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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය
எனது இல.
My No.
ENR/A/CPC/1/23/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date
09 October 2024

The Chairman

Ceylon Petroleum Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Petroleum Corporation and its Subsidiaries for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018

The above mentioned report together with the audited financial statements is sent herewith.

W.P.C. Wickramaratne

Auditor General

Copies to: - 1. Secretary, Ministry of Finance, Economic Development, Policy Formulation, Planning and Tourism

2. Secretary, Ministry of Energy

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.

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මගේ අංකය / எனது இல. / My No. ENR/A/CPC/1/23/01 ඔබේ අංකය / உமது இல. / Your No. දිනය / திகதி / Date 09 October 2024

The Chairman

Ceylon Petroleum Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Petroleum Corporation and its Subsidiaries for the year ended 31 December 2023 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 Corporation ("Corporation") and the consolidated financial statements of the Corporation and its subsidiaries ("Group") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Corporation and the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis of Qualified Opinion

1.2.1 Accounting Deficiencies

(a.) Inter Company Balances

(i.) Amount payable to CPSTL

According to the financial statements of the Corporation for the year under review amount payables to Ceylon Petroleum Storage Terminals Limited (CPSTL) was Rs. 6,128 million. However, as per the financial statements of the CPSTL, the corresponding receivable balance was Rs. 7,357 million and a difference of Rs. 1,229 million was observed. The Corporation had reconciled the differences and had discussions to agree with these differences. Accordingly, the corporation had mutually agreed with a net difference of Rs. 313 million. However, no any adjustments had been made in the accounts.

(ii.) Amount receivable from CPSTL

According to the financial statements of the Corporation for the year under review amount receivable from Ceylon Petroleum Storage Terminals Limited (CPSTL) was Rs. 228 million. However, as per the financial statements of the CPSTL was Rs. 301 million. Accordingly a net difference of Rs. 73 million was observed between these two balances as at 31 December 2023. However, gross transactions recorded by CPSTL amounting Rs. 379 million, which lead to the above difference had not been mutually agreed and recorded in the financial records of the corporation as of 31 December 2023.

(b.) According to the Note No. 26 of the financial statements, two (02) assessments had been issued by Inland Revenue Department (IRD) on Nation Building Tax for the tax periods of 1509 and 1512 amounting to Rs. 154.08 million (Rs. 77.04 million for 1509 and Rs.77.04 million for 1512). Further, the Board of Directors had approved to pay the amount of Rs. 102.72 million without penalty of the above NBT assessments. Accordingly, even though a provision for NBT payable amount of Rs. 102.72 million had been correctly recorded as a liability, NBT initial assessment of Rs. 154.08 million had been disclosed as a contingent liability in the financial statements.

(c.) Consolidation of Financial Statements

According to the paragraph B86(C) of the SLFRS 10 - Consolidated Financial Statements, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group should be eliminated in full. However, the company has failed to identify, reconcile, and eliminate all intercompany balances, as reported in the 1.2.1 (a) of this report.

1.2.2 Sri Lanka Accounting Standards (LKAS)

(a.) Fully depreciated assets valued at Rs. 4,538 million which comprised of 26,820 items had being used by the Corporation without reviewing their residual value and the useful lifetime of them according to the LKAS 16.

(b.) According to the paragraph 36 of the LKAS 16, if an item of Property, Plant and Equipment is revalued, the entire class of Property, Plant and Equipment to which that asset belongs should be revalued. However, out of 211 land lots belonged to the corporation, 22 lots had been recorded at cost of Rs. 87 million without revalued them. Further, the accounting Policy Note No. 1.4.6 related to land revaluation did not specify the frequency of land revaluations.

1.2.3 The Audit Opinion on the Financial Statements of the Subsidiaries Companies

An unqualified audit opinion was issued on the financial statement of the subsidiary Company of Trinco Petroleum Terminal (Pvt) Ltd, by me. The audit opinion on the financial statements of the Ceylon Petroleum Storage Terminals Limited (CPSTL), the other subsidiary, for the year under review was qualified by me. The significant matters which will cause to a disagreement with the corresponding balances/ transactions of the Corporation and the Group are given below.

(a) According to the financial statements of the CPSTL for the year under review amount receivable from The Lanka Indian Oil Company (LIOC) was Rs. 693 million. However balance confirmed by the LIOC was Rs. 289 million and a difference of Rs.404 million was observed. Accordingly, reconciliation had been prepared to identify the differences and bulk transport charges amounting Rs. 301 million had not been mutually agreed with the LIOC.

(b) Fully depreciated assets valued at Rs. 8,388 million which comprises 25,297 items of Property Plant & Equipment are being used by the CPSTL without reviewing their residual value and useful life according to the paragraph 51 of the LKAS 16 and those assets were not presented in the financial statements in accordance with paragraph 79(b) of the Standard. Therefore, it is observed that the fair value of the non-current assets is not reflected in the financial statements for the year under review.

(c) According to the paragraph 07 of the LKAS 16, CPSTL had not capitalized installation of GPS tracking system completed on 31 March 2023 for 133 no's bowser fleet of the CPSTL amounting Rs.13 million. Instead, those assets had been accounted and presented in work in progress in the financial statements for the year under review.

(d) According to the balance confirmation letter from the Department of Inland Revenue, income tax liability, VAT & PAYE tax liability were Rs.364

million, Rs.322 million and Rs. 13 million respectively for the CPSTL. Further, the CPSTL had appealed against those assessments. However, the company had not disclosed those material tax assessments as contingent liabilities in the Notes to the financial statements for the year under review.

1.2.4 Un-reconciled Differences

(a) Total amount due to Sri Lanka Custom (SLC) as per records of the corporation as at the end of the year under review was Rs. 46,979 million whereas per the confirmation of the SLC, it was Rs. 37,601 million. Therefore, an un-reconciled difference of Rs. 9,378 million was observed between those two balances.

(b) According to the Note No. 12 of the financial statements, the total trade receivable balance was Rs. 17,617.51 million from which Rs. 11,235 million to be received from public sector entities. However, the un-reconciled difference of Rs. 7,043.60 million was observed between the receivable balances shown in the financial statements of the corporation and the corresponding payable balances to the corporation from five (05) public sector entities.

(c) According to the age analysis of trade and other payables, 18 venders with the carried forward balance of Rs. 2,507 million as at the end of the year under review had been remained unsettled for over 05 years, while the unsettled payable balances relating to 133 creditors amounting to Rs. 17,369 million as at the end of the year under review had been remained unsettled for the period ranging from 01 to 05 years. However, according to the information made available, the Corporation had not taken prompt action to settle those balances. Therefore, accuracy and existence of those balances were doubt in audit.

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.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the Note No. 26 to the financial statements of the Corporation with regard to five pending cases in the High Court of Civil Appeal Colombo against CPC and following interim orders issued on pending final hearing and determination of the application without notice to CPC;

(a) preventing the CPC from paying the petroleum Dealers as commission a sum less than 3% of the retail price of petroleum products,

(b) preventing the CPC from recovery any sum of money already paid as commission and

(c) preventing the CPC from paying the petroleum Dealers as commission on a price other than the prevailing retail price of petroleum products.

The amount receivable to CPC from dealers as at 31 December 2023, if the above mentioned cases are determined in favour of CPC is Rs.26,306.41 million.

1.3 Other information included in the Corporation's 2023 Annual Report

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

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Corporation's and the Group'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 intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's and the group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation and the Group.

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

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

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

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

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

- 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 Corporation and Group'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 Corporation and Group 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 includes 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 Corporation as per the requirement of 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 except the audit matters of 1.2.1 (a), 1.2.2(a), and 1.2.2(b) described in the basis for Qualified Opinion section of my report as per the requirement of section 6(1)(d)(iv) of the National Audit Act, No. 19 of 2018.

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

2.1.5. to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation 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

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

Reference to law/direction	Non-compliance
(a) Public Enterprises Circular No. PED 01/2021 of 16 November 2021 – operational manual for state owned enterprises	
(i) Guideline 2.3 and Supplementary III	The Corporation had not properly prepared manuals including all major activities for the Lubricant Business, Bitumen Business,

	Bunkering Business and Agro Business of the Corporation.
(ii) Guideline 3.4 ix	Covering up duties of a vacant post should be limited to a period not exceeding one (1) year. Nevertheless, 76 officers had been assumed for cover up duties of the vacant posts including Grade A posts. Out of that, 33 officers and 08 officers had been assumed for cover up duties of the vacant posts for more than 01 year and 03 years respectively.
(iii) Guideline 6.9 Supplementary I	As per SAP system, receivable balances aggregating to Rs. 1,516 million to be recovered from Sri Lanka Custom and Inland Revenue Department had been remained without taking prompt actions to recover since 2010. Those balances were written off in 2021 and written back again in 2023 due to non-following of proper write off procedure. In addition to above balance, another receivable balance aggregating to Rs. 102 million to be recovered from Sri Lanka Custom had been remained without taking prompt actions to recover since 2010..
(iv) Guideline 7.1	The performance evaluations are mandatory at all State-Owned Enterprises and is a primary responsibility of the Board of Directors. However, the corporation had not prepared the progress report in accordance with the action plan and had prepared the progress report only for 3 sub functions.
(v) Guideline 7.3	Although Key Performance Indicators (KPIs) covering each function of the Corporation had been established in the Corporate Plan, periodic review and monitoring process had not been carried out by the Board Of Directors.
(vi) Guideline 7.7	The Board of Directors of the Corporation had not established a structure that facilitates oversight of the performance of the

		subsidiaries.
(b)	Public Enterprises Circular No. PED 01/2021 of 16 November 2021 – Guidelines on Corporate Governance for State Owned Enterprises.	
	(i) Guideline 2.2.5 (a)	The Corporation had not established a subsidiary policy that addresses issues including dividends, changes in equity and shareholding and major transactions.
	(ii) Guideline 2.2.5 (b)	The Board of Directors of the Corporation had not reviewed and comprehensively regulated the affairs of its subsidiary companies regularly at their meetings.
	(iii) Guideline 4.3 and Terms and Reference of the Integrated Risk Management Committee of the Corporation	Although the Risk Committee meeting should be held at least quarterly, only two risk committee meetings were held during the year under review.

2.1.7. to state that the Corporation 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) **Collection of Monthly Utility Fee (MUF)**

According to the Board Decision No. 38/1140 dated 29 October 2013, the Board had approved to charge a Monthly Utility Fee (MUF) from all Corporation Owned Dealer Operated (CODO) Filling Stations and Treasury Owned Dealer Operated (TODO) Filling Stations with effect from 01 January 2014. However, decision had not been fully implemented and MUF had been charged only from 11 dealers out of more than 220 CODO and TODO dealers due to Corporation had failed to enter into amended agreement approved by the Board decision No. 11/1179 dated 16 February 2016. Accordingly, unrecovered MUF had been increased to Rs. 4,848 million as at the end of the year 2023. Even though the Auditor General have been continuously reporting in this regards in his reports since the year 2015, no appropriate and prompt action had been taken by the Corporation to recover the MUF up to date. Finally, a case against the charging of MUF has been filled in the Colombo District court by the Petroleum Dealers Association (Case No. CA (WRIT) 0147/2024) and the court issued an interim order in 01 March 2024. Even though several investigations had been done by the internal audit Unit and investigation Unit of the corporation and the Internal auditor of the line ministry in this regards, the corporation had start another investigation without taking any prompt and appropriate action to implement the recommendations of above investigations.

(b) **Common User Facilities (CUF)**

Pursuant to clause 15 of the Common User Facility Shareholders Agreement (GOSL/CPC/LIOC) dated 30 December 2003 had expired on 31 December 2008 and The Corporation had entered into an Agreement with CPSTL excluding LIOC on 13 May 2019 including terms and conditions relating to storage and transport of petroleum products and the way of deciding the throughput between CPC and CPSTL. Even though the same terms and conditions are related to the LIOC as well, as a main user and a party of the Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003. Following observations were made in this regard.

i. The common user facilities covered under said Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) including the governance procedures for entities and the pricing formula used for the purpose of determining the throughput charges and transport expenses including slab charges had not been revised with the agreement of all related parties.

ii. It was observed that any impact on unfavourable conditions and cost had to be borne by the Corporation in any event of LIOC refusing the terms and condition entered between the Corporation and CPSTL.

iii. According to above agreements, maintenance of the pipelines or portions of pipelines to the accepted standards and provide storage facilities to maintain 02 months fuel stock was a responsibility of the CPSTL (subsidiary company). Although the total amount, the CPSTL had charged for providing the storage and terminal facilities during the last 13 years had been more than Rs. 51,459 million from both the Corporation and the LIOC, there were no sufficient and appropriate evidences to ascertain whether the CPSTL had taken proper actions to design and to develop new infrastructure facilities and maintenance of the existing facilities promptly. As a result, the Corporation had to pay the demurrages without passing on such cost to the service provider (CPSTL) due to delay in unloading fuel from vessels as blockages in the pipelines and inefficiencies in the storage system.

iv. According to said Share Holders' Agreement dated 30 December 2003, Storage Terminal Cost had been defined as "Interest at the rate of twelve per centum (12%) per annum on the loans being vested in the Company and forming a part of the storage assets and liabilities as well as further loans taken to bridge the cash deficit". However, after the agreement had expired on 31 December 2008, the Corporation had paid a sum more than Rs.2,183 million as the interest portion for the period from 2009 to 2016 with related to the bank loans obtained by CPSTL in 2009 from the People's Bank. Accordingly, it was further observed that the payment had been made without having a proper evaluation and obtaining confirmations about the real amount to be paid in terms of the agreement.

