kolonnawa	98,378,602
Repairs to Tank No. 34 at Kolonnawa Installation	248,534,829
Improvements to fire fighting facilities in Muthurajawela Terminal	37,200,000
Tank modification and Installation of IFR_Tank-09 and Tank-10 Tanks_Muthurajawela	57,059,000
Repairs to Tank no. tk -31, and tk 32- petrol loading Tanks in Muthurajawela Terminal	261,637,747
Construction of 03 nos new storage Tanks at Muthurajawela	3,496,000,000

20.2 CAPITAL COMMITMENTS (Contd..)

Project Name or Description	Contract Value (LKR)
Accessories for buoy anchoring system of SPBM Muthurajawela	128,924,003
02 nos 15" circumferences mooring hawser for SPBM Muthurajawela.	41,000,000
Maintenance of Tanker unloading facility at Dolphin Tanker Berth (DTB)	52,000,000
Implementation of an advanced endpoint protection solution	8,250,000
Restore the fire suppression system at primary data center	12,000,000
Renovation of office premises at information system function	18,780,000
Internal firewall - fortigate	95,683,290
Supply & Installation of three intel servers and one san storage to host non ERP applications	25,000,000
Replacing end of life announced network routers	50,000,000
Projects approved by Board and not awarded As At 31-12-2023	9,075,985,777

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 2023.

22.1 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. The balance amount of Rs. 19,225,003/- due to restatement of financial statements - 2020 was done in 2023.

22.2 Financial instruments by category

	Loans & receivables at amortised cost	
	2023 LKR	2022 LKR
Trade and other receivables	10,087,520,325	10,596,319,671
Staff loans and advances	1,612,783,310	1,681,713,979
Cash and cash equivalents	1,113,340,473	2,006,109,225
	12,813,644,108	14,284,142,875

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

	Other financial liabilities at amortised cost	
	2023 LKR	2022 LKR
Trade and other payables	2,261,872,406	2,877,374,987
	<u>2,261,872,406</u>	<u>2,877,374,987</u>

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.

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.

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

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 2023	LKR 2022
(+)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 2023 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.

	Average Value	Year End Exchange Rate	Change in USD Rate	Effect on Profit Before Tax (LKR)
2023				
Cash and Cash Equivalents -Cash in Hand(USD)	16,425	323.92	+/- 1%	+/- 53,2023
Cash and Cash Equivalents -Fixed Deposit (USD)	2,173,920	323.92	+/- 1%	+/- 7,041,833
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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

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	Total
	LKR	LKR
Trade and Other Payables		
	2,261,872,406	2,261,872,406
	2,261,872,406	2,261,872,406

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.

	2023 LKR	2022 LKR
Total equity	26,480,672,905	27,228,877,607
Total capital	26,480,672,905	25,605,532,515
Gearing ratio	0.00%	0.00%

DETAILED INCOME STATEMENT

Statement	2023 LKR	2022 LKR
Revenue	10,150,031,584	9,433,316,086
Direct Expenses I	(6,846,378,434)	(6,806,068,685)
Gross Profit	3,303,653,150	2,627,247,401
Other Operating Income	1,180,257,199	1,308,502,495
Administrative Expenses II	(5,097,503,828)	(4,925,116,033)
Operating Profit	(613,593,479)	(989,366,137)
STATEMENT I		
	2023 LKR	2022 LKR
DIRECT EXPENSES		
Outside transport cost	936,629,800	875,432,022
Direct personnel cost	2,964,376,836	3,190,140,824
Insurance	214,065,371	152,943,765
Own use fuel expense	843,265,749	1,061,818,584
Depreciation -storage tanks, pipelines, gantries and pumps	547,034,046	499,098,249
Depreciation -motor vehicles	29,194,046	96,733,511
Depreciation- SPBM	90,277,601	85,663,081
Vehicle maintenance	260,248,959	184,540,454
Storage maintenance	14,291,794	2,399,655
Property maintenance	325,622,508	214,090,829
Rail track maintenance	98,967,849	26,518,074
Consignment seals	27,568,735	28,820,153
Cleaning & sanitary expenses	57,586,359	50,134,143
Water	5,158,181	4,089,089
Electricity	194,408,063	107,820,710
Security charges	44,036,216	28,063,374
Vessel charges	188,862,501	193,835,470
Shipping, clearing and transport	1,064,140	1,186,582
Advertising and promotional expenses	3,719,680	2,740,116
	6,846,378,434	6,806,068,685

