

Financial Performance of Commercial Public Enterprises - 2003

1 Name & Address of the Enterprise: **Ceylon Petroleum Corporation**
Rotunda Tower'
109, Galle Road, Colombo 3

2 Mission:

To achieve excellence in petroleum refining, marketing and distribution with concern to customer satisfaction
create a technology base for self reliance, growth and development of business
contribute to the national economy by providing adequate return on investment
foster a culture of participation and innovation for employee growth and contribution
help enrich quality of life of the community and preserve ecological balance and national heritage

3 Major Activities:

Operation of Refinery at Sapugaskanda, Main Oil Installation at Kolonnawa & 14 Bulk Depots Islandwide.

4 Brief comments on financial performance

During the year, despite the increase in revenue the profits have declined due to a drop in gross margins and increase in administration cost.

Liquidity position has deteriorated and the Corporation continues to run with a negative working capital, in view of the accumulated losses & and other dues to be collected and the resultant borrowings.

The Corporation implemented VRS as part of the restructuring process under which 1400 employees have retired at a cost of Rs.1,851million financed from its own resources.

The Corporation has not been able to contribute to the consolidated fund by way of levy in view of its liquidity problems.

During the year Rs.400Mn was released form the consolidated fund for the Muthurajawela Tank farm Project as counter part funds.

CPC has been undergoing a restructuring process as part of the liberalization of the petroleum sector .

Ceylon Petroleum Storage Terminal Ltd to be owned by different players in the market has already been

established to own and manage the Petroleum Storage Terminals and Distribution Facility (CUF).

LIOC has taken over 100 petrol stations and obtained the China Bay tank farm, on a 35 year lease.

The Corporation is now identified as a Strategic Enterprise and brought under the SEMA to improve the efficiency and effectiveness and financial viability of the enterprise.

5 Performance Trend

ABSOLUTE VALUES			2000	2001	2002	2003 D	2004 B*
1	Total Non-Current Assets (WDV) as at end of yr.	(Rs.' Mn)	6,214	7,969	11,646	14,564	6,449
2	Total Current Assets as at end of year	(Rs.' Mn)	16,449	15,828	18,501	23,220	25,649
3	Total Equity as at end of year	(Rs.' Mn)	(15,222)	(14,039)	(7,588)	(4,408)	(4,739)
4	Total Non-Current Liabilities as at end of year	(Rs.' Mn)	3,475	5,269	7,069	9,033	6,448
5	Total Current Liabilities as at end of year	(Rs.' Mn)	34,415	32,567	30,667	33,160	30,389
6	Total Revenue for the year	(Rs.' Mn)	63,159	82,134	80,114	85,899	63,333
7	Gross Profit for the year	(Rs.' Mn)	(7,528)	11,616	12,903	10,428	9,102
8	Net Profit bef. Tax for the year	(Rs.' Mn)	(16,082)	1,559	7,256	4,874	2,934
9	Financial Charges for the year	(Rs.' Mn)	2,289	3,057	1,952	426	820
10	Total Capital Expenditure for the year	(Rs.' Mn)	1,407	2,306	3,343	4,007	1,000
11	Total Cost of Employment for the year	(Rs.' Mn)	1,833	1,665	1,816	2,014	950
12	Total Number of Employees as at end of year	(Nos.)	7,298	7,173	7,156	2,170	2,156
RATIOS							
a)	Net Profit bef. Tax to total Equity	(%)	-	-	-	-	-
b)	Net Profit before tax & Fin. Charges to Tot. Assets	(%)	-60.86%	19.40%	30.54%	14.03%	11.70%
c)	Total Cost of Employment per employee	(Rs.' 000)	251.16	232.12	253.77	928.11	440.63

*The budget figures have not been revised consequent to the fuel price increase and the subsidy payable.

The accounts for the year 2003 and Budget for 2004 has still not been finalised in view of the current restructuring process.

CPC is being restructured into 3 Co's CPSTL, Ceypetco and Independent Petroleum Marketers Ltd (IML) and Modern Petroleum marketers Ltd.

2nd Player, LIOC has already commenced operations.(Independent marketers Petroleum marketers

The 3rd Player proposals are being processed (modern Petroelum marketers Ltd.)

Operations by CPC will be transferred into CPSTL and the residual will be run by Ceypetco.

1400 employees retired through the VRS at a cost of Rs. 1851 Mn in 2003 financed from its own fun

CPC's current Liabilities amounts to US \$ 300 mn. approximately

Ceylon Petroleum Corporation

1 Releases of funds from the Treasury

The Treasury has not been releasing any money to the Corporation for its day to day operations.

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RATIOS					
a)	Net Profit bef. Tax to total Equity	(%) 105.65%	-11.10%	-95.62%	-110.57%
b)	Net Profit before tax & Fin. Charges to Tot. Assets	(%) -60.86%	19.40%	30.54%	14.03%
c)	Total Cost of Employment per employee	(Rs.' mn) 0.25	0.23	0.25	0.93

3 Brief comments

- ◆ There has been an improvement in the profitability of the Corporation despite the adverse fluctuations of the oil prices.
- ◆ The loss situation has turned out to be a profit situation in 2001 and substantial improvements there after with the introduction of pricing formula from January 2002.
- ◆ Liquidity position however has deteriorated and the Corporation continues to run with a negative working capital with very high finance charges, in view of the accumulated losses & subsidy claims and other dues to be collected.
- ◆ Accumulated losses in the past have fully eroded the Equity.
- ◆ CPC is undergoing a restructuring process under the supervision of PERC. In the process CPC was converted into
 - (1) Ceylon Petroleum Storage Terminal Ltd (CPSTL) - to be owned by all three players
 - (2) Independent Petroleum Marketers Ltd - owned by LIOC
 - (3) Modern Petroleum Marketers Ltd - To be owned by the third player to be decided.
 - (4) Ceylon Petroleum Corporation - CPC to continue.
- ◆ VRS implemented as part of the restructuring process under which 1400 employees have retired at a cost of Rs 1851million financed from its own funds.
- ◆ Despite the transfer of Rs 8 bn on development loans outstanding, to CPSTL, the Liabilities to the Bank and other Creditors amount to around Rs 40bn.
- ◆ It has been suggested that the subsidy claims amounting to Rs 6.3 bn. be set off against the VAT & Excise duty and other dues to government departments.
- ◆ The 1st half year of 2004 CPC has lost Rs 4.7bn despite accounting for subsidy in view of the heavy finance cost and exchange losses arising from the delay in the settlement of liabilities.

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