(c) All the losses beyond the permissible limits in relation to the operation of storages and distribution of fuel stocks are entitled to recover from CPSTL by the Corporation. However, the permissible limits of depot stock losses which had been decided by the Board Decision No. 4178 dated 17 June 1968 had not been re-evaluated and updated over four decades by the Corporation. The operational loss for the year under review was Rs. 1,479.24 million and it had been increased by 215 percent in the year under review when compared to the previous year.

(d) **Use of ERP System (SAP)**

As iterated in previous audit reports, The ERP which is an initial version (SAP ECC 6.0) of SAP ERP system released in 2005 has been used by the Corporation from the date of 01 April 2010 without any up-grading. As a result, Non-Upgraded SAP system might be led to negative consequences such as Inefficient Operations, Increased Costs, Security Vulnerabilities, Disrupted Supply Chain etc.

2.1.8. to state that the resources of the Corporation 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) **Receivable from Foreign Suppliers**

According to the information made available to audit, the amount that had to be collected from foreign suppliers was USD 4.39 million equivalents to Rs 1,443 million in respect of the period from 2012 to 2018 as penalty imposed due to late delivery/ short loading, external losses, penalty for unacceptable quality and losses incurred due to price differences. Even though, nearly six (6) years had been passed, the corporation had failed to recover or settle them from foreign suppliers.

(b) According to the financial statements for the year under review, USD 26.9 million equivalent to Rs. 7.8 billion had been recorded as claims made by the Corporation due to the out turn losses, late delivery and non- performance of contractual obligations related to some shipments made during the year 2022 and 2023 of which the Corporation had made provisions for these doubtful receivables. It was observed that these claims could not be recovered due to defect in the respective tender documents.

(c) **Assets Management**

The following assets had been lying idle since the acquisition of those assets.

(i) 10 acre of Halgaha Kumbura Land at Wanathamulla had been acquired in 1983 for Rs. 10.6 million for the purpose of LP Gas Project and a Playground. However, this land had not been utilized for the intended purpose and it had been occupied by more than 650 squatters.

(ii) Acording to the correspondence made available, the Corporation had acquired Mahahena Land by spending Rs. 0.63 million, and it had not been accounted for. However, this land had been utilized by the previous owner even after the acquisition in 1986.

2.2. Other Matters

(a) As revealed in previous audit reports, a sum of Rs. 1,617 million had been paid by the Corporation as custom duties and taxes before discharging the cargo of rejected shipments, in which excise duty amounting to Rs. 648 million had been included. However, the Corporation was unable to get that amount recovered or to get them settled from subsequent payments made by the Corporation from January 2017.

(b) **Storage and Distribution of Petroleum Product**

A special audit report on evaluation of existing petroleum storage capacity utilized in the country and appropriateness and productivity of the fuel transport pipeline system including railway and bowser transport system currently in operation in the country, with recommendations for smooth and safe operation of the petroleum storage complex, was tabled in Parliament in the year 2020. In that audit it was observed that a proper internal control system for smooth and safe operation of the petroleum storage complex and fuel transport process in the country had not been suitably designed and implemented by the Corporation. However, audit was unable to ascertain whether the Corporation had reasonably attempted to implement the recommendations given in that report for smooth and safe operation of the petroleum storage complex.

(c) **Trincomalee Tank Farm**

The Tank Farm contained of 100 Oil Tanks, each having a capacity of 12,500 cubic meters (m3)(10,000 MT) and other associated facilities, had been constructed in Trincomalee in 1930. The land extent belong to the Tank Farm was 358.553 hectares. Although the Government of Sri Lanka had taken several initiatives to develop and use the tank farm after acquiring the tank farm from the British Government with effect from 01 April 1964, Government of Sri Lanka failed to put those initiatives into operation up to year 2021. In 2021, the Corporation and the LIOC had established a joint company, named Trinco Petroleum Terminal (Pvt) Ltd, in connection with an agreement related to the development of the Trincomalee Oil Tank Complex. But this joint venture was failed to commence its business operations timely in accordance with strategic plan due to unavailable of secured internal or external funding sources to finance the development budgeted of the company.

(d) **Hedging Transactions**

As per the audit examination carried out pertaining to the hedging transactions taken place in respect of procurement of oil during the period of 2007 to 2009, the total loss incurred to the country on those transactions as at 31 December 2023 had been Rs. 14,028 million. Moreover, the Commercial Bank had filed a case at the Commercial High Court, Colombo against the Corporation by claiming US$ 8,648,300.

(e) **Sapugaskanda Oil Refinery**

As stated in previous audit reports, the existing Refinery, which had been constructed five decade back (commissioned in 1969) was a basic Refinery and was not being able to cater the increasing demand of petroleum products in the country and this Refinery was operating with low margin when compared with refineries operating with advanced technologies including facilities to produce petroleum products at lower cost and capabilities to upgrade bottom products to high value products such as petrol and diesel, where by maximizing its operating efficiency. However, the CPC was unable to implement the proposed Sapugaskanda Oil Refinery Expansion and Modernization (SOREM) Project or alternative project in order to ensure supplying of its products to the market in a cost-effective manner. As a result, the total expenditure of Rs. 1,003 million incurred (for land acquisition and feasibility study) for that purpose had been laying idle even up to the date of this report.

(f) **Selling and Distribution of Fuel Stocks**

As revealed in audit, most of the activities in supplying 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 etc. had been carried out by the CPSTL. However those activities should have been handled by the marketing entities especially by the Corporation. Accordingly, the Corporation had allowed the CPSTL to engage in an operation which had not been covered by its scope of storage and distribution of petroleum product. Further such activities are not covered by the Common User Facilities Share Holder's Agreement (GOSL/CPC/LIOC) dated 30 December 2003 entered into among the Government of Sri Lanka (GOSL), CPC and LIOC.

(g) **Human Resource Management**

(i) The Scheme of Recruitment and Promotions (SORAP) for the executive service category of Corporation had been approved by the Department of Management Services (DMS) on 05 May 2017. However, the recruitments and promotion of executive category of the Corporation had been carried out disregarding the provisions in relation to the minimum requirement of professional and academic qualifications and experiences of approved SORAP without obtaining concurrence of DMS to deviate from approved SORAP. As a result, the ability to attract and retain most suitable officers with relevant professional and academic qualifications with required experiences had been prevented over seven years up to date.

(ii) Cadre of the Corporation approved by DMS is 3,292 and out of which 1,287 posts were vacant while there were 81 excess staff. Accordingly, it was observed that 40% of the approved cadre was vacant as at the end of the year under review. Therefore, it was observed that the corporation had not decided optimal cadre. Further, it was observed that 67 numbers of daily paid staff had been recruited outside the approved cadre.

(h) The Annual Action plan for the year 2023 had not been approved by the board of the corporation.

W.P.C. Wickramarathne

Auditor General

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FINANCIAL STATEMENTS 2023

CEYLON PETROLEUM CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	Note	CPC 2023	CPC 2022 Restated	Group 2023	Group 2022 Restated
		Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2	1,263,602.848	1,148,801.118	1,261,783.069	1,146,260.844
Cost of Sales		(1,101,488.231)	(1,108,951.921)	(1,105,709.238)	(1,112,869.858)
Gross Profit/(Loss)		**162,114.617**	**39,849.197**	**156,073.831**	**33,390.986**
Other Operating Income	3	10,774.521	1,188.355	11,706.911	2,489.990
Selling & Distribution Expenses		(54,011.664)	(42,142.131)	(44,665.651)	(33,055.658)
Administrative Expenses		(29,005.983)	(5,106.302)	(34,122.794)	(10,030.975)
Operating Profit/ (Loss)	4	**89,871.491**	**(6,210.881)**	**88,992.297**	**(7,205.657)**
Exchange Rate Variation	4.2	20,340.297	(529,477.329)	20,340.297	(529,477.329)
Finance Income	5	17,588.922	37,636.243	17,898.964	37,921.524
Finance Expenses	6	(7,454.350)	(119,537.424)	(7,484.871)	(119,568.968)
Profit /(Loss) before tax		**120,346.360**	**(617,589.391)**	**119,746.687**	**(618,330.430)**
Income tax Expense	7	(36.000)	-	315.105	(354.612)
Profit/(Loss) for the year		**120,310.360**	**(617,589.391)**	**120,061.792**	**(618,685.042)**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to Profit or Loss:					
Re-measurement gain/(loss) on Retirement Benefit plan	18	(107.162)	462.357	(686.578)	873.619
Tax on Other Comprehensive Income		-	(619.035)	173.824	(742.414)
Other comprehensive income / (expense) for the year		(107.162)	(156.678)	(512.754)	131.205
Total comprehensive Income/(expense) for the year, net of tax		**120,203.198**	**(617,746.069)**	**119,549.038**	**(618,553.837)**
Total Comprehensive Income attributable to :					
Owners of the entity		120,203.198	(617,746.069)	119,694.941	(618,278.296)
Non-Controlling interests		-	-	(145.903)	(275.541)
		120,203.198	**(617,746.069)**	**119,549.038**	**(618,553.837)**

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 05 to 41 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	Note	CPC 2023 Rs.Mn.	CPC 2022 Restated Rs.Mn.	Group 2023 Rs.Mn.	Group 2022 Restated Rs.Mn.
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	8	45,684.017	45,299.853	61,635.528	61,883.283
Investment Property	8.3	48.512	50.422	48.512	50.422
Intangible Assets	8.4	0.201	0.429	9.525	37.328
Right-of-use-Assets	9.2	96.995	101.679	310.893	320.033
Investment in Subsidiary	10	5,102.000	5,051.000	-	-
Non-Current Financial Assets	11	13.040	13.040	13.040	13.040
Trade & Other Receivables	12	4,964.729	6,280.223	6,298.296	7,715.078
		55,909.494	56,796.646	68,315.794	70,019.184
Current Assets					
Inventories	14	166,802.597	149,303.332	167,685.660	150,161.303
Trade & Other Receivables	12	23,129.893	270,234.703	29,211.364	276,528.362
Short term Investments		169.841	82.841	1,169.841	82.841
Cash and Cash Equivalents	15	65,424.424	17,483.719	66,627.243	19,588.006
		255,526.755	437,104.595	264,694.108	446,360.512
Total Assets		**311,436.249**	**493,901.241**	**333,009.902**	**516,379.696**
EQUITY AND LIABILITIES					
Capital and Reserves					
Contributed Capital	16	912,580.511	912,580.511	912,580.511	912,580.511
Capital Reserve	17.1	4,992.686	4,992.686	4,992.686	4,992.686
Financial Instrument fair value		(38.000)	(38.000)	(38.000)	(38.000)
Revaluation Reserve	17.2	28,049.112	28,049.112	28,049.112	28,049.112
Retained Earnings		(912,113.050)	(1,032,316.247)	(899,505.453)	(1,019,187.578)
Non Controlling Interest		-	-	8,883.376	9,106.687
Total Equity		33,471.259	(86,731.938)	54,962.232	(64,496.582)
Non - Current Liabilities					
Retirement Benefits Obligation	18	1,734.709	1,502.076	3,653.610	2,785.949
Deferred Tax	19.1	3,111.962	3,111.962	4,678.029	5,202.958
Loans & Borrowings	20	9,271.526	10,314.665	9,271.526	10,314.665
Lease liabilities	9.3	107.095	109.639	341.051	347.224
		14,225.292	15,038.342	17,944.216	18,650.796
Current Liabilities					
Trade and Other Payables	21	181,223.595	247,196.685	177,587.308	243,823.068
Lease liabilities	9.3	2.544	4.783	2.587	9.045
Current portion of Loans & Borrowings	20.1	1,406.851	1,518.821	1,406.851	1,518.821
Short term Borrowings	22	81,106.708	316,874.548	81,106.708	316,874.548
		263,739.698	565,594.837	260,103.454	562,225.482
Total Equity and Liabilities		**311,436.249**	**493,901.241**	**333,009.902**	**516,379.696**

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 05 to 41 form an integral part of the Financial Statements.

These Financial Statements give a true and fair view of the state of affairs of Ceylon Petroleum Corporation and its Group as at 31st December 2023 and its profit for the year then ended.

