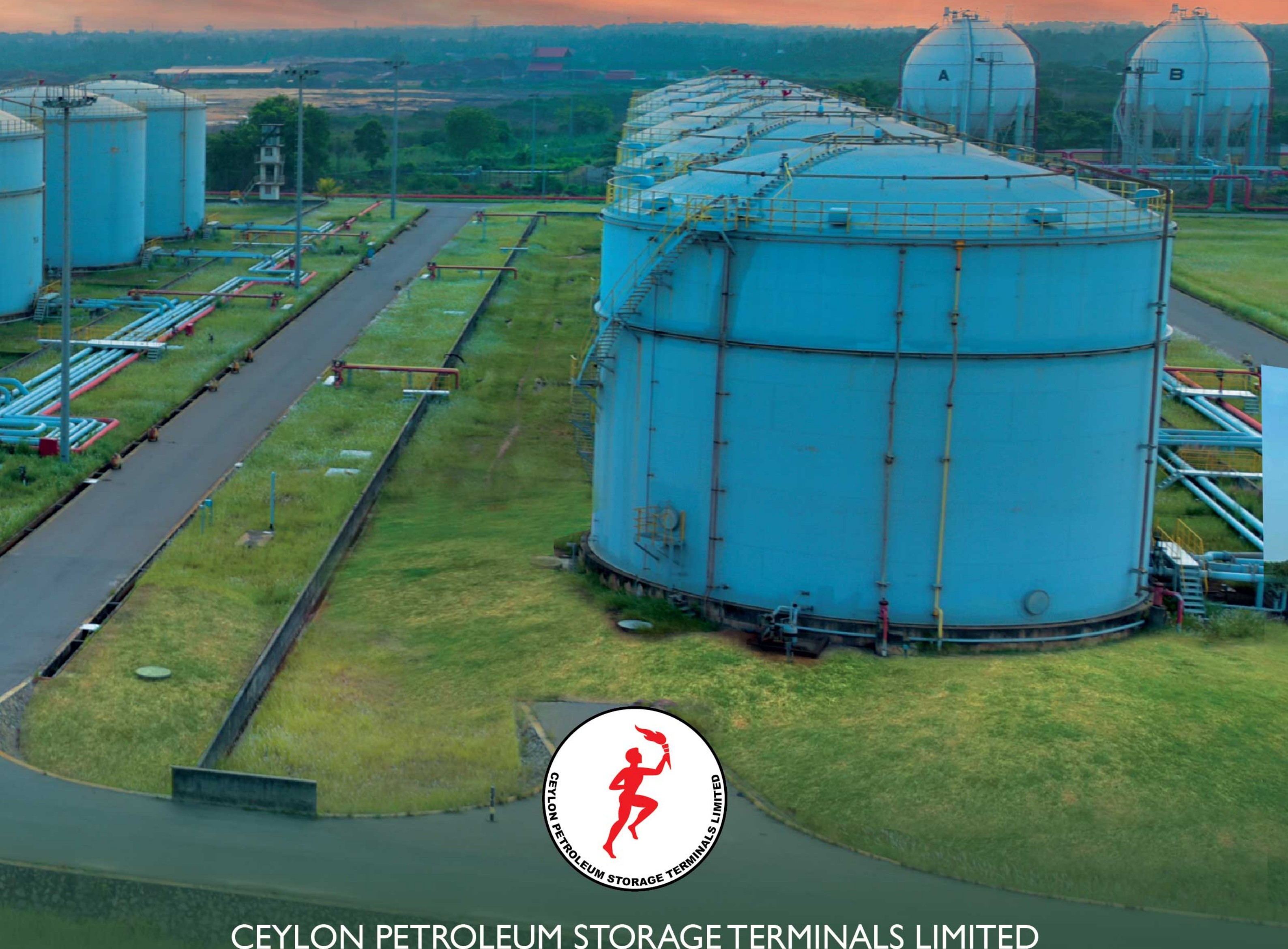
Inspiring ENERGY

ANNUAL REPORT 2021



CEYLON PETROLEUM STORAGE TERMINALS LIMITED

Inspiring ENERGY

CEYLON PETROLEUM STORAGE TERMINALS LIMITED

ANNUAL REPORT 2021

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Inspiring
ENERGY
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SHAH DENIZ

CORPORATE INFORMATION

NAME OF THE ENTITY
Ceylon Petroleum Storage Terminals Limited

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

REGISTERED OFFICE:
Oil Installation, Kolonnawa,
Wellampitiya, Sri Lanka.

TELEPHONE	+94 11 2694482
	+94 11 2691643
	+94 11 2532122
FAX	+94 11 2547827
E-MAIL	secret@cpstl.lk
WEBSITE	www.cpstl.lk

TAX PAYER IDENTIFICATION NO:
134011157

FINANCIAL YEAR
01st January to 31st December

CHAIRMAN / MANAGING DIRECTOR
Mr. M. UVAIS MOHAMED

DIRECTORS
Mr. E. A. Rathnaseela
Mr. D. G. R. Manoj Kumar
Mr. Dharmadasa Pandit haratna
Mr. Manoj Gupta
Mr. Aseem Bhargava
Mr. Rajesh Kumar Bhagat

PARENT COMPANY
Ceylon Petroleum Corporation

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

AUDITORS
The Auditor General

BANKERS
People's Bank, Bank of Ceylon

SINCE
1961

VISION

TO BE THE MOST EFFICIENT PETROLEUM TERMINAL OPERATOR IN SOUTH ASIA.

MISSION

TO REMAIN AS THE MOST EFFICIENT TERMINAL OPERATOR IN SOUTH ASIA, MEETING STAKEHOLDERS EXPECTATIONS AND COMMITTED TO MAKE PERCEIVABLE AND CONTINUAL IMPROVEMENT IN THE LEVEL OF CUSTOMER SATISFACTION, WHILE PRESERVING THE QUALITY AND ENSURING THE EXACT QUANTITY OF THE PETROLEUM PRODUCTS BEING DELIVERED TO THE TERMINAL FACILITY USERS/CUSTOMERS, HONOURING THE HEALTH, ENVIRONMENTAL AND SAFETY STANDARDS IN FORCE THROUGH DEDICATED PARTICIPATION OF A LOYAL, CONTENDED AND WELL TRAINED WORKFORCE, GUIDED BY THE FEEDBACK OF THE CUSTOMERS AND THE GENERAL PUBLIC.

ABOUT US

Ceylon Petroleum Storage Terminals Limited is a company duly 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 11bulk 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	• Badulla
• Kotagala	• Kurunegala
• Batticaloa	• Galle
• Matara	• Peradeniya
• Haputale	• Kankasanthurai
• Sarasavi Uyana	

Kolonnawa Installation handling 12 petroleum products where as Muthurajawela Terminal handles 2 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.

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PERFORMANCE **HIGHLIGHTS**

			2021	2020 (Restated)	2019	2018	2017	2016
FINANCIAL CAPITAL	**STRATEGIC PRIORITY: FINANCIAL GROWTH**							
	Revenue	LKR Mn	14,276	13,568	15,340	13,130	14,176	12,663
	Operating profit	LKR Mn	1,394	1,906	1,966	1,405	3,208	2,406
	Profit / (Loss) before tax	LKR Mn	1,595	2,215	2,289	1,522	3,273	2,330
	Profit / (Loss) after tax	LKR Mn	1,508	1,886	1,207	254	2,717	1,949
	Return on equity	%	5%	7%	5%	1%	11%	9%
	Financial Stability							
	Total assets	LKR Mn	34,039	32,588	31,522	30,322	29,991	28,059
	Total liabilities	LKR Mn	5,313	5,369	5,773	5,556	4,828	5,208
	Shareholders' funds	LKR Mn	28,726	27,218	25,749	24,766	25,163	22,851
	Cash and cash equivalent	LKR Mn	2,257	3,442	3,999	3,149	1,474	2,455
	Shareholder information							
	Earnings per share	LKR	1.58	2.67	1.74	0.26	3.73	2.32
	Dividends per share (paid)	LKR	-	0.48	0.30	0.868	0.54	0.65
	Net asset value per share	LKR	38	36	34	33	33	30
	Economic value added	LKR Mn	1,812	2,458	2,319	1,613	3,616	1479
MANUFACTURED CAPITAL	**STRATEGIC PRIORITY: OPERATIONAL EXCELLENCE**							
	Property, plant and equipment							
	Terminals & Depots	Nos	13	13	13	13	14	14
	Capital expenditure	LKR	1,358	1,358	981	375	833	913
HUMAN CAPITAL	**STRATEGIC PRIORITY: INVESTING IN PEOPLE**							
	Total employees	Nos	2,629	2,629	2,856	2,932	3,045	3,118
	Female representation	Nos	343	343	326	334	343	351
	Payments to employees	LKR Mn	6,908	6,908	6,636	6,853	5,570	5,782
	Employee attrition rate	%	6%	6%	5%	6%	1%	1%
	Investments in training	LKR Mn	3	3	17	22	32	30
	Total training hours	Hours	3806	3806	9706	12609	21,832	26,088
	Average training hours/employee	Hours	4	4	5	7	9	11
	Revenue per employee	LKR Mn	5.43	5.43	5.37	4.48	4.67	4.06
	Net profit (Loss) per employee	LKR Mn	0.57	0.57	0.42	0.09	0.9	0.63
SOCIAL AND RELATIONSHIP CAPITAL	Indirect employees (approx.)	Nos	75	75	71	63	105	114
	Customer touch points	Nos	40	40	40	40	40	40
	Investment in CSR	LKR Mn	6.5	6.5	3.8	2.1	6.1	5.7
	No. of beneficiaries (approx.)	Nos	8600	8600	8800	8700	8,500	7,000
	Contribution to Government	LKR Mn	1,608	1,608	2,441	2,579	2,175	1,895
SOCIAL AND RELATIONSHIP CAPITAL	**STRATEGIC PRIORITY: SUSTAINABILITY**							
	Energy consumption	Kwh	5,342,888	5,342,888	6,360,903	6,397,024	5,554,900	5,573,604
	Water consumption	KL	280,239	280,239	299,011	333,344	276,214	270,263
	Sludge Disposal	KL	32.4	32.4	118.8	165	-	435.60


THE CEYLON NATIONAL CHAMBER OF INDUSTRIES - CNCI

Achiever

CNCI ACHIEVER AWARDS 2021
FOR INDUSTRIAL EXCELLENCE

This is to Certify that
Ceylon Petroleum Storage Terminals Limited
was Presented the
Gold Award
in the **National Level Government Sector** *Category*

Chairman
The Ceylon National Chamber of Industries - CNCI

Chairman
Panel of Judges

Wednesday 12th January 2022

AWARDS & ACCOLADES

Reaffirming our commitment , we have been recongnized with winning the National Gold Award under the "Extra Large Services" category at the CNCI Achiever Awards 2021, organized by the Ceylon National Chamber of Industries (CNCI), the premier Industrial Chamber in the country.

OUR LEADERSHIP

Mr. M. Uvais Mohamed
Chairman / Managing Director

Mr. E. A. Rathnaseela
Director

Mr. D G R Manoj Kumar
Director

Mr. Dharmadasa Panditharatna
Director

Mr. Manoj Gupta
Director

Mr. Aseem Bhargava
Director

Mr. Rajesh Kumar Bhagat
Director

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, it is my pleasure to present the Annual Report of Ceylon Petroleum Storage Terminals Limited (CPSTL) for the year 2021. The company had a comparatively difficult 2021, dealing with both global headwinds as well as local pressures.

Global markets remain uncertain

Global shocks continued to plague the petroleum market during 2021 with multiple external dependencies impacting prices. With the COVID19 pandemic in relative abeyance and the reciprocal global optimism for economic recovery across the planet, prices surged during the year under review. Both Brent and West Texas Intermediate (WTI) prices surged past USD 95 per barrel with relaxation of COVID restrictions. Additionally, the war in Ukraine and the OPEC production cutbacks created concerns that resulted in prices briefly touching USD 140 per barrel for the first time since 2008. The conditions of the global crude oil market are volatile at best, driven by various uncertainties with respect to the geopolitical situation of the planet. While significant stock releases are expected from non-Russian net exporters as well as the International Energy Agency nations to prevent a supply in global oil supplies, these issues have been exacerbated by inflation increases in many countries regardless of the state of their economies or their levels of development, increases in climate related events across the planet and finally, either outright conflict or the possibilities for it in many countries. In all, the company by its very nature is exposed to these headwinds creating a complex and oft times volatile and uncertain local operating environment.

Local environment

Despite recovering to record a GDP growth of 3.6 percent in 2021 after a contraction of 3.7 percent in 2020, and, despite pandemic recovery being positive especially in revenue from exports, the trade deficit continued to widen during the year under review, Sri Lanka was on the brink of facing towards the end of the year under review. Headline inflation of 21.50% and core inflation at 17.3% by March 2022, depleted foreign exchange reserves creating significant shortages in both fuel and gas, power outages leading to a cauterization of economic activities, a 48% depreciation of the rupee against the dollar and tightened fiscal policies have led to the S&P, Fitch and Moody rating agencies all downgrading Sri Lanka's sovereign rating have all contributed to a bleak economic and social outlook with both internal researchers and external analysts gravely concerned that Sri Lanka was heading for a complete societal collapse in the very near future. The economic downturn was starkly reflected during the year under review by the fact that road transport, aviation and vehicle registration all declined rapidly and steeply.

Despite strong risk management processes that the company has set in place to deal with both internal and external dependencies, the unprecedented juxtaposition and congruence of multiple negatives coalesced into massive pressure for the energy sector in Sri Lanka given its exposure to global market fluctuations as well as internal turmoil. The year under review saw a drying up of foreign exchange at the treasury resulting in serious fuel shortages that created an energy crisis in the first quarter of 2022 that put massive pressure on all economic sectors that in turn resulted in unprecedented socioeconomic torques and tensions across the island. Under these conditions, even the CPSTLs robust risk management system was put under severe stress.

Despite poor sectoral performance, the CPSTL showed a revenue growth of 5 percent to LKR 14.3 billion against an increase in sales volumes of 4.2% for 2021 with gross profit margins dropping to 41 percent, down from 44 per cent in the previous year while profit after tax was LKR 1.2 billion, down 41 percent from LKR 2.0 billion YoY resulting in a drop of Earnings Per Share of 40.82 percent from LKR 2.67 to LKR 1.58 YoY.

Yet, regardless of these issues, the CPSTL is completely committed to ensuring Sri Lanka's energy security despite the challenging times. Boldly facing the highly resistive global and local socioeconomic forces at continue to impact the petroleum sector, the CPSTL is confident that it will consolidate its position and continue to be the fulcrum upon which the development of the country rests.

A final word

The Managing Director and the senior management team have fought hard over the year under review to maintain the CPSTL in the black despite very tough and bleak sectoral and global economic outlooks. Their approach has brought out the best in our formidable workforce and consolidated corporate inter-organizational relationships as well as cordial and rewarding engagement with suppliers and dealers. For their tireless efforts, I extend my heartfelt thanks and trust that they will continue to provide yeoman services for the betterment of the corporation and the citizens of Sri Lanka who crucially depend upon it.

In all these efforts, our walk into the future was guided by the firm and farsighted vision of the Hon. Minister, two Hon. State Ministers and officials of the Ministry of Power and Energy and we extend our sincere thanks and gratitude to them for their support and trust to a continuance of that critical assistance as we chart difficult times.

Finally, my appreciation to my formidable, experienced and highly capable fellow board members for their superb stewardship. The year under review was one of the toughest in recent times and without their help, it would not have been possible to keep the CPSTL as a viable state enterprise. With all of this priceless human capital, I am confident that we will be able to fully reverse trends and take the CPSTL from strength to strength in the coming years.

Thank You

M. UVAIS MOHAMED
Chairman / Managing Director

THE BOARD OF DIRECTORS

Mr. M. Uvais Mohamed
Chairman / Managing Director

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

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

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.

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.

Mr. D. G. R. Manoj Kumar
Director

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

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

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

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

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

Mr. Dharmadasa Panditharatna
Director

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

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. With over 28 years of expertise in the Petroleum Sector, Mr. Gupta has wide experience in various roles in Indian Oil Corporation Ltd (IOCL), India's flagship company and a Fortune 500 Global Company, encompassing Retail Sales, Aviation etc. 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 spearheaded two very strategic and high-volume Divisional offices 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 indepth knowledge and acumen in Retail Sales under his leadership many governments strategic sites were procured, and state of the art Retail Outlets were developed.

Mr. Gupta was a core member of prestigious Retail transformation program (Dhurva) 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. Above strategic initiative and network / customer centric approach has contributed a lot in improvement of look and feel, enhancing the engagement of channel partners and brand image of the Corporation. He believes that business collaboration and innovation is the mantra for success.

In addition to his main role as the Managing Director of Lanka IOC PLC, he serves on the Board of Ceylon Petroleum Storage Terminals Limited and Trinco Petroleum Terminal (Pvt) Ltd., as a Board of Director by contributing his expertise to the Petroleum Sector in Sri Lanka. He also serves as the Chairman - Government liaising of Indian CEO Forum while actively participating in various CSR programs.

Mr. Aseem Bhargava
Director

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

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

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

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

Mr. Rajesh Kumar Bhagat
Director

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

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

SENIOR MANAGEMENT TEAM

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

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

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

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

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

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

Mr. N. Jayawardena
Manager
(Security)

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

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

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

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

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

Mr. W.S. Hemantha kumara
Manager
(Bulk Movement & Bulk Products)

Dr. Mrs. R. Susiriwardena
(Medical Officer)

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

Mr. N.M. Munas
Manager
(Human Resource)

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

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

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

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

Mr. H.M.U. Bandara
Engineering Manager

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

OPERATING ENVIRONMENT

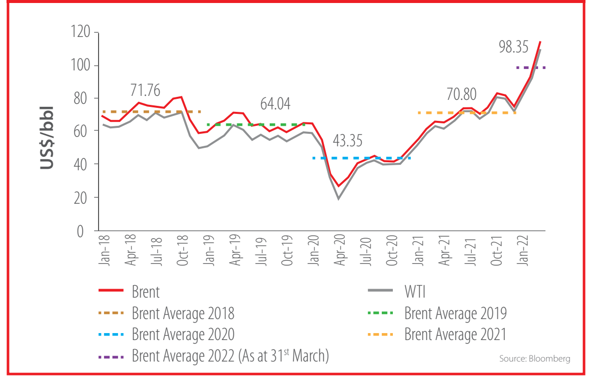
The Global Petroleum Market

The effects of the COVID-19 pandemic exacerbated with the emergence of the highly infectious variants Delta and Omicron causing longer-than-expected supply disruptions and further feeding inflation in many countries.

Global crude oil prices rose sharply in 2021, supported by the steady recovery in global economic growth as well as tight supply conditions, although some downward pressures were observed due to resurgences of COVID-19. Although the average crude oil price (Brent) stood at US dollars 43.35 per barrel in 2020, due to the contraction in global demand induced by the COVID-19 pandemic, with the turnaround in the global economy and the relaxation of pandemic related mobility restrictions, the average crude oil price in international markets rose by 63.3 per cent to US dollars 70.80 per barrel in 2021. The recovery in global crude oil prices that began in mid-2020 gained pace and reached pre-pandemic levels by March 2021 before reaching seven-year highs in October 2021. The West Texas Intermediate (WTI) price was also on a rising trend and recorded an average of US dollars 67.94 per barrel in 2021 compared to US dollars 39.78 per barrel recorded in 2020.

The surge in global crude oil prices was primarily driven by optimism surrounding the global recovery process and the resultant rise in global demand amidst tight global oil supply conditions maintained by the Organization of the Petroleum Exporting Countries (OPEC) and its allies. Brief episodes of downward pressures were observed due to demand concerns stemming from the resurgence of COVID-19 and the emergence of new variants of the virus, which compelled the imposition of temporary lockdowns and mobility restriction measures. Global crude oil prices escalated further and briefly reached US dollars 140 per barrel in March 2022 for the first time since July 2008 following concerns that geopolitical tensions between Russia and Ukraine could lead to further tightening of supplies. In line with rising trends in global crude oil prices, the average price of crude oil imported by the Ceylon Petroleum Corporation (CPC) increased by 51.1 per cent to US dollars 68.86 per barrel in 2021 compared to the average of US dollars 45.57 per barrel recorded during 2020.

Trends in Global Crude Oil Prices



Global operating environment

- Despite this, with the success of the vaccination programs including boosters and efforts of countries in tackling the pandemic, the global economy converged on a recovery path,
- However, the initial hopes for a strengthened global recovery from early 2022 worsened with Russia's invasion of Ukraine, the resultant humanitarian crisis in Eastern Europe and sanctions imposed on Russia,
- Many countries across the globe, including advanced as well as emerging economies are experiencing higher inflation, making it a point of major concern for central banks and policy makers and prompting tighter monetary policies,
- The International Monetary Fund forecasts a 3.6% global economic growth rate for 2022, whilst the same for Advanced Economies and Emerging Market & Developing Economies are 3.3% and 3.8% respectively.

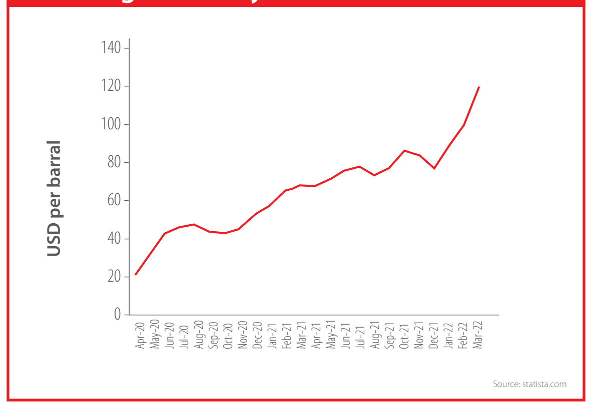
Global oil industry

Demand and supply: The early parts of the year were marked by slow recovery in oil demand, attributed to a surge in new COVID-19 cases, with air travel and jet fuel being mostly affected. Demand picked up with the gradual relaxation of pandemic related restrictions and growing economies. Surging commodity prices and international sanctions levied against Russia in response to its invasion of Ukraine are expected to depress global economic growth. This is set to further exacerbate low demand for oil in 2022.

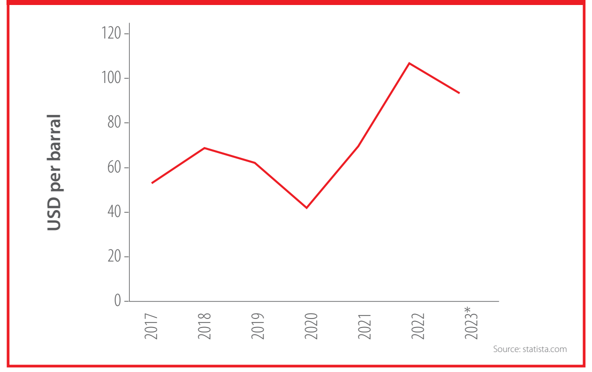
Despite the disruption to Russian oil supplies, World's second largest oil exporter and a potential resultant supply shock, these lower demand expectations, steady output increases from OPEC+ members along with the US and other non OPEC+ countries, and massive stock releases from the International Energy Agency member countries are expected to prevent a sharp deficit of global oil supply from developing.

