CEYLON PETROLEUM STORAGE TERMINALS LIMITED

FUELING ENERGY IN EVERY LIFE

ANNUAL REPORT 2019

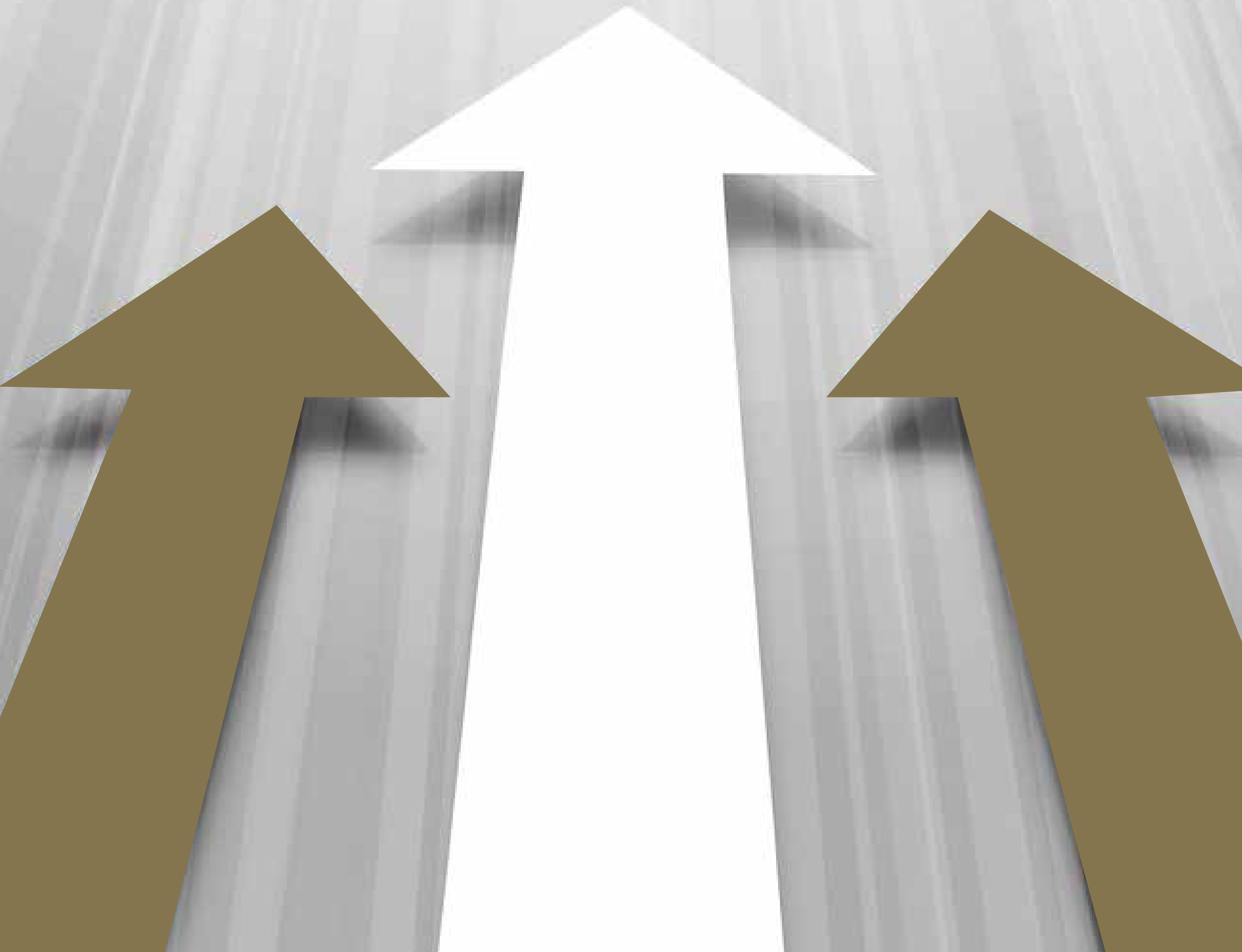
CONTENTS

Vision

To be most efficient petroleum
terminal operator in South Asia

Mission

To remain as the most efficient terminal operator in the island, meeting stakeholders expectations and committed to make perceivable and continual improvement in the level of customer satisfaction, while preserving the quality and ensuring the exact quantity of the petroleum products being delivered to the terminal facility users/customers, honouring the health, environmental and safety standards in force through dedicated participation of a loyal, contended and well trained workforce, guided by the feedback of the customers and the general public.



ABOUT US

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

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

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

We serve around one thousand retail outlets island wide owned by Ceylon Petroleum Corporation and Lanka IOC PLC to meet the energy demand of the retail consumers in the country and the large number of bulk consumers in various industrial sectors involved in economic development process. Two main terminals supported by 11 bulk depots which are involved in the storage and distribution network with around 3,000 employees actively participate in various activities of the company.

MAIN TERMINALS

- Kolonnawa Installation

& Muthurajawela Terminal

BULK DEPOTS

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

Kolonnawa Installation handling 12 petroleum products where as Muthurajawela Terminal handles 5 petroleum products.

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

Kolonnawa Installation receives products from refinery and through imported tankers discharged at Dolphin Pier at Colombo Harbor. Muthurajawela Terminal receives only imported cargo discharged through SPBM located approximately 6 km off Kerawalalpitiya Coast.

Storage of Automotive Fuels

We are storing variety of petroleum products imported & refined around 450,000 MT at Kolonnawa, Muthurajawela and island wide depots.

The leading distribution channel is road tankers which contribute nearly 66% of the transportation of petroleum products island wide.

Road Tankers

Distribution of Automotive Fuels

Currently we are distributing 85% of country's automotive petroleum products island wide.

Railway Wagons

The second leading distribution channel is railway wagon transport which contribute nearly 30% of the transportation of petroleum products island.

The next distribution channel is pipeline transfers which is mainly to Kelanitissa & Kerawalapitiya power plants and Refinery at Sapugaskanda.

Pipelines

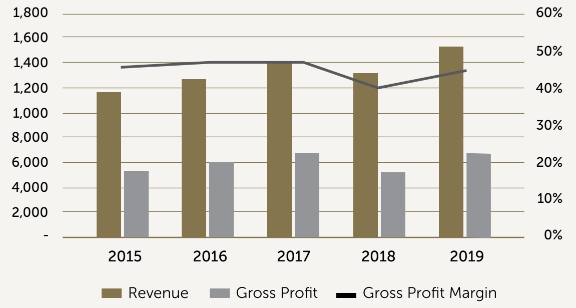

KKS Bulk Depot
Terminal
Bulk Depot
Anuradhapura Bulk Depot
Batticaloa Bulk Depot
Kurunegala Bulk Depot
Muthurajawela Terminal
Peradeniya Bulk Depot
Sarasavi Uyana Bulk Depot
Kolonnawa Terminal
Badulla Bulk Depot
Kotagala Bulk Depot
Haputhale Bulk Depot
Galle Bulk Depot
Matara Bulk Depot

PERFORMANCE HIGHLIGHTS

			2019	2018	2017	2016	2015
FINANCIAL CAPITAL	**STRATEGIC PRIORITY: FINANCIAL GROWTH**						
	Revenue	LKR Mn	15,340	13,130	14,176	12,663	11,687
	Operating profit	LKR Mn	2,605	1,405	3,208	2,406	1,917
	Profit / (Loss) before tax	LKR Mn	2,928	1,522	3,273	2,330	1,716
	Profit / (Loss) after tax	LKR Mn	1,668	254	2,717	1,949	1,407
	Return on equity	%	6%	1%	11%	9%	7%
	Financial Stability						
	Total assets	LKR Mn	32,205	30,322	29,991	28,059	27,270
	Total liabilities	LKR Mn	5,997	5,556	4,828	5,208	5,881
	Shareholders' funds	LKR Mn	26,209	24,766	25,163	22,851	21,389
	Cash and cash equivalent	LKR Mn	3,999	3,149	1,474	2,455	748
	Shareholder Information						
	Earnings per share	LKR	2.35	0.26	3.73	2.32	1.83
	Dividends per share (paid)	LKR	0.30	0.868	0.54	0.65	-
	Net asset value per share	LKR	35	33	33	30	29
	Economic value added	LKR Mn	2,778	1,613	3,616	1479	1084
MANUFACTURED CAPITAL	**STRATEGIC PRIORITY: OPERATIONAL EXCELLENCE**						
	Property, plant and equipment						
	Terminals & Depots	Nos	13	13	14	14	14
	Capital expenditure	LKR	981	375	833	913	224
HUMAN CAPITAL	**STRATEGIC PRIORITY: INVESTING IN PEOPLE**						
	Total employees	Nos	2,856	2,932	3,045	3,118	2,964
	Female representation	Nos	326	334	343	351	338
	Payments to employees	LKR Mn	6,636	6,853	5,570	5,782	5,307
	Employee attrition rate	%	5%	6%	1%	1%	1%
	Investments in training	LKR Mn	17	22	32	30	27
	Total training hours	Hours	9706	12609	21,832	26,088	17,928
	Average training hours/employee	Hours	5	7	9	11	9
	Revenue per employee	LKR Mn	5.37	4.48	4.67	4.06	3.93
	Net profit (Loss) per employee	LKR Mn	0.58	0.09	0.9	0.63	0.47
SOCIAL AND RELATIONSHIP CAPITAL	Indirect employees (approx.)	Nos	71	63	105	114	121
	Customer touch points	Nos	40	40	40	40	40
	Investment in CSR	LKR Mn	3.8	2.1	6.1	5.7	16.8
	No. of beneficiaries (approx.)	Nos	8800	8700	8,500	7,000	12,000
	Contribution to Government	LKR Mn	2,441	2,579	2,175	1,895	1,303
NATURAL CAPITAL	**STRATEGIC PRIORITY: SUSTAINABILITY**						
	Energy consumption	Kwh	3,268,177	3,286,631	2,904,300	2,914,112	2,942,078
	Water consumption	KL	299	333	276	270	249

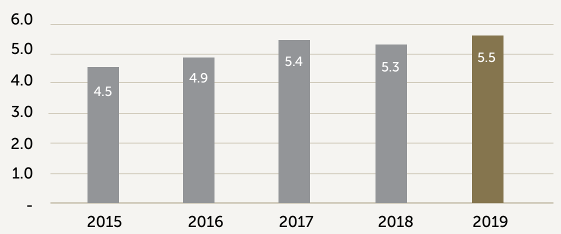
YEAR AT A GLANCE

Revenue & GP Margin Trend (LKR Mn)



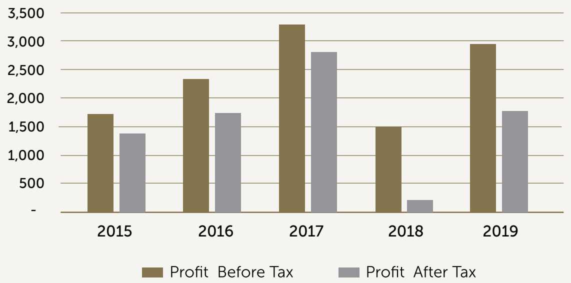
SALES VOLUME 5,466,569 KL

Sales Volume (KL Mn)

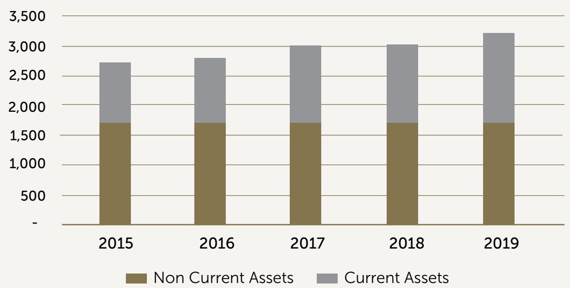


PROFIT AFTER TAX

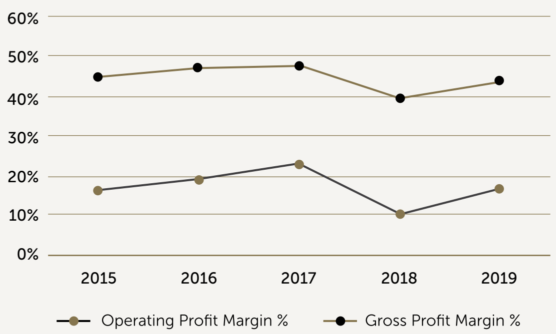
Pre Tax & Post Tax Profit (LKR Mn)



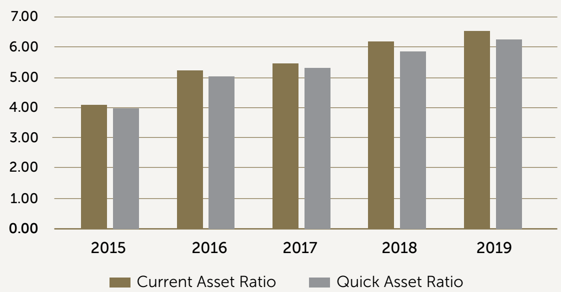
Total Asset Growth (LKR Mn)



Operating Performance



Current/Quick Asset Ratio (Times)



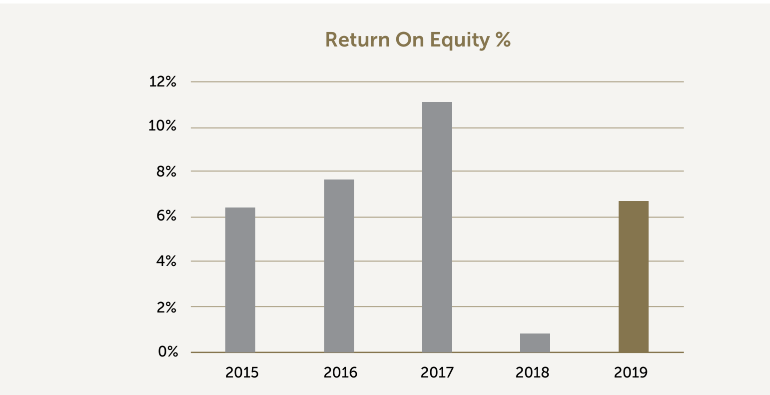
HIGHEST EVER REVENUE

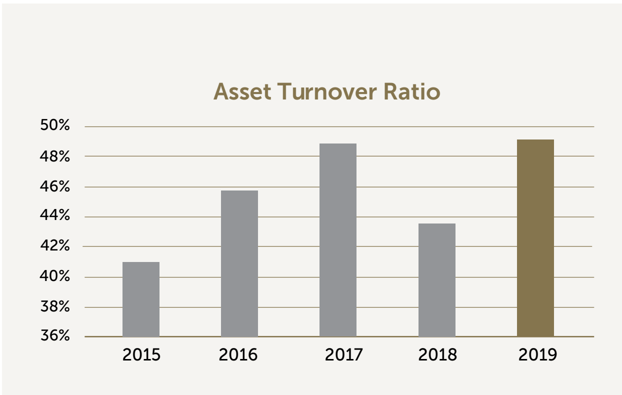
15 Bn.LKR

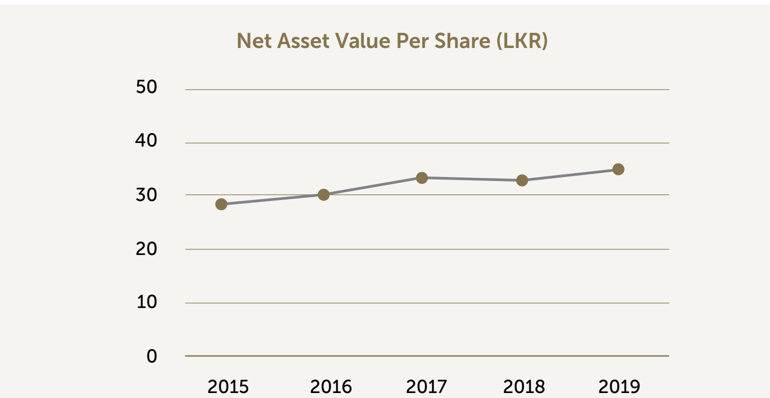
1.77 Bn.LKR

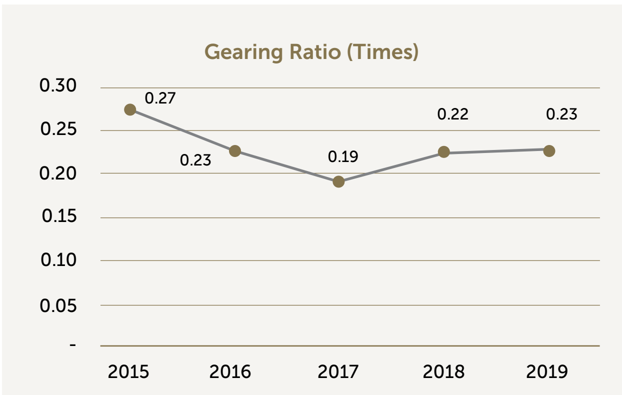
ASSET BASE

30.97 Bn.LKR









CHAIRMAN & MANAGING DIRECTOR'S MESSAGE

Dear Stakeholders, I am pleased to present to you, on behalf of the Board, the highlights of the Annual Report and Financial Statements of Ceylon Petroleum Storage Terminals Limited for the year ended 31 December 2019. Although, I did take up my responsibilities in February 2020, it gives me pleasure to mention the key highlights of 2019 as the new Chairman. Despite the year being a "crisis year" following the Easter Sunday terror attacks, we believe the long-term prospects for national economy remain promising

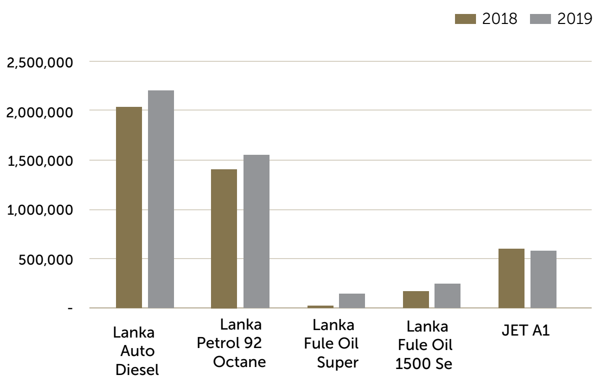
OPERATING ENVIRONMENT

The growth of the Sri Lankan economy moderated to 2.3 per cent in the year 2019, compared to the growth of 3.3 per cent in the year 2018, conceding the challenging domestic environment, particularly following the Easter Sunday attack, which hindered the economic growth across key economic activities. The decade-long peaceful environment in the country was shaken by the attack, primarily devastating the tourism segment which has many backward and forward linkages to other key economic activities specially related to the service industry.

The adverse weather conditions that prevailed throughout the second half of the year coupled with the uncertainty in the political environment surrounding the Presidential election in the latter part of the year, have similarly impacted the economic slowdown in the aftermath of the Easter Sunday attack.

OUR PERFORMANCE

In the light of major setback of the economy during the year under review, CPSTL achieved revenue of LKR 15 Bn in 2019 compared to LKR 13 Bn in 2018, accounting for 17% growth. We are currently handling 17 petroleum product categories as its custodian. Each product category contributed to the growth with Lanka Auto Diesel being the lead contributor of 2,199,065 KL which represents 39% from the total quantity. Lanka Petrol 92 Octane was the second highest contributor of 1,543,464 KL which accounted for 26% during 2019. We have handled a remarkable quantity of 151,283 KL of Lanka Fuel Oil Super and 245,498 KL of Lanka Fuel Oil 1500 Sec due to the adverse weather condition that prevailed in the country throughout the year. The effect of the Easter Sunday attack towards the economy is represented by the drop of sale in product JET A1 ,to 555,437 KL from 588,707 KL in year 2018.



It is worth highlighting that major projects completed during 2019 have supplemented the overall performance of the company in terms of product flow efficiency and tank capacity enhancements.

Constructing a 15,000 M3 Oil Storage Tank in Kolonnawa Installation through which it is envisaged to improve the product handling efficiency.

