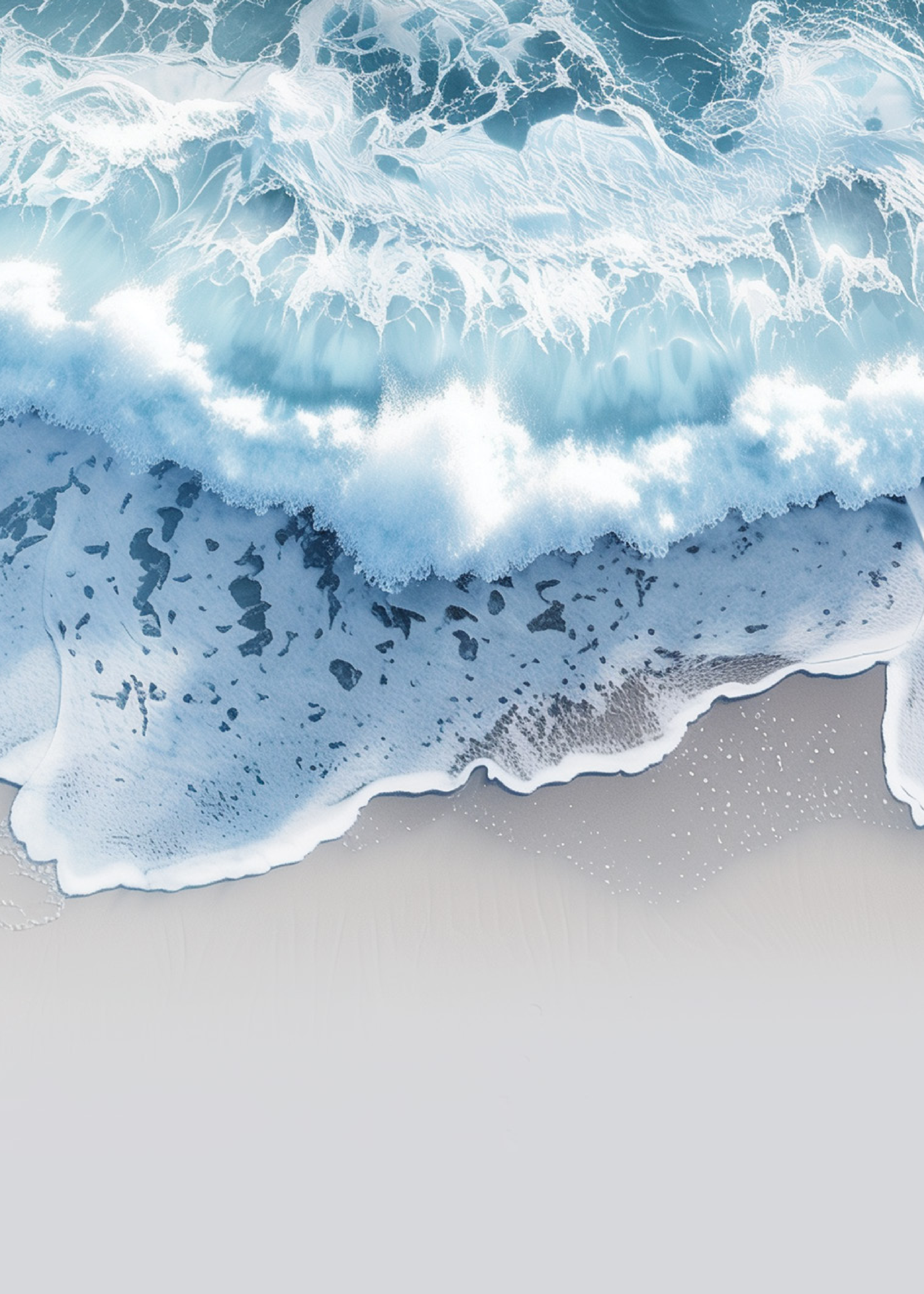
Chevron

RESILIENCE

ANNUAL REPORT 2023



RESILIENCE

In hard times, resilience becomes the unwavering spirit that refuses to succumb in the face of overwhelming odds. Instead, it grows into an armour of determination, to push back every obstacle. Resilience is a mindset. It is the belief that adversity creates an opportunity for growing.

By providing the strength to endure hardships and the wisdom to extract valuable lessons from every trial, resilience becomes an opportunity to respond to volatile circumstances instead of letting circumstances define the outcome.

Within these pages lies the narrative of how Chevron Lubricants Lanka PLC rose above the situation by persevering in the storm of adversity to reach the shores of success.

VISION, OUR VALUES

Vision

To be the pre-eminent marketer of lubricants in Sri Lanka differentiated by its people, partnerships and performance.

Our Values

Our company's foundation is built on our values, which distinguish us and guide our actions to deliver results. We conduct our business in a socially and environmentally responsible manner, respecting the law and universal human rights to benefit the communities where we work.

Diversity and Inclusion

We learn from and respect the cultures in which we operate. We have an inclusive work environment that values the uniqueness and diversity of individual talents, experiences and ideas.

High Performance

We are passionate about delivering results, and strive to continually improve. We hold ourselves accountable for our actions and outcomes. We apply proven processes in a fit- for-purpose manner and always look for innovative and agile solutions.

Integrity and Trust

We are honest with ourselves and others, and honor our commitments. We trust, respect and support each other. We earn the trust of our colleagues and partners by operating with the highest ethical standards in all we do.

Partnership

We build trusting and mutually beneficial relationships by collaborating with our communities, governments, customers, suppliers and other business partners. We are most successful when our partners succeed with us.

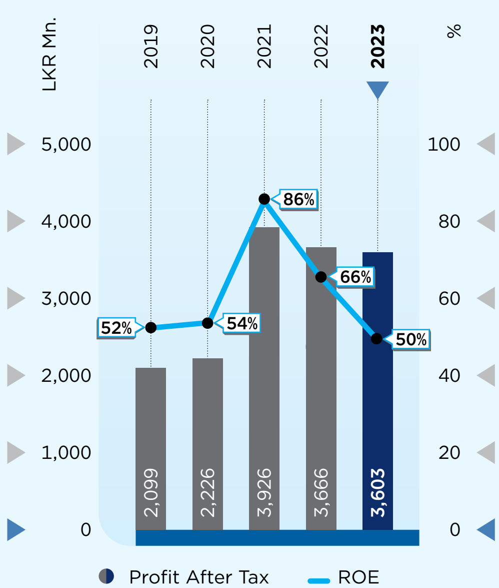
Protect People and the Environment

We place the highest priority on the health and safety of our workforce and protection of our assets, communities and the environment. We deliver world-class performance with a focus on preventing high consequence incidents.

FINANCIAL HIGHLIGHTS

	2023	2022	Change
Turnover (Rs. '000)	23,252,503	24,574,730	-5%
Profit Before Tax & OCI (Rs. '000)	5,144,503	4,999,632	3%
Taxation (Rs. '000)	1,541,490	1,333,578	16%
Profit After Tax (Rs. '000)	3,603,013	3,666,055	-2%
Shareholders' Funds (Rs. '000)	8,332,330	6,159,131	35%
Property, Plant & Equipment (Rs. '000)	1,611,884	1,588,867	1%
Gross Dividends (Rs. '000)	1,440,000	1,680,000	-14%
Dividend per Share (Rs.)	6.00	7.00	-14%
Earnings per Share (Rs.)	15.01	15.28	-2%
Dividend Payout Ratio (%)	40	46	-6%
Price Earnings Ratio (Times)	6.01	6.32	-5%
Market Value per Share as at 31st December (Rs.)	90.30	96.50	-6%
Return on Equity (%)	50	66	-16%
Net Assets per Share (Rs.)	34.72	25.66	35%
Net Income to Turnover (%)	15	15	0%

Profit After Tax & ROE



Gross Dividends

Leadership

CHAIRMAN'S REVIEW

The global and local operating environments have been tumultuous during the post-pandemic recovery phase. While some economies have fared better than others, there has been noticeable growth worldwide.

In the past, China has been the primary engine of growth in this region, but its expansion has been relatively muted in the post-pandemic era. On the other hand, other economies, such as India, are on an upward trajectory, but it remains to be seen if they would have a similar impact as China.

Despite some positive signs, we have yet to see the full effects of the post-pandemic era. There have been various challenges to navigate, from the Russia-Ukraine war to what's happening in the Gulf region and its impact on trade routes. However, hidden opportunities still exist, and we must remain nimble and agile to adapt to the ever-changing scenario, which aligns with our Annual Report's theme this year: Resilience.

"Chevron Lubricants Lanka PLC recorded strong profitability by earning a profit after tax of LKR 3,603 Mn."

Company Performance

Chevron has a long and proud history in Sri Lanka, being one of the few entities with a manufacturing facility in the country. Our proactive approach to customer and partner needs and the public's trust in the Caltex brand has helped us seek opportunities, even in recent trends of a declining market. Despite the market shrinking significantly, we maintained a relatively strong market share, which clearly indicates our customers' trust in us.

As we move forward, we are aggressively looking at digitizing the organization, both on the manufacturing and commercial fronts, to maintain a more substantial social media presence and create applications that provide touchpoints for our customers. While there are headwinds to navigate, such as the increase in shipping times and costs, we remain confident in our ability to stay reliable for our customers and take care of our people.

Chevron Lubricants Lanka PLC recorded strong profitability by earning a profit after tax of LKR 3,603 Mn. (1.7% decline compared to LKR 3,666 Mn. in 2022), leading to earnings per share of LKR 15.01 compared to LKR 15.28 in the previous year. The company declared and paid dividends of LKR 6 per share during the year.

The company continued its Operational Excellence journey and achieved a significant milestone with 22 years of zero lost time due to injury. This underscores the best practices for health, safety, and environmental policies in the organization.

Future Outlook

Looking to the future, we believe. Chevron Lanka has strong fundamentals in place having performed well, even amidst challenging circumstances.

The board has immense confidence in Chevron Lubricants Lanka PLC's leadership as it continues to focus on the controllables and performing well within that context, which is also evident in the positive results that have been delivered.

As the macroeconomic environment improves, Sri Lanka is well-placed to be an important player in global trade, and Chevron Lubricants Lanka PLC is committed to playing a key role in the country's growth story.

Acknowledgements

I want to acknowledge our Managing Director and Chief Executive Officer, Bertram Paul, for his leadership and for ensuring that we stay the course in all environments.

I extend my heartfelt thanks to our Management Team, which includes our Director and Chief Financial Officer, Erande De Silva, Human Resources Manager, Maheshni Hamangoda, and General Manager of Supply Chain, Wijitha Akmeemana. Their leadership and guidance have been instrumental in ensuring we remain steady, focused, and perform at our best.

I would also like to take this opportunity to recognize the significant contributions of Wijitha Akmeemana, our General Manager of Supply Chain, who retired in March 2024. His wealth of experience and dedication to the organization have been invaluable. On behalf of Chevron, I express my deep gratitude for his years of service to the Company.

I am incredibly grateful to all our stakeholders, shareholders, and value chain partners for their unwavering support and faith in us. Your trust has been a driving force in helping us navigate the turbulence of 2023, and we remain committed to delivering value and sustaining our business in the years to come.

I firmly believe that our efficient and resilient human resource, steadfast relationships, and reputation in the industry are the key factors that will help us succeed in 2024 and beyond.

Muhammad Najam Shamsuddin
Chairman

MANAGING DIRECTOR'S REVIEW

"Effective margin management and robust cost rationalization also helped in delivering results close to the previous year"

"Resilience" which is the theme of our 2023 Annual Report, aptly captures the narrative behind the performance of Chevron Lubricants Lanka PLC (CLLP) for the year 2023. The Oxford dictionary defines "Resilience" as the capacity to withstand or to recover quickly from difficulties. That is precisely what CLLP has been able to achieve during the year under review.

Coming on the back of a near hyper inflationary situation in 2022, the year started off with a steep increase in personal income tax with a double whammy of an increase in tax rates and a reduction in the tax-free threshold, which significantly reduced the disposable income of consumers. This meant that lubricant demand failed to recover despite the improvements in political stability, social unrest and availability of essentials compared to the dark days of 2022.

Lubricant market statistics released by the shadow Regulator of the lubricant industry – the Public Utilities Commission of Sri Lanka (PUCSL) reflected that the Sri Lanka lubricant industry declined 36 percent in the first half of 2023 versus the same period in the prior year. This was on top of a 26 percent decline in full year 2022 volumes over full year 2021. Vehicle running continued to be depressed with the fuel quota in operation, which led to reduced consumption of lubricants, with the pinch being felt by vehicle service stations and lubricant sales outlets. The construction sector also continued to struggle, evidenced by the cement industry recording a 17 percent decline in 2023 on the back of a 36 percent decline in 2022.

With the local currency starting to strengthen against the US dollar from March onwards, we decided to pass on the benefit to consumers and effected a price reduction across the portfolio. This was aggressively promoted via traditional and online media, highlighting the fact that while most things were going up in price, Caltex Lubricants was effecting a price reduction of up to 45 percent. The campaign was well received and enabled us to win back consumers who had shifted to lower cost alternatives due to economic pressures, especially on the branded small packs.

Overall, our agility in responding promptly to changing market dynamics, via trade and consumer promotions and continuous adjustments of the various incentive programmes for our channel partners, enabled us to make the best of a tough market situation, especially in the Indirect Channel.

Sri Lanka turned a corner in the third quarter of 2023 with GDP growth clocking a positive 1.6 percent after six previous quarters of negative growth. This was also reflected in the lubricant market with 18 percent growth in quarter 3 of 2023 versus first half of 2023. Quarter 3 also brought with it more good news, such as inflation dropping to low single digit, reduction in interest rates, increase in inward remittances and improved tourist arrivals, all of which helped further strengthen the Sri Lankan rupee (LKR) versus the US dollar (USD). In addition, various factors bolstered optimism on the recovery, including approval by Parliament of the local debt restructuring plan, the scrapping of the QR code-based fuel quota system, the lifting of the ban on import of trucks and heavy vehicles as well as Sri Lanka reaching the IMF staff level agreement on the first review of Sri Lanka's Extended Fund Facility Arrangement.

Data released by the Central Bank of Sri Lanka for the fourth quarter of 2023 carried more good news with a solid GDP growth of 4.5% for the quarter, which augurs well for 2024. However, the negative growth of the first two quarters of 2023 dragged down the overall GDP growth rate for the full year 2023 to negative 2.3%.

The Direct channel was boosted by increased consumption in the power generation sector with downtime experienced in the coal power plant and the drought which also led to the commissioning of independent power producers. However, this situation changed in the last quarter with the onset of heavy rains, which led to thermal power contributing a mere 1 to 2 percent to the grid. The Rubber sector continued to struggle with a significant drop in export orders, with recessionary pressures in the West. OEMs also faced reduced consumption with the continued ban on the import of new vehicles, reduced vehicle running and increased cost of vehicle servicing, leading to consumers deferring oil changes.

Exports to Maldives were lean during the first half of the year due to some internal challenges faced by the distributors but picked up during the second half. Exports to Bangladesh dropped marginally below the prior year, due to the market decline and economic challenges, including a serious forex shortage.

Despite the many headwinds, CLLP managed to deliver financial performance almost on par with the prior year, with the bottom-line down a mere 2 percent versus prior year, with a 5 percent year on year drop in top-line. This was despite a steep increase in Corporate Tax, with the first half of 2022 taxed at 18 percent on local sales and 14 percent on export sales, while the entirety of 2023 was at a Corporate Tax rate of 30 percent. We also had a tailwind on forex in terms of forex gain in 2023 versus forex losses in 2022. Effective margin management and robust cost rationalization also helped in delivering results close to the previous year.

In terms of the industry, the number of players at the end of 2023 stood at 35, while it was 26 a year ago, and 13 players five years ago. This means that the number of players has almost tripled over the last five years, with the government continuing to issue new lubricant licenses despite the significant market decline experienced over the last two years.

In August 2023 all lubricant players were informed by the Ministry of Energy that the Public Utilities Commission of Sri Lanka (PUCSL), the shadow regulator for the lubricant industry in Sri Lanka, shall be confined to regulating the Electricity Industry and a new regulator will be set up in 2024 for the Petroleum industry, covering fuels, liquid petroleum gas and lubricants. The move to have a fully-fledged regulator, empowered by legislation, is a welcome initiative, and we look forward to seeing tangible steps toward establishment of the new Regulator. Meanwhile the previous shadow Regulator – PUCSL has ceased to engage in the activities of market monitoring, educating consumers and the trade, import inspection, engaging in investigations and taking action against unauthorized operators and product adulterators, since their source of funding for lubricant related activities has been stopped, following the directive from the Ministry of Energy (MOE) that the lubricant license fees paid by the players previously directly to PUCSL should now be paid to the MOE instead. With this development, there is risk that the vacuum could result in a proliferation of unauthorized players and product adulterators, which would be detrimental to licensed players, consumers, and the government in terms of loss of revenue.

In terms of our future outlook, we remain cautiously optimistic, since we see signs of demand recovery in certain segments, but not in others. While there are several positives in the environment compared to the situation in 2022, with 2024 being an election year, it is fraught with uncertainty. The team remains focused on the controllable and to continue our agile approach with a growth mindset. We are committed to the one team culture, with the aim of outperforming the market and exceeding our past performance.

I wish to thank my team at Chevron Sri Lanka, our valued business partners, suppliers, and service providers for their sterling efforts throughout 2023, which enabled us to deliver strong performance despite the headwinds. I know I can count on their sustained support in the year ahead. Many thanks to our Chairman and the Board of Directors for their support and guidance at all times. I remain confident in our ability to win together as One.

Bertram Paul
Managing Director/Chief Executive Officer

BOARD OF DIRECTORS

Muhammad Najam Shamsuddin

Chairman/Non-Executive Director

Muhammad Najam Shamsuddin is a seasoned business leader with over 20 years of experience in the oil and gas industry. He currently serves as the Chairman of the board of Chevron Lubricants Lanka PLC, a position he has held since November 2022. Prior to this, he served as the Managing Director & CEO of the company from October 2020 to November 2022.

Mr. Shamsuddin began his career in advertising before moving to British American Tobacco (BAT) Pakistan in 2001, where he was responsible for ensuring seamless execution of marketing and sales strategy. In 2004, he joined Chevron Pakistan as Manager, Brand & Marketing, and has since held positions of increasing significance, including Marketing Manager Pakistan & Gulf, Manager Commercial Sales, and Manager Special Projects - Africa, Middle East & Pakistan.

In 2014, Mr. Shamsuddin was selected as Area Business Manager (ABM) - Pakistan, and in 2015, he was appointed as Country Chairman for Chevron Pakistan Lubricants (Pvt) Limited. During his tenure, he led the company to deliver double-digit growth in earnings and volume. In April 2019, he took over as the ABM for Chevron's Asia Pacific Cluster markets, overseeing profitable growth for Chevron Lubricants in Malaysia, Singapore, Vietnam, Indonesia, and other export countries.

Mr. Shamsuddin holds a Bachelor's in Business Administration (Hons) and a Master's in Business Administration from the Institute of Business Administration Karachi, Pakistan.

Positions held in other Companies in Sri Lanka

Number of Companies – 1

Name of the Company	Listed/ Unlisted	Type of Directorship
Chevron Ceylon Limited	U	●

U Unlisted ● Executive Director (Chairman)

Bertram Paul

Managing Director/Chief Executive Officer

Mr. Bertram Paul appointed to the board in November 2022, serves as the Managing Director & CEO of Chevron Lubricants Lanka PLC.

Bertram Paul has over 30 years of experience in business practice, with wide ranging industry exposure covering Energy, Fast Moving Consumer Goods (FMCG), Financial Services, information Technology, Retailing, Real Estate, and Education. He has worked in markets in South Asia, Southeast Asia and the Middle East in various positions of product and brand management, sales and marketing management as well as general management, with wide ranging business responsibilities.

Having joined Chevron Sri Lanka in 2008 as the General Manager – Sales and Marketing, he has been an integral part of its success, despite keen competition and adverse macro environmental factors. In 2012, he undertook an expatriate assignment with the Indonesian business unit of Chevron Lubricants, based in Jakarta, where he served as Country Sales Manager/President Director for a period of two years. As a member of the senior leadership team of Chevron Sri Lanka, he has received many accolades including winning the 'Intellect Award' in 2010 and is a two-time winner of the award for "Management Team Member of the year", consecutively in 2015 and 2016. Prior to joining Chevron, he was the Director/CEO of Richard Pieris Distributors, the sole hypermarket operator in Sri Lanka and prior to that he was the Sales and Marketing Director of the Anglo Dutch Multinational, Reckitt Benckiser.