M C D Perera
ACTG. DY. GENERAL MANAGER (FINANCE)

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board by,

Saliya Wickramasuriya **CHAIRMAN**	Colonel (Retd) S R P Ratnayake **MANAGING DIRECTOR**	Damitha Rathnayake (Mrs.) **DIRECTOR**

26 Feb 2024, Colombo

STATEMENT OF CHANGES IN EQUITY

CPC	Contributed Capital Rs.Mn.	Revaluation Reserves Rs.Mn.	Capital Reserves Rs.Mn.	Financial Instrument fair value Rs.Mn.	Retained Earnings Rs.Mn.	Total Equity Rs.Mn.
As at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(416,100.782)**	**(354,595.870)**
Prior period Adjustments	-		-	-	1,516.615	1,516.615
Restated balance as at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(414,584.167)**	**(353,079.255)**
Profit/(Loss) for the year					(617,589.391)	(617,589.391)
Other Comprehensive Income					(156.678)	(156.678)
Adjustments	884,093.386	(13.989)			13.989	884,093.386
As at 31 Dec 2022	**912,580.511**	**28,049.112**	**4,992.686**	**(38.000)**	**(1,032,316.247)**	**(86,731.938)**
Profit/(Loss) for the year					120,310.360	120,310.360
Other Comprehensive Income					(107.162)	(107.162)
As at 31 Dec 2023	912,580.511	28,049.112	4,992.686	(38.000)	(912,113.050)	33,471.259

Group	Contributed Capital Rs.Mn.	Revaluation Reserves Rs.Mn.	Capital Reserves Rs.Mn.	Financial Instrument fair value Rs.Mn.	Retained Earnings Rs.Mn.	Shareholders Fund Rs.Mn.	Non Controlling Interest Rs.Mn.	Total Equity Rs.Mn.
As at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(402,501.506)**	**(340,996.593)**	**9,302.419**	(331,694.175)
Prior period Adjustments					1,516.615	1,516.615		1,516.615
Restated balance as at 1 Jan 2022	**28,487.125**	**28,063.101**	**4,992.686**	**(38.000)**	**(400,984.891)**	**(339,479.978)**	**9,302.418**	**(330,177.560)**
Investment on TPTL					-	-	49.000	49.000
Profit/(Loss) for the year					(618,313.540)	(618,313.540)	(371.502)	(618,685.042)
Other Comprehensive Income for the year					35.244	35.244	95.961	131.205
Adjustment		(13.989)			75.609	61.620	30.810	92.430
Adjustments for capital improvements	884,093.386					884,093.386		884,093.386
As at 31 Dec 2022	**912,580.511**	**28,049.112**	**4,992.686**	**(38.000)**	**(1,019,187.578)**	**(73,603.268)**	**9,106.687**	**(64,496.582)**
Investment on TPTL					-	-	49.000	49.000
Profit/(Loss) for the year					120,072.499	120,072.499	(10.706)	120,061.792
Other Comprehensive Income for the year					(377.557)	(377.557)	(135.197)	(512.754)
Adjustment		-			(12.817)	(12.817)	(6.408)	(19.225)
Dividend paid				-		-	(120.000)	(120.000)
As at 31 Dec 2023	912,580.511	28,049.112	4,992.686	(38.000)	(899,505.453)	46,078.858	8,883.376	54,962.232

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 05 to 41 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	CPC 2023 Rs.Mn.	CPC 2022 Restated Rs.Mn.	Group 2023 Rs.Mn.	Group 2022 Restated Rs.Mn.
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		**120,346.360**	**(617,589.391)**	**119,746.687**	**(618,330.430)**
Adjustment for :					
Depreciation		2,634.627	2,646.720	3,465.412	3,493.172
Amortisation		531.918	426.499	559.493	456.274
Amortisation of right-of-use-assets		4.684	4.684	9.140	11.548
Unrealized exchange variation		(12,021.005)	50,641.554	(12,021.005)	50,641.554
Dividend Income		(240.000)	(0.001)	(240.000)	(0.001)
Interest Income		(17,588.922)	(37,636.243)	(17,898.963)	(37,921.524)
Allowance for impairment		18,137.083	13.032	18,134.880	3.873
Interest Expenses		7,439.945	119,522.388	7,439.945	119,522.388
Provision for Retirement Obligation		352.129	302.236	652.636	572.823
(Profit)/Loss on Sale of Property, Plant & Equipment		(7.452)	(32.091)	(7.452)	(35.900)
Lease Interest		14.404	15.036	44.926	46.580
Amortization of special levy		1,000.000	1,000.000	1,000.000	1,000.000
Operating Profit/(Loss) before Working Capital changes		**120,603.773**	**(480,685.578)**	**120,885.699**	**(480,539.643)**
Changes in Working Capital				-	-
(Increase)/ Decrease in Inventories		(17,499.267)	(107,387.699)	(17,525.950)	(107,691.124)
(Increase)/ Decrease in Trade and Other Receivable		228,216.211	(69,089.523)	228,899.465	(68,263.768)
Increase/ (Decrease) In Trade and Other Payables		(56,004.722)	(66,553.684)	(56,616.816)	(65,727.656)
Operating Profit/(Loss) after Working Capital changes		**275,315.994**	**(723,716.484)**	**275,642.398**	**(722,222.191)**
				-	-
Interest Paid		(6,896.508)	(106,680.641)	(6,896.508)	(106,680.641)
Retiring Gratuity Paid	18	(226.658)	(190.506)	(471.552)	(375.283)
Income Tax		-	-	(19.225)	(922.206)
Net Cash Generated from/(used in) Operating activities		**268,192.827**	**(830,587.631)**	**268,255.113**	**(830,200.321)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant & Equipment		7.452	46.332	7.452	50.519
Acquisition of Property, Plant & Equipment	8	(853.972)	(1,421.721)	(1,056.891)	(2,348.478)
Dividends Received		204.000	0.001	204.000	0.001
Income from Investment		-	-	-	-
Investments		(51.000)	(51.000)	49.000	49.000
Interest Received		17,467.887	17,629.446	17,777.928	17,914.727
Realization of Investments		-	231.012	-	231.012
Investment in Fixed Deposits/Funds		(87.000)	-	(1,087.000)	-
Net Cash Flows from /(Used in) Investing Activities		**16,687.367**	**16,434.070**	**15,894.489**	**15,896.781**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend Paid		-	-	(120.000)	-
New loans obtained		450,053.025	1,104,352.943	450,053.026	1,104,352.944
Repayment of Loans		(708,705.506)	(414,047.344)	(708,705.505)	(414,047.343)
Repayment for lease		(19.187)	(9.319)	(70.066)	(11.984)
Net Cash Flows From/(Used in) Financing Activities		**(258,671.668)**	**690,296.280**	**(258,842.545)**	**690,293.617**
Net Increase/(Decrease) in Cash & Cash Equivalents		26,208.525	(123,857.281)	25,307.057	(124,009.923)
Cash & Cash Equivalents at the Beginning of the Year		17,129.091	140,986.372	19,233.378	143,243.301
Cash & Cash Equivalents at the End of the Year	15	**43,337.617**	**17,129.091**	**44,540.435**	**19,233.378**

*Certain numbers shown here do not correspond to the 2022 financial statements and reflect adjustments made as detailed on Note 25.

The notes appearing on pages 05 to 41 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

General

Ceylon Petroleum Corporation (the Corporation/CPC) 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. 609, Dr. Danister De Silva Mawatha, Colombo 09.

Principal activities and nature of operations

Entity	Principal activity
Ceylon Petroleum Corporation	Importing, refining, and selling of Petroleum Products in Sri Lanka.
Subsidiary Ceylon Petroleum Storage Terminals Limited	Storage and distribution of petroleum products
Subsidiary Trinco Petroleum Terminal (Pvt) Limited	Possess, develop, utilize and manage storage facilities to carry out business including but not limited to petroleum related products; to import, store, sell and export petroleum and petroleum related products or any other products, stored by the company; to carry out any other business permitted by applicable laws and regulations.

Parent entity and the ultimate controlling party

The Corporation is under the purview of the Ministry of Power & Energy. In the opinion of the Directors, the Corporation's ultimate parent undertaking and controlling party is the Government of Sri Lanka.

Date of authorization for issue

The Financial Statements of Ceylon Petroleum Corporation and its Group for the year ended 31 December 2023 were authorized for issue in accordance with a Resolution of the Board of Directors on 26th February 2024.

Statement of compliance

The Financial Statements of Ceylon Petroleum Corporation and its Group, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of cash flows, and Notes to the Financial Statements (the 'financial statements') have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and the provisions of the Finance Act No. 38 of 1971 and subsequent amendments thereto.

1.2 BASIS OF PREPARATION

The financial statements of the Corporation and consolidated financial statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka.

The financial statements have been prepared on an accrual basis and under historical cost basis, except for investment properties, certain office properties (classified as property, plant and equipment), financial assets that have been measured at fair value and defined benefit obligation which is measured at the present value of the obligation.

Presentation & functional currency

The Financial Statements are presented in Sri Lankan Rupees, which is the functional currency, and all values are rounded to the nearest million except when otherwise indicated.

Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Basis of consolidation

The consolidated financial statements as at and for the year ended 31 December 2023 comprise of the Corporation and its Subsidiary (together referred to as the 'Group').

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. CPC owns 2/3rd of shares of Ceylon Petroleum Storage Terminals Limited (CPSTL) and CPC considers CPSTL as its subsidiary. CPC owns 51% of shares of Trinco Petroleum Terminal (Pvt) Limited (TPTL) and CPC considers TPTL as its subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary are prepared in compliance with the Group's accounting policies unless otherwise stated and they have a common financial year which ends on 31 December.

All intra-group balances and transactions, income and expenses are eliminated in preparing the consolidated financial statements.

Non-controlling interests

Profit or loss and each component of other comprehensive income (OCI) of the subsidiary are attributed to the equity holders of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.3 ACCOUNTING POLICIES

Changes in Accounting Policies

The Accounting policies adopted are consistent with those used in the previous years, unless otherwise stated.

Comparative Information

The presentation and classification of the financial statements of previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

Going Concern

These financial statements are prepared on the assumption that the CPC & its Group is a going concern i.e. as continuing in operation for the foreseeable future. It is therefore assumed that CPC has neither the intention nor the necessity of liquidating or of curtailing materially the scale of its operation as per the financial statements prepared for the year ended 31st December 2023.

Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively.

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are described in the relevant notes as follows:

- Defined Benefit Obligations – Gratuity : Note No. 1.4.12
- Impairment of financial assets : Note No. 1.4.14
- Useful lives of Property, Plant and Equipment : Note No. 1.4.6
- Deferred taxation : Note 1.4.2

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.4.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue and associated costs incurred or to be incurred can be measured reliably, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and net of sales taxes. The Group has concluded that it is the principal in all of its revenue arrangements since it is the principal obligor in all the revenue arrangements and is also exposed to inventory and credit risks.

The following specific criteria must also be met for the purpose of recognition of revenue which is in the scope of SLFRS 15.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from sales of goods is recognized when the goods are dispatched, or in the case of delivering the goods to the customer, legal ownership is transferred only upon delivery of goods to the customer. In all such case, the revenue is recognized by the Group when the goods are dispatched or delivered and accepted by the dealers/customers and it does not have significant impact to the revenue recognition as per the SLFRS 15.

Interest income & expenses

For all financial instruments measured at amortized cost, interest expenses and income are recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized as the interest accrued unless the collectability is in doubt. Interest income is presented under Finance Income and interest expense is presented under Finance expense in the income statement.

Dividends

Dividend Income is recognized when the right to receive the payment is established.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of profit or loss.

Profit / (Loss) from sale of property, plant & equipment

Profit / (loss) arising from sale of property, plant & equipment is recognized in the period in which the sale occurs and is classified under other income.

Gains or Losses arising from investment securities

Gains or losses arising from the sale of equity shares and financial instruments accounted for on the date on which the transaction takes place.

Other Income

Other income is recognized on an accrual basis

1.4.2 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 Income Statement for the period.

Taxation

Tax expenses for the period comprise the current and deferred tax.

(i) Current Tax

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 based on elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

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

(ii) Deferred Taxation

Deferred 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 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 differences 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 the 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

(iii) Sales Tax

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

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sell, are added to the costs of those assets. All other borrowing costs are expensed in the period they occur.

1.4.3 Foreign Currency Transactions and Balances

The Financial Statements are presented in Sri Lanka Rupees, which is the Corporation'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 re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to Income Statement. 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 foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or Income Statement are also recognised in OCI or Income Statement, respectively).

1.4.4 Current versus Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current assets

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within twelve months after the reporting period.

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.
Deferred tax liabilities are classified as non-current liabilities.

1.4.5 Fair value measurement

The Group measures financial instruments such as investments in equity shares and non-financial assets such as land, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes;

• Property, plant and equipment (Note 8)

• Investment property (Note 8.3)

• Financial instruments (including those carried at amortised cost) (Note 13.1)

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 Group.

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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

External valuers are involved for valuation of significant assets, such as land and investment properties and significant liabilities, such as retirement benefits obligation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

1.4.6 Property, Plant & Equipment

Property, plant and equipment, except land, are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost of purchase directly attributable to the acquisition of the asset or construction together with any incidental expenses thereon.

The cost of self-constructed assets included the cost of materials and direct labor or any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs of qualifying assets. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Cost Model

Group applies cost model to property, plant & equipment, except land, and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

Lands are measured at fair value less impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Subsequent Costs

The cost of replacing part of an item of property, plant & equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow into the Group and its cost can be reliably measured.

Restoration Costs

The cost incurred on repairs and maintenance of property, plant & equipment in order to restore or maintain future economic benefits is charged to Income Statement as incurred.

De-recognition

The carrying amount of an item of property, plant & equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant & equipment is included in the Income Statement when the item is derecognized.