Pricing: Crude oil prices increased in 2021 as increasing COVID-19 vaccination rates, loosening pandemic-related restrictions and a growing economy resulted in global petroleum demand rising faster than petroleum supply. Prices peaked towards October 2021 before declining in the final weeks of the year. Prices again increased steeply to exorbitant levels within the February – March 2022 window, resulting from the Russian invasion of Ukraine.

Average Monthly Brent Crude Oil Prices

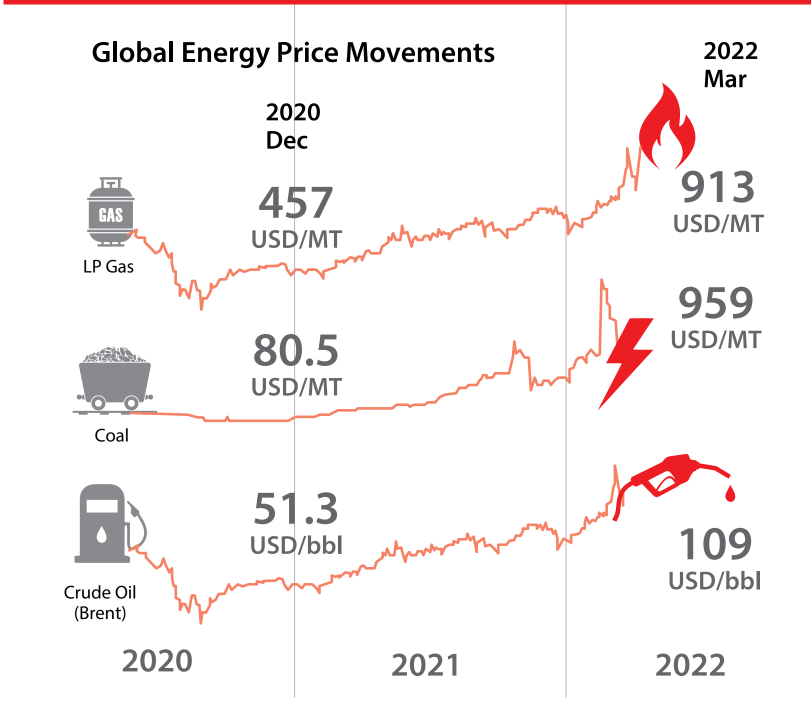


Average Annual Oil Price Per Barrel and Future Projections



Performance of the Economic and Social Infrastructure

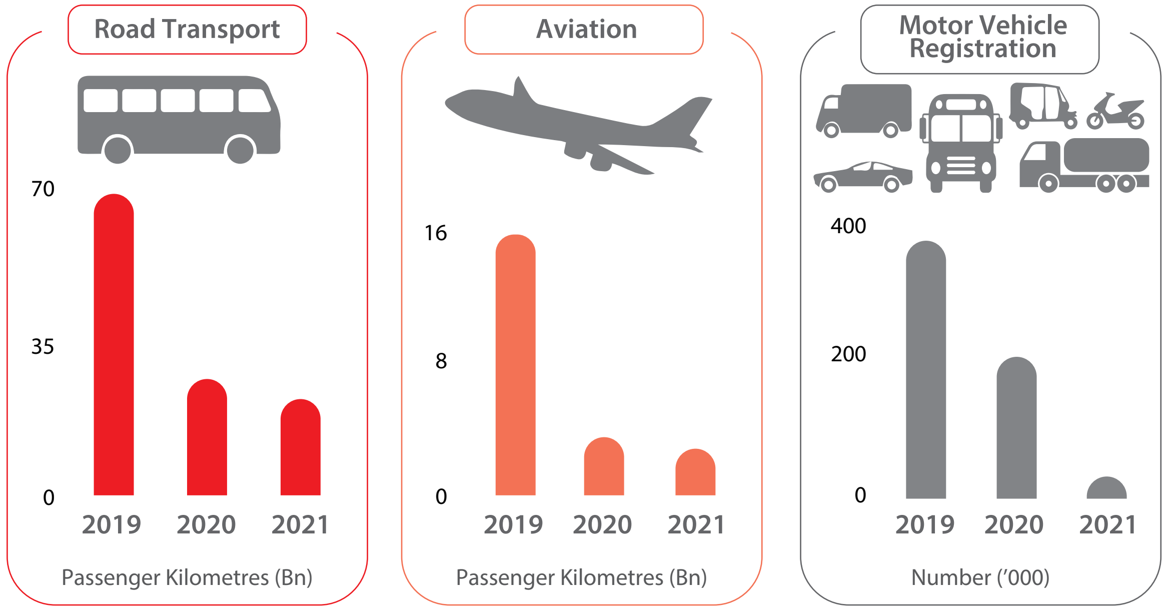
Unfavourable Energy Price Developments



Local Energy Price Movements
(Jan 2021-Mar 2022)

	CPC	LIOC
Petrol 92	85%	121%
Diesel	69%	106%
Kerosene	24%	
	Litro	**Laugfs**
Gas	79%	181%

Dampened Transportation Activities

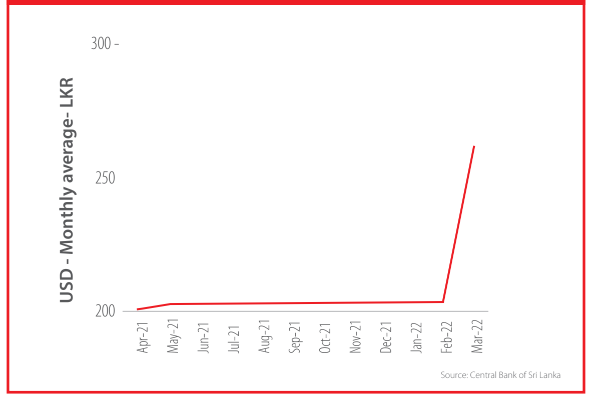


Local economy

In 2021, the Sri Lankan economy recorded a GDP growth of 3.6%, recovering from a contraction of 3.7% in 2020.

- Recovery from the pandemic was positive, particularly in revenue from exports exceeding USD 1 Bn per month for consecutive months and tourism picking up in late 2021 before being affected by geopolitical tensions and domestic economic challenges.
- The trade deficit continued to widen driven by higher import expenditure
- Inflation continued to rise, driven by both supply side factor and mounting aggregate demand pressures, headline inflation of 21.50%, and Core inflation 17.30% (March 2022/ NCPI).
- Depleting foreign exchange reserves led to shortages in imported commodities including fuel and gas leading to power outages and disruptions in economic activities.
- The LKR/USD peg of LKR 203 was removed in March 2022 by the Central Bank of Sri Lanka (CBSL) with greater flexibility in the exchange rate allowed to the markets – The rupee depreciated by 48% by end March 2022 over end March 2021 recording LKR 299 per USD.
- The CBSL adopted a tightening monetary policy throughout the year, with all key policy rates of Standing Deposit Facility Rate, Standing Lending Facility Rate, Bank Rate and Statutory Reserves Ratio increased by 200 bps. Resultantly, market rates have gradually adjusted upwards.
- All three leading rating agencies Standard & Poor's, Fitch and Moody's downgraded Sri Lanka's sovereign rating during the year, citing increased probability of an imminent default given Sri Lanka's worsening external liquidity position, resulting from a drop in foreign-exchange reserves compared to high external debt payments and limited financing options.

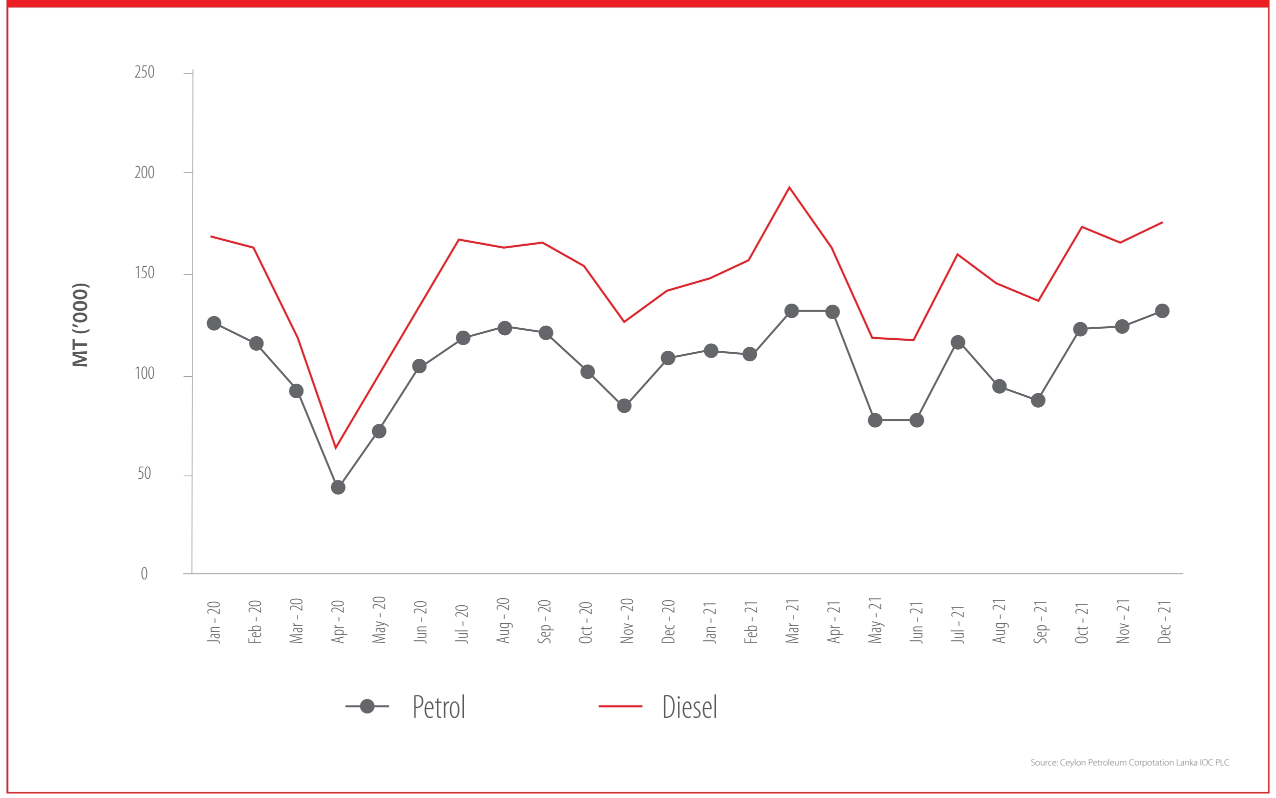
Exchange Rate Movement



Inflation (%)

	Last Revision Date	Price (Rs./ltr) as at end 2021
Ceylon Petroleum Corporation (CPC)		
Petrol 92	20.12.2021	177.00
Petrol 95	27.12.2021	207.00
Auto Diesel	20.12.2021	121.00
Kerosene	20.12.2021	87.00
Lanka IOC PLC		
Petrol 92	20.12.2021	177.00
Petrol 95	20.12.2021	210.00
Auto Diesel	20.12.2021	121.00

Sales of Petrol and Diesel to the Transport Sector



The overall sales volumes of petroleum products in the domestic market declined by 7.7 per cent during the year, driven by contractions in sales to the power sector.

Several economic activities were allowed to be pursued throughout the April and August outbreaks of COVID-19 resulting in a rebound in economic activity during 2021. In turn, sales volume of the CPC to the transport, industrial and aviation sectors grew by 10.4 per cent, 39.5 per cent and 18.6 per cent, respectively. Meanwhile, the increased reliance on hydropower generation due to healthy water levels in reservoirs resulted in the sales of diesel and furnace oil for power generation registering notable contractions of 23.2 per cent and 35.9 per cent, respectively, thereby dampening the overall sales performance of the CPC.

Refinery output recorded an overall decline of 24.7 per cent in 2021 due to multiple closures of the Sapugaskanda refinery. Subsequent to a closure from mid-February 2021 for the purpose of general maintenance, the refinery was closed again in November 2021 for three weeks due to unavailability of crude oil for refinery operations. Hence, overall crude oil throughput declined by 24.5 per cent, while refinery output of key products such as diesel, petrol, fuel oil and naphtha contracted by 31.1 per cent, 24.5 per cent, 22.9 per cent and 31.9 per cent, respectively, during the period under review. These production gaps were compensated for through the importation of refined products by the CPC which had risen by 15.2 per cent during the year.

Despite notable upward revisions to domestic petroleum prices, the financial performance of the CPC worsened further in 2021. As per unaudited provisional financial statements, the CPC incurred an operational loss of Rs. 41.7 billion in 2021 compared to the operational profit of Rs. 33.9 billion recorded in the previous year, reflecting the impact of delayed and inadequate revision of prices in line with the sharp increase in global crude oil prices. Sales of petroleum products to the major sectors of transport and power generation yielded operational losses, while the aviation and industry sectors generated operational profits in 2021.

The depreciation of the rupee against the US dollar resulted in a notable exchange rate variation loss of Rs. 33.2 billion to the CPC during the year, weighing negatively on the overall loss (before taxes), which stood at Rs. 82.2 billion in 2021 in comparison to the profit of Rs. 2.4 billion recorded in the previous year. Meanwhile, borrowings of the CPC from the banking sector increased by Rs. 123.5 billion to Rs. 505.3 billion in 2021, while deposits with domestic licensed commercial banks increased by Rs. 76.2 billion to Rs. 140.1 billion by end 2021. The CPC's total outstanding trade receivables from public corporations increased to Rs. 161.1 billion in 2021 from Rs. 142.7 billion in 2020, mainly due to the growing liabilities owed by the Ceylon Electricity Board (CEB) and Sri Lankan Airlines. Accordingly, by end 2021, trade receivables from the CEB and Sri Lankan Airlines accounted for around 90.1 per cent of total trade receivables of the CPC. The worsening financial position of the CPC, alongside the dearth of foreign exchange flows, led to hindrances in timely and cost-efficient fuel procurement. In January 2022, the Central Bank intervened to facilitate the distribution of the financing of essential import bills for fuel purchases among the licensed banks in proportion to their foreign exchange flows with the intention of facilitating the timely procurement of fuel and reducing the reliance of the CPC on the two state-owned banks. The Government also secured a short-term line of credit amounting to US dollars 500 million from the Export- Import Bank of India in early 2022, specifically for the purchase of refined petroleum products from India.

The Government continued to engage in developing a national plan for upstream oil and gas exploration during 2021. The Petroleum Resources Act No. 21 of 2021 was enacted in October 2021 with the primary aim of establishing an independent, efficient and transparent upstream legislative framework, thereby creating a clear national upstream policy and a regulatory and operational framework to oversee and manage petroleum resources and related operations. Following the enactment of the new Petroleum.

Resources Act, the Petroleum Development Authority of Sri Lanka (PDASL) was established in October 2021 as an independent regulator in lieu of the Petroleum Resources Development Secretariat (PRDS). Further, in line with international block demarcation processes and current trends, a new offshore hydrocarbon exploration block map comprising 871 small blocks and three large blocks covering the Manner, Cauvery and Lanka Basins, was devised and gazette in July 2021. Further, in line with the National Policy on Natural Gas, which was gazette in 2020, initial work relating to the drafting of the Gas Utilization Master Plan was underway began in 2021 and it is expected to be launched during early 2022 by the PDASL.

Table 3.1
Petroleum Sector Performance

Item		2020 (a)	2021 (b)	Growth Rate (%) 2020 (a)	Growth Rate (%) 2021 (b)
Quantity Imported (mt '000)					
Crude Oil		1,667	1,182	-9.5	-29.1
Refined Products		4,028	4,553	-15.0	13.0
Coal		2,600	2,206	8.8	-15.1
L.P. Gas		437	422	1.7	-3.3
Domestic L.P. Gas Production (mt '000)		25	17	-6.4	-34.1
Value of Imports (CIF)					
Crude Oil	(Rs. million)	107,665	123,865	-38.0	15.0
	(US$ million)	583	625	-39.9	7.2
Refined Products	(Rs. million)	321,818	564,681	-33.4	75.5
	(US$ million)	1,742	2,840	-35.6	63.0
Coal	(Rs. million)	40,194	55,118	3.8	37.1
	(US$ million)	217	278	1.3	27.8
L.P. Gas	(Rs. million)	43,812	64,436	1.5	47.1
	(US$ million)	236	324	-2.2	37.2
Average Price of Crude Oil (CIF)					
	(Rs./bbl)	8,415	13,645	-31.6	62.2
	(US$/bbl)	45.57	68.86	-33.8	51.1
Quantity of Petroleum Exports (mt '000)		798	853	-18.9	7.0
Value of Petroleum Exports	(Rs. million)	68,849	100,975	-26.1	46.7
	(US$ million)	374	506	-28.3	35.6
Local Sales - Refined Products (mt '000)		4,600	4,246	-16.8	-7.7
o/w Petrol (92 Octane) (c)		1,139	1,238	-10.2	8.7
Petrol (95 Octane)		120	116	-23.6	-3.5
Auto Diesel (d)		1,750	1,875	-18.2	7.1
Super Diesel		69	75	-18.8	8.2
Kerosene		176	188	-14.8	7.2
Furnace Oil		971	513	-4.0	-47.2
Avtur		189	224	-60.2	18.6
Naphtha		165	11	1.7	-93.5
Local Sales - L.P. Gas (mt '000)		473	457	1.5	-3.3
Local Price (End Period) (Rs./litre)					
Petrol (92 Octane)		137.00	177.00	-	29.2
Petrol (95 Octane)		161.00	207.00	-	28.6
Auto Diesel		104.00	121.00	-	16.3
Super Diesel		132.00	159.00	-	20.5
Kerosene		70.00	87.00	-	24.3
Furnace Oil					
800 Seconds		70.00	110.00	-27.1	57.14
1,500 Seconds		70.00	110.00	-27.1	57.14
L.P. Gas (Rs./kg)					
Litro Gas		119.44	214.00	-	79.2
Laugfs Gas		119.44	227.20	-	90.2
International Crude Oil Prices (US$/bbl)					
Brent		43.35	70.80	-32.3	63.3
WTI		39.78	67.94	-30.2	70.8
Petroleum and Other Liquids					
World Supply (million barrels per day)		93.9	95.6	-6.4	1.8
World Demand (million barrels per day)		92.0	97.5	-8.6	6.0

(a) Revised
(b) Provisional
(c) Including XtraPremium Euro 3
(d) Including XtraMile Diesel

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

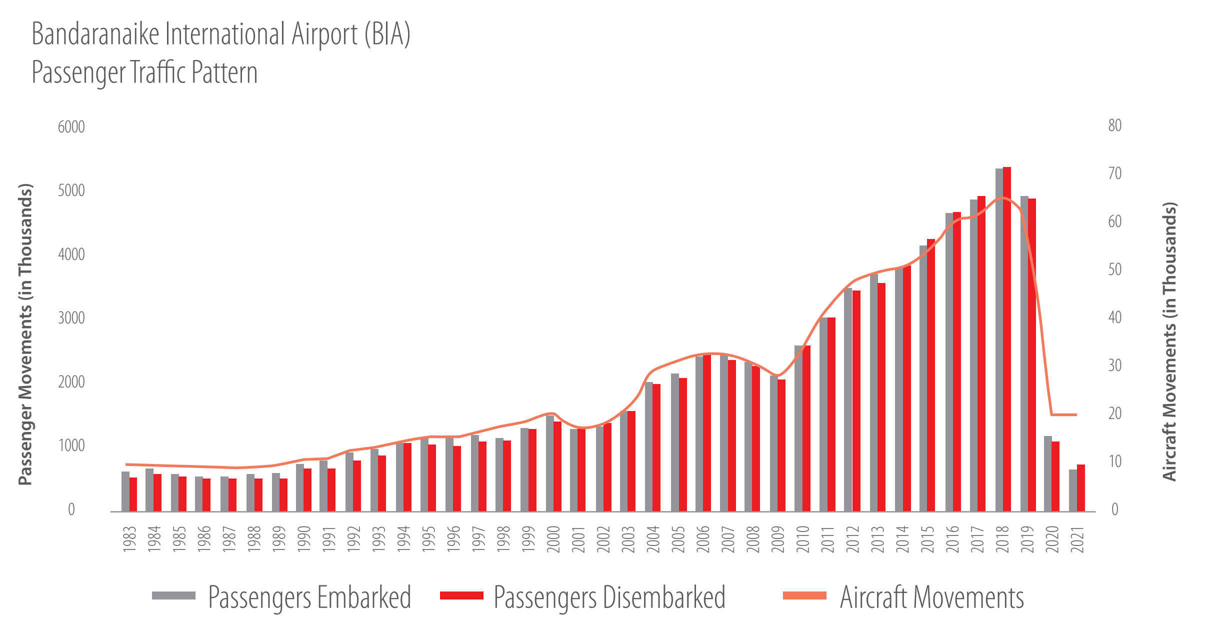
Rail Transportation

The Sri Lanka Railways (SLR) continued to record weak financial performance in 2021. As per the provisional financial statements, the SLR registered an operating loss of Rs. 10.3 billion during the year, compared to a loss of Rs. 10.1 billion in 2020. The total revenue of the SLR stood at Rs. 2.7 billion with a notable decrease of 41.3 per cent in 2021 in comparison to the previous year, mainly due to the contraction in revenue generated from passenger transport by 53.0 percent. This decline in revenue was driven by the April and August outbreaks of COVID-19. During the year, total expenditure of the SLR decreased by 17.1 per cent to Rs. 40.4 billion, as recurrent and capital expenditure decreased by 11.2 per cent and 19.6 per cent, respectively, to Rs. 13.0 billion and Rs. 27.4 billion, respectively. Key reasons for the decline in recurrent expenditure were the reduction of personnel emoluments as well as the decline in fuel expenditure due to the reduction in operations.

Aviation

The performance of the aviation sector experienced a notable setback in 2021, due to the sharp decline in travel and tourism related activities in the wake of the COVID – 19 outbreaks. The emergence of the COVID – 19 pandemic crippled the global air travel industry, Total Number of aircraft movements through the Bandaranaike International Airport (BIA) showed as follows.