Bertram holds a Master's degree in Business Administration from the Postgraduate Institute of Management of the University of Sri Jayawardenapura, is an Associate Member of the Chartered Institute of Management Accountants – UK, and a Fellow Member of the Chartered Institute of Marketing – UK and is also a Chartered Marketer. Bertram is currently reading for his Doctorate in Business Administration at the University of Kelaniya.

Having also been involved in Accounting and Marketing education in a part time capacity over the last 30 years, with the aim of giving back to society, Bertram is currently part of the faculty of the MBA Programme of Birmingham City University - UK; delivered in Sri Lanka via Next Campus, covering their Marketing and Strategic Management modules. He has served previously as a member of the Management Committee of the Chartered Institute of Marketing, Sri Lanka Region heading the Corporate Integration Taskforce, where he was responsible for taking "marketing" into the Boardrooms of Sri Lankan Corporates.

Bertram is the recipient of an "Achievers Award" from the Postgraduate Institute of Management, University of Sri Jayawardenapura, for services rendered to businesses, profession, and society. He is also the recipient of an award of special recognition from the Chartered Institute of Marketing – UK in their centenary year, in appreciation of his contribution towards the marketing profession and the development of outstanding students and professional marketers.

Positions held in other Companies in Sri Lanka

Number of Companies – 1

Name of the Company	Listed/ Unlisted	Type of Directorship
Chevron Ceylon Limited	U	●

U Unlisted ● Executive Director (Managing Director/CEO)

Haider Manasawala

Non-Executive Director

Mr. Haider Manasawala appointed to the board in February 2021, serves as a Non-Executive Director of Chevron Lubricants Lanka PLC. He currently leads the finance function for Europe, Africa, Middle East, and South Asia region for Chevron's International Products business as their Regional Finance Head, based in Singapore. Prior to assuming his current role in November 2020, Mr. Manasawala held the position of General Manager Finance and Planning for Chevron's Chemicals business in the Asia Pacific region located in Singapore.

Mr. Manasawala joined Chevron in 2000 as Comptroller for Caltex Corporation's Risk Management and Insurance function and has progressed through wide variety of roles in the finance function in Chevron's downstream, upstream and chemicals businesses working in Singapore, India, Malaysia, New Zealand, Middle East and US.

Previously, he has worked with public accounting firms, KPMG Singapore, and Arthur Andersen in their Middle East practices.

Mr. Manasawala brings a unique mix of multi-geography energy business experience in upstream, downstream and chemicals businesses. He possesses strong commercial acumen and keen financial prowess honed over many years of working in fast-paced organizations and challenging business environments. He has served as director on the boards of Chevron companies and joint ventures in diverse countries including Singapore, Malaysia, Vietnam, China, New Zealand, Bangladesh, India and US.

Mr. Manasawala earned an MBA from Strathclyde University in UK and a bachelor's degree in commerce from Bombay University in India. He is a Chartered Accountant and a CPA (USA). He is a member of the Institute of Chartered Accountants of India, Chartered Accountants Australia and New Zealand and Singapore Institute of Directors.

Positions held in other Companies

Mr. Manasawala is a Director of Arteco N.V., Belgium, Chevron Lubricants Holdings Pte Ltd Singapore, Chevron Lubricants India Private Limited, India, EPPCO International Ltd., United Arab Emirates, EPPCO Projects Co. LLC, United Arab Emirates.

Erande De Silva

Director/Chief Financial Officer

Mr. Erande De Silva appointed to the Board in 2019, serves as an Executive Director/Chief Financial Officer of Chevron Lubricants Lanka PLC. He joined Chevron Lubricants Lanka PLC in 2011 and served in the capacity of Manager Finance and Planning. He concurrently serves as the Company Secretary. He also functioned as the Compliance Officer of the Company from August 2018 to March 2021. Amongst the accolades received, he was recognized as the Management Team Member of the year 2014 at Chevron Lubricants Lanka. Mr. De Silva counts for more than nineteen years of experience in finance with business and commercial acumen in business planning, financial management, corporate finance, risk management and compliance. During his career he has been engaged in cross functional project initiatives with sales, marketing and supply chain. Prior to joining Chevron in 2011, Mr. De Silva was last employed as Manager Finance at Hemas Consumer Brands (Hemas FMCG Sector).

Mr. Erande De Silva holds a Bachelor of Business Administration Honours Degree from the Faculty of Management and Finance of the University of Colombo. He also holds a Master of Business Administration from the Postgraduate Institute of Management of the University of Sri Jayewardenepura. Mr. De Silva is an Associate Member of the Chartered Institute of Management Accountants (UK), a Chartered Global Management Accountant of the Association of International Certified Professional Accountants and an Affiliate of the Association of Chartered Certified Accountants (UK). Mr. De Silva is also a member of the Sri Lanka Institute of Directors.

Positions held in other Companies in Sri Lanka

Number of Companies – 1

Name of the Company	Listed/ Unlisted	Type of Directorship
Chevron Ceylon Limited	U	● Executive Director (Director/CFO) ● Company Secretary

U Unlisted
● Executive Director (Director/CFO)
● Company Secretary

Asite Talwatte

Non-Executive Director

Mr. A. D. B. Talwatte appointed to the Board in 2018, serves as an Independent Non-Executive Director of Chevron Lubricants Lanka PLC. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants of the U.K. He also holds a Post-Graduate Diploma in Business and Financial Administration awarded by the CA Sri Lanka and the University of Wageningen, Holland and has a MBA from the University of Sri Jayawardenapura, Sri Lanka. Mr. Talwatte has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois.

Mr. Talwatte worked at Ernst & Young in Assurance, Business Risk and Advisory Services for 37 years, including 10 years as Country Managing Partner. He has worked with Ernst & Young in Cleveland, Ohio and also served on Ernst & Young's Far-East Area Executive Committee, the Area Advisory Council and the ASEAN Leadership Committee.

Mr. Talwatte was President of the CA Sri Lanka for a two-year period in 2002/2003 and the CIMA in 1995/96. He also served as the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of the CA Sri Lanka.

Mr. Talwatte has been closely associated with the development of Corporate Governance in Sri Lanka being actively involved with the Code of Audit Committees in 2002 and the Code of Corporate Governance in 2003. He co-chaired the Committees to structure the revised Codes of Corporate Governance of 2008, 2012, 2017 and 2023 and the Listing Rules of 2008. He chaired the International Integrated Reporting Council of Sri Lanka (IIRSL) on behalf of CA Sri Lanka for several years and currently serves on the Corporate Governance Committee of CA Sri Lanka for the period 2022/2023.

Positions held in other Companies in Sri Lanka

Number of Companies – 16

Name of the Company	Listed/ Unlisted	Type of Directorship
Ceylon Hospitals Plc.	L	Independent Non-Executive Director
Central Finance Plc.	L	Independent Non-Executive Director (Chairman)
Sunshine Holdings Plc.	L	Independent Non-Executive Director
DIMO Plc.	L	Independent Non-Executive Director
CT Holdings Plc.	L	Independent Non-Executive Director
Tokyo Cement Plc.	L	Independent Non-Executive Director
Cargills (Ceylon) Plc.	L	Independent Non-Executive Director
Sunshine Healthcare Lanka Ltd.	U	Independent Non-Executive Director
Kotmale Holdings Plc.	L	Independent Non-Executive Director
Braybrooke Residential Towers (Pvt) Ltd.	U	Independent Non-Executive Director
Silvermill Investment Holdings (Pvt) Ltd.	U	Independent Non-Executive Director
Lanka Tours & Trades (Pvt) Limited	U	Executive Director
Gilkrist Leisure (Pvt) Limited	U	Non-Executive Director
Cirute Plantations (Pvt) Limited	U	Executive Director
Management Systems (Pvt) Limited	U	Non-Executive Director (Chairman)
Myanthiho Investment & Trading (Pvt) Limited	U	Non-Executive Director

L Listed
U Unlisted
Independent Non-Executive Director
Independent Non-Executive Director (Chairman)
Non-Executive Director
Executive Director
Non-Executive Director (Chairman)

Dr. Harsha Cabral

Non-Executive Director
President's Counsel

Dr. Harsha Cabral appointed to the Board of Chevron Lubricants Lanka PLC in October 2022, serves as an Independent Non-Executive Director.

Dr. Cabral is a President's Counsel in Sri Lanka with thirty-five (35) years' experience in the field of Intellectual Property Law, Company Law, Commercial Law, Commercial Arbitration, Securities Laws, International Trade Law covering both civil and criminal aspect of the said areas of the law. He has been a President's Counsel for sixteen (16) years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka and has sixteen (16) Attorneys-at-Law working in his Chambers. He holds a doctorate in Corporate Law from the University of Canberra, Australia. He was a sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris for a period of six years till 2021. He is a Representative Member of the Federation of Integrated Conflict Management (FICM) as well as a Representative Member of the International Commercial Disputes Tribunal (ICDT). Dr. Cabral is a Fellow of the Institute of Chartered Governance Institute (UK & Ireland). He is a former member of the Board of Investment (BOI) of Sri Lanka. He was the Founder Board Member of the Sri Lanka International Arbitration Centre and was involved in the drafting of the Arbitration Act, No. 11 of 1995, the current Act. Dr. Cabral is also a member of the Law Commission of Sri Lanka, a member of the Intellectual Property Advisory Commission in Sri Lanka and the Chairman of the Intellectual Property Law Reform Project of the Ministry of Justice, a member of the Corporate Governance Faculty and the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka, and University Grants Commission (UGC) nominee on the Post Graduate Institute of Medicine (PGIM). As a member of the Advisory Commission on Company Law in Sri Lanka, Dr. Cabral was one of the architects of the Companies Act No. 7 of 2007, the current Act. Dr. Cabral is also a Senior Advisor to the Ministry of Sports in drafting the new National Sports Law, a Senior Advisor to the Ministry of Justice on the new House of Justice Project (Chairman) and a Senior Advisor to the Ministry of Justice on Commercial Law Reform.

Dr. Cabral serves as the Chairman of the Tokyo Cement Group, which commands the largest market share for cement in Sri Lanka.

He was the past Chairman of LOLC Finance PLC, one of the largest Finance Companies in Sri Lanka. He was also a director of LOLC Insurance Company Limited, Commercial Leasing & Finance Limited and Richard Pieris Distributors Limited (Arpico Supermarkets). He was also the past Acting Chairman of Hatton National Bank PLC (HNB). In addition, Dr. Cabral was a senior Director of the Union Bank of Sri Lanka. He was also a member of the Cabinet appointed Committee on the National Trade Policy and also a member of the Presidential Commission appointed on reformulating laws of Sri Lanka.

Dr. Cabral is a senior visiting lecturer at several Universities here and abroad, a regular speaker at public seminars and an author of several books. He has also presented several papers on Corporate Law, Intellectual Property Law, Commercial Arbitration, International Trade Law here and abroad. In addition to his active practice in courts and lecturing, he has been a counsel in many Arbitrations and has served as Sole-Arbitrator, Co-Arbitrator and Chairman in a large number of Arbitrations, domestic and international.

Positions held in other Companies in Sri Lanka

Number of Companies – 17

Name of the Company	Listed/ Unlisted	Type of Directorship
DIMO PLC	L	Independent Non-Executive Director
Hayleys PLC	L	Independent Non-Executive Director
Tokyo Cement Company (Lanka) PLC	L	Independent Non-Executive Director (Chairman)
Tokyo Super Cement Company Lanka (Private) Limited	U	Independent Non-Executive Director
Tokyo Cement Power Lanka (Private) Limited	U	Independent Non-Executive Director
Alumex PLC	L	Independent Non-Executive Director
Tokyo Eastern Cement Company (Private) Limited	U	Independent Non-Executive Director
Tokyo Super Aggregate (Private) Limited	U	Independent Non-Executive Director
Tokyo Supermix (Private) Limited	U	Independent Non-Executive Director
World Export Centre Limited	U	Independent Non-Executive Director
Darley Property Holdings (Private) Limited	U	Independent Non-Executive Director
CCC-ICLP International ADR Centre (Guarantee) Limited	U	Independent Non-Executive Director
Ceylinco Life Insurance Limited	U	Independent Non-Executive Director
Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT)	U	Independent Non-Executive Director
SLIIT International (Private) Limited	U	Independent Non-Executive Director
Nanadiriya (Guarantee) Limited	U	Non-Executive Director (Chairman)
National Savings Bank	U	Non-Executive Director (Chairman)

L Listed   U Unlisted

- Independent Non-Executive Director
- Independent Non-Executive Director (Chairman)
- Non-Executive Director (Chairman)

He also serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees and the Related Party Transaction Committees, chairing most of them.

MANAGEMENT TEAM

Bertram Paul
Managing Director/Chief Executive Officer

Erande de Silva
Director/Chief Financial Officer

Thushari Weragoda
Laboratory & Quality Assurance Manager

Nishantha Wanniarachchi
Logistics Manager

Chanaka Caldera
Head of Sales – Retail

Thusitha De Silva
Head of Sales Commercial Industrial and Exports

Arjuna Imbulpitiya
Head of Technical

Channa Tennakoon
Export Sales Manager

Maheshni Hamangoda
Head of Human Resources

Wijitha Akmeemana
General Manager Supply Chain

Vajira Hewawasam
Production Manager

Nishshanka Dissanayaka
Manager Finance & Business Planning

Manoja Sajeewani
Business Support Manager

Tehan Samarasinha
Head of Marketing

Aruna De Silva
Information Technology Manager

Umesh Perera
Procurement Manager

Management Discussion and Analysis

Economic overview

At the commencement of year 2023 the country was already saddled with several economic challenges vis-a-vis gradually progressing through an economic crisis which peaked in 2022. The fiscal policy measures effected by the government primarily through a high tax regime of direct tax on account of increased tax rates for personal income tax, reduced tax-free threshold and allowances, increased the tax burden for individuals. The increased indirect tax through VAT rate revision from 12% to 15% further compounded inflation which was already on a high base as a consequence of a devalued and depreciated local currency during the preceding year. The combined effects compressed both disposable income and real income of consumers, which had a dual adverse impact on the propensity for consumer spend and hindered growth in consumption. The relatively high policy interest rates maintained by the Central Bank of Sri Lanka (CBSL) during the first half of the year, partly to counter inflation, curtailed credit growth and borrowing in the country. Consequentially, a slow down on consumer demand and spend was experienced in the economy particularly during the first half of the year, which was evident by the decline in first quarter and second quarter GDP reported by CBSL.

Certain industries were severely hampered by the economic context that prevailed during the year. The construction industry, in particular, was adversely affected due to absence of investments and government allocation of funds on certain large-scale projects, which were suspended since the peak of the economic crisis. The slowdown in construction activities had a significant impact on the economy, which had a cascading effect on many ancillary industries in the country.

A few tailwinds were instrumental in positively shaping the economic landscape of the country, especially during the second half of the year. The Government of Sri Lanka was able to secure a 48-month Extended Fund Facility (EFF) through the International Monetary Fund (IMF) amounting to approximately United States Dollars (USD) three billion. This provided an elevated level of confidence to external creditors and stakeholders, considering the “default” credit rating assigned to the country in 2022. The country received two tranches of the EFF from IMF amounting USD 670 million during 2023. The government initiatives towards domestic debt restructuring and concurrently progressing discussions on external debt restructuring was considered as a step in the right direction.

The inflows from IMF, the increased inward remittances from migrant workers, the gradual increase in earnings from tourism, together with austerity measures introduced during 2022 to curtail imports, the exchange controls enforced to improve USD inflows and liquidity in the banking system resulted in the local currency – the Sri Lankan Rupee (LKR) – appreciating against the USD during the latter half of the year. The trajectory of inflation subsided during the latter quarters, whilst policy interest rates were slashed by CBSL. The government’s decision to gradually increase the fuel quota during the second quarter of the year and eventually remove the fuel quota system, also eased constraints encountered in transportation activities. These tailwinds allowed the government to relax some of the import embargoes to facilitate trade and consumption as the year 2023 progressed towards culmination.

As per the provisional statistics released by the Department of Census and Statistics of Sri Lanka (DCS), the economy recorded negative growth of 2.3% in 2023 compared to the 7.3% negative growth recorded in 2022. The main sectoral contributors to the economy remained relatively consistent, with agriculture, industry and services contributing 7.9%, 25.3% and 60.6% respectively, with taxes less subsidies on products contributing 6.2% in the year 2023. In tandem with the overall negative economic growth registered in 2023, industrial and service sectors also recorded negative growth in the year, whilst the agricultural sector recorded a positive growth in the year.

The economy experienced contrasting trends, with the first half of the year recording negative growth, whilst the latter half of the year recorded positive growth. The uncertainty associated with exchange rates eased out by the second half of the year, with the LKR appreciating against the USD, supported by inflows from worker remittances and revival of tourism. The removal of embargoes on chemical fertilizers strengthened the agricultural sector performance which was evident in the positive growth from cultivation compared to 2022. The combined effects of these tailwinds strengthened economic progress. The agricultural sector recorded growth of 2.6%, while industrial and services recorded negative growth of 9.2% and 0.2% respectively. The main contributors to the overall growth registered in agriculture were the cultivation of rice, marine fishing and aquaculture, and growing of fruits and vegetables. Industrial activities contracted due to the collapse of the construction sector, which recorded a negative growth of 20.8% in the year, whilst other major sub-sectors, such as manufacturing (mainly driven by textile, wearing apparel and leather related products), mining and quarrying also registered negative growth of 3.2% and 22.3% respectively. Meanwhile, negative growth in the services sector was largely attributable to contractions in activities in sub-sectors of financial services and IT programming consultancy related activities.

On the backdrop of high inflation recorded during 2022 and commencing the year in review 2023 on a high base, the country experienced relative deceleration in inflation with the annual average headline inflation for 2023 reported at 16.5% in comparison to the 50.4% reported in 2022. The year-on-year change in the National Consumer Price Index (NCPI, 2021=100) was reported as 4.2% in 2023, compared to 59.2% in 2022 as per the data compiled by CBSL. Core inflation on an annual average basis tracked at 15.8% compared to the 43.9% recorded in 2022. As per the CBSL, both food and non-food categories exerted pressure on inflation.

As per provisional statistics of CBSL, a trade deficit of USD 4.9 Bn. was recorded in 2023 compared to the USD 5.2 Bn. recorded in 2022. Merchandise exports declined by 9.1% to USD 11.9 Bn. compared to USD 13.1 Bn. in 2022. Industrial exports recorded a significant decline with garment exports accounting for a larger proportion of the decline (decline in garment exports accounted for 87% of the decline in overall merchandise exports). Unclassified exports recorded a meager growth, whilst agricultural exports and mineral exports recorded a decline in 2023 compared to 2022. Total imports declined to USD 16.8 Bn. compared to USD 18.3 Bn. in 2023.

A sharp decline was recorded in intermediate goods during 2023 compared to 2022, whilst textile and textile articles (primarily fabric) remained the key driver of the decline in intermediate goods imported. The decline in textile and textile articles is relatively correlated to the decline in demand witnessed in garment exports during the year. Fuel imports declined during the year, particularly the import of refined petroleum products. Conversely, crude oil imports increased on a lower proportionate basis. A decline was also recorded in the investments goods category, particularly in the building material and machinery and equipment segments. Imports in the form of the consumer goods category, both food and beverages and the non-food consumer goods segment recorded growth. The austerity measures imposed by the government to curb and deter non-essential imports since the height of the economic crisis in 2022 were gradually relaxed during 2023, which consequentially had an impact on the growth in consumer goods imports and its specific segments.

Tourism rebounded during 2023 with a 107% increase to record 1,487,303 tourist arrivals relative to 719,978 recorded in 2022, despite a certain degree of uncertainty that loomed in the country during initial months of the year vis-à-vis the economic crisis. Earnings from tourism grew by 82% to USD 2,068 Mn. in 2023 compared to USD 1,136 Mn. in 2022. India, Russia, United Kingdom, Germany and China were the main source countries for tourist arrivals during 2023.

Worker remittances grew by 58% in 2023 amounting to USD 5,970 Mn. in comparison to USD 3,789 Mn. in 2022. A steep increase in worker remittances was experienced vis-a-vis remittances being channeled through the formal banking channel by migrant workers as the exchange rate (particularly LKR/USD) indicated relative stability as a result of economic reforms taking effect and the Central Bank of Sri Lanka (CBSL) persisting with the exchange control policy measures introduced during 2022, which may have also induced migrant workers to take less speculative positions on foreign exchange rates. Based on the provisional data, the departures for foreign employment were 297,656 in 2023 compared to 311,056 in 2022.