Depreciation

Land is not depreciated as it is deemed to have an indefinite life. Group provides depreciation on straight-line basis over the periods appropriate to the estimated useful lives of different types of assets commencing from the date available to use. Depreciation ceases on the date that the asset is derecognised.

The Group reviews annually the estimated useful lives, residual values and method of depreciation of Property, Plant and Equipment based on factors such as business plan and strategies, expected level of usage and future developments using management judgment.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	35 - 50 Years
Tanks	20 - 40 Years
Pipe lines	5 - 40 years
Plant & Machinery	5 - 10 Years
Gantries & Pumps	10 - 15 years
Vehicles	4 - 5 Years
Furniture, Fittings & Office Equipment	3 - 10 Years
Buoy	10 years
SPM Facility - Tank Farm	40 Years
Aviation facility Mattala - Fuel Hydrant	40 Years
Fuel hydrant System	40 Years
Internal Road network & Fences	20 years
Metering & Electrical System	10 years
Fire fighting system	10 years
Other Assets	08 years
Muthurajawela - PLEM	10 years

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

Capital Work in Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

1.4.7 Investment Properties

Basis of Recognition

Investment property is property that is held to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under cost method in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

De-recognition

Investment properties are derecognized once disposed or permanently withdrawn from use because no future economic benefits are expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in SLFRS 15.Transfers are made to and from investment property only when there is a change in use.

1.4.8 Intangible assets

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 38 on 'Intangible Assets'.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

1.4.9 Investment in Subsidiary

Investment in Subsidiary is stated at cost, less impairment losses, if any.

1.4.10 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 (NRV) is the estimated selling 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. NRV is assessed with reference to market conditions and prices existing at the reporting date and in the light of recent market transactions.

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

Raw Materials	- At purchase cost on first-in-first-out basis
Finished Goods a) Refined Products b) Imports	 - At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. - At purchase cost on first-in-first-out basis
Work-in-progress a) Refined Products b) Imports	 - At the cost of direct materials, direct labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. - At purchase cost on first-in-first-out basis
Other Finished Goods	- At purchase cost on weighted average basis
Consumables & Spares	- At purchase cost on weighted average basis

1.4.11 Cash and Cash Equivalents

Cash and cash equivalents are 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. Investment with short maturities i.e. three months or less from the date of acquisition is also treated as cash equivalent.

1.4.12 Provisions & Liabilities

Provisions

Provisions are recognized when the Group 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 Group 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.

Defined Benefit Obligations - Gratuity

The liability recognized in the Statement of Financial Position in respect of gratuity is the present value of the obligation at the end of the reporting period using the projected unit credit method. The present value of the defined benefit obligation depends on number of factors that are determined on an actuarial basis using number of assumptions. These assumptions used in determining the cost for gratuity include the discount rate, expected staff turnover and salary increment rate. Any change in these assumptions will impact the carrying amount of gratuity obligation.

The management determines the appropriate discount rate at the end of each year. This is the interest rate that should be used in determining the present value of estimated future cash flows expected to be required to settle the defined benefit obligation. In determining the discount rate, management considers the interest rates of government bonds in the absence of deep market for corporate bonds in Sri Lanka. Other key assumptions for defined benefit obligation are based on current market conditions.

Provision has been made for retirement gratuities from the beginning of service for all permanent employees, in conformity with LKAS 19 - Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

This is not an externally funded defined benefit plan.

Actuarial gains and losses are charged or credited in other comprehensive income in the period in which they arise.

Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Corporation contributes 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and records as an expense in the income statement in the periods during which services are rendered by employees.

1.4.13 Capital Reserve

Specific amounts received from Government Consolidated Fund and the net value of restructuring sale proceeds which eventually form the issued capital of the successor to Ceylon Petroleum Corporation are credited to a Capital Reserve.

1.4.14 Financial Instruments

i) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

Financial assets subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

The Group classifies its financial instruments in the following categories:

a. Financial assets at amortised cost

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

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

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

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

The Group's financial assets at amortised cost includes trade and other receivables, loans to employees and investment in treasury bonds, bills and fixed deposits.

b. Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled Income Statement. Dividends are recognised as other income in the Income Statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group elected to classify its quoted and non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

• The rights to receive cash flows from the asset have expired, or

• The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group 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 group of financial assets that can be reliably estimated. Expected credit losses (ECL)s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, evidence of impairment may include indications that the debtors or a group 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. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors.

The Group considers a financial asset in default when contractual payments are remote. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group review individually significant trade receivables at the each reporting date to assess whether impairment loss should be recognized in the income statement. Since the Group assess the trade receivable individually and found not to be additionally impaired.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, include trade and other payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans &borrowings and trade and other payables at Amortised Cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the Income Statement.

Derecognition

A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the Group's best estimate of the most appropriate model assumptions.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 13.1.

The Institute of Chartered Accountants of Sri Lanka issued SLFRS 09 Financial Instruments which reflects financial instruments and replaces LKAS 39 Financial Instrument, recognition and Measurement. The Standard introduces new requirements for Classification and Measurement of Impairment and Hedge Accounting.

1.4.15 Accounting for leases

The Group 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.

a. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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.

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subjected to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

1.4.16 Contingent liabilities, litigation & commitments

Contingent liabilities are the possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed, unless they are remote.

1.5 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. The Corporation will adopt those standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

2. REVENUE	CPC 2023 Rs. Mn	CPC 2022 Rs. Mn	Group 2023 Rs. Mn	Group 2022 Restated Rs. Mn
Domestic	1,194,086.545	1,072,061.673	1,191,462.748	1,069,120.651
Export	120,742.565	81,570.464	120,742.565	81,570.464
Bunkering	-	816.921	-	816.921
Terminal Charge & Others	-	-	804.018	400.748
Total Sales	1,314,829.110	1,154,449.058	1,313,009.330	1,151,908.784
Less : Excise Duty & SSCL	(51,226.262)	(5,647.941)	(51,226.262)	(5,647.941)
Net Revenue	**1,263,602.848**	**1,148,801.118**	**1,261,783.069**	**1,146,260.844**

3. OTHER OPERATING INCOME	CPC 2023 Rs. Mn	CPC 2022 Rs. Mn	Group 2023 Rs. Mn	Group 2022 Rs. Mn
Income on Investment Property	1,152.631	525.594	1,152.631	525.594
Staff Loan Interest	261.405	305.545	1,097.523	1,005.077
Rental Income	29.078	10.957	32.851	15.967
Profit/(loss) on disposal of PPE	7.452	32.091	7.452	35.900
Profit on Sale of Filling Station equipment	21.911	135.527	21.911	135.527
Dividend Income	240.000	0.001	-	0.001
Sundry Income	9,062.043	178.640	9,394.542	771.923
	10,774.521	**1,188.355**	**11,706.911**	**2,489.990**

4.OPERATING PROFIT	CPC 2023 Rs. Mn	CPC 2022 Rs. Mn	Group 2023 Rs. Mn	Group 2022 Rs. Mn
4.1 Operating Profit stated after charging the following expenses				
Directors' emoluments	9.702	9.643	18.180	15.881
Auditors' remuneration (without under/over provision)	7.000	6.600	9.315	9.380
Depreciation	599.956	627.302	1,430.742	1,473.754
Advertising Expenses	21.454	46.784	21.454	46.784
Legal charge & Other Professional fee	153.153	169.386	153.153	169.386
Disallowed VAT	2,139.810	1,348.651	2,139.810	1,348.651
Special Fee to General Treasury	6,000.000	1,000.000	6,000.000	1,000.000
Bad debt write-off (Note 12.1)	5,097.724	31.395	5,097.724	31.395
Provision against other receivables (Note 12)	18,137.086	-	18,137.086	-

4.2 EXCHANGE RATE VARIATION	CPC 2023 Rs. Mn	CPC 2022 Restated Rs. Mn	Group 2023 Rs. Mn	Group 2022 Restated Rs. Mn
Exchange gain	41,764.519	108,997.261	41,764.519	108,997.261
Exchange loss	(21,424.222)	(638,474.590)	(21,424.222)	(638,474.590)
Net exchange rate gain/(loss)	**20,340.297**	**(529,477.329)**	**20,340.297**	**(529,477.329)**

5. FINANCE INCOME	CPC 2023 Rs. Mn	CPC 2022 Restated Rs. Mn	Group 2023 Rs. Mn	Group 2022 Restated Rs. Mn
			-	
Interest Income on Treasury Bills, Fixed Deposits and Call Deposits	1,660.302	12,353.130	1,970.343	12,638.411
Interest Income on Credit invoice & Overdue trade debts	4.878	10.689	4.878	10.689
Interest Income on CEB/IPP/Aviation debtors	14,564.298	25,084.522	14,564.298	25,084.521
Interest Income on Treasury Bonds	-	0.719	-	0.719
Interest Income on R.F.C. A/C & Others	1,359.443	187.183	1,359.443	187.183
	17,588.922	**37,636.243**	**17,898.964**	**37,921.524**

6. FINANCE EXPENSES	CPC 2023 Rs. Mn	CPC 2022 Restated Rs. Mn	Group 2023 Rs. Mn	Group 2022 Restated Rs. Mn
Interest on Foreign Currency Bank Loans	-	97,144.298	-	97,144.298
Interest on LKR Bank Loans	7,424.564	8,962.755	7,424.564	8,962.755
Interest on Lease Liability	14.404	15.036	44.925	46.580
Other Finance Cost	15.381	13,415.336	15.381	13,415.336
	7,454.350	**119,537.424**	**7,484.871**	**119,568.968**

7. INCOME TAX EXPENSE	CPC 2023 Rs. Mn	CPC 2022 Rs. Mn	Group 2023 Rs. Mn	Group 2022 Rs. Mn
Current tax:				
Current income tax	-	-	-	-
Under/(over) provision of previous years	-	-	-	(3.194)
WHT on Dividend	36.000	-	36.000	-
Deferred tax:				
Origination and reversal of temporary differences - Income statement	-	-	(351.105)	357.806
Income tax expense - income statement	36.000	-	(315.105)	354.612
Income tax expense - Other Comprehensive Income	-	(619.035)	(173.824)	742.414
Total income tax expense	**36.000**	**(619.035)**	**(488.928)**	**1,097.026**

A reconciliation between current tax charge and profit before tax is given below:

Accounting profit/(loss) before tax	**120,346.360**	**(617,589.391)**	**119,746.687**	**(618,330.430)**
Add: Disallowable expenses	24,991.535	175,502.046	26,912.397	173,923.728
Less: Allowable expenses & exempt income	(15,040.975)	(1,144.548)	(16,567.930)	(2,568.441)
Adjusted trade profit	**130,296.920**	**(443,231.893)**	**130,091.154**	**(446,975.143)**
Less: Utilisation of tax losses	(130,296.920)	-	(130,296.920)	-
Add: Tax losses for the year	-	443,231.893	205.767	446,975.143
Taxable income	-	-	-	-
Income tax charged at				
2022-30%(2021-24%)	-	-	-	-
Concessionary rates	-	-	-	-
Under/(over) provision of previous years	-	-	-	(3.194)
WHT on Dividend	36.000	-	36.000	-
Deferred tax charge to income statement	-	-	(351.105)	357.806
Origination and reversal of temporary differences - OCI	-	(619.035)	(173.824)	742.414
Income tax expense	**36.000**	**(619.035)**	**(488.928)**	**1,097.026**

Assessments have been issued to the Taxable years of 1997/98, 2013/14, 2014/15, 2015/16 and 2016/17 amounting to Rs. 25.12 Mn., Rs. 99.94 Mn, Rs. 723.09 Mn., Rs. 54.68 Mn. and Rs. 2,170.07 Mn. respectively and CPC has made valid appeals for those Assessments. Income tax liabilities on the assessments for the year of assessment 1997/98 had been recognized in the financial statements.

Determination for the year of assessment 2013/14 has been given by the Inland Revenue Department and an appeal has been made to the Tax Appeals Commission against the determination given for the year of Assessment 2013/14.

8. PROPERTY, PLANT & EQUIPMENT(CPC)	Land & Building Rs.Mn	Vested Property Rs.Mn	Plant, Mach & Equip. Rs.Mn	SPM Facility Rs.Mn	Motor Vehicles Rs.Mn	Furn/Fittings, Off. Equip & Other Assets Rs.Mn	Capital Work in Progress Rs.Mn	CPC Total Rs.Mn
8.1.Cost								
Bal as at 01/01/2023	16,696.630	1.016	30,070.589	2,835.841	1,377.801	2,467.029	11,325.477	64,774.384
Additions	15.033	-	70.500	-	-	23.210	2,907.909	3,016.652
Disposals	-	-	(7.702)	-	(5.814)	-	-	(13.516)
Bal as at 31/12/2023	**16,711.663**	**1.016**	**30,133.388**	**2,835.841**	**1,371.987**	**2,490.239**	**14,233.387**	**67,777.520**
8.2 Depreciation								
Bal as at 01/01/2023	1,438.973	0.413	13,105.385	1,677.679	1,193.704	2,058.377	-	19,474.530
Charge for the Year	152.530	0.016	2,319.587	106.374	10.144	43.837	-	2,632.489
Disposals	-	-	(7.702)	-	(5.814)	-	-	(13.516)
Bal as at 31/12/2023	**1,591.503**	**0.429**	**15,417.270**	**1,784.053**	**1,198.034**	**2,102.215**	**-**	**22,093.503**
NBV as at 31.12.2023	**15,120.160**	**0.587**	**14,716.118**	**1,051.788**	**173.953**	**388.025**	**14,233.387**	**45,684.017**
Cost as at 31.12.2022	16,696.630	1.016	30,070.589	2,835.841	1,377.801	2,467.029	11,325.477	64,774.383
Acc.Dep as at 31.12.2022	1,438.973	0.413	13,105.385	1,677.679	1,193.704	2,058.377	-	19,474.530
NBV as at 31.12.2022	**15,257.657**	**0.603**	**16,965.204**	**1,158.162**	**184.097**	**408.652**	**11,325.477**	**45,299.853**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2023 is Rs 4,538 Mn (2022 – Rs 3,191 Mn).

