

## **Trinco Petroleum Terminal (Pvt) Limited - 2022**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Trinco Petroleum Terminal (Pvt) Limited (“Company”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and statement cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, , the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **1.2 Basis for Opinion**

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.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

## 1.4 Audit Scope

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company.
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.36, 813,294. The Company established on 24 December 2021 and the business operations had not been started up to the end of the year under review. The main reason for the loss is finance expenses amounted to Rs.30.5 million relating to payment of lease interest to the General Treasury for the year 2022.

## 3. Operational Review

### 3.1 Operational Inefficiencies

According to the modalities agreement entered on 06 January 2022 for possession, Development and use of the China Bay Oil Tank Farm by Ceylon Petroleum Corporation (CPC), Lanka IOC PLC (LIOC) and the Company for validity period of fifty (50) years, the Company has full and unfettered freedom to carry out the businesses more fully agreed between CPC and LIOC such as storage of petroleum and petroleum related products or other products, export of such stored products. The following observations are made in this regard.

Audit Issue	Management Comment	Recommendation
(a) A proper strategic plan had not been prepared and implemented for developing the China Bay Oil Tank Farm Complex as to make the farm suitable to carry out the above businesses.	“Detail Feasibility study for the development of the 61 nos. of 10,000 m3 capacity (each) steel storage tanks and related area and allied facilities in the upper tank farm” is carrying out by the selected consultant Price water house coopers Private Limited, India and 75% (approximately) of the work is completed now. The final report of this consultancy contract is due at the end of May 2023. Based on the outcomes of the Feasibility Study Report, Strategic Plan, Long Term Plan, Corporate Plan, Business Model, and Organization Structure will have to be developed by the TPTL.	Immediate action should be taken to complete the Feasibility Study. And Prompt action should be taken to develop and implement Strategic Plan, Business Model, Corporate Plan, and Organization Structure, etc.
(b) A proper financial and other feasibility study of the said businesses had not yet been finalized and evaluated even it	For the purpose of carrying out preliminary operational activities of the company, an Organization Structure was developed assigning	

has passed more than 20 months from the incorporation. employees of Ceylon Petroleum Corporation and Lank IOC PLC on temporary basis.

(c) A long-term corporate plan had not yet been prepared and a business model had not been developed.

(d) An agreement for using common user facilities including the use of jetties, pipelines and other ancillary services had not yet been entered with other related parties, such as CPC, LIOC, etc. An agreement will be entered with the Ceylon Petroleum Corporation and Lanka IOC PLC for the use of common user facilities in consultation with the selected consultant which is going to award the contract after obtaining Board of directors approval. Prompt action should be taken to enter in to proper common user facility agreement prior to commence the operations.