

CEYLON PETROLEUM CORPORATION ACCOUNTING POLICIES

GENERAL POLICIES

Basis of Accounting

The Financial Statements are prepared under the historical cost basis (except revaluation) in accordance with generally accepted accounting principles of the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the provisions of the Finance Act No.38 of 1971. Adjustments have not been made for inflationary factors in these accounts. The accounting principles are applied consistently on accrued basis and the relevant Accounting Policies have been explained below.

Accounting for Investments in Associate Companies.

The results of associate companies are accounted for on the cost method, whereby income is recognised only to the extent those dividends are distributed from net accumulated profits. The effect on financial statements of adopting equity method of accounting from the results of associate companies is disclosed in notes to the financial statements.

Conversion of Foreign Currencies

All foreign currency transactions are translated to rupees at the exchange rate prevailing at the time of the transactions were effected. Monetary Assets and Liabilities in foreign currencies are translated to rupees at the exchange rate prevailing at the Balance Sheet date. All exchange gains and losses resulting from translation are accounted for the Income Statement.

Taxation

The charge for taxation is based on the results for the year, adjusted for disallowable items and for timing differences in accordance with the provision of Inland Revenue Act. Timing differences arise from the inclusion of items of income and expenditure in tax computation in period different from those in which they are included in the accounts.

The cost of property, plant & equipment (other than vested property) is at their cost of purchase or construction together with any incidental expenses thereon. Vested property is stated at the value placed on it in the year of acquisition. Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure. Cost of maintenance and repairs are expensed as incurred. The property, plant & equipment are recorded at cost (or revaluation) less accumulated depreciation which is provided for on bases specified below.

Depreciation

Depreciation is provided in consistent with the previous years on straight line basis over their expected useful lives of the assets concerned. Depreciation rates are as follows :-

	Percentage
Freehold Land	Nil
Buildings	25
Refinery Tanks & Pipelines	25
Refinery Plant & Machinery	10
Other Location Tanks	2.5 to 5
Other Location Pipelines	10 to 20
Plant & Machinery	10 to 20
Bowsers & Tank Lorries	20
Vans & Coaches	25
Fur/Fittings & Office Equip upto 31/12/98	100
Fur/Fittings & Office Equip wef 01/01/99	33 1/3
SPM Facility - Tank Farm	2.5
- Pipelines	5
- Buoy	10

A full years depreciation is charged in the year of purchase.

Investments

All investments are stated at cost less amounts written off and provision made for diminution in market value.

26

ASSETS AND BASES OF THEIR VALUATION

Property, Plant & Equipment

Inventories

Inventories are consistently valued at the lower of cost and net realisable value. In general, cost is determined on a first-in first-out basis and includes direct costs on transport,

handling costs and insurance. Manufactured product cost includes all insurance on average applicable purchase cost and operating expenses but not general administrative expenses. Production expenditure is based on actual quantities produced. Actual production does not vary substantially from the normal level of activity.

Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for cost of realisation and where appropriate the cost of conversion from their existing state to a finished product.

Stores material are stated at weighted average basis and a provision is made for obsolete, slow moving and defective stocks.

Trade and Other Receivables

Trade and other Receivables are stated at the amounts which they are expected to realise. Adequate provision has been made for bad and doubtful debts.

Cash and Cash Equivalents

For the purpose of Cash Flow Statement, cash & cash equivalents comprise cash in hand, Deposit held at call with banks, Net of Bank overdrafts. In the Balance Sheet Bank over draft are included in borrowings in current liabilities.

Borrowing cost

Borrowing cost that are directly attributable to acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sold. are capitalised as a part of that asset.

LIABILITIES AND PROVISIONS

Capital expenditure commitments & contingent liabilities.

Capital expenditure commitments and contingent liabilities as at the date of the Balance Sheet have been disclosed separately in the notes to the Financial Statements .

DEFINED BENEFIT PLANS

Retirement Benefit Plan - Upto 31st. Dec. 1999 provision has been made in the Accounts for retirement benefits which fall due for payment under the Gratuity Act No. 12 of 1983 for employees who had completed service over five years.