We were able to complete the 12" Pipeline Refurbishment Project allowing unobstructed transfer of finished products from Colombo Harbour to Kolonnawa Installation with our loyal, contended and well-trained workforce.

As a result, the quantity transferred from Colombo Harbour to Kolonnawa installation showed 141 Mn liters increase compared to year 2018, while being a major contributor to minimize the demurrage cost.

In terms of the performance in the mix of mode of transportation between the main terminal and depots, it is the private bowsers that represent 60% of the quantity transported while CGR wagon has transported around 30% of the total Bulk Transfer Receipt quantity. CPSTL own fleet has transported approximately 6% of the total Bulk Transfer Receipt quantity. Next year, we anticipate to further increase the wagon transportation in our Bulk Transfer Receipt process and reduce the transfer loss by 50% which will significantly improve our bottom line.

LOOKING AHEAD

While the forecasted liquidity position is comfortable, the company is of the view that undertaking proactive steps ahead will enable us to maintain a stronger balance sheet and facilitate a smoother and faster recovery trajectory. Given the volatile and evolving landscape, we will continue to monitor the impacts to our operations and take measures to ensure business continues as seamlessly as possible. Our foremost priority in this regard is to ensure the safety of our workforce at bulk depots and two terminals. The company has evaluated all guidelines issued by the government as well as international best practices, and based on this, has developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, guests and other stakeholders. Despite these unprecedented times we face in the short to medium term, we remain confident of our ability to rise above these challenges and are committed to working closely with all stakeholders and ensure uninterrupted distribution of petroleum within Sri Lanka.

As this report had a slight delay, I would like point out the activities already lined up for year 2021,

While we are striving to come up with a win - win plan to get the Trincomalee tank farm operational, plans are also in place to enhance the existing tank farms to hold up to two to three months stock excluding the Trinco farm.

Work has commenced to enhance capacity by 50% (100,000 MT) in three years time within Kolonnawa. It is the first time a capacity enhancement of such a magnitude has been considered since the petroleum storage terminals was nationalised.

We are planning on refurbishing and laying new pipe lines which was targeted as high risk factors which were highlighted from the general audit report.

Further we have taken several initiatives to reduce the transportation cost by introducing more railway bogies and minimizing backtracking (duplication of transport).

ACKNOWLEDGEMENT

In conclusion, I take this opportunity to thank my colleagues on the Board for their invaluable guidance and constant support. I also wish to convey my deep appreciation to our management team and staff for their untiring effort, commitment and drive. The Board, and I, wish to express our appreciation for the invaluable contribution made by Hon. Minister of Transportation, Power and Energy Mr. Mahinda Amaraweera and Hon. State Minister of Energy Mr. Rohitha Abeygunawardena and wish them the very best in all their future endeavors. Finally, I wish to convey my sincere appreciation to all our stakeholders including our major customers, transport operators, project contractors and shareholders for their continued support.

M. U. Mohamed
Chairman & Managing Director

BOARD OF DIRECTORS

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Mr. M. Uvais Mohamed

Chairman & Managing Director

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

Mr. Mohamed Uvais Mohamed is a strong believer in the potential of his work force and believes the only way to move forward in a productive manner is united and together.

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

Presently he also serves as the Chairperson at the Energy Ministry for Enterprise Resource Planning. He also served as a director at National Apprentice and Industrial Training Authority (NAITA).

He has two decades of proven Senior Management Experience stretching across multiple sectors including Logistics, ERP, Energy etc. His work experience and exposure extends to multiple regions of the World including Europe and other parts of South Asia.

He possesses an BSc (Hons) degree from the London Metropolitan University and a MBA from the University of Wales.

Over the years he has equipped himself with numerous industry professional qualifications and certifications in his fields of passion including IT and Accounting. A particular passion remains in the implementation of Corporate ERP Systems at an Enterprise level.

His vision for the energy sector seeks to implement the policy agenda outlined in Vistas of Prosperity and Splendor of His Excellency President Gotabaya Rajapaksa.

02

Mr. Buddhika Madihahewa

Director

Mr. Buddhika Madihahewa is the Managing Director of Ceylon Petroleum Corporation. He has over 25 years of work experience with a range of professional expertise covering Management & Chartered Marketing and Top Management in key Government Institutions and Private sector organizations.

He is a member of the Chartered Institute of Marketing (MCIM), United Kingom, fellow member of Chartered

BOARD OF DIRECTORS

Management Institute (FCMI), United Kingdom, Fellow member of Association of Business Executives (FABE), United Kingdom, a member of Institute of Management (IMSL), Sri Lanka and Certified member of Sri Lanka Institute of Marketing (MSLIM).

Appointed to the Ceylon Petroleum Storage Terminals Limited Board in January 2020. He served as the Chairman, Ceylon Fertilizer Company Limited during the period from year 2008 to year 2015, former member of Tertiary & Vocational Education Commission (TVEC), served as director of Lanka Coal Company Ltd, Served as a director of Ceylon Shipping Lines Ltd, served as a director of Port Services Co. Ltd., Managing Director / CEO of Swarnakalum Group of Companies and Managing Director of APMS Holdings (Pvt.) Limited.

03 Mr. E. A. Rathnaseela

Director

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

Mr. E.A. Rathnaseela started his career as an Assistant Director – Department of Fiscal Policy in year 2001 until 2006 and promoted to Deputy Director at Department of Trade & Tariff in year 2007 to 2010. Further he served as a Director of Department of National Planning in year 2011 to 2013 and a Director of Sri Lanka Customs in year 2013 to 2016. Since year 2016, he is serving as a Director / Additional Director General of Department of Public Finance.

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

04 Mr. Manoj Gupta

Director

Mr. Manoj Gupta is a Civil Engineering graduate from prestigious NIT, Jaipur and a MBA from Podar Institute of Management, Jaipur. Mr. Gupta joined Indian Oil Corporation Ltd. in 1993 and since worked in varied assignments, including Aviation and Retail Sales. As a State Level Coordinator of Haryana State, he was responsible for maintaining close coordination with other oil marketing companies & State Government, to maintain uninterrupted supply of petroleum products in the entire State.

He has headed two very strategic and high volume divisional office namely Panipat and Kolkata. As the head of the divisions, he focused on creating a more enabling and inspiring workplace, leveraging technology and infrastructure augmentation and capability building of channel partners. With in-depth knowledge and acumen in Retail Sales , he had been closely associated with Kolkata Port Trust and WBHIDCO (West Bengal Housing Infrastructure Dev. Corporation). Under his leadership many Government sites were procured and state of the art Retail Outlets were developed.

Mr. Gupta was a core member of prestigious Retail transformation program (Dhruva) undertaken by Indian Oil with international consultants. He was the chief architect for creating FIT, SEVA, AWESUM, DARPAN' (Dealers Score card) initiative undertaken by Project Dhruva. Monitoring of entire Field Force/ ROs were carried out through online leaderboard from Head Office. He introduced capability building and engagement of dealers, managers and customer attendants through renowned professional agencies. To enhance job knowledge and engagement of field force, he introduced weekly online quizzes, which was wholeheartedly taken by all.

Mr. Gupta's above strategic initiative and network/customer centric approach has contributed a lot in improvement of look & feel and brand image of the Corporation under Project Dhruva. He believes that collaboration is the mantra for success.

BOARD OF DIRECTORS

05 Mr. Pramod Jain

Director

Mr. Pramod Jain has over two decades of varying work experience in Indian Oil Corporation Limited, in the fields of finance, taxation & commercial aspects of the oil & gas sector. He has also handled special assignments such as Internal Audit, INDAS implementation, fraud prevention & internal controls etc. This varied exposure has enabled him to correlate financial objectives with business objectives in order to achieve the desired organizational strategies. As Senior Vice President (Finance), he overlooks the entire financial matters of the company.

He is a member of the Institute of Chartered Accountants of India (ICAI), Institute of Cost and Management Accountants of India (ICMAI) holds a degree of Bachelor of Commerce (Hons) from Delhi University. He has also successfully completed Diploma in Information Systems Audit (DISA) which is a professional certification for Information Technology Audit professionals sponsored by ICAI (Institute of Chartered Accountants of India).

During his stint at IOC, he had hands on experience in varied financial fields such as Marketing Finance at different levels, Direct & Indirect Taxation, Internal Audit, SAP ERP system etc. Mr. Jain is also a Director of the Ceylon Petroleum Storage Terminals Limited (CPSTL) and a Member of Audit and Management Committee of CPSTL.

06 Mr. Suraj Patnaik

Director

Mr. Suraj Kumar Patnaik has over 25 years experience in the petroleum sector and is presently the Senior Vice President (Operations, Imports & Bunker sales) in Lanka IOC PLC. He had joined the Indian Oil Corporation Ltd as a Management Trainee in 1994 and has since worked in shipping operations, supply chain management as well as at different oil terminals of Indian Oil. Mr. Patnaik, during his tenure at Kolkata, had overseen the Supply & Distribution of petroleum products to Nepal, Bhutan and also to the far flung hilly locations of North-Eastern India. Presently, he is spearheading the bunker business of Lanka IOC PLC.

Mr. Patnaik is a Fellow in the prestigious Narottam Morarjee Institute of Shipping, Mumbai. As a Director in the Board of CPSTL, Mr. Patnaik brings his immense experience in oil terminal operations and shipping operations to further enrich the Board level decision making.

07 Mr. Tharindu H. Wickremasinghe

Director

An Attorney-at Law by profession, Mr. Wickramasinghe has studied at Royal College Colombo. He is specialized in civil and commercial litigation and has handled several high profile intellectual property matters during his practice. He holds a Master of Law (Intellectual property) from University of West London with 2nd class Honors. He has obtained his Bachelor of Law from University of Wolverhampton and has completed the Higher Diploma in International Relations from Bandaranayke Center for International Studies. Mr. Wickramasinghe has represented Sri Lanka in several International summits. He is also a Director of several Private companies.

MANAGEMENT TEAM

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01	**Mr. P D P Dharmawansa**	Human Resource & Administration Deputy General Manager
02	**Mr. O P Kaggodaarachchi**	Deputy General Manager
03	**Mr. J A U R K Jayalath**	Finance Actg. Deputy General Manager
04	**Mr. G M A Bandara**	Engineering & Support Services Actg. Deputy General Manager
05	**Mr. M S M Niyas**	Operations Actg. Deputy General Manager
06	**Mr. D R F Dias**	Actg. Chief Information Officer
07	**Ms. Sandya Wickramarachchi**	Stores Manager
08	**Mr. L W Gunasekara**	Chief Legal Officer
09	**Mr. D A J S Dharmapriya**	Automobile Operations Manager
10	**Mr. Ajith Wijesuriya**	Premises & Engineering Services Manager
11	**Mr. T V Sarathchandra**	Bulk Movement & Bulk Processing Operations Manager
12	**Mr. N Jayawardana**	Security Manager

MANAGEMENT TEAM

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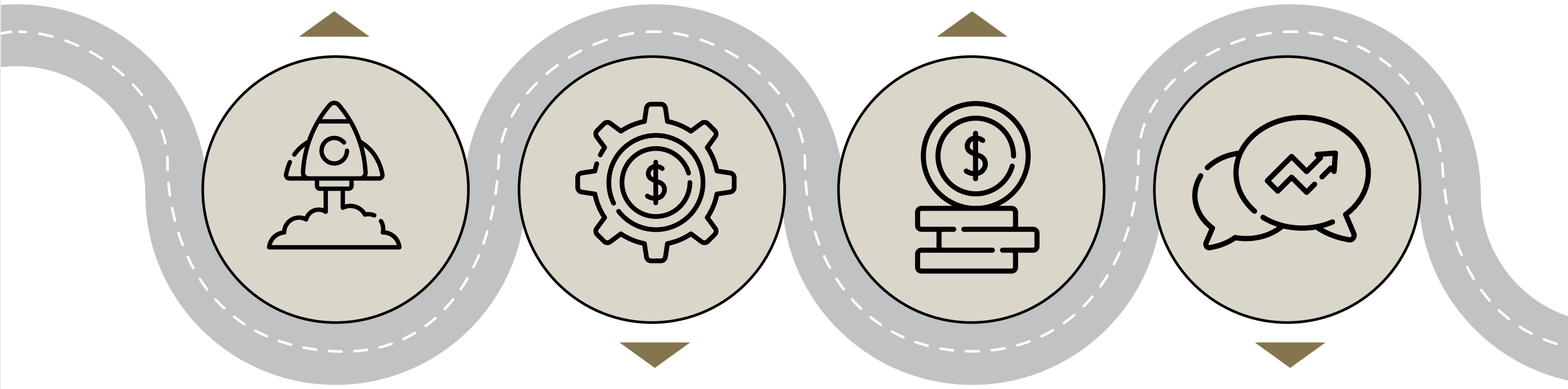
13	**Mrs. S N Gamage**	Corporate Affairs Manager
14	**Mr. K M N A C Perera**	Human Resource Manager
15	**Mr. R S S Premakumara**	Procurement Manager
16	**Mr. W M T W A Bandara**	Distribution Manager
17	**Mr. R A P A Ranasinghe**	Offshore Operations Operations Manager
18	**Mr. E A R D Bandara**	Training & Human Resource Development - Manager
19	**Mrs. R Susiriwardena**	Medical Officer
20	**Mrs. B. Jayakody**	Information Systems Manager
21	**Mr. R M N Jayathilaka**	Investigation Actg. Manager
22	**Mr. P M C P Dias**	Fire & Safety Actg. Manager
23	**Mr. K H M Jayasekara**	Internal Audit Actg. Manager
24	**Mr. G H N M Chandrasiri**	Laboratory Dy. Manager

MANAGEMENT DISCUSSIONS & ANALYSIS

FINANCIAL CAPITAL



Financial Highlights

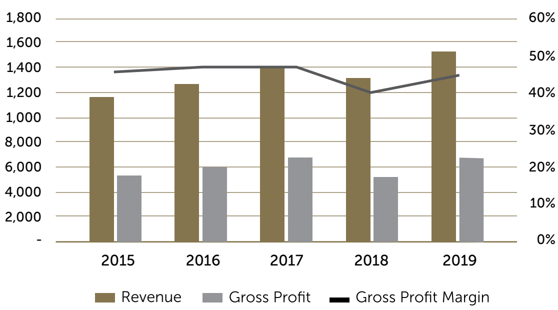
We are pleased to report a favorable performance during the year with reported revenue of LKR 15 Bn highest revenue for the past few years and after tax profit of 1.7 Bn, despite multiple challenges in market conditions that continue to exist in the petroleum products terminaling industry.

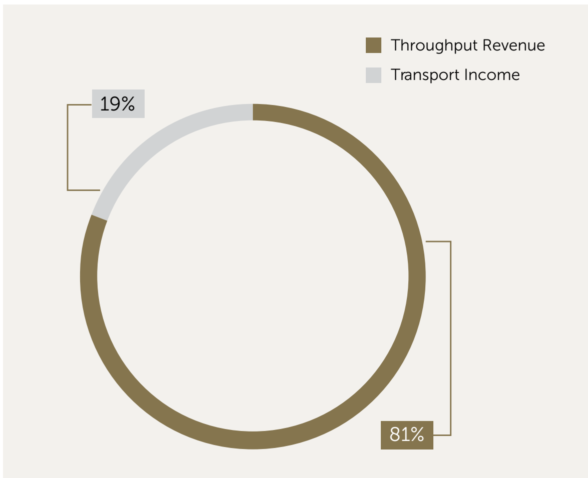
Revenue & Profitability

Revenue of CPSTL is generated from throughput income and transport income out of which throughput income is the main source of income which is recorded 81% of the total revenue in year 2019.

Total revenue of the company is LKR 15 Bn which is 17% increase with compared to year 2018 mainly supported by increase in throughput rate with effect from April 2019 and Gross Profit is LKR 6.7 Bn which is 29% increase with compared to 2018 .

Revenue & GP Margin Trend (LKR Mn)





Along with increased revenue Gross Profit Margin recorded as 44% during 2019 whereas it was 40% in 2018. Due to the same reasons Net Profit Margin is 12% & 2% during year 2019 and 2018 respectively.

Pre Tax Profit

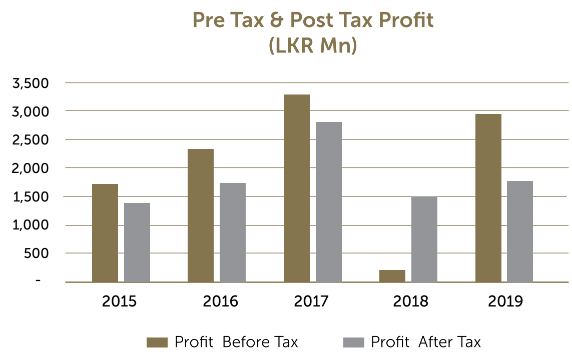
The company has recorded Pre Tax Profit of LKR 2.9 Bn which is highest recorded for the last five financial years driven by increase in revenue.

FINANCIAL CAPITAL

Post Tax Profit & OCI

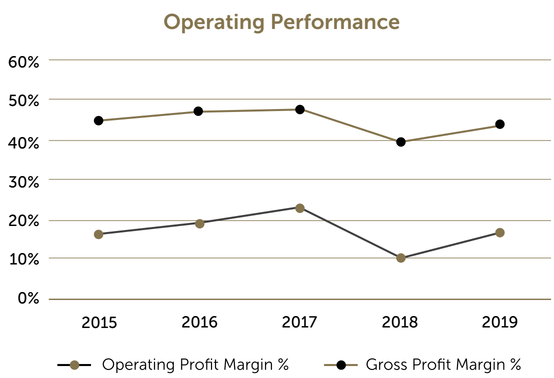
Taxation for the year amounted to LKR 1,162 Mn decreased by 12% with compared to the year before even in high revenue and profitability in 2019, because decrease in deferred taxation charge for year 2019 with compared to year 2018.

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



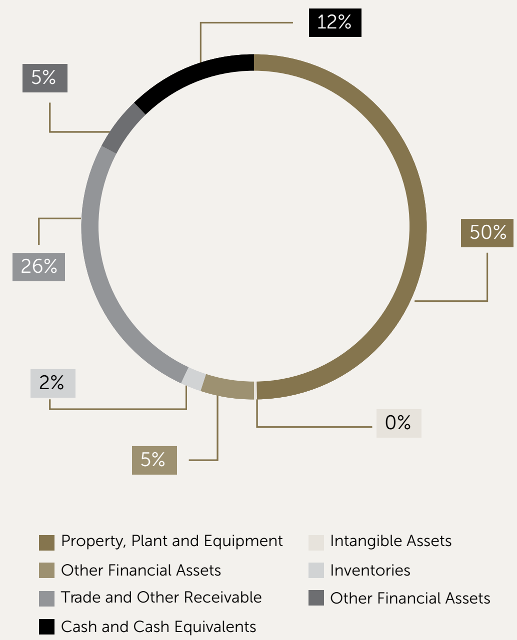
Operating Performance

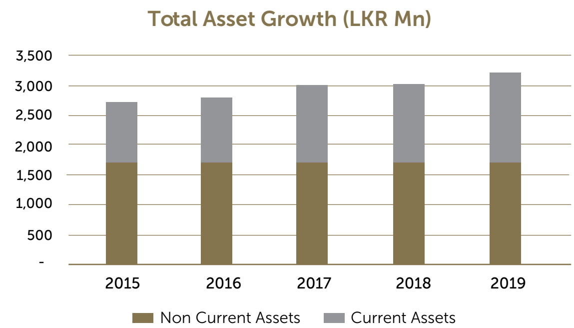
Other income increased by 21% amounting to LKR 148 Mn during the year supported by increase in interest on staff loans and write back of long outstanding creditor balances. Administrative expenses increased by 9% upto LKR 4,937 Mn with compared to the year before. At operating level, the company's operating profit increased by 85% amounting to LKR 2,605 Mn during the year compared to LKR 1,404 Mn the year before.