8. PROPERTY, PLANT & EQUIPMENT(GROUP)	Land & Building Rs.Mn	Vested Property Rs.Mn	Plant, Mach & Equip. Rs.Mn	SPM Facility Rs.Mn	Motor Vehicles Rs.Mn	Furn/Fittings, Off. Equip & Other Assets Rs.Mn	Capital Work in Progress Rs.Mn	GROUP Total Rs.Mn
8.1.Cost								
Bal as at 01/01/2023	23,414.834	1.016	48,064.750	6,202.319	3,248.160	5,194.399	12,355.584	98,481.062
Additions	16.609	-	83.409	-	-	85.043	3,034.512	3,219.572
Transfers	89.137	-	42.305	340.101	-	22.004	(493.547)	-
Disposals	-	-	(7.702)	-	(5.814)	(1.225)	(4.053)	(18.793)
Bal as at 31/12/2023	**23,520.579**	**1.016**	**48,182.763**	**6,542.420**	**3,242.346**	**5,300.222**	**14,892.496**	**101,681.841**
8.2 Depreciation								
Bal as at 01/01/2023	2,275.273	0.413	21,982.382	4,879.816	3,031.028	4,428.867	-	36,597.779
Charge for the Year	209.870	0.016	2,866.567	196.652	39.339	150.830	-	3,463.274
Disposals	-	-	(7.702)	-	(5.814)	(1.225)	-	(14.740)
Bal as at 31/12/2023	**2,485.143**	**0.429**	**24,841.248**	**5,076.468**	**3,064.553**	**4,578.473**	**-**	**40,046.313**
NBV as at 31.12.2023	**21,035.436**	**0.587**	**23,341.515**	**1,465.952**	**177.793**	**721.749**	**14,892.496**	**61,635.528**
Cost as at 31.12.2022	23,414.834	1.016	48,064.750	6,202.319	3,248.160	5,194.399	12,355.584	98,481.062
Acc.Dep as at 31.12.2022	2,275.273	0.413	21,982.382	4,879.816	3,031.028	4,428.867	-	36,597.779
NBV as at 31.12.2022	**21,139.561**	**0.603**	**26,082.368**	**1,322.503**	**217.132**	**765.532**	**12,355.584**	**61,883.283**

Gross carrying amount of the fully depreciated Property, Plant & Equipment as at 31.12.2023 is Rs 13,515 Mn (2022 – Rs. 11,583 Mn).

8.3 Investment Property	CPC		Group	
	2023 Rs.Mn	2022 Rs.Mn	2023 Rs.Mn	2022 Rs.Mn
Cost				
Bal. at the beginning of the year	76.518	76.518	76.518	76.518
Add: Additions / Transfers	-	-	-	
Bal as at the end of the year	76.518	76.518	76.518	76.518
Depreciation				
Bal at the beginning of the year	26.096	24.726	26.096	24.726
Add: Transfer from PPE				
Add: Charge for the year	1.910	1.370	1.910	1.370
Bal as at the end of the year	28.006	26.096	28.006	26.096
Net Book Value	**48.512**	**50.422**	**48.512**	**50.422**

Investment property consists of properties located at Thurstan Road, Flower Road & Filling Stations given on rent.

Description	**Fair Value Rs.Mn**
No.80, Flower Road, Colombo 07	40.000
No.22/1, Thurstan Road, Colombo 03	
Filling Stations	35.510

Fair value of the investment properties was based on the valuations carried out in the years 2012 and 2016 by the Valuation Department, who are independent valuers not connected with the Corporation.

8.4 Intangible Assets	**CPC** ERP System Rs.Mn	**Group** ERP System Rs.Mn	SAP License Rs.Mn	Automation System Rs.Mn	Total Rs.Mn
Cost /Carrying value					
At the beginning of the year	0.683	562.058	9.380	37.794	609.231
Additions/Transfers	-	-	-	-	-
At the end of the year	**0.683**	**562.058**	**9.380**	**37.794**	**609.231**
Amortisation					
At the beginning of the year	0.254	524.730	9.380	37.794	571.904
Charge for the Year	0.228	27.803	-	-	27.803
At the end of the year	0.482	552.533	9.380	37.794	599.707
Carrying value					
As at 31.12.2023	**0.201**	**9.525**	**-**		**9.525**
As at 31.12.2022	**0.429**	**37.328**	**-**	**-**	**37.328**

During the year CPC acquired PPE including intangible assets amounting to Rs. 3,016.653 Mn (2022 - Rs. 4,579.733) and of this CPC paid Rs 853.973 Mn (2022 Rs. 1,421.721 Mn.)

During the year Group acquired PPE including intangible assets amounting to Rs. 3,219.572 Mn (2022-Rs. 5,506.490 Mn.) and of this Group paid Rs 1,056.892 Mn (2022 Rs. 2,348.478 Mn.).

8.5 Capitalisation of Borrowing Cost

The Group commenced the Construction of Development & Upgrading of Aviation Refuelling Terminal & the Existing Fuel Hydrant System and Installation of a Fuel Hydrant System of CPC at New Apron –E Bandaranaike International Airport (BIA)in January 2018. This Project is financed by the two outsource facilities (15% from the Commercial loan taken from Peoples Bank and the Balance 85% on a Self-financing basis by the contractor).

The amount of borrowing cost capitalized during the year 2023 was Rs. 980.460 Mn. (2022-Rs. 810.363 Mn). The rate was to determine the capitalization of Borrowing Cost was 9.25% p.a.

9 RIGHT-OF-USE-ASSETS

9.1. Lease Assets

The Corporation entered in to the lease contract with the Government for 24 Tanks at Trincomalee Tank Farm for the period of 50years and further, the Corporation has entered for Lease contracts for the lands at Neluwa, Yatiyantota, Ratnapura and Kegale.

9.2 Right-of-use-Assets	CPC		Group	
	2023	2022 Restated	2023	2022 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Cost				
Bal as at 01/01	113.632	26.409	378.750	68.718
Additions	-	84.894	-	307.704
Adjustments	-	2.329	-	2.329
Bal as at 31/12	**113.632**	**113.632**	**378.750**	**378.750**
Amortization				
Bal as at 01/01	11.953	7.269	58.718	47.170
Additions	4.684	4.684	9.140	11.548
Bal as at 31/12	16.637	11.953	67.858	58.718
Net Book Value	**96.995**	**101.679**	**310.893**	**320.033**

9.3 Lease Liability	CPC		Group	
	2023	2022 Restated	2023	2022 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Cost				
Bal as at 01/01	114.422	21.483	356.269	24.148
Additions		87.222	-	310.033
Adjustments/interest	14.404	15.036	44.926	46.580
Payments	(19.187)	(9.319)	(57.558)	(24.492)
Bal as at 31/12	**109.639**	**114.422**	**343.638**	**356.269**
Current liabilities	2.544	4.783	2.587	9.045
Non-current liabilities	107.095	109.639	341.051	347.224
Total	**109.639**	**114.422**	**343.638**	**356.269**

9.4 Maturity Analysis of Lease Liability	CPC		Group	
	2023	2022 Restated	2023	2022 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Not later than one year	2.544	4.783	2.587	9.045
Later than one year and not later than five years	8.849	7.741	9.182	12.886
Later than five years	98.246	101.898	331.869	334.338
Total	**109.639**	**114.422**	**343.638**	**356.269**

9.4 Details of the amounts recognized in income statement	CPC		Group	
	2023	2022 Restated	2023	2022 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Amortization expenses of right-of-use-assets	4.684	4.684	9.140	11.548
Interest expenses on lease liability	14.404	15.036	44.926	46.580
Total recognized in income statement	**19.088**	**19.719**	**54.066**	**58.128**
Total cash outflows made with respect top leases	**19.187**	**9.319**	**57.558**	**24.492**

9.5 CPC has obtained lands from the Government Institutions such as Sri Lanka Railway Department, Mahaweli Authority, Municipal Councils etc. and presently pays lease rentals as per the negotiations with the respective parties. Discussions with the relevant parties are in progress to enter into the formal contract for the lease arrangements. Lease rentals paid relating to the lease without agreements, short term and low value leases for the year 2023 is Rs. 6.76 Mn. (2022 - Rs. 4.47 Mn.) which are including the rent expenses.

10. INVESTMENT IN SUBSIDIARY	CPC		CPC		Group	
	2023	2022	2023	2022	2023	2022
	Holding %	Holding %	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Ceylon Petroleum Storage Terminals Ltd.	66.67%	66.67%	5,000.000	5,000.000	-	-
Trinco Petroleum Terminal (Pvt) Ltd.	51.00%	51.00%	102.000	51.000	-	-
			5,102.000	**5,051.000**	-	-

10.1 The summarized financial information of the Subsidiary company

Subsidiary Statement of Financial Position	CPSTL 2023 Rs.Mn	CPSTL 2022 Restated Rs.Mn	TPTL 2023 Rs.Mn	TPTL 2022 Restated Rs.Mn
Non - Current Assets	17,247.270	18,053.895	261.029	219.643
Current Assets	14,980.243	15,427.226	90.159	98.177
Total Assets	**32,227.513**	**33,481.121**	**351.188**	**317.820**
Capital and Reserves	26,480.673	27,228.877	115.277	62.032
Non - Current Liabilities	3,484.968	3,374.869	233.955	233.998
Current Liabilities	2,261.872	2,877.375	1.956	21.790
Total Equity and Liability	**32,227.513**	**33,481.121**	**351.188**	**317.820**

Statement of Comprehensive Income	CPSTL 2023 Rs.Mn	CPSTL 2022 Restated Rs.Mn	TPTL 2023 Rs.Mn	TPTL 2022 Restated Rs.Mn
Revenue	10,150.032	9,433.316	-	-
Expenses	(11,951.616)	(11,731.185)	(49.977)	(38.014)
Other Income	1,487.092	1,593.783	3.223	0.046
Profit before Tax	(314.493)	(704.086)	(46.754)	(37.968)
Income Tax Expenses	351.105	(354.612)	-	-
Profit for the year	36.611	(1,058.698)	(46.754)	(37.968)
Other comprehensive income	(405.591)	287.883	-	-
Total Comprehensive Income for the year	(368.979)	(770.814)	(46.754)	(37.968)
Dividend Paid to the non-controlling interest	-	-	120.000	-

11.NON CURRENT FINANCIAL ASSETS	Note	CPC 2023 Rs.Mn	CPC 2022 Rs.Mn	Group 2023 Rs.Mn	Group 2022 Rs.Mn
Quoted equity investments	11.1	12.500	12.500	12.500	12.500
Unquoted equity investments	11.2	0.540	0.540	0.540	0.540
		13.040	**13.040**	**13.040**	**13.040**

11.1.Quoted equity investments	CPC 2023 Rs.Mn	CPC 2022 Rs.Mn	Group 2023 Rs.Mn	Group 2022 Rs.Mn
Lanka Cement Ltd.				
5,000,000 Ordinary Shares of Rs.10/= each fully paid	12.500	12.500	12.500	12.500
Adjustment for fair value changes	-	-	-	-
	12.500	**12.500**	**12.500**	**12.500**

11.2.Unquoted equity investments	CPC 2023 Rs.Mn	CPC 2022 Rs.Mn	Group 2023 Rs.Mn	Group 2022 Rs.Mn
Associated News Papers of Ceylon Ltd.				
61,206 Ordinary Shares of Rs.10/= each	0.539	0.539	0.539	0.539
Lanka Leyland Ltd.				
100 Ordinary Shares of 10/= each	0.001	0.001	0.001	0.001
International Cooperative Petroleum association				
5,499 Shares of Us $ 100/= each fully paid				
Incorporated in USA	5.086	5.086	5.086	5.086
Less : Provision for Impairment	(5.086)	(5.086)	(5.086)	(5.086)
	0.540	**0.540**	**0.540**	**0.540**

The unquoted investments classified as financial assets of fair value through OCI, investments are carried at cost.
The maximum exposure to credit risk at the reporting date is the carrying value of equity securities classified as fair value through OCI.
None of the unquoted equity investments is either past due or impaired except the International Cooperative Petroleum Association for which an impairment provision has been made.