This policy was changed and provision had been made for employees completing over one year service in line with SLAS 16 and changes are made with retrospective effect. The provision is not funded externally nor actuarially valued.

Defined Contribution Plan – Corporation contributes 15% and 3% of employees monthly salary to Employee’s Provident Fund (EPF) and Employee’s Trust Fund (ETF) respectively which are recognised as expense in the income statement.

Insurance Reserve

An amount equivalent to the actual cost of insurance, on imports other than crude oil and refined products which are not insured with a third party while in transit is credited to insurance reserve.

INCOME STATEMENT

Revenue excludes all taxes relating to revenue, trade and other discounts appearing on the invoice, rebates and other deductions of a rebate nature and represents invoice value of goods sold. Export sales have been stated at invoice value on F.O.B. basis.

Borrowing cost except for the amounts eligible for capitalisation are recognised as an expense in the period applicable.

All other expenditure incurred in the running of the Corporation and maintaining the Property Plant & Equipment in a state of efficiency has been charged to revenue in arriving at Profit or Loss for the year.

Functions of expense method which presents fairly all elements of Corporation’s performances is adopted in presentation of expenses in income statement.

Movement of reserves have been shown in the Notes to the Financial Statements. Gains and losses of a revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the Income Statement. Where the gain is of Capital nature such gains and losses have been treated as an Extra-Ordinary item.

COMPARATIVES

Where Necessary , comparative figure have been adjusted to confirm with changes in presentation in the current year.

CEYLON PETROLEUM CORPORATION
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

Rupees Million	Notes	2002	2001
REVENUE	01	80,114.065	(Re-stated) 74,351.388
Cost of Sales		(67,210.604)	(62,734.524)
GROSS PROFIT		12,903.461	11,616.864
Other Operating Income		331.408	300.171
Selling & Distribution expenses		(2,999.148)	(2,576.943)
Administrative Expenses		(2,145.435)	(1,810.772)
OPERATING PROFIT	02	8,090.286	7,529.320
Finance Charges	03	(1,952.285)	(6,090.389)
Profit on Ordinary Activities		6,138.001	1,438.931
Income from Investments	04	1,118.255	120.148
Profit on Ordinary Activities before Taxation		7,256.256	1,559.079
Taxation on Ordinary Activities	05	-	-
Profit on Ordinary Activities after Taxation		7,256.256	1,559.079
Extra Ordinary Items	06	2,529.832	-
PROFIT FOR THE YEAR		9,786.088	1,559.079

E.P.S – (Please refer Note No 26 to the Financial Statement)

(Accounting Policies on pages I & II and Notes on pages VII - XIII are an integral part of these financial statements)

CEYLON PETROLEUM CORPORATION
BALANCE SHEET AS AT 31 DECEMBER 2002

Rupees in Million	Notes	2002	2001
ASSETS			
Non Current Assets			
Property Plant & Equipment	07	10,844.721	7,630.244
Investment in Subsidiary/Associated Companies	08	-	299.995
Other Investments	08	57.841	38.710
Trade & Other Receivables - more than one year	09	743.640	977.911
		11,646.202	8,946.860
Current Assets			
Inventories	10	10,532.551	7,432.581
Trade & Other Receivables - due within one year	09	5,758.593	6,235.607
Cash in Hand and at Bank	11	2,210.480	1,182.407
		18,501.624	14,850.595
Total Assets		30,147.826	23,797.455
EQUITY & LIABILITIES			
Capital & Reserves			
Contributed Capital	12	1,000.00	1,000.000
Revaluation Reserve	13	25.696	25.696
Insurance Reserve	14	457.762	447.248
Accumulated Profit/(Loss)		(9,072.319)	(15,512.363)
Total Equity		(7,588.861)	(14,039.419)
Non Current Liabilities & Differed Income			
Retirement Benefits /Obligations	15	424.788	482.831
Interest Bearing Loans & Other Payables- due after one year	16	6,443.599	4,586.005
Deferred Income	17	201.000	201.000
		7,069.387	5,269.836
Current Liabilities			
Trade & Other Payables	18	26,157.949	30,652.968
Interest Bearing Borrowings- due within one year	19	1,972.900	1,524.299
Provision for Deemed Dividend		2,536.451	389.769
		30,667.300	32,567.038
Total Equity & Liabilities		30,147.826	23,797.455