Financial Position

Total Assets



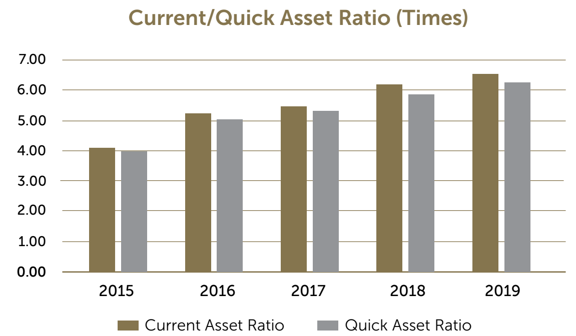


The balance sheet is more towards to non- current assets, which accounted for 50% of the total assets. Out of current assets more towards to trade and other receivables.

The total asset base increased by 6% in 2019 to LKR 32.2 Bn at the year end with compared to LKR 30.3 Bn in 2018 mainly supported by increase in cash and cash equivalents and trade and other receivables attributable to increase in revenue in year 2019. The cash position is stronger mainly due to increase in short term investments at the year end reflecting 27% growth to LKR 3.9 Bn with compared to the year before which was LKR 3.1 Bn.

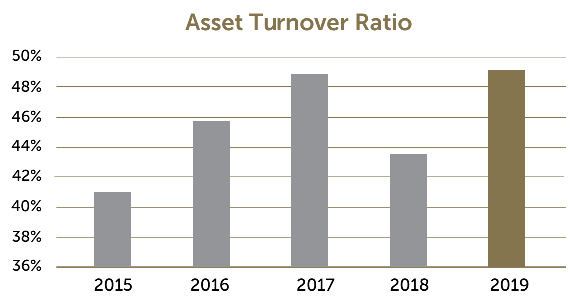
FINANCIAL CAPITAL

The current assets ratio and quick assets ratio both amounts to 6.55 and 6.25 as at the year end.



Asset Turnover Ratio

The Assets Turnover Ratio measures the efficiency of company's use of its assets to generate sales. The total assets increased by 6% in 2019 compared to the previous year and revenue increased by 17% and hence asset turnover ratio is 49% during 2019, whereas it was 44% in 2018.

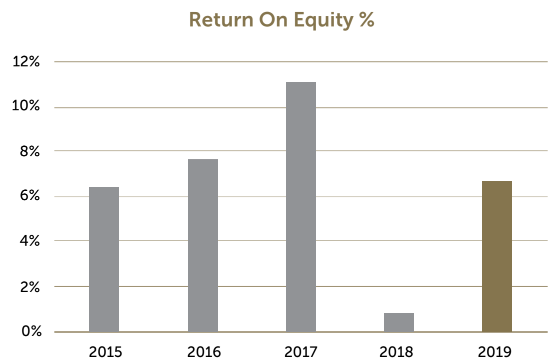


Equity and Liabilities

CPSTL is well capitalised with shareholder's funds of LKR 26.2 Bn funding 81% of the company's assets. The company paid off all the borrowings in 2016 and no new borrowings are obtained this year too. CPSTL's total liability increased to LKR 5.9 Bn from LKR 5.5 Bn in 2018 primarily due to increase in income tax liability backed by increase in profitability compared to previous year.

Return on Equity

Return on equity has decreased to 7% compared to 1% of the year before. The upward movement is mainly due to increase in profitability in 2018.

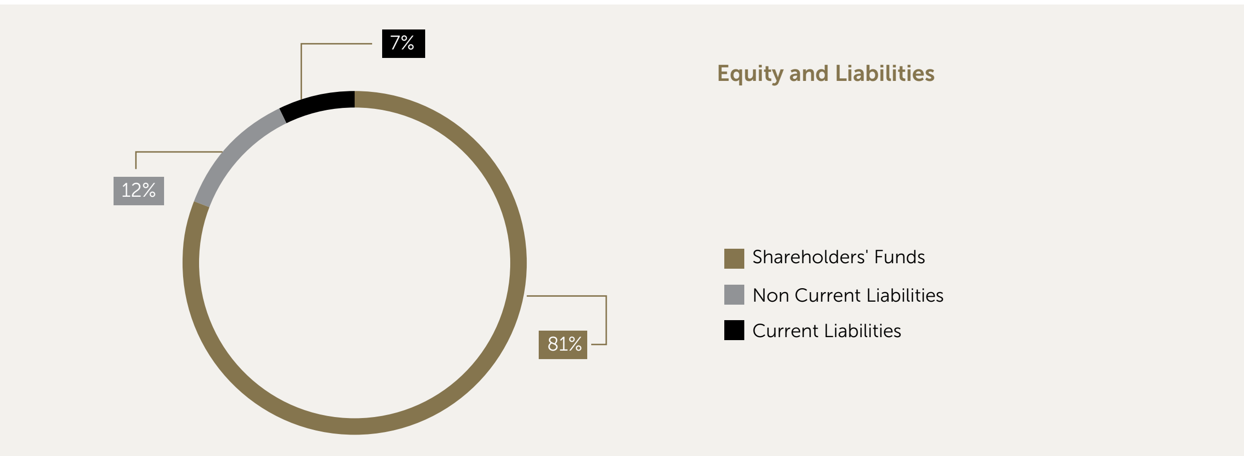


Cash Flow Generation

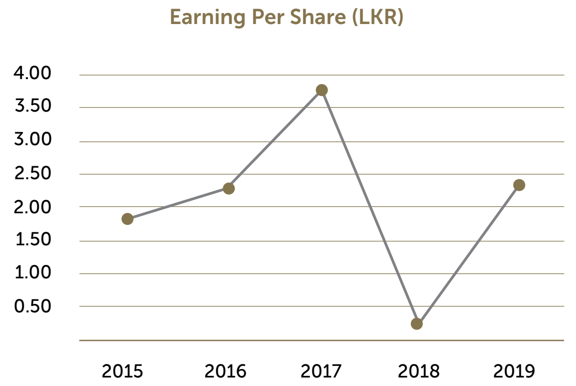
Despite the increase in profitability, net cash generated from operating activities decreased to LKR 1.6 Bn in year 2019 compared to LKR 2.5 Bn the year before primarily due to increase in other financial assets , increase in settlement of trade and other payables and increase in trade and other receivables in line with increased revenue in 2019. Net cash outflow from investing activities increased considerably because investment in property plant and equipment rose by LKR 6.5 Mn in 2019. As a consequence of the above facts net cash generated during year 2019 decreased to LKR 851 Mn where it was LKR 1,66 Mn in 2018.

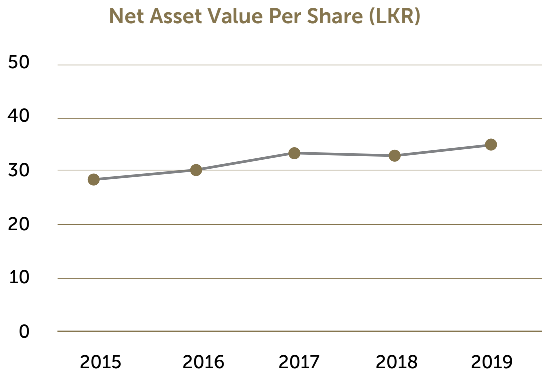
	2019	2018
Earnings per share (Rs.)	2.35	0.26
Net asset value per share (Rs.)	35	33

Earnings per share is 2.35 in 2019 whereas it's 0.26 in 2018 and net assets value per share increased from 33 times to 35 times in the year under review.



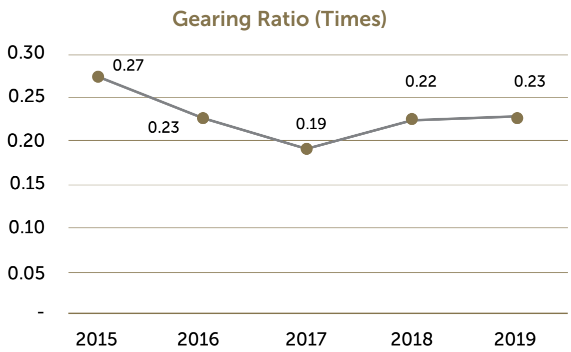
FINANCIAL CAPITAL

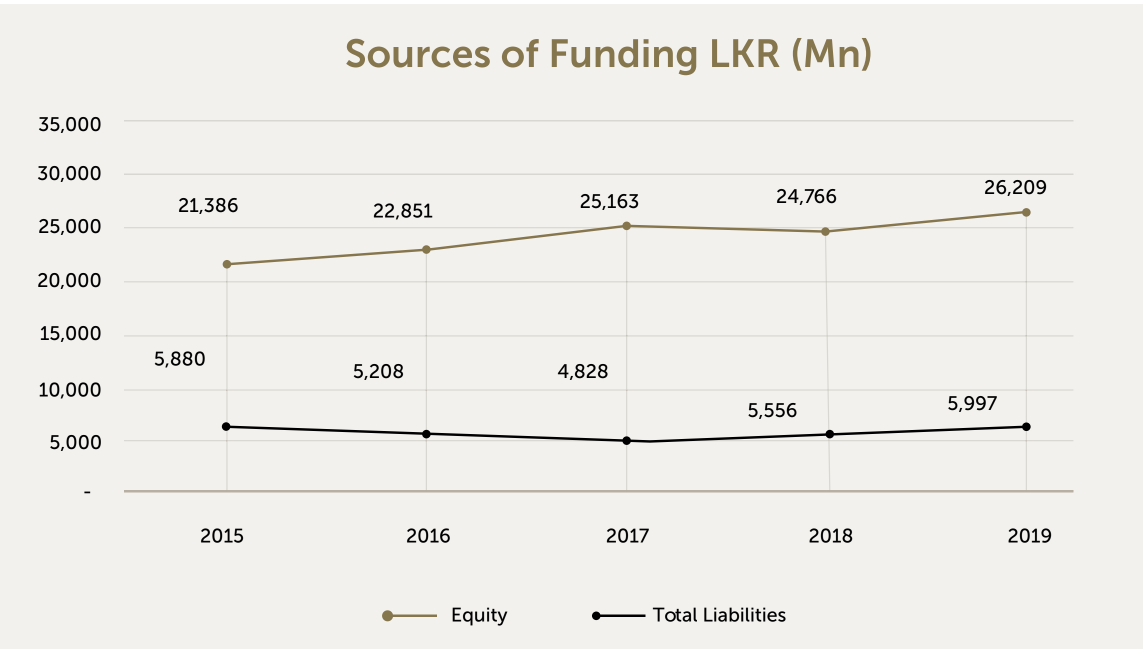




Leverage and Capital Structure

81% of assets of the company are financed through equity capital and balance 19% is financed through long term and short term debts. As depicted in graphs below, the contribution from equity capital has slightly increased in 2019 with compared to year 2018 due to increase in profits and decrease in dividend per share with compared to 2018.

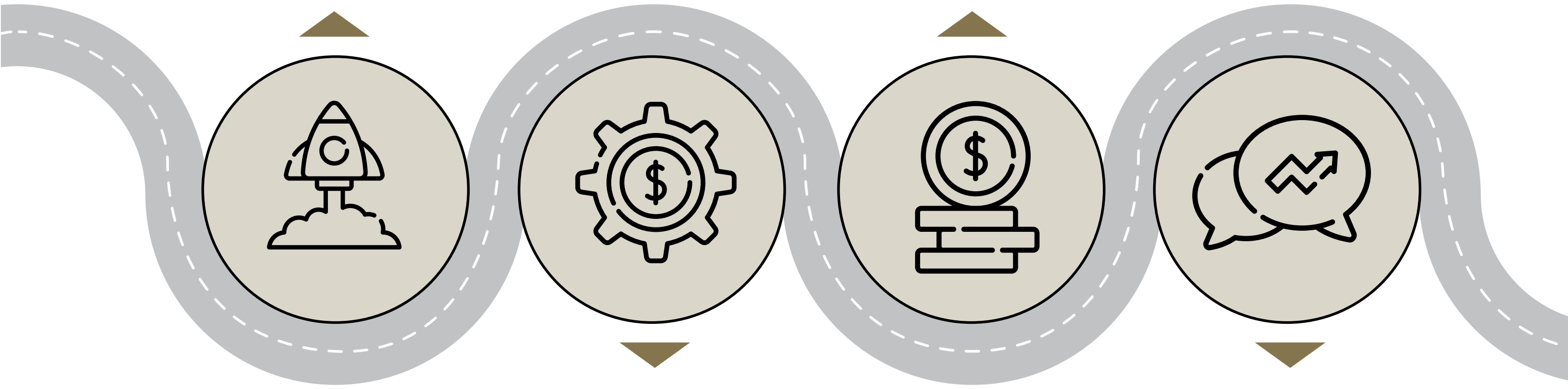




MANUFACTURED CAPITAL

Infrastructure Development Facilities at Muthurajawela Terminal

Upgrading Pipe System at Zone – 6, Kolonnawa Installation



Design, Supply and Installation of Internal Floating Roofs for Tanks No. 6, 7 and 8 at Muthurajawela Terminal

Construction of Wagon Filling Gantry at Zone 03, Kolonnawa Installation

Projects approved by Board but not completed as at 31st December 2019

Infrastructure Development Facilities at Muthurajawela

In parallel with the additional capacity introduction project, CPSTL decided to improve the infrastructure facilities of the Muthurajawela terminal.

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 terminal. In addition, the products unloaded at SPBM -02 are directly transferred to Muthurajawela terminal without subjected to port charges. Another significant advantage is that the terminal is located at the entrance of Outer Circular Expressway (OCE) which was in to 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.

The project is well positioned with the vision of CPSTL; "To be the most efficient petroleum terminal operator in South Asia". The key developments focused in the project is extension of the stroes building, construction of new workshop complex and modification of the main entrances of the terminal. The approval of the CPSTL Board of Directors has been granted for the said project and an architectural design is completed in 2019. The revised proposal as per the architectural design is under the review by the management prior to implementation.

With the implementation with this project CPSTL will gain the competitive advantage of reaching any part of the island with the quickest delivery time.

MANUFACTURED CAPITAL

Design, Supply and Installation of Internal Floating Roofs for Tanks No. 6, 7 and 8 at Muthurajawela Terminal.

Keeping in line with the organizational vision and mission, CPSTL continuously strive on improving the efficiency of terminal operations. Losses due to evaporation is one of the significant issues encountered by CPSTL in petroleum product handling operations. Evaporation is not only an economic loss, but also an environmental pollution. CPSTL being a responsible corporate citizen, the management focus has been improved in this regard to mitigate evaporation losses.

Installation of Internal Floating Roofs (IFR) is a method recommended by American Petroleum Institution (API), to reduce the evaporation on fixed dome roof tanks. IFRs are designed to regulate gas venting, and allow explosive gases to vent into the atmosphere in a safe way. Installed inside the fixed roof storage tanks, they are also an economically profitable option. IFR covers a major part of the liquid surface and through an effective seal the emission reduction can be up to 98%.

Three (03) fixed dome roof, welded steel, vertical petrol storage tanks of Muthurajawela terminal, are selected for installation of IFRs to reduce evaporation losses. The total investment on fixing IFRs is LKR 70 Mn. Under the proposed development the modifications and IFR installation of Tank No. 06 and Tank No. 07 is completed. These two are commissioned and now successfully in operation. The IFR installation of Tank No. 08 is in progress. The project recorded an overall progress of 80% by the end of the financial year 2019. CPSTL believes by implementing this project, not only to minimize the wastage of petroleum products, but also to contribute and exhibit our goodwill to save our precious environment of this beautiful island.

Repair to Tank No. 04 – Kolonnawa:

Maintaining the integrity of the storage tanks is a primary objective of CPSTL. The condition of the tanks and operational suitability is monitored and assessed by CPSTL by conducting routine inspections as per petroleum industry standards. Storage tank maintenance are scheduled accordingly. Repairs for Tank No 04 is planned as a result of this identification process. The project is executed to repair the roof of Tank No 04. The repair works are performed to prevent roof corrosion and product contamination due to water leaks from the roof. The product quality assurance and tank integrity are the main goals to be achieved by successful completion of the project. The total investment is LKR 36 Mn. The sand blasting and painting operation of the entire roof structure of the massive 12,500 MT storage tank, in order to prevent corrosion developing, was completed during the year 2019. The roof plates were specially manufactured as per the specifications and for above ground petroleum storage tanks. Plate manufacturing and shipment is undertaken by the MA Steel UK. The plate manufacturing is carried out complying with the specification API 653 at the steel mill at Belgium. The plates were successfully dispatched from the mill at Belgium and the 40% of the total work is completed by the end of financial year.

MANUFACTURED CAPITAL

Upgrading Pipe System at Zone – 6: Kolonnawa Installation

CPSTL has decided to increase the filling capacity of the gantries to cater the annual growth of the demand for fuel in the country. The petrol filling capacity is planned to increase under this objective. The filling capacity of the main petrol filling gantry at Zone 07 will be enhanced by installing new high capacity pumps under this initiative. The existing pump house does not have the sufficient space to install new pumps. Therefore, CPSTL has decided to construct a new product pump house at zone 06, Kolonnawa Installation. The new pump house construction work is awarded to M/s Laugfs Engineering (Pvt) Ltd. The total contract value of the project is LKR 37.5 Mn and 80% of the construction work was completed at the end of the financial year 2019. 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 LKR 50 Mn.

The procurement of required pipes, valves and other accessories such as pressure gauges is scheduled for the financial year 2019. Total value of the procurement is LKR 55.7 Mn.

The pipe manufacturing is carried out complying with the specification API 54L – Grade B at the steel mill at Romania. The pipes were successfully tested with third party inspection by the end of the financial year. The material delivery to the site was commenced and expected to compete with in the 1st quarter of year 2020. Pipe installation is scheduled to complete by the end of year 2021.

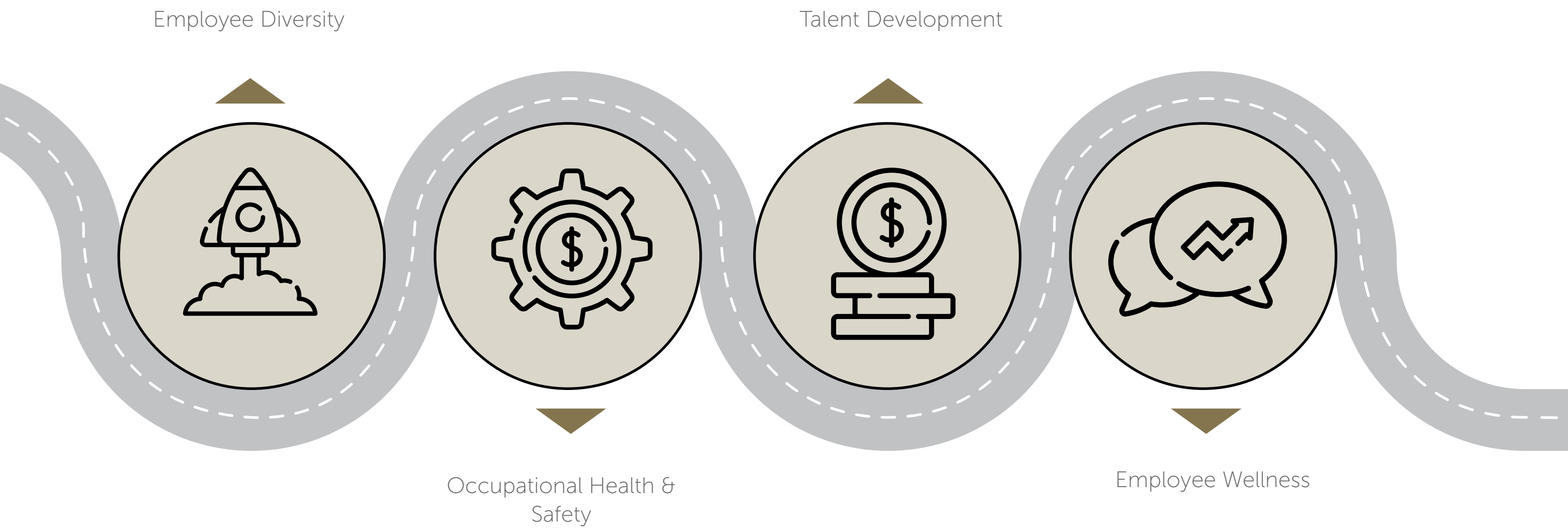
Construction of Wagon Filling Gantry at Zone 03, Kolonnawa Installation

CPSTL delivers around 38 Mn liters of JET A-1 aviation fuel through rail tankers to CPC Aviation unit at BIA, Katunayaka. The existing aviation fuel rail tanker filing facility at Zone-03 of oil installation, Kolonnawa operates as an open filling facility without a shelter. The operational activities sometimes get interrupted in adverse weather conditions. (In some occasions, around Five (05) rail tanker sets are not dispatched for a month) resulting in an approximate opportunity cost of LKR 3.6 Mn. It is proposed to construct a rail tanker filling gantry with a shelter, to milk this opportunity.