12 . TRADE & OTHER RECEIVABLES	CPC			
	2023		2022 Restated	
	Current Rs.Mn	Non-Current Rs.Mn	Current Rs.Mn	Non-Current Rs.Mn
Trade Receivables	17,617.513	-	223,638.201	-
Receivables- Inland Revenue & Custom Dept.	1,565.728	-	10,082.604	-
Other Receivables	3,297.140	0.607	8,075.709	1,250.606
Deposits & Prepayments	583.644	574.485	1,080.541	509.657
Advance	9.351	-	27,301.644	-
Loans & Advances to Employees	56.517	4,389.636	56.003	4,519.960
TOTAL	**23,129.893**	**4,964.729**	**270,234.703**	**6,280.223**

As at 31 December, the age analysis of trade receivables is set out below,

	CPC	
	2023 Rs.Mn	2022 Rs.Mn
Less than 30 days	4,675.764	11,979.007
30 - 90 days	4,025.048	13,125.321
91 - 180 days	1,327.104	45,402.352
181 - 365 days	3,604.009	81,418.840
More than 365 days	4,039.992	71,767.085
Total	**17,671.917**	**223,692.605**
Provision for impairment	(54.404)	(54.404)
	17,617.513	**223,638.201**

Movement in the provision for impairment of trade receivables is as follows.

	CPC	
	2023 Rs.Mn	2022 Rs.Mn
Balance as at 1st January	54.404	57.037
Less: Amount Recovered	-	(15.666)
Less: Amount write off	-	-
Add: Provision for the year	-	13.032
Balance as at 31st December	**54.404**	**54.404**

Other receivables

	CPC	
	2023 Rs.Mn	2022 Rs.Mn
Balance as at 31 December	21,459.347	8,100.833
Less: Provision	(18,162.207)	(25.124)
	3,297.140	**8,075.709**

A provision of Rs. 10,370.6 Mn. has been made for the interest and charges receivables from the banks and a provision of Rs. 7,766.48 Mn. has been made against the receivables from the fuel suppliers.

	Group			
	2023		2022 Restated	
	Current Rs.Mn	Non-Current Rs.Mn	Current Rs.Mn	Non-Current Rs.Mn
Trade Receivables	19,767.604	-	225,919.331	-
Receivables- Inland Revenue & Custom Dept.	1,846.288	-	10,416.952	-
Other Receivables	3,633.552	0.607	8,065.398	1,250.606
Deposits & Prepayments	2,285.269	574.485	3,087.320	509.657
Advance	9.351	-	27,301.644	-
Loans & Advances to Employees	1,669.300	5,723.203	1,737.717	5,954.815
	29,211.364	**6,298.296**	**276,528.362**	**7,715.078**

The carrying amounts of trade receivables are denominated in following currencies;

	CPC		Group	
	2023 Rs.Mn	2022 Rs.Mn	2023 Rs.Mn	2022 Rs.Mn
Sri Lankan Rupees	17,567.724	119,123.638	19,717.815	162,601.556
United States Dollars	49.789	104,514.563	49.789	63,317.775
	17,617.513	**223,638.201**	**19,767.604**	**225,919.331**

12.1 Kerosene Subsidy

As the General Treasury confirmed the non-reimbursement of the Kerosene subsidy, Rs. 5,097.724 Mn. has been written-off from Subsidy receivable in the financial statements during the year.

13 FINANCIAL INSTRUMENTS	CPC		Group	
Financial Assets by category	2023 Rs.Mn	2022 Restated Rs.Mn	2023 Rs.Mn	2022 Restated Rs.Mn
Financial assets at amortized cost				
Trade and other receivables	26,528.893	266,432.322	33,663.371	273,826.488
Investments in treasury bonds	-	-	-	-
Placements with banks	-	-	-	-
Cash in hand and at bank	65,424.424	17,483.719	66,627.243	19,588.006
Financial assets at fair value through OCI			-	-
Unquoted Equity Investments	0.540	0.540	0.540	0.540
Quoted Equity Investments	12.500	12.500	12.500	12.500
TOTAL	**91,966.356**	**283,929.081**	**100,303.654**	**293,427.534**

Financial Liabilities by category	CPC 2023 Rs.Mn	CPC 2022 Restated Rs.Mn	Group 2023 Rs.Mn	Group 2022 Restated Rs.Mn
Financial Liabilities at amortized cost				
Borrowings	91,785.086	328,708.034	91,785.086	328,708.034
Trade and other payables	129,991.896	201,811.796	126,355.609	198,438.177
TOTAL	221,776.982	530,519.831	218,140.695	527,146.211

13.1. Fair value of Financial Instruments

Set out below is a comparison by class of the carrying amounts and fair value of the Corporation's financial instruments that are classified as financial instruments in the financial statements

As at 31 December		Carrying Amount 2023 Rs. Mn	Carrying Amount 2022 Restated Rs. Mn	Fair value 2023 Rs. Mn	Fair value 2022 Restated Rs. Mn
Financial assets					
Non Current Financial assets					
Quoted equity investments	13.2.1	12.500	12.500	12.500	12.500
Unquoted equity investments	13.2.2	0.540	0.540	0.540	0.540
Investment in Treasury Bonds	13.2.1	-	-	-	-
Trade & Other receivables	13.2.4	44,745.678	266,512.024	26,528.893	266,432.322
Cash and cash equivalents	13.2.4	65,424.424	17,483.719	65,424.424	17,483.719
Total		**110,183.142**	**284,008.783**	**91,966.356**	**283,929.081**
Financial liabilities					
Loans & borrowings	13.1.3	10,678.377	11,833.486	10,678.377	11,833.486
Trade & other payables	13.1.4	129,991.896	201,811.796	129,991.896	201,811.796
Short term borrowings	13.1.4	81,106.708	316,874.548	81,106.708	316,874.548
		221,776.982	**530,519.831**	**221,776.982**	**530,519.830**

13.2. Determination of fair value

Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a traded price may not be possible .In these circumstances, the Group uses alternative market information and discounted cash flows to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

13.2.1 Fair value of investments in quoted equity and treasury bonds are based on price quoted in the market at the reporting date.

13.2.2 Fair value of unquoted equity investments carried at cost are assumed to equal its fair value considering the materiality of the investment.

13.2.3 Investment in deposits and loans & borrowings are evaluated by the Group based on parameters such as interest rates, creditworthiness of the bank, and the risk characteristics of the instrument. As at 31 December 2023, the carrying amounts of deposits, loans & borrowings are not materially different from their fair values.

13.2.4 Cash and cash equivalents, trade & other receivables, trade & other payables and short term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

13.3 Fair value hierarchy

The Group use the following hierarchy for determining and disclosing the fair value of financial instruments

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	CPC			
As at 31 December	2023			
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through OCI				
Quoted equity investments	12.500	-	-	12.500
Unquoted equity investments	-	-	0.540	0.540
	12.500	-	0.540	13.040

14.INVENTORIES	CPC		Group	
	2023	2022	2023	2022
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Crude Oil	41,371.821	54,465.546	41,371.821	54,465.546
Other Raw material	2,228.334	6,372.753	2,228.334	6,372.753
Finished Products	117,054.495	77,650.267	117,069.803	77,660.487
Intermediate Product	2,089.572	6,325.185	2,089.572	6,325.185
Other Materials & Supplies	4,419.609	4,850.813	5,306.030	5,715.639
Less: Provision for Slow Moving Items	(361.232)	(361.232)	(379.900)	(378.307)
	166,802.597	**149,303.332**	**167,685.660**	**150,161.303**

The Corporation imported fuel under the agreements with the suppliers and store them in storage tanks of the Corporation on pledged basis. As per the agreements, they are mortgaged to suppliers until the settlements are made. Accordingly, the value of the mortgage stock as at 31.12.2023 is Rs. 23,493.96 Mn. (2022 - Rs. 60,718.661 Mn.).

As the legal actions have not been finalized against the employees related to the losses of the stocks, inventory amounting to Rs. 7.65 Mn. is maintained in the Stock in Transits.

15.CASH AND CASH EQUIVALENTS	CPC		Group	
	2023	2022 Restated	2023	2022 Restated
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Components of Cash and Cash Equivalents				
Cash at Bank and in hand	65,424.424	17,483.719	66,627.243	19,588.006

The bank deposits as at 31.12.2023 amountinmg to USD 33.133 million has been pledged as margin against the letter of credits issued by the banks to import petroleum products.

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	CPC		Group	
	2023	2022	2023	2022
		Restated		Restated
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
Cash and cash equivalents	65,424.424	17,483.719	66,627.243	19,588.006
Bank overdrafts (note 22)	(22,086.807)	(354.628)	(22,086.807)	(354.628)
	43,337.617	**17,129.091**	**44,540.435**	**19,233.378**

16.CONTRIBUTED CAPITAL	CPC		Group	
	2023 Rs.Mn	2022 Rs.Mn	2023 Rs.Mn	2022 Rs.Mn
Balance as at 31st December	912,580.511	28,487.125	912,580.511	28,487.125
Equity capital through loan settlements	-	884,093.386	-	884,093.386
	912,580.511	**912,580.511**	**912,580.511**	**912,580.511**

No authorized capital has been fixed by the Parliament.

17.RESERVES

17.1 CAPITAL RESERVE	CPC		Group	
	2023 Rs.Mn	2022 Rs.Mn	2023 Rs.Mn	2022 Rs.Mn
Balance as at 31st December	**4,992.686**	**4,992.686**	**4,992.686**	**4,992.686**

In 2003, the transfer of assets to CPSTL had been done at book values. Subsequently it had been decided to record the above transactions based on the values that had been agreed upon in the process of privatization. The effect of this had been adjusted under capital reserve.

17.2 REVALUATION RESERVE	CPC		Group	
	2023 Rs.Mn	2022 Rs.Mn	2023 Rs.Mn	2022 Rs.Mn
Balance as at 1st January	28,049.112	28,063.101	28,049.112	28,063.101
Disposals	-	(13.989)	-	(13.989)
Balance as at 31st December	**28,049.112**	**28,049.112**	**28,049.112**	**28,049.112**

The revaluation reserve is used to record increases in the fair value of Property, Plant & Equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

18.RETIREMENT BENEFIT OBLIGATION	CPC		Group	
	2023 Rs.Mn	2022 Rs.Mn	2023 Rs.Mn	2022 Rs.Mn
Balance as at 01^{st} January	1,492.051	1,851.783	2,775.923	3,461.107
Less: Payable for those who left during the period	-	(9.105)	-	(9.105)
Payments made during the year	(226.658)	(190.506)	(471.552)	(375.283)
	1,265.393	1,652.172	2,304.371	3,076.719
Add: Current service cost	83.559	98.539	146.550	184.054
Interest cost	268.569	203.696	506.085	388.768
Actuarial (gain)/loss	107.162	(462.357)	686.578	(873.619)
	1,724.684	1,492.051	3,643.584	2,775.923
Add: Benefit China Bay /LLL/NYLON/CPSTL Employees	10.025	10.025	10.025	10.025
Balance as at 31 st December	**1,734.709**	**1,502.076**	**3,653.610**	**2,785.949**
Expenses on retirement benefit obligation				
Income Statement				
Current service cost	83.559	98.539	146.550	184.054
Interest cost	268.569	203.696	506.085	388.768
	352.129	**302.236**	**652.636**	**572.823**
Other Comprehensive income				
Actuarial (gain)/loss	107.162	(462.357)	686.578	(873.619)
	107.162	**(462.357)**	**686.578**	**(873.619)**

Actuarial valuation of retirement benefit obligation as at 31 December 2023 was carried out by messes Actuarial and Management Consultants (Pvt) Ltd, a professional actuaries using the 'Projected Unit Credit method' as recommended by LKAS 19 - Employee Benefits

The principal actuarial assumptions used were as follows :

Expected Salary increment	25% once in 3 year:	36% once in 3 years
Expected Staff turnover	7.00%	5.00%
Interest /Discount Rate	13.00%	18.00%
Retirement age	60 years	60 years
No. of employees	2,082	2,232
Mortality	A 67/70 Mortality Table	A 67/70 Mortality Table

18.1 Sensitivity of actuarial assumptions used

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retirement Benefit Obligations measurement as at 31 December 2023. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retirement Benefit Obligation for the year.

Assumption	Change in the assumption	CPC Sensitivity effect on Income statement	Sensitivity effect on Retirement Benefit Obligation
		2023 Rs.Mn.	2023 Rs.Mn.
Discount Rate	Increased by 1% point	80.747	(80.747)
	Decreased by 1% point	(88.642)	88.642
Salary Increment	Increased by 1% point	(97.417)	97.417
	Decreased by 1% point	89.561	(89.561)

19. DEFERRED TAX-CPC

CPC has carried forward tax losses amounting to Rs. 796,480 Mn(2022 Rs. 741,598 Mn) which are available to set-off against the future tax profits. Deferred tax assets not accounted on these lossess amounts to Rs. 238,944 Mn (2022 Rs. 222,480 Mn).

As gains from realizations of assets are subjected to tax separately, deferred tax liability on realization of lands are noted below.