Daham Wimalasena
Chairman
27/03/03

W.W.Gunsekera
DGM (Finance)

S.A.Weerasiri
Finance Manager

**CEYLON PETROLEUM CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Rupees Million				
	Contributed Capital	Revaluation Reserve	Insurance Reserve	Acc. Profit /(Loss)	Total
Bal as at 31/12/00	1,000.000	25.696	434.157	(16,681.672)	(15,221.818)
Surplus/(Deficit) during year	-	-	13.091	-	13.091
Profit for the year				1,559.079	1,559.079
Deemed Dividend				(389.769)	(389.769)
Bal. As at 31/12/01	1,000.000	25.696	447.248	(15,512.362)	(14,039.418)
Surplus/(Deficit) during year			10.514		10.514
Profit for the year				9,786.088	9,786.088
Deemed Dividend				(2,146.682)	(2,146.682)
Special Levy to GOSL				(1,199.363)	(1,199.363)
Bal. As at 31/12/02	1,000.000	25.696	457.762	(9,072.319)	(7,588.861)

Note : 1. **Deemed Dividend** – Provision is made as per Sec. 53 (1) (d) of Inland Revenue Act No.38 of 2000.

2. **Special Levy** - The sale proceeds of Lanka Marine Services Ltd (LMS). remitted to Treasury treated as a special levy to Government of Sri Lanka (GOSL).

CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2002

Rupees Million	2002	2001
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss)/Profit from operating activities	7,256.256	1,559.079
Adjustments for :		
Depreciation	506.796	576.602
Property, Plant & Equipment's	(1.876)	4.546
Investment Income	(122.722)	(120.148)
Interest Received	(12.233)	(7.372)
Provision for Insurance Reserve	10.515	13.091
Interest Expenses	1,184.836	3,064.532
Adjustment for Valuation Shares	(20.500)	(22.500)
Provision for Retirement Benefit Obligation	35.854	37.315
Profit on Sale of Property, Plant & Equipment	(4.046)	(4.880)
Profit on Disposal of Investments	(995.482)	-
Cash Flow before Extra Ordinary item	7,837.398	5,100.265
Extra Ordinary Item	2,529.832	-
Operating Profit/(Loss) before Working Capital changes	10,367.230	5,100.265
Changes in Working Capital		
(Increase)/Decrease in Inventories	(3,099.970)	1,845.314
(Increase) /Decrease in Trade & Other Receivables	711.285	(2,143.291)
Increase /(Decrease) in Trade & Other Payables	(4,571.558)	(3,215.515)
Cash Generated from Operating Activities	3,406.987	1,586.773
Interest Paid	(1,567.438)	(3,233.537)
Special Levy to Treasury	(1,199.363)	-
Net Cash Generated from Operating Activities	618.547	(1,663.461)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant & Equipment	(3,343.269)	(2,306.084)
Proceeds from Sale of Property, Plant & Equipment	14.846	5.032
Proceeds from Disposal of Shares	1,296.846	-
Income from Investments	122.772	120.148
Interest Received	12.234	7.372
Net Cash used in investing activities	(1,896.571)	(2,173.532)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term borrowings	2,288.754	1,792.012
Repayment on Long Term Loans	(218.758)	(195.360)
Amount received from Govt. Consolidated Fund	0.000	201.000
Net Cash from (used in) Financing Activities	2,069.996	1,797.652
Net Increase/(Decrease) in Cash & Cash Equivalents	791.972	(2,039.341)
Cash & Cash Equivalents at Beginning of the Year	(Note i) 28.888	2,068.229
Cash & Cash Equivalents at the End of the Year	(Note ii) 820.860	28.888
Note i – Cash & Cash Equivalent at the Beginning of the Year		
Call Deposits	5.000	5.000
Cash in Hand & Bank	1,177.407	2,093.489
	1,182.407	2,098.489
Bank Overdrafts	(1,153.519)	(30.260)
	28.888	2,068.229
Note ii – Cash & Cash equivalent at the end of the year		
Call Deposits	5.000	5.000
Cash in Hand & Bank	2,205.479	1,177.407
	2,210.479	1,182.407
Bank Overdrafts	(1,389.619)	(1,153.519)
	820.860	28.888