In addition, the safety of the gantry fillers during operational activities also can be enhanced by constructing a filling gantry.

In this context, CPSTL invested LKR 28 Mn in constructing a new filling gantry at Zone -03 Aviation Filling Facility. The roof and the roof structure and, part of the operating deck was completed attaining overall project progress of 85% for the financial year 2019. The project progress was carefully driven, since aviation fuel supply to international flight operation shall not be interrupted at any cost. Therefore special measures were undertaken to fabricate and paint the members of the structure at outside workshops, and assemble at site. 85% of the total construction work was completed by the end of the financial year 2019.

HUMAN CAPITAL



Our employees are a critical asset of our business, contributing immensely as teams and individuals to the success of our business. As a team they've developed unique skill combinations and relationships of networks that set up apart as a business. We enable our employees to grow with us providing competitive remuneration, numerous benefits, opportunities for learning and development and a conductive working environment.

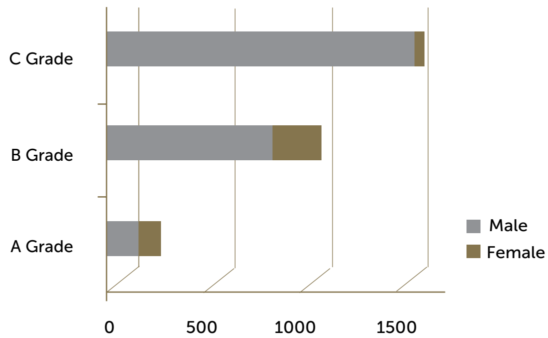
CPSTL creates value for its employees primarily by providing a great place to work as a part of highly motivated teams alongside people who are inspired to excel governance structures, policy frameworks, systems and processes have been put in place to support employee's productivity goals and how the company creates value for employees.

Building Our Team

Human resource management is a key strategic concern for CPSTL. Human resource function has focused on the following areas to strengthen our team.

- Man power planning
- Recruitment & selection
- Performance & rewards management
- Human resource development
- Employee relation & welfare services
- Human resource information system

CPSTL's team of 2,856 employees is the drive behind our strategic plan, living our corporate values. Employees are recruited from all the districts of the country covering all the races and religions & 24% represents the female employees. Female representation is relatively low in non executive grades while it's 27% in Executive grades due to the nature of the industry we are engaged in.



Diversity and Equal Opportunity

CPSTL is committed to fostering an environment that celebrates diversity. To promote diversity and foster inclusion, we provide equal opportunities throughout our operations including in recruitment, remuneration and promotions regardless of gender, race, religion, age, nationality, civil

HUMAN CAPITAL

status or political view. At the heart of this commitment currently we are providing employment opportunities for 4 disabled people in different functions of the company.

Human Resource Governance

Streamlining HR policies and procedures across have been formulated to ensure compliance with all relevant legal requirements including the prohibition of child labour and providing equal opportunities. We do not engage person below the age of 18 in employment and do not tolerate any form of forced or compulsory labour practices.

Employee Engagements & Benefits

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.

Employee Benefits to Permanent Cadre	Description	Benefits to Probationers
Leave		
- Annual leave	14 days	
- Casual leave	7 working days	Yes
- Medical leave	21 working days	
- Maternity leave	- 84 working days	
	- Half pay for 84 days	
	- No pay leave for 84 days	
- Accident leave	Employee accident while on duty	
- Lieu leave	Employee who work on 4 Saturdays of the month can obtain 2 days of leave and overtime	
- Special leave	During special incident (Election , Curfew etc)	
- Duty leave	On special instances for official duties	
- No pay leave	For foreign studies, training , workshops etc	
Increment	Evaluate employee duties, attendance and behavior	Yes
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	Yes
Bonus	Medical bonus, Annual Bonus	Yes
Loans		
- Distress loan	10 months salary, simply concessionary interest rate, recoverable in 60 months	No
- 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	No
- House repair loan	For repairing houses, simply concessionary interest rate, recoverable in 120 monthly installments	
- Home facilities loan	To purchase furniture. Simply concessionary interest rate. Recoverable in 60 monthly installments.	
- Thrift society loan	03 months salary. Simply concessionary interest rates, recoverable in 60 monthly installments.	
- Car loan	Applicable only for executives. Simply concessionary interest rate. Recoverable in 60 monthly installments.	
- Motor cycle loan	Simply concessionary interest rate, recoverable in 60 monthly installments.	
- Three wheeler loan	Simply concessionary interest rate, recoverable in 60 monthly installments.	

HUMAN CAPITAL

Employee Benefits to Permanent Cadre	Description	Benefits to Probationers
Advances		
- Festival advance	Interest free. Recoverable in 10 months	
- New year advance	Interest free. Recoverable in 10 months	
- School book advance	Interest free. Recoverable in 10 months	
Presentation of awards	Depends on the service period of employees	
Welfare related benefits	- Every employee is entitled to a 3 days / 2 nights stay with family at any CPSTL / CPC circuit bunglow - 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	

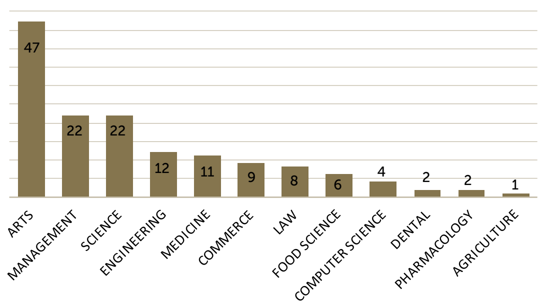
Compensation, Rewards & Recognition

The company ensures that it provides satisfactory social benefits to its employees. The statutory benefits include an entitlement to a payment of gratuity for 5 years of unbroken service. Social benefits cover a range of entitlements including health insurance, staff loans, bonuses, incentives etc.

The company is always keen on career development of employees and lends its support to staff wishing to join accredited professional bodies, motivates them for professional development and provides financial assistance to follow MBA and other postgraduate studies and also reimburse annual professional body subscriptions and enhance continuous professional development by reimbursing fees of conferences held by professional bodies.

Not only employees but children of employees are also encouraged for higher education by granting scholarships for undergraduates. During the year, 146 scholarships were granted for undergraduates in different fields.

Scholarship for Children of Employees



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

Service Period	No. Of Employees
20 Years	80
30 Years	29
35 Years	9
40 Years	2

HUMAN CAPITAL

Occupational Health & Safety

CPSTL is the largest Petroleum Terminals Operator in Sri Lanka. The petroleum products handled by CPSTL are highly inflammable and the operational activities come under high risk category. CPSTL being an economic nerve center, a large scale fire may cripple the economy of the country. Therefore Industrial and Occupational Health and Safety is of utmost important factor in CPSTL operations. CPSTL has a dedicated in-house,

- Fire and Safety function with 24hrs 7days, 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 24hrs 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

Training & Development

The company recognizes that achieving its vision and sustainable value-creation objectives rests on the ability of its people. Therefore, developing and retaining competitive people is necessary to implement the company's strategy and meet its growth targets. Training & human resource development function of CPSTL is wholly committed to the continual personal development of the employees and regularly monitoring training needs of all the employees. The company identifies the training needs of its employees through performance feedback, talent discussions. In addition to the internally conducted training programs employees are motivated to participate for training programs conducted by external parties including professional bodies, training organizations where necessary. During 2019, CPSTL has conducted several training programmes to develop technical knowledge, soft skills and leadership skills of employees translating to 13,492 training hours during the year.

Program / Workshop	Participants	Hours
Music Therapy	103	412
The Public Accountability & Audit Relevant to the public Institutions in Sri Lanka	48	384
Legal Aspects of Office Management	90	720
End User Computer Security	93	372
Fire &Safety	18	432
Personal Grooming	36	288
Skill Upgrading Programme (Masons & Plumbers)	8	360
Corporate Investigation	69	552
Domestic Fire	78	312
Office Management & Office Procedures	47	376
State Financial Management	74	592
Driving Techniques, RMV Acts & Road Safety for Drivers	78	624
National Audit Act 2018	60	480
House Keeping	12	192
Presentation Skills	67	536
Drug Abuse Management	40	160
Information System Auditing	23	184
Administration of the Factory Ordinance	21	168
Labour Law & Disc. Procedures for Admin. Profs.	28	224
Induction Training	9	144
Developing Mindful Leaders	24	192
Attitude Changing & Capacity Development, Stress Management	102	816
Microsoft Office	10	2,400
Duties & Responsibilities of Administrative Officers	26	208
Career Success	92	736
Quality Work Environment	27	216
ETF/EPF Act & payment of Gratuity	47	376
How to Conduct Internal Disciplinary Inquiries	39	312
Healthy Heart	43	172
Role & Responsibility of Office Assistants	35	280
Motor Traffic Act	34	272
Total	1481	13,492

HUMAN CAPITAL

Fundamental to our business values, CPSTL continues to explore ways to deepen the engagement with key stakeholders including employees, neighbors & society.

Employee Events

- **Blood Donation Campaign**

  Annual blood donation campaign was conducted successfully in year 2019 as well for the 39th consecutive year with full and active participation of the employees of the company.

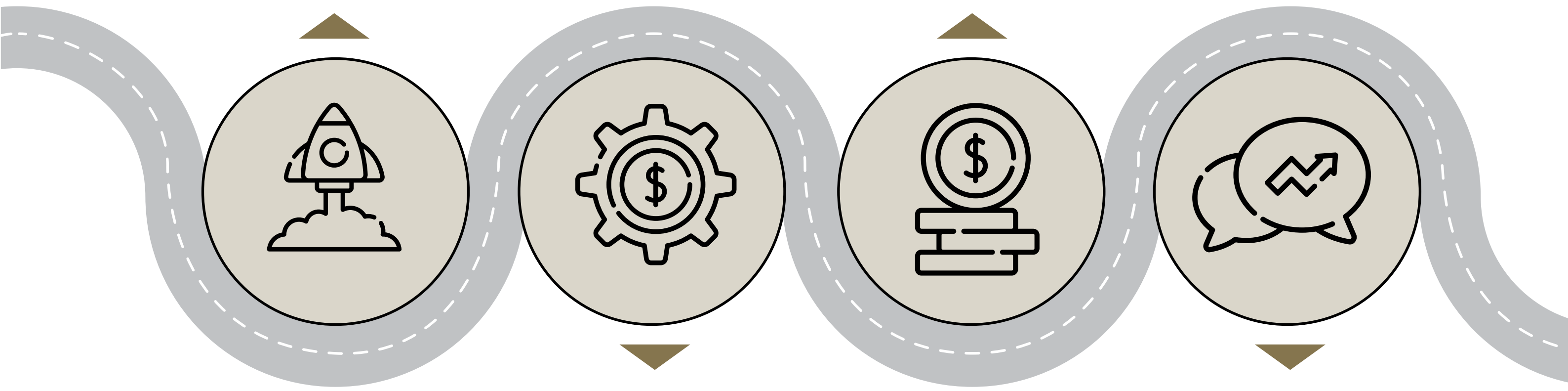
- **Buddhist Sermons**

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

- **Workshop on Music Therapy**

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

NATURAL CAPITAL



Natural Capital is a critical input to our value creation process and all our sectors continue to demonstrate strong commitment towards ensuring that our impact on the environment is minimal.

Scarcity of resources and climate change have emerged as critical global issues which could threaten the sustainability of organisations around the world. At CPSTL we strive to grow our business sustainably through maximising energy and water efficiency, minimising waste and reducing our carbon footprint. Robust mechanisms are in place to measure environmental indicators such as energy consumption, energy intensity and quality and quantity of effluents and waste. During the year, there were no fines or penalties imposed on the company for noncompliance with environmental regulations or laws.

Energy

Our key sources of energy are electricity, diesel and furnace oil. Energy is consumed mainly in two terminals (Kolonnawa and Muthurajawela) which are mainly energy intensive, off shore unit and the island wide depots. The company's energy consumption during the year by source is given below.

Energy source	Unit of Measurement	Consumption in 2019	Consumption in 2018
electricity	kwh	3,268,177	3,286,631
Diesel	KL	4,014	4,166
Water	KL	299	333

CPSTL has taken several initiatives to increase energy efficiency.

New developments and improvements such as constructions and/or extensions of pump houses, filling gantries and tank farms and the machineries required for such installations are custom designed by engineering function to operate in the maximum efficiency operating point as per the design standards. Thus, energy efficiency is achieved by the design itself by the in-house engineering team.

Water

The company's operations are not water intensive and our water usage is primarily from daily usage by employees and maintenance activities. Our water requirements are fulfilled primarily from the municipality lines. The company's total water consumption is given below.

Source	Unit of measurement	Consumption in 2019	Consumption in 2018
Municipal water supply	KL	299	333

NATURAL CAPITAL

Materials

As Sri Lanka does not produce fossil fuels, the primary raw material is petroleum based fuels which are sourced entirely from international parties.

Emissions, Waste & Effluents

Since all petroleum products are volatile there is a potential in ambient air pollution due to petroleum products vaporization. Therefore, ambient air quality measurements were taken to confirm the breathing air quality within CPSTL premises. According to the results all the results were below the maximum limit imposed by the standards.

Traces of petroleum products may present on storm water. This is mainly due to accidental spillage of products during filling operations to road tankers and rail wagons and during pump priming operations. In addition, sea water which is used for line flushing may also contain traces of petroleum products. CPSTL adopt a methodology using an interceptor tank system to discharge this oily water. The Oily water goes via interceptors located in the tank farm covering all the product tanks. Oil is separated from water by gravity difference at the interceptor. Separated oil is collected by gully bowser periodically and the oil free water passes to a facultative pond for further settling. The quality of water is tested routinely.

Sludge generated at tank cleaning is another semi-liquid waste for CPSTL. The sludge is sold to outside customers time to time according to the cleaning schedule and the amount of sludge collected. Waste engine oil collected in the garage is also sold to outside customers via tender procedure. In addition during the year following improvements were done for preserving the environment.

- As per a contingency requirement a non-absorbent oil boom was purchased under the HSE Unit. The boom is to be used in accidental oil leakages to increase the efficiency of spilled oil recovery.
- A biogas generator was purchased to convert organic waste generated at the canteen and convert it to energy through metabolic activity of bacteria.

Transportation of Products

Transportation of petroleum products pose environmental risk due to oil spills/ leakages/ accidents that contaminate both land and water resources. The following safety measures are adopted by the company in ensuring that the transportation crew is well trained to handle unplanned events. We conduct ongoing training programmes and demonstrations for transportation crew on standard and emergency response methods in event of a spills / leakages.

Our initiatives include;

- Preventing any oil leaks at the Buoy/ jetty during discharge of cargo from tankers. Both the receiving and tanker unloading hoses were pressure tested before the receipt of cargo to ensure that there are no damages in pipelines.
- In the event of any oil spillages, oil dispersant chemicals and oil absorbent cabs (Oil skimmers) were made available as ensures to mitigate minor oil spills.
- Third party insurance for any public liabilities, product liabilities and pollution liabilities.

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 fair account of Corporate Governance practices within the company.

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

Mr. M. Uvais Mohamed
Chairman

"We believe that good Corporate Governance is the fundamental to ensure that the company is well managed in all aspects to enhance all its stakeholder values and to attain long term sustainable growth"

Corporate Governance at CPSTL is designed to create sound and effective corporate culture which strengthens Board of Directors 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

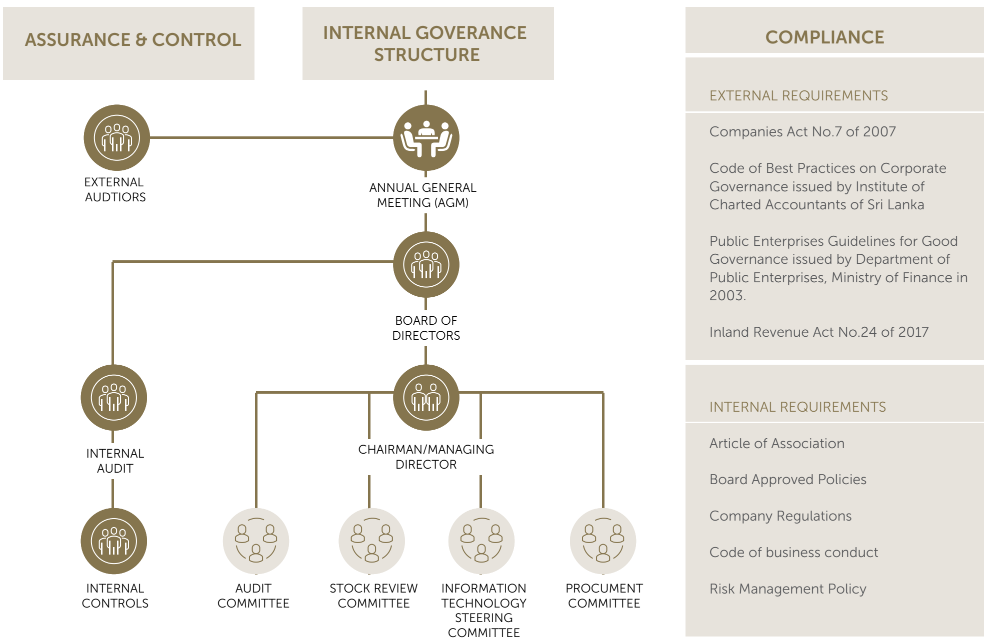
As the main facilitator of storage and distribution of petroleum products in Sri Lanka, the organization assures to practice the principles of Corporate Governance in compliance with legislations, regulations and codes set out by regulatory bodies of the country and it adheres with the internal policies & guidelines set out by the company.

CORPORATE GOVERNANCE STUCTURE

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



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 Charted Accountants of Sri Lanka
- Public Enterprises Guidelines for good Governance issued by Department of Public Enterprises, Ministry of Finance in 2003.
- Companies Act No.7 of 2007
- Inland Revenue Act No.24 of 2017 and amendments thereto and other statutes
- Article of Association of the company
- Board approved policies
- Company Regulations
- Code of Business Conduct
- Terms of Reference of Board sub committees and Management committees

02. Internal Governance Structure

The Board of Directors

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

- **Board Responsibilities**

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.
◇ Providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives for the company.
◇ Reviewing and approving annual plans and long-term business plans.
◇ Monitoring systems of governance and compliance.
◇ Approving and monitoring financial and other reporting practices adopted by the company.
◇ Reviewing and approving major acquisitions, disposals and capital expenditure.
◇ Determining any changes to the discretions/authorities delegated from the Board to the executive levels.
◇ Overseeing systems of internal control and risk management procedures.