Passengers and Aircraft Movements



Quantity Distributed

	2021 (Qty – KL)	2020 (Qty – KL)
Kolonnawa	2,268,475,401	2,357,655
Muthurajawela	1,219,521,871	952,383
Depots	1,269,055,852	1,254,747
	4,757,053,124	4,564,785

Petroleum Product Prices

Product		2021	2020
Petrol 92		177.00	137.00
Petrol 95		207.00	161.00
Auto Diesel		121.00	104.00
Super Diesel		159.00	132.00
Kerosene		87.00	70.00
Furnace Oil			
Petrol 92			
-	800 seconds	110.00	96.00
-	1500 seconds	110.00	96.00

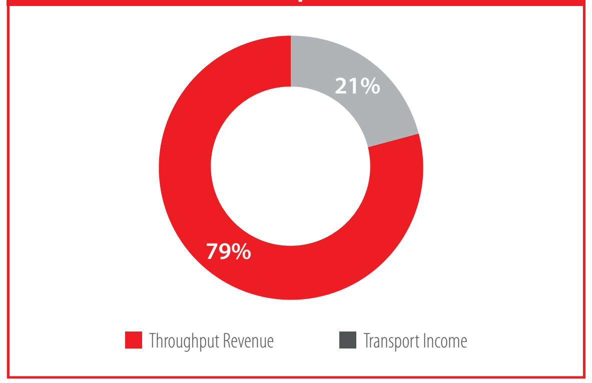
FINANCIAL CAPITAL

Financial Performance

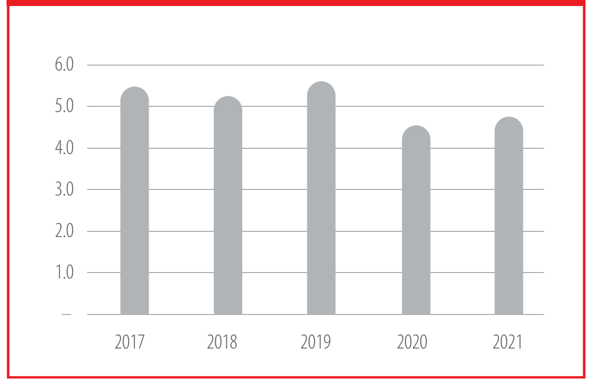
Revenue

Revenue of CPSTL is generated from throughput income and transport income. The key contribution for the revenue is throughput income which recorded 79% of the total revenue in year 2021 whereas it was 81% in year 2020.

Revenue Composition 2021



Sales Volume (KL Mn)

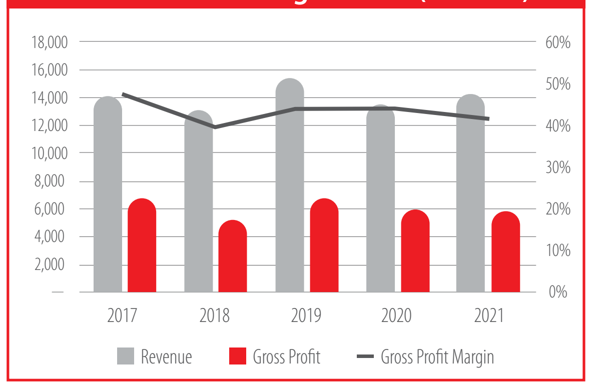


The company has recorded a revenue growth of 5% to Rs. 14.3 bn during the year under review, mainly due to increase in volume. The sales volume has increased by 4.2% in 2021with compared to the year before but it is lower than year 2019.

Profitability

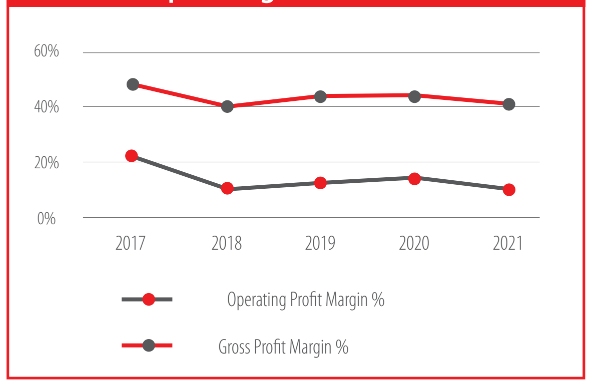
Even there is a slight rise in the revenue for the year under review, due to increase in direct expenses, the gross profit remains the same as the previous year and the gross profit margin dropped to 41% whereas it was 44% in the previous year.

Revenue & GP Margin Trend (LKR Mn)

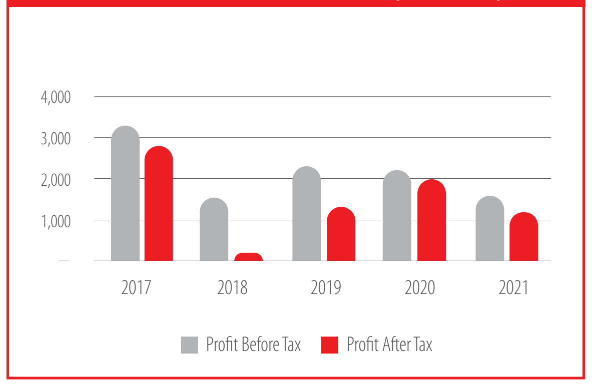


The company recorded a operating profit of Rs. 1.3 billion with year over year decline of 27% against the year before due to increase in expenses.

Operating Performance



Pre Tax & Post Tax Profit (LKR Mn)



During the year under review, profit before tax declined by 28% to Rs. 1.6 billion compared to Rs. 2.2 billion recorded in 2020 ,mainly as a result of increase in personal cost due to salary revision after 3 years was done in 2021. Administrative expenses also increased by 13% following the increase in personal cost for the year. Mainly, as a result of decline in interest rates of the economy, finance income for the year decreased by 13% compared to the year before.

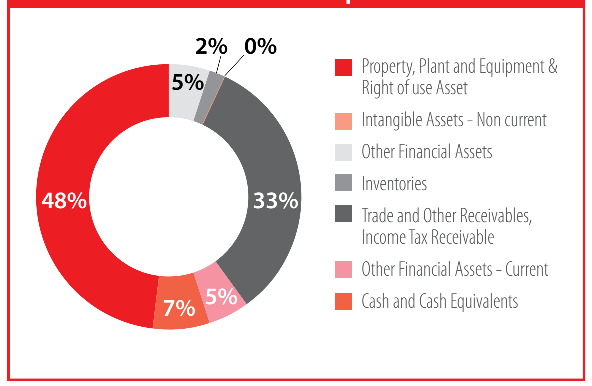
Despite the increase in revenue, profit after tax decreased to Rs.1.2 billion recording 41% decrease compared to Rs. 2 billion recorded in 2020. Income tax expenses which consist of both the effect of income tax on taxable income and effect of deferred tax in 2021 is Rs. 413 million where as it was recorded as Rs. 213 million in 2020. The main reason for such increase in 2021, when profit before tax is decreased is that even the income tax expense on taxable income was Rs. 703 million,reversal of deferred tax expense in 2020 was Rs. 453 million due to decrease in income tax rate from 28% to 24%.

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

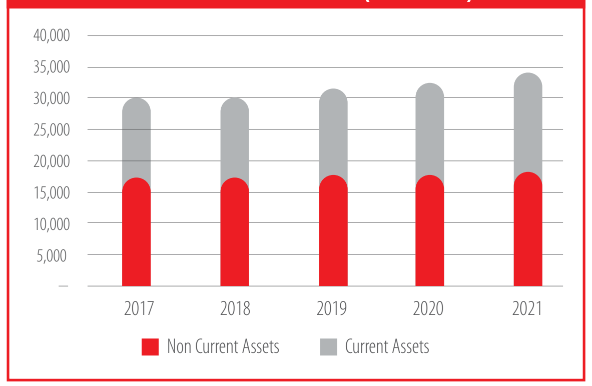
Financial Position

Total Assets

Total Asset Composition



Total Asset Growth (LKR Mn)

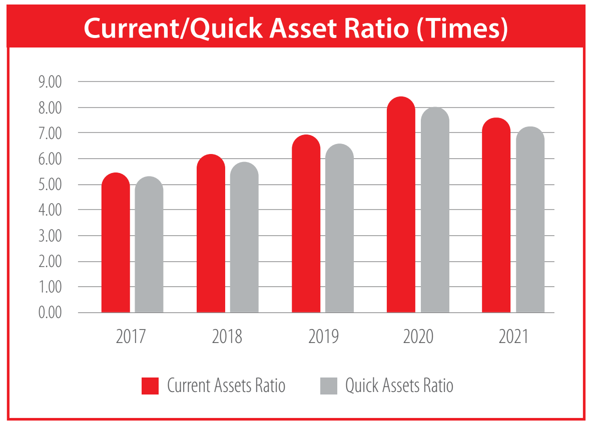


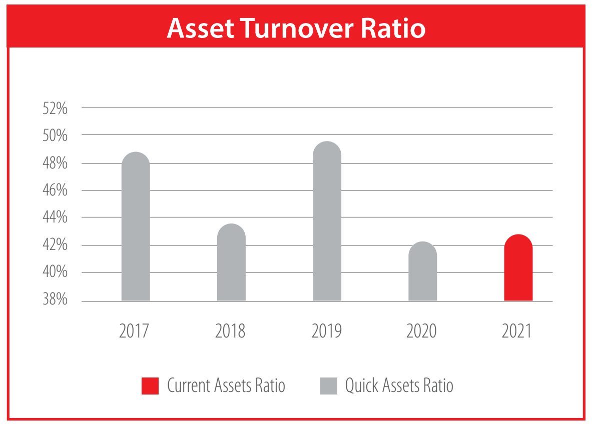
The balance sheet is more towards to non- current assets, which accounted for 48% of the total assets. Out of current assets, more are towards to trade and other receivables which accounted for 33% of the total assets. Other financial assets and cash represent 5% and 7% respectively.

The total asset base increased by 4% in 2021 to Rs. 38 billion at the year end with compared to Rs.32.5 billion in 2020 mainly supported by increase in trade and other receivables. Cash & cash equivalents reduced as a result of increase in expenses and increase in trade & other receivables due to slow down of the economy.

Working Capital

The current assets ratio and quick assets ratio amounts to 7.59 and 7.24 respectively as at the year end 2021 where both the ratios have decreased considerably than the year before as a result of considerable increase in current liabilities than in current assets.



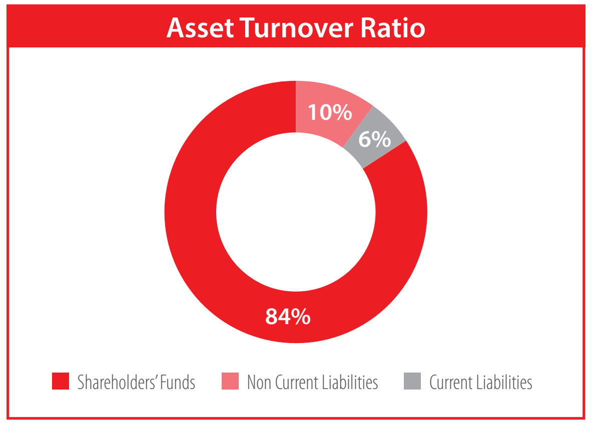


Asset Turnover Ratio

The assets turnover ratio measures the efficiency of Company's use of its assets to generate sales. The asset turnover ratio increased to 43% during 2021 from 42% in 2020 as a result of rise in revenue in 2021.

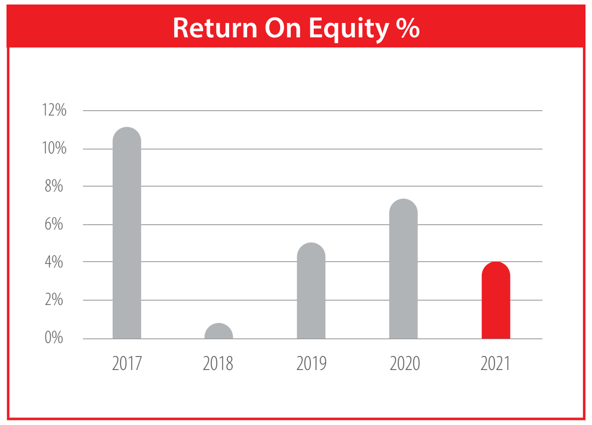
Equity and liabilities

CPSTL is well capitalised with shareholder's funds of Rs. 28.7 billion funding 84% 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 decreased to Rs. 5.31 billion in 2021 from Rs. 5.36 billion in 2020.



Return on equity

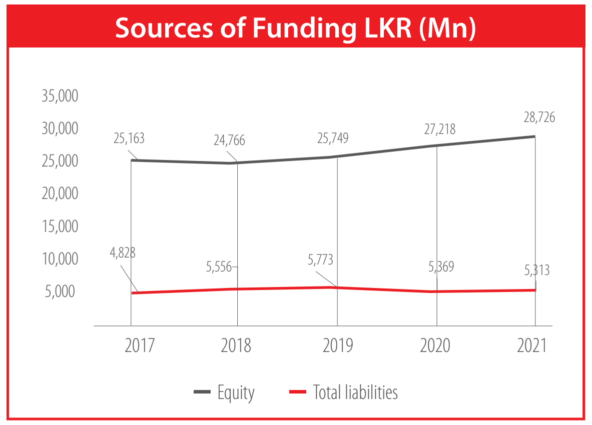
The company has recorded return on equity of 4% for the year under review compared to 7% of the year before. The drop is mainly due to decrease in profit after tax in 2021.

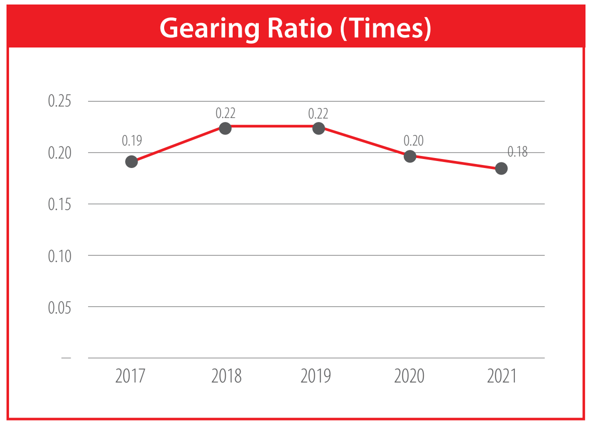


Leverage and capital structure

84% of assets of the company are financed through equity capital and balance 16% is financed through long term and short term debts. As depicted in graphs below, the contribution from equity capital has slightly increased in 2021 with compared to year 2020 due to accumulation of profit after tax.

Gearing ratio of the company has declined to 18% at the year end of 2021 compared to 20% at the beginning of the year.

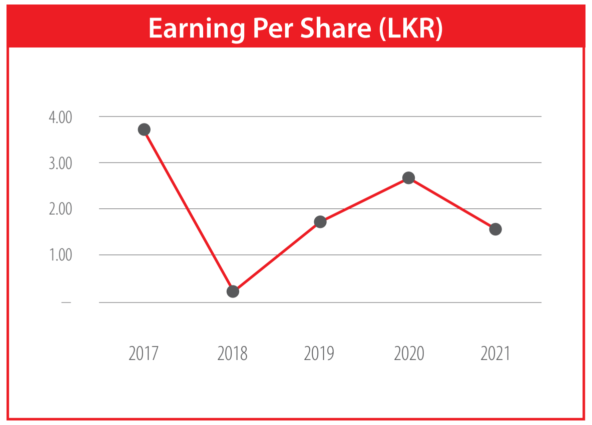


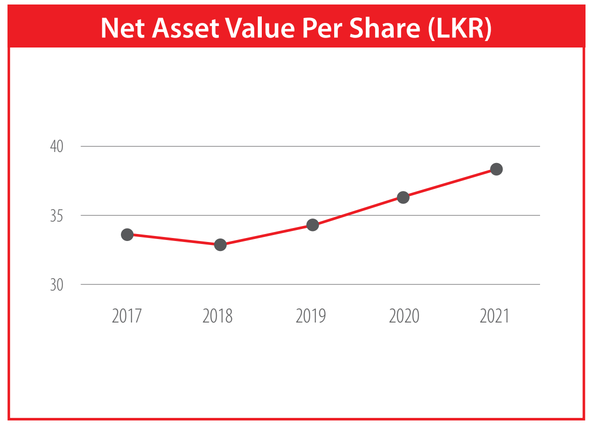


Shareholder value creation

	2021	2020
Earning per share (Rs.)	1.58	2.67
Net asset value per share (Rs.)	38	36

Earning per share is 1.58 in 2021 whereas it's 2.67 in 2020. The net assets value per share increased from 36 times to 38 times as at the year end of 2021. The increase in earning per share is due to reduction in profit for the year 2021 and increase in net asset value per share is due to increase in net assets during the year under review.





MANUFACTURED CAPITAL

1. Infrastructure Development Facilities at Muthurajawela

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

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

The Muthurajawela Terminal is a semi-automated terminal and has several advantages in terms of efficiency and productivity when compared with Kolonnawa Installation and other bulk depots of CPSTL. All the bays of the filling gantry is capable of loading 10 compartment road tankers and the turnaround time of a road tanker is lessor compared to other installations. In addition, the products unloaded at SPBM -02 are directly transferred to Muthurajawela Terminal without 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.

Considering the requirement, a service of a consultant to do architectural and structural services, quantity surveying and site inspection works was obtained by CPSTL. The consultant's proposal is under review by CPSTL.

2. Refurbishment of Auditorium and Office of Human Resource Development Function & Renovation of Old Administration Building

Human Resource Development function at Oil Installation, CPSTL, Kolonnawa provides service to CPSTL employees to update and improve knowledge and skills through the training programmes. The existing facilities at the auditorium and office of the Human Resource Development function at CPSTL is constructed more than 25 years ago and need to be refurbished. A modern training facility is proposed to construct to train and develop the employees to a productive and highly skilled work force.

In addition, the old administration building houses offices of 06 separate functions the building was constructed around 40 years ago. A facelifting and refurbishment is required to maintain the building in operational safe condition.

The refurbishment work is in progress and an overall progress of 80% is achieved by the end of the financial year 2021.

3. Design, Supply and Installation of Internal Floating Roofs for Tanks No. 17, 22 & 23 at Kolonnawa Installation.

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%.

Six (06) fixed roofs, welded steel, vertical product storage tanks of oil installation, Kolonnawa, were selected for installation of IFRs to reduce evaporation losses. The total investment on fixing IFRs is Rs. 120 million. Under the proposed development the modifications and IFR installations of Tank no.18,19 and Tank no. 41 were completed. These three tanks are commissioned and now successfully in operation. The IFR installation of the remaining 03 tanks no.17,22 and Tank no. 23 are scheduled to attend during 2021 and 2022. 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.

4. Upgrading Pipe System at Zone – 6

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

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

The pipe manufacturing is carried out complying with the specification API 54L – Grade B at the steel mill in

Romania. The pipes were successfully tested with Third Party Inspection by the end of the financial year. The materials were delivered to the site and are expected to complete within the 1st quarter of year 2022. Pipe installation is scheduled to complete by the end of year 2022.

5. 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 Rs. 70 Million. 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 2021. 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.

6. Construction of 02 nos. 7000 m3 & 15000 m3 Storage Tank at Kolonnawa

The annual average fuel demand in Sri Lanka increases by 4-5%. In par with this demand increase, it is required to develop adequate storage facilities in order to maintain at least a 30-day stocks at any given time. Ministry of Energy, having analyzed this situation, has obtained an approval from the cabinet of ministers to enhance the fuel storage facilities in Sri Lanka by 100,000 MT.

Under the guidance of the Ministry of Energy, CPSTL decided to construct 03 storage tanks at Oil installation, Kolonnawa with following capacities to as a measure to fulfil the above requirement.

No.	Product	Capacity (m3)	Density	Capacity (MT)
Tank No. E	Gasoline 92	15,000	0.745	11,175
Tank No. F	Naphtha/Gasoline	7,000	0.690	4,830
Tank No. I	Naphtha/Gasoline	7,000	0.690	4,830
	Total	29,000		20,835

The construction of the tanks is awarded to M/s. Indo - East Engineering & Construction (Lanka) (Private) Limited. The total investment on construction of the tanks is Rs. 1,270 Million. Under the proposed capacity expansion of Kolonnawa Terminal, Tank No. 44 (15,000 m3) has been completed at the end of year 2021 and other two tanks are in progress and will be completed and commissioned in year 2022.

LBD Batticaloa is the distribution hub of CPSTL for the eastern region. The depot houses for 13 product storage tanks having capacity of 350,000L for Gasoline and 814,000L for Gasoil. CPSTL identified the requirement of enhancing the firefighting system capacity of the LBD in complying with the latest NFPA standards. The major activities planned under the system improvement are

- 350 m3 fire water tank.
- 6" closed fire water pipeline ring, with hydrants, oscillation monitors, isolation valves and the four-nozzle breaching inlet.
- 1250 US gpm diesel engine pump house.

The construction of a 350m3 capacity fire water tank project contract was awarded to M/s. Laugfs Engineering (Pvt) Ltd, at a total project cost of Rs. 15 million and around 90% of the work has been completed by the end of the financial year 2021.

7. Construction of a 350m3 Capacity Fire Water Tank

8. Construction of Filling Gantry at Zone 03

CPSTL delivers around 38 million liters of JET A-1 aviation fuel through rail tankers to CPC Aviation unit at BIA, Katunayaka. The existing aviation fuel rail tanker filling facility at Zone-03 of oil installation, Kolonnawa operated 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 Rs. 3.6 million. It is proposed to construct a rail tanker filling gantry with a shelter, to avoid such opportunity cost.

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

In this context, an investment of 32.8 million rupees in constructing a new filling gantry at Zone -03 Aviation Filling Facility is made by CPSTL. The Roof, roof structure and, major sections of the operating deck were completed during the financial year 2020 around 90% of the work has been completed by the end of the financial year 2021. 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.

9. Repair to tank no. 03, 14 & 47 – 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 conducting routine inspections in complying with world class petroleum industry standards. Storage tank maintenance are scheduled accordingly. The tank No. 03, 14 and 47 at oil installation Kolonnawa were scheduled for repairs in year 2020.

a. Tank No. 03 is a vertical, domed fixed roof, the welded tank having a capacity of 12,500m3 (Diameter-31 m, Height-17.35 m) which has been constructed in 1999. The tank was continuously monitored and observed that there were corrosions and through holes in the tank roof. The Inspection Unit of CPSTL carried out a comprehensive inspection of the tank exterior and recommended replacing the entire roof plates, repainting the roof structure, and weld fill and painting of the weld seams in the tank bottom.

b. Tank No.14 is vertical, cone/fixed roof, riveted tank having capacity of 1,800m3 (Diameter-16.5m, Height-8.92m) which has been constructed in 1937. This tank was continuously monitored and required minor repairs were attended. Inspection Unit of CPSTL carried out a comprehensive inspection and recommended to replace the entire bottom & bottom most 300mm strip of the shell, painting of the tank and other minor repairs.

c. Tank No. 47 is vertical, cone/fixed roof, welded tank having capacity of 11,680m3 (Diameter-34.15m, Height-14.86m) which has been constructed in 1991. Minor repairs were attended to this tank replacing sump and patch up work at tank bottom in 2008. Inspection Unit of CPSTL carried out a comprehensive inspection of tank exterior and recommended to replace the entire roof plates, repaint the tank, and other minor repairs.

Overall progress of around 67% of the work is attained during 2021.

10. Dry Docking of SPBM – Muthurajawela

Muthurajawela dual path buoy installed in year 2010 for the purpose of unloading clean finished products (Gas oil, Gasoline) & fuel oil through separate 18" pipe lines to Muthurajawela tank farm. It has two separate hose strings for this purpose. Muthurajawela SPBM is one of the critical infrastructures, not only for CPSTL, but also for the entire nation. It is one of the main finished products unloading point to the country and the only inbound product discharging facility for Muthurajawela Terminal. On average annually around 40 nos of tankers were discharged amounting to more than 1 billion metric tons of finished products through in SPBM Muthurajawela.