1. REVENUE

	2002		2001	
	Qty M.Lts	Value Rs.Mil	Qty M.Lts	Value Rs.Mil
DOMESTIC SALES				
Super Petrol	363.727	17,885.087	320.940	15,900.509
Unleaded Petrol	12.151	629.229	6.864	358.128
Auto Diesel	2,042.725	52,668.931	1,920.668	48,472.452
Super Diesel	55.505	1,902.580	57.966	1,904.453
Kerosene	291.264	5,938.386	289.967	5,512.753
Furnace Oil	799,059	15,126.837	789.724	11,836.009
Naphtha	81,305	1,244.575	20.391	258.600
Avn. Gasolene	0.173	16.447	0.184	15.727
Avn.Turbine Fuel	144,283	2,858.511	174.266	3,572.357
Others	56,478	1,458.215	69.789	1,794.886
Total Domestic Sales		<u>99,728.798</u>		<u>89,625.874</u>
EXPORTS				
(a) Direct Exports			US\$ Mil.	US\$ Mil.
Naphtha	86.412	1,256.058	13.082	118.536
		<u>1,256.058</u>	<u>13.082</u>	1,493.497
				<u>16.457</u>
(b) Indirect Exports				
Avn.Turbine Fuel	122.724	2,721.631	32.420	83.559
Furnace Oil *	21.500	299.105		65.140
Auto Diesel *	44.504	994.732		722.970
Super Diesel *	0.066	1.600		1,192.843
		<u>4,017.068</u>	<u>32.420</u>	-
				-
				<u>3,983.815</u>
				<u>31.146</u>
Total		105,001.924		95,103.186
Less: GST, Ex.duty, TT, NSL & VAT		<u>24,887.859</u>		20,751.798
* Sales to LMS Ltd.		<u>80,114.065</u>		<u>74,351.388</u>

2. OPERATING PROFIT /(LOSS)

	Rupees Million	2002	2001
Operating Profit is stated after charging following :			
Chairman's Remuneration		0.593	0.607
Directors' Remuneration		0.073	0.243
Auditor's Remuneration		1.200	1.200
Depreciation		506.796	576.602
Defined Benefit Obligations		171.893	180.181
Donation to Sri Lanka Sumithrayo (Staff cost indicated in Note No.21)		0.588	0.564

3. FINANCE CHARGES

	Rupees Million	2002	2001
Interest charge - Long term loans		431.824	445.972
- Bank overdrafts		57.656	178.572
- Other Bank loans and foreign bills payable within one year		695.286	2,439.988
Interest income		(12.233)	(7.372)
Exchange Loss on Import Bill settlement		779.752	3,033.229
		<u>1,952.285</u>	<u>6,090.389</u>

32

4. INCOME FROM INVESTMENTS

	Rupees Million	2002	2001
4.1 Dividend Income			
Quoted - Commercial Bank of Ceylon Ltd.		3.669	1.048
Unquoted - Associated Newspapers of Ceylon Ltd.		0.103	0.100
Lanka Marine Services (Pvt) Ltd.(LMS)		119.000	119.000

4.2 Disposal of Shares		
Profit on Disposal of 1480 shares of ICPA	12.824	-
4.3 Disposal of Subsidiaries		
Profit on Disposal of 100% shares of LMS Ltd,	928.868	-
Profit on Disposal of 50% shares of Lanka Tankers Ltd.,	53.791	-
	1,118.255	120.148

5. TAXATION

No provision had been made for the Income Tax and Deferred Taxation due to carried forward Tax Losses.