- **Board Composition**

The composition of the Board of Directors as at 31 December 2019 was as follows;

01. Mr. M. R. M. Abdeen - Deputy Chairman/Managing Director
02. Mrs. K. D. R. Olga - Director
03. Mr. Nimal Jayasundera - Executive Director
04. Mr. Suraj Patnaik - Director
05. Mr. Pramod Jain - Director
06. Mr. Shamal Senarath - Director
07. Mr. Ananda Palitha - Director
08. Mr. Manoj Kumar Gupta - Director

Changes of Directors during the year 2019;

	Name of the Director	Date of Appointment to the Board	Date of Resigned from the Board	Position
1	Mr.Dammika Ranathunga	01st June 2017	30th January 2019	Chairman
2	Mr. G. S. Withanage	30th January 2019	12th September 2019	Chairman
3	Mr. Sanjeewa Wijerathne	01st June 2017	30th January 2019	Managing Director
4	Mr. M. R. M. Abdeen	30th January 2019		Managing Director
5	Mrs.K.D.R.Olga	14th October 2015		NED
6	Mr.Shyam Bohra	14th October 2015	14th May 2019	NED
7	Mr.Nimal Jayasundara	01st June 2017		ED
8	Mr.U.N.Gunawardena	01st June 2017	30th January 2019	NED
9	Mr. Suraj Patnaik	30th May 2018		NED
10	Mr. Pramod Jain	16th August 2018		NED
11	Mr. Shamal Senarath	30th January 2019		NED
12	Mr.Ananda Palitha	14th May 2019		NED
13	Mr. Manoj Kumar Gupta	20th May 2019		NED

NED **Non-Executive Director** **ED** **Executive Director**

The profiles of current Directors on pages 10 to 13 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.

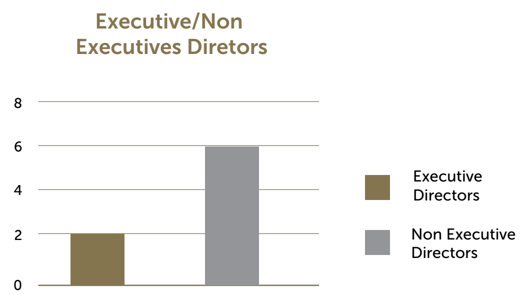
CORPORATE GOVERNANCE

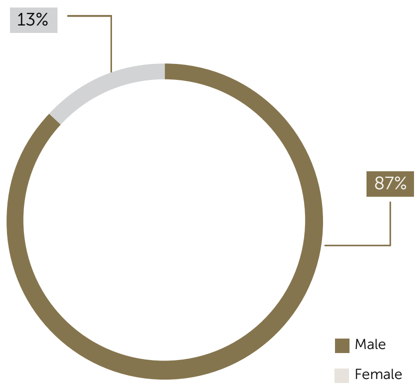
- **Board Diversity and Board Balance**

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

The Board of the CPSTL comprises of eight Directors as at 31 December 2019, out of which two are Executive Directors and six are Non-Executive Directors who are having optimal mix of skills, expertise and experience in different fields. The Board also has female representation.

Director	No of Directors
Executive Directors (ED)	
Non-Executive Directors (NED)	





- **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**

The roles of the Chairman and the Managing Director are separate since 01st June 2017 with a clear distinction of responsibilities between them, which ensures the balance of accountability and authority between the running of the Board, and the executive responsibility for the running of the businesses.

Mr. Dammika Ranathunga was the Chairman and Mr. Sanjeewa Wijerathne was the Managing Director of the company for the period of 01st June 2017 to 30th January 2019. Then Mr. G.S.Withange appointed as the new Chairman and Mr. M.R.M.Abdeen appointed as the new Managing Director of the company.

The role of the Chairman is to provide leadership to the Board, for the efficient organization and conduct of the Board's function, and to ensure the integrity and effectiveness of the relationship between the Non-Executive and Executive Director(s). The role of the Managing Director is to manages day today affairs of the organization based on strategic direction, policy formation and procedure approved by the Board of Directors from time to time.

Operations of CPSTL can be divided into sub categories namely, operations in Kollonawa installation, operations in Muthurajawela terminal, Oil Facility office at port of Colombo and operations in Lanka Bulk Depots in island wide. Muthurajawela terminal operations headed by Terminal Manager (Muthurajawela). Operation Manager (Offshore Operations) is the Head of Oil Facility Office at port of Colombo and Lanka Bulk Depots are headed by Depots' Superintends under the supervision of Deputy General Manager (Operations).

Mr. M.R.M. Abdeen, Managing Director in the chair acted as the Deputy Chairman, since Chairman position was vacant from 12th September 2019 with the resignation of Mr. G.S.Withange.

- **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 10 Board meetings during the year 2019.

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

CORPORATE GOVERNANCE

	Name of the Director	Board Meeting Attendance
1	Mr.Dammika Ranathunga	-
2	Mr. G. S. Withanage	09/09
3	Mr. Sanjeewa Wijerathne	-
4	Mr. M. R. M. Abdeen	10/10
5	Mrs.K.D.R.Olga	09/10
6	Mr.Shyam Bohra	06/06
7	Mr.Nimal Jayasundara	09/10
8	Mr.U.N.Gunawardena	-
9	Mr. Suresh Patnaik	08/10
10	Mr. Pramod Jain	10/10
11	Mr. Shamal Senarath	10/10
12	Mr.Ananda Palitha	05/05
13	Mr. Manoj Kumar Gupta	04/04

- * Mr. Dammika Ranathunga resigned and Mr. G. S. Withanage appointed as Chairman with effect from 30th January 2019.
- * Mr. Sanjeewa Wijerathne resigned and Mr. M. R. M. Abdeen appointed as Managing Director with effect from 30th January 2019.
- * Mr. U.N.Gunawardena resigned from the Directorship and Mr. Shamal Senarath appointed as Director with effect from 30th January 2019.
- * Mr. Shyam Bohra resigned from the Directorship and Mr. Ananda Palitha appointed as Director with effect from 14th May 2019.
- * Mr. Manoj Kumar Gupta appointed as a Director with effect from 20th May 2019.
- * Mr. G. S. Withanage resigned from the Chairman position with effect from 12th September 2019.

• 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 certain specific responsibilities;

a) Audit Committee

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

CPSTL Audit Committee consists of 03 members who are Non-Executive Directors appointed by the Board of Directors. The composition and functions carried out by the Audit Committee are presented on page 52 to 53 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 (Departmental 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

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

03. Assurance and Control

• Financial Reporting

The Board of Directors is responsible for true and fair view presentation of financial statements. The financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS and LKAS and Audit

CORPORATE GOVERNANCE

Committee has reviewed and discussed the financial reports prior to publication with the management and external auditors including the extent of complicate with Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgmental matters.

- **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.

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 37.	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.	
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	◇ Accounting Systems Secretarial Services (Private) Limited acts as Secretaries to the Board, guiding the Board on discharging its duties and responsibilities and promoting best practices in Corporate Governance. ◇ The Secretary also informs the Board of any new laws and regulations that will need to be adhered with.	Complied
A1.5	Independent Judgement	Equal opportunity is available for Directors to express their views independently on matters relating to the Board.	Complied
A1.6	Dedicate adequate time and effort to matters of the Board and the company	All Directors are provided with notice, agenda and Board papers in advance of each meeting to ensure that Directors have sufficient time to review the same and call for additional information or clarifications if required.	Complied
A1.7	If necessary, in the best interest of the company, one-third of the Directors can call for a resolution to be presented to the Board.		Not applicable
A1.8	Board induction and training.	The Directors are regularly updated by the Chairman, Managing Director, Executive Director and Senior Management on the relevant information regarding internal and external environment.	Complied

CORPORATE GOVERNANCE

Code Reference	Corporate Governance Principal	Details of Compliance	Status of Compliance
A.2	Division of responsibilities between the Chairman and CEO	◇ There is a clear distinction of the roles of the Chairman and the Managing Director since 01st June 2017. ◇ The role of the Chairman is to provide leadership to the Board. ◇ The role of the Managing Director is to manage day today affairs of the organization based on strategic direction, policy formation and procedure approved by the Board of Directors from time to time.	Complied
A.2.1	Justification of combining roles of Chairman and CEO in one person.	After 12th September 2019 the Chairman position was vacant and Mr. M. R. M. Abdeen, the Managing Director in the chair acted as the Deputy Chairman.	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. ◇ A balance of power between Executive and Non-Executive 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 three 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. Nimal Jasundara one of the Execute Director of the Board, has over 38 years of experience in Ceylon Petroleum Corporation's overall finance activities. ◇ Mr. Promod Jain is a member of Institute of Charted Accountant of India, Institute of Cost and Management Accountants of India and holds a degree of Bachelor of Commerce (Hons) from Delhi University. ◇ Mrs. K.R.D. Olga is the Director of Department of Public Finance and General Treasury and she has wide experience in Public Financial Management.	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 2019 is depicted in the table on page 35.	Complied

CORPORATE GOVERNANCE

Code Reference	Corporate Governance Principal	Details of Compliance	Status of Compliance
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
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 19 to 32. ii. Annual Report of the Board of Directors on pages 50 to 51. iii. Statement of Director's responsibilities in relation to the financial statements of the company on page 61. iv. Statement on going concern on page 50. v. Directors' statement on internal control on page 38. vi. Independent Auditors' report on pages 55 to 60. vii. Chairman's & Managing Director's statement of responsibility on page 08 to 09. 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.	

CORPORATE GOVERNANCE

Code Reference	Corporate Governance Principal	Details of Compliance	Status of Compliance
D.2	Risk Management and Internal Control	A sound Risk Management framework is adopted by the company consisting of policies, internal controls and periodic monitoring with the guidance of the of the Audit and Management Committee and with the assistance of Internal Audit Department. These are described in the Risk Management section on page 42, and Audit and Management Committee Report on page 52.	Complied
D.3	Audit and Management Committee	The Audit and Management Committee comprised of 03 members who are Non-Executive Directors appointed by the Board of Directors. It is supported by the Internal Audit division. The composition and functions carried out by the Audit and Management Committee are presented on page 52 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 47.	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
H.2	ESG governance	Refer Natural Capital Section on page 31.	Complied

RISK MANAGEMENT

Risk management is a strategic priority within the company and considered essential for delivering value for the business. CPSTL continues to build risk management capabilities and proper system of internal controls to help the company deliver the growth plans in a controlled environment.

CPSTL firmly believes that sound risk management practices are critical for long term growth. The company's objective is to add maximum sustainable value to all activities of the organization considering the potential upside and downside of all those factors that can adversely affect the operations as a going concern. Risk management is a continuous and developing process which plays a pivotal role in the corporate strategy and its implementation.

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.

The business risks of the company are affected by a number of factors, not all of which are within the company's control. The externally driven challenges, together with general business risk exposures such as corporate reputation, security, environment, health and safety issues, product quality and information technology are constantly reviewed as part of Company's risk management process.

Risk Governance

The Board has ultimate responsibility for providing strategic guidance and managing risks. They have put in place a Risk Governance Structure to facilitate timely identification of risks with clear accountability for the same. The Board of Directors, Audit Committee and internal audit department lead the risk management process by guiding and supporting the managers and the employees in the company.

BOARD OF DIRECTORS

BOD is responsible for setting the risk appetite, communicating risk strategy and approving policies for effective management of risks.

AUDIT COMMITTEE

The Committee reviews the adequacy of internal controls by evaluating the reports provided by internal audit department and asses the independence and performance of external auditors. The Committee also reviews the risks reported by each department and approves the actions to be taken by the company so as to manage and mitigate the impacts arising from such risks.

FUNCTIONAL HEADS

Functional heads are primarily responsible for managing risk within each of their department and for ensuring that appropriate risk mitigation programs are in place and that they are compliant with the company's risk management standards & internal controls system.

INTERNAL AND EXTERNAL AUDITS

The role of internal audit is to provide independent assurance that an organization's risk management, Governance and internal control processes are operating effectively.

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.

RISK MANAGEMENT

Risk Management Process

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

Risk management process consists of four steps:

01. Risk Assessment

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

02. Risk Treatment/Risk Mitigation

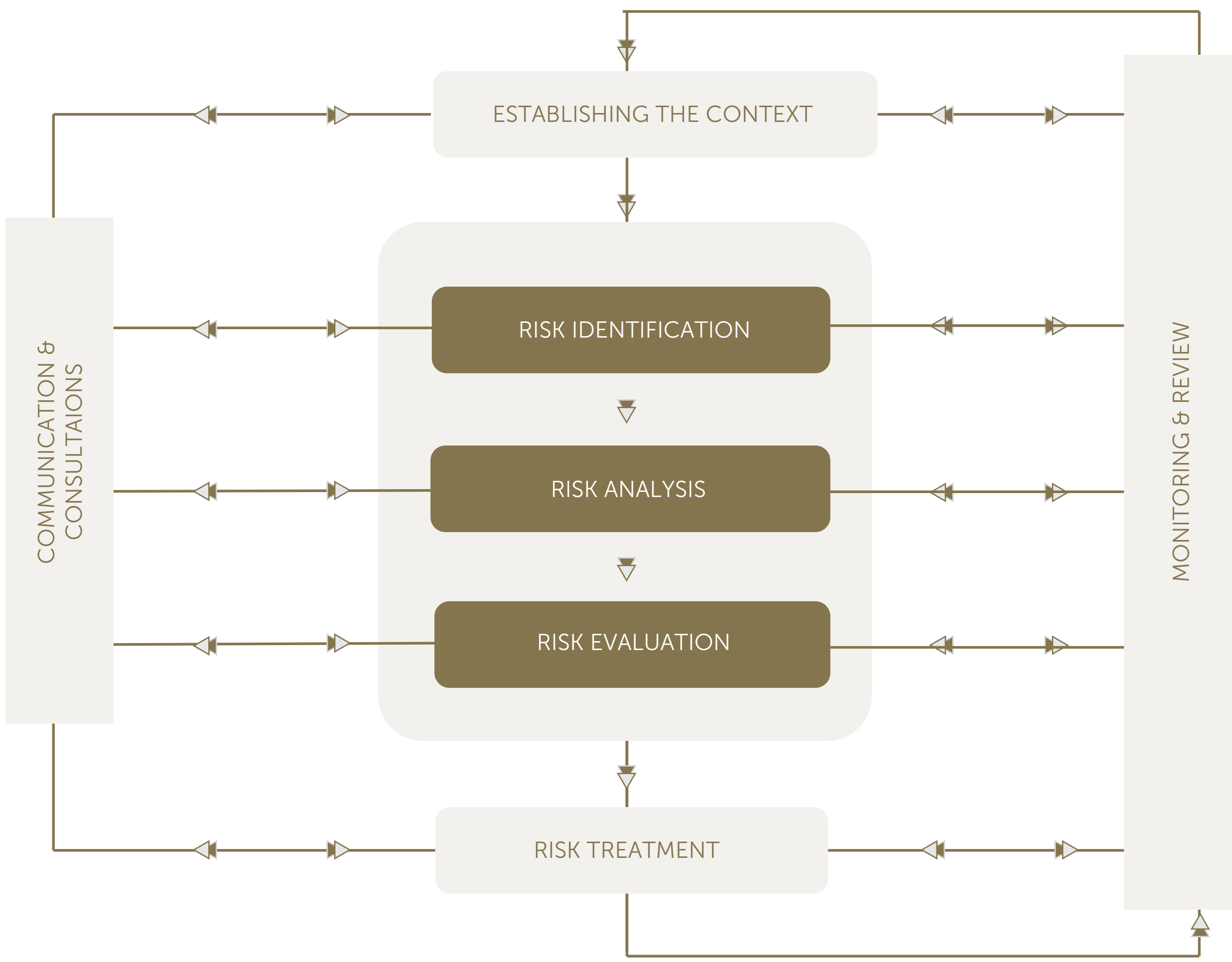
Risk treatment is an action that is taken to manage a risk. That is whether the company will avoid, transfer, reduce or accept the risk, which is depending on the nature and the evaluation of the risk.

03. Monitoring and Review

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

04. Communication and Consultation

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



RISK MANAGEMENT

Company Approach to Risk Management

The company adopts a two lines of defense model as summarised 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.

Overview of Key Risks Affecting the Company

Risk	Key Drivers	Mitigation Strategies
Natural hazards & uncertainties		
Our operations may be affected by natural disasters and other events beyond our control. 	◇ Interruptions from floods, landslides, severe storms.	◇ Insurance covers are obtained against certain risks identified.
Terrorist attack		
Shocks from deadly suicide bombings on Easter Sunday in Sri Lanka were reverberating throughout the economy in the worst crises since civil war ended in 2009. 		◇ Since the company is a nerve center of the economy, high security measures and controls are implemented.

RISK MANAGEMENT

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.

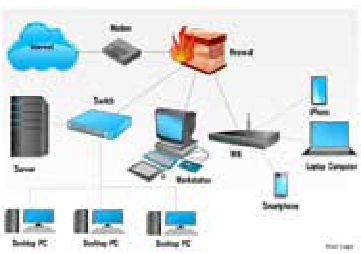
Competitor risk		
Competition from other terminal companies that can supply our customers with comparable storage capacity at a lower price could adversely affect our financial condition and results of operations.	◊ We face competition from other terminal companies (CPC & LIOC) who are the two shareholders of the CPSTL.	◊ Enhance the bowser fleets. ◊ The expansion of an existing terminals such as by increasing storage capacity or otherwise. ◊ Higher service standards are maintained by recruiting, training and coaching employees with 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.

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 (substandard) product distributed for public use, could result in poor engine performance or even engine damage which could result in liability claims regarding damages and negative publicity.	◊ CPSTL has sophisticated laboratory for any kind of petroleum fuel tests and followed stringent quality control mechanisms and compliance with regulatory and certification. 

RISK MANAGEMENT

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.	◊ CPSTL has dedicated In house fire unit, first aid training, fire drills, safety training and awareness programs. Fire safety equipment are constantly checked and ensure that are in peak condition. i.e. servicing and testing of fire siren regularly, oiling and testing office equipment, drenchers and horses 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.

Health, safety & environmental risk		
	◊ 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.	◊ Proper garbage separation and dispose system is implemented. ◊ Employed well trained staff for handling pipeline / offshore leakages.

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.	◊ Fully operationalized Disaster Recovery Management Centre (DRMC). ◊ 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

RISK MANAGEMENT

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.	◊ Employee disappointment on existing promotion scheme and procedures. ◊ Lack of carrier development opportunities. ◊ Feeling under valued ◊ Poor leadership ◊ Lack of flexibility	◊ 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. 

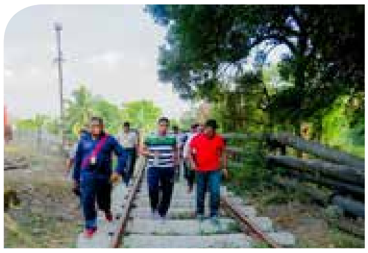
Economic risk		
Our financial results depend on the demand for the light refined products, heavy refined products, crude oil and other related services that we perform at our terminals. General economic downturns could mainly result in lower demand for these products for a sustained period of time. It will affect to significant reduction in storage usage in our terminals, which would reduce our cash flow and our ability to make distributions to our two shareholders.	◊ 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

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.

RISK MANAGEMENT

Employee relations risk		
Around 99% of our employees are unionized as we recognized the right to freedom of association.	◊ Unionized labour 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.

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

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. Eg- Dispute among villagers/residents over new pipeline project from Colombo to Kolonnawa 		◊ 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

The Board of Directors have pleasure in presenting the Annual Report for the year ended 31st December 2019 on the affairs of the Company prepared in terms of the provisions of the Companies Act No. 7 of 2007.

These were approved by the Directors on 02nd March 2020.

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 owned 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 Muthurajawela installation, Colombo port to Kolonnamwa installation and their branches upto the customer's battery limits, Galle Harbour to Magalle bulk depot, and internal pipelines within the installations and bulk depots referred above.

Review of Operations and Financial Highlights

The operation has shown revenue of LKR 15.3 Bn with a Net Profit of LKR 1.7 Bn.