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

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

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

Major Maintenance Activities being conducted under dry docking

01. Complete overhauling of Multi-Product Distribution Unit (MPDU)

02. Complete cleaning, repair and painting of hull

03. Complete overhauling of the rotating system

04. Complete replacing of the buoy cathodic protection system

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

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

HUMAN CAPITAL

The most important capital of any organization is human capital because it includes collective knowledge, skills, and experience, training and health. At CPSTL, we believe our employees are a critical asset of our business, contributing immensely as teams and individuals to the success of our business. We improve and develop the quality of our human capital by ensuring career aspiration of the employees are met and performance is rewarded fairly by adopting proper human resource management framework.

Areas we mainly focus

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

Key Indicators

2630
Number of employees

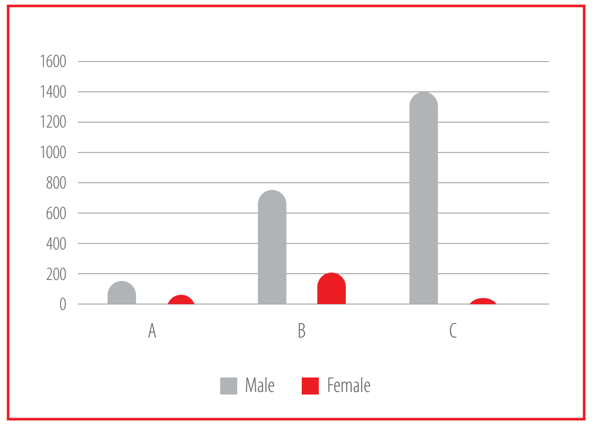
Rs.6.9 billion
Remuneration & Benefits

Rs. 2.7 million
Invest in Training & Development

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. CPSTL's team of 2,630 employees is the drive behind our strategic plan, living our corporate values.

Employee diversity and equal opportunity

Our commitment to inclusivity and equity is embedded through our HR processes, from recruitment and training opportunities to remuneration and promotions regardless of gender, race, religion, age, nationality, civil status or political view. We welcome people from diverse backgrounds, social status, education, exposure levels, experience and demographics into our company. Diversity promotes every person to contribute with unique, creative skills and ideas which would help organization to deliver better outcomes. At CPSTL we understand the importance of employee diversity and equal opportunity and taken actions to promote diversity and foster inclusion. At the heart of this commitment currently we are providing employment opportunities for 4 disabled people in different functions of the company. Employees are recruited from all the districts of the country covering all the races and religions & 12% represents the female employees. Female representation is relatively low in non executive grades while it's 30% in Executive grades because of the nature of the industry we are engaged in.



Benefits, rewards and recognition

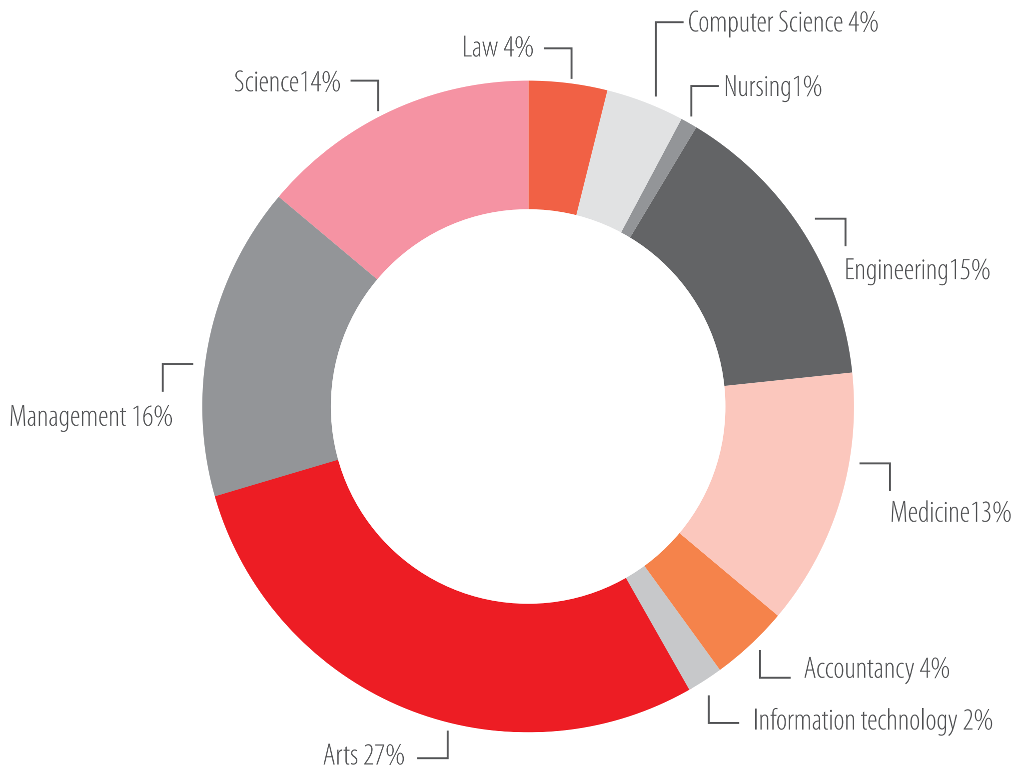
Even under the crisis, CPSTL maintained its remuneration policies and standards while ensuring 100% job security of employees.

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

The benefits provided to permanent workforce of CPSTL as follows,

Employee benefits to permanent cadre	Description
Leave	
- Annual leave	14 days
- Casual leave	7 working days
- Medical leave	21 working days
- Maternity leave	- 84 working days
	- Half pay for 84 days
	- No pay leave for 84 days
- Accident leave	Employee accident while on duty
- Lieu leave	Employee who work on 4 Saturdays of the month can obtain 2 days of leave and overtime
- Special leave	During special incident (Election , Curfew etc)
- Duty leave	On special instances for official duties
- No pay leave	For foreign studies, training , workshops etc
Increment	Evaluate employee duties, attendance and behavior
Allowances	Meal allowances, travelling allowances, Terminal allowances, Attendance incentive, Shift allowances, Annual leave incentive, Cost of living allowances, Professional allowances, Weekend allowances, Official telephone benefit etc
Bonus	Medical bonus, Annual Bonus
Loans	
- Distress loan	10 months salary, simply concessionary interest rate, recoverable in 60 months
- Housing loan	Purchasing land or houses or house construction. Simply concessionary rate , recoverable in 300 months or balance service period of the employee whichever is lower
- House repair loan	For repairing houses, simply concessionary interest rate, recoverable in 120 monthly installments
- Home facilities loan	To purchase furniture. Simply concessionary interest rate. Recoverable in 60 monthly installments.
- Thrift society loan	03 months salary. Simply concessionary interest rates, recoverable in 60 monthly installments.
- Car loan	Applicable only for executives. Simply concessionary interest rate. Recoverable in 60 monthly installments.
- Motor cycle loan	Simply concessionary interest rate, recoverable in 60 monthly installments.
- Three wheeler loan	Simply concessionary interest rate, recoverable in 60 monthly installments.
Advances	
- Festival advance	Interest free. Recoverable in 10 months
- New year advance	Interest free. Recoverable in 10 months
- School book advance	Interest free. Recoverable in 10 months
Presentation of awards	Depends on the service period of employees
Welfare related benefits	- 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

CPSTL serves children of employees by encouraging them for higher education by granting scholarships for undergraduates. During the year 79 scholarships were granted for undergraduates in different fields.



Scholarships granted for children of the employees – 2021

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

Service Period Completed	No. of Employees
20 Years	16
30 Years	3
35 Years	6
40 Years	1

Training and professional development

In today's dynamic and complex operating landscape, a progressive learning strategy is an important prerequisite in meeting future business needs. The company recognizes that the ability of its people is critical to achieving its vision and long-term value creation goals. As a result, developing and retaining competitive employees is critical to implementing the company's strategy and meeting its growth targets. CPSTL's Training & Human Resource Development function is entirely dedicated to the continuous personal development of its employees, as well as regularly monitoring and fulfilling the training needs of all employees.

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

Conducted several training programs to develop technical knowledge, soft skills and leadership skills of employees translating to 3,806 training hours during the year.

Programs / Workshops / Seminars	Duration	No. of Participants	Training hours
Employee Disciplinary Development	7 hrs	128	896 hrs
Training for Tank Supervisors of BM & BP	21 hrs	8	168 hrs
Music Theraphy	4 hrs	24	96 hrs
Key Principals & Objectives of Risk Management	7 Hrs	37	259 hrs
CIDA Price Escalation Formula & calculation Input Percentages	7 hrs	35	245 hrs
Social Security for Industrial Law	7 hrs	127	889 hrs
Grooming & Business Etiquette for a Professional Image	7 hrs	51	357 hrs
Training for Tank Fillers	21 hrs	11	231 hrs
Price Escalation Workshop (I)	7 hrs	29	203 hrs
Price Escalation Workshop (II)	7 hrs	29	203 hrs
Personal Skills, Values & Work life Balance	7 hrs	37	259 hrs
Total			**3806 hrs**

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

Occupational Health & Safety

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

Year 2021 was a critical year of health in all Sri Lankan's life. Covid19 virus negatively affected CPSTL employees as well and employees all together with their family members spent a very hard time. Management of CPSTL had a difficult task of maintaining fuel distribution throughout the island while looking after the health of the employees. For that Management of CPSTL formed Covid19 Prevention Committee of CPSTL to overcome the most dangerous health situations and facilitate employees in many ways.

The employees detected with Covid19 during working hours, were retained in Baudda Mandiraya building as temporary transit center. Ladies and gents were kept separately and during their stay they were facilitated with food, medication and all other required personal and hygiene needs. Covid19 Prevention Committee could negotiate with several private hospitals and enable affected employees to get medication with the financial assistance of Medical Insurance Scheme for reasonable rates.

Two floors of a building were immediately prepared for quarantine employees separately for male and female with comfortable beds and mattresses. During their stay they were facilitated with food, all daily needs and medical care as well. A computer was kept openly to communicate with Medical Officer in emergency via Skype.

As a prevention methodology vaccination was initiated with the great help of MOH Kolonnawa and team wise all the employees were given 1st, 2nd and the booster doses except few employees on medical reasons. 1130 employees were vaccinated with 2 doses of vaccine only (46% of total employees) while 1248 were vaccinated with 2 doses of covid vaccine + booster dose (51% of total employees) accounting to 97% covid vaccination coverage among CPSTL employees. Apart from that Covid prevention committee arranged vaccination clinic to provide 4th dose of covid vaccine for interested employees.

Parallel to this immediate precautions, employees were assigned to work from home and others were called to office psychically as per a roster assigned by each Head of Function with the guidance of the Chairman Mr. Uvais Mohamed.

With the positive effects of vaccination programmes, roster basis working method and quarantine methods, expansion of virus was controlled and with the time, reported number of covid19 patients also went down slowly.

During this critical period of Covid19 in 2022, Medical Officer, DGM (HR & A) with all the members and the subcommittee members of the Covid19 Prevention Committee worked as a great team and supported, coordinated and guided the top management to run the fuel distribution smoothly without damaging to the work flow of the organization and the country needs.

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

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

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

Employee Events

- **Blood Donation Campaign**

  Annual blood donation campaign was conducted successfully in year 2021 as well for the 41st consecutive year with full and active participation of the employees of the company.

Sansevieria Plant Distribution

As per the Volatile Organic Compound (VOC) Survey measurements done by Health Safety and Environmental (HSE) Unit, it was found out that the (VOC) content at certain locations inside CPSTL Premises is higher than the maximum permissible limits of Central Environmental Authority.

Hence, a project was carried out to reduce the VOC concentration within CPSTL to minimize the potential adverse health effect due to VOC by distributing high efficient VOC absorbing plants called "Sansevieria" to offices at CPSTL. Sansevieria plant (scientific name: Sansevieria trifasciata and common name is snake plant) has been identified as a natural way of removing toxic agents such as benzene, formaldehyde and trichloroethylene (main compounds in VOC) from the air, by NASA Clean Air Study.

Tree Plantation

As an initiative of promoting greener environment within CPSTL, a tree plantation event was carried out by HSE unit with the cooperation of AG office Kolonnawa. There were 30 nos. of plants were donated by AG office, Kolonnawa which were planted in selected non-operational areas within the premises of Oil Installation Kolonnawa, CPSTL.

GOVERNANCE & COMPLIANCE

CORPORATE GOVERNANCE

DECLARATION BY THE BOARD

I would like to take this opportunity to thank the Board of Directors and Management for their strategic guidance and counsel provided during this challenging year due to the unprecedented impact of the Covid-19 pandemic.

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

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

Mr. M. Uvais Mohamed
Chairman / Managing Director

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

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

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

CORPORATE GOVERNANCE STRUCTURE

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

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

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

COMPLIANCE

REGULATORY BENCHMARKS

Companies Act No.7 of 2007
Code of Best Practices on Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka

Public Enterprises Guidelines for good Governance issued by Department of Public Enterprises, Ministry of Finance in 2003.

Inland Revenue Act No.24 of 2017 and amendments thereto and other statutes

INTERNAL BENCHMARKS

Article of Association
Board approved policies
Company regulations
Code of business conduct
Terms of Reference of Board sub committees

INTERNAL GOVERNANCE

SHAREHOLDERS

CHAIRMAN / MANAGING DIRECTOR

Chairman/Managing Director is responsible for overseeing the activities of the Board and the business.

BOARD OF DIRECTORS

The shareholders elect the Board of Directors at AGM. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company.

AC | SRC | DPC

ASSURANCE & CONTROL

EXTERNAL AUDITORS

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

INTERNAL AUDITORS

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.

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

01. Compliance

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

- Code of Best Practices on Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka.
- 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

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

Board Composition

The composition of the Board of Directors as at 31st December 2021 was as follows;

Name	Designation
Mr. Nalaka Perera	Chairman
Mr. Samindra Abeysekera	Managing Director
Mr. Manoj Kumar Gupta	Director
Mr. Buddhika Ruwan Madihahewa	Director
Mr. E A Rathnaseela - Director	Director
Mr. Thilina Peris	Director
Mr. Azeem Bhargava	Director
Mr. Rajesh Bhagat	Director
Mr. Prasanna Amarathunga	Director

Changes of Directors during the year 2021;

	Name of the Director	Date of Appointment to the Board	Date of resigned from the Board	Position
01	Mr. M U Mohamed	27/01/2020 03/07/2020	20/12/2021 20/12/2021	Chairman MD
02	Mr. Nalaka Perera	05/05/2021 21/12/2021		NED Chairman
03	Mr. Samindra Abeysekera	15/03/2021 21/12/2021		NED MD
04	Mr.Manoj Kumar Gupta	20/05/2019		NED
05	Mr. Buddhika Ruwan Madihahewa	27/01/2020		NED
06	Mr. E A Rathnaseela	27/01/2020		NED
07	Mr. Thilina Peris	15/03/2021		NED
08	Mr. Azeem Bhargava	18/08/2021		NED
09	Mr. Rajesh Bhagat	18/08/2021		NED
10	Mr.Prasanna Amarathunga	28/12/2021		NED
11	Mr. Duminda Lakshan	07/07/2020	08/04/2021	NED
12	Mr. Pramod Jain	16/08/2018	06/05/2021	NED
13	Mr. Tharindu Hasantha Wickramasinghe	27/01/2020	06/05/2021	NED
14	Mr.Suraj Patnaik	30/05/2018	16/08/2021	NED

NED Non-Executive Director ED Executive Director MD Managing Director

The profiles of current Directors on pages 22 to 25 of the Annual Report demonstrate a wealth of experience and sufficient caliber to provide independent judgement on issues of strategy, performance, resources and business practices which is vital to the Company.

◈ Board Diversity and Board Balance

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

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

◈ Appointment of Directors

Directors are appointed to the Board through an Annual General Meeting subject to the terms of Article of Association. In considering candidates for Directorship, the Board will take into account all factors it considers appropriate, including among other things, breadth of experience, understanding of business and financial issues, ability to exercise sound judgement, diversity, leadership, and achievements and experience in matters affecting business and industry.

◈ Division of Responsibilities

Mr. M. Uvais Mohamed continued to play the role of the Managing Director in addition to the role of Chairman. The Company maintained its position that the combination of the two roles was most appropriate at this stage, in meeting stakeholder objectives and given the need for nimble and agile leadership.

Therefore Mr. M. Uvais Mohamed holds both the responsibility of overseeing the activities of the Board and the executive responsibility of overseeing the business of the Company until 20th December 2021 which helps to expedite the decision-making process and avoid disputes.

After the resignation of Mr. Uvais from the Board, Mr. Nalaka Perere appointed as the Chairman and Mr. Samindra Abeysekera appointed as the Managing Director of the company with effect from 21st December 2021.

Operations of CPSTL can be divided into sub categories namely, Operations in Kolonnawa installation, Operations in Muthurajawela Terminal, Oil Facility Office at Port of Colombo and Operations in Lanka Bulk Depots in island wide. Muthurajawela Terminal Operations headed by Terminal Manager (Muthurajawela). Operation Manager (Offshore Operations) is the head of Oil Facility Office at Port of Colombo and Lanka Bulk Depots are headed by Depots' Superintendents under the supervision of Deputy General Manager (Operations).

Board Meetings and Attendance

Regular Board meetings are held monthly, while special Board meetings are convened as and when required. Senior Managers also attend meetings on invitations.

The Board meetings are conducted on a formal agenda and Directors are provided with relevant comprehensive background information by corporate Management prior to meetings. There were 13 Board meetings during the year 2021.

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

NAME	07/ Jan	22/ Feb	08/ Apr	06/ May	09/ Jun	28/ Jul	11/ Aug	18/ Aug	13/ Sep	15/ Oct	30/ Nov	14/ Dec	30/ Dec
Mr. Uvais Mohamed	P	P	P	P	P	P	P	P	P	P	P	P	N/A
Mr. Buddhika Madihahewa	P	P	P	P	P	P	P	P	P	P	P	P	AB
Mr. Manoj Kumar Gupta	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Rathnaseela	P	P	P	P	P	P	P	P	P	P	P	P	P
Mr. Thilina Peris	N/A	N/A	P	P	P	P	P	P	P	P	P	P	P
Mr. Samindra Abeysekera	N/A	N/A	P	P	P	P	P	P	P	P	P	P	P
Mr. Nalaka Perera	N/A	N/A	N/A	AB	P	P	P	P	P	P	P	P	P
Mr. Azeem Bhargava	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P	P
Mr. Rajesh Bhagat	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P	P	P	P
Mr. Duminda Lakshan	AB	AB	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Pramod Jain	P	P	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Tharindu Hasantha Wickramasinghe	AB	AB	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Suraj Patnaik	P	P	P	P	P	P	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Prasanna Amarathunga	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P

P - Present / AB - Absent

Delegation of Authority and Committees

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

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

a) Audit Committee

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

CPSTL Audit Committee consists of 03 members who are Non-Executive Directors appointed by the Board of Directors. The composition and functions carried out by the Audit Committee are presented on page 83 of the Annual Report.

b) Stock Review Committee

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

c) Department Procurement Committee

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

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

Board access to Information and resources

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

Company Secretaries

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

03. Assurance and Control

Financial Reporting

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

Transparency & compliance

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

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

Internal Controls

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

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

◈ Internal Audit

Internal audits are conducted by the Internal Audit Division which is independent of Management. The objective of an internal audit is to keep stringent control over all the activities of an organization. The Management needs assurance of the authenticity of the financial records and the efficiency of the operations of the organization. An internal audit helps establish both. It ensures the proper internal control system is maintained within the organization in line with the laid down procedures, rules and regulations.

The scope of Internal Audit Division is as follows;

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

◈ External Audit

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

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

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

Code Reference	Corporate Governance Principal	Details of compliance	Status of compliance
A	Directors		
A.1	The Board	The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company.	Complied
A1.1	Regular Board meetings	• 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 64	Complied
A1.2	Roles & Responsibilities of the Board	The Board is to provide entrepreneurial leadership by undertaking responsibilities for; • Strategy formulation & implementation. • Skills and succession of the key Management personnel. • Integrity of information, internal controls, business continuity and Risk Management. • Compliance with laws, regulations and ethical standards. • Consideration of all stakeholder interests in decision making. • Sustainable business development. • Adopting appropriate accounting policies and compliance with financial regulations.	Complied
A1.3	Act in accordance with the laws of the country.	The Board ensures the Company is compliant with all applicable, rules, laws and regulations.	Complied
A1.4	Access to the advice and services of the Company Secretary	• 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.	
A1.7	If necessary, in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board.		Not applicable
A1.8	Board induction and training.	The Directors are regularly updated by the Chairman, Managing Director, Executive Director and Senior Management on the relevant information regarding internal and external environment.	Complied
A.2	Division of responsibilities between the Chairman and CEO	The roles of Chairman & Managing Director were combined during the year under review. Pls refer A.2.1 for justification	Refer A.2.1
A.2.1	Justification of combining roles of Chairman and CEO in one person	Mr. M. Uvais Mohamed continued to play the role of the Managing Director in addition to the role of Chairman. The Company maintained its position that the combination of the two roles was most appropriate at this stage, in meeting stakeholder objectives and given the need for nimble and agile leadership.	Complied
A.3	Chairman's role in preserving good Corporate Governance	The Chairman provides leadership to the Board and ensure, • The effective participation and contribution of the Directors. • The views of Directors on issues under consideration are ascertained. • The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders.	Complied

A.4	Availability of financial acumen	There are two finance professionals in the Board to possess the necessary financial knowledge and expertise to guide the Board in managing the financial matters of the company. • Mr.Samindra Abeysekera holds a Bachelor of Commerce degree with honors from University of Sri Jayewardenapura. He is an member of Chartered Institute of Management Accountants (CIMA) and also holds a Master of Business Administration Degree from University of West London, UK. • Mr.Thilina Peries is a finalist of Institute of Chartered Accountants of Sri Lanka (ICASL).	Complied
A.5	Board Balance		Complied
A.6	Provision of appropriate and timely information		Complied
A.7	Appointments to the Board		Complied
B	**Directors' remuneration**		
B.1	Establish process for developing policy on executive and Director remuneration.		Complied
B.2	Level & Make Up of Remuneration		Complied
B.3	Disclosure of aggregate Board remuneration paid	Financial Information-Detailed Income Statement	Complied
C	**Relations with Shareholders**		
C.1	Constructive use of Annual General Meeting (AGM) and conduct of General Meetings		Complied
C.3	Directors should disclose to shareholders all proposed material transactions including related party transactions		Complied
D	**Accountability & Audit**		
D.1	Financial Reporting	• 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 30 - 57 ii. Annual Report of the Board of Directors on pages 80 -82 iii. Statement of Director's responsibilities in relation to the financial statements of the Company on page 110 iv. Statement on going concern on page 114 v. Directors' statement on internal control on page 80 vi. Independent Auditors' report on pages 86 - 109 vii. Chairman's & Managing Director's statement of responsibility on pages 20 -21 viii. Related party transactions disclosed in Note 19 to the financial statements ix. No serious loss of capital to summon. • Company has presented other Interim Reports required by the Ministry as per the Government Circulars.	Complied

D.2	Risk Management and Internal Control	A sound Risk Management framework is adopted by the company consisting of policies, internal controls and periodic monitoring with the guidance of the Audit Committee and with the assistance of Internal Audit Department. These are described in the Risk Management section on page 70 - 78 and Audit Committee Report on page 83 - 84	Complied
D.3	Audit Committee	The Audit Committee comprised of 03 members who are Non-Executive Directors appointed by the Board of Directors. It is supported by the Internal Audit division. The composition and functions carried out by the Audit Committee are presented on page 83 - 84 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 pages 70 - 78	Complied
H	**Environmental and Social Factors Governance Reporting (ESG)**		
H.1	Providing an adequate disclosure of the ESG performance	The Annual Reports provides a holistic review of performance. The performance of the various capitals used by the group are described in separate sections of the report.	Complied

RISK MANAGEMENT

CPSTL firmly believes that sound Risk Management practices are essential for long-term growth. The Company's goal is to add the most sustainable value to all of the organization's activities while taking into account the potential upside and downside of all of the factors that can negatively affect the operations as a going concern. Risk management is an ongoing and evolving process that is critical to the implementation of corporate strategy.