6. EXTRA ORDINARY ITEMS

Rupees Million	2002	2001
Receipt of Debt Recovery Repayment from Treasury	2,529.832	-
	2,529.832	-

7. PROPERTY PLANT & EQUIPMENT

7.1 Tangible Assets

	Rupees Million							2002	
	Land & Bldgs.	Vested Property	Plant, Machinery & Equip.	SPBM facility	Motor Vehicles	Furn/Fittings Office Equip. & Other Assets	ERPF/ Six NTS & M'wela Prjt.	Total	
COST									
Bal. As at 01.01.02	772.419	1.158	4,775.642	2,142.067	1,165.501	510.038	1.504	9,368.329	
Additions	23.390	0.000	99.065	0.000	22.343	32.388	0.113	177.299	
Disposal	(4.120)	0.000	(3.964)	0.000	(48.009)	(5.732)	0.000	(61.825)	
Adjustment	0.000	0.000	0.000	(0.823)	2.700	0.000	0.000	1.877	
Balance b/f	791.689	1.158	4,870.743	2,141.244	1,142.535	536.694	1.617	9,485.680	
DEPRECIATION									
Bal: as at 01.01.02	159.651	0.270	1,527.369	857.864	851.655	384.410	0.549	3,781.768	
Charge for the year	20.766	0.010	208.793	64.493	131.945	80.250	0.539	506.796	
Disposal	0.000	0.000	(1.172)	0.000	(46.564)	(3.290)	0.000	(51.026)	
Adjustment	0.000	0.000	0.000	0.000	2.700	0.000	0.000	2.700	
Balance b/f	180.417	0.280	1,734.990	922.357	939.736	461.370	1.088	4,240.238	
NET BOOK VALUE	611.272	0.878	3,135.753	1,218.887	202.799	75.324	0.529	5,245.442	
Cost as at 31/12/01	772.419	1.158	4,775.642	2,142.067	1,165.501	510.038	1.504	9,368.329	
Acc. Depreciation	159.651	0.270	1,527.369	857.864	851.655	384.410	0.549	3,781.768	
NET BOOK VALUE (as at 31/12/01)	612.768	0.888	3,248.273	1,284.203	313.846	125.628	0.955	5,586.561	

The Land & Buildings representing a cost of Rs 822,844 with accumulated depreciation of Rs 643,192 in books of account had been valued by the Govt. valuer for Rs 280 Mil in March'94 is decided to be acquired by the Govt and the acquisition proceedings not yet finalised.

Muturajawela Project Land had not been capitalised as the ownership transfer pending at Balance Sheet date. The cost of the land is Rs. Rs.832 Mil. Of this amount Rs.332.8 Mil paid as at 31/12/02.

7.2 Assets and Capital Project in Progress:

	Rupees Million	2002	2001
1. Buildings		48.000	57.454
2. Plant & Machinery		184.720	62.869
3. Katunayake Airport Development Project		541.374	159.179
4. Storage Facility		23.033	43.249
5. Vehicles		-	-
6. Others		7.310	15.545
7. Muturajawela Project		4,794.842	1,705.386
		5,599.279	2,043.682

These items include payments against Capital Projects. Item No.7 includes an amounts of Rs. 491.410 Mil paid as interest at the rate of 12% p.a. for the rupee equivalent foreign currency loan utilised for funding the projects.