Particulars	31.12.2019 Rs.	31.12.2018 Rs.
Turnover	15,339,875,966	13,130,224,803
Earnings Before Taxation	2,927,856,033	1,522,230,109
Profit / (Loss) After Tax (PAT)	1,765,326,987	197,317,904

Stated Capital

The Stated Capital of the Company as at 31st December 2019, is Rs. 7,500,000,000/=. The distribution of shareholdings is as follows.

	Ordinary shares
Ceylon Petroleum Corporation	500,000,000
Lanka IOC PLC	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 recommended an interim dividend of LKR 0.48 per share for the year ended 31st December 2019.

Corporate Donations

During the year the company made donations & sponsorship payments amounting to LKR 3,781,450.

Directors as at 31 December 2019

The Board of Directors of Ceylon Petroleum Storage Terminals Limited as at 31st December 2019 were as follows;

Mr. M. R. M. Abdeen
Mrs. K. D. R. Olga
Mr. Nimal Jayasundera
Mr. Suraj Patnaik
Mr. Pramod Jain
Mr. Shamal Senarath
Mr. Ananda Palitha
Mr. Manoj Kumar Gupta

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 22 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 2019 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.

For and on behalf of the Board of Directors

M. Uvais Mohamed
Chairman / Managing Director

E. A. Rathnaseela
Director

By Order of the Board,

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

AUDIT AND MANAGEMENT COMMITTEE REPORT

Composition

The Audit & Management Committee of consists of 03 members, who are Non - Executive Independent Directors appointed by the Board of Directors.

- Mrs. K.D.R. Olga - The Chairperson
- Mr. Pramod Jain - Member
- Mr. Ananda Palitha - Member

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

Tasks of Audit & Management Committee

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

Internal Audits

The Committee reviews 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 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, eight (08) Audit & Management Committee meetings have been conducted to perform the tasks entrusted to them as noted above.

The members who have taken part in 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.	08.02.2019	02	02	Mrs. K.D.R. Olga Mr. Pramod Jain
02.	14.02.2019	02	02	Mrs. K.D.R. Olga Mr. Pramod Jain
03.	22.03.2019	02	02	Mrs. K.D.R. Olga Mr. Pramod Jain
04.	09.05.2019	02	02	Mrs. K.D.R. Olga Mr. Pramod Jain
05.	03.06.2019	02	02	Mrs. K.D.R. Olga Mr. Pramod Jain
06.	15.08.2019	02	02	Mrs. K.D.R. Olga Mr. Pramod Jain
07.	19.09.2019	03	03	Mrs. K.D.R. Olga Mr. Pramod Jain Mr.Ananda Palitha
08.	25.11.2019	02	02	Mrs. K.D.R. Olga Mr. Pramod Jain

AUDIT AND MANAGEMENT COMMITTEE REPORT

Role of the Audit & Management Committee

The Audit & Management Committee has made several decisions and recommendations on strategic issues for submitting 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 program, 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.

Conclusion

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

K D R Olga
Chairperson
Audit & Management Committee

FINANCIAL INFORMATION

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My No. POE/A/CPSTL/01/19/01 Your No. Date 14 October 2020

Chairman

Ceylon Petroleum Storage Terminals Limited

Report of the Auditor General on the Financial Statements and Other Legal an Regulatory Requirements of the Ceylon Petroleum Storage Terminals Limited for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No.19 of 2018.

1. Financial Statements

1.1 Disclaimer of Opinion

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

I do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

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

(b) **Inter Company Balances**

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

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

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

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

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

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

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

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

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

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

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

(h) A difference of Rs.437.53 million was observed between total of Income Tax payable,

Value Added Tax (VAT) payable, Withholding Tax payable, Pay As You earn (PAYE) payable and Economic Service Charge (ESC) Payable balances appeared in the financial statements of the Company and the corresponding amounts shown in the records maintained by the Department of Inland Revenue as at the end of the year under review.

1.3 Responsibilities of Management and Those Charged with Governance for the

Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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.

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.

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

My responsibility is to conduct an audit of the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- I have not obtained all the information and explanation that considered necessary for the purpose of audit and I was unable to determine whether proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

- Except for the effect of the matters described in the Basis for Disclaimer of Opinion, the financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

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- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for the matter sated in 1.2 (a), 1.2 (b), 1.2 (c) and 1.2(h) in this report.

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

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

	Reference to Low/Direction	**Description**
(a)	Public Enterprises Circular No. PED/12 of 2 June 2003 - Guidelines for Good Governance	
(i)	Guideline 5.1.3	The Company had not prepared a Corporate Plan for 3 years and presented to the audit as required by the guideline.
(ii)	Guideline 5.2.2(b)	Approval of the Ministry and the concurrence of the Department of Public Enterprises in General Treasury had not been obtained for the capital expenditure which exceeded Rs. 10 million.
(iii)	Guideline 5.2.2	Thirty eight (38) capital projects which have an estimated cost of aggregating Rs. 6,981 million had been carried without a proper feasibility study.
(iv)	Guideline 9.2	The Company does not have an approved organization chart and cadre registered with the Department of Public Enterprises in General Treasury.
(v)	Guideline 9.3	The Company does not have schemes of recruitment and promotion (SORAP) approved by the Board and the Ministry with the concurrence of the Department of Public Enterprise in General Treasury.
(vi)	Guideline 9.10	Approvals of the Secretary to the Treasury had not been obtained by the Company for the appointment of contract employees. There were 29 contract basis employees at the end of the year under review.

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(vii)	Guideline	Approval of the Department of Public Enterprises in General Treasury for the welfare scheme adopted by Company had not been submitted for audit. However, a sum of Rs. 239.29 million had been paid as staff welfare during the year under review by the Company.
(b)	Government Procurement Guidelines - 2006	A tender procedure had not been followed when selecting outside transporters (Bowsers). Further, even the approval of board had not been obtained when selecting outside transporters.
(c)	Department of Public Enterprises Circular No. FP/06/35/02/01 of 04 November 2013 and No. PED the 03/2016 of 29 April 2016.	Without deducting the Pay As You Earn (PAYE) tax from personal emoluments of employees, the Company had borne employees PAYE tax amounting to Rs. 162.2 million during the year under review.
(d)	Finance Circular No. 124 of 24 October 1997 of the Ministry of Finance and Planning	Twenty Seven officers had been assumed for cover up duties of vacant posts over 03 months period as at the end of the year under review which contrary to the circular provision.

(e) Resources of the Institution given to Other Government Institutions

In contrary to the instructions of the circulars, particularly in the Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprise Guidelines for Good Governance, the Letters Nos. CSA/PI/40 of 04 January 2006 and CS/1/17/1 of 14 May 2010 issued by His Excellency the President, and the Public Enterprises Circular No.21 of 08 January 2004, the Company had released three (03) employees and incurred a sum of Rs. 4.73 million as their remuneration and other allowances during the year 2019.

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

(a) Non-availability of a formal monitoring process over terms and conditions of the Settlement Agreement

As reiterated in my previous years audit reports, according to the section 03 of the Settlement Agreement signed on 05 January 2007 between the Government of Sri Lanka and LIOC, it was restricted to deliver petroleum products by LIOC from its China Bay installation to a maximum 5 per cent of the Country's throughput of petroleum products and Ceylon Petroleum Corporation (CPC) to a maximum 5 per cent excluding deliveries from Sapugaskanda Refinery. However, a regular process had not been established to monitor the compliance of the above provisions. As a result, there is a possibility of losing considerable amount of throughput income to the Company.

(b) Delay in Revising Pricing Formula due to Expiry of Shareholders Agreement and Share Sale Purchase Agreement for Common User Facility

It was noted that Shareholders Agreement and Share Sale Purchase Agreement for the common user facility between CPC, LIOC and the Company was expired on 31 December 2008. Neither an extension had been obtained, no new agreement had been signed by participating all the related parties with a proper evaluation and approval of the board. Therefore, the pricing formula used for the purpose of determining the throughput charges, transport income including slab recoveries had not been revised since 2011.

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(c) The Common User Facilities

The Company had entered into a common user facility agreement with CPC without LIOC on 13th May 2019. According to this agreement, terms and condition in relation to storage and transport of petroleum product and the way of deciding the throughput between CPC and Company were agreed. However, the terms and condition in relating to the same subject affected to the LIOC, a main user and a party who were in the Common User Facilities Shareholders' Agreement of the year 2003, were not cleared audit. Therefore, it was observed that any unfavorable conditions and cost had to be borne by the Company in any event of LIOC refusing the terms and condition entered between the Company and CPC.

(d) Out of the approved cadre of 3,249 of the Company, 343 post were in vacant as at 31 December 2019. Out of that, 44 posts of vacancies were in senior staff level including, Deputy General Manager (Operations), Deputy General Manager (Eng.and SS), Chief Information Officer, and Manager (Fire and Safety), Manager (Internal Audit) etc... However, it was observed that 833 persons had been recruited out of approved cadre.

- 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.

W.P.C. Wickramaratne)
Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 LKR	2018 LKR
Non Current Assets			
Property, Plant and Equipment	10	16,014,759,551	16,046,854,744
Intangible Assets	11	101,433,160	127,341,560
Other Financial Assets	14.1	1,640,163,452	1,138,830,704
		17,756,356,163	17,313,027,008
Current Assets			
Inventories	12	675,841,555	657,620,365
Trade and Other Receivables	13	8,247,643,666	7,679,235,133
Other Financial Assets	14.2	1,525,800,944	1,523,439,398
Cash and Cash Equivalents	15	3,999,712,050	3,148,644,883
		14,448,998,215	13,008,939,779
Total Assets		32,205,354,378	30,321,966,787
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	7,500,000,000	7,500,000,000
Capital Reserves	16.1	979,000,000	979,000,000
Retained Earnings		17,729,810,194	16,287,261,312
Total Equity		26,208,810,194	24,766,261,312
Non Current Liabilities			
Defined Benefit Obligation	17	1,706,098,260	1,451,971,373
Deferred Tax Liabilities	8.1	2,085,914,526	1,997,626,173
		3,792,012,786	3,449,597,546
Current Liabilities			
Trade and Other Payables	18	1,064,779,767	1,815,024,740
Income Tax Payable		1,139,751,631	291,083,189
Total Liabilities		2,204,531,398	2,106,107,929
Total Equity and Liabilities		32,205,354,378	30,321,966,787

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

Mr. J.A.U.R.K. Jayalath
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,

Mr.E.A. Rathnaseela
Director

Mr.M. U. Mohamed
Chairman

The accounting policies and notes on pages 65 through 92 form an integral part of the Financial Statements.

02nd March 2020
Colombo

STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2019

	Note	2019 LKR	2018 LKR
Revenue	3	15,339,875,966	13,130,224,803
Direct Expenses		(8,580,154,080)	(7,903,351,446)
Gross Profit		6,759,721,886	5,226,873,357
Other Operating Income	4	852,348,796	704,333,113
Other Operating Expense	4.1	(70,222,231)	-
Administrative Expenses		(4,937,022,268)	(4,526,853,560)
Operating Profit		2,604,826,183	1,404,352,910
Finance Income	5	323,029,850	117,877,199
Profit Before Tax	6	2,927,856,033	1,522,230,109
Income Tax Expense	7.1	(1,162,529,046)	(1,324,912,205)
Profit for the Year		1,765,326,987	197,317,904
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods			
Actuarial gain/loss on Defined Benefit Obligations	17	(135,802,924)	75,079,946
Tax on Other Comprehensive Income	8.1	38,024,819	(18,334,523)
Other Comprehensive Income for the Year, Net of Tax		(97,778,105)	56,745,424
Total Comprehensive Income for the Year, Net of Tax		1,667,548,882	254,063,327
Earnings Per Share	9.2	2.35	0.26

The accounting policies and notes on pages 65 through 92 form an integral part of the Financial Statements.

STATEMENT OF CHANGE IN EQUITY

As at 31 December 2019

	Stated Capital LKR	Capital Reserve LKR	Retained Earnings LKR	Total LKR
Balance As at 1 January 2018	7,500,000,000	979,000,000	16,684,197,985	**25,163,197,985**
Profit for the Year	-	-	197,317,904	**197,317,904**
Other Comprehensive Income	-	-	56,745,423	**56,745,423**
Total Comprehensive Income	-	-	254,063,327	**254,063,326**
Dividends Paid	-	-	(651,000,000)	**(651,000,000)**
Balance As at 31 December 2018	7,500,000,000	979,000,000	16,287,261,312	**24,766,261,310**
Profit for the Year	-	-	1,765,326,987	**1,765,326,987**
Other Comprehensive Income	-	-	(97,778,105)	**(97,778,105)**
Total Comprehensive Income	-	-	1,667,548,882	**1,667,548,882**
Dividends Paid	-	-	(225,000,000)	**(225,000,000)**
Balance As at 31 December 2019	7,500,000,000	979,000,000	17,729,810,194	**26,208,810,193**

The accounting policies and notes on pages 65 through 92 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 December 2019

	Note	2019 LKR	2018 LKR
Cash Flows From/(Used in) Operating Activities			
Profit before Income Tax Expense		2,927,856,033	1,522,230,109
Adjustments for			
Finance Income	5	(323,029,850)	(117,877,199)
Allowance for impairment of staff loans		-	-
Allowance for impairment of Inventory & other trade receivable		11,978,285	(301,901,997)
Loss/ (Profit) on disposal of Property, Plant and Equipment	4	(29,445,300)	(26,421,610)
Provision for Defined Benefit Plans		265,146,147	226,725,802
Depreciation	10.2	1,003,171,663	953,409,624
Amortisation of Intangible Asset	11.2	25,908,400	2,478,236
Operating Profit/(Loss) before Working Capital Changes		3,881,585,378	2,258,642,965
(Increase)/ Decrease in Inventories		(30,199,472)	(122,887,775)
(Increase) / Decrease in Trade and Other Receivables		(568,408,533)	1,567,002,316
(Increase)/ Decrease in Other Financial Assets		(503,694,294)	(379,041,297)
Increase / (Decrease) in Trade and Other Payables		(750,244,973)	(30,559,793)
Cash Generated From/(Used in) Operations		2,029,038,106	3,293,156,416
Income Tax Paid		(187,547,432)	(563,208,064)
Defined Benefit Paid	17	(146,822,184)	(173,664,381)
Net Cash Flows From/(Used in) Operating Activities		1,694,668,490	2,556,283,971
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	10.1	(980,846,563)	(375,230,766)
Proceeds from Property, Plant and Equipment		39,215,390	26,594,468
Finance Income	5	323,029,850	117,877,199
Net Cash Flows From/(Used in) Investing Activities		(618,601,323)	(230,759,099)
Cash Flows From Financing Activities			
Repayments of borrowings		-	-
Dividends Paid		(225,000,000)	(651,000,000)
Net Cash Flows From/(Used in) Financing Activities		(225,000,000)	(651,000,000)
Net Increase / (Decrease) in Cash and Cash Equivalents		851,067,167	1,674,524,872
Cash and Cash Equivalents at the Beginning of the Year	15	3,148,644,883	1,474,120,011
Cash and Cash Equivalents at the End of the Year	15	3,999,712,050	3,148,644,883

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Controlling Party

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

1.4 Date of Authorization for Issue

The Financial Statements of Ceylon Petroleum Storage Terminals Limited for the year ended 31 December 2019 was authorized for issue in accordance with a resolution of the Board of Directors on 02nd March 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.1.1 Basis of Measurement

The Financial Statements of the company have been prepared on the historical cost basis, except for the following items in the Statement of Financial Position:

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

2.1.2 Going Concern

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

2.2 Functional and Presentation Currency

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

2.3 Comparative Information

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

2.4 Significant Accounting Judgments, Estimates And Assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

(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 impairment loss on trade and other receivables is disclosed in Note 2.5.11 and 13.

(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 and Nation Building Tax).

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

a) Rendering of Services

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

Terminal Charge

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

Operation Margin

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

Transport Income

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

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

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

2.5.3 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the Statement of comprehensive income for the period.

2.5.4 Taxation

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

Current Taxes

Current Income Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

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

Deferred Taxation

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

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.

Sales Tax (Value Added Tax and Nations Building Tax)

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

2.5.5 Financial Instruments - Initial Recognition and Subsequent Measurement

2.5.5.1 Financial Assets

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

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives

designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

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

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

Subsequent Measurement

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

a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

De-recognition

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

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

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

In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

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

Impairment of Financial Assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a company of financial assets is impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present

NOTES TO THE FINANCIAL STATEMENTS

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values of the estimated future cash flows are discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

2.5.5.2 Financial Liabilities

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

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

a) Loans and Borrowings

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

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.5.6 Fair Value Measurement

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

- In the principal market for the asset or liability

  Or

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

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

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

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

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value,

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

2.5.7 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

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

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

2.5.8 Property Plant and Equipment

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

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

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

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

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

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

2.5.9 Intangible assets

a) ERP System and Licenses fees for ERP

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

2.5.10 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.

2.5.11 Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

2.5.12 Provisions

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

2.6 Employee Benefits

a) Defined Benefit Obligations - Gratuity

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

Recognition of Actuarial Gains and Losses

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

b) Defined Contribution Plans

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

The company contributes to the following Schemes:

Employees' Provident Fund

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

Employees' Trust Fund

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

Trust Fund maintained by the Employees Trust Fund Board.

c) Medical Benefit Scheme

The medical benefit scheme for CPSTL employees is managed by Janashakthi General Insurance Limited. The cost of the Insurance by the company is recognized as an expense during the year.

2.7 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 March 2017 reporting periods. None of those have been early adopted by the company.

SLFRS 9 Financial Instruments

In December 2014, the Institute of Chartered Accountant of Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement of impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory. The company does not anticipate that adopting the amendments would have an impact on its financial statements.

SLFRS 15 Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 01 January 2018 and the company does not anticipate that adopting the amendments come under purview of the company as the company were storage and distribution of petroleum products.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

SLFRS 16- Leases

The Institute of Chartered Accountant of Sri Lanka issued the new standard for accounting for leases - SLFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-off - use assets. Lessees must apply a single model for all recognised leases but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

There are no any impacts on leases from SLFRS -16 as presently CPSTL does not have leases.

Amendments to LKAS 7 Statement of Cash Flows

In September 2016, the Institute of Chartered Accountant of Sri Lanka issued amendments to LKAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017.

Amendments to IAS 12 Income Taxes

In September 2016, through issuing amendments to LKAS 12, the Institute of Chartered Accountant of Sri Lanka clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The company does not anticipate that adopting the amendments would have an impact on its financial statements.