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.

Enterprise Risk Management (ERM) policy for CPSTL

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

"Ceylon Petroleum Storage Terminals Limited has embarked on another significant policy initiative to improve its transparency and governance"

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

Uncertainty in socio-economic landscape

With significant uncertainties in the socioeconomic landscape, the apparent convergence of risk factors has exacerbated the uncertainties for the year ahead.

Foreign exchange liquidity crisis due to low inward remittances and devaluation of Sri Lankan rupee has led to an energy crisis.

The pandemic's prolonged duration posed significant threats, exposing and amplifying people's, businesses', and countries' economic vulnerability. In 2021, business disruption continued with new variants and waves, raising concerns about health and safety as well as business continuity. Vaccinations were distributed across countries. Inflation increased in the first half of 2021 as commodity prices rose and supply-demand pressures remained. With the onset of the pandemic, many governments implemented quantitative easing measures, which resulted in tightening monetary policy and an increase in interest rates in the second half of 2021. Individuals and entities continued to migrate to digital platforms during the year, and businesses accelerated their digitalization plans, increasing capacity utilization of digital infrastructure around the world. Cybersecurity threats have grown exponentially as hackers have become more sophisticated, necessitating increased cybersecurity investments. Sri Lanka experienced a convergence of risk factors by the fourth quarter of 2021, increasing its economic vulnerability and resulting in further downgrades to its sovereign rating. Continuing problems in the tourism sector, as well as lower inward remittances, have resulted in a foreign exchange liquidity crisis, which has also led to an energy crisis and a devaluation of the Sri Lankan rupee. With significant uncertainties in the socioeconomic landscape, the apparent convergence of risk factors has exacerbated the uncertainties for the year ahead.

Since the Company is a nerve center of the economy, the continuous operation of the

Company is essential under any condition or crisis in the country. Therefore, the Company's risk mitigation strategy involved the implementation of business continuity plans, allowing operations and functions to continue through alternate working arrangements, whilst strictly adhering to and supporting Government directives.

Risk Governance

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

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 Process

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

Risk Management process consists of four steps:

01.Risk Assessment

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

02. Risk Treatment/Risk Mitigation

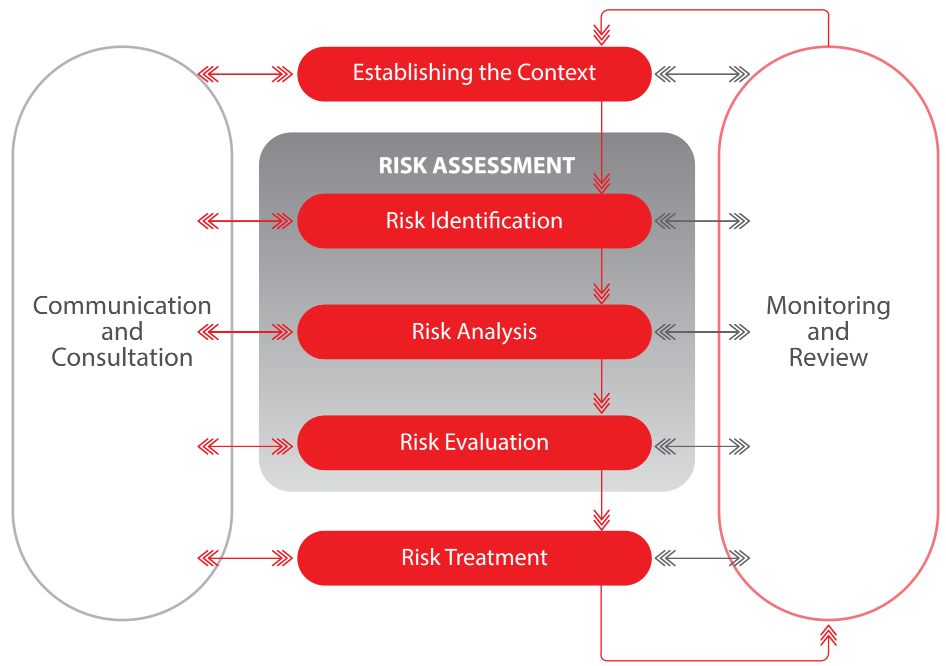
Risk treatment is an action that is taken to manage a risk. That is whether the Company will avoid, transfer, reduce or accept the risk, which is depending on the nature and the evaluation of the risk.

03. Monitoring and Review

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

04. Communication and Consultation

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



Company approach to Risk Management

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

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
COVID-19 pandemic		
The year under review presented numerous challenges due to the rapid outbreak of COVID-19 in March 2020, as the Government adopted stringent measures including curfew and work-from-home programs to ensure social distancing. 		The Company's immediate priority remains ensuring the safety of its employees; • Job rotation and working from home for selected roles. e.g. Employees who travel by public transport are encouraged to work from home. • Provision of required safety equipment and gear. • Maintain social distancing at work. • Maintain the highest standards of hygiene. • Required PPE and disinfectants are made available to employees and other visitors to the premises. • Temperature checking and screening of staff members. • Preserving a backup team for key jobs. 

Risk	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. • Acts of terrors.	• Insurance covers are obtained against certain risks identified. • Since the Company is a nerve center of the economy, high security measures and controls are implemented.
Operational risk		
Operational related hazards may affect to Company.  	• Unexpected leakages / damages to pipe lines may cause operational delay. • Disruptions in supply infrastructure or logistics. • Accidents • Large scale fires	• Regular servicing and maintenance of pipelines to minimize leakages and damages. • Employees are adequately trained to minimize any harmful effect. • CPSTL has dedicated In- House Fire Unit. 
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. IOC Lanka IOC	• 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. 
Health, Safety & Environmental Risk		
We may incur significant costs and liabilities in complying with environmental, health and safety laws and regulations, which are complex and frequently changing.	• The operational activities are coming under high-risk category since the flammability of the key products handling by the Company. The small mistake can ignite a large-scale fire which will cause to cripple the Company operations as well as the economy of the country. • Storage, handling and transportation of petroleum products may cause to the emission and discharge of harmful materials & gases into the environment. • our business is inherently subject to accidental spills, leakages, discharges or other releases of petroleum or hazardous incidents into the environment and neighboring areas, for which we may incur substantial liabilities to investigate and remediate. • Failure to comply with applicable environmental, health, and safety laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, permit revocations, and injunctions limiting or prohibiting some or all of our operations.	• CPSTL has dedicated In House Fire Unit, First Aid Training, Fire Drills, Safety Training and Awareness programs. Fire safety equipment 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. • 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.  	• Due to the COVID-19 outbreak, the employees working from home logged in through open internet is exposed to risks on information and device security. • Impact of cyber incidents via a targeted attack from hackers, collateral damage as a result of a non-targeted attack, insider attack, an accidental cyber incident or any combination of these.	• Implementation of network protection technology to manage network perimeter defense, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities together with regular testing and verification of controls. • Fully operationalized Disaster Recovery Management Centre (DRMC). • Backup server & recovery server
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.	Government policy and regulations to control COVID-19 for the best interest of all citizens of Sri Lanka. i.e The Government adopted strict measures including curfew and work-from-home programs to ensure social distancing. The Sri Lankan Rupee demonstrated a sharp depreciation from March 2020 following the economic fallout of COVID-19. Implication of pricing formula to crude oil will cause to change fuel prices constantly according to the price per barrel in global market. Government policies on duties/ taxes, interest rates, inflation, energy prices have a direct impact on demand on fuel products	• 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.
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. e.g. Dispute among villagers/residents over new pipeline project from Colombo to Kolonnawa 		High level of community engagement and nurturing meaningful relationships with our communities. e.g. Public Places disinfection and distribution of sanitizes to the public to control the COVID 19 within the country.  Investment in ongoing community development projects. e.g. Providing new houses to shanty dwellers who were living illegally near the fuel pipeline from Colombo Fort to Kolonnawa Terminal.
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 DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors have pleasure in presenting the Annual Report for the year ended 31st December 2021 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 06th April 2023.

Principal Activity

The principal activity of the Company is the Common User Facility (CUF) established to facilitate the petroleum storage & distribution activities in Sri Lanka and to 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 Rs 14,276,189,292/=. with a Net Profit of Rs1,182,188,045/=

Particulars	31.12.2021 Rs.	31-12-2020 Rs.
Turnover	14,276,189,292	13,567,875,876
Profit Before Taxation	1,595,321,623	2.215.136.892
Profit / (Loss) After Tax (PAT)	1,182,188,045	2,001,199,709

Stated Capital

The Stated Capital of the Company as at 31st December 2021, was Rs. 7,500,000,000/=. The distribution of shareholdings is as follows.

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

Property Plant & Equipment

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

Dividend

Directors did not recommend a dividend for the financial year ended 31st December 2021.

Corporate Donations

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

Directors as at 31 December 2021

The Board of Directors of Ceylon Petroleum Storage Terminals Limited as at 31st December 2021 were as follows;

Mr K K S Nalaka Perera
Mr Samindra Abeysekara
Mr Buddhika Madihahewa
Mr E A Rathnaseela
Mr Manoj Kumar Gupta
Mr Aseem Bhargava
Mr Rajesh Bhagat
Mr Thilina Peiris
Mr E A P V R Amaratunga

Remuneration of Directors

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

Interest Register

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

Statutory Payments

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

Going Concern

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

Post Balance Sheet Events

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

Auditors

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

Audit for the financial year ended 31st December 2021 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 U Mohamed
Chairman

Director

E.A. Rathnaseela
Director General Public Finance
Department of Public Finance
General Treasury
Colombo 01.

By Order of the Board,

ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PRIVATE) LIMITED - PV 4190
DIRECTOR/SECRETARY

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

AUDIT AND MANAGEMENT COMMITTEE REPORT

Composition

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

- Mr. E. A. Rathnaseela - The Chairman
- Mr. Buddhika Madihahewa - Member
- Mr. Aseem Bhargava - Member

Mr. Pramod Jain served as a member till 04.05.2021 & Mr. Aseem Bhargava is serving as a member from 17.08.2021.

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	04.01.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Pramod Jain
02	19.02.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Pramod Jain
03	25.03.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Pramod Jain
04	04.05.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Pramod Jain
05	17.08.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Aseem Bhargava
06	11.10.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Aseem Bhargava
07	22.11.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Aseem Bhargava
08	25.11.2021	03	03	Mr. E. A. Rathnaseela	Mr. Buddhika Madihahewa	Mr. Aseem Bhargava

Role of the Audit & Management Committee

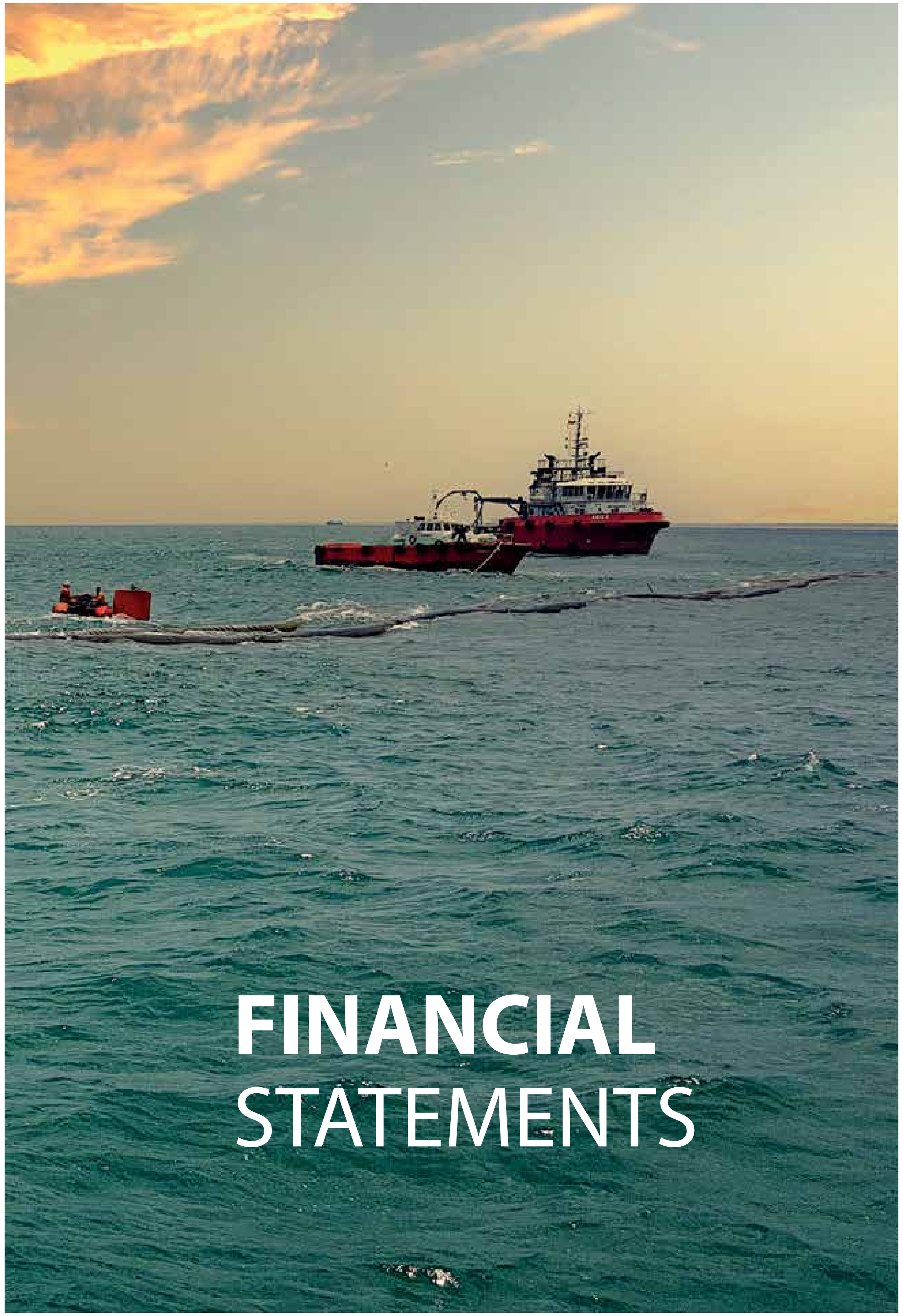
The Audit & Management Committee has made several decisions and recommendations on strategic issues for submitting to the Board of Directors for workable actions.

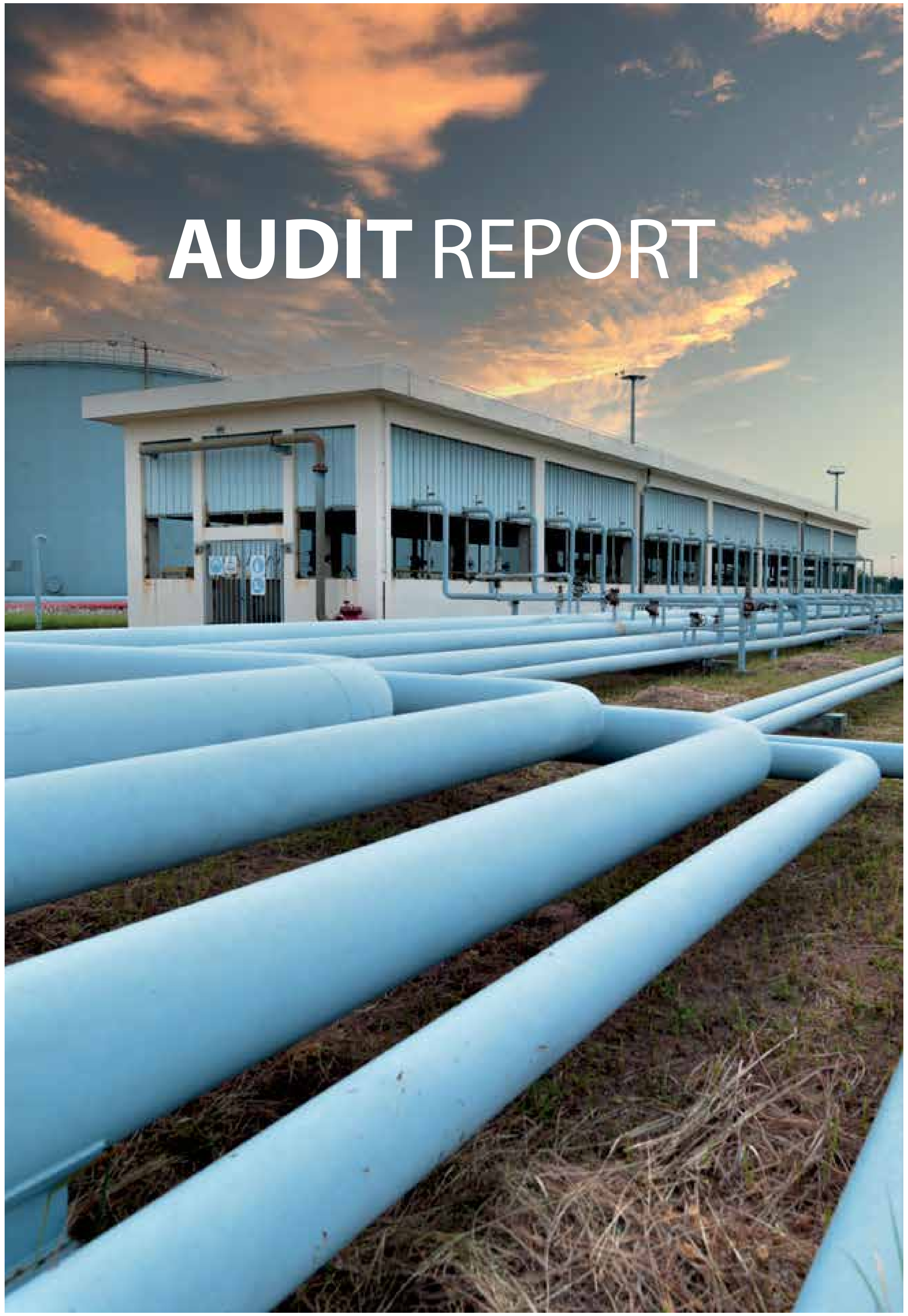
- Review the adequacy of internal control system with the management, Auditor General and Internal Auditors.
- Overseeing the financial reporting process to ensure the preparation and fair presentation of the financial statements by ensuring the transparency, understandability and reliability of financial 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.

E A Rathnaseela
The Chairman
Audit & Management Committee





ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

My No. ENR/A/CPSTL/1/21/1	Your No.	Date 14 December 2022

The Chairman
Ceylon Petroleum Storage Terminals Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Petroleum Storage Terminals Limited for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1. Qualified Opinion

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

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
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1.2. Emphasis of Matters

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

(a) Note 10.5 to the financial statements which describes revaluation of fixed assets to bring up to its fair value. The Company had not established a proper policy to revalue its assets since its inception in 2003, and accordingly, Rs. 7,875,277,911 worth of fully depreciated property plant and equipment, comprising 22,902 items, had been continuously used by the Company without being reassessed and accounted for the useful economic lifetime.

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

1.3. Basis for Qualified Opinion

1.3.1. Accounting Deficiencies

The following observations are made.

(a) Property, Plant & Equipment

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

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

(b) Inter Company Balances

The following observations are made.

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

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

(c) Cash & Cash Equivalent

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

(d) Trade and Other Payable Balances

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

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

(e) Trade & Other Receivables

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

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

(f) Correction of Prior Year Errors

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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

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

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

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

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

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

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

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

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

2. Report on Other Legal and Regulatory Requirements

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

2.1.1. Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163(2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

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

2.1.3. The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018 except for the matters stated in 1.3.1(a)(i), 1.3.1(b) and 1.3.1(e).

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

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

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

Reference to law/ direction		Description
(a) Public Enterprises Circular No. PED/12 of 2 June 2003, Guidelines for Good Governance (Effective up to 15.11.2021)		
(i)	Guideline 4.2.2	Monthly performance statement in financial and physical terms, operating statement for the month, cash flow statement for the month, liquidity position and borrowings, procurement of material, especially non-current assets purchased during the month and statement on Human Resources including cadre positions, new recruitments etc., had not been tabled regularly at each monthly Board meeting.
(ii)	Guideline 5.1.3	A Corporate plan had not been prepared and presented to audit.
(iii)	Guideline 5.2.2(a)	A feasibility study had not been carried out by the Company prior to the commencement of construction of 09 fuel tanks.
(iv)	Guideline 5.2.2(b)	Approval of the Ministry and the concurrence of the Department of Public Enterprises, General Treasury had not been obtained for the capital expenditure exceeded the amount of Rs. 10 million.
(v)	Guideline 9.2	A proper organization chart including the approved cadre had not been prepared and registered with the Department of Public Enterprises, General Treasury. Further, in the event of creation of a new cadre, or instances where there were excess cadre, the Company had not taken action in consultation with the Department of Public Enterprises, General Treasury.

(vi) Guideline 9.3 — The Company had not taken appropriate actions to prepare a scheme of recruitment and promotion (SORAP) with the approval of the Board of Directors, and to get the approval from the Ministry with the concurrence of the Department of Public Enterprise, General Treasury.

(vii) Guideline 9.10 — Approvals from the Secretary to the Treasury had not been obtained by the Company for the appointment of contract basis employees. However, there were 15 employees recruited on contract basis at the end of the year under review.

(viii) Guideline 9.12 — Approval from the Department of Public Enterprises had not been obtained for the welfare scheme adopted by Company. However, an amount of Rs. 31.72 million had been paid as staff welfare expenses during the year under review by the Company.

(b) Public Enterprises Circular No. 1/2015 of 25 May 2015

- Guideline 02 — 02 motor vehicles had been assigned to trade union leaders in contrary to the circular guidelines.

(c) Finance Circular No. 124 of 24 October 1997 of the Ministry of Finance and Planning — 10 officers had been assigned for cover up duties in vacant posts for more than 03 months at the end of the year under review in contrary to circular provisions.

(d) Operational Manual for State Owned Enterprises (With Effective From 17.11.2021)

(i) Guideline 3.1 (i) — Even though the Company must have sought approval of the General Treasury for their cadres and remuneration, the Company had not requested for such approval.

(ii) Guideline 3.2 (i) — The Company had not submitted their request pertaining to cadres including the cadre positions, scheme of recruitment (SOR), pay structure and allowances with the Board approval and recommendations of the line Ministry, for the approval of the Department of Management Services (DGMS) with a copy to the Director General of the Department of Public Enterprises.