Financial inflows continued to remain strained during 2022. Net inflows to the Colombo Stock Exchange (CSE) were a meager USD 18 Mn. in 2023 compared to net inflow of USD 182 Mn. in 2022. Net inflows to government securities were USD 210 Mn. compared to the net outflows of USD 23 Mn. in 2022. The gross official reserves (GOR) amounted to USD 4.4 Bn. by the end of 2023 compared to the USD 1.9 Bn. end of 2022. The GOR included a USD 1.4 Bn. SWAP facility with the People's Bank of China, which was subject to conditionalities on usability. The increase in GOR during 2023 was due to substantial net purchase of foreign exchange by the Central Bank of Sri Lanka (amounting to USD 1.9 Bn), and receipts from International Monetary Fund (IMF), World Bank (WB), and the Asian Development Bank (ADB). The GOR (including 1.4 Bn. SWAP) were estimated to exceed the benchmark threshold of three months of imports, for the first time since April 2021. In comparison, USD 1.9 Bn. was recorded as GOR (including USD 1.4 Bn. SWAP) during the end of 2022, which equated to a mere 1.1 months of imports. Despite the continued economic woes and challenges, the tailwinds from net remittances from migrant workers and earnings from tourism provided respite in the external sector recording a balance of payment (BOP) surplus of USD 2.8 Bn. during 2023 compared to the BOP deficit of USD 2.8 Bn. in 2022.

To alleviate the sharp depreciation of the Sri Lankan Rupee (LKR) against the United States Dollar (USD) during March to May 2022, the CBSL provided a daily permissible band to licensed commercial banks guiding the extent of volatility in the spot exchange rate (commonly referred to as the "soft peg") since May 2022. As a result, from May to December 2022, the LKR remained relatively stable recording only a marginal depreciation. The year 2023 ushered improved foreign exchange liquidity due to stringent economic reforms deployed and sustained policy consistency led to improved confidence and flow of foreign exchange transactions through the formal banking channel. The relative decline in trade deficit, improved migrant worker inward remittances, earnings from tourism, receipt of tranches of the EFF from the IMF and inward flows from other financial institutions augmented foreign exchange liquidity in the Country. As result the LKR recorded a 12.1% appreciation against the USD in 2023 compared to the 44.8% depreciation recorded in 2022.

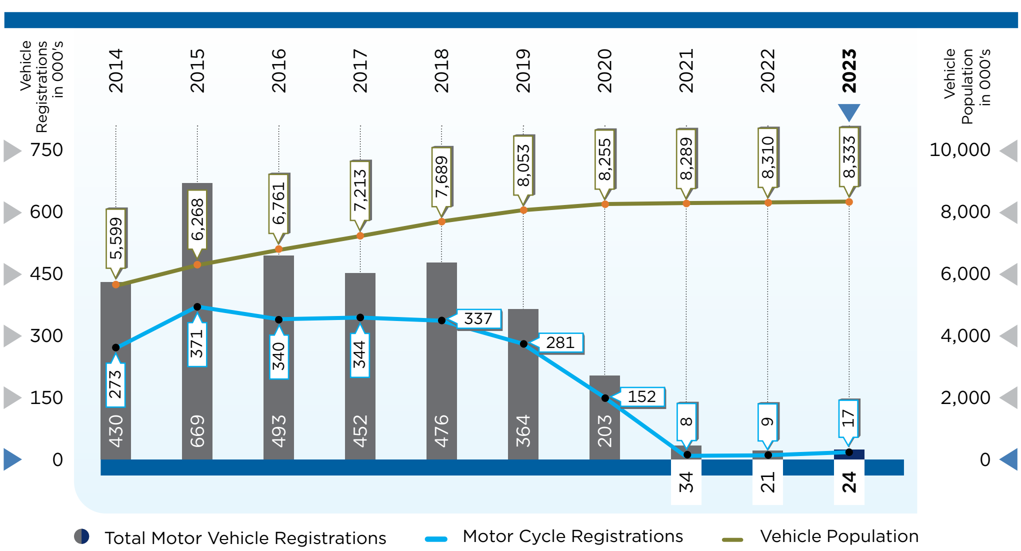
Lubricants industry

As per the statistics released by Public Utility Commission of Sri Lanka (PUCSL), the lubricants industry recorded a market decline during the nine months ended September 2023 of 22% against the parallel period in 2022. The decline in 2023 is on the backdrop of a 25% market decline recorded during 2022 compared to 2021. The effects of the economic crisis prevailed during the first two quarters of the 2023 recording negative growth of 49% and 12% respectively, compared to the same periods in 2022. However, the market rebounded and indicated signs of recovery with growth of 25% recorded during the third quarter of 2023. In the absence of full year 2023 statistics pending release by PUCSL (at the point this report was compiled), considering the cumulative market volumes for the nine months in 2023 compared to 2022, we believe an overall contraction in market volumes was recorded during the full year 2023 compared to 2022. Despite the contraction in the overall lubricants industry, the lubricant market was further liberalized resulting in the entry of nine new players in 2023, taking the total number of players to 35 as at end 2023.

Demand for lubricants was subdued partly due to inflation remaining on a higher base vis-a-vis input cost as a reflection of the combined effects of high import tariffs and global commodity prices. Whilst the lower disposable income owing to higher tax regime further compounded the contraction of demand for lubricants, we believe the following factors also posed a significant impact to the lubricant industry in 2023.

The continued embargo on vehicle importation, which was first implemented in March 2020, compressed demand for lubricants in the market in 2023. The composition of the vehicle population in 2023 remained in tandem with that of previous years, with motorcycles comprising 57.7% in 2023, followed by three-wheelers at 14.2% and motor cars at 10.9%, the composition of which remains unchanged from 2022, as per the statistics compiled by the Department of Motor Traffic in Sri Lanka.

Total motor vehicle registrations



Source: Department of Motor Traffic of Sri Lanka

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The continued slump in construction activities is believed to have curtailed transportation activities, which adversely impact demand for lubricants. The government moved from a subsidized kerosene price to a market reflective kerosene price, which negatively impacted the fisheries sector making usage of fuel powered boats unaffordable, which in turn adversely impacted lubricant consumption.

The export of rubber products (industrial exports) and rubber (agricultural exports) contracted by 7.7% and 32.2% respectively year-on-year primarily due to lower demand, which in turn, has had a cascading effect on the lubricant consumption in the rubber manufacturing and export industry.

The functional benefit of longer oil drain intervals offered to consumers, through superior product technology, continues to compress lubricant volumes in the industry due to less frequent oil changes.

Demand for lubricants from thermal (fuel) power generation was robust during the first three quarters of the year with low hydro power generation during the low rainfall in rain-catchment areas. However, the torrential rains with the regular monsoon in the fourth quarter shifted the power generation towards hydropower, compressing the demand for lubricants.

Driven by the increased transshipment activities and import of consumer goods during the year, port activities also recorded a growth with overall container handling and cargo handling recording growth rates of 1.3% and 3.0% respectively, during the year 2023 compared to 2022, according to CBSL. The growth registered in port activities strengthened the demand for lubricants in the sector.

Challenges induced by the economic crisis have continued to expose unprecedented vulnerabilities across many markets, including the lubricants industry in the country, whilst the recent global geopolitical tensions have aggravated the situation.

Sales

Retail sales

In the face of a challenging market landscape, Chevron Lubricants Lanka PLC (CLLP) navigated a turbulent year in 2023, marked by a decline in the total market. The construction sector slowdown and limited vehicle usage contributed to this downturn, impacting overall consumption. Consumer behavior further complicated the situation, with many opting to delay service intervals and switch to lower-priced alternatives and moving from branded packs to loose oils. This shift impacted revenue streams, particularly in packaged Stock Keeping Units (SKUs)/branded packs, as consumers migrated towards more economical options. Moreover, import restrictions on vehicles compounded the challenges, hindering growth opportunities traditionally associated with new vehicle sales.

Despite these obstacles, CLLP's retail segment remained a stalwart, comprising approximately 70% of the company's business. Acting as the distribution arm of CLLP, the retail division ensures nationwide coverage through its network of 17 distributors spanning the entire island.

In response to the challenges faced in 1Q 2023, CLLP took proactive measures to support its distributors and channel partners in achieving their targets. Recognizing the impact on profitability, revisions were made to targets and promotional schemes, ensuring a balance between driving volumes and maintaining channel partner profitability. Recognizing the risks associated with unauthorized and adulterated products, training programs were conducted to educate channel partners on CLLP's product range and lubricant standards, ensuring product authenticity and consumer trust. Furthermore in 2023, revisions to the Distributor Trade Program (DTP) were made to support partner profitability whilst retaining volume commitments, reinforcing CLLP's commitment to fostering mutually beneficial relationships across its distribution network. Additionally, financial assistance was extended to distributors facing difficulties, including deferred payments during challenging periods.

To address the decline in volumes from packaged SKUs, a strategic price reduction was implemented in the second quarter of 2023 for key packaged SKUs, aimed at enticing consumers back to these branded packs products. This initiative sought to regain demand and consumer preference, whilst stabilizing composition of the product portfolio between packaged SKUs and loose oil sold in drums.

Island wide promotions and trade schemes persisted to keep prices competitive and affordable for consumers. Both exclusive and non-exclusive channels remained in focus, with tailored performance-based incentives to support distributors and outlets.

To address market dynamics, a project focusing on grease products was undertaken, with a new formulation developed in response to rising grease prices driven by lithium market trends. This initiative, spanning over six months, resulted in the launch of a new fit to market grease product in December 2023.

Commercial and industrial sales

Over the past two years, the overall market has experienced a contraction, prompting CLLP to focus on new accounts to help manage materiality and profitability. CLLP continued its focus on driving value to key segments within the B2B market. Major volume contributions came from state power generation and the rubber sector, which are both significant contributors of value and scale.

While sectors like construction faced challenges due to the economic downturn, CLLP strategically shifted focus to sectors with sustained demand, aiming to differentiate its value proposition beyond just product offerings. Value-added services such as technical knowledge sharing, optimized product usage, and enhanced service levels were emphasized to provide comprehensive solutions to clients.

Despite market contraction, CLLP's proactive approach led to minimal volume drops compared to the overall market decline. This was achieved through targeted pipeline operations to identify and onboard new customers efficiently. Furthermore, partnerships with key customers and key government entities like the Transport Board, Railways, Armed forces, Refinery and Ports provided stable volumes amidst market uncertainties. The reliance on public transport due to economic factors contributed to sustained demand in these sectors, mitigating the impact of the market downturn.

Overall, CLLP's strategic focus on key sectors, coupled with value-added services and strategic partnerships, enabled it to navigate market challenges and maintain resilience in the face of economic uncertainties.

Export market

Bangladesh

CLLP's focus on the Bangladesh market in 2023 was aimed at expanding the retail market amidst challenging macroeconomic conditions. Despite headwinds such as the USD liquidity crisis and heightened competition, the Company, through its distributor, increased market penetration and introduced new products, particularly in the premium sectors. Notable growth was seen in sectors like passenger car motor oil (PCMO) and specialty products like coolant and automatic transmission fluid (ATF). Marketing efforts, including participation in the Dhaka Motor Show and the sponsorship of key opinion leaders, contributed to brand visibility and market engagement. The Company also capitalized on the growing two-wheeler market in Bangladesh, solidifying its position as a top lubricant provider in the segment.

Maldives

CLLP also recognizes the potential of the Maldives export market, despite its comparatively smaller scale in terms of volume. The Maldives boasts of one of the fastest-growing GDPs in South Asia, primarily driven by its thriving tourism industry. This translates to higher income levels and significant profits generated through tourism activities, presenting an attractive opportunity for CLLP for business growth. Therefore, alongside its focus on Bangladesh for scale, Chevron aims to capitalize on the profitability prospects offered by the Maldives in 2024 as well.

Marketing activities

CLLP has a strong position in Sri Lanka's lubricants industry, operating alongside 34 players, with a local market share of over 45%. Under renowned brands such as Chevron and Caltex, CLLP effectively markets and distributes its products within Sri Lanka, while extending its reach to export markets such as the Maldives and Bangladesh.

In today's digital age, consumers crave deeper connections, especially on social media. Recognizing this shift, CLLP embraced the opportunity to strengthen relationships with our customers, by expanding our reach and fostering meaningful interactions across various touchpoints.

Building connections

During the challenging times of 2023, maintaining prominence for our brands in consumers' minds remained a top priority. Having understood that brand equity is built over time and can be fragile, we continued our unwavering investment in brand presence across both traditional and digital media platforms.

- **Compelling Content:** We developed captivating commercials that showcased the performance benefits of our lubricants in a visually engaging way. This included the launch of a robust media campaign specifically targeting our motorcycle oils. Additionally, we implemented strategic marketing campaigns that resonated with our target audience, addressing their specific needs and preferences.
- **Price Reductions:** We took a bold step by launching an innovative price reduction program, a first within the industry. This initiative garnered significant attention and positively impacted our market position, particularly as it allowed us to pass on cost benefits to consumers during economic adversities. This strategic move demonstrated our commitment to affordability and customer satisfaction.

Driving sales through strategic marketing

Our comprehensive marketing strategy, which included the announcement of substantial price reductions of up to 45% on Caltex products, proved highly effective in driving sales growth. The focus on high-margin products further solidified our position within the market.

Optimizing channel performance

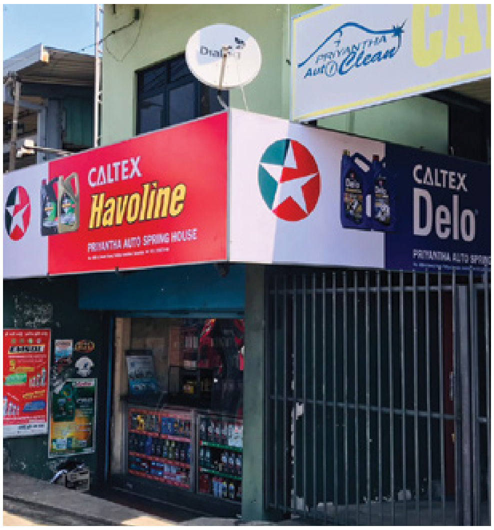
CLLP's marketing strategy in 2023 achieved exceptional results through a focus on strategic trade channel development and prominent brand visibility. This data-driven approach not only solidified our market leadership, but also fostered long-term, mutually beneficial partnerships with our valued retail network.

We implemented innovative loyalty programs designed to cultivate stronger relationships with key retail partners who distribute multiple lubricant brands. These meticulously crafted programs incentivized increased purchases of our lubricants, ultimately resulting in a significant expansion of our shelf presence and a more prominent position within these critical sales channels.

Brand recognition

CLLP has consistently maintained a preeminent position in brand awareness within the Sri Lankan lubricant market. Throughout 2023, we strategically invested in further solidifying this leadership role through a multi-faceted approach.

- **Elevated Outdoor Branding:** Our outdoor branding included Caltex boards, dealer boards, and prominent brand signage, which were strategically located. This ensured exceptional brand visibility across Sri Lanka's transportation infrastructure, keeping Caltex top-of-mind for consumers on the go and reinforcing our market leadership position.



- **In-Store Point-of-Sale Materials:** We further bolstered our in-store presence through attractive point-of-sale materials, serving as constant reminders of the Caltex brand and its superior product offerings. These materials highlighted key product features and benefits, influencing customer purchasing decisions at the point of sale, and promoting brand loyalty.

Strategic partnerships

CLLP recognized the importance of extending its reach beyond existing channels to capture a wider customer base. To achieve this, we implemented a strategic initiative focused on expanding our network of partnered service stations across the country. These carefully selected partnerships offered a win-win for both CLLP and the independent stations. Stations agreed to dedicate shelf space and sales volume commitments to Caltex lubricants, ensuring a consistent supply for their customers. In return, CLLP provided valuable branding rights. This allowed us to leverage the established infrastructure and customer base of these stations, significantly increasing brand visibility and accessibility for Caltex products. By strategically onboarding new stations in key locations, we ensured convenient access for a larger number of consumers, ultimately driving sales growth and solidifying our market position.

Data-driven insights

Chevron Sri Lanka maintains its market leadership position by prioritizing a deep understanding of customer needs. We leverage our extensive market research capabilities, employing a range of metrics to gain comprehensive insights into lubricant usage patterns, consumer behavior, attitudes, and perceptions. This research encompasses valuable feedback from both retail mechanics – who serve as a crucial link to the end-user – and everyday consumers. By meticulously analyzing this data, we can pinpoint areas for improvement and ensure our products consistently deliver superior performance that aligns with customer expectations.

One such noteworthy example of CLLP's commitment to meeting consumer needs is the introduction of extended drain intervals for Delo brand consumers. This initiative, which now offers a remarkable 30,000 kilometers extended mileage for heavy-duty diesel engine vehicle users, exemplifies the company's dedication to delivering exceptional value and performance. By extending the drain interval, CLLP not only meets consumer expectations but also demonstrates its responsiveness to evolving market demands. This strategic move not only benefits consumers by providing greater convenience and cost savings, but also reinforces CLLP's position as an industry leader committed to innovation and customer satisfaction.

Data driven strategy

Being part of the Chevron group of companies (Chevron Group), our IT systems, policies, and digitalization initiatives are initiated by the global headquarters and cascaded throughout the group.

To meet evolving consumer expectations and drive growth, the Chevron Group is accelerating its data-driven digital transformation. Throughout 2023, our primary focus has been on increasing our presence across the numerous digital platforms, ensuring our product offerings and messaging are easily visible to our audiences. We can proudly boast of being one of the strongest digitally driven lubricant players in Sri Lanka. We utilized our strengths of compelling storytelling and performance marketing to develop strong call-to-action (CTA) driven content that helped in both lead generation as well as increased brand awareness.

We re-launched our digital footprint by providing our shareholders and consumers alike – two unique websites through which they can engage and educate themselves on our company as well as our brands. The CLLP website (Chevron.lk) provides our shareholders and visitors a unique glimpse into the corporate activities of Chevron Lubricants Lanka PLC, and is dedicated to providing extensive details and knowledge of the wide portfolio of lubricant solutions we provide across many industries.

Advancing our digital media initiatives, we collaborated closely with our partners, adapting methodologies, and developing practices to optimize return on investment. As the retail landscape becomes increasingly fragmented, managing diverse customers and channels becomes more complex. Hence, we are committed to maximizing efficiency, doing more with less to navigate this complexity effectively.

Marketing activities in export markets

In 2023, CLLP achieved a significant milestone in the Bangladesh market with the signing of Avik Anwar, a distinguished Bangladeshi racer, as the brand ambassador for Caltex's passenger car motor oil. Anwar's notable achievements, including his participation in high-profile races and distinction as the sole Bangladeshi racer to drive on an F1 track, served to enhance Caltex's brand visibility and credibility in Bangladesh. This strategic partnership underscores Chevron's commitment to strengthening its foothold in the Bangladesh market and reinforces its reputation for excellence and innovation.

Furthermore, the brand partnership with Avik Anwar complements Chevron's broader trade programs and is integral to CLLP's success in Bangladesh, as it enhances brand visibility, drives consumer engagement, and fosters loyalty among target audiences. By capitalizing on synergies between strategic brand partnerships and trade programs, CLLP is well-positioned to capitalize on growth opportunities and solidify its position as a competitive player in Bangladesh's automotive lubricants sector.

These efforts, alongside other strategic activities, played a crucial role in navigating the changing market conditions and mitigating the impact of the economic downturn we encountered in 2023.

Supply chain & logistics

The Company was able to successfully meet near 100% of its blending and filling business requirements, by achieving 97% on the key performance indicator – On-Time-In-Full (OTIF). Aligning with market and technical requirements, a change was effected in the formulation of Chevron's grease products in 2023. As a result, the Company formed a new partnership with a sourcing partner during the year.

Manufacturing related cost savings continued in 2023, stemming from the company's cost efficiency initiatives aligned with Lean Six Sigma principles. In relation to operating expenditure (OPEX), the Company was able to generate efficiencies in materials and services, maintenance and repairs, through shadow costing, by identifying the critical components required for manufacturing operations. Cost efficiencies were also realized through 10% of total drums being replenished by recycled drums, and by switching to a reduced thickness of the drum without compromising quality. We believe the recycled drums entail a host of benefits which includes reduction in imports and most importantly, the reduction of steel consumed in operations is also considered environmentally conducive.

Leveraging on Lean Six Sigma principles, the Company seized opportunities related to local blending, by adding Aquatex and Bright-Cut to local blending, which formed part of the cost reduction initiatives. Cost efficiencies were also realized through local inspection of tanks and revamped warehouse racking systems.

From a logistics and warehousing perspective, the Chevron Business Point (CBP) system was implemented, whereby distributors were enabled to place orders directly with the Company via an online ordering platform. Moreover, the Company also introduced new freight service providers, through which it was able to ensure competitive bidding among these parties. A Lean Six Sigma “Green Belt” Project for managing demurrage associated with imported finished products was also successfully completed.