7.3 Summary of Property, Plant & Equipment (W.D.V)

Rupees Million	2002	2001
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Property Plant & Equipment	5,245.442	5,586.562
Assets & Capital Projects in Progress	5,599.279	2,043.682
	10,844.721	7,630.244

8. INVESTMENTS

Rupees Million	2002		2001	
	At Cost	Market Value	At Cost	Market Value
Investment in Associate Company				
Unquoted				
Lanka Marine Services (Pvt) Ltd *	-	-	270.495	-
3,499,998 Ordinary shares of Rs.100/- each fully paid				
Country of Incorporation – Sri Lanka				
Percentage of Equity held – 100%				
Principal Activity – Supply Bunker with Fuel				
Lanka Tankers Ltd. *	-	-	29.500	-
2,950,002 Ordinary shares p of Rs.10/- each fully paid				
Country of Incorporation – Sri Lanka				
Percentage of Equity held – 50%				
Principal Activity – Transport of Crude oil				
Total	-	-	299,995	-
Quoted				
Commercial Bank of Ceylon Ltd.				
748,800 ordinary shares of Rs.10/- each fully paid	0.300	149.760	0.300	127.000
Lanka Ashok Leyland Ltd.				
176,875 ordinary share of				
Rs.10/- each fully paid	1.415	2.388	1.415	1.150
Lanka Cement Ltd. **				
5,000,000 ordinary shares of				
Rs.10/= each fully paid	50.500	58.750	30.000	30,000
Sub Total	52.215	210.898	31.715	158.150
Unquoted				
Associate NewsPapers of Ceylon Ltd.				
61,206 Ordinary shares of Rs.10/- each fully paid	0.539		0.539	
Lanka Leyland Ltd.				
100 Ordinary shares of Rs.10/- each fully paid	0.001		0.001	
International Coop/Petroleum Association ***				
5499 shares of US\$ 100/- each fully paid	5.086		6.455	
Incorporated in USA				
Sub Total	5.626		6.995	
Total	57.841		38.710	

* Profit on disposal of shares disclosed in Note No.4.3

** The Provision for Rs.20.5 Mil. made in the year 2001 had been written back to match the increase in market value.

*** Since termination of Lubricant business there is no direct trade connection with the Organisation. Profit on redemption of 1,480 shares for US\$ 148,000 is disclosed in Note No.4.2.

9. TRADE & OTHER RECEIVABLE

Rupees Million	2002		2001	
	Within 1-year	After 1-year	Within 1-year	After 1-year
Trade Receivable	3,114.615	-	4,309.426	-
Other Receivable	1,180.371	85.315	852.121	112.977
Deposits	14.821	32.942	5.377	43.807

Advances	898.443	-	758.948	-
Prepayments	185.758	-	49.428	-
Loans & Advances to Employees.	364.585	625.383	260.307	821.127
	5,758.593	743.640	6,235.607	977.911

Other receivable includes a sum of Rs 102 Mil. due as a refund on NSL and Income Tax advance paid for 1999 amounting to Rs.376 Mil. Trade & Other Receivables and Loans & Advances to employees are after charging a provision for Bad & Doubtful Debts amounting to Rs 412.132 Mil. (2001 – Rs. 63.082 Mil) and Rs.3.687 Mil (2001 –Rs.3.855 Mil) respectively.

10 INVENTORIES AND WORK IN PROGRESS

Rupees Million	2002	2001
Crude Oil	4,117.127	1,817.957
Other Raw Materials	263.993	230.332
Finished Products	5,506.606	4,601.952
Other Materials & Supplies	1,008.687	1,118.250
Less: Provision for non moving items- ORM/FP /OM&S	363.862	335.909
	6,415.424	5,614.625
	10,532.551	7,432.582

11. CASH & BANK BALANCES

Rupees Million	2002	2001
Call Deposit	5.000	5.000
Cash & Bank Balances	2,205.480	1,177.407
	2,210.480	1,182.407

12. CAPITAL

Rupees Million	2002	2001
Initial contribution in pursuance of Section 23 (1) of Act No. 28 of 1961	10.000	10.000
Voted by Appropriation Act No.23 of 1964	4.000	4.000
Voted by Appropriation Act No.15 of 1967	20.000	20.000
Contribution to Capital in 1976	60.000	60.000
Contribution to Capital in 1979	13.110	13.110
Contribution to Capital in 1980	10.710	10.710
Total contributed by Govt. of Sri Lanka	117.820	117.820
Transferred from General Reserve in 1987	750.000	750.000
Transferred from Retained Profits in 1987	132.180	132.180
	1,000.000	1,000.000