2.7.1 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 sais agreement has not been finalized and the income and expenses stated in the agreement have been accounted in these financial statements after considering the terms of the said agreement and any subsequent changes which have been approved by the Directors of the company.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

		2019 LKR	2018 LKR
3.	**REVENUE**		
3.1	**Throughput Revenue**		
	Terminal Income	**9,084,844,481**	7,219,578,282
	Operation Margin	**3,400,967,743**	3,233,860,313
	Loan Interest Reimbursable	**-**	-
		12,485,812,224	10,453,438,595
	Rendering of Services		
	Transport Income	**2,854,063,742**	2,676,786,208
	Bunkering Operation	**-**	-
		2,854,063,742	2,676,786,208
	Total Revenue	**15,339,875,966**	13,130,224,803
4	**OTHER OPERATING INCOME**		
	Interest on Staff Loans and Others	**646,713,133**	579,450,678
	Gain on disposal of Property, Plant and Equipment	**29,445,300**	26,421,610
	Rental Income	**10,292,479**	9,885,375
	Discharging Charges	**2,100,000**	1,350,000
	Laboratory Testing charges	**49,055,922**	53,680,584
	Training to Private Bowsers driver/porter	**4,534,910**	4,818,444
	Scrap sales	**5,226,593**	8,391,795
	Servicing Fire extinguishers	**1,883,303**	1,948,343
	Clalibration Charges	**7,359,265**	8,105,578
	Sundry Income	**15,187,628**	4,122,299
	Circuit Bungalows Income	**885,105**	820,184
	Non-refundable Tender Deposits	**3,316,464**	5,338,223
	Write back of long outstanding creditor balances	**76,348,694**	-
		852,348,796	704,333,113
4.1	Write off of Irrevocable debts	**70,222,231**	-
	Write Back off Lond outstanding Credit balances		
		70,222,231	-
5.	**FINANCE INCOME**		
	Finance Income		
	Interest on REPO Investments	**55,437,509**	40,576,962
	Interest on Deposits	**267,592,341**	77,300,237
		323,029,850	117,877,199

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

		2019 LKR	2018 LKR
6.	**Profit Before Tax Stated After Charging /Crediting**		
	Included in Direct Expenses		
	Personal Cost	**2,934,549,917**	2,954,073,137
	Depreciation Charge for the year	**847,972,657**	820,253,095
	Included in Administrative Expenses		
	Directors' Emoluments	**4,514,718**	8,539,121
	Fees for Directors	**1,448,347**	2,893,207
	Personal Cost	**3,337,383,921**	3,491,632,362
	Defined Benefit Obligation : Charge for the year	**265,146,147**	226,725,802
	Audit Fee - Current year	**1,980,000**	1,943,223
	Depreciation Charge for the year	**155,199,006**	131,147,766
	Amortisation Charge for the year	**25,908,400**	4,486,998
	Allowances for Impairment in Trade and Other Receivables	**-**	(174,665,455)
	Allowance/(Reversal) for impairment of staff loans	**-**	-
	Provision for Inventory	**11,978,285**	(127,236,542)

7. Tax Expenses

The major components of income tax expense for the years ended 31 December 2019 and 31 December 2018 are as follows :

7.1 Income Statement

	2019 LKR	2018 LKR
Current Income Tax:		
Current Tax Expense	**1,045,291,808**	333,928,430
Under/(Over) Provision of Current Taxes in respect of Prior Year	**(9,075,934)**	28,844,501
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 8)	**126,313,172**	962,139,274
Income Tax Expense / (Credit) Reported in the Income Statement	**1,162,529,046**	1,324,912,205

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31 December 2019 and 31 December 2018 are as follows :

	2019 LKR	2018 LKR
Accounting Profit Before Tax	**2,927,856,033**	1,522,230,109
Aggregate Disallowed Items	**1,502,301,316**	1,457,934,083
Aggregate Allowable Items	**(1,138,864,596)**	(1,979,521,282)
	3,291,292,753	1,000,642,910
Interest Income	**441,892,274**	305,279,692
Total Statutory Income	**3,733,185,027**	1,305,922,601
Less: Carried Forward Tax Losses Utilized	**-**	-
Taxable Profit	**3,733,185,027**	1,305,922,601
Income Tax for Taxable Profit	**1,045,291,808**	333,928,430
Current Income Tax Expense	**1,045,291,808**	333,928,430

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	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	**2,561,923,931**	2,355,880,566	**206,043,365**	1,096,959,160	**-**	-
Intangible Assets	**8,418,715**	1,997,748	**6,420,967**	1,960,412	**-**	-
	2,570,342,646	2,357,878,314				
Deferred Tax Assets						
Inventories	**4,597,959**	3,829,479	**(768,480)**	15,378,738	**-**	-
Provisions	**2,122,648**	1,851,253	**(271,395)**	22,642,655	**-**	-
Defined Benefit Plans	**477,707,513**	354,571,409	**(85,111,285)**	(174,801,690)	**(38,024,819)**	18,334,523
Effect from Tax Losses	**-**	-	**-**	-	**-**	-
	484,428,119	360,252,141				
Deferred Income Tax - Income						
Net Deferred Tax Liability / (Assets)	**2,085,914,526**	1,997,626,173	**126,313,172**	962,139,274	**(38,024,819)**	18,334,523

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

8.2 Deferred tax has been calculated using effective tax rate @ 28.0%. The rate has been increased from 24.42% to 28.0% due to single tax rates applied different levels of taxable income, resulting Rs. 88,288,353/- increased in deferred tax liability as at 31st December 2019.

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.

	2019 LKR	2018 LKR
Amounts Used as the Numerator		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	**1,765,326,987**	197,317,904
Number of Ordinary Shares Used as Denominator:		
Weighted Average Number of Ordinary Shares in Issue	**750,000,000**	750,000,000
Applicable to Basic Earnings Per Share		
Earnings Per Share	**2.35**	0.26

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

At Cost	01.01.2019 LKR	Additions LKR	Transfers LKR	Disposals LKR	31.12.2019 LKR
Freehold land	**4,497,001,663**	308,516,741			**4,805,518,404**
Freehold building	**1,684,811,781**	50,333,405			**1,735,145,186**
Storage tank	**6,542,365,958**	374,267,372			**6,916,633,330**
Motor vehicles	**1,837,636,417**	72,928,243		(40,205,504)	**1,870,359,156**
Pipelines	**7,447,106,547**	361,657,005		(12,125,000)	**7,796,638,552**
Furniture, fittings & equipment	**2,260,453,057**	88,302,134	(164,894,400)	(2,641,315)	**2,181,219,476**
Computers	**295,590,104**	31,720,060		(29,800)	**327,280,364**
Single/Dual point mooring buoy	**2,800,409,453**	140,427,145	164,894,400		**3,105,730,997**
Pumps & gantries	**1,454,685,884**	135,200			**1,454,821,084**
Total Cost of Depreciable Assets	**28,820,060,864**	1,428,287,305	-	(55,001,619)	**30,193,346,549**
Capital Work In Progress	**635,514,312**	353,765,596	(801,206,338)		**188,073,569**
	29,455,575,176	1,782,052,901	(801,206,338)	(55,001,619)	**30,381,420,118**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

10.2 Depreciation

At Cost	Balance as at 01.01.2019 LKR	Charge for the year LKR	Transfers LKR	Disposals LKR	Balance as at 31.12.201 LKR
Freehold building	**631,480,795**	48,906,831			**680,387,626**
Storage tank	**2,587,514,829**	160,928,774			**2,748,443,603**
Motor vehicles	**1,288,889,610**	163,450,502		(31,850,351)	**1,420,489,761**
Pipelines	**3,206,008,179**	280,178,720		(12,125,000)	**3,474,061,899**
Furniture, fittings & equipment	**1,933,240,503**	71,112,165	(164,894,400)	(1,226,378)	**1,838,231,890**
Computers	**164,058,266**	35,180,010		(29,800)	**199,208,476**
Single/Dual point mooring buoy	**2,476,564,859**	190,537,983	164,894,400		**2,831,997,242**
Pumps & gantries	**1,120,963,392**	52,876,678			**1,173,840,070**
	13,408,720,433	1,003,171,663	-	(45,231,529)	**14,366,660,567**

10.3 Net Book Value

	2019 LKR	2018 LKR
Freehold land	**4,805,518,404**	4,497,001,663
Freehold building	**1,054,757,560**	1,053,330,986
Storage tank	**4,168,189,727**	3,954,851,130
Motor vehicles	**449,869,395**	548,746,807
Pipelines	**4,322,576,653**	4,241,098,368
Furniture, fittings & equipment	**342,987,586**	327,212,554
Computers	**128,071,889**	131,531,838
Single/Dual point mooring buoy	**273,733,754**	323,844,594
Pumps & gantries	**280,981,014**	333,722,492
Capital Work In Progress	**188,073,569**	635,514,312
Total Carrying Value of Property, Plant & Equipment	**16,014,759,551**	16,046,854,744

10.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 1,782,052,901/- (2018 - Rs.573,028,893/-). Cash payments amounting to Rs. 980,846,563/- (2018 - Rs.375,230,766/-) were made during the year for purchase of Property, Plant and Equipment. The difference is mainly due to capitalization of work in progress to main assets.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

	2019 LKR	2018 LKR
10.5 The Useful Lives Of the Assets are Estimated as Follows:		
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

At Cost	ERP System	SAP ERP License	Automation System of offshore Pipeline	Total
11. INTANGIBLE ASSETS				
11.1 Gross Carrying Amounts				
As at 01.01.2019	542,038,595	9,380,250	37,793,560	**589,212,405**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
As at 31.12.2019	542,038,595	9,380,250	37,793,560	**589,212,405**
11.2 Amortisation				
As at 01.01.2019	414,697,035	9,380,250	37,793,560	**461,870,845**
Charge for the year	25,908,400	-	-	**25,908,400**
As at 31.12.2019	440,605,435	9,380,250	37,793,560	**487,779,245**
11.3 Net Book Value as at 31.12.2018	127,341,561	-	-	**127,341,561**
11.4 Net Book Value as at 31.12.2019	101,433,160	-	-	**101,433,160**

11.5 Intangible assets includes fully depreciated assets having a gross carrying amount of Rs. 459,670,406/- (2018 - Rs.459,670,406/-).

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

		2019 LKR	2018 LKR
12.	**INVENTORIES**		
	General Hardware for Repairing	**339,784,780**	301,864,715
	Motor Spare parts	**284,544,373**	282,030,574
	Consumables	**59,999,685**	80,505,712
	Finished Goods		
	Lanka Petrol LP-95	**788,088**	788,088
	Lanka Petrol LP-92	**567,567**	1,442,844
	Lanka Auto Diesel-LAD	**6,578,343**	6,670,165
		692,262,836	673,302,098
	Provision for Slow- Moving Inventory	**(16,421,281)**	(15,681,734)
		675,841,555	657,620,365
13.	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables - Related Parties (Note 13.1)	**6,693,857,641**	6,088,960,136
	Other Receivables	**328,637,986**	240,174,077
		328,637,986	240,174,077
	Deposits ,Advances and Prepayments (Note 13.3)	**1,225,148,039**	1,350,100,920
		8,247,643,666	7,679,235,133

13.1 Trade Receivables- Related Parties

	Relationship	2019 LKR	2018 LKR
Ceylon Petroleum Corporation	Parent Entity	**6,317,852,698**	5,682,366,384
Ceylon Petroleum Corporation net of Impairment (Note 13.2)		**6,317,852,698**	5,682,366,384
Lanka IOC PLC	Other Major Share Holder	**376,004,943**	406,593,752
Lanka IOC PLC net of Impairment (Note 13.2)		**376,004,943**	406,593,752
		6,693,857,641	6,088,960,136

13.2 As at 31 December 2019, 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	6,317,852,698	1,208,434,158	2,888,971,060	429,838,274	284,986,078	1,505,623,128
	6,317,852,698	1,208,434,158	2,888,971,060	429,838,274	284,986,078	1,505,623,128
Lanka IOC PLC	376,004,943	68,250,139	64,597,537	33,481	-	243,123,787
	376,004,943	68,250,139	64,597,537	33,481	-	243,123,787

		2019 LKR	2018 LKR
13.3	**Deposits ,Advances and Prepayments**		
	Deposits ,Prepayments and Advances	**240,899,871**	486,080,333
	Prepaid Staff Benefits	**984,248,168**	864,020,587
		1,225,148,039	1,350,100,920

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

		2019 LKR	2018 LKR
14.	**OTHER FINANCIAL ASSETS**		
	Loans to Company Officers		
	Motor Vehicle Loans	**262,224,119**	252,826,764
	Housing Loans	**1,618,376,699**	1,040,078,373
	Distress Loans	**1,142,383,586**	1,169,490,290
	Other Loans	**150,560,878**	207,454,563
		3,173,545,282	2,669,849,989
	(-) Allowance for Impairment	**(7,580,887)**	(7,580,887)
		3,165,964,395	2,662,269,102
14.1	**Non Current Financial Assets**		
	Motor Vehicle Loans	**209,779,296**	202,261,412
	Housing Loans	**1,437,965,043**	944,150,179
	(-) Allowance for Impairment	**(7,580,887)**	(7,580,887)
		1,640,163,452	1,138,830,704
14.2	**Current Financial Assets**		
	Motor Vehicle Loans	**52,444,824**	50,565,353
	Housing Loans	**180,411,656**	95,928,193
	Distress Loans	**1,142,383,586**	1,169,491,290
	Other Loans	**150,560,878**	207,454,562
		1,525,800,944	1,523,439,398
15.	**Cash And Cash Equivalents**		
	Favourable Cash & Cash Equivalent balances		
	Cash and Bank Balances	**5,318,998**	8,999,507
	Short Term Investments	**3,994,393,052**	3,139,645,376
	Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	**3,999,712,050**	3,148,644,883

16. STATED CAPITAL

	2019 Number	2019 LKR	2018 Number	2018 LKR
Fully Paid Ordinary Shares	750,000,000	750,000,000	750,000,000	7,500,000,000

16.1 Capital Reserve

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

17. DEFINED BENEFIT OBLIGATION

	2019 LKR	2018 LKR
Balance as at 01 January	**1,451,971,373**	1,473,989,898
Current Service Cost	**172,203,805**	78,442,419
Interest Cost	**92,942,342**	148,283,384
Actuarial (Gain) / Loss	**135,802,924**	(75,079,946)
Benefits Paid	**(146,822,184)**	(173,664,381)
Balance as at 31 December	**1,706,098,260**	1,451,971,373

17.1 Actuarial valuation of Retirement Benefit Obligation as at 31 December 2019 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:

	2019	2018
Discount Rate	**10.47%**	11.86%
Salary Incremental Rate	**30% once in 3 Years**	30% once in 3 Years
Staff Turnover	**1%**	1%

17.3 Maturity Profile of the Defined Benefit Obligation Plan

	2019 LKR	2018 LKR
Less than 1 Year	**129,503,691**	144,030,529
Between 1-2 years	**176,163,445**	116,730,421
Between 2-5 years	**379,967,591**	359,844,649
Beyond 5 years	**1,013,138,899**	831,365,774
	1,698,773,626	1,451,971,372

The average durations of of the Defined benefit Obligation Plan at the end of the reporting period is 7.03 years for executive staff and 8.08 years for non executive staff. The average remaining working life of executive staff is 11.6 years and 12.3 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 2019.

Sensitivity Level	Discount Rate		Future Salary Increment Rates	
	Increase 1%	Decrease -1%	Increase 1%	Decrease -1%
Impact on Defined Benefit Obligation	(1,589,941,383)	1,837,704,849	1,742,585,081	(1,670,554,492)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

18. TRADE AND OTHER PAYABLES

	2019 LKR	2018 LKR
Trade Payables-Related Parties (18.1)	**68,981,388**	428,986,429
- Others	**30,610,130**	262,148,463
Other Payables	**678,745,348**	906,549,349
Sundry Creditors Including Accrued Expenses	**286,442,901**	217,340,499
	1,064,779,767	1,815,024,740

18.1 Trade Payables- Related Parties

Trade Payables- Related Parties	Relationship	2019 LKR	2018 LKR
Ceylon Petroleum Corporation	Parent Entity	**68,981,388**	428,986,429
		68,981,388	428,986,429

19. RELATED PARTY DISCLOSURES

	Parent Entity- Ceylon Petroleum Corporation		Other Major S/H Lanka IOC PLC		Total	
Nature of Transaction	2019 LKR	2018 LKR	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Receivable/(Payable) as at 01 January	**5,253,379,955**	7,162,340,835	**406,593,752**	474,913,169	**5,659,973,707**	7,637,254,003
Service for oil storage & distribution	**16,551,965,666**	14,424,511,997	**767,352,048**	956,507,600	**17,319,317,714**	15,381,019,597
Own use fuel consumption	**(443,669,642)**	(413,226,947)	**-**	-	**(443,669,642)**	(413,226,947)
Interest payments	**-**	-	**-**	-	**-**	-
Other Expenses	**(6,869,501)**	(3,665,803)	**-**	-	**(6,869,501)**	(3,665,803)
(Receipt)/Payment for Services	**(15,480,623,421)**	(15,916,580,127)	**(797,940,857)**	(1,024,827,017)	**(16,278,564,278)**	(16,941,407,143)
Amounts Receivable/(Payable) as at 31 December	**5,874,183,055**	5,253,379,955	**376,004,942**	406,593,752	**6,250,187,998**	5,659,973,707

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

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:

	2019 LKR	2018 LKR
Fees for Directors	**1,448,347**	2,893,207
Directors Emoluments	**4,514,718**	8,539,121
	5,963,065	11,432,328

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	2019 LKR	2018 LKR
People's Bank	Cash at Bank	**144,114**	2,760,767
People's Bank	Short term Deposits	**252,035,325**	356,681,639
Bank of Ceylon	Balance at Bank	**269,647**	285,848
Bank of Ceylon	Short term Deposits	**3,742,357,727**	2,782,963,736

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

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.

Pending Supreme Court Cases as at 31st December 2019

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2019)
SC FR 275/14	Colombo	Filed by an Employee Seeking for a Promotion to Grade B-1.	Declaration of infringement of Fundamental Rights of the Petitioner and compensation is determined by the Court.
SC FR 234/15	Colombo	Filed by an Employee Seeking for a Promotion to Grade A-1.	Declaration of infringement of Fundamental Rights of the Petitioner and compensation is determined by the Court.
SC FR 431/16	Colombo	Filed by an Employee Seeking for a Promotion to Grade A-5.	Declaration of infringement of Fundamental Rights of the Petitioner and compensation is determined by the Court.
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 24/17	Colombo	Filed by an Employee Seeking for a Promotion to Grade A-5.	Declaration of infringement of Fundamental Rights of the Petitioner and compensation is determined by the Court.
SC FR 244/17	Colombo	Filed by two Employees Seeking for a Promotion to Grade B-1.	Declaration of infringement of Fundamental Rights of the Petitioner, to promote to the Grade B-1 Management Asst.(Audit) or to quash the Interview held and compensation determined by the Court.
SC FR 322/19	Colombo	Filed by an Employee seeking for a Promotion to Grade A-6 Snr. Accident Officer.	Declaration of infringement of Fundamental Rights of the Petitioner and compensation determined by the Court.
SCFR 343/18	Colombo	Requesting for Vehicle Permit	Case has been filed by 29 employees and Executive Officer's Union of CPC Requesting for Vehicle Permit.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2019)
SCFR 430/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade C-6 (Generl Labour).	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.
SCFR 431/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade B-2 (Contract Basis)-Asst. Supervisor (Premises)	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.
SCFR 432/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade B-3 (Contract Basis)-Clerk	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.
SCFR 433/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade C-6 (Generl Labour).	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.
SCFR 434/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade B-2 (Contract Basis)-Trainee Asst. Supervisor (Premises)	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.
SCFR 435/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade B-3 (Contract Basis)-Clerk	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.
SCFR 436/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade C-6 (Generl Labour).	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.
SCFR 437/19	Colombo	Filed by an Applicant seeking for an Appointment to the Grade B-3 (Contract Basis)-Clerk	Declaration of infringement of Fundamental Rights of the Petitioner, back wages and compensation determined by the Court.

Pending Court of Appeal Cases as at 31st December 2019

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2019)
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/-.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

Pending District Court Cases as at 31st December 2019

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2019)
26195/M	Anuradhapura	Filed against CPSTL claiming damages arising from an accident.	Rs.10,000,000/= plus Legal Interest. liability is vested with SLIC.
11736/M	Matara	Filed against CPSTL claiming damages arising from an accident.	Rs.1,500,000/= plus legal interest liability is vested with SLIC. (SLIC has appealed to the High Court)
11838/M	Matara	Filed against CPSTL claiming damages arising from an accident.	Rs.1,500,000/= plus legal interest liability is vested with SLIC. (SLIC has appealed to the High Court)
11903/M	Matara	Filed against CPSTL claiming damages arising from an accident.	Rs.2,000,000/= plus legal interest liability is vested with SLIC. (SLIC has appealed to the High Court)
DMR/ 00353/13	Kandy	Filed against CPSTL claiming damages arising from an accident.	Rs.5,000,000/- plus legal interest.
DMR/ 981/15	Kandy	Filed against CPSTL claiming damages arising from an accident	Rs.113,914/- plus legal interest.liability is vested with SLIC.
DMR/ 1509/12	Colombo	Filed against CPSTL claiming damages arising from an accident.	Rs.21,000,000/- plus legal interest, liability is vested with SLIC.
DMR/ 00062/13	Colombo	Filed against CPSTL claiming damages arising from an accident.	Rs.1,500,000/- plus legal interest , Liability is vested with Union Assurance PLC.
241/L	Minuwangoda	To quash some Deeds.	To declare the Land mortgaged to CPSTL as a constructive trust and 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/-)
7132/M	Gampaha	Filed against CPSTL claiming environment damage for social disturbances	MEPA claims Rs. 118,315,875/- + legal charges from CPSTL for enviroment pollution caused to Muthurajawela lagoon due to oil leakage in 2015 (MEPA has appealed to the High Court)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

Pending Court of Appeal Cases as at 31st December 2019

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2018)
33660/ 14	Maligakanda	Filed by Dept. of Labour for non implementation of an Arbitration Award.	No monitory involvement
B/29/17	Eravur	Filed by Eravur Police Station for theft of fuel from running tank of the Bowser by driver & porter.	Case is filed by Sri Lanka Police against our two employees CPSTL's role is giving evidence. No monitory involvement.