DETAILED INCOME STATEMENT

Year ended 31 December 2023

STATEMENT II

ADMINISTRATIVE EXPENSES

	2023 LKR	2022 LKR
Directors' fees	1,992,500	1,737,500
Chairman's and MD's salaries	6,205,989	4,500,145
Personnel cost	3,396,891,201	3,555,055,732
Gratuity	300,507,148	270,587,099
Prepaid staff benefit on staff loan	679,222,632	508,742,753
Staff welfare	127,331,420	94,760,447
Medical	59,332,154	64,404,165
Office requisites	29,627,933	27,536,568
Communication expenses	19,732,165	20,728,071
Rent and rates	45,963,640	28,638,710
Depreciation of buildings, furniture and fittings, equipment and computers	164,279,975	164,957,443
Amortization of intangible assets	27,575,201	29,775,640
Amotisation right-of- use Assets	-	2,408,512
Travelling, subsistence, batta and taxi fare	33,916,795	23,135,432
Auditors' remuneration	2,315,139	2,780,000
Electricity	30,833,814	17,100,750
Water	19,351,781	15,340,905
Allowance/(Reversal) for impairment of staff loans	(4,917,710)	(9,483,126)
Legal fees	4,136,345	3,206,875
Professional fees	56,372,569	46,609,811
Charity & donations	1,701,750	317,000
Staff training	4,226,215	2,201,025
License and registration	8,518,631	4,016,798
Stamp duty	6,850	5,800
Sundry expenses	3,148,483	35,250,450
Exchange (Gain) or Loss	68,634,052	-
Commission and bank charges	7,881,615	10,477,203
Allowance/(Reversal) for impairment of receivables	1,122,128	-
Allowance/(Reversal) of inventory provision	1,593,413	324,325
	5,097,503,828	4,925,116,034

FIVE YEAR FINANCIAL SUMMARY

		2023	2022	2021	2020	2019
Operating Results						
Revenue	LKR MN	10,150	9,433	14,276	13,568	15,340
Gross Profit	LKR MN	3,304	2,627	5,907	5,933	6,760
Operating Profit	LKR MN	(621)	(989)	1,377	1,906	1,966
Profit Before Tax	LKR MN	(314)	(704)	1,578	2,215	2,289
Income Tax	LKR MN	(351)	355	409	214	984
Profit After Tax	LKR MN	37	(1,059)	1,169	2,001	1,305
Dividends	LKR MN	360	-	-	360	225
Capital Employed						
Stated Capital	LKR MN	7,500	7,500	7,500	7,500	7,500
Retained Earnings	LKR MN	15,502	18,750	19,521	18,739	17,270
Capital Reserve	LKR MN	979	979	979	979	979
Shareholders' Funds	LKR MN	26,481	27,229	28,000	27,218	25,749
Non-Current Liabilities	LKR MN	3,485	3,375	3,219	3,615	3,792
Current Liabilities	LKR MN	2,262	2,877	2,780	1,755	1,981
Total Liabilities	LKR MN	5,747	6,252	5,999	5,369	5,773
Assets Employed						
Non-Current Assets	LKR MN	17,247	18,054	18,147	17,792	17,756
Current Assets	LKR MN	14,980	15,427	15,852	14,795	13,765
Total Assets	LKR MN	32,228	33,481	33,999	32,588	31,522
Key Ratios						
Gross Profit Margin	%	33%	28%	41%	44%	44%
Operating Profit Margin	%	-6%	-10%	10%	14%	13%
Net Profit Margin	%	0.4%	-11%	8%	15%	9%
Return On Capital Employed (ROCE)	%	-1%	-3%	6%	6%	7%
Return On Equity (ROE)	%	0.1%	-4%	4%	7%	5%
Asset Turnover	%	31%	28%	43%	42%	50%
Current Ratio	Times	6.62	5.36	5.70	8.43	6.95
Quick Asset Ratio	Times	6.24	5.06	5.46	8.03	6.61
Gearing ratio (Debt to Equity)	Times	0.22	0.23	0.21	0.20	0.22
Net Asset Value Per Share	LKR	35.31	36.31	37.33	36.29	34.33



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