(No Authorised capital has been fixed by the Parliament)

13. REVALUATION RESERVE

Rupees Million	2002	2001
Balance as at 01 January	25.696	25.696
Surplus/ (deficit) on revaluation	-	-
Balance as at 31 December	25.696	25.696

35

14. INSURANCE RESERVE

Rupees Million	2002	2001
Balance as at 01 January	447.248	434.157
Charged to Profit & Loss Account	10.514	13.091
Balance as at 31 December	457.762	447.248

15. RETIREMENT BENEFIT OBLIGATIONS

Rupees Million	2002	2001
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Balance as at 1 January	482.831	462.213
Payments made during the year	21.639	(16.697)
	461.192	445.516
Charged to Profit & Loss account	35.854	37.315
Balance as at 31. December	497.046	482.831
Retirement benefit payable on Voluntary Retirement Scheme (VRS)	(72.258)	-
	424,788	482.831

16. INTEREST BEARING LOANS & OTHER PAYABLES: due after one year

Rupees Million	2002	2001
16.1 Treasury (ADB) Loan - (Interest 14.0% p.a.) Repayable in forty ½ yearly instalments of Rs.37.977Mil each commencing July '01.	1,329.289	1,405.149
NDB Loan - (Interest 16.0 % p.a.) Repayable in 1 st instalment of Rs.12.3 Mil before 31/03/2001 and balance Rs.11.9 Mil of 83 Equal instalments	595.000	737.800
ETFB Debentures (Int . 14.85% p.a.) Redeemable in Sep./Oct. 2005	650.000	650.000
- do - (Interest 16.5%p.a.)Redeemable in 4 equal yearly instl from June 2003	637.500	850.000
Treasury (Exim Bank) Loan – (Interest 12.0%) repayment commencing Oct.2004 in 24 equal ½ yearly instalments of final loan value.	3,230.766	942.012
	6,442.555	4,584.961
Compensation Payable to former owners of properties vested in the CPC	1.044	1.044
	6,443.599	4,586.005

16.2 Loans repayable within five years from 31 Dec. 2002 is as follows :-

Amount due within 1-2 years	717.560	431.259
Amount due within 3-5 years	3,472.883	2,697.090
Amount due after 5 years	2,252.112	1,456.612
	6,442.555	4,584.961

17. DEFERRED INCOME –

Rs.201 Mil. paid from the Govt. Consolidated Fund to meet the initial instalment of the Mutturajawela land purchase agreement. Accounting treatment for this income as per SLAS – 24 will be done on completion of the project.

18. TRADE & OTHER PAYABLES

Rupees Million	2002	2001
Foreign Bills Payable	20,541.064	23,926.858
Other creditors - Amount due to Inland Revenue	1,560.919	1,088.843
- Refundable deposits & other *	4,055.966	5,637.267
	26,157.949	30,652.968

*Other creditors includes an amount payable in respect of VRS compensation (Rs.523 Mil) and retirement gratuities (Rs.72.3 Mil).

36

19. INTEREST BEARING BORROWINGS - due within one year

Rupees Million	2002	2001
Bank & other loans - wholly repayable within one year	583.280	370.780
Bank Overdrafts	1,389.620	1,153.519
	1,972.900	1,524.299

20. TAXES ON SALES

Previously, Excise Duty and NSL paid on imports were included in the product cost and net tax payable at the point of sale was directly charged against sales revenue. This practise resulted in these taxes being included in the carrying value of finished goods inventories. Taxes paid at the point of import is now treated as recoverable against gross tax payable on sales. Accordingly, the comparative figures for the year 2001 with regard to net revenue and cost of good sold have been restated in line with the new presentation. The impact on inventories at the beginning of the year amounting to Rs. 425 Mil. has been included in the income statement for the current year.