(e) Government Procurement Guidelines – 2006

(i) Guideline 2.3 — Initial Environmental Examination (IEE), Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) had not been carried out by the Company prior to the appointment of Procurement Committee (PC) in relation to the construction of 09 fuel storage tanks.

(ii) Guideline 4.3.1 — Total Cost Estimate/ Engineer's Estimate (TCE) for construction of 03 fuel storage tanks had not been prepared by the Company as per the guideline.

(iii) Guideline 5.4.2 — The price variation formula had not been included in the bidding document and the contract agreement even the contract period is 20 months for construction of 03 fuel storage tanks.

(f) Deploying the resources of the Company for the work of Another Institution

(i) According to the paragraph 6.8 of the Operational Manual for State Owned Enterprises (SOEs) dated 16 November 2021, Ministries and other institutions should not use the resources of the SOEs to carry out their functions. However, despite that provision, the Company had released 02 motor cars to the Secretary to the Ministry of Energy, and to the Managing Director of Ceylon Petroleum Corporation.

(ii) According to the paragraph 3.5 of the Operational Manual for State Owned Enterprises (SOEs) dated 16 November 2021, an employee of an SOE should not be released to the Ministry or any other institution, without obtaining the approval of the Cabinet of Ministers, and also, SOE should not pay any emoluments to the released employee during such period. However, the Company had released 06 staff members to the Office of the Minister of Energy, and to the Foreign Ministry in contrary to that provision.

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

(a) Absence of formal monitoring process over terms and conditions of the Settlement Agreement

According to the Section 03 of the Settlement Agreement dated 05 January 2007 between the Government of Sri Lanka and LIOC, the delivery of petroleum products by LIOC from its China Bay installation had been limited to a maximum of 5 per cent of the Country's throughput of petroleum products, and the delivery of petroleum products by CPC had been limited to a maximum of 5 per cent excluding the deliveries from Sapugaskanda Refinery. However, a proper system to monitor the delivery process had not been established by the Company. Therefore, there was a risk of losing of income from throughput charges of the Company.

(b) Delays in revising of Pricing Formula due to expiry of Shareholders Agreement & Share Sale Purchase Agreement for Common User Facility

As reiterated in previous reports, it was observed that the Shareholders Agreement and Share Sales Purchase Agreement for the common user facility among CPC, LIOC and CPSTL had expired on 31 December 2008. However,

the Company had not taken any action to extent the agreement for a further period of time or to enter into a new agreement with related parties by way of proper evaluation and approval of the Board. As a result, the pricing formula used for the purpose of determining the throughput charges, transport charges including slab recoveries with the consent of all the related parties had not been revised after 2011.

(c) Absence of written Agreements

Even though a proper agreement should be maintained between the parties who provide any support services to an organization for smooth running of the business and minimizing the cost, any agreement or even a Memorandum of Understanding (MOU) had not been signed with CPC and LIOC related to all associated business activities. As a result, procedures, roles and responsibilities of each party had not been properly defined.

(d) Absence of a written Procedure Manual

It was observed that written procedure manual had not been designed and applied showing the controls that were in place to prevent and detect internal control weaknesses or any possible errors and irregularities that could occur in all operations of the Company. It is important and beneficial to the Company to keep track records of controls in place for each process of the Company to ensure that the management prescribed/designed process was operating without exceptions. Further, once a procedure manual is designed it should be periodically evaluated at reasonable intervals to ensure its relevance.

(e) Fuel Distribution

The main business of the company was to store the fuel stocks owned by CPC and LIOC through 02 main terminals and 11 sub-depots and distribute them to the authorized dealers and customers spread across the country as per the instructions of those companies. The following observations are made in this regard.

(i) Main activities in the process of supplying of petroleum products, such as accepting fuel orders from dealers and consumers, verifying the credit limits and related pre-qualifications, issuing invoices, collecting cash from dealers, which should have been handled by the marketing entities (essentially by CPC), had been carried out by the Company. Therefore, it was observed that the Company had been engaging in the tasks outside its main scope of storage and distribution of petroleum product. Further, such activities were not covered by the Common User Facilities Share Holder's Agreement dated 30 December 2003 entered into among the Government of Sri Lanka (GOSL), the CPC and the LIOC.

(ii) Registered dealers and customers of the CPC had placed their fuel orders directly to the Company instead of being sent to the CPC, and most of the marketing activities of the CPC and cash collections were handled by the Company without taking the consent of the CPC. However, dealers of the LIOC had placed their fuel orders directly to the LIOC, and thereafter, the Company had involved only for the distribution of fuels as per the instructions given by the LIOC. Accordingly, it was observed that the Company had dealt with the CPC and with the LIOC in a different way.

(iii) Due to lack of sufficient foreign currency for the importation of petroleum products during the prevailing economic crisis situation in the country, there was a limited stocks of petroleum products including Lanka Petrol 92 Octane (Oct 92), Lanka Petrol 95 Octane (Oct 95) and Lanka Auto Diesel (LAD). Accordingly, a priority list for distribution of limited stocks of fuel among the island wide dealers and other consumers had been prepared and sent by the CPC to the Company daily. However, in audit tests it was observed that, 2,509 of loads (6,600 litres per load), comprised 893 loads of Octane 92, 72 loads of Octane 95 and 1,544 loads of LAD respectively had been distributed among dealers without being considered the priority list. Further, 2,524 loads included in the priority list, which had comprised 1,098 loads of Octane 92, 141 loads of Octane 95 and 1,285 loads of LAD respectively, had not been distributed among dealers, and it had not been informed to the CPC. In the prevailing economic situation in the country,

distribution of limited available stocks of petroleum product lacking fair distribution plan might have negatively impacted to the economy of the country while creating a social unrest regarding the fuel crisis. Further, it might have caused for dry out position of the fuel stocks in the country in that crisis situation.

(iv) In an audit test it was observed there were instances that, Lanka Petrol (Octane 92 or 95) had not been distributed for 120 dealers, and only 6,600 litres of Lanka Petrol had been distributed among 22 dealers. Further, more than 210,000 litres per each had been distributed among 08 dealers. LAD had not been distributed for 73 dealers, and only 6600 liters had been distributed for 08 dealers. However, there were instances where more than 200,000 liters were distributed to 17 dealers each. Hence, unequal or unjustifiable pattern of distribution of fuel during the crisis period was observed and which would have led to create unnecessary queues and public unrests in some areas of country.

(v) In the fuel crisis situation in the country, the number of bowsers released per day had been limited by the Company despite the ability to release fuel from 2 terminals and a depot within a very short period of time. However, during this crisis period, there were instances where the terminal operated for more than 12 hours to issue less than 100 bowsers per day. Further, it was observed that there was no formal plan to release Bowsers in a short period of time.

(vi) The Company's main income was throughput income and it had basically depended on the numbers of litres handled by the Company. Accordingly, the income of the Company had decreased drastically in the crisis situation of the country. However, it was observed that there was an increase of operational cost and overheads including overtime expenses of the Company while decreasing the income from throughput charges.

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

(a) Human Resource Management

(i) As iterated in previous years audit reports, considerable vacancies and excess employees in the Company were observed. Accordingly, out of the approved cadre of 3,249 of the Company, 771 vacancies (including 58 vacancies in the A grade senior management) and 160 excess employees were observed at the end of the year under review. However, appropriate actions had not been taken by the Company to fill the vacancies or revise the cadre to match with the real cadre requirement of the Company.

(ii) According to the information made available, even though the Company had only 182 Tank Lorries, the actual cadre of lorry drivers had been 222 as at the end of the year under review. Further, the actual utilization of Tank Lorries during the past period had been very limited, and accordingly, the most of lorry drivers were idle. Accordingly, it was observed that considerable amount of expenditure had been incurred by the Company to maintain an excess cadre of Tank Lorry drivers without getting any effective service.

(b) Staff Loans

The Company had introduced and maintained several numbers of staff loan schemes such as motor vehicle loans, housing loans, distress loans, thrift society loans, special loans, disturbance loans, advances etc. to its staff, and accordingly, the total amount of outstanding balance of loans as at the end of the year under review was Rs. 3.359 billion. Following observations are made in this regard.

(i) Even though, a substantial loan portfolio had been introduced and maintained by the Company, a proper financial policy to manage the staff loans had not been established by the Company. Further, required consultation with expertise for treasury operations had not been obtained internally or externally by the Company.

(ii) According to the information made available, it was observed that due to insufficient funds available in the Company, very urgent and important capital improvement works like enhancement of storage capacity of fuel tanks and the distribution channels including pipelines had been delayed and/or postponed by the Company. It was observed that this was also caused by the Company itself maintaining a large amount of loan portfolio for the staff. Even though the matter of outsourcing of the loan scheme to a commercial bank or a finance institution to overcome above issues without being impaired the employees had been recommended by the Audit and Management Committee (AMC), prompt actions had not been taken by the Company.

(iii) A proper policy for providing loan facilities to staff and a recovery plan had not been established and maintain by the Company, and also, a loan master file had not been maintained properly. As a result, there were instances that resigned or retired staff had been included in the outstanding loan balances as unpaid or unrecovered balances. Further, the Company had failed to enforce legal actions against the defaulters. Consequently, default loan balances as at the end of the year under review had increased up to Rs. 41.44 million.

(iv) According to the Personal Division Circular No. 1063 dated 11 July 1985 of the CPC, monthly instalments of the loans could be accommodated within 50 per cent of the employee salary/wage together with other deductions. However, a proper system to ensure the compliance with that requirement had not been established by the Company. Accordingly, repayment of monthly loan instalments made by 1,621 employees or over 60 per cent of the total of 2,638 employees of the Company had exceeded the 40 per cent of their basic salaries. Further, repayment of monthly loan instalments of 27 employees had exceeded 75 per cent of their basic salaries while 3 employees had exceeded 100 per cent of their basic salaries. Details are as follows.

	No. of Employees	Percentage of the Actual Cadre
Employees who had not obtained loans	93	3.53
Less than 40% of Basic Salary	924	35.03
Between 40% to 74% of Basic Salary	1,594	60.42
Between 75% to 99% of Basic Salary	24	0.91
Above 100% of Basic Salary	3	0.11
Total available cadre	**2,638**	**100**

(v) Even though there was no proper financial policy established by the Company to manage the staff loans, employees had been encouraged to take more loans without being reviewed the recoverability of loans from their salaries. It was further observed that more opportunities for overtime works had been provided to employees as a basis for recovery of staff loans provided to them even without real requirements of overtime works. Accordingly, the Company had to incur uneconomic expenses for overtime payments. As a result, 1,335 employees i.e. more than 50 per cent of total employees of 2,638 of the Company had earned income from overtime works over 75 per cent of their basic salaries, while 988 employees had earned overtime income more than 100 per cent of their basic salaries. Further, 210 employees had earned overtime income more than 200 per cent of their basic salaries while 19 employees had earned over 300 per cent of their basic salaries. Details are as follows.

	No. of Employees	Percentage the Total Actual cadre
Employees not obtained overtime payment	498	18.88
Less than 75% of Basic Salary	805	30.52
Between 75% to 99% of Basic Salary	347	13.15
Between 100% to 199% of Basic Salary	778	29.49
Between 200% to 299% of Basic Salary	191	7.24
Above 300% of Basic Salary	19	0.72
Total available cadre	**2,638**	**100**

(c) Selection of Hired bowsers

Distribution of petroleum products to its own bulk depots and registered dealers and consumers of CPC and LIOC is the main business of the Company. For this purpose, the Company had maintained its own bowsers fleet with 147 bowsers, and 653 of registered hired bowsers. Following observations are made in this regard.

(i) According to the vehicle performance report of the SAP, a considerable number of owned bowsers of the Company had not been optimally utilized. As per the audit test carried out relating to a month, it was observed that out of 147 bowsers owned by the Company's fleet, 47 bowsers had not been utilized/ circulated even a single trip during that month. Utilization of the Company owned bowsers had been limited lower than half of the capacity or ranging from 50 to 79 bowsers per day.

(ii) Accordingly, the Company had fully utilized its owned bowsers in the fleet to distribute fuel on 02 May 2022 as private bowser owners had provided only a few bowsers due to trade union actions. Accordingly, it was observed that while the bowsers owned by the company could have been utilized to the maximum extent, those had been utilized minimally in the hope of providing more opportunities to private bowser owners.

(iii) Even though, the Company had not utilizes its owned bowsers optimally, a considerable amount of fixed overhead costs for maintenance of its bowser fleet including salaries, wages and other allowances for drivers and porters, and vehicle licensing etc. had been incurred by the Company. As a result, the Company was unable to recover at least the fixed cost incurred by the Company due to underutilization of bowser fleet.

(iv) The company had not been followed Government Procurement Guidelines when selecting outside transporters (Bowsers). Accordingly, transparency of procurement process used for hired bowsers was doubt in the audit.

(v) According to the hired bowsers performance report for the month of January 2022, the number of bowsers and the number of days utilized by the Company are as follows.

No. of Bowsers	No. of Days used in January 2022	Percentage of Utilization of Bowsers
		%
64	More than 21 days	10
230	16 -20 days	35
130	11 -15 days	20
52	6 -10 days	8
48	Less than 5 days	7
129	Not utilized	20
653		

According to the above information, 129 bowsers or 20 percent of the registered bowsers had not been provided any trip during the month, while 100 bowsers or 15 per cent of registered bowsers had been provided trips for less than 10 days. However, 64 bowsers or 10 percent of registered bowsers had been provided trips for more than 20 days during the month including 9 selected bowsers which had been provided trips for over 24

days during the month. Therefore, the basis of allocating trips to private bowsers was not clear in audit.

(vi) Priority should be given to optimally use the Company's own bowsers in order to utilise funds economically and efficiently for distribution activities. However, 80 per cent of bowser distribution requirements had been fulfilled by using of private bowsers and as a result, more than 75 bowsers or 50 per cent of the Company's bowsers were in idle.

(d) Capital Projects

The Company had awarded a tender to procure, construct and commission a storage tank with 15,000m^3 and 02 storage tanks with 7,000m^3 at Kolonnawa installation to a private company registered in Sri Lanka on 16 October 2020 at a contract price of Rs. 942,474,240. Following observations are made in this regard.

(i) In order to effective implementation of the project, the project team and/or consultant had not been appointed prior to commencement of the project for construction of 09 fuel storage tanks.

(ii) The Company had not prepared detailed bill of quantity (BOQ) including the rates in order to calculate the Direct Construction Cost. Therefore, the accuracy of direct construction cost of the project could not be satisfactorily verified in audit. Further, an approved Total Cost Estimate (TCE) had not been prepared in terms of guideline 4.3.2 of the GPG, and accordingly, the bid evaluation had been carried out by the Technical Evaluation Committee (TEC) without a duly approved TCE.

(iii) Further, according to the information made available, approval of total cost estimates, preparation of bidding documents, bid evaluations, certification of interim bills and all other contract administration activities had been handled by the Deputy General Manager Engineering and Support Services of the Company. Therefore, it was observed that duties had not been properly segregated to committed persons with responsibilities.

(iv) According to the section 12.2(b) of the contract agreement, the contract for construction of 03 fuel storage tanks was a measure and pay type contract. However, the Company had paid a sum of Rs. 750,129,599 without obtaining even a detailed bill of quantity (BOQ) which should have been included in the bidding documents. Therefore, the way of measuring the works performed and the calculation of the actual amount to be paid to the contractor could not be ascertained in audit.

(v) Even though the selected bidder was a local company and which was in a position to purchase most of the raw materials (except for preliminaries) such as cement, sand, labourers, etc., and to recruit technical staff locally, that company had submitted quotation in foreign currency (USD). However, there was no sufficient evidence to verify whether the TEC had considered the above facts in detailed bid evaluation. Further, the contractor's interim bills had been prepared and submitted in USD terms and that bill amount had been settled in Rupees at the exchange rate prevailed at the interim bill payment date. Accordingly, the Company had to incur an additional cost of over Rs. 69 million due to depreciation of Rupee value against the USD. Therefore, it was observed that the depreciation of currency would have negatively affected to the Company due to enter into an agreement with a local contractor in foreign currency to construct a storage tank.

(vi) According to financial comparison of the bid evaluation report, considerable differences were observed between the CPSTL estimate and the selected contractor's bid price. Therefore, it was observed that the company's estimate had been prepared without following a proper detail financial assessment prior to awarding the contract. Further, it was unable to ascertain whether TEC had requested a detailed rate analysis from the bidder to verify the possibility to perform the works as per the quoted rates.

(vii) Appropriate managerial and technical staff had not been deployed in the construction site in terms of section 4.2(e) of the contract agreement.

(viii) The Company had not retained a sum of Rs. 27,889,241 in relation to six (6) interim payments in terms of the section 14.3(c) of the contract agreement relating to 03 fuel storage tanks.

(ix) An officer who had been authorised to certify the vouchers was responsible to ensure that all relevant deductions had been made, and vouchers should be accurate and complete in every detail. However, it was observed that a proper payment procedure had not been followed in the process of payment to the contractor.

(e) Vehicle Administration

(i) The Company had used a daily vehicle trip sheet instead of being used a vehicle running charts for each vehicle. Accordingly, it was observed that there was a possibility to manipulate and make changes erroneously to the trip sheets attached to the file. Further, the details of fuel consumption and the driver's comments about the running conditions of the vehicle had not been included in trip sheets. Also, the details of drivers' duty on and off time had not been monitored by an authorised officer.

(ii) Fuel consumption of the vehicles had not been regularly checked and monitored by the Garage Function of the Company, and vehicle log books had not been maintained to record repairs and maintenance of vehicles. Therefore, it was observed that the internal control over the vehicle administration and monitoring of the maintenance and fuel consumption were not at satisfactory level.

W.P.C.Wickramaratne
Auditor General

CEYLON PETROLEUM STORAGE TERMINALS LIMITED

Statement of Financial Position

AS AT 31st December 2021	Note	2021 LKR	2020 LKR Restated
ASSETS			
Non Current Assets			
Property, Plant and Equipment	10	16,516,996,810	16,071,619,120
Right -of-use Assets	10.5	2,408,512	10,870,365
Intangible Assets	11	66,674,599	75,524,761
Other Financial Assets	14.1	1,560,844,565	1,634,232,412
		18,146,924,485	**17,792,246,658**
Current Assets			
Inventories	12	726,773,355	705,823,387
Trade and Other Receivables	13	11,089,317,954	9,148,329,970
Other Financial Assets	14.2	1,757,378,627	1,499,238,440
Income Tax Receivable		61,331,559	-
Cash and Cash Equivalents	15	2,256,929,658	3,442,020,574
		15,891,731,154	14,795,412,371
Total Assets		**34,038,655,639**	**32,587,659,029**
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		20,247,129,187	18,739,200,295
Total Equity		**28,726,129,187**	**27,218,200,295**
Non Current Liabilities			
Defined Benefit Obligation	17	1,609,324,160	2,015,643,760
Deferred Tax Liabilities	8.1	1,609,811,239	1,596,549,416
Right -of-use Lease Liability		-	2,665,004
		3,219,135,398	**3,614,858,179**
Current Liabilities			
Trade and Other Payables	18	2,090,726,051	1,374,593,191
Right -of-use Lease Liability		2,665,004	9,106,447
Income Tax Payable		-	370,900,917
Total Liabilities		2,093,391,055	1,754,600,554
Total Equity and Liabilities		**34,038,655,639**	**32,587,659,029**

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

HEAD OF FINANCE

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

CHAIRMAN / MANAGING DIRECTOR

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

19th October 2022 Colombo

CEYLON PETROLEUM STORAGE TERMINALS LIMITED

Statement of Comprehensive Income

YEAR ENDED 31st December 2021	Note	2021 LKR	2020 LKR Restated
Revenue	3	14,276,189,292	13,567,875,876
Direct Expenses		**(8,369,310,193)**	**(7,634,435,592)**
Gross Profit		5,906,879,099	5,933,440,284
Other Operating Income	4	705,511,809	573,319,532
Other Operating Expense	4.1	(157,264,066)	(137,410,997)
Administrative Expenses		(5,061,376,456)	(4,463,494,419)
Operating Profit		**1,393,750,386**	**1,905,854,400**
Finance Income	5	201,571,237	309,282,492
Profit Before Tax	6	**1,595,321,623**	**2,215,136,892**
Income Tax Expense	7.1	(413,133,578)	(213,937,182)
Profit for the Year		**1,182,188,045**	**2,001,199,709**
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods			
Actuarial gain/loss on Defined Benefit Obligations	17	428,606,379	(150,989,271)
Tax on Other Comprehensive Income	8.1	(102,865,531)	36,237,425
Other Comprehensive Income for the Year, Net of Tax		**325,740,848**	**(114,751,846)**
Total Comprehensive Income for the Year, Net of Tax		**1,507,928,892**	**1,886,447,864**
Earnings Per Share	9.2	1.58	2.67

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

YEAR ENDED 31st December 2021	Stated Capital	Capital Reserve	Retained Earnings	Total
	LKR	LKR	LKR	LKR
			Restated	
Balance As at 01 January 2020	7,500,000,000	979,000,000	17,269,806,569	25,748,806,569
Profit for the Year			**2,001,199,709**	**2,001,199,709**
Adjustment for prior period changes in accounting estimates			(57,054,138)	
Other Comprehensive Income			(114,751,846)	(114,751,846)
Total Comprehensive Income	-	-	1,829,393,726	1,886,447,863
Dividends Paid	-	-	(360,000,000)	(360,000,000)
Balance As at 31st December 2020	**7,500,000,000**	**979,000,000**	**18,739,200,295**	**27,275,254,432**
Profit for the Year			1,182,188,045	1,182,188,045
Other Comprehensive Income			325,740,848	325,740,848
Total Comprehensive Income	-	-	1,507,928,892	1,507,928,892
Balance As at 31st December 2021	**7,500,000,000**	**979,000,000**	**20,247,129,187**	**28,457,442,477**

AS AT 31st December 2021	Note	2021	2020
		LKR	LKR
Cash Flows From/(Used in) Operating Activities			Restated
Profit before Income Tax Expense		1,595,321,623	2,215,136,892
Adjustments for			
Finance Income	5	(201,571,237)	(309,282,492)
Finance Expenses	5.2	-	-
Allowance for impairment of staff loans		33,641,168	214,176
Allowance for impairment of Inventory & other trade receivable		157,894,565	202,787,139
Loss/ (Profit) on disposal of Property, Plant and Equipment	4	69,236	433,192
Provision for Defined Benefit Plans		242,758,885	289,883,699
Depreciation	10.2	893,144,073	1,027,222,639
Amortisation of Intangible Asset	11.2	28,186,363	25,908,400
Amotisation Right-of- use Assets	10.5	8,461,853	8,461,853
Lease Interest - Right of - use Assets	10.6	335,753	727,049
Operating Profit/(Loss) before Working Capital Changes		**2,758,242,283**	**3,461,492,546**
(Increase)/ Decrease in Inventories		(21,580,466)	(29,680,226)
(Increase) / Decrease in Trade and Other Receivables		(2,383,015,907)	(1,865,302,682)
Increase/ (Decrease) in Other Financial Assets		(218,393,508)	32,279,368
Increase / (Decrease) in Trade and Other Payables		716,132,860	355,800,418
Cash Generated From/(Used in) Operations		**851,385,262**	**1,954,589,425**
Income Tax Paid			
Defined Benefit Paid	17	(650,205,907)	(1,236,278,322)
		(220,472,106)	(131,327,469)
Net Cash Flows From/(Used in) Operating Activities		(19,292,751)	586,983,633
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	10.1	(1,357,927,201)	(1,084,515,402)
Proceeds from Property, Plant and Equipment		-	-
Finance Income	5	201,571,237	309,282,492
Net Cash Flows From/(Used in) Investing Activities		**(1,156,355,964)**	**(775,232,910)**
Cash Flows From Financing Activities			
Repayments of borrowings		-	-
Dividends Paid		-	(360,000,000)
Payment of Lease Creditor		(9,442,200)	(9,442,200)
Net Cash Flows From/(Used in) Financing Activities		**(9,442,200)**	**(369,442,200)**
Net Increase / (Decrease) in Cash and Cash Equivalents		(1,185,090,915)	(557,691,477)
Cash and Cash Equivalents at the Beginning of the Year	15	3,442,020,573	3,999,712,050
Cash and Cash Equivalents at the End of the Year	**15**	**2,256,929,658**	**3,442,020,573**

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

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 31December 2021 was authorized for issue in accordance with a resolution of the Board of Directors on 19th October 2022.