Pending Labour Tribunal Cases as at 31st December 2019

Case No	Location Of court	Description of court case	Name of the applicant	Maximum Possible claim Outcome (up to December 2018)
2/600/ 15	Colombo	Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	R Heiyanthuduwa	Reinstatement with back wages (Rs.50,000 x 103 months) Rs. 5,150,000.00.
22/01/2016	Colombo	Filed by an employee who is on constructive dismissal(w.e.f..22.04.2016) seeking reinstatement with back wages.	S G Ekanayake	"Reinstatement with back wages , Gratuity & compensations determined by the court. (Applicant has appealed to the High Court.) Rs.67,676/- x 32 months =Rs.2,165,632.00
1/AD/44/12	Battaramulla	Filed by a dismissed employee (w.e.f. 10.05.2012) seeking reinstatement with back wages.	L.G.Gamini	"Reinstatement with back wages. Rs.68,518 x 91months Rs.6,235,138.00
2/AD/ 3596/12	Battaramulla	Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	M A S D Munasingha	Reinstatement with back wages. Rs.80,524 x 103 months Rs.8,293,972.00
2/935/2019	Colombo	Filed by a Former Trainee seeking for reinstatement with back wages	R.W.H.B. Kumari	Reinstatement with back wages. Rs.1,500.00 x 30 days. Rs.45,000.00

Pending Labour Court Cases as at 31st December 2019

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2019)
A /3296	Colombo	Filed by 40 Employees Seeking for back wages.	Back Wages Rs.9,360,000.00
A /3439	Colombo	"2 applicants. One employee retired.Seeking for promotions & back wages. "	Back wages Rs.2,869,608.51

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2019)
CC/C/ IR/700/ 17	Colombo	Seeking for reinstatement	Back wages Rs.81,130/-
A/77/ 2019	Colombo	Seeking for promotion to Distribution Assistant (Invoice) or Snr. Executive (Administration)	Back wages has to be calculated subject to salary differences.
A/77/2019	Colombo	To quash the interview held for the post of Distribution Assistant (Operation & Transport)	Back wages has to be calculated subject to salary differences.
A/74/ 2019	Colombo	Seeking for promotion to Filling Forman Grade B-1	Back wages has to be paid if ordered. (amount to be determined as per the order)
CC/LT/C /10/ 18	Colombo	To grant withheld two increments.	Back wages has to be paid if ordered. (amount to be determined as per the order)
WC/NF/ 1272/2019 (COL)	Colombo	Filed by a Driver seeking for compensation on an accident.	Compensation has to be paid if ordered. (amount to be determined as per the order)
CC/C/IR/ 613/2019	Colombo	Filed by Two Employees seeking promotions to Grade A-7 (Accounts Executive)	Back wages has to be paid if ordered. . (amount to be determined as per the order)
IR/COM/ 04/2019 /236	Colombo	Filed by an Employee seeking a promotion to Grade A-7 (Accounts Executive)	Back wages has to be paid if ordered. (amount to be determined as per the order)

(b) Income tax assessments relating to year of assessment 2012/2013

The company has received an income tax assessment for the periods 2012/2013 against the amount claimed as a qualifying payment under section 34 (2) (S).

As per the assessment the amount payable was Rs.76,679,589/-. The Company has made an appeal against the assessment mentioned above which is pending for further review.

(c) Lease of 09 No's Bulk Depots lands from Sri Lanka Railways for five years.

The present contract has already been lapsed on 31.12.2013 and company has received new valuation report from Sri Lanka Railway amounting to Rs. 44,400,000/- for next five year period from 01.01.2014 to 31.12.2018 and a new lease contract has to be entered into with effect from 01.01.2014.

(e) Discharge and / or escape of oil had taken place at Lunawa Lagoon in Thaldiyawatta, Uswetakeiyawa (Muthurajawela)

Discharge and / or escape of oil had taken place at Lunawa Lagoon in Thaldiyawatta, Uswetakeiyawa (Muthurajawela) from a pipe line and a quantity of minimum of 22,000 liters of kerosene (Jet A1). Approximate area of 6,325M^2 in manogrove flora in said lagoon had been damaged due to the aforesaid discharge of oil.

Marine Environment Protection Authority (MEPA) had demanded a sum of Rs. 118,315,876/- due to above environmental damage caused by discharge of oil. Legal advice obtained indicates that it is unlikely that any significant liability will arise and still the company is in favorable negotiation process. The Management is of the view that no material losses will arise in respect of the legal claim at the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

20.2 CAPITAL COMMITMENTS

The following capital commitments have been approved by the board of directors as at 31st December 2019.

Outstanding LC Payments as at 31st December 2019

LC No	Amount (Rs.)	Description of Purchase
0042007190001316	Rs. 44,031,821.68 (Euro 218,035.56)	Carbon Steel Pipes & Fittings
0042007190001619	Rs. 15,614,160.27 (Euro 76,625)	05Nos. Portable Fire Pump & Accessories
0042002190022762	Rs. 8,283,964 (US$ 44,965)	03 Nos.Floating Roofs
0042009190000342	Rs. 10,562,525.58 (GBP 43,467)	ASTM D 7797 Test Standers
0042007190002967	Rs. 2,589,277.61 (Euro 12,600)	06 Nos. Top Loading Arms
0042007190003127	Rs. 1,138,340.41 (Euro 5,482.80)	Rubber Petroleum Hoses
0042002190030110	Rs. 3,349,325.48 (US$ 18,200)	14 Nos Basket Strainers
0042002190027767	Rs. 4,661,806.26 (US$ 25,480)	13,000 Nos Spools of Sealing Wire

Bank Guarantees as at 31st December 2019

Bank Guarantee No	Amount (Rs.)	Guarantor issued Party
0043501140002346	280,000	M/S Equipment Traders (Pvt) Ltd.
0043501160003110	120,000	M/S/ Daynacom Engineerin (Pvt) Ltd.
0043501120007655	182,000	M/S/ Daynacom Engineerin (Pvt) Ltd.
0043501120007628	270,000	M/S/ Daynacom Engineerin (Pvt) Ltd.

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 2019

Description	Contract Value (LKR)	Paid As At 31-12-2019 (LKR)	Work Done As At 31-12-2019 (LKR)	Payable Amount (LKR)
Infrastructure Development Facilities at Muthurajawela	182,000,000	6,142,500	6,142,500	175,857,500
Modifications to transport office building - Kolonnawa	15,291,120	10,484,063	10,484,063	4,807,057
Renovation of the BMBP function	7,700,000	4,563,577	4,563,577	3,136,423
Design, Supply and Installation of Internal Floating Roofs for Tanks No. 6,7 and 8 at Muthurajawela	70,000,000	2,872,912	12,513,306	67,127,088
Repair to Tank No. 04 - Kolonnawa	36,040,500	10,716,577	10,716,577	25,323,923
Upgrading Pipe System at Zone - 6	180,000,000	15,596,510	20,172,781	164,403,490
Construction of Filling Gantry at Zone -03	30,000,000	19,812,354	19,812,354	10,187,646
LV PDBS Kolonnawa	6,000,000	4,359,416	4,359,416	1,640,584
Yard Improvement In front of Eng. Function	6,260,000	6,240,900	6,240,900	19,100
Renovation of Old Administration Building-Kolonnawa	30,200,000	11,809,253	11,809,253	18,390,747
Improvements to Driver's Rest Room Kolonnawa	15,780,000	6,330,840	6,330,840	9,449,160
Modification for the CPSTL Quarters at LBD Kotagala	33,900,000	24,155,566	24,155,566	9,744,434
Renovation to the existing Rest Room and Vehicle office	6,000,000	3,074,562	3,074,562	2,925,438
Construction of Circuit Bungalow - Anuradhapura	85,000,000	15,516	-	84,984,484
Power Distribution Board - Pump House Zone 06	6,353,200	5,793,235	5,793,235	559,965
New Redundancy Feeder line Zone 07 Pump House	7,500,000	6,087,002	6,087,002	1,412,998
Construction of a 350m3 Capacity Fire Water Tank	15,000,000	8,789,778	8,789,778	6,210,222
IIFR (Gasoline) Storage Tanks No. 05 & 04 (Kurunagala)	13,000,000	3,301,464	12,236,644	9,698,536
Modification to Tank 17,22 & 23 - Kolonnawa	79,145,558	5,222,814	5,222,814	73,922,744
Pipeline Connection for new Fire Pumps	6,000,000	449,400	449,400	5,550,600
Pre Overhaul Calm Buoy Inspection	19,000,000	9,119,003	9,119,003	9,880,997
Total Value of the projects	**850,170,378**	**164,937,240**	**188,073,569**	**685,233,138**

* Amounts paid include advances.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

Projects awarded but not started As At 31-12-2019

Project Name or Description	Contract Value (LKR)
Portable Fire pump- 5 nos.	23,000,000
Proposed ware house for disposal yard of stores function	21,940,000
Repairs to tank No.03	40,112,975
Repairs to tank No.46	148,014,607
Renovation of boundary wall (stage 2) at oil installation Kolonnawa	15,000,000
Improvement to the product filling facility at Muthurajawela Terminal	550,000,000
Projects approved by Board and awarded As At 31-12-2019	**798,067,582**

Projects approved by Board and not awarded As At 31-12-2019

Project Name or Description	Contract Value (LKR)
Fully Automated Cloud Point & Pour Point & Pour Point Instrument	15,000,000
Upgrade of Perimeter Firewall In CPSTL Data Centre	21,000,000
02 No. Crew Cabs for Fire & Safety	15,000,000
Proposed Modification of The CPSTL Housing Units at Gajabapura	14,200,000
21 Nos Marine Hose & Accessories SPM	211,236,290
01 No of 18" Full Bore Twin Seal Double Block & Bleeding Valve and 02 No. of 16" Reduced Bore Twin Seal Double Block & Bleeding Valve	11,172,907
Renovation of Main Office of Stores Function	10,000,000
Dry Docking of SPBM - Muthurajawela (cost of spares, service & docking)	501,488,810
Refurbishment of new administration building	33,250,000
Construction of a 5000 m3 & 2 nos. 15000 m3 storage tank at Kolonnawa	1,232,082,312
Construction of 02 nos. 7000 m3 & 15000 m3 storage tank at Kolonnawa	1,120,191,858
Construction of 02 nos. 7000 m3 & 15000 m3 storage tank at Kolonnawa	988,844,693
Supply of 15 nos. Bulk meters	37,500,000
Projects approved by Board and not awarded As At 31-12-2019	**4,210,966,870**

21. ASSETS PLEDGED

No assets have been pledged as at the reporting date.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurred after the reporting date that require adjustments to or disclosure in the Financial Statements.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

23.1 Market Risk

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

Market risk comprise of the two types of risk:

1. Interest rate risk
2. Foreign Currency risk

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

23.1.1 Interest rate risk

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

Interest rates sensitivity

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

Increase / (Decrease) in basis points	Effect on Profit Before Tax	
	LKR 2019	LKR 2018
(+)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 monitory assets and liabilities including derivatives financial instruments existing as at 31 December 2018 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 monitory 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)"
2019				
Cash and Cash Equivalents -Cash in Hand(USD)	5.01	181.63	+/- 1%	+/-0.05
Cash and Cash Equivalents -Fixed Deposit (USD)	2,096,625	181.63	+/- 1%	+/- 20,966
2018				
Cash and Cash Equivalents -Cash in Hand(USD)	5.67	182.71	+/- 1%	+/-0.06
Cash and Cash Equivalents -Fixed Deposit (USD)	1,712,423	182.71	+/- 1%	+/- 17,124

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

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

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management

The following policies are implemented within the company in order to manage credit risk related to receivables:

- Outstanding customer receivables are regularly monitored with regular trade debtor review meetings.

23.3 Liquidity risk

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

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

	Less than 1 year LKR	Total LKR
Trade and Other Payables	1,064,779,767	1,064,779,767
	1,064,779,767	1,064,779,767

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.

	2019 LKR	2018 LKR
Total equity	**26,208,810,194**	24,766,261,312
Total capital	**26,208,810,194**	24,766,261,312
Gearing ratio	**0.00%**	0.00%

DETAILED INCOME STATEMENT

As at 31 December 2019

	Statement	2019 LKR	2018 LKR
Revenue		**15,339,875,966**	13,130,224,803
Direct Expenses	I	**(8,580,154,080)**	(7,903,351,446)
Gross Profit		**6,759,721,886**	5,226,873,357
Other Operating Income		**852,348,796**	704,333,113
Administrative Expenses	II	**(4,937,022,268)**	(4,526,853,560)
Operating Profit		**2,675,048,414**	1,404,352,910

STATEMENT I

DIRECT EXPENSES

	2019 LKR	2018 LKR
Outside transport cost	**3,281,298,311**	3,065,373,578
Direct personnel cost	**2,934,549,917**	2,954,073,137
Insurance	**92,985,298**	73,198,773
Own Use Fuel Expense	**440,404,136**	467,566,531
Depreciation -storage tanks, pipelines, gantries and pumps	**493,984,172**	516,143,476
Depreciation -motor vehicles	**163,450,502**	143,562,331
Depreciation- SPBM	**190,537,983**	160,547,288
Vehicle maintenance	**141,758,712**	142,702,615
Storage maintenance	**1,606,727**	6,283,019
Property maintenance	**209,354,178**	181,199,509
Rail track maintenance	**7,304,386**	-
Consignment Seals	**34,807,690**	12,575,782
Cleaning & Sanitary Expenses	**37,535,261**	40,579,103
Water	**5,042,805**	5,604,529
Electricity	**115,805,138**	116,459,025
Vessel charges	**421,308,018**	9,919,697
Shipping, clearing and transport	**1,823,082**	1,726,710
Advertising and Promotional Expenses	**6,597,764**	5,836,343
	8,580,154,080	7,903,351,446

STATEMENT II

ADMINISTRATIVE EXPENSES

	2019 LKR	2018 LKR
Directors' fees	**1,448,347**	2,893,207
Chairman's and MD's salaries	**4,514,718**	8,539,121
Personnel cost	**3,337,383,921**	3,491,632,362
Gratuity	**265,146,147**	226,725,802
Prepaid staff benefit on staff loan	**538,143,188**	401,933,561
Staff welfare	**239,286,599**	261,351,823
Medical	**86,544,970**	79,287,237
Office requisites	**28,708,487**	21,434,501
Communication expenses	**18,793,844**	23,464,790
Rent and rates	**56,624,849**	31,122,706
Depreciation of buildings, furniture and fittings, equipment and computers	**155,199,006**	131,147,766
Amortization of intangible assets	**25,908,400**	4,486,998
Travelling, subsistence, batta and taxi fare	**33,586,911**	37,123,640
Auditors' remuneration	**1,980,000**	1,943,223
Electricity	**18,367,109**	18,470,818
Water	**18,918,931**	21,026,333
Allowance/(Reversal) for impairment of staff loans	**-**	-
Allowance/(Reversal) for impairment of receivables	**-**	(174,665,455)
Legal fees	**2,226,981**	5,577,336
Professional fees	**29,669,308**	31,629,153
Charity & donations	**3,781,450**	2,160,750
Staff training	**17,655,804**	22,084,729
License and registration	**5,236,848**	5,243,500
Stamp duty	**53,475**	98,700
Sundry expenses	**33,293,231**	2,966,056
Exchange (Gain) or Loss	**(219,688)**	(6,634,890)
Commission and Bank Charges	**2,791,147**	3,046,335
Allowance/(Reversal) of inventory provision	**11,978,285**	(127,236,542)
	4,937,022,268	4,526,853,560

FIVE YEAR FINANCIAL SUMMARY

		2015	2016	2017	2018	2019
Operating Results						
Revenue	LKR MN	11,687	12,663	14,176	13,130	**15,340**
Gross Profit	LKR MN	5,272	5,995	6,775	5,227	**6,760**
Operating Profit	LKR MN	1,917	2,406	3,208	1,405	**2,605**
Profit Before Tax	LKR MN	1,716	2,330	3,273	1,522	**2,928**
Income Tax	LKR MN	342	591	474	1,325	**1,163**
Profit After Tax	LKR MN	1,374	1,739	2,800	197	**1,765**
Dividends	LKR MN	-	488	405	651	**225**
Capital Employed						
Stated Capital	LKR MN	7,500	7,500	7,500	7,500	**7,500**
Retained Earnings	LKR MN	12,910	14,372	16,684	16,287	**17,730**
Capita Reserve	LKR MN	979	979	979	979	**979**
Shareholders' Funds	LKR MN	21,389	22,851	25,163	24,766	**26,209**
Non Current Liabilities	LKR MN	3,393	3,151	2,491	3,450	**3,792**
Current Liabilities	LKR MN	2,487	2,057	2,337	2,106	**2,205**
Total Liabilities	LKR MN	5,880	5,208	4,828	5,556	**5,997**
Assets Employed						
Non Current Assets	LKR MN	17,095	17,249	17,199	17,313	**17,756**
Current Assets	LKR MN	10,175	10,810	12,792	13,009	**14,449**
Total Assets	LKR MN	27,270	28,059	29,991	30,322	**32,205**
Key Ratios						
Gross Profit Margin	%	45%	47%	48%	40%	**44%**
Operating Profit Margin	%	16%	19%	23%	11%	**17%**
Net Profit Margin	%	12%	14%	20%	2%	**12%**
Return On Capital Employed(ROCE)	%	8%	9%	12%	5%	**9%**
Return On Equity(ROE)	%	6%	8%	11%	1%	**7%**
Asset Turnover	%	41%	46%	49%	44%	**49%**
Current Ratio	Times	4.09	5.25	5.47	6.18	**6.55**
Quick Asset Ratio	Times	3.96	5.05	5.30	5.86	**6.25**
Gearing ratio (Debt to Equity)	Times	0.27	0.23	0.19	0.22	**0.23**
Net Asset Value Per Share	LKR	28.52	30.47	33.55	33.02	**34.95**

CORPORATE INFORMATION

NAME OF THE COMPANY
Ceylon Petroleum Storage Terminals Limited

COMPANY REGISTRATION NUMBER
PB 1221

LEGAL FORM
Incorporate 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: 011 - 2694482
011 - 2691643
011 - 2532122
Fax: 011 - 2547827
E-mail: secret@cpstl.lk
Website: www.cpstl.lk

TAX PAYER IDENTIFICATION
No. :134011157

VAT REGISTRATION
No. :134011157 -7000

BOARD OF DIRECTORS
Mr. M. Uvais Mohamed
Mr. Buddhika Madihahewa
Mr. E. A. Ratnaseela
Mr. Manoj Gupta
Mr. Pramod Jain
Mr. Suraj Patnaik
Mr. Tharindu H. Wickremasinghe

PARENT COMPANY
Ceylon Petroleum Corporation

AUDITORS
The Auditor General

SECRETARIES
Accounting Systems Secretarial Services (Private) Limited
No.11, Castle Lane, Colombo 04

BANKERS
Bank of Ceylon
People's Bank

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