21. EMPLOYEES

	Rupees Million	2002	2001
21.1 Staff Cost:			
Salaries & Wages		1,496.242	1,620.893
Bonus		112.884	125.804
Provident & Trust Fund contribution		171.893	180.181
Gratuity provision		35.854	37.314
		1,816.873	1,964.192
21.2 Average No. of employees			
Managerial & Administration		2,793	2,801
Selling & Distribution		3,244	3,264
Manufacturing		1,119	1,108
		7,156	7,173
21.3 Contract & Casual employees		536	913
21.4 The services of 958 employees was terminated effective 01/01/03 under VRS			

22. COMMITMENTS FOR CAPITAL EXPENDITURE

	Rupees Million	Amount Approved	Amount Spent Upto 31.12.2002
Storage Tanks – Kolonnawa/ Bulk Depots		19.1	15.4
Airport Development Project		606.5	541.4
Re-Construction of Filling Stations & Depots		75.8	48.0
Storage Facilities – Refinery		19.2	7.6
Refinery Main Plant		462.7	184.7
Other capital expenditure		35.1	7.3
Muturajawela Project**		12,199.0	4,794.8
		13,417.4	5,599.2

** Project is funded by Treasury / (Exim Bank)Loan Rs. 6,585 Mil., Govt. Rs. 2,731 Mil. and CPC Rs. 2,883 Mil.)

23. TRANSACTIONS WITH RELATED PARTIES.

Mr . Daham Wimalasena Chairman and Mr. Dulip Jayamaha Director of CPC had performed duties as Chairman and a Director of the fully owned subsidiary, Lanka Marine Services (Pvt) Ltd. upto 22/08/02 the date on which it was sold to a private Company.

During the year CPC had supplied Rs.1,295 Mil. (2001 - Rs. 1,915 Mil) worth petroleum products to this Company and received a dividend of Rs.119 Mil.

24. POST BALANCE SHEET EVENTS.

24.1 Lanka Indian Oil Company has taken over the operations of China Bay Installation and 100 filling stations island wide in February 2003. The purchase consideration to these assets and the related business is yet to be agreed upon. Corresponding valuation is scheduled to be completed in early 2003. The 100 filling stations handed over generated a sales revenue of Rs.9,915 Mil. during the year 2002.

24.2 Cabinet approval was granted to issue a state grant in favour of Lands vested at Kolonnawa & Bloemendhal Oil Installation and arrangements being finalised for (Rs.0.823) Mil) vesting of the land described in Note 7.1

25. CONTINGENT LIABILITIES – Six court cases claiming a total of Rs.6.5 Mil. as damages on fuel discharge & dealership termination disputes, two labour disputes claiming Rs.5.5 Mil., an arbitration for a claim of Rs.7 Mil. for loss of equipment by a contractor at Orugodawatte project site due to terrorist attack and a appeal in Supreme Court on a breach of contract are pending against the Corporation.

The breach of contract was a case filed by Sea Bridge Shipping Company for recovery of damages in a sum of Rs. 200 Mil. with interest on a crude oil afreightment contract. Judgement of this case was delivered in a sum of Rs. 2.5 Mil. in favour of plaintiff against CPC with interest. The company had appealed which held that plaintiff is entitled to recover Rs.2.5 Mil with out interest. Ms. Sea Bridge has now appealed to Supreme Courts against the said order of the Court of Appeal claiming that CPC is liable to pay Rs. 2.5 Mil. plus interest from the date of District Court judgement This case is still pending.

26. EARNINGS PER SHARE

Being a Public Corporation with a fixed capital, earnings per share could not be computed for this Corporation's activities.

27. SEGMENTAL REPORTING

Corporation activities are limited to a sector of the down stream segment of petroleum industry and Geographically within Sri Lanka .

28. CORPORATE INFORMATION :

28.1 Domicile & Legal Form - Ceylon Petroleum Corporation is a public corporation incorporated under Ceylon Petroleum Corporation Act No.28 of 1961 and domiciled in Sri Lanka. The registered office of the Corporation is located at No.109, Galle Road, Colombo 3.

28.2 Principle Activities and Nature of Operations – The principal activities are importing, refining, selling & distributing and exploring petroleum products in Sri Lanka.