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.

CEYLON PETROLEUM STORAGE TERMINALS LIMITED
Notes to the Financial Statements

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

(a) Employee Benefit Liability

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

(b) Impairment of Trade Receivables

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

(c) Income Tax and Deferred Tax

The Company is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The entity recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Further information is disclosed in Note 07 and 08.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to statement of comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5.2 Revenue Recognition

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

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

a) Rendering of Services

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

Terminal Charge

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

Transport Income

Recover of the transport cost incurred on railway wagons, pipelines and bowser dealers. Income is recognized on the basis of volume of liters and distance travelled. Reference to the decision arrived by CPC & CPSTL at the Ministry of Energy meeting held on 22nd Oct. 2021 (MPRD/DEV/3/4/18). It was resolved to adjust the net impact on the Over / Under recovery of duplicate transport charges for the period from 01st June, 2019 to 31stDec. 2020.

Board of Directors at the Meeting held on 30th November 2021, given approval to incorporate these necessary adjustments to the financial statements for the year ending 31stDec, 2021 and written off of over recovered transport charges for the period from 01st June, 2019 to 31stDec. 2021 amounting to Rs. 360,352,811/- has been adjustments to the financial statements for the year ending 31stDec, 2021.

b) Finance Income

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

c) Others

Other income is recognized on an accrual basis.

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

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

2.5.3 Expenditure Recognition

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

2.5.4 Taxation

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

Current Taxes

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

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

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

Deferred Taxation

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

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

2.5.5 Financial Instruments — Initial Recognition and Subsequent Measurement

2.5.5.1 Financial Assets

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

Initial Recognition and Measurement

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

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

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

Subsequent Measurement

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

a) Loans and Receivables

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

De-recognition

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

- The rights to receive cash flows from the asset have expired.

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

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

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

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

Impairment of Financial Assets

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

Financial Assets carried at Amortised Cost

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

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

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. his includes directly attributable transaction costs. Any difference between initial fair value and the nominal amount is included as component of operating lease income and recognised on a straight line basis over the applicable time period.

Subsequent Measurement

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

a) Loans and Borrowings

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

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

De-recognition

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

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2.5.6 Fair Value Measurement

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

- In the principal market for the asset or liability

Or

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

2.5.7 Inventories

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

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

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

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 Accounting for leases – where the company is the lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Right-of-use assets

The Company recognises right-of-use assets retrospectively in year 2020. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Motor Vehicles – Operating Lease Period 5 years

2.5.10 Intangible assets

a) ERP System and Licenses fees for ERP

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

2.5.11 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with original maturities of three months or less are also treated as cash equivalents.

2.5.12 Impairment of non-financial assets

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

2.5.13 Provisions

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

2.6 Employee Benefits

a) Defined Benefit Obligations – Gratuity

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

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

b) Defined Contribution Plans

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

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

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

Trust Fund maintained by the Employees Trust Fund Board.

c) Medical Benefit Scheme

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

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

Shareholders agreement and share sale purchase agreement- common user facilities between Ceylon Petroleum Corporation, Lanka Indian Oil Company PLC and Ceylon Petroleum Storage Terminals Limited had expired on 31st 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.

3. REVENUE	2021 LKR	2020 LKR Restated
3.1 Throughput Revenue		
Terminal Income	8,363,888,241	8,059,642,953
Operation Margin	2,983,425,462	2,883,799,376
Loan Interest Reimbursable	-	-
	11,347,313,703	10,943,442,329
Rendering of Services		
Transport Income	2,928,875,589	2,624,433,547
Bunkering Operation	-	-
	2,928,875,589	2,624,433,547
Total Revenue	**14,276,189,292**	**13,567,875,876**

4 OTHER OPERATING INCOME	2021 LKR	2020 LKR Restated
Interest on Staff Loans and Others	457,423,182	428,462,591
Loss on disposal of Property, Plant and Equipment	(69,236)	(433,192)
Rental Income	10,941,824	10,348,119
Discharging Charges	4,930,000	2,060,000
Laboratory Testing Charges	99,938,982	65,794,850
Training to Private Bowsers Driver/Porter	3,368,649	3,485,081
Scrap Sales	9,718,504	8,849,552
Servicing Fire Extinguishers	441,132	1,123,618
Clalibration Charges	6,657,077	5,425,689
Sundry Income	110,160,804	45,933,332
Circuit Bungalows Income	95,400	420,725
Non-refundable Tender Deposits	1,905,491	1,849,167
Write Back of Long Outstanding Creditor Balances	-	-
	705,511,809	**573,319,532**

	2021 LKR	2020 LKR Restated
4.1 Write off / back of Irrevocable debts	157,264,066	137,410,997
	157,264,066	**137,410,997**

5. FINANCE INCOME	2021 LKR	2020 LKR Restated
Interest on REPO Investments	29,087,636	50,663,740
Interest on Deposits	172,483,601	258,618,752
	201,571,237	**309,282,492**

6. PROFIT BEFORE TAX *Stated after Charging /Crediting*	2021 LKR	2020 LKR Restated
Included in Direct Expenses		
Personal Cost	3,188,058,702	2,777,901,099
Depreciation Charge for the Year	727,384,093	865,616,991
Included in Administrative Expenses		
Directors' Emoluments	7,957,893	3,375,946
Fees for Directors	2,090,000	1,160,000
Personal Cost	3,720,333,582	3,142,413,532
Defined Benefit Obligation : Charge for the Year	**242,758,885**	**289,883,699**
Audit Fee - Current Year	**1,920,000**	**1,695,629**
Depreciation Charge for the Year	**165,759,980**	**161,605,649**
Amortization Charge for the Year	28,186,363	25,908,400
Allowances for Impairment in Trade and Other Receivables	-	-
Allowance/(Reversal) for Impairment of Staff Loans	33,641,168	214,176
Provision for Inventory	630,498	(301,606)

7. TAX EXPENSES

(2021 LKR / 2020 LKR)

The major components of income tax expense for the years ended 31st December 2021 and 31st December 2020 are as follows :

7.1 Income Statement	2021 LKR	2020 LKR Restated
Current Income Tax:		
Current Tax Expense	505,568,268	703,289,833
Under/(Over) Provision of Current Taxes in respect of Prior Year	(2,830,980)	(36,441,226)
Deferred Tax:		
Deferred Taxation Charge/ (Credit) (Note 8)	(89,603,710)	(453,127,685)
Income Tax Expense / (Credit) Reported in the Income Statement	**413,133,578**	**213,720,922**

7.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate for the Years Ended 31st December 2021 and 31st December 2020 are as follows :

	2021 LKR	2020 LKR Restated
Accounting Profit Before Tax	1,595,321,623	2,215,136,892
Aggregate Disallowed Items	1,388,180,547	1,395,583,665
Aggregate Allowable Items	(1,168,462,126)	(1,100,236,081)
	1,815,040,044	2,510,484,476
Interest Income	291,494,405	419,889,828
Total Statutory Income	2,106,534,449	2,930,374,304
Less: Carried Forward Tax Losses Utilized	-	-
Taxable Profit	2,106,534,449	2,930,374,304
Income Tax for Taxable Profit	505,568,268	703,289,833
Current Income Tax Expense	**505,568,268**	**703,289,833**

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	
	2021	2020	2021	2020	2021	2020
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Liabilities						
Capital Allowances for Tax Purposes	1,999,721,176	2,079,336,124	(79,614,948)	(482,587,806)	-	
Intangible Assets	10,292,598	6,707,333	3,585,265	(1,711,384)	-	
	2,010,013,774	**2,086,043,457**				
Deferred Tax Assets						
Inventories	4,020,042	3,868,722	(151,320)	729,237	-	
Provisions	9,944,696	1,870,815	(8,073,880)	251,833	-	
Defined Benefit Plans	386,237,798	483,754,502	(5,348,827)	30,190,435	102,865,531	(36,237,425)
Effect from Tax Losses	-	-	-	-	-	
	400,202,535	**489,494,039**				
Deferred Income Tax - Income						
Net Deferred Tax Liability / (Assets)	**1,609,811,239**	**1,596,549,418**	**(89,603,710)**	**(453,127,686)**	**102,865,531**	**(36,237,425)**

8.2 Deferred tax has been calculated using effective tax rate @ 24.0%. The single tax rates applied different levels of taxable income, resulting Rs. 204,066,686/- decreased in deferred tax liability as at 31st December 2021.

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.

	2021	2020
	LKR	LKR
Amounts Used as the Numerator		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	1,182,188,045	2,001,199,709
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	1.58	2.67

10. PROPERTY, PLANT AND EQUIPMENT

10.1 Gross Carrying Amounts

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

At Cost	Balance as at 01.01.2021	Additions	Transfers	Disposals	Balance as at 31.12.2021
	LKR	LKR	LKR	LKR	LKR
Freehold land	4,805,518,404				4,805,518,404
Freehold building	1,792,207,411	3,722,319			1,795,929,730
Storage tank	7,000,110,481				7,000,110,481
Motor vehicles	1,870,359,156				1,870,359,156
Pipelines	7,796,662,802				7,796,662,802
Furniture, fittings & equipment	2,269,598,560	42,955,183	12,173,112	(184,000)	2,324,542,855
Computers	328,571,814	5,421,800			333,993,614
Single/Dual point mooring buoy	3,287,948,862	42,821,610			3,330,770,472
Pumps & gantries	1,502,102,504	232,278			1,502,334,782
Low Value Assets	550,852	156,351			707,203
Total Cost of Depreciable Assets	30,653,630,847	95,309,541	12,173,112	(184,000)	30,760,929,500
Capital Work In Progress	810,067,541	1,243,281,459	(12,173,112)		2,041,175,887
	31,463,698,387	1,338,591,000	-	(184,000)	32,802,105,387

10.2 Depreciation

At Cost	Balance as at 01.01.2021	Charge for the year	Transfers	Disposals	Balance as at 31.12.2021
	LKR	LKR	LKR	LKR	LKR
Freehold building	730,416,134	52,971,172			783,387,307
Storage tank	2,918,356,399	172,636,024			3,090,992,422
Motor vehicles	1,585,632,790	154,958,542			1,740,591,332
Pipelines	3,764,305,392	290,219,243			4,054,524,635
Furniture, fittings & equipment	1,911,736,159	77,966,697		(114,764)	1,989,588,093
Computers	234,298,831	34,577,901			268,876,732
Single/Dual point mooring buoy	3,040,422,663	76,051,151			3,116,473,815
Pumps & gantries	1,206,526,231	33,519,133			1,240,045,364
Low Value Assets	384,668	244,209			628,878
	15,392,079,268	**893,144,073**	**-**	**(114,764)**	**16,285,108,578**

10.3 Net Book Value

	2021 LKR	2020 LKR
Freehold land	4,805,518,404	4,805,518,404
Freehold building	1,012,542,424	1,061,791,277
Storage tank	3,909,118,059	4,081,754,083
Motor vehicles	129,767,824	284,726,366
Pipelines	3,742,138,167	4,032,357,410
Furniture, fittings & equipment	334,954,762	357,862,401
Computers	65,116,882	94,272,983
Single/Dual point mooring buoy	214,296,658	247,526,199
Pumps & gantries	262,289,418	295,576,273
Capital work in progress	2,041,175,887	810,067,541
Low Value Assets	78,326	166,184
Total Carrying Value of Property, Plant & Equipment	**16,516,996,810**	**16,071,619,121**

10.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 1,357,927,201/- (2020 - Rs.1,084,515,402/-). Cash payments amounting to Rs. 1,357,927,201/- (2020 - Rs1,084,515,402/-) were made during the year for purchase of Property, Plant and Equipment. During the year Rs. 12,173,112/- trasnfered from work in progress to main assets.

10.5 The Board of Directors granted approval to carry out the re-valuation of CPSTL Property, Plant and Equipment at Kolonnawa & Muthurajawela main Oil Terminals, Offshore Oil Facilities, and Island wide 11 Bulk Depots at the Board meeting held on 11th August, 2021 (BP # 07/214).

As per the instruction given by Secretary to the Line Ministry, CPSTL has decided to obtain service from Government Valuation department to carry out revaluation of fixed assets to bring up to its fair value. We are in expediting the process of carrying out revaluation with Government Valuation department to complete this task and restate the value of fixed assets to bring up to its market conditions during the F/Y 2022.

10.6. Right-of-use assets

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

Cost	2021 LKR	2020 LKR
Balance as at 31st December	42,309,263	-
Effect of Adoption of SLFRS 16 as at 01 Jauary 2020		42,309,263
Addition and Improvement	-	-
Balance as at 31st December	**42,309,263**	**42,309,263**

Accumulated Amotisation	2021 LKR	2020 LKR
Balance as at 31st December	31,438,898	22,977,046
Charge for the year	8,461,853	8,461,853
Balance as at 31st December	**39,900,751**	**31,438,898**
Net Book Value as at 31st December	**2,408,512**	**10,870,365**

10.7 Right -of-use Lease Liability

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

	2021 LKR	2020 LKR
Balance as at 31st December	11,771,450	-
Effect of Adoption of SLFRS 16 as at 01 Jauary 2020		20,486,602
Accretion of Interest	335,753	727,049
Payments	(9,442,200)	(9,442,200)
Balance as at 31st December	**2,665,004**	**11,771,450**

Balance as at 31st December	2021 LKR	2020 LKR
Current liability	2,665,004	9,106,447
Non current liability	-	2,665,004
	2,665,004	**11,771,450**

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

	2021	2020
Freehold Building	35 Years	35 Years
Storage Tanks	40 Years	40 Years
Bulk Tanks	30 Years	30 Years
Pipelines	30 Years	30 Years
Pumps	20 Years	20 Years
Vehicles		
- New Acquisitions	5 Years	5 Years
- Vested Items	Over Remaining Useful life time	
Gantries	15 Years	15 Years
Equipments		
- Electronic	5 Years	5 Years
- Other	10 Years	10 Years
Furniture & Fittings		
- Hard	5 Years	5 Years
- Other		
Muthurajawela other assets		
- Dual point mooring buoy	10 Years	10 Years
- PLEM	10 Years	10 Years
- Pipelines	20 Years	20 Years
Computers	04 Years	04 Years

11. INTANGIBLE ASSETS

11.1 Gross Carrying Amounts

At Cost	ERP System LKR	SAP ERP License LKR	Automation System of offshore Pipeline LKR	Total LKR
As at 01.01.2021	542,038,595	9,380,250	37,793,560	589,212,405
Additions during the year	19,336,201	-	-	19,336,201
Disposals	-	-	-	-
As at 31.12.2021	**561,374,796**	**9,380,250**	**37,793,560**	**608,548,606**

11.2 Amortisation

At Cost	ERP System LKR	SAP ERP License LKR	Automation System of offshore Pipeline LKR	Total LKR
As at 01.01.2021	466,513,834	9,380,250	37,793,560	513,687,644
Charge for the year	28,186,363	-	-	28,186,363
As at 31.12.2021	**494,700,197**	**9,380,250**	**37,793,560**	**541,874,007**
11.3 Net Book Value as at 31.12.2020	**75,524,761**	**-**	**-**	**75,524,761**
11.4 Net Book Value as at 31.12.2021	**66,674,599**	**-**	**-**	**66,674,599**

11.5 Intangible assets includes fully depreciated assets having a gross carrying amount of Rs. 459,670,405 /- (2020 - Rs. 459,670,405/-).

12. INVENTORIES

	2021 LKR	2020 LKR Restated
General Hardware for Repairing	409,024,236	385,083,534
Motor Spare parts	259,905,274	263,907,852
Consumables	24,164,078	35,759,164
Finished Goods		
Lanka Petrol LP-95	788,088	788,088
Lanka Petrol LP-92	2,374,632	2,481,219
Lanka Auto Diesel-LAD	47,267,220	33,923,205
	743,523,528	721,943,062
Provision for Slow- Moving Inventory	(16,750,173)	(16,119,675)
	726,773,355	705,823,388

13. TRADE AND OTHER RECEIVABLES

	2021 LKR	2020 LKR Restated
Trade Receivables - Related Parties (Note 13.1)	9,317,649,253	7,761,397,952
Other Receivables	81,040,415	335,939,303
Deposits, Advances and Prepayments (Note 13.3)	1,690,628,286	1,050,992,715
	11,089,317,954	**9,148,329,970**

13.1 Trade Receivables- Related Parties

	Relationship	2021 LKR	2020 LKR
Ceylon Petroleum Corporation net of Impairment (Note 13.2)	Parent Entity	8,607,570,164	7,105,756,494
Lanka IOC PLC net of Impairment (Note 13.2)	Other Major Share Holder	710,079,090	655,641,458
		9,317,649,253	**7,761,397,952**

13.2 As at 31st December 2021, the age analysis of trade receivables is set out below.

	Total	0-30 Days	31-90 days	91-180 days	181-365 days	"More than 365 days"
Ceylon Petroleum Corporation	8,607,570,164	1,236,368,258	2,690,420,523	1,504,621,560	185,962,503	2,990,197,320
	8,607,570,164	**1,236,368,258**	**2,690,420,523**	**1,504,621,560**	**185,962,503**	**2,990,197,320**
Lanka IOC PLC	710,079,090	45,428,845	87,559,639	132,796,957	199,037,077	245,256,572
	710,079,090	**45,428,845**	**87,559,639**	**132,796,957**	**199,037,077**	**245,256,572**

13.3 Deposits, Advances and Prepayments

	2021 LKR	2020 LKR Restated
Deposits, Prepayments and Advances	681,671,234	140,419,720
Prepaid Staff Benefits	1,008,957,052	910,572,995
	1,690,628,286	**1,050,992,715**

14. OTHER FINANCIAL ASSETS

	2021 LKR	2020 LKR Restated
Loans to Company Officers		
Motor Vehicle Loans	217,195,096	259,373,952
Housing Loans	1,590,350,388	1,602,924,249
Distress Loans	1,221,725,914	1,087,393,042
Other Loans	**330,388,025**	**191,574,671**
	3,359,659,423	3,141,265,914
(-) Allowance for Impairment	(41,436,231)	(7,795,063)
	3,318,223,192	**3,133,470,851**

14.1 Non Current Financial Assets

	2021 LKR	2020 LKR Restated
Motor Vehicle Loans	173,756,077	207,499,162
Housing Loans	1,428,524,719	1,434,528,313
(-) Allowance for Impairment	(41,436,231)	(7,795,063)
	1,560,844,565	**1,634,232,412**

14.2 Current Financial Assets

	2021 LKR	2020 LKR Restated
Motor Vehicle Loans	43,439,019	51,874,790
Housing Loans	161,825,669	168,395,937
Distress Loans	1,221,725,914	1,087,393,042
Other Loans	330,388,025	191,574,671
	1,757,378,627	**1,499,238,439**

15. CASH AND CASH EQUIVALENTS	2021 LKR	2020 LKR Restated
Favourable Cash & Cash Equivalent balances		
Cash and Bank Balances	(257,060,110)	(167,447,006)
Short Term Investments	2,513,989,768	3,609,467,580
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	**2,256,929,658**	**3,442,020,574**

16 STATED CAPITAL

	2021		2020	
	Number	LKR	Number	LKR
Fully Paid Ordinary Shares	**750,000,000**	**7,500,000,000**	**750,000,000**	**7,500,000,000**

16.1 Capital Reserve

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

17. DEFINED BENEFIT OBLIGATION	2021 LKR	2020 LKR Restated
Balance as at 01 January	2,015,643,759	1,706,098,260
Current Service Cost	81,507,384	178,628,488
Interest Cost	161,251,501	111,255,211
Actuarial (Gain) / Loss	(428,606,379)	150,989,271
Benefits Paid	(220,472,106)	(131,327,469)
Balance as at 31st December	1,609,324,160	2,015,643,759

17.1 Actuarial valuation of Retirement Benefit Obligation as at 31st December 2021 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:

	2021	2020
Discount Rate	11.50%	8.00%
Salary Incremental Rate	25% once in 3 Years	25% once in 3 Years
Staff Turnover	1%	1%

17.3 Maturity Profile of the Defined Benefit Obligation Plan

	2021 LKR	2020 LKR
Less than 1 Year	162,355,684	220,708,161
Between 1-2 years	154,674,908	151,333,386
Between 2-5 years	385,374,669	439,670,415
Beyond 5 years	906,918,900	1,203,931,798
	1,609,324,161	2,015,643,760

The average durations of the Defined benefit Obligation Plan at the end of the reporting period is 6.58 years for executive staff and 7.12 years for non executive staff. The average remaining working life of executive staff is 11.17 years and 11.79 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 2021.

Sensitivity Level	Discount Rate		Future Salary Increment Rates	
	Increase	Decrease	Increase	Decrease
	1%	-1%	1%	-1%
Impact on Defined Benefit Obligation	1,512,170,676	1,718,188,166	1,636,959,901	1,582,326,357

18. TRADE AND OTHER PAYABLES	2021 LKR	2020 LKR Restated
Trade Payables-Related Parties (18.1)	403,967,660	349,914,890
- Others	284,207,201	38,883,624
Other Payables	885,169,318	628,528,587
Sundry Creditors Including Accrued Expenses	517,381,872	357,266,090
	2,090,726,051	**1,374,593,191**

18.1 Trade Payables- Related Parties

	Relationship	2021 LKR	2020 LKR Restated
Ceylon Petroleum Corporation	Parent Entity	403,967,660	349,914,890
		403,967,660	349,914,890

19 RELATED PARTY DISCLOSURES

Nature of Transaction	Parent Entity- Ceylon Petroleum Corporation		Other Major S/H - Lanka IOC PLC		Total	
	2021 LKR	2020 LKR Restated	2021 LKR	2020 LKR	2021 LKR	2020 LKR Restated
Receivable/(Payable) as at 01 January	6,888,065,189	5,233,941,942	655,641,458	332,519,520	7,543,706,646	5,566,461,462
Service for Oil Storage & Distribution	14,933,348,730	13,955,827,721	610,013,579	697,478,225	15,543,362,309	14,653,305,946
Own Use Fuel Consumption	(401,147,331)	(420,780,051)	-	-	(401,147,331)	(420,780,051)
Interest Payments	-	-	-	-	-	-
Other Expenses	(93,559,459)	(63,306,847)			(93,559,459)	(63,306,847)
Adjustment for error correction	(360,352,811)	(68,857,770)			(360,352,811)	(68,857,770)
(Receipt)/Payment for Services	(12,765,453,386)	(11,748,759,807)	(555,575,947)	(374,356,288)	(13,321,029,333)	(12,123,116,094)
Amounts Receivable/(Payable) as at 31st December	**8,200,900,930**	**6,888,065,189**	**710,079,089**	**655,641,458**	**8,910,980,020**	**7,543,706,646**

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

19.1 Transactions with Key Management Personnel of the Company

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

	2021	2020
	LKR	LKR
Fees for Directors	2,090,000	1,160,000
Directors Emoluments	7,957,893	3,375,946
	10,047,893	4,535,946

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

Since the Government of Sri Lanka directly controls the Parent entity, the Company has considered the Government owned company of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as Related Parties according to LKAS 24, "Related Party Disclosures".

