

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 2024 comprising the statement of financial position as at 31 December 2024 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. 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 2024, 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 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 skepticism 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 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 35 million and the corresponding loss in the preceding year amounted to Rs 47 million. Therefore, a decreased amounting to Rs.12 million of the financial result was observed. The main reason for the improvement was the deduction in administrative expenses.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income, expenditure, assets, liabilities and equity items of the year under review compared with the preceding year with the percentage of increase or decrease were as follows.

	2024	2023	Variance	Increase/ (Decrease)	Comments
Line Item	Rs. Million	Rs. Million	Rs. Million	%	
Administrative Expenses	9.66	19.45	(9.79)	(50)	Administrative expenses had been decreased by 50 percent, and the main reasons for this were the non-occurrence of legal fees that were incurred as a one-time expense in 2023 related to legal proceedings filed against the company by a third party, and the absence of registration fees.
Finance Income	1.39	3.21	(1.82)	(57)	Although a high interest income was received on

					fixed deposits in the previous year, the significant withdrawal of fixed deposit during the year resulted reduction in interest income for the current year.
Total Assets	396.04	351.19	44.85	13	Total assets value had increased due to the escalation of work being carried out in connection with tanker renovation activities
Total Equity	160.17	115.28	44.89	39	Total equity value had increased due to the issuance of shares worth of Rs. 80 million to Ceylon Petroleum Corporation and Lanka Indian Oil Company in a 51:49 ratio.

3. Operational Review

3.1 Management Activities

Audit Issue	Management Comment	Recommendation
(a) A Project Manager for the company had been appointed from 01 December 2022 for the period of 06 months by the letter of Managing Director of the Company as a contract appointment for a monthly salary of Rs. 300,000 per month. Subsequently, this contract appointment had been extended for a period of one year in two occasions after expiry of contract period. The monthly salary had been increased to Rs. 450,000 in second extension. As per the said appointment letter the job	The Project Manager Mr. SDD Rajapakse was initially appointed on contract basis by Board through Newspaper advertisement and after following recruitment procedure wef 01.12.2022. (Copy of Minutes of 09th Board Meeting of TPTL is attached). Later on, the contract period of Mr. Rajapakse was extended up to 31.05.2025 with revision in salary vide board paper dt 31.05.2024. (Copy attached). The job description was communicated to the Project Manager by the DGM (Operations), and duties were carried out accordingly. Since	When appointing an officer to a position, the duties relevant to that position should be clearly defined and an official duty list should be provided.

description of the project manager will be issued by the DGM (Operation). However, board approval for this recruitment and job description of the project manager had not been submitted to the audit. Further, it was observed that the project manager had not reported for duty during the months of November and December of the year under review.

TPTL is awaiting the approval of CANC from the Ministry of Planning and Development. Accordingly, the project manager didn't report.

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| <p>(b) It was observed that the monthly average cash balance in the current account for the year under review was Rs. 21,778,561 without using to achieve the company's main objectives, Therefore, the company had incurred an opportunity loss of Rs.1,905,624 (if the excess cash balance was invested in fixed deposit with board approval) for the year under review due to loss of interest income on this idle cash balance.</p> | <p>As per the proposed activities of TPTL, additional share investment has been made by Ceylon Petroleum Corporation (CPC) and Lanka IOC PLC (LIOC) during October and November 2024. However due to the changes of the authorized signatories of TPTL with the change of Board of Directors, banking activities has been temporary held until the appointment of board of directors and authorized signatories. Arrangements has been made to invest excess funds in Fixed Deposits and call deposits subsequently in 2025.</p> | <p>Board decision should be taken to invest the excess cash in call deposit or REPO.</p> |
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3.2 Strategic Activities

Audit Issue	Management Comment	Recommendation
(a) Since its inception, the Company has not entered into a common user facility agreement or formulated a related plan with the relevant parties (CPC, LIOC) regarding the use of common user facilities including the use of	In compliance with the decision made by the Cabinet of Ministers on 09/01/2024, TPTL should select a suitable investor for the project, and the selection process is currently underway in accordance with the Procurement Guidelines. Since the selected	Action should be taken to find out a suitable investor after doing a suitability, acceptability and feasibility analysis after that prompt

jetties, pipelines, and other ancillary services to commence the company's operations. However, company has not been developed common user facility agreement. Further any activities to find out relevant parties (market players) had not been carried out by the company.

investor must be a party to this agreement, the finalization of the agreement for commonly used facilities (jetties, pipelines, and other ancillary services) will be postponed until the investor is selected.

actions should be taken to enter in to common user facility agreements with the stakeholders of the company to success the business operations.

(b) According to the short-term strategic plan of the Company. 09 tanks had to be refurbished during first phase of the project or first three-year period. However, it was observed that the Company had not committed or reached to the target timely even the first two years have already passed. Therefore, the completion of the above project and commencement of business activities timely in compliance with strategic plan were doubtful.

Initially it was planned to developed 10 Tanks under short term strategic, but as per the decision of cabinet of ministers dt 09.01.2024, the proposed development to be carried through suitable investor by following EOI process. Accordingly, the EOI was invited on 20.05.2024 and seven parties were shortlisted. Further process of preparation of RFP will commence after the approval of CANC members from the Ministry of Planning and Development.

The process of obtaining the necessary approval for the project should be expedited.

(c) The company shall develop a corporate plan to achieve the objectives outlined in its articles of association. Although the company had prepared the medium-term corporate plan covering the period from 2024 to 2030, it has not yet been submitted for audit.

A Corporate Plan was prepared by the company internally for the period of 2024-2030 for which the in-principal approval was granted by the Board of Directors and submitted to the Board of Directors. This was submitted on 13th Board meeting of TPTL held on 27.11.2023.

The company should have corporate plan to achieve its objectives in compliance with the relevant guidelines and its strategic direction and it should be forwarded to the audit.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Issue	Management Comment	Recommendation
<p>Annual budget should be prepared based on the cash inflows (internal funding, loan etc.) & outflows. However, when preparing the annual budget, 23 activities of Rs.4,291.16 Mn had been identified to implement during the year. However, funding sources to incur for the above activities had not been identified.</p> <p>According to the information provided to the audit, 100 per cent or Rs. 3,965 Mn of the capital budget was remained without using for the year 2023 and 98 per cent or Rs.4,248.1Mn was remained without use during the year under review. Furthermore, activities included in the capital budget related to the main operation activities had not been carried out during the year under review due to lack of funding arrangements.</p>	<p>According to the initial plan, the development of the tank farm was to be carried out in multiple phases, with all activities under Phase 1 concentrated within the first three years. The main item in the 2023 Capital Budget was allocated for the refurbishment of 10 tanks and the development of allied facilities necessary for their operation. However, these developments were suspended following the decision of the Cabinet of Ministers on 09/01/2024. As a result, the allocated Capital Budget was not utilized.</p>	<p>Annual budget should be prepared based on the cash inflows (internal funding, loan etc.) & outflows. When preparing the budget, the financial position of the company and other external factors should be taken into consideration. Progress of the activities included in the capital budget and reason for variation should be forwarded to the board of directors regularly.</p>