In order to address concerns relating to warehouse space and storage constraints, the Company expanded its racking system, thereby increasing storage capacity by approximately 200,000 liters. It is envisaged that this enhancement would reduce demurrage and yard charges paid to third parties.

In terms of lower carbon initiatives, slop oils were used as fuel for boilers, while the increase in solar PV usage strengthens the energy consumption mix. Furthermore, steps were taken towards reduced polythene usage in facilities, by introducing a “velcro-strap” on product palettes, as well as a reduction in paper usage by opting for soft copies.

Our people

Headwinds experienced in the prior year continued to hurt the business environment in 2023, although with relatively lower intensity. Our teams were compelled to chase performance targets in a setting of reduced demand, higher operating costs, complexities in supply chain and uncertainties on the macro-economic front. As is the case for other working professionals across the country’s corporate sector, our employee earnings were negatively impacted by the increased personal tax rates and reduction in personal relief announced through the revisions to Advanced Personal Income Tax (APIT). The multifaceted approach taken to address the above challenges together with other initiatives on employee engagement, motivation, wellness and notably employee development made it a winning year for our employees from CLLP.

Fostering a growth mindset

During the year, a significant milestone was achieved in the human resource efforts of the organization, particularly in the realm of employee development and growth. Notable movements were observed within the internal talent pipeline, with several high potential employees securing key management team positions. This achievement holds particular significance considering the organization's relatively flat structure and low attrition, where development opportunities can be somewhat sluggish. Thus, the filling of three key positions with internal talent is recognized as a significant win for the organization considering the organization’s ability to retain tacit knowledge and skills acquired by the employees over their long tenure with CLLP.

Throughout the year, we conducted over 1,500 hours of training, utilizing various training tools. In the first quarter, we hosted an assortment of face-to-face LearnSpaces in Colombo facilitated by our global Learning and Talent consultants. These programs, which garnered a 100% attendance rate from nominated employees, encompassed leadership training, mid-management skill-building, and inclusion and diversity topics. Additionally, we implemented targeted developmental initiatives for individuals identified as high potentials in our succession plans.

A company representative attended the Chevron’s Global Sales Organizational Capability (SOC) Forum held in Houston with the objective of combining sales enablement and organizational capability to drive business outcomes. Later in the year the SOC team conducted a Customer Centric Selling Skills program for CLLP’s sales and marketing teams. Furthermore, our “Management Team (MT) Moderator” initiative, where non-management employees facilitate management team meetings, continued during 2023, gaining popularity among those aspiring for leadership roles. During 2023, CLLP was considered in scope for “Job Slotting”, a periodic Chevron initiative aimed at reviewing selected job families and adjusting job grades to better represent the job scope.

CLLP increased the number of annual benchmarking exercises conducted by the company expanding the scope to areas beyond pay and benefits. In 2023, a special benchmarking exercise was conducted to understand relief measures adopted across the market to employees impacted by the APIT hikes announced in 2023. CLLP also underwent its first rewards study conducted by Chevron Total Rewards (TR) group. Among others, employee health insurance and motor vehicle benefits were revised as an outcome of the above studies. Employees were also provided with an off cycle inflationary pay increase as a measure of relief for the increased tax expenditure. These efforts played a crucial role in retaining existing talent. Support from the Board Remuneration Committee and Chevron TR Group was notable towards achieving this end. Overall, a combination of developmental opportunities alongside addressing pay and benefit anomalies contributed to our retention strategy.

Agile selection and recruitment

Throughout the year, CLLP experienced a slight uptick in attrition, primarily attributed to an exodus of professionals leaving Sri Lanka for educational or migration purposes. This trend led to CLLP having to compete with the rest of the market to hire the right skills that ensure business growth. Our talent acquisition strategy remained agile; in that we tapped on both internal hires as well as external experienced hires to backfill positions that fell vacant. Our last Lanka Lubricants legacy employee retired in 2023. In place of such experienced hands, we were able to recruit graduates who are vocationally qualified and digitally savvy. This move supported our manufacturing plant's long term digital and lower carbon journey. Fortunately, CLLP's attractive employment proposition, which extends beyond just pay and benefits, including our strong team culture, exemplary work ethic, industry-leading safety track record, and hybrid work schedule collectively contributed to our ability to attract solid new hires.

Wellbeing and progressive team culture

Launching our first employee network was a milestone in the journey of CLLP. The first employee network, and incidentally, the Sri Lanka Women Employees' Network (SWEN), was launched in November. Chevron boasts around 11 officially sanctioned employee networks across various global locations. Thus, it was a significant achievement to have received a mandate for CLLP to launch our own Chapter providing a dedicated space for female development, while fostering awareness and support within the entire workforce regarding the challenges faced by women.

Throughout the year, our annual employee engagement activities involving even employee families continued. The risk of burnout and toll on employee mental wellness received special attention during the visit of Chevron's Regional Medical Manager to Sri Lanka in 2023. Employees were invited to a wellness session during this visit, where we engaged in a dialogue around early detection and support for mental health challenges. An assessment of Colombo's medical infrastructure was also done through visits to hospitals and wellness centers. CLLP is currently exploring the possibility of initiating Employee Assistance Plan (EAP) services based out of Colombo. These achievements represent major successes for us in the past year.

The launch of CLLP – Sri Lanka Women Employee's Network (SWEN)

Financial Review

Growth, profitability and efficiency

Revenue

The Company recorded a revenue of LKR 23.25 Bn. during the period under review which was a 5% YOY decline in comparison to LKR 24.57 Bn. recorded in 2022. The decline in revenue stemmed primarily due to the lower volumes recorded, which neutralized the favourable impact stemming from higher revenue per liter (average sales price) generated in comparison to 2022. The Revenue decline on account of lower volumes recorded was approximately LKR 5.3 Bn., partially offset by an increase in revenue of approximately LKR 4.0 Bn. due to higher revenue per liter compared to 2022.

The lower volumes recorded in 2023 in comparison to 2022 was primarily due to the decline in the domestic retail channel which accounts for approximately 65% of the Company's total volumes. Overall demand for lubricants was mainly constrained by the dual impact of compressed disposable income of consumers due to increased personal income tax rates, reduced tax-free thresholds/tax-free allowances and the cascading impact of inflation owing to inflation remaining on a high base and an increase in indirect tax (in the form of VAT) which compressed "real income" resulting in domestic consumers extending the lubricant oil drain intervals. Despite these adversities disrupting the demand in the market, the Company was able to arrest the negative impact on revenue to a certain extent through strong focus on margin management initiatives which included increased small pack product sales within the sales portfolio through pricing, enhanced sales reach and marketing strategies, whilst also continuing to leverage on its well-structured trade promotional schemes and incentive programs for channel partners, which was pivotal in driving revenue during the year.

The increase in revenue per liter in comparison to the previous year (2022), was largely a result of the price increases that the Company was compelled to take during varied points of the preceding year following unprecedented cost increases compounded by the depreciation of LKR experienced during 2022. The increase in small pack product sales in the sales portfolio which yields a relatively higher revenue per liter compared to drum sales, augmented revenue per liter during the year.

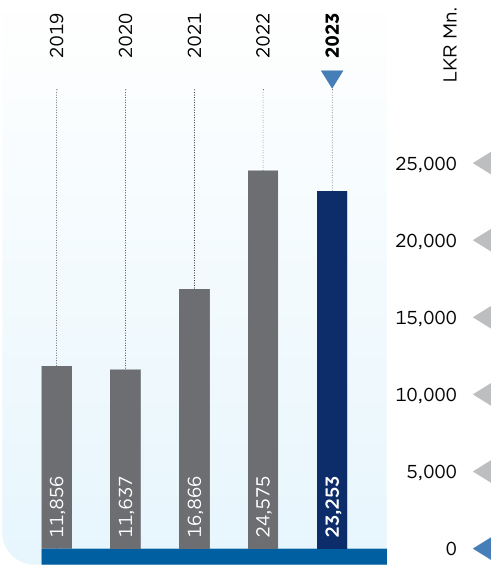
The domestic commercial & industrial channel also recorded a de-growth in volumes during the year due to the economic slowdown experienced in the country which impacted all industries and businesses at different scales lowering the demand for lubricants. The Company continued to secure volumes through some of the large-scale government tenders that were won by Chevron Lanka during the year in review. The Original Equipment Manufacturers (OEM) segment also recorded a de-growth in volumes, while no sales were recorded through the toll blending operation.

Export sales volumes to Bangladesh declined by 9% compared to 2022. The macro-economic challenges associated with the Bangladesh market stifled retail market demand during the year.

Export volumes to Maldives decreased by 56% recording a dismal performance compared to 2022, primarily due to certain operational challenges that persisted with one of the distributors in Maldives during the first half of the year. However, sales volumes rebounded during the second half of the year. The Company also appointed a second distributor in Maldives to supply the market. The total combined revenue from the two export markets declined by 347 Mn. to LKR 1,761 Mn. (2022: LKR 2,108 Mn.).

The continued export of certain lubricant and coolant products to a few inter companies recorded a volume increase of 35% vs 2022.

Revenue



Profit after tax

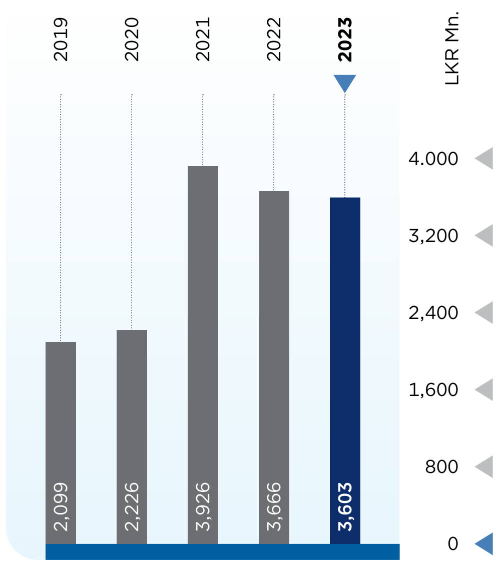
Profit After Tax decreased by 2% YOY to LKR 3,603 Mn. compared to LKR 3,666 Mn. recorded in 2022. The gross profit margin declined to 32%% from 42% in 2022, However, the gross margin recorded during the preceding year (2022) should be considered in conjunction with the net foreign exchange losses recorded of LKR 2,992 Mn. Major proportion of the foreign exchange losses (classified under finance costs) relate to import of materials for manufacturing operations. Hence, the gross margin recorded during 2023 compared to the composite net gross margin (including the impact of foreign exchange losses) as a proportion of revenue, indicates an improved performance. The company effected a consumer price reduction during mid-year to incentivize consumers on account of the Sri Lankan Rupee (LKR) appreciating against the United States Dollar (USD). Whilst import tariffs on base oil imports remained high, inflationary impact from commodity price volatility was less during the year compared to 2022, which provided relative stability in product cost and pricing.

Despite the decline in administrative & distribution expenditure compared to 2022, operating profit declined by 36% in 2023 mainly due to the decline in gross profit, as the net foreign exchange losses largely attributed to import of materials for manufacturing operations were classified as finance costs during the comparative period.

Profit Before Tax increased to LKR 5,144 Mn. in 2023 from LKR 5,000 Mn. in 2022. A net finance income was recorded for 2023 due to net foreign exchange gains that was recorded as a result of LKR appreciation against the USD, as opposed to the large net foreign exchange loss recorded during 2022. Interest income declined during the year as cash reserves were depleted early during 2023, on settlement of foreign trade liabilities with improved USD liquidity in the Sri Lanka banking system. The interest cost declined in 2023 compared to 2022.

Profit for the year was LKR 3,603 Mn. compared to LKR 3,666 Mn. in 2022. Total comprehensive income decreased by 1% YOY to LKR 3,607 Mn., which included a net other comprehensive income after tax of LKR 4.4 Mn. pertaining to an actuarial gain on retirement benefit obligation.

Profit after tax



Income tax

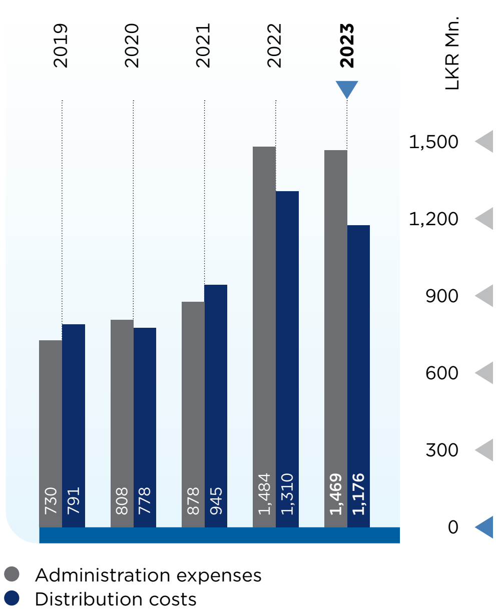
Income Tax expense for the year was LKR 1,541 Mn., which translates to an effective tax rate of 30% compared to 27% last year. In reference to the Inland Revenue (Amendment) Act No. 45 of 2022 which was enacted during late December 2022, the Company computed its business income and investment income at 30% standard rate. However, during the comparative period business income was pro-rated 50% for the first six months and 50% for the second six months. Being a Company, which adopts the calendar year of accounting (01st January to 31st December), the increased tax rates for the second six months of the comparative period took effect from July 2022. Therefore, tax rates of 18% for gains and profits from Manufacturing, 14% for gains and profits from Export of Goods, 24% for all other sources of Business Income and Investment Income were applied for the pro-rated 50% taxable business income for the first six months, whilst 30% tax rate was applied for the 50% pro-rated taxable business income and applicable investment income for the second six months period in computing and accounting the tax liability in 2022.

A net deferred tax credit was recorded during the year, which primarily stemmed from the timing effects of the lease liability and right of use assets, while the increased tax rates in 2022 entailed a higher deferred tax charge for the comparative period. The change in tax regime and its corresponding effects for 2023 and 2022 explains the variation in effective tax rates between the periods. Total income tax expense amounted to LKR 1,543 Mn. which included a deferred tax expense on other comprehensive income for the year.

Distribution and administration expenses

Distribution expenses declined by 10% to LKR 1,176 Mn. from LKR 1,310 Mn. recorded in 2022. The decline in distribution expenses were largely attributable to the lower professional fees vis-à-vis the culmination of the automation project in 2022 leveraging on artificial intelligence to support pricing and margin improvement decisions. The lower transportation expenses incurred due to lower trade volumes in domestic and export markets during the year, relatively lower advertising, sales and promotions costs and employee related cost due to transitions also influenced lower distribution expenses during the year. Administration expenses amounted to LKR 1,469 Mn., reflecting a decline of 1% compared to LKR 1,484 Mn. in 2022. The decline largely stemmed from USD denominated intercompany service charges incurred, due to the LKR appreciation against the USD experienced during the year and secondly due to a marginal decline in USD denominated charge (2% reduction vs 2022).
The favourable effects of the lower intercompany service charge expenses were partly offset by the increase in employee related expenses.

Administration & distribution expenses



Liquidity

Working capital

Total inventory declined by LKR 705 Mn., mainly due to a decrease in finished goods, partially offset by an increase in raw materials inventory. The raw material inventory increased by LKR 1,704 Mn. due to the timing effects of the procurement cycle. Finished goods inventory decreased by LKR 2,409 Mn. to LKR 1,176 Mn. compared to the LKR 3,585 Mn. recorded in 2022 reflecting a relatively strong demand experienced during fourth quarter of 2023, which resulted in depletion of finished goods inventory in contrast to the comparative period.

Trade receivables increased compared to 2022 by LKR 134 Mn. with the number of "days sales outstanding" (DSO – Company formulated matric) decreasing to 36 days in 2023 (44 days in 2022). Whilst the Company, retained its tight credit control policy and collection efficiency to ensure the strong commitment towards efficiency in managing its working capital cycle, despite the relatively loose credit policies seen in the market to push sales in a highly competitive environment, we were compelled to extend deferred payment terms to some of our business partners to help them navigate through their cash flow and investment challenges during the latter part of the year. The Company however, remained cautious in extending credit to sectors predisposed to liquidity constraints and remained vigilant to market and economic developments through robust credit controls.

The company maintained a healthy liquidity position by recording a current ratio of 3.8 (2022: 1.8) and a quick asset ratio of 2.0 in 2023 (2022: 1.0) to meet working capital requirements. The higher current ratio compared to 2022 was largely attributable to the decrease in trade and other payables. A decline in the trade & other payables in 2023 was evident, due to a significant component of the foreign currency denominated liabilities held as of December 2022 were settled in 2023 with the improvement in the forex market & inflows since early 2023.

Cash flow

Cash generated from operating activities decreased to LKR 2.6 Bn. compared to LKR 2.8 Bn. in 2022, whilst the net cash flow from operating activities decreased to LKR 1.1 Bn. from LKR 1.7 Bn. recorded during 2022. The Company generated a free cash flow of LKR 0.9 Bn. (2022: LKR 1.6 Bn.). The net cash generated from investing activities, declined YoY due to higher capital expenditure incurred. The comparatively lower free cash flow generated in 2023 is mainly attributed to the decrease in trade and other payables due to the settlement of long outstanding foreign currency denominated liabilities.

Two interim dividends amounting to LKR 1,440 Mn. was declared during the year. The cash payout was LKR 1,440 as well during the year. The third interim dividend of LKR 1,920 Mn. pertaining to 2023 was paid during March 2024. Cash and cash equivalents at year end decreased relative to 2022 due to the settlement of long outstanding foreign currency denominated liabilities.

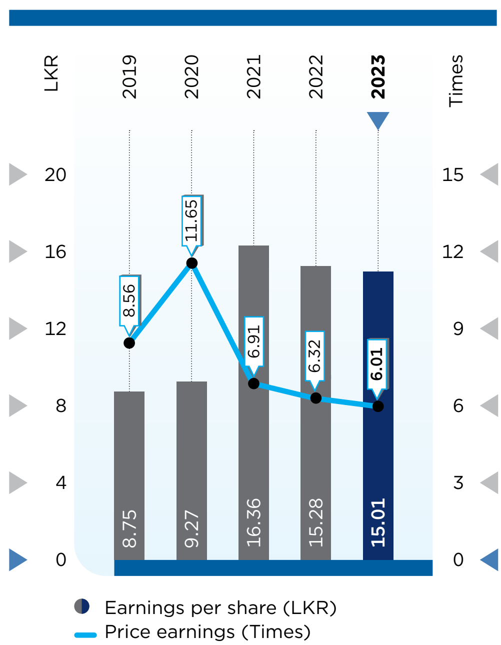
Net cash flow from operating activities

Stability and investor return

Financial stability

The Company recorded a return on equity of 50% in 2023 (66% in 2022). Earnings per share decreased by 2% to LKR 15.01 in 2023 compared to LKR 15.28 in 2022.

Earnings per share & price earnings

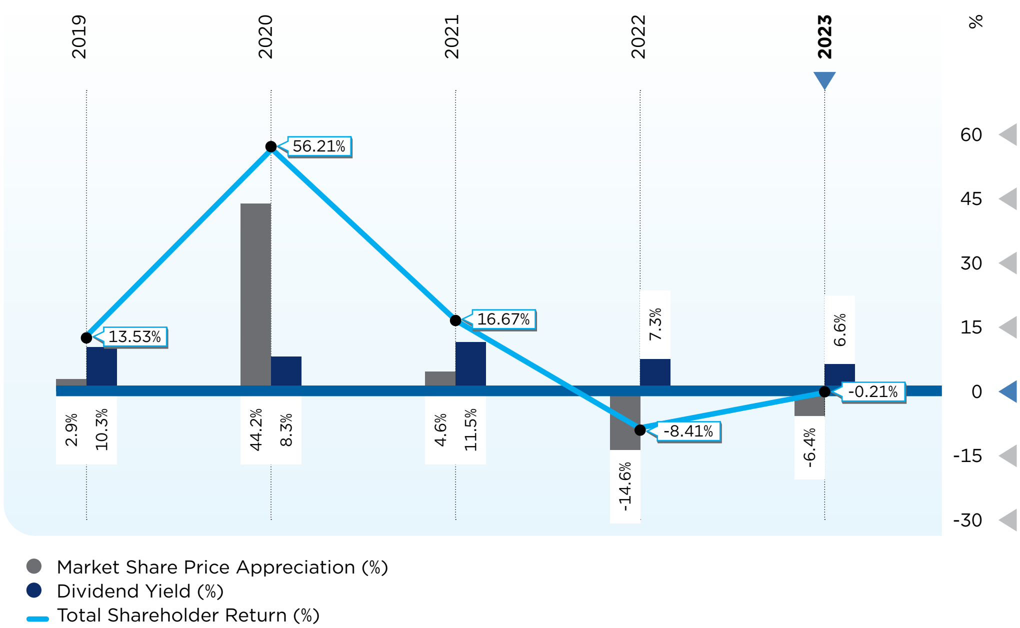


Investor return

Dividend per share amounted to LKR 6.00 which translates to a dividend yield of 6.6% based on the share price recorded as at end December 2023 compared to 7.3% recorded in 2022, whilst capital growth declined via a fall in market share price by 6.4% in comparison to a decrease reported in 2022 of 14.6%.