19.1 Deferred Tax-CPC	2023 Rs.Mn	2022 Rs.Mn
Balance at the beginning of the period	3,111.962	2,492.927
Origination and reversal of temporary difference - Income Statement	-	-
Other Comprehensive income	-	619.035
Balance at the end of period	**3,111.962**	**3,111.962**
Defferred tax Assets	-	-
Deferred tax liability	3,111.962	3,111.962
Net deferred tax liability	**3,111.962**	**3,111.962**

19.2 Recognized deferred tax assets and liabilities	2023-Rs.Mn.		2022-Rs.Mn.	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Property, Plant & Equipment & Intangible assets				
Land	-	3,111.962	619.035	3,111.962
	-	**3,111.962**	**619.035**	**3,111.962**

Deferred tax has been calculated using an effective tax rate @ 30% and no movement of liability in 2023.

19.1 Deferred Tax-Group	2023 Rs.Mn	2022 Rs.Mn
Balance at the beginning of the period	5,202.958	4,102.738
Origination and reversal of temporary difference - Income Statement	(351.104)	357.806
Other Comprehensive income	(173.824)	742.414
Balance at the end of period	**4,678.029**	**5,202.958**
Defferred tax Assets	(913.303)	(399.870)
Deferred tax liability	5,591.332	5,602.828
Net deferred tax liability	**4,678.029**	**5,202.958**

19.2 Recognized deferred tax assets and liabilities

	2023-Rs.Mn.		2022-Rs.Mn.	
	Temporary difference	Deferred tax Liability/(Asset)	Temporary difference	Deferred tax Liability/(Asset)
Deferred tax liability				
Property, Plant & Equipment & Intangible assets	(11.496)	2,478.892	483.555	2,490.866
Land	-	3,112.438	616.332	3,111.962
Deferred tax assets	-	-	-	-
Inventories	(0.478)	(5.600)	(1.102)	(5.122)
Provisions	1.138	(8.447)	0.358	(9.586)
Employee benefit plan	(190.509)	(575.670)	1.077	(385.162)
Tax loss	(323.584)	(323.584)	-	-
	(524.929)	**4,678.029**	**1,100.220**	**5,202.958**

Deferred tax has been calculated using an effective tax rate @ 30%. The singletax rates applied different levels of taxable income, resulting to Rs. 524.929 Mn decrease in the deferred tax liability as at 31 December 2023.

20.LOANS & BORROWINGS	CPC		Group	
	2023 Rs.Mn	**2022 Rs.Mn**	**2023 Rs.Mn**	**2022 Rs.Mn**
Peoples Bank-BIA Project	1,777.870	2,152.997	1,777.870	2,152.997
Self Financing Facility(CNCEC-14) -BIA Project	7,493.657	8,161.668	7,493.657	8,161.668
	9,271.526	**10,314.665**	**9,271.526**	**10,314.665**
20.1. CURRENT PORTION OF LOANS & BORROWINGS				
Peoples Bank-BIA Project	253.981	430.599	253.981	430.599
Self Financing Facility(CNCEC-14) -BIA Project	1,152.870	1,088.222	1,152.870	1,088.222
	1,406.851	**1,518.821**	**1,406.851**	**1,518.821**

1.Peoples Bank Loan is guaranteed by a Treasury Guarantee of US$ 7.725 Mn issued to People's Bank on behalf of CPC.

2.Self Financing Loan facility obtained for the BIA Project from the project construction joint venture Partner Ms China National Chemical Engineering No 14. Construction Co.Ltd (CNCEC) and the loan is guaranteed by a Severing Guarantee of US$ 43.775 Mn issued to CNCEC on behalf of CPC.There is no cash flows through this loan and the project loan amount is recognised in the Financial Statement based on the working progress as per the loan facility agreement.

3. Outstanding amounts as at 31.12.2023 is USD. 6,180,000.00 and USD 26,298,950.01 for the M/s Peoples Bank and M/s China National Chemical Engineering No 14. Construction Co.Ltd (CNCEC) respectively.

20.2.Loans Repayable within five years from 31st December is as follows:	CPC		Group	
	2023 Rs.Mn	**2022 Rs.Mn**	**2023 Rs.Mn**	**2022 Rs.Mn**
Amount due within 2 years	2,813.702	2,894.109	2,813.702	2,894.109
Amount due within 3-5 years	4,220.553	4,125.864	4,220.553	4,125.864
Amount due after 5 years	3,644.122	4,813.513	3,644.122	4,813.513
	10,678.377	**11,833.486**	**10,678.377**	**11,833.486**

The carrying values of borrowings are considered to be the fair value.

(a) People's bank USD 7,725 Mn. Loan - (Interest 6 months LIBOR+5%p.a.) repayable in biannual instalments commencing from Dec 30, 2021.

(b) Self Financial Facility USD 43.775 Mn. Loan - (Interest 6 months LIBOR+3.55%p.a.) repayable in biannual instalments commencing from July 19, 2021.

21.TRADE & OTHER PAYABLES	CPC 2023 Rs.Mn	CPC 2022 Restated Rs.Mn	Group 2023 Rs.Mn	Group 2022 Restated Rs.Mn
Foreign Bills Payable	76,245.295	166,566.481	76,245.295	166,566.482
Other Creditors			-	-
- Amount due to Inland Revenue & Custom Dept.	51,231.700	45,384.889	51,231.700	45,384.890
- Accrued Expenses	39,305.089	18,347.631	34,814.670	13,771.077
- Other payables	14,441.511	16,897.683	15,295.643	18,100.619
- Amount due to Related Parties			-	-
	181,223.595	**247,196.685**	**177,587.308**	**243,823.068**

Trade payables include the payable amounting to USD 230.925 million (Rs. 75,923.207 million as at 31.12.2023) to National Iranian Corporation, Iran on the purchase of two shipments of Crude Oil in the year 2012. This balance has not been settled due to the sanctions imposed to Iran. The Corporation has recognized exchange variation gain of Rs. 9,890.155 million (loss in 2022 - Rs. 42,307.890 million) for the year 2023 and Rs. 50,615.262 million for the period from 2012 to 2023. As per the agreement between Sri Lanka Tea Board and CPC, arrangements has made to transfer monthly minimum of USD 5 million until the the amount is utilized to settle the payment to exporters in Sri Lanka. Accordingly, USD 20 million has been settled to NIOC through the above agreement during this period.

Amount due to Inland Revenue & Custom Dept. include the excise duty, NBT, SSCL and income tax payable. Refundable VAT is included under other receivables.

As monthly utility fees have not been paid by the dealers, taxes related to the monthly utility fees have not been paid and included under the taxes payable untill the dealers agreed to pay or finalisation of the litigation action.

The most of the last payments raised to Customs have been realized in January and February 2024 and those balances represent in unrealised payments in the bank overdraft balances.

22.SHORT TERM BORROWINGS	CPC 2023 Rs.Mn	CPC 2022 Rs.Mn	Group 2023 Rs.Mn	Group 2022 Rs.Mn
Bank & Other loans			-	
- Wholly Repayable within one year	59,019.901	316,519.920	59,019.901	316,519.920
- Bank Overdrafts	22,086.807	354.628	22,086.807	354.628
	81,106.708	**316,874.548**	**81,106.708**	**316,874.548**

Bank Borrowings (except Overdraft) were guaranteed by a Treasury indemnity of Rs. 100 Bn issued to Bank of Ceylon on behalf of the Corporation as at 31.12.2023. The loans and bills obtained against indemnities issued upto 2022 have been taken over by the government with effects from 31.12.2022.

Short term loans are obtained to finance import bills payable to the suppliers.

23.EMPLOYEES	CPC 2023 Rs.Mn	CPC 2022 Rs.Mn	Group 2023 Rs.Mn	Group 2022 Rs.Mn
Staff Cost				
Salaries & Wages	5,565.501	5,694.238	11,395.806	11,867.501
Defined Contribution Plan	565.557	598.733	1,100.430	1,170.976
Defined benefit obligation (Note 18)	352.129	302.236	652.636	572.823
	6,483.186	**6,595.207**	**13,148.872**	**13,611.301**

24.OPERATING SEGMENTS	Transport Rs.Mn	Power Generation Rs.Mn	Aviation Rs.Mn	Industries Rs.Mn	Storage & Transportation Rs.Mn	Others Rs.Mn	Eliminations/ Adjustments Rs.Mn	Total Rs.Mn
Revenue								
External Customers	959,301.443	181,386.453	121,518.463	18,799.094	790.704	(20,013.089)	-	**1,261,783.069**
Inter Segment					11,969.811		(11,969.811)	-
Total Revenue	**959,301.443**	**181,386.453**	**121,518.463**	**18,799.094**	**12,760.516**	**(20,013.089)**	**(11,969.811)**	**1,261,783.069**
Results								
Operating Profit/(Loss)	58,934.662	11,795.737	3,714.480	2,839.943	-	11,707.474	-	**88,992.297**
Exchange Rate Variation	-	-	-	-	-	20,340.299	-	**20,340.299**
Net Finance Cost	-	-	-	-	-	10,414.092		**10,414.092**
Profit /(Loss) before tax	**58,934.662**	**11,795.737**	**3,714.480**	**2,839.943**	**-**	**42,461.865**	**-**	**119,746.688**
Income tax Expense					351.105		(36.000)	**315.105**
Profit/(Loss) for the year	58,934.662	11,795.737	3,714.480	2,839.943	351.105	42,461.865	(36.000)	**120,061.792**

25. RESTATEMENT OF FINANCIAL STATEMENTS

1. The receivables amounting to Rs. 1,516.041 Mn. from Customs and Inland Revenue Department which was writen-off in 2021 has been adjusted back to the year 2021.

2. The Right-of-Use-Assets adjustments relating to the Trinco Tank farm and Area Office have been adjusted as per the SLFR-16 and adjustments have been made retrospectily.

3. Exchange rate variation amounting to Rs. 2,467.35 Mn. has been adjusted retrospectively. Further, increase of railway charges amounting to Rs. 53.90 Mn. due wagon rate increase have been adjusted to the year 2022.

4. The impact of restatements of CPSTL financial statements made in 2022 and the differences between 2022 draft financial statements used for the preparation of the consolidated financial statements and audited financial statements have been adjusted retrospectively.

5. Reclassifications including Cash & Cash Equivilents in the statement of cash flows have been rearranged to present a fair view.

The following tables summarize the impact on CPC and Group's financial statements.

25.1 Statement of Financial Position

	CPC			Group		
	Impact of Adjustments			Impact of Adjustments		
1 January 2022	As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.	As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.
Right-of-use-Assets	15.433	3.707	19.140	17.841	3.707	21.548
Trade & Other Receivables	183,323.312	1,462.252	184,785.564	188,353.174	1,462.252	189,815.426
Others	239,663.358	-	239,663.358	255,619.671	-	255,619.671
Total Assets	**423,002.103**	**1,465.959**	**424,468.062**	**443,990.686**	**1,465.959**	**445,456.645**
Trade and Other Payables	257,062.561	(53.789)	257,008.772	251,927.649	-	251,927.649
Lease liabilities	18.350	3.133	21.483	21.015	(50.656)	(29.641)
Other Liabilities	520,517.062	-	520,517.062	523,736.197	-	523,736.197
Total Liabilities	**777,597.973**	**(50.656)**	**777,547.317**	**775,684.861**	**(50.656)**	**775,634.205**
Retained earnings	(416,100.782)	1,516.615	(414,584.167)	(402,501.506)	1,516.615	(400,984.891)
Non Controlling Interest	-	-	-	9,302.419	-	9,302.419
Capital & Other reserves	61,504.912	-	61,504.912	61,504.912	-	61,504.912
Total Equity	**(354,595.870)**	**1,516.615**	**(353,079.255)**	**(331,694.175)**	**1,516.615**	**(330,177.560)**

31 December 2022	CPC Impact of Adjustments As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.	Group Impact of Adjustments As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.
Right-of-use-Assets	96.830	4.849	101.679	308.527	11.506	320.033
Trade and Other Receivables	268,786.695	1,448.008	270,234.703	275,163.447	1,364.915	276,528.362
Other Assets	223,564.859	-	223,564.858	239,531.301	-	239,531.301
Total Assets	**492,448.384**	**1,452.857**	**493,901.241**	**515,003.275**	**1,376.421**	**516,379.696**
Trade and Other Payables	244,729.224	2,467.461	247,196.685	241,409.509	2,413.557	243,823.066
Lease liabilities	109.393	5.029	114.422	343.429	12.841	356.270
Others	333,322.072	-	333,322.072	336,696.941	-	336,696.941
Total Liabilities	**578,160.689**	**2,472.490**	**580,633.179**	**578,449.879**	**2,426.398**	**580,876.277**
Retained earnings	(1,031,296.614)	(1,019.633)	(1,032,316.247)	(1,018,147.896)	(1,039.682)	(1,019,187.578)
Non Controlling Interest	-	-	-	9,116.983	(10.295)	9,106.688
Capital & Other reserves	945,584.309	-	945,584.309	945,584.309	-	945,584.309
Total Equity	**(85,712.305)**	**(1,019.633)**	**(86,731.938)**	**(63,446.604)**	**(1,049.977)**	**(64,496.582)**

25.2 Statement of Comprehensive Income

For the year ended 31 December 2022	CPC Impact of Adjustments As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.	Group Impact of Adjustments As previously reported Rs.Mn.	Adjustments Rs.Mn.	As restated Rs.Mn.
Sales Revenue	1,148,801.118	-	1,148,801.118	1,146,314.748	(53.904)	1,146,260.844
Cost of Sales	(1,108,951.921)	-	(1,108,951.921)	(1,112,748.239)	(121.619)	(1,112,869.858)
Other Operating Income	1,188.355		1,188.355	2,489.990	-	2,489.990
S&D and Administrative Expenses	(47,194.542)	(53.891)	(47,248.433)	(43,086.510)	(0.123)	(43,086.633)
Others	(608,896.152)	(2,482.358)	(611,378.511)	(608,641.398)	(2,483.375)	(611,124.773)
Profit/(loss) before tax	(615,053.142)	(2,536.249)	(617,589.391)	(615,671.408)	(2,659.021)	(618,330.430)
Income tax Expenses	-	-	-	(354.612)	-	(354.612)
Profit /(Loss) for the year	(615,053.142)	(2,536.249)	(617,589.391)	(616,026.020)	(2,659.021)	(618,685.042)
Other Comprehensive Income	(156.678)	-	(156.678)	131.205	-	131.205
Total comprehensive income	**(615,209.821)**	**(2,536.249)**	**(617,746.069)**	**(615,894.816)**	**(2,659.021)**	**(618,553.837)**

26. CONTINGENT LIABILITIES, COMMITMENTS & LITIGATIONS

CONTINGENT LIABILITIES

Inland Revenue Department (IRD) has issued following assessments against the Corporation and the Corporation has made appeals before the Commissioner Generals of Inland Revenue for these assessments.