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

	Nature of the transactions	As at	As at
		31.12.2021	31.12.2020
People's Bank	Cash at Bank	665,601	(257,177)
People's Bank	Short term Deposits	151,043,274	430,948,959
Bank of Ceylon	Balance at Bank	(271,033,405)	(182,741,529)
Bank of Ceylon	Short term Deposits	2,270,812,698	3,178,518,619

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

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

Payments of statutory rates and taxes.

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

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

20. COMMITMENTS AND CONTINGENCIES

20.1 CONTINGENCIES

Pending Litigations

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

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

Pending Supreme Court Cases as at 31st December 2021

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2021)
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 68/17	Colombo	To get issue a suitable amount of shares not exceeding 10% or distribute an equivalent sum of money amongst the employees.	Declaration of infringement of Fundamental Rights of the Petitioners, compensation is determined by the Court and to issue a suitable amount of shares not exceeding 10% or distribute an equivalent sum of money amongst the employees.
SC FR 244/17	Colombo	Filed by two Employees Seeking for a Promotion to Grade B-1.	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.
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.

Pending Court of Appeal Cases as at 31st December 2021

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2021)
Writ 142/13	Colombo	Filed by 17 employees of CPSTL claiming promotions which were recommended by PVC.	Total payments for all the applicants could be amounted to Rs.13,936,944/-.
Writ 243/2021	Colombo	Writ application against The Arbitration Award No. 3296	Total payments for all the applicants could be amounted to Rs. 93,600,000/-.
Writ 370/2021	Colombo	Writ application against The Arbitration Award No. 3439	Total payments for all the applicants could be amounted to Rs.2,869,608.51

Pending District Court Cases as at 31st December 2021

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2021)
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) settlement
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) settlement
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) settlement
DMR/00353/13	Kandy	Filed against CPSTL claiming damages arising from an accident.	Rs.5,000,000/- plus legal interest.
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/-)
DMB 182/20	Colombo	Filed against former employee claiming Mortgage value arrears	Rs. 1,008,093.80 plus 14.4% interest

Pending Magistrate Court Cases as at 31st December 2021

Case No	Location Of court	Description of court case	Maximum possible claim outcome (upto December 2021)
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.
45481/05	Colombo	To enforce the Arbitration Awards A3296 against CPSTL	Case is filed by Assistant Labour Commissioner against CPSTL on not paying Rs. 9,360,000/- among 40 employees.
46557/05	Colombo	To enforce the Arbitration Awards A3439 against CPSTL	Case is filed by Assistant Labour Commissioner against CPSTL on not paying Rs. 2,869,608.51.
5/21/57265	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs V. D. Gnawathi	These Cases were filed by CPSTL to obtain an ejection order to eject unauthorized squatters from pipeline premises
5/21/57266	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs W. L. D. Gunathilka	
5/21/5/7267	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs T. Ramani	
5/21/5/7268	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs M. M. A. K. Fonseka	
5/21/5/7269	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs V. C. J. Podimenike	
5/21/5/7270	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs M. Subramanium	
5/21/5/7271	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs P. Renuka	
5/21/5/7272	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs S.S. Kanna	
5/21/5/7273	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs N. K. Gunawardana	
5/21/5/7274	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs S. A. D. Subaseeli	
5/21/5/7275	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs W. A. S. Hemantha	
5/21/5/7276	Colombo	Unauthorized possession of Railway reservation. CPSTL Vs G. G. Mary	

Pending Labour Tribunal Cases as at 31st December 2021

Case No	Location Of court	Description of court case	Name of the applicant	Maximum Possible claim Outcome (up to December 2021)
2/600/ 15	Borella	Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	R Heiyanthuduwa	Reinstatement with back wages (Rs.50,000 x 118 months) Rs. 5,900,000
1/22/2016	Borella	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 47 months =Rs.3,180,772/-.
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 106 months Rs.7,262,908
2/AD/ 3596/12	Battaramulla	"Filed by a dismissed employee (w.e.f. 19.05.2011) seeking reinstatement with back wages.	M A S D Munasingha	Reinstatement with back wages. Rs.80,524 x 118 months Rs.9,501,832
2/935/2019	Borella	Filed by a Former Trainee seeking for reinstatement with back wages	R.W.H.B. Kumari	Reinstatement with back wages. Rs.1,500.00 x 42 days. Rs.63,000
IR/10/30/2020	Colombo	Filed by an employee seeking promotion to Grade A-5	H M A Bandara	

Pending Cases before Labour Department as at 31st December 2021

Case No	Location Of court	Description of court case	Maximum Possible claim Outcome (up to December 2021)
CC/C/IR/700/ 17	Colombo	Seeking for reinstatement	Back wages Rs.81,130/-
A/77/ 2019	Colombo	Seeking for promotion to Distribution Executive (Invoice Office) or Distribution Executive (Operations/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)

Pending Cases before Human Rights Commission as at 31st December 2021

Case No	Location Of Commission	Description of court case	Maximum Possible claim Outcome (up to December 2021)
HRC/2451/16	Colombo	2016 new appointment	New Appointment. Declaration of FR violation and compensation determined by HRC
HRC/2454/ 16	Colombo	2016 new appointment	New Appointment. Declaration of FR violation and compensation determined by HRC
HRC/2456/ 16	Colombo	2016 new appointment	New Appointment. Declaration of FR violation and compensation determined by HRC
HRC/1991/ 16	Colombo	Challenge the appointment of present medical officer of CPSTL	New Appointment. Declaration of FR violation and compensation determined by HRC
HRC/2903/ 19	Colombo	Against PVC promotions given in 2019	PVC promtions. Declaration of FR violation and compensation determined by HRC
HRC/3888/ 19	Colombo	Against illegal transfers	Revise the transfer. Declaration of FR violation and compensation determined by HRC
HRC/2963/ 19	Colombo	Against PVC Promotions	PVC promtions. Declaration of FR violation and compensation determined by HRC
HRC/3046/ 16	Colombo	Promotion to A5	Promotion to A5. Declaration of FR violation and compensation determined by HRC
HRC/1688/ 17	Colombo	Promotion to B1	Promotion to B1. Declaration of FR violation and compensation determined by HRC
HRC/416/ 16	Colombo	Against disciplinary Inquiry	
HRC/871/ 20	Colombo	Promotion A3	Promotion to A 3. Declaration of FR violation and compensation determined by HRC
HRC-HO-2732-21	Colombo	Promotion A7	Promotion to A 7. Declaration of FR violation and compensation determined by HRC
HRC-1023/17	Colombo	Promotion A6	Promotion to A 6. Declaration of FR violation and compensation determined by HRC

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

Out of the tax assessments (Income Tax, VAT, PAYE) raised for the period upto 31.12.2009 by the Department of Inland Revenue, the company has a contingent liability of Rs. 427Mn including penalties. With the professional advice, company has appealed against the said assessments.

The Department of Inland Revenue raised assessments ((Income Tax, VAT, PAYE) amounting to Rs. 470Mn including penalties for the period from 2010-2020 and with the professional advice the company has appealed to the Commissioner General of Inland Revenue against the said assessments.

(c) Lease of 09 No's Bulk Depots lands from Sri Lanka Railway Department

CPSTL Board of Directors has granted aproval to release the lease payment of Rs. 25,631,208/- + VAT to Sri Lanka Railways being the lease rental for eight (08) years payable for the period 01.01.2014 to 31.12.2021 and to execute the Lease Agreement with Sri Lanka Railways.

20.2 CONTINGENCIES

The following capital commitments have been approved by the board of directors as at 31st December 2021.

Outstanding LC Payments as at 31st December 2021

LC No	Amount (Rs.)	LC Value	Description of Purchase
0042007210001358	Rs. 4,377,724	Euro 18,235.00	15" Mooring Hawser with Thimbles
0042002210015151	Rs. 13,194,896	US$ 65,000.00	16" & 18" Twin Seal DBB Valve

Bank Guarantees as at 31st December 2021

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

*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 2021

Description	Contract Value (LKR)	Paid As At 31-12-2021 (LKR)	Work Done As At 31-12-2021 (LKR)	Payable Amount (LKR)
Infrastructure Development Facilities - MT	182,000,000	6,142,500	6,142,500	175,857,500
Yard improvement in front of Eng. Function	6,506,467	6,240,900	6,240,900	265,567
Improvements to driver's rest room Kolonnawa	15,780,000	10,506,215	10,506,215	5,273,785
Renovation of old administration building- Kolonnawa	30,200,000	23,436,383	23,436,383	6,763,617
Construction of circuit bungalow - Anuradhapura	85,000,000	15,516	15,516	84,984,484
Renovation of new administration building- Kolonnawa	33,250,000	16,473,983	16,473,983	16,776,017
Modification of finance budget section	4,200,000	2,031,816	2,031,816	2,168,184
Warehouse building for auction yard	33,230,000	28,763,538	28,763,538	4,466,462
Renovation of boundary wall (stage 2)	15,000,000	5,894,306	5,894,306	9,105,694
Modification of finance orders section	4,500,000	3,821,985	3,821,985	678,015
Modification to front security building	15,437,313	10,548,891	10,548,891	4,888,422
Modification of finance payment section	3,500,000	1,632,315	1,632,315	1,867,685
Renovations of official residence allocated to Minister	15,002,542	10,171,541	10,171,541	4,831,001
Renovation & modification work of DGM (O) office	495,750	494,750	494,750	1,000
Development of bowser parking	123,020,000	533,419	533,419	122,486,581
LV PDBS Kolonnawa	6,000,000	3,990,808	3,990,808	2,009,192
Fourier transform infrared (FTIR)	10,283,239	10,283,239	10,283,239	-
Modification of tank no. 6, 7 & 8 at Muthurajawela	70,000,000	45,272,352	45,272,352	24,727,648
Construction of a 350m3 capacity fire water tank	15,000,000	13,581,804	13,581,804	1,418,196
Modification to tank 17,22 & 23 - Kolonnawa	120,666,000	38,904,244	38,904,244	81,761,756
Tank farm improvement at LBD Kurunagala	74,388,141	14,550,332	14,550,332	59,837,809
Repair to tank no. 14 - Kolonnawa	18,134,459	17,688,960	17,688,960	445,499
Repair to tank no. 03 - Kolonnawa	40,112,975	22,267,544	22,267,544	17,845,431
Construction of 06 No . Storage tanks- Kolonnawa	2,287,227,142	328,113,919	328,113,919	1,959,113,223
Repair to tank no. 47 - Kolonnawa	58,747,813	46,455,657	46,455,657	12,292,155
Construction of 03 no . Storage tanks- Kolonnawa	1,054,306,042	679,368,010	679,368,010	374,938,032
Repair to tank no. 46 - Kolonnawa	148,014,700	27,507,104	27,507,104	120,507,596
Pipeline connection for new fire pumps	6,239,831	3,122,945	3,122,945	3,116,886
Rehabilitation of existing 14" Dia. Pipe	94,508,595	6,992,742	6,992,742	87,515,853
Upgrading pipe system at zone - 6	170,000,000	87,323,768	87,323,768	82,676,232
Construction of filling gantry at zone -03	32,790,215	30,984,684	30,984,684	1,805,531
Pre over hall calm buoy inspection	109,000,000	9,119,003	9,119,003	99,880,997
Electrical fittings z6 new pump house	18,000,000	6,508,030	6,508,030	11,491,970
Dry docking of SPBM -Muthurajawela	514,375,455	514,375,455	514,375,455	-
CCTV camera system at CPSTL Kolonnawa	1,933,509	1,933,509	1,933,509	-
Installation of ATS panel for LBD Kurunegala	1,400,000	713,335	713,335	686,665
Modifications to 10 nos. Existing lighting towers	5,410,387	5,410,387	5,410,387	-
Total Value of the projects	**5,423,660,575**	**2,041,175,888**	**2,041,175,888**	**3,382,484,688**

* Amounts paid include advances.

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

Projects awarded but not started As At 31-12-2021

Project Name or Description	Contract Value (LKR)
Repairs to Tank no. TK -31, and TK 32- petrol loading tanks in Muthurajawela Terminal	102,147,465
Upgrading of instruments in semi-automated tank gauging and road tanker loading systems at Muthurajawela Terminal	132,000,000
Procurement, construction and commissioning of a 470 m3 fire water tank at LBD – Magalle	18,967,190
Purchase of two numbers of diesel engine driven welding generators	18,000,000
Supply and installation of explosion proof type lighting fixture and switch gears at Kolonnawa & Bulk Depots	37,404,774
Integration of solar power generating system for oil installation, Kolonnawa	72,000,000
Repairs to tank no. 34 at Kolonnawa installation	77,534,050
Repairs to tank no. 31 at Kolonnawa installation	224,784,525
Replacement of tank no. 30 at Kolonnawa installation	220,031,670
Design, supply and installation of internal floating roofs and repairs to tank no. 04 and 05 at LBD Magalle	35,389,610
Projects approved by Board and awarded As At 31-12-2021	**938,259,284**

Projects approved by Board and not awarded As At 31-12-2021

Project Name or Description	Contract Value (LKR)
Evaporation Bath with related accessories to determine the gum content in Gasoline 92 & 95 and Jet A1	4,000,000
Temperature controlled bath for Kinematic Viscosity of Transparent & Opaque Liquids	9,000,000
Proposed modification of the CPSTL housing units at Gajabapura	14,200,000
Fully automated Cloud Point & Pour Point & Pour Point Instrument	15,000,000
Repairs to tank no. 34 at Kolonnawa Installation	77,534,050
Proposed circuit bungalow at Anuradhapura	85,000,000
Replacement of existing 10" dia. Pipeline with 14" dia. Pipe line from Kolonnawa Installation to Seram Gate at Colombo harbor	809,843,452
Projects approved by Board and not awarded As At 31-12-2021	**1,014,577,502**

21. ASSETS PLEDGED

No assets have been pledged as at the reporting date.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no any events after the balance sheet date as at 31st December 2021.

22.1 Explanation on prior year adjustments of financial statements

During the year 2019, 2020 & 2021, CPSTL has over recovered Transport income due to rate change efective from 01st April 2019 for CPC amounting to Rs. 77,801,097/- , Rs.125,287,648/- and Rs. 157,264,066/- respectively. These changes have been corrected retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

22.2 Reconciliation of profit & loss

	Total Comprehensive Income for the Year, Net of Tax		
	2021	2020	2019
	LKR	LKR	LKR
As per the previous financial statements	1,434,071,792	1,984,833,690	1,207,545,256
Adjustment for prior period changes in accounting estimates	(157,264,066)	(125,287,648)	(77,801,097)
Income Tax saving	37,743,376	30,069,036	20,746,959
Restated balance	**1,314,551,101**	**1,889,615,078**	**1,150,491,118**

22.3 Tax effect on Right-of-use assets

	2021	2020
	LKR	LKR
Payments	9,442,200	9,442,200
Income Tax effect '@24%	**2,266,128**	**2,266,128**

22.4 Financial instruments by category

	Loans & receivables at amortised cost	
	2021	2020
	LKR	LKR
		Restated
Trade and other receivables	11,089,317,954	9,148,329,970
Staff loans and advances	1,757,378,627	1,499,238,440
Cash and cash equivalents	2,256,929,658	3,442,020,574
	15,103,626,239	**14,089,588,984**

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

	Other financial liabilities at amortised cost	
	2021	2020
	LKR	LKR
		Restated
Trade and other payables	2,090,726,051	1,374,593,191
	2,090,726,051	**1,374,593,191**

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

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

23.1 Market Risk

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

Market risk comprise of the two types of risk:

1. Interest rate risk
2. Foreign Currency risk

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

23.1.1 Interest rate risk

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

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	LKR
	2021	2020
(+)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 31st December 2020 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)"
2021				
Cash and Cash Equivalents -Cash in Hand(USD)	18.78	200.43	+/- 1%	+/- 0.19
Cash and Cash Equivalents -Fixed Deposit (USD)	2,243,914	200.43	+/- 1%	+/- 22,439
2020				
Cash and Cash Equivalents -Cash in Hand(USD)	18.78	186.41	+/- 1%	+/- 0.19
Cash and Cash Equivalents -Fixed Deposit (USD)	2,147,589	186.41	+/- 1%	+/- 21,476

23.2 Credit risk

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

Trade receivables

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

23.3 Liquidity risk

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

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

	"Less than 1 year"	Total
	LKR	LKR
	Restated	
Trade and Other Payables	2,090,726,051	2,090,726,051
	2,090,726,051	**2,090,726,051**

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.

	2021	2020
	LKR	LKR
	Restated	
Total equity	28,726,129,187	27,218,200,295
Total capital	28,726,129,187	27,218,200,295
Gearing ratio	0.00%	0.00%

	Statement	2021	2020
		LKR	LKR
			Restated
Revenue		14,276,189,292	13,567,875,876
Direct Expenses	I	(8,369,310,193)	(7,634,435,592)
Gross Profit		5,906,879,099	5,933,440,284
Other Operating Income		705,511,809	573,319,532
Administrative Expenses	II	(5,061,376,456)	(4,462,593,333)
Operating Profit		**1,551,014,452**	**2,044,166,483**

STATEMENT I	2021	2020
	LKR	LKR
DIRECT EXPENSES		Restated
Outside transport cost	3,207,337,388	2,968,899,638
Direct personnel cost	3,188,058,702	2,777,901,099
Insurance	123,934,495	99,508,712
Own Use Fuel Expense	367,527,832	369,076,473
Depreciation -storage tanks, pipelines, gantries and pumps	496,374,400	492,048,539
Depreciation -motor vehicles	154,958,542	165,143,030
Depreciation- SPBM	76,051,151	208,425,421
Vehicle maintenance	157,328,438	130,313,933
Storage maintenance	4,261,944	17,209,422
Property maintenance	221,687,503	143,834,386
Rail track maintenance	32,359,544	5,451,769
Consignment Seals	29,628,692	24,859,210
Cleaning & Sanitary Expenses	34,955,913	27,574,129
Water	4,555,020	4,477,944
Electricity	100,886,819	106,543,406
Security Charges	20,874,600	-
Vessel charges	143,734,164	89,260,519
Shipping, clearing and transport	600,338	2,025,152
Advertising and Promotional Expenses	4,194,708	1,882,810
	8,369,310,193	**7,634,435,592**

STATEMENT II	2021	2020
	LKR	LKR
ADMINISTRATIVE EXPENSES		Restated
Directors' fees	2,090,000	1,160,000
Chairman's and MD's salaries	7,957,893	5,589,670
Personnel cost	3,720,333,582	3,140,199,808
Gratuity	242,758,885	289,883,699
Prepaid staff benefit on staff loan	357,433,889	316,260,555
Staff welfare	214,429,039	222,279,090
Medical	82,208,224	92,171,775
Office requisites	22,165,334	18,732,513
Communication expenses	18,619,686	19,530,508
Rent and rates	22,433,804	25,174,980
Depreciation of buildings, furniture and fittings, equipment and computers	165,759,980	161,605,649
Amortization of intangible assets	28,186,363	25,908,400
Amotisation Right-of- use Assets	8,461,853	8,461,853
Travelling, subsistence, batta and taxi fare	20,922,086	23,924,881
Auditors' remuneration	1,920,000	1,695,629
Electricity	16,001,010	16,898,165
Water	17,088,923	16,799,757
Allowance/(Reversal) for impairment of staff loans	33,641,168	214,176
Allowance/(Reversal) for impairment of receivables	-	-
Legal fees	4,941,999	7,071,598
Professional fees	38,579,101	34,569,317
Charity & donations	6,510,820	1,700,560
Staff training	2,754,265	3,600,300
License and registration	4,677,910	2,731,377
Stamp duty	55,675	4,275
Sundry expenses	18,964,758	22,212,029
Hand Sanitizer & Bleaching	-	839,547
Exchange (Gain) or Loss	-	867,282
Commission and Bank Charges	1,849,711	3,708,632
Allowance/(Reversal) of inventory provision	630,498	(301,606)
	5,061,376,456	**4,463,494,419**

FIVE YEAR FINANCIAL SUMMARY

Rupees Mn		2021	2020	2019	2018	2017
			Restated	Restated		
Operating Results						
Revenue	**LKR MN**	**14,276**	**13,568**	**15,340**	**13,130**	**14,176**
Gross Profit	LKR MN	5,907	5,933	6,760	5,227	6,775
Operating Profit	LKR MN	1,394	1,906	1,966	1,405	3,208
Profit Before Tax	LKR MN	1,595	2,215	2,289	1,522	3,273
Income Tax	LKR MN	413	214	984	1,325	474
Profit After Tax	**LKR MN**	**1,182**	**2,001**	**1,305**	**197**	**2,800**
Dividends	LKR MN	-	360	225	651	405
Capital Employed						
Stated Capital	LKR MN	7,500	7,500	7,500	7,500	7,500
Retained Earnings	LKR MN	20,247	18,739	17,270	16,287	16,684
Capita Reserve	LKR MN	979	979	979	979	979
Shareholders' Funds	**LKR MN**	**28,726**	**27,218**	**25,749**	**24,766**	**25,163**
Non Current Liabilities	LKR MN	3,219	3,615	3,792	3,450	2,491
Current Liabilities	LKR MN	2,093	1,755	1,981	2,106	2,337
Total Liabilities	LKR MN	5,313	5,369	5,773	5,556	4,828
Assets Employed						
Non Current Assets	LKR MN	18,147	17,792	17,756	17,313	17,199
Current Assets	LKR MN	15,892	14,795	13,765	13,009	12,792
Total Assets	LKR MN	34,039	32,588	31,522	30,322	29,991
Key Ratios						
Gross Profit Margin	%	41%	44%	44%	40%	48%
Operating Profit Margin	%	10%	14%	13%	11%	23%
Net Profit Margin	%	8%	15%	9%	2%	20%
Return On Capital Employed(ROCE)	%	4%	6%	7%	5%	12%
Return On Equity(ROE)	%	4%	7%	5%	1%	11%
Asset Turnover	%	43%	42%	50%	44%	49%
Current Ratio	Times	7.59	8.43	6.95	6.18	5.47
Quick Asset Ratio	Times	7.24	8.03	6.61	5.86	5.30
Gearing ratio (Debt to Equity)	Times	0.18	0.20	0.22	0.22	0.19
Net Asset Value Per Share	LKR	38.30	36.29	34.33	33.02	33.55

Notes

Notes

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