Total Shareholder Return also was -0.21% in 2023 in comparison to a decrease reported in 2022 of -8.41%.

Market Share Price Appreciation, Dividend Yield and Total Shareholder Return (TSR)



Quarterly results

A summary of the quarterly results for 2023 and 2022 based on the quarterly financial statements submitted to the Colombo Stock Exchange are tabulated below.

Interim Financial Statements submitted to the Colombo Stock Exchange

	2023 Q1 Rs. Mn.	2023 Q2 Rs. Mn.	2023 Q3 Rs. Mn.	2023 Q4 Rs. Mn.	2023 Total Rs. Mn.	2022 Q1 Rs. Mn.	2022 Q2 Rs. Mn.	2022 Q3 Rs. Mn.	2022 Q4 Rs. Mn.	2022 Total Rs. Mn.
Turnover	6,251	5,327	6,149	5,526	23,253	7,701	6,174	6,031	4,669	24,575
Gross profit	2,081	1,616	1,973	1,754	7,424	3,316	2,878	2,390	1,709	10,293
Operating profit	1,457	1,009	1,334	990	4,790	2,745	2,129	1,656	973	7,503
Finance income/ (cost)-net	214	132	(20)	28	354	(1,584)	(1,102)	137	52	(2,497)
Profit before tax	1,671	1,142	1,313	1,018	5,144	1,161	1,027	1,793	1,025	5,006
Profit after tax	1,165	794	903	733	3,595	943	840	1,457	431	3,671

Note:
These results may not add up to the final results disclosed in the Audited Annual Accounts due to changes in presentation, classification, other adjustments and rounding-off.

Governance

CORPORATE GOVERNANCE

The Board of Directors of Chevron directs the affairs of the Company and is committed to sound principles of corporate governance.

Board of Directors

The Board consists of 6 Directors, including 2 Independent Directors. As per the Board charter, the Board is responsible for the setting the overall direction, financial objectives and operational goals, reviewing and approving the annual plan, monitoring of performance against the objectives and goals, approval of quarterly and annual financial statements and major transactions. It monitors overall performance, risk management systems, the integrity of the Company's financial controls and the effectiveness of compliance program.

Two non-executive directors out of the four non-executive directors are considered independent in terms of the guidelines issued by the Securities and Exchange Commission of Sri Lanka. As such, the following independent non-executive directors have declared their independence as per CSE corporate governance rule 9.8.5.(a) and as per CSE rule 9.8.5.(b) it is disclosed that the board of directors have determined the "independence" of the following independent non-executive directors' as per the declarations received.

Asite Talwatte Independent Non-Executive Director	Determined as Independent
Harsha Cabral Independent Non-Executive Director	Determined as Independent

Appointment of non-executive directors is based on the collective decision of the Board.

As per Article 84 of the Articles of Association one third of the directors of the Board have to retire by rotation at every Annual General Meeting. The Chairman and Executive Directors are excluded in determining the Directors to retire. The person who has served for the longest period has to retire but is eligible for re-appointment.

The Board met 4 times during 2023 and the attendance is given below;

	Attended
Najam Shamsuddin NED	4/4
Bertram Paul ED	4/4
Erande De Silva ED	4/4
Haider Manasawala NED	4/4
Asite Talwatte NED/IND	4/4
Harsha Cabral NED/IND	4/4

NED – Non-Executive Director
ED – Executive Director
IND – Independent Director

Board Audit Committee

This Committee functions under a written charter, and consists of two non-executive independent directors namely Mr. Asite Talwatte, (Chairman) and Mr. Harsha Cabral. The CEO/managing director and CFO/ director attend the meeting as per CSE listing rule requirement 9.13.3. (6).

The primary function as per the charter is to assist the Board in fulfilling its responsibilities by reviewing the financial information which is provided to shareholders, the systems of internal controls which management and board of directors have established, compliance with laws, regulations and ethics, risk management, performance, qualifications and independence of the external auditors and the performance of the internal audit. Both the internal auditors and external auditors have direct access to the Audit Committee.

The Board Audit Committee met 4 times during 2023 and the attendance is given below:

	Attended
Asite Talwatte*	4/4
Harsha Cabral	4/4

*Chairman of Audit Committee

Mr. Bertram Paul – in the capacity of CEO/ Managing Director and Mr. Erande De Silva – CFO/Director attended all four audit committee meetings by invitation as per CSE listing rule requirement 9.13.3. (6).

Remuneration Committee

Remuneration committee consists of three non-executive directors. This Committee reviews the salary and benefits programs of executive employees, including the executive directors.

	Attended
Harsha Cabral*	1/1
Asite Talwatte	1/1
Haider Manasawala	1/1

*Chairman of the Committee

Directors Remuneration

Total remuneration paid to executive and non-executive directors are given in page 85 and the report of the Remuneration Committee is given in page 58.

Related Party Transactions Review Committee

The Committee consists of three non-executive directors. The scope of the committee would be to provide independent review, approval and oversight of related party transactions on the terms set forth in greater detail in the Committee Charter.

The Committee met 4 times during the year;

	Attended
Asite Talwatte*	4/4
Harsha Cabral	4/4
Haider Manasawala	4/4

*Chairman of the Committee

Mr. Erande De Silva Director/CFO attended all four related party transactions review committee meetings by invitation of the Committee.

Chevron Business Conduct and Ethics Code

Our corporate values outlined in the Chevron Way serve as the foundation of the Business Conduct and Ethics Code (BCEC). It is about "getting the results the right way".

Diversity and inclusion, high performance, integrity and trust, partnership and protection of people and the environment the core values that we embrace.

The BCEC includes the following subject areas;

- Human rights
- Company records and internal controls
- Avoiding conflicts of interests which also covers accepting or giving gifts, fees, favors or other advantages and insider trading.
- Antibribery, international trade and anti-boycott laws.
- Government affairs and political involvement.
- Operational excellence
- Anti-trust and competition laws.
- Data privacy.
- Protection of information and intellectual property

Employees at all levels are required to undergo mandatory training of the code and there is a robust compliance monitoring and reporting process in place.

Whistle blowing

The Chevron Business Conduct and Ethics code encourage any employee having information or knowledge of any violation of the Code promptly report it to his or her management, the Corporation's Auditing Department, Corporate Security, or the employee may call the toll-free 24 hour compliance hot line. Names and contact telephone numbers of subject matter experts under each compliance subject and hot line numbers have been widely displayed within the Company.

Investor Relations

Annual Report of the Company, quarterly reports and the Annual General Meetings are the principal means of communications with the shareholders. The Board is ready to answer any questions raised at the Annual General Meetings. Shareholders may direct any questions or seek clarifications request for publicly available information by contacting the Company Secretary.

Protection of People and the Environment

We strive for world-class performance by implementing a rigorous system (Operational Excellence Management System) for managing risks to our employees, contractors, the public and the environment from our operations and products. Under the product stewardship, we manage risks of our products with everyone involved throughout the products' life cycle.

Compliance with the Corporate Governance Rules of Colombo Stock Exchange

The Board of Directors confirms compliance with the Corporate Governance Rules of the Colombo Stock Exchange as the date of this Annual Report.

Compliance with the Section 9 Rules of the Colombo Stock Exchange on Corporate Governance

Rule No.	Subject	Criteria	Compliance Status	Details
9.1.3	Applicability of Corporate Governance Rules	All Listed Entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity	Compliant	Please refer to page 40 of the Corporate Governance Report.
9.2	Policies	Policies	Not Applicable	Considering the effective date of 01 October 2024, the Company is in the process of reviewing existing policies and establishing new policies to comply with the stipulated timeline
9.3.1	Board Committees	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	Compliant	Please refer to pages 39 and 40 of the Corporate Governance Report. Considering the effective date of rule 9.11 being 01st October 2024, the Company is in the process of reviewing the Terms of Reference of the Nominations & Governance Committee.
9.3.2	Board Committees	Two or one third of the Non-Executive Directors , whichever is higher should be independent	Compliant	Please refer to page 39 of the Corporate Governance Report. The Company is in compliance with Rules 7.10.5.(a), 7.10.6.(a), 7.10.6.(b), and 7.10.6.(c).
9.3.3	Board Committees	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Compliant	Please refer to pages 39 and 40 of the Corporate Governance Report.
9.4.1	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	Listed Entities shall maintain records of all resolutions and information pertaining to its adoption	Compliant	The Company Secretary maintains records of all resolutions and requisite information. The Company Secretary could provide extracts of such resolutions to the SEC and CSE if required.
9.4.2	Communication and relations with shareholders and investors	(a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity	Considering the effective date of rule 9.2.(g) being 01 October 2024, the Company is in the process of reviewing existing policies and establishing new policies to comply with the stipulated timeline	N/A
		(b) Listed Entities shall disclose the contact person for such communication.	Compliant	Please refer to page 40 of the Corporate Governance Report.

Rule No.	Subject	Criteria	Compliance Status	Details
		(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.	Considering the effective date of rule 9.2.(g) being 01st October 2024, the Company is in the process of reviewing existing policies and establishing new policies to comply with the stipulated timeline	N/A
		(d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.	Compliant	N/A
9.5.1 and 9.5.2	Policy on matters relating to the Board of Directors	Compliance with the requirements of the policy referred to in rule 9.5.1. and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	Compliant	Considering the effective date of rule 9.2.1.(a) being 01 October 2024, the Company is in the process of reviewing existing policies and establishing new policies to comply with the stipulated timeline.
9.6.1	Chairperson and CEO	The Chairperson of every Listed Entity shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual.	Compliant	Please refer to page 39 of the Corporate Governance Report and the Directors profiles on pages 13 to 19.
9.6.2	Chairperson and CEO	Where the Chairperson of a Listed Entity is an Executive Director and/ or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement.	Not Applicable	Chairperson is an Non-Executive Director. The role of Managing Director/CEO is held by a separate individual.
9.6.3 and 9.6.4	The Requirement for a SID	The Requirement for a SID	Not Applicable	N/A
9.7.1/ 9.7.2 and 9.7.3	Fitness of Directors & CEOs	Fit and Proper Assessment Criteria' as per rule 9.7.3.	Compliant	N/A. With regard to rule 9.7.2. considering the effective date of rule 9.11 being 01 October 2024, the Company is in the process of reviewing the Terms of Reference of the Nominations & Governance Committee.
9.7.5.(a)	Fitness of Directors & CEOs	Fit and Proper assessment criteria for Directors and CEOs as per rule 9.7.3.	Compliant	As at 01 April 2024, All Directors inclusive of the CEO met the fit and proper assessment criteria stipulated in the listing rules of the CSE.
9.7.5.(b)	Fitness of Directors & CEOs (Disclosures in the Annual Report of Listed Entities)	Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.	Not Applicable	As 9.7.5.(a) was compliant.

Rule No.	Subject	Criteria	Compliance Status	Details
9.8.1	Board Composition	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	Not Applicable	Please refer to the Annual Report of the Directors on page 53.
9.8.2	Minimum Number of Independent Directors	Two or one third of the Non-Executive Directors , whichever is higher should be independent	Compliant	As at the conclusion of the last AGM and throughout the financial year there were 2 Independent Directors.
9.8.3	Criteria for defining independence	As per defined criteria of the CSE listing rules	Compliant	Both Independent Directors met the criteria
9.8.5.(a)	Independent Directors	Non Executive Directors should submit an annual declaration of his/ her independence/non independence against specified criteria	Compliant	Please refer to page 39 of the Corporate Governance Report.
9.8.5.(b)	Disclosure relating to Directors	The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director. Names of the Directors determined to be independent to be disclosed in the Annual Report.	Compliant	The Board made a determination against the criteria given in rule 9.8.3. Please refer to page 39 of the Corporate Governance Report of the names of the directors determined as independent.
9.8.5.(b)	Disclosure relating to Directors	In the event a Director does not qualify as “independent” but if the Board is of the opinion that the Director is “Independent”, the Board shall specify the criteria not met and the basis for its determination.	Not Applicable	No such determination was required as both Independent Directors met the criteria
9.8.5.(c)	Disclosure relating to Directors	If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.	Not Applicable	No such disclosure was required, as the Independent Directors met the criteria for "independence" throughout the reporting period to the date of this annual report.
9.9	Alternate Directors	Rules 9.9 (a), (b), (c), (d), (e) and relevant Disclosures pertaining to Alternate Directors	Not Applicable	No Alternate Directors were appointed throughout the reporting period to the date of this annual report.
9.10.1		Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2	Compliant	N/A
9.10.2	Disclosure relating to Directors	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement	Compliant	The Company did not have any new appointments of directors during the year and as at this date.
9.10.3	Disclosure relating to Directors	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees	Compliant	The Company did not have any new appointments of directors during the year and as at this date.

Rule No.	Subject	Criteria	Compliance Status	Details
9.10.4.(a)/ 9.10.4.(b)	Disclosure relating to Directors	Company shall publish a brief resume in the Annual Report including expertise in relevant functional areas of each Director	Compliant	Please refer to pages 13 to 19.
9.10.4.(c)	Disclosure relating to Directors	Whether either the Director or Close Family Members has any material business relationships with other Directors of the Listed Entity	Compliant	As at the conclusion of the last AGM and throughout the financial year, none of the directors or close family members have had any material business relationship with other directors of Chevron Lubricants Lanka PLC.
9.10.4.(d)	Disclosure relating to Directors	Whether Executive, Non-Executive and/or independent Director;	Compliant	Please refer to page 39 of the Corporate Governance Report.
9.10.4.(e)	Disclosure relating to Directors	The total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or Key Management Personnel indicating whether such companies are listed or unlisted Companies and whether such Director functions in an executive or non-executive capacity	Compliant	Please refer to pages 13 to 19 of Directors Profiles
9.10.4.(f)	Disclosure relating to Directors	Number of Board meetings of the Listed Entity attended during the year	Compliant	Please refer to page 39 of the Corporate Governance Report.
9.10.4.(g)	Disclosure relating to Directors	Names of Board Committees in which the Director serves as Chairperson or a member	Compliant	Please refer to pages 39 to 40 of the Corporate Governance Report.
9.10.4.(h)	Disclosure relating to Directors	Details of attendance of Committee Meetings of the Audit, Related Party Transactions Review and Remuneration Committees. Such details shall include the number of meetings held and the number attended by each member	Compliant	Please refer to pages 39 to 40 of the Corporate Governance Report.
9.10.4.(i)	Disclosure relating to Directors	The terms of reference and powers of the SID	Not Applicable	Not applicable as the Company did not have a requirement for a SID.
9.11	Nominations and Governance Committee	Nominations and Governance Committee	Not Applicable	Considering the effective date of rule 9.11 being 01st October 2024, the Company is in the process of reviewing the Terms of Reference of the Nominations & Governance Committee.
9.12.2/ 9.12.3/ 9.12.4/ 9.12.5	Remuneration Committee	A listed entity shall have a Remuneration Committee	Compliant	Please refer to the Remuneration Committee report on page 58 and Corporate Governance on page 40.
9.12.6	Composition of Remuneration Committee	Remuneration Committee (RC) shall comprise a minimum of two Independent Non Executive Directors or majority of Independent Non Executive Directors.	Compliant	Out of the three members of the Remuneration Committee two are Independent Non-Executive Directors.

Rule No.	Subject	Criteria	Compliance Status	Details
9.12.7	Functions of the Remuneration Committee	The RC shall recommend the remuneration payable to the Executive Directors/and Chief Executive Officer to the Board which will make the final determination. The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO	Compliant	Please refer to the report of the Remuneration Committee appearing on page 58.
9.12.8.(a)/ 9.12.8.(b)/ 9.12.8.(c)	Disclosure relating to Remuneration Committee	Annual report shall set out the names of Directors in the RC, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer to the report of the Remuneration Committee appearing on page 58.
9.13.1 and 9.13.2	Audit Committee	The Company shall have an Audit Committee. Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules	Compliant	Please refer to the Audit Committee Report given on pages 56 and 57.
9.13.3	Composition of the Audit Committee	Composition of the Audit Committee	Compliant	Considering the effective date of 01st October 2024 and transitionary rules allowed until this date, the Company is compliant with previous rule 7.10.6 (a) in which the Audit Committee comprised of two Non-Executive Independent Directors and headed by an Independent Director.
		CEO and CFO shall attend all Audit Committee Meetings by invitation	Compliant	Chief Executive Officer and Chief Financial Officer attended all Audit Committee meetings by invitation.
		Chairman or one member of the Audit Committee shall be a member of a recognized professional accounting body.	Compliant	The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka
9.13.4	Functions of the Audit Committee	Should be as outlined in the 9.13.4 of the listing rules to be effective from 01st October 2024. (Transitionary rule 7.10.6.(b) is available).	Compliant	Considering rule 9.13.4. effective date being 01st October 2024 and transitionary rules allowed until this date, the Company is compliant with previous rule 7.10.6 (b). Please refer to the Audit Committee report given on page 56 and the Corporate Governance Report on page 39.

Rule No.	Subject	Criteria	Compliance Status	Details
9.13.5	Disclosures in the Annual Report relating to Audit Committee.	The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity	Compliant	Considering rule 9.13.5. effective date being 01st October 2024 and transitionary rules allowed until this date, the Company is compliant with previous rule 7.10.6 (c). Please refer to the Audit Committee report given on page 56.
		The Audit Committee Report disclosures	Compliant	Considering rule 9.13.5. effective date being 01st October 2024 and transitionary rules allowed until this date, the Company is compliant with previous rule 7.10.6 (c). Please refer to the Audit Committee report given on page 56.
9.14.1	Related Party Transactions Review Committee	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules	Compliant	Please refer to page 40 of the Corporate Governance Report.
9.14.2.(1)	Composition of the RPTRC	The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity	Compliant	Please refer to the report of the Related Party Transactions Review Committee appearing on page 59.
	Composition of the RPTRC	One Independent Non Executive Director shall be appointed as the Chairman of the Committee	Compliant	Please refer to the report of the Related Party Transactions Review Committee appearing on page 59.
9.14.3 and 9.14.5	Functions of Related Party Transactions Review Committee	All relevant Related Party Transactions should be reviewed by the Related Party Transactions Review Committee (RPTRC)	Compliant	Please refer to the report of the Related Party Transactions Review Committee appearing on page 59.
9.14.4.(1)	Frequency of meetings	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Compliant	Please refer to the Corporate Governance report appearing on page 40.
9.14.8.(1)/ 9.14.8.(2)	Disclosures in the Annual Report relating to Related Party Transactions	Disclosure of Non-Recurrent Related Party Transactions & Recurrent Related Party Transactions exceeding specified threshold criteria.	Compliant	Please refer to the Corporate Governance report appearing on page 47.
9.14.8.(3)	Disclosures in the Annual Report relating to RPTRC	Names of the Directors comprising the Committee	Compliant	Please refer to the report of the Related Party Transactions Review Committee appearing on page 59.
		A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/Observations to the Board of Directors.	Compliant	Please refer to the report of the Related Party Transactions Review Committee appearing on page 60.

Rule No.	Subject	Criteria	Compliance Status	Details
		The Policies and procedures adopted by the Committee for reviewing the Related Party Transactions.	Compliant	Please refer to the report of the Related Party Transactions Review Committee appearing on pages 59 and 60.
9.14.8.(4)	Declaration by Board of Directors	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions.	Compliant	Annual Report of the Directors on page 53 and Related Party Transactions Review Committee Report on page 60.
9.16.(i)	Additional Disclosures	A declaration by the Board of Directors that they have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested	Compliant	Please refer to the Annual Report of the Directors on page 53.
9.16.(ii)	Additional Disclosures	A declaration by the Board of Directors that they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith.	Compliant	Please refer to the Annual Report of the Directors on page 54.
9.16.(iii)	Additional Disclosures	A declaration by the Board of Directors that they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions.	Compliant	Please refer to the Annual Report of the Directors on page 54.
9.16.(iv)	Additional Disclosures	A disclosure by the Board of Directors of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.	Compliant	Nil Disclosure. Please refer to the Annual Report of the Directors on page 54.