Assessments on the Nation Building Tax (NBT) for the periods 1509 and 1512 amounting (including penalties) to Rs. 77.04 Mn. and Rs. 77.04 Mn. respectively. Assessments on Value Added Tax have been issued by IRD for the periods 6123, 12090, 13090, 14030, 15030, 15060, 1590, 1610, 1630, 1620, 7110, 1740, 1810, 1830, 2130 and 2240 amounting (including penalties) to Rs. 433.25 Mn., Rs. 44.90 Mn., Rs. 4.94 Mn., Rs. 3.48 Mn., Rs. 71.78 Mn., Rs. 29.02 Mn., Rs. 12.06 Mn., Rs. 102.17 Mn., Rs. 48.71 Mn., Rs.15.68 Mn, Rs. 78.25 Mn., Rs. 38.43 Mn., Rs. 121.81 Mn., Rs. 9.11 Mn., Rs. 11.51Mn. and Rs. 2.19 Mn. respectively. Assessments on Pay As You Earn Tax for the period 1516 amounting (including penalties) to Rs. 21.97 Mn. Penalties to the Customs for the period up to 2023 is amounting to Rs. 5.27 Bn.

Assessments issued under the Income Tax have been disclosed under the Note 07 – Tax Expense.

Demurrages

As ascertained by the Corporation, CPC has recognized the Rs. 1,480.75 Mn. as demurrage claims (incurred in prior years) ascertained by the Corporation. The demurrage claims for the imports of Crude oil and petroleum products amounting to USD 6.37 Mn. that are not ascertained by the Corporation have not been recognized in the financial statements. These liabilities would be recognized in the financial statements based on the subsequent negotiations/arbitration process taken place after the reporting date.

There were no any other material contingent liabilities existing at the date of statement of financial position.

COMMITMENTS

The material commitments of the CPC as at 31st December 2023 relates to following;

Commitments to the Banks

The Corporation established Letter of Credits (LCs) & Usance bills amounting to Rs. 32,750 Mn. (2022- Rs. 8,837 Mn.) and Rs. 00 Mn. (2022 - Rs. 43,691 Mn) at Bank of Ceylon and People's Bank respectively in relation to import of crude & refined petroleum products during the year for which procurement will be made subsequent to the year end. CPC has obtained Bank & Shipping Guarantees amounting to Rs. 281.19 Mn and established bills collection amounting to Rs. 12.21 Mn. at two states banks.

CPSTL has established LCs amounting to Rs. 10.31Mn. and bank guarantees amounting to Rs. 0.45 Mn. as at 31 December 2023.

Pending Litigations at the reporting date

There were 198 (2022-218) unsettled legal cases as at 31st December 2023 and details are noted below.

Type of Legal Cases	No of Cases			
	2023		2022	
	CPC	Group	CPC	Group
Labour Tribunal Cases	04	8	07	12
Magistrate Court Cases	03	5	03	17
District Court Cases	34	39	30	33
High Court Cases	12	13	14	14
Court of Appeal Cases	13	16	14	16
Supreme Court Cases	28	33	23	28
Human Rights Commission	30	31	25	32
Department of Labor	42	53	38	66
Total	**166**	**198**	**154**	**218**

Out of the above cases the following cases are considered material to CPC

Commercial Bank has filed a case in the Commercial High Court, Colombo against CPC claiming USD 8.5 Mn. with interest and other cost for the Hedging transaction.

There are five pending cases in the High Court of Civil Appeal Colombo against CPC and the Court has issued following interim Orders pending final hearing and determination of the application without notice to CPC. (a). Preventing the CPC from paying the Petroleum Dealers as Commission a sum less than 3% of the retail price of Petroleum Products, (b) Preventing CPC from recovery any sum of money already paid as commission, (c) Preventing CPC from paying the Petroleum Dealers as commission on a price other than the prevailing retail price of Petroleum Products. The amount receivable to CPC from dealers as at 31.12.2023, if the above mentioned cases are determined in favour of CPC is Rs. 26,306.41Mn.

There are two pending cases in the District Court of Colombo against CPC with an Enjoining Order, restraining CPC in implementing the Circular No. 1053 dated 05.07.2022 on recovering a monthly utility fee pending hearing and determination of the application for interim injunction. The amount receivable to CPC from dealers for the year 2023 as per Circular No. 1053 is Rs. 1.43 Bn. and out of which Rs. 120 Mn. is not accounted due to the above mentioned court Enjoining Order.

The aforementioned cases are still pending in the Courts and the Management believes that these cases may not have adverse effect on the continuation of the operations of the Corporation. No related provisions are made.

27. EVENTS AFTER THE REPORTING DATE

All material events after the reporting date, if any and where necessary have been considered and appropriate adjustments/disclosures have been made in the Financial Statements.

28. FINANCIAL RISK MANAGEMENT

The Group's activities expose to a variety of financial risks; market risk (including currency risk, interest rate risk), credit risk, liquidity risk and price risk. Risk management is carried out by management under policies approved by Board of Directors. Management identifies and evaluates the financial risks with reference to the operations of the Group. The Group's overall risk management programs seek to minimize potential adverse effects on the Group's financial performance.

The principal financial instruments of the Group comprise of fixed deposits, government securities, US Dollar deposits and cash. The main purpose of these finance instruments is to improve and maintain liquidity of the Group and to maximize financial return on the invested funds. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

(a) Market risk

(i) Foreign exchange risk

When the Corporation imports the petroleum products it is exposed to foreign exchange risk arising from currency exposure, primarily with respect to US dollars. The Group's functional currency is LKR in which most of the domestic transactions are denominated, and all other currencies are considered as foreign currencies for reporting purposes. Certain bank balances, trade receivables and trade payables are denominated in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Corporation's profit before tax due to changes in the fair value of USD denominated liabilities.

Item	Value as at 31/12/2023 USD Mn.	Closing Rate	Change in exchange rate	*Effect on Profit before tax Rs Mn.
Loan and Borrowings	32.479	328.7784	1% increase	(107)
Bills & Other payables	403.833	328.7784	1% increase	(1,328)
Trade & Other Receivables	41.578	319.1762	1% increase	133
Bank Balance	174.739	319.1762	1% increase	558
Total				**(744)**

* The effect on the profit before tax is the result of a change in the fair value of related liability denominated in US Dollars, where the functional currency is Sri Lankan Rupee.

Financial statements of the Group which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk. The changes in foreign currency exchange rates affect the cost of materials, purchases and services obtained from various parties in foreign currencies. In particular, continuous depreciation of the LKR against the US$ and other foreign currencies has direct impact on the operating and financial result through its impact on cost of imported petroleum products and other purchases.

(ii) Interest rate risk

Interest rate risk of the Group arises mainly from the borrowings and investments in the form of government securities and fixed deposits. In the case of supplier credit, interest rate varies largely from prevailing market rates. The Group analyses the interest exposure on a continuous basis and monitors London Inter Banking Offer Rate (LIBOR) and money market rates.

(b) Credit risk

Credit risk is the risk of financial loss to the Group, if a customer fails to meet its contractual obligations. Most of the Group's customers are not independently rated, therefore the quality of customers is considered by taking into account its financial position, past experience and other qualitative factors. The Corporation has established a credit policy under which each new customer is analyzed individually for credit worthiness before the credit limit is granted. Customers who fail to meet the corporations' credit policy may transact with the Corporation only on cash basis.

	CPC	
	2023 Rs.Mn	**2022 Rs.Mn**
Less than 30 days	4,675.764	11,979.007
30 - 90 days	4,025.048	13,125.321
91 - 180 days	1,327.104	45,402.352
181 - 365 days	3,604.009	81,418.840
More than 365 days	4,039.992	71,767.085
Total	**17,671.917**	**223,692.605**
Provision for impairment	(54.404)	(54.404)
	17,617.513	**223,638.201**

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

(c) Liquidity risk

Cash flow planning and forecasting is performed by the Finance division of the Corporation. Finance division continuously monitors funds available to meet its various financial liabilities and optimum utilization of excess short term financial resources for better yields.

Surplus cash held over and above balance required for working capital management is invested in interest yielding financial instruments such as repos, Treasury bond investments, call deposits and money market. At the reporting date, the Corporation held cash and cash equivalents of Rs. 43,337.617 Mn that are expected to readily generate cash inflows for managing liquidity risk.

The table below shows the Corporation's non-derivative liabilities into relevant maturity grouping based on the remaining period at the reporting date to contractual maturity date.

	December 2023 (Figures in LKR Million)				
	Less than 3 months	3-12 months	1 – 2 years	3-5 Years	Over 5 years
Bank borrowings	81,107	-	-	-	-
Long term debt	703	2,111	2,814	4,221	830
Total	**81,810**	**2,111**	**2,814**	**4,221**	**830**

(d) Price Risk

The corporation is exposed to the commodity price risk of petroleum products (both Crude & Finished Products) & other raw materials imported from overseas countries in US Dollars and other currencies. The Corporation regularly holds weekly stock review meetings at which future product requirements are discussed and planned for the required future importation. At the same time the corporation continuously interacts with the General Treasury and the line ministry by giving financial information of Petroleum products to make suitable timely managerial decisions.

29. DIRECTORS' INTEREST IN CONTRACTS & RELATED PARTY TRANSACTIONS

Board of Directors are considered as key management personnel. No Director has direct or indirect interest in the contracts with CPC, CPSTL & TPTL except the following;

Mr. Mohamed Uvais Mohamed was the Chairman of CPC up to 27.09.2023, and he served as Chairman of CPSTL. Mr. Susantha Silva was the Managing Director of CPC up to 13.02.2023, and he served as Managing Director of CPSTL. Mr. Saliya Wickramasuriya appointed as the Chairman of the Corporation with effects from 05.10.2023 and he serves as the Chairman of CPSTL and Director of TPTL. Colonel (Retd) S R P Ratnayake is the Managing Director of the Corporation with effects from 27.07.2023 and he is the Managing Director of CPSTL. Admiral Ravindra C Wijegunaratne functioned as the Managing Director of the Corporation during 14.02.2023 to 26.07.2023 and he serves as the Director of TPTL from 10.02.2023 to 31.10.2023. Mr. Gihan Rashantha and Mr. Sudeepa Rathnaweera are Directors of CPC and they serve as Directors of TPTL with effects from 31.03.2023.

Compensation of Key Management Personnel

	CPC	
	2023 Rs.Mn	**2022 Rs.Mn**
Short term Benefits	9.702	9.643

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

Following transactions were carried out with related parties

Transaction	2023 Rs.Mn	2022 Rs.Mn
Sales & Services rended to related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	2,623.889	2,888.529
Other related parties		
Ministry of Petroleum Resources Development	17.118	25.222
	2,641.007	2,913.750
Services received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	9,353.805	9,038.071
	9,353.805	9,038.071
Dividends received from related parties		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	240.000	-
	240.000	-
Other transactions with parties		
Subsidiary		
Investment		
Trinco Petroleum Terminal (Pvt) Limited	51.000	51.000
	51.000	51.000
Amount due from related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	228.035	1,247.065
Trinco Petroleum Terminal (Pvt) Limited	0.003	0.003
Other related parties		
Ministry of Petroleum Resources Development	1.496	4.445
	229.533	1,251.513
Amount due to related parties*		
Subsidiary		
Ceylon Petroleum Storage Terminals Limited	6,128.108	7,511.998

* Amounts are classified as trade and other receivables and trade and other payables, respectively

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

Since the Government of Sri Lanka directly controls the Corporation, CPC has considered the Government owned companies 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'.

30. CAPITAL MANAGEMENT

Primary objective of capital management is to maintain an optimum capital structure and maintain going concern status while safeguarding key stakeholders' interests. The Corporation and its Group was able earn Rs. 119,549 Mn. profit during the year and accordingly negative net assets position has improved to positive net assets position as at 31st December 2023. Accordingly, CPC believe that the Corporation has ability to continue as going concern basis.