Compliance with the section 9.14.8.(2) of Listing rules of the Colombo Stock Exchange Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the related Party Transactions entered in to during the Financial Year (LKR)	Aggregate value of the related Party Transactions as % of Net Revenue	Terms and Conditions of Related Party Transactions
Chevron Singapore Pte Limited	Subsidiary of the ultimate parent	Purchase of Raw Materials for Blending of Lubricants	5,152,374,872	22%	As per the Purchase Agreement between the two entities, on commercial terms.
Chevron Singapore Pte Limited	Subsidiary of the ultimate parent	Services obtained for Lubricant Business, Procurement, HES, Legal, IT, HR.	1,001,771,202	4%	As per the Service Level Agreement between the two entities.
			6,154,146,074	26%	

RISK MANAGEMENT

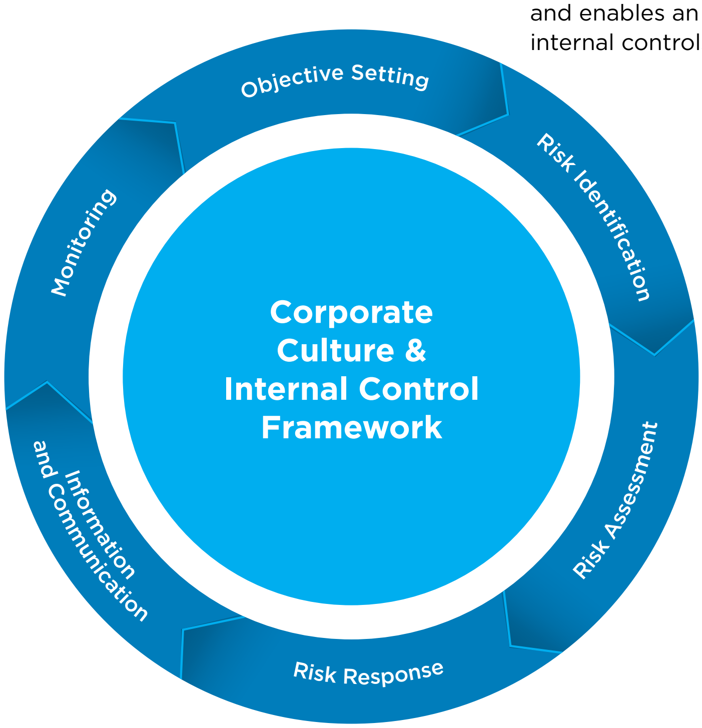
The Company encounters varied risks that originate from the micro and macro environment, which would impact the value creation and preservation process. The Company's risk management process involves setting corporate objectives, identification of risks, assessing their likelihood and severity, risk response, information and communication and periodic monitoring. The key risks faced by the Company are mapped in a detailed risk register, assessed and profiled based on its potential impact and likelihood and are managed through risk response strategies.

The audit committee spearheads the risk management process through periodic assessment and monitoring and cascades to the management committee for implementation and execution. Risk management is deeply rooted and embedded in our corporate culture.

Internal Control Framework

Our policy is to conduct our business in accordance with the highest standards of integrity and ethics, and in compliance with all applicable laws. The Company implements, and maintains effective internal controls to guide and monitor compliance with applicable legal requirements and to maintain reliable and accurate financial reporting.

We have adopted the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to document, catalog, assess and maintain our systems of internal controls over financial reporting. The COSO framework emphasizes publicly traded companies to adopt an internal control framework that is free from bias; allows for reasonably consistent qualitative and quantitative measurements of the Company's internal controls; is complete, and enables an objective evaluation of internal controls over financial reporting.



(Risk Management Process)

Risk assessment and profiling

Each identified risk is assessed based on the likelihood of it materializing and the potential impact it would have on the entity. Audit committee and management judgment remain crucial to assessing likelihood of a potential risk, whilst the severity is determined by assessing the potential financial and non-financial impact a particular risk would exert on realizing envisaged corporate objectives.

A composite risk score is ascertained based on the likelihood and impact ratings. The composite score is fundamental in scientifically profiling risks through a matrix and in prioritizing appropriate risk response strategies.

Conceptual model of the Risk Matrix

Likelihood					
Almost Certain 5	5	10	15	20	25
Likely 4	4	8	12	16	20
Moderate 3	3	6	9	12	15
Unlikely 2	2	4	6	8	10
Remote 1	1	2	3	4	5
	Very Low 1	Low 2	Medium 3	High 4	Very High 5
	Impact				

	Low	Moderate	High
Risk Rating	Low	Moderate	High
Risk Source (RS)	5>RS	10>RS>5	25>RS>10

Business Risk

Loss of Volumes/ Market Share

The Company faces the risk of losing volumes due to negative market growth, intense competition from existing players, new entrants and unlicensed operators in the market who sell adulterated products. A more effective regulatory mechanism is required to curb such illegal activities that affect the industry. The export volumes may be affected by macro-economic developments, political unrest, fiscal policies of the respective geographies.

Risk Response

The Company manages these risks through customer and channel partner education, marketing communication on product value propositions, creating awareness among the relevant stakeholders and leveraging on the brand equity. We also have regular dialogue and interaction with the Public Utility Commission of Sri Lanka, Ministry of Energy and other relevant authorities to offer constructive suggestions to regulate the industry and protect the interests of the customers and maintain high product standards.

Dependence on Business Partners

Some of the critical operations of the Company, such as handling warehouse operations, transportation & distribution have been outsourced. Any business disruption in the operations of such business partners may affect the Company's operations.

Risk response

The Company conducts regular supplier evaluations and benchmarking of such activities to re-validate the decision parameters of outsourcing. We believe that we maintain excellent relationships with our business partners and we share best practices with them. In addition, the Company has developed contingency plans to face any disruptions in critical outsourced activities.

Health, Environment and Safety Risk

These risks relate to incidents and events that could cause injuries to employees and disrupt day to day business operations and cause damage to the environment. Damages to the environment could lead to legal claims and reputational risk.

Risk response

Protecting people and the environment is one of the core values advocated in the "Chevron Way," which defines who we are, what we do, what we believe and what we plan to accomplish. The underlying principles and expectations are safety and incident free operations, advocacy, compliance assurance, conservation, product stewardship, pollution prevention, and emergency management. Chevron Operation Excellence (OE) provides for the overarching systematic management of safety, health and environment, reliability and efficiency to achieve world class performance.

Operational Risk

These are risks that could arise due to systems and procedure failures, human error, fraud, lack of internal control and corporate governance practices. The occurrence of any of these may have an adverse impact on profitability, competitiveness, reputation and conducting overall business operations.

Risk response

The Company has deployed policies, processes and procedures to ensure integrity of transactions, whilst also adopting controls mandated by Sarbanes-Oxley Act (SOX). Any deviations or gaps identified are reported, investigated and corrective action taken. The value chain activities from supply chain to distribution cum sales and marketing have been integrated on a central ERP system, supplemented with standardized processes. Further, these processes, systems and controls are subjected to periodic review by internal auditors and BSI auditors.

Financial Risk

Foreign Exchange Risk

As most of the raw materials are imported, the depreciation of the LKR against the US dollar adversely affects our product acquisition costs.

Risk response

The Company consistently monitors foreign exchange movement and related economic indicators. Best possible rates are negotiated with banks for settlements of bills, whilst flexible settlement terms are negotiated with key suppliers. Hedging techniques such as forward contracts and matching assets against liabilities denominated in foreign currency to a certain extent is within the Company's framework of response strategies to manage a currency volatility to a certain degree and foreign exchange risk.

However, foreign exchange volatility at exceptional levels and acute foreign exchange (USD) liquidity shortage in the Sri Lanka Banking system, would certainly challenge the Company's efforts in effectively responding to the risk.

Credit Risk

The Company grants unsecured credit for some of our customers which could lead to bad debts. However, a major proportion of the credit granted is fully secured.

Risk response

Stringent credit controls are in place to limit and monitor the exposures on unsecured credit.

Cybersecurity Risk

The potential loss resulting from a cyber-attack or data breach on the organization or the company's technical infrastructure.

Risk response

Chevron Lubricants Lanka PLC practices a systematic approach to Cybersecurity Risk for all of its business units and subsidiaries. The Cybersecurity Risk management life cycle is based on and follows the National Institute of Standards and Technology (NIST) Cybersecurity Framework. This framework provides the structure for our Cyber Risk Management policies, procedures and guidance.

Pandemic Risk

Risk of a contagious disease spreading amongst Company employees/contract staff, impacting staff and operations of key business partners and customers of the Company

Risk response

Activate the business continuity plan (BCP)/emergency response plan (ERP) during a potential pandemic situation. Adapt to global/national health and safety requirements as the pandemic unfolds. The Company's designated Crisis Management Team (CMT) to lead planning and execution of BCP and ERP during a pandemic.

ANNUAL REPORT OF THE DIRECTORS

The Directors of Chevron Lubricants Lanka Plc are pleased to present their report together with the audited financial statements for the year ended 31st December 2023.

Structure and Nature of the Business

Chevron Corporation
(through Chevron Ceylon Ltd)

↓

51%

Chevron
Lubricants Lanka PLC

The core business activity of the company is the import, manufacturing/blending, distribution and marketing of lubricant products, greases, brake fluid, specialty products for domestic and certain export markets. The review of business activities for the year 2023 and the likely future developments are covered in detail under the Managing Director's review, and management discussion and analysis.

Review of Business Performance

A review of the financial and operational performance of the business is given in the Chairperson's review, Managing Directors review, Management discussion and analysis, Financial review and the Financial Statements.

Financial Statements

The financial statements prepared in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka are given on pages 63 to 103.

Accounting Policies

All the significant accounting policies adopted by the Company are given in note 2 to the financial statements. There were no changes in the accounting policies adopted by the Company during the year.

Profits and Appropriations

The profit after tax was LKR 3,603 Mn. (2022: 3,666 Mn.) and total comprehensive income for the period amounted to LKR 3,607 Mn. (2022: 3,627 Mn.).

Information on Dividends and Reserves are given below.

First interim dividend paid on 29 August 2023 at LKR 2.00 per share

Second interim dividend paid on 23 November 2023 at LKR 4.00 per share

Third interim dividend paid on 28 March 2024 at LKR 8.00 per share

For the year ended 31 December 2023	(Rs. Mn.)
Profit after tax	3,603
Balance brought from previous year	5,559
First Interim Dividend of Rs. 2.00 per share paid on 29th August 2023	(480)
Second Interim Dividend of Rs. 4.00 per share paid on 23rd November 2023	(960)
Unclaimed Dividend transferred to Retained Earnings	6
Re-measurement of defined benefit obligations	4
Balance carried forward to 2024	7,732

No final dividend has been proposed by the Board.

Property, Plant & Equipment

Capital expenditure incurred during 2023 including work-in-progress amounted LKR 212,439,343 (2022: LKR 106,827,282). The movements in Property, Plant & Equipment are given in Note 13 to the Accounts.

Donations

No donations were made by the Company during the year. (2022: Nil).

Directorate

The following served as Directors of the Company during the year 2023:

Najam Shamsuddin

Bertram Paul

Erande De Silva

Asite Talwatte

Haider Manasawala

Harsha Cabral

In terms of Articles 84 and 85 of Articles of Association of the Company Mr. Asite Talwatte retires by rotation at the Annual General Meeting and is eligible for re-election.

Director's Shareholdings

Shareholdings of the Directors including alternates and spouses are detailed below:

None of the Directors hold shares in the Company.

Director's Independence

Asite Talwatte and Harsha Cabral function as independent directors of the Company.

As per the rules on corporate governance (section 9.18.2.b) stipulated by the Colombo Stock Exchange each of the above directors have made written declarations. Accordingly, Asite Talwatte and Harsha Cabral meet all the criteria of independence.

Information on Company's compliance with other rules on corporate governance are given in corporate governance report in page 40.

Remuneration and other benefits of Directors

The remuneration and the value of other benefits received by the Directors are given in page 102.

Directors Interests in Contracts

Directors' interests in contracts are disclosed in Note 26 to the accounts and have been declared at the meeting of the Directors.

The relevant Directors' have refrained from voting on matters in which they were materially interested.

Other Directorships held by the Directors

Other directorships held by the Directors have been disclosed with the Directors profiles on pages 13 to 19. These have been entered in the Interest Register.

Related Party Transactions

The company procures most of the raw materials from Chevron group companies in the ordinary course of business. In addition, the Company obtains and pays for various services provided by the group. The details of such transactions are given in note 26 to the Financial statements. The Directors believe that the Company has fully complied with the rules of the Colombo Stock Exchange relating to related party transactions. Report of the related party transactions review committee is given on pages 59 to 60.

Share Information

Information relating to market value of shares, public shareholding and top 20 shareholders are given in pages 106 to 108.

Post Balance Sheet Events

The third interim dividend for 2023 of LKR 8.00 per share amounting to LKR 1,920,000,000.00 was declared on 27 February 2024 and paid on 15 and 28 March 2024.

Reference to Note 27 to the financial statements in page 103, other than the note disclosed in Note 27 (a), there have been no other events subsequent to the Balance Sheet date which would have material effect on the company or require disclosure or adjustment to the Financial Statements.

Internal Controls

Directors are responsible for devising proper internal controls to ensure that the proper books of accounts are maintained, the integrity of financial statements, assets are safeguarded, transactions are executed by those who have appropriate authority and there is proper segregation of duties. Board Audit committee reviews the internal audit reports to ensure established controls are adhered and any deviations reported and remediated. A whistle blowing mechanism is in place to report any violations of internal controls and Business conduct and ethics code. Based on the internal control frame work as described above the Board is satisfied with the effectiveness of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith for the period under review.

Laws, Rules and Regulations

The Board of Directors have made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions.

The Board of Directors have no disclosures to be made of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Chevron Lubricants Lanka PLC has operations.

Statutory Payments

The Board of Directors confirm that to the best of their knowledge all statutory payments for the financial year have been paid or where relevant provided for.

Auditors

The financial statements for the year have been audited by Messrs Deloitte Partners (chartered accountants). They were paid LKR 4,153,686 (2022: LKR 3,708,648) as audit fees and LKR 110,000 (2022: LKR 90,000) for issue of solvency certificates.

A resolution proposing their re-appointment as Auditors of the Company will be tabled at the Annual General Meeting.

The Auditors have confirmed that they do not have any relationship with or interests in the Company other than that of an auditor.

Annual General Meeting

The Board of Directors have decided the 31st Annual General Meeting will be held on Thursday 30th May 2024 at 4.00p.m. at Jasmine Hall, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07.

By order of the Board of Directors

Bertram Paul
Managing Director/CEO

Erande De Silva
Director/CFO/Company Secretary
29 April 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Companies Act 07 of 2007 stipulates that Directors are responsible for the preparation of financial statements for each financial year and place before a general meeting financial statements, comprising of a Statement of Comprehensive Income and a Statement of Financial Position which presents a true and fair state of the Company as at the end of the financial year and which comply with the requirements of the above Act. The financial statements have been prepared and presented in accordance with all relevant Sri Lanka Financial Reporting Standards and Accounting Standards. The financial statements include amounts that are based on management's best estimates and judgments.

As per the Section 148 of the Act the Directors are also required to maintain sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to ensure that the financial statements presented comply with the requirements of the Companies Act.

The directors are also responsible for devising proper internal controls for safeguarding the assets of the company against unauthorized use or disposition and prevention and detection of fraud and for reliability of financial information used within the business or publication.

The Board of Directors is of the opinion that Board has discharged their responsibilities as set out above.

The company's financial statements have been audited by Deloitte Partners, independent auditors approved by the shareholders. Management has made available to Deloitte Partners all the Company' financial records and data, as well as the minutes of directors' meetings.

The Board of Directors also confirms that having reviewed the financial position and strategies for managing risks faced by the Company, the company could continue in operation and has adopted the going concern basis in preparing the financial statements.

Bertram Paul
Managing Director/CEO

Erande De Silva
Director/CFO

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Supplementary Information

AUDIT COMMITTEE REPORT

Composition

The Audit Committee composition complied with the requirements of the SEC. The composition of the Audit Committee during the year is indicated below.

Name and Details of Director	Directorship Status at CLLP
Asite Talwatte FCA (Chair)	Independent Non-Executive Director
Harsha Cabral PC	Independent Non-Executive Director

Terms of Reference

The Audit Committee Terms of Reference (TOR) adopted by the Company in line with Chevron, US SEC and Sri Lanka SEC, CSE requirements and best practice, defines its responsibilities and work.

Ensuring financial statement integrity, effectiveness of internal controls over financial reporting, compliance with laws and regulations, recommend to the board pertaining to the appointment/ reappointment/removal of external auditors and to approve their remuneration and terms of engagement, and the independence of the external auditors Deloitte Partners, was the primary responsibility of the Committee. TOR also requires the Committee to evaluate the performance of the internal audit function and of the external auditors and oversee the business risk identification, management and monitoring process.

1. Meeting the Goals

The Committee met on four occasions during the financial year 2023 and the members' attendance record is indicated in page 39 of corporate governance report.

The Committee was informed by the external auditor of a network affiliation change from the previous "PricewaterhouseCoopers" to "Deloitte Partners", by the external auditor joining the Deloitte network with effect from 28th October 2023.

The Committee also met with the external auditors to agree the audit plan, to consider the key interim audit findings and to discuss the final audit findings and management letter. It held a private meeting with the auditors to ensure that they have had unimpeded access to records, other audit evidence and personnel and have not been imposed with any restrictions on scope or on reporting.

The reports issued by local internal audit and by the external auditors were reviewed, the implications of the matters reported were assessed and the relevant risk handling and mitigation procedures implemented or to be implemented were discussed with the management to ensure that they were adequate to protect the company from reported risks.

The Committee also made relevant recommendations on the re-appointment of external auditors and in approving their remuneration and terms of engagement.

The Committee examined and was satisfied with the independence of the external auditors. The auditors have confirmed that they do not have any relationship with or interest in the Company other than that of an auditor.

The Committee also reviewed the year-end financial statements and the unaudited interim financial statements released to the Colombo Stock Exchange quarterly prepared by the management in conformity with the requirements of the Companies Act No. 7 of 2007 and the Sri Lanka Accounting Standards. The review included a year end discussion with the external auditors and discussions with the executive Directors of the movements in key account balances, the reasons for fluctuations from budget and previous year financial data to ensure that the reported results and financial position at the balance sheet date were consistent with the Committee's understanding of the operating environment, industry dynamics, results, strategic plans and budget of the company.

Business risk reviews and presentation of their results to the Board of Directors were made in the presence of all members of the Audit Committee who ensured that the risk management function overall was effective in design and in operation. The risk management activity is closely linked to strategic planning and the Committee was satisfied with the business risk review and management process.

Appreciation

The contribution made by the Managing Director, Finance Director and other Directors in fulfilling the obligations of the Audit Committee is recognized with appreciation.

Sgd.
Asite Talwatte
Chairman
Audit Committee

29 April 2024

REMUNERATION COMMITTEE REPORT

Remuneration Policy

Chevron Lubricants Lanka PLC (CLLP) provides a remuneration package to its employees in conformity with Chevron's worldwide remuneration policy. The framework to determine the compensation and benefits package which links the remuneration to enterprise and individual performance is provided by Chevron Total Remuneration (TR) Group after discussion with the Remuneration Committee. The local HR team assists the process by providing the Chevron TR Group with market data obtained via benchmarking exercises to determine the annual pay structures and the Chevron TR Group proposes the maximum annual pay increases for each grade of employees.

Supervisors are responsible for evaluating performance of each individual employee, who are then assigned a performance ranking based on the supervisor's assessment. The performance ranking together with the maximum annual pay recommended by Chevron TR Group forms the annual pay increase for each employee.

Benchmarking Surveys are commissioned periodically to assess the prevailing pay and benefit structure within the company, the findings of which are considered and reviewed by the Committee. CLLP undertook several such benchmarking studies during year 2023 to gauge market practices among comparators on employee pay, benefits and the treatment of Advanced Personal Income Tax (APIT) for employees in the aftermath of the personal tax revisions announced in January 2023.

As was referred to in my report last year, CLLP underwent a TR Country Study in 1Q of 2023 to calibrate CLLP's current package of employee benefits with that of a selected group of peer companies. The Committee is pleased to report that as an outcome of the above study the CLLP workforce was granted enhanced Hospitalization Insurance cover inclusive of Psychiatric Health Cover and Paternity Leave benefits. Base Station Allowance for the sales force too was enhanced to support the field sales teams deployed in CLLP markets across the island. The Committee also reviewed the Motor Vehicle Scheme which has served as a considerable employee retainer over the years and recommended changes to its design and loan quantum considering the hardships faced by the workforce due to the prevailing import restriction and high vehicle maintenance costs.

In June 2023 the Remuneration Committee reviewed and endorsed an off-cycle pay revision to all employees at CLLP to ease out the impact on disposable income of the employees following the upward revisions to personal taxes announced in January 2023.

As was referred to in my report last year, the Committee is satisfied with the salary review process in place. The Committee is also of the view that with the periodic increments made over the last few years, the total remuneration of the employees of the Company is in line with the Company Policy.

During the year under review, the Committee is happy to have been part of a series of recommendations and decisions that helped raise the quality of life and wellbeing of the CLLP workforce with the objective of strengthening team performance and motivation to operate in a complex and competitive business environment.

The aggregate remuneration paid to Executive and Non-Executive Directors is given on page 85.

I would like to acknowledge the efforts of numerous teams in Chevron for their empathy and concern towards the wellbeing of our workforce in CLLP through what has been a challenging year.

Sgd.
Harsha Cabral
Chairman, Remuneration Committee
29 April 2024

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Committee Composition

The Committee comprises two Independent Non-Executive Directors and one Non-Executive Director. The composition of the Committee fulfilled the requirements of the Listing Rule No. 9.14.2 (1) of the Colombo Stock Exchange, throughout the financial year. The composition of the Related Party Transactions Review Committee during the year is indicated below.

Name of Director	Directorship Status at CLLP
Asite Talwatte	Independent Non-Executive Director
Harsha Cabral	Independent Non-Executive Director
Haider Manasawala	Non-Executive Director

Terms of Reference

The Terms of Reference of the Related Party Transactions Review Committee deals with its authority and responsibilities. The TOR encompass matters prescribed in the Listing Rules of the Colombo Stock Exchange and include the following:

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by section 9.14.10 of the CSE rules.
- Determine whether Related Party Transactions that are to be entered into by the Company require the prior approval of the Board or shareholders of the Company or require immediate market disclosure.
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee in its ongoing dealings with the relevant related party.
- Where necessary, the Committee shall seek the approval of the Board of Directors for Related Party Transactions, which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.
- In the event a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

Policies and Procedures

Sri Lanka Accounting Standards define Related Party Transactions. This definition is consistent with Section 9.14 of the listing rules of CSE. Under these the members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the data base of the Company.

Meetings

The Committee met on four occasions during the financial year 2023 and the members' attendance record is indicated in page 40 of corporate governance report.

Related Party Transactions during the Year

The activities and observations of the Committee were communicated to the Board of Directors quarterly through oral briefings and by tabling the minutes of the Committee's meetings for ratification by the board. During the year there were no Non-Recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules. The Committee reviewed the recurrent related party transactions on a quarterly basis at each meeting, which included the transactions for the specific quarter and the cumulative amounts for the reporting period. Details of Recurrent Related Party Transactions entered into by the Company during the year are disclosed in Note 26 to the Financial Statements.

Disclosures in the Annual Report

The Company has also made the following disclosures as mandated by the CSE listing rules.

Recurrent Related Party Transactions are disclosed in page 47 of the annual report in compliance with Section 9.14.8 (2) of the listing rules of CSE.

During the year there were no Non-Recurrent Related Party Transactions that exceeded the respective thresholds, which require disclosure as per Section 9.14.8 (1) of the listing rules of CSE.

The Company has made relevant disclosures on related party transactions as required by LKAS 24 in Note 26 to the financial statements. Purchase of goods and services from related parties are on "arm's length basis". These disclosures are on page 100 to page 103.

The Company has appointed an approved accountant to carry out a review of the Company's transactions with associated enterprises on an annual basis and their reports are presented to the Related Party Transactions Review Committee.

The Company has also filed the Transfer Pricing Disclosure Form with the Department of Inland Revenue for Year of Assessment 2022/23 in terms of paragraph (d) of regulation 6 of Gazette Extraordinary Notification – 2104/4 issued under section 76, 77 and 194 of the Inland Revenue Act, No. 24 of 2017, the Inland Revenue (Amendment) Act, No. 10 of 2021 and the Inland Revenue (Amendment) Act, No. 45 of 2022.

Declaration

The declaration by the Board of Directors confirming that the Company has complied with the requirements of the listing rules of the CSE on related party transactions for the financial year 2023 is given on page 53, in the "Annual Report of the Directors".

Sgd.
Asite Talwatte
Chairman
Related Party Transactions Review Committee

29 April 2024

Financial Statements

FINANCIAL CALENDAR 2023

Interim Financials

1st Quarter Interim Financials	2nd Quarter Interim Financials	3rd Quarter Interim Financials	4th Quarter Interim Financials
12 May 2023	31 July 2023	25 October 2023	27 February 2024

Dividends Paid Dates

Dividends Paid Dates
First Interim Dividend paid on 29 August 2023 at LKR 2 per share
Second Interim Dividend paid on 23 November 2023 at LKR 4 per share
Third Interim Dividend paid on 28 March 2024 at LKR 8 per share

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Partners
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TO THE SHAREHOLDERS OF CHEVRON LUBRICANTS LANKA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

We have audited the financial statements of Chevron Lubricants Lanka PLC (the Company). The financial statements of the Company comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company 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.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditors' Report
To the Shareholders of Chevron Lubricants Lanka PLC (Contd.)
Report on the audit of the financial statements (Contd.)

Key audit matter	How our audit addressed the Key audit matter
Performance incentives and discounts to customers The Company offers several incentives and discounts to distributors and some retailers through their distributors ("customers"). At the point of invoicing, the incentives and discounts are estimated based on historical sales trends of each customer to arrive at the sales amount to be included in the invoices. Incentives and discounts are adjusted at month end based on actual redistribution sales information. Sales of LKR 23.25 billion disclosed in Note 5 to the financial statements is stated net of customer incentives and discounts amounting to LKR 3.28 billion for 2023. The customer incentives and discounts are material to the financial statements and are estimated and adjusted subsequently based on complex calculations with significant manual intervention and therefore considered as a key audit matter.	Our audit procedures included test of controls and substantive audit procedures covering the following: a) We obtained a list of customers with whom the Company has entered into sales agreements/contracts that included terms and conditions on eligibility of incentives and discounts. From this list we selected those customers whose sales have been recorded net of significant sales incentives and discounts. The sales agreements/contracts with the selected customers were examined and the terms and conditions related to customer incentives and discounts were discussed and confirmed with management. b) We obtained a detailed listing of sales incentives and discounts recorded for the year and traced a selected sample of sales incentives and discounts to the corresponding sales invoices. c) We checked whether the financial year end provision for discounts and incentive had been duly approved. For a selected sample of customers, we recomputed the sales incentives and discounts provided, based on the contractual terms in the related customer sales agreements/contracts using the actual redistribution sales details of those customers. The actual redistribution sales details were extracted from the 'Distribution Management System' of the Company, for which we had obtained reliance from our System and Process Assurance Specialist team. d) We checked the approvals from the relevant personnel of the Company for a sample of the debit/credit notes raised for adjustment of sales incentives and discounts for the month, for differences between sales incentives and discounts originally estimated at the time of sales invoicing and sales incentives and discounts recomputed based on actual sales extracted from the "Distribution Management System". e) We checked the incentive and discounts adjustments made after the reporting date to arrive at the actual amount of incentives and discounts at the year end to assess the reasonability of the provision made at the financial year-end. f) We checked whether monthly stock verifications were performed at distributor locations and variances, if any identified thereon had been adjusted in the performance incentives and discounts calculation. Based on the procedures above, we found that the calculations to estimate and compute performance incentives and discounts to be reasonable and the related manual interventions to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 determines 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 intends 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs 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 SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 management.

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- Conclude on the appropriateness of 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Deloitte Partners

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number 4084
COLOMBO

29th April 2024

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees)	Notes	As at 31 December 2023	2022
Assets			
Non-current assets			
Property, plant and equipment	13	1,611,884,401	1,588,866,663
Right-of-use assets	14	431,656,724	341,531,619
Trade and other receivables	15	58,676,818	70,328,322
		2,102,217,943	2,000,726,604
Current assets			
Inventories	18	4,473,447,962	5,178,417,990
Trade and other receivables	15	2,112,669,058	1,978,262,331
Cash and cash equivalents	19	3,256,784,430	3,876,289,749
		9,842,901,450	11,032,970,070
Total assets		**11,945,119,393**	**13,033,696,674**
Equity and liabilities			
Capital and reserves			
Stated capital	20	600,000,000	600,000,000
Retained earnings		7,732,330,148	5,559,130,717
		8,332,330,148	6,159,130,717
Non-current liabilities			
Employee benefit obligations	21	329,380,372	282,787,018
Deferred tax liabilities	17	207,469,887	234,197,137
Lease liabilities	14	465,150,829	358,185,567
		1,002,001,088	875,169,722
Current liabilities			
Trade and other payables	22	1,632,293,961	5,039,867,010
Current income tax liabilities		943,559,158	924,651,736
Lease liabilities	14	34,935,038	34,877,489
		2,610,788,157	5,999,396,235
Total liabilities		3,612,789,245	6,874,565,957
Total equity and liabilities		**11,945,119,393**	**13,033,696,674**

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

Nishshanka Dissanayaka
Manager – Finance and Business Planning

The Board of Directors is responsible for the preparation and presentation of these financial statements.
The financial statements were authorised for issue by Board of Directors on 29 April 2024.

Signed on behalf of the Board on 29 April 2024.

Bertram Paul
Managing Director/Chief Executive Officer

Erande De Silva
Director/Chief Financial Officer

Notes on pages 72 to 103 form an integral part of these financial statements.
Report of the independent auditors' on pages 63 to 66.

STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December 2023	2022
Sales	5	23,252,502,611	24,574,729,706
Cost of sales	6	(15,829,149,407)	(14,287,759,201)
Gross profit		7,423,353,204	10,286,970,505
Other income	8	12,346,870	2,104,186
Distribution expenses	6	(1,176,140,798)	(1,309,668,534)
Administrative expenses	6	(1,469,373,428)	(1,483,606,620)
Operating profit		4,790,185,848	7,495,799,537
Finance income	9	425,307,078	575,980,420
Finance costs	9	(70,989,482)	(3,072,147,550)
Finance income – net	9	354,317,596	(2,496,167,130)
Profit before tax		5,144,503,444	4,999,632,407
Income tax expenses	10	(1,541,490,145)	(1,333,577,656)
Profit for the year		**3,603,013,299**	**3,666,054,751**
Earnings per share attributable to the ordinary equity holders of the Company			
Basic/diluted earnings per share	11	**15.01**	**15.28**

Notes on pages 72 to 103 form an integral part of these financial statements.

Report of the independent auditors' on pages 63 to 66.

STATEMENT OF COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December 2023	2022
Profit for the year		3,603,013,299	3,666,054,751
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of employee benefit obligations	21	6,265,574	(55,546,854)
Deferred tax attributable to remeasurement of employee benefit obligations	17	(1,879,672)	16,664,056
Other comprehensive income/(loss) for the year, net of tax		**4,385,902**	**(38,882,798)**
Total comprehensive income for the year		**3,607,399,201**	**3,627,171,953**

Notes on pages 72 to 103 form an integral part of these financial statements.

Report of the independent auditors' on pages 63 to 66.

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lanka Rupees)	Notes	Stated capital	Retained earnings	Total
Balance at 1 January 2022		600,000,000	4,398,614,748	4,998,614,748
Adjustment for surcharge tax	10 (b)	Nil	(788,736,630)	(788,736,630)
Profit for the year		Nil	3,666,054,751	3,666,054,751
Other comprehensive loss for the year, net of tax		Nil	(38,882,798)	(38,882,798)
Total comprehensive income for the year		Nil	3,627,171,953	3,627,171,953
Transactions with owners - Dividends	12	Nil	(1,680,000,000)	(1,680,000,000)
Unclaimed dividends transfer to retained earnings		Nil	2,080,646	2,080,646
Balance at 31 December 2022		**600,000,000**	**5,559,130,717**	**6,159,130,717**
Balance at 1 January 2023		600,000,000	5,559,130,717	6,159,130,717
Profit for the year		Nil	3,603,013,299	3,603,013,299
Other comprehensive income for the year, net of tax		Nil	4,385,902	4,385,902
Total comprehensive income for the year		Nil	3,607,399,201	3,607,399,201
Transactions with owners - Dividends	12	Nil	(1,440,000,000)	(1,440,000,000)
Unclaimed dividends transfer to retained earnings		Nil	5,800,230	5,800,230
Balance at 31 December 2023		**600,000,000**	**7,732,330,148**	**8,332,330,148**

Notes on pages 72 to 103 form an integral part of these financial statements.

Report of the independent auditors' on pages 63 to 66.

STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December 2023	2022
Cash flows from operating activities			
Cash generated from operations	25	2,561,365,255	2,811,672,141
Interest paid		(70,989,482)	(45,738,191)
Employee benefits obligations paid	21	(13,615,346)	(20,262,357)
Interest received		139,468,220	582,818,661
Income tax paid		(1,551,189,644)	(1,655,977,730)
Net cash generated from operating activities		1,065,039,003	1,672,512,524
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(212,439,345)	(106,827,282)
Proceeds from disposal of property, plant and equipment		12,151,508	Nil
Net cash used in investing activities		(200,287,837)	(106,827,282)
Cash flows from financing activities			
Principal elements of lease payments	14	(44,256,485)	(34,511,690)
Dividends paid	12	(1,440,000,000)	(1,680,000,000)
Net cash used in financing activities		(1,484,256,485)	(1,714,511,690)
Net decrease in cash and cash equivalents		**(619,505,319)**	**(148,826,448)**
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		3,876,289,749	4,025,116,197
Net decrease in cash and cash equivalents		(619,505,319)	(148,826,448)
Cash and cash equivalents at end of year	19	**3,256,784,430**	**3,876,289,749**

Notes on pages 72 to 103 form an integral part of these financial statements.

Report of the independent auditors' on pages 63 to 66.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in notes are shown in Sri Lanka Rupees unless otherwise stated)

1. General information

Chevron Lubricants Lanka PLC carries on the business of importing, blending, distributing and marketing of lubricant oils and greases. The Company is a public limited liability company incorporated and domiciled in Sri Lanka. The address of its registered office is Chevron Lubricants Lanka PLC, Level 16, MAGA ONE, No. 200, Nawala Road, Narahenpita, Colombo 5.

The Company has its primary listing on the Colombo Stock Exchange. The ultimate parent of the Company is Chevron Corporation Inc., incorporated in San Ramon – USA.

These financial statements have been approved for issue by the Board of Directors on 29 April 2024.

2. Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in Note 04 to the financial statements.

2.2 Changes in accounting policies and disclosures

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Company's financial statements have been adopted by the Company (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (ie year ending 31 December 2023) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

(a) New Standards and Amendments – Applicable 1 January 2023

In the current year, the Company has applied a number of amendments to SLFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023.

(i) Amendments to LKAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The Company has adopted the amendments to LKAS 1 for the first time in the current year. The amendments change the requirements in LKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in LKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2.

The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(ii) Amendments to LKAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the amendments to LKAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to LKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in LKAS 12.

Impact on disclosures and amounts reported in the financial statements from the adoption of this amendment has been disclosed and presented in Note 17.

(iii) Amendments to LKAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules

The Company has adopted the amendments to LKAS 12 for the first time in the current year. The IASB amends the scope of LKAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in LKAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(iv) Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The Company has adopted the amendments to LKAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(b) New Standards and Amendments but not adopted in 2023

At the date of authorisation of these financial statements, the Company has not applied the following new and revised SLFRS Accounting Standards that have been issued but are not yet effective and had not yet been adopted by the International Financial Reporting Standards Board.

(i) Amendments to LKAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments to LKAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to LKAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

(ii) Amendments to LKAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

(iii) Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term "supplier finance arrangements" is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

(iv) Amendment to SLFRS 16 Leases – Lease Liability in a Sale and Leaseback

The amendments to SLFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SLFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in SLFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in SLFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying SLFRS 15, is a lease liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

2.3.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Sri Lanka Rupees, which is the Company’s presentation currency.

Foreign exchange gains and losses are presented in the income statement within “net finance income”.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the statement of comprehensive income.

2.3.2 Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements of the Company continue to be prepared on the going concern basis.

2.4 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of self-constructed assets include the cost of materials, direct labour and appropriate proportion of production overheads.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Capital work in progress represents all amounts paid on work undertaken, and still in an unfinished state as at the end of the year.

Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from date of availability for use. On disposal of assets, depreciation ceases on the date that the asset is derecognised.

The principal annual rates used for this purpose are:

	%
Land improvements	3.57 - 10
Improvements on leasehold buildings	2.27 - 20
Storage tanks and pipe lines	6.25 - 20
Plant and machinery	6.25 - 33.33
Office furniture and equipment	10 - 50
Motor vehicles	10 - 25
Computers	12.5 - 50

Leasehold improvements are depreciated over the lesser of useful economic life and lease period.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the statement of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.5 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Accounting for leases – where the Company is the lessee

The Company leases various lands, buildings and motor vehicles.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- variable lease payment that are based on an index or a rate.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.7 Financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(d) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
  - FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(e) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.8 Financial liabilities

2.8.1 Classification and initial recognition

Financial liabilities are initially recognised at fair value, net of transaction costs.

The Company's financial liabilities consist of trade and other payables and lease liabilities. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.8.2 Subsequent measurement

Financial liabilities are subsequently carried at amortised cost using effective interest method.

2.8.3 Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2.8.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expenses. Fixed production overheads are allocated to inventories based on normal operating capacity. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and accordingly adjusts the historical loss rates based on expected changes.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

2.11 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of book overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

2.12 Stated capital

Ordinary Shares are classified as equity.

2.13 Employee benefits

(a) Defined contribution plans

Defined contribution plan is a plan under which the Company pays a fixed contribution into a separate entity. All employees of the Company in Sri Lanka are members of the Employees' Provident Fund and Employees' Trust Fund, to which the Company contributes 15% and 3% respectively, of employees' basic or consolidated wage or salary. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(b) Defined benefit obligation

A defined benefit plan is a plan that is not a defined contribution plan. Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company pays gratuity to its eligible employees computed at one month's salary for each completed year of service ,which exceeds the amount stipulated by the Gratuity Act, No. 12 of 1983, which is a defined benefit plan.

The liability recognised in the statement of financial position in respect of gratuity is the present value of the defined benefit obligation at the statement of financial position date together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds, as there is no deep market on high quality corporate bonds, by the actuarial valuer.

Past service costs are recognised immediately as an expense in the statement of comprehensive income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses from experience adjustments and changes in actuarial assumptions are recognised under other comprehensive income of the statement of comprehensive income.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 21 to the financial statements.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax.

The provision for current income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the tax laws enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax is recognised using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The principal temporary differences arise from depreciation on property, plant and equipment, defined benefit obligations, lease liabilities and right-of-use assets.

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Revenue recognition

Sales are recognised when the performance obligation is satisfied, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Goods and services deliverable under contracts with customers are identified as separate performance obligations ("obligations") to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified.

The Company determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Company would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis. Where the Company does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Company maximises the use of external input; observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach. Payment of the transaction price is due immediately when the customer purchases the lubricants and takes delivery.

(a) Sale of goods

Sale of goods are recognised on delivery of products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method unless collectability is in doubt.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of Chevron Lubricants Lanka PLC assesses the financial performance and position of the Company, and makes strategic decisions. Accordingly, such management, has been identified as being the chief operating decision maker. Authority is delegated down by the board to management consisting of the chief executive officer, chief financial officer and few other managers designated in the management team.

There are no significant separate operating segments within the Company.

3. Financial risk management

3.1 Financial risk

3.1.1 Financial risk factors

The Company's activities expose it to a variety of financial risks. Market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial risks and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is performed by the management under policies approved by the board of directors. The board provides guidance for overall risk management.

The principal financial instruments of the Company comprise of short term deposits, money market investments, and cash. The main purpose of these financial instruments is to raise and maintain liquidity for the Company's operations, and maximise returns on the Company's financial reserves. The Company 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

The Company is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR). The Company's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances, trade receivables, and trade payables are denominated in foreign currencies.

The Company's financial statements which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect the Company's cost of materials purchased and services obtained from related companies in foreign currencies. In particular, depreciation of the LKR against the USD can impact the Company's operating results through its impact on cost of imported raw materials.

The Company's exposure to foreign currency risk at the end of the reporting period, in USD denominated currency was as follows:

Sensitivity analysis

As at 31 December 2023, a net foreign exchange gain of LKR 273,994 (2022 – net foreign exchange loss LKR 36,165,187) would have resulted with each 1% weakening of LKR against USD with all other variables held constant on translation of year end foreign currency denominated balances.

During the year ended 31 December 2023, the Company recorded a net foreign exchange gain of LKR 281,182,266 (2022 – net foreign exchange loss LKR 2,992,846,526) on transaction and translation of USD balances.

(b) Credit risk

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

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

Trade receivables

The Company is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. The management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Management does not expect any losses from non-performance by these counterparties.

	2023	2022
Trade and other receivables (Note 15)	262,991,086	174,059,174
Trade and other payable (Note 22)	(56,011,251)	(424,613,645)
Amounts due from related parties (Note 15)	28,468,857	22,648,711
Amounts due to related parties (Note 22)	(334,004,217)	(3,572,850,288)
Cash and cash equivalents (Note 19)	125,954,912	184,251,150
Total foreign currency exposure	**27,399,387**	**(3,616,504,898)**

3. Financial risk management (Contd.)
3.1 Financial risk (Contd.)
3.1.1 Financial risk factors (Contd.)
(b) Credit risk (Contd.)

Cash and cash equivalents

The Company invests in government security and rated banks. The Company limits the concentration of financial exposure to any single financial institution.

Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

As at 31 December 2023	Cash at bank	Trade and other receivables	Amounts due from related parties	Total
Risk Exposure				
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	Nil	2,119,239,306	Nil	2,119,239,306
Amounts due from related parties (Note 15)	Nil	Nil	28,468,857	28,468,857
Cash and cash equivalents (Note 19)	3,256,784,430	Nil	Nil	3,256,784,430
Total credit risk exposure	**3,256,784,430**	**2,119,239,306**	**28,468,857**	**5,404,492,593**

As at 31 December 2022	Cash at bank	Trade and other receivables	Amounts due from related parties	Total
Risk Exposure				
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	Nil	1,993,420,439	Nil	1,993,420,439
Amounts due from related parties (Note 15)	Nil	Nil	22,648,711	22,648,711
Cash and cash equivalents (Note 19)	3,876,289,749	Nil	Nil	3,876,289,749
Total credit risk exposure	**3,876,289,749**	**1,993,420,439**	**22,648,711**	**5,892,358,899**

(c) Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of cash in hand at bank deemed adequate by the management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of available bank facilities. Access to source of funding is sufficiently available.

Surplus cash held over and above the amount required for working capital management is invested in interest bearing savings accounts, treasury bills and repurchase agreements, time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Company held liquid assets of LKR 5,300,636,657 (2022 – LKR 5,796,986,187) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities					
Trade and other payables (excluding statutory payables)	1,159,777,793	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 22)	334,004,217	Nil	Nil	Nil	Nil
Lease liabilities	22,526,394	81,029,254	100,482,497	253,708,286	530,818,433
Total liabilities	**1,516,308,404**	**81,029,254**	**100,482,497**	**253,708,286**	**530,818,433**

As at 31 December 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities					
Trade and other payables (excluding statutory payables)	1,427,235,278	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 22)	3,572,850,288	Nil	Nil	Nil	Nil
Lease liabilities	15,177,064	64,465,082	55,793,571	144,580,202	564,704,778
Total liabilities	**5,015,262,630**	**64,465,082**	**55,793,571**	**144,580,202**	**564,704,778**

(d) Price risk

The Company is exposed to the commodity price risk pertaining to base oils.

The Company monitors price of base oils on a dynamic basis and manages procurement accordingly.

(e) Interest rate risk

The Company has cash and bank balances including deposits placed with government and creditworthy banks. The Company monitors interest rate risk by actively monitoring the yield curve trends and interest rate movements.

3.2 Fair value estimation

The Company's financial assets and liabilities include receivables, cash in hand and at bank, other payables and bank borrowings. Due to the short-term nature of the current receivables and payables, their carrying amount is considered to be the same as their fair value.

3.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company represents equity attributable to owners of the Company, comprising issued stated capital and retained earnings, additional information is disclosed in Note 11.

The Company has not obtained any borrowings to finance operations over the past 5 years except lease liabilities.

4. Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

The Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Estimated useful lives of property, plant and equipment (PPE)

The Company reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance.

(b) Defined benefit obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for defined benefit obligations are based in part on current market conditions, additional information is disclosed in Note 21.

(c) Impairment of trade receivables

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the trade receivable.

(d) Estimated impairment of non-current assets

The Company reviews for impairment of property, plant and equipment in accordance with the Accounting Policy in Note 2.5. The recoverable amount of these assets have been determined based on higher of the assets' fair value less cost to sell and value in use. These calculations require the use of estimates and judgements.

Management believes that any reasonably possible change in the estimated future cash flows of the operations on which the recoverable amounts of the cash-generating units is based would not cause the cash-generating units' carrying amount to exceed its recoverable amount.

(e) Estimate on performance incentives and discounts

The Company offers several incentives and discounts to distributors and some retailers through their distributors. At the point of invoicing, the incentives and discounts are computed to arrive at the amount to be invoiced based on historical sales trends of each customer and such invoiced sales recorded are subsequently adjusted based on actual redistribution sales information received.

4.2 Critical judgements in applying the entity's accounting policies

SLFRS 16

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings and motor vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate), and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset;

Most extension options in buildings and motor vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. Sales

Sales are made up as follows:

	2023	2022
Local sales	21,311,028,734	22,351,356,604
Export sales	1,761,297,872	2,108,061,183
Related party sales [Note 26 (a)]	180,176,005	115,311,919
	23,252,502,611	**24,574,729,706**

Sales are recorded net of customer incentives and discounts of LKR 3,283,393,478 (2022 – LKR 3,148,805,368).

6. Expenses by nature

	2023	2022
Directors' emoluments		
– executive	68,085,510	175,728,372
– non executive	5,808,000	5,808,000
	73,893,510	181,536,372
Auditors' remuneration		
– audit	4,153,686	3,708,648
– non audit	110,000	90,000
	4,263,686	3,798,648
Depreciation on property, plant and equipment (Note 13)	186,582,042	179,440,382
Depreciation on right-of-use assets (Note 14)	61,154,191	47,443,606
Amortisation of marketing support fee paid [Note 15 (d)]	20,115,478	25,449,201
Repair and maintenance expenditure	73,152,514	48,510,635
Cost of inventories sold (Note 18)	15,298,854,796	14,216,988,672
Employee benefit expenses (Note 7)	522,460,043	387,612,809

7. Employee benefit expenses

	2023	2022
Salaries, wages and other fringe benefits	406,253,443	306,913,637
Contribution to defined contribution plans	49,732,326	38,333,517
Defined benefit obligations (Note 21)	66,474,274	42,365,655
	522,460,043	**387,612,809**
Monthly average number of persons employed by the Company during the year:		
Permanent employees	74	73

8. Other income

	2023	2022
Scrap sales	507,799	618,172
Write off of creditors	288,982	165,582
Profit on disposal of property, plant and equipment	9,311,945	Nil
Empty drum sales	2,238,144	1,320,432
	12,346,870	**2,104,186**

9. Finance income and costs

	2023	2022
Finance income:		
Interest income on short term deposits	143,936,786	575,643,182
Interest income on employee loans	188,026	337,238
Foreign exchange transaction and translation gains	281,182,266	Nil
	425,307,078	575,980,420
Finance costs:		
Interest charge on lease liabilities (Note 14)	(62,298,877)	(45,737,360)
Interest expense on bank overdraft	(12,746)	(831)
Interest expense on overdue trade liabilities	(8,677,859)	(33,562,833)
Foreign exchange transaction and translation losses	Nil	(2,992,846,526)
	(70,989,482)	(3,072,147,550)
Finance income – net	**354,317,596**	**(2,496,167,130)**

10. Income tax expense

	2023	2022
Current tax:		
Current tax on profits for the year [refer (a) below]	1,557,892,072	1,239,529,274
Under provision for income tax in respect of previous years	12,204,995	Nil
	1,570,097,067	1,239,529,274
Deferred tax:		
Origination of temporary differences (Note 17)	(28,606,922)	94,048,382
Income tax expense	**1,541,490,145**	**1,333,577,656**
Deferred tax charged/(credited) to other comprehensive Income (Note 17)	1,879,672	(16,664,056)
	1,543,369,817	**1,316,913,600**

(a) In reference to the Inland Revenue (Amendment) Act, No.45 of 2022, the Company has computed its Business Income & Investment Income applying the standard rate of 30% for the current financial year. During the comparative period in 2022, in reference to the Inland Revenue (Amendment) Act, No. 45 of 2022, the Company computed its Business Income for the financial year and pro-rated 50% for the first six months and 50% for the second six months. In 2022, the Company applied Tax Rates of 18% for Manufacturing, 14% for Exports, 24% Standard Rate for other sources of business income for the pro-rated business income of the first six months, while 30% was applied for the pro-rated business income of the second six months. Tax rates of 24% & 30% were applied for investment income for the first six months and the second six months respectively in 2022.

(b) Surcharge tax

Consequent to the Government of Sri Lanka proposing a one time Surcharge Tax in its budget proposals for 2022, the Surcharge Tax Act, No.14 of 2022 was certified on 08 April 2022. The Surcharge Tax Act imposed a tax on any Individual, Partnership or Company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on 1 April 2020 at the rate of twenty five per centum on the taxable income of such Individual, Partnership or Company, for such year of assessment.

According to the Act, the Surcharge Tax liability was to be paid in two equal instalments on or before the twentieth day of April 2022 and twentieth day of July 2022. The Surcharge Tax shall be deemed to be an expenditure in the financial statements relating to the Year of Assessment 2020/21. It was also mentioned that no deduction shall be granted in calculating the taxable income under the inland revenue act No.24 of 2017, for any year of assessment for the payment of the Surcharge Tax.

The Surcharge Tax liability of the Company in total was LKR 788,736,630. Accordingly, the first installment of LKR 394,368,315 was paid on 20 April 2022. The 2nd installment of LKR 394,368,315 was paid on 20 July 2022. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense was accounted as recommended by the Addendum to SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, on 10 August 2022.

Accordingly, the total Surcharge Tax of LKR 788,736,630 was recognised in the Statement of Changes in Equity as an adjustment to the 01 January 2022 opening retained earnings.

10. Income tax expense (Contd.)

The tax on the Company's profit before tax differs from theoretical amount that would arise using the basic tax rate of the Company as follows:

	2023	2022
Profit before tax	5,144,503,444	4,999,632,407
Tax calculated at a tax rate of 30% (2022 – 30%)	1,543,351,033	1,499,889,722
Tax effects of:		
– Different tax rates	Nil	(289,645,703)
– Income not subject to tax	(1,777)	(150,396)
– Expenses not deductible for tax purposes	17,790,745	29,435,651
– Deferred tax charged to Income statement	(28,606,922)	94,048,382
– Profit on sale of fixed assets	(2,793,584)	Nil
– Tax loss on retirement/disposal of fixed assets	(454,345)	Nil
Under provision for income tax in respect of previous years	12,204,995	Nil
Tax charge	**1,541,490,145**	**1,333,577,656**

Further information about deferred tax is provided in Note 17.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2023	2022
Profit attributable to shareholders	3,603,013,299	3,666,054,751
Number of ordinary shares in issue at 31 December (Note 20)	240,000,000	240,000,000
Basic/diluted earnings per share	15.01	15.28

12. Dividends

	2023	2022
Proposed and paid interim dividend of LKR 6.00 per share (2022 - LKR 7.00 per share)	**1,440,000,000**	**1,680,000,000**

The third interim dividend for 2023 of LKR 8.00 per share amounting to LKR 1,920,000,000 was declared on 27 February 2024 and paid on 15 and 28 March 2024.

13. Property, plant and equipment

	Land Improvements	Improvements on leasehold buildings	Storage tanks and pipe lines	Plant and machinery	Office furniture and equipment	Motor vehicles	Computers	Capital work in progress	Total
Year ended 31 December 2022									
Opening net book amount	172,854,628	875,687,090	211,243,320	252,829,189	58,836,762	38,348,317	40,101,681	11,578,776	1,661,479,763
Additions	Nil	8,912,000	Nil	1,100,000	3,741,500	10,000	2,431,818	90,631,964	106,827,282
Transferred from capital work-in-progress	Nil	Nil	5,798,450	5,780,326	Nil	Nil	Nil	(11,578,776)	Nil
Depreciation charge (Note 6)	(15,180,489)	(36,074,114)	(24,906,739)	(62,003,287)	(15,883,958)	(7,418,022)	(17,973,773)	Nil	(179,440,382)
Closing net book amount	**157,674,139**	**848,524,976**	**192,135,031**	**197,706,228**	**46,694,304**	**30,940,295**	**24,559,726**	**90,631,964**	**1,588,866,663**
At 31 December 2022									
Cost	236,031,679	1,176,024,604	426,946,884	761,997,241	157,418,521	62,009,981	142,737,835	90,631,964	3,053,798,709
Accumulated depreciation	(78,357,540)	(327,499,628)	(234,811,853)	(564,291,013)	(110,724,217)	(31,069,686)	(118,178,109)	Nil	(1,464,932,046)
Net book amount	**157,674,139**	**848,524,976**	**192,135,031**	**197,706,228**	**46,694,304**	**30,940,295**	**24,559,726**	**90,631,964**	**1,588,866,663**
Year ended 31 December 2023									
Opening net book amount	157,674,139	848,524,976	192,135,031	197,706,228	46,694,304	30,940,295	24,559,726	90,631,964	1,588,866,663
Additions	Nil	15,743,114	Nil	44,168,888	3,239,274	585,730	74,264,642	75,899,895	213,901,543
Transferred from capital work-in-progress	Nil	17,644,142	10,122,002	25,292,504	6,783,265	Nil	29,327,852	(89,169,765)	Nil
Reversal from capital WIP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(1,462,200)	(1,462,200)
Disposals - cost	Nil	Nil	Nil	Nil	(64,917)	(10,679,500)	(15,223,668)	Nil	(25,968,085)
- accumulated depreciation	Nil	Nil	Nil	Nil	56,815	7,848,039	15,223,668	Nil	23,128,522
Depreciation charge (Note 6)	(15,096,518)	(38,891,144)	(25,388,890)	(62,248,827)	(15,492,845)	(7,137,514)	(22,326,304)	Nil	(186,582,042)
Closing net book amount	**142,577,621**	**843,021,088**	**176,868,143**	**204,918,793**	**41,215,896**	**21,557,050**	**105,825,916**	**75,899,894**	**1,611,884,401**
At 31 December 2023									
Cost	236,031,679	1,209,411,860	437,068,886	831,458,633	167,376,143	51,916,211	231,106,661	75,899,894	3,240,269,967
Accumulated depreciation	(93,454,058)	(366,390,772)	(260,200,743)	(626,539,840)	(126,160,247)	(30,359,161)	(125,280,745)	Nil	(1,628,385,566)
Net book amount	**142,577,621**	**843,021,088**	**176,868,143**	**204,918,793**	**41,215,896**	**21,557,050**	**105,825,916**	**75,899,894**	**1,611,884,401**

(a) Property, plant and equipment include fully depreciated assets still in books, the cost of which at 31 December 2023 amounted to LKR 381,149,743 (2022 – LKR 311,110,031).

(b) Depreciation expense of LKR 145,264,741 (2022 – LKR 143,576,926) has been charged in cost of goods sold, LKR 20,816,912 (2022 – LKR 15,616,356) as administrative expenses and LKR 20,500,389 (2022 – LKR 20,247,100) as selling and distribution expenses.

14. Leases

This note provides information for leases where the Company is the lessee.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2023	2022
Right-of-use assets		
Land and buildings	291,633,560	313,069,724
Motor vehicles	140,023,164	28,461,895
	431,656,724	**341,531,619**

	2023	2022
Lease liabilities		
Current lease liabilities	34,935,038	34,877,489
Non-current lease liabilities	465,150,829	358,185,567
	500,085,867	**393,063,056**

Additions to the right-of-use assets during the financial year ended 31 December 2023 were LKR 151,279,296 (2022 - LKR 86,785,936).

Movement relating to leases:

	2023	2022
Right-of use assets		
Right-of-use asset recognised as at 1 January – Land and buildings	313,069,724	290,115,509
Right-of-use asset recognised as at 1 January – Motor vehicles	28,461,895	12,073,780
Additions made during the year – Buildings	6,489,338	55,858,435
Additions made during the year – Motor vehicles	144,789,958	30,927,501
Depreciation charged during the year – Land and buildings (Note 6)	(27,925,502)	(32,904,221)
Depreciation charged during the year – Motor vehicles (Note 6)	(33,228,689)	(14,539,385)
	(61,154,191)	(47,443,606)
Right-of-use asset recognised as at 31 December	**431,656,724**	**341,531,619**

	2023	2022
Lease liabilities		
Lease liability recognised as at 1 January – Land and buildings	362,387,365	326,749,875
Lease liability recognised as at 1 January – Motor vehicles	30,675,691	14,038,935
Additions made during the year – Buildings	6,489,338	55,858,435
Additions made during the year – Motor vehicles	144,789,958	30,927,501
Interest charged during the year (Note 9)	62,298,878	45,737,360
Rentals paid during the year	(106,555,363)	(80,249,050)
Lease liability recognised as at 31 December	**500,085,867**	**393,063,056**

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2023	2022
Depreciation charge of right-of-use assets		
Land and buildings (Note 6)	27,925,502	32,904,221
Motor vehicles (Note 6)	33,228,689	14,539,385
	61,154,191	**47,443,606**
Interest charge on lease liabilities (Note 9)	**62,298,877**	**45,737,360**

(c) The total cash outflow for leases for the financial year ended 31 December 2023 was LKR 106,555,363 (2022 – LKR 80,249,050).

15. Trade and other receivables

	2023	2022
Trade receivables	2,043,852,224	1,920,696,438
Less: provision for impairment of trade receivables [refer (a) below]	Nil	Nil
Trade receivables – net	2,043,852,224	1,920,696,438
Prepayments	9,197,861	7,463,563
Deposits	45,837,723	46,387,386
Staff loans [refer (c) below]	11,774,325	19,248,005
Marketing support fee paid to service centre operators [refer (d) below]	14,439,852	25,057,940
Other receivables	17,775,034	7,088,610
	2,142,877,019	2,025,941,942
Receivables from related parties [Note 26 (c) (i)]	28,468,857	22,648,711
Total trade and other receivables	**2,171,345,876**	**2,048,590,653**
Less: non-current portion		
Staff loans	7,769,487	14,396,640
Marketing support fee paid to service centre operators	5,069,608	9,544,296
Deposits	45,837,723	46,387,386
Total non-current portion	**58,676,818**	**70,328,322**
Current portion	**2,112,669,058**	**1,978,262,331**

(a) Impairment of trade receivables;

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 or 1 January 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes.

15. Trade and other receivables (Contd.)
(a) Impairment of trade receivables (Contd.)

On that basis, the loss allowance as at 31 December 2023 and 1 January 2023 was determined as follows for both trade receivables:

	2023	2022
Loss allowance	**Nil**	**Nil**

The closing loss allowances for trade receivables as at 31 December 2023 reconcile to the opening loss allowances as follows:

	2023	2022
Opening loss allowance as at 1 January	**Nil**	Nil
Loss allowance on trade receivables	Nil	Nil
Closing balance	**Nil**	**Nil**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments.

(b) The carrying amounts of trade and other receivables are denominated in following currencies:

	2023	2022
US Dollars	291,459,943	196,707,885
Sri Lankan Rupees	1,879,885,933	1,851,882,768
	2,171,345,876	**2,048,590,653**

(c) Staff loans due at the financial position date represent loans given to staff on fixed repayment terms and are unsecured. These loans are largely given at a concessionary rate of 4.2% per annum (2022 - 4.2%). The effective market interest rates on non-current receivables (staff loans) as at 31 December 2023 were 19% per annum (2022 - 27%). The effect of discounting is not considered to be material.

(d) Marketing support fee is an advance payment made to the service station operators under which a bulk payment is made at the beginning of the contract period to meet the marketing expenses over the contract period. Service station operator should guarantee a minimum volume over the contract period to meet his obligations under the contract. If the terms are not met, service station operator is required to refund to the Company a proportionate amount of the bulk payment. The marketing support payment is amortised over the contract period and amortisation charge of LKR 20,115,478 (2022 - LKR 25,449,201) is recognised in the statement of comprehensive income (Note 6).

(e) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. However, the Company does hold collateral security for a large proportion of its trade receivables.

16. Financial instruments by category

(a) 31 December 2023

	Financial assets – measured at amortised cost	Total
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	2,119,239,306	2,119,239,306
Amounts due from related parties [Note 26 (c) (i)]	28,468,857	28,468,857
Cash and cash equivalents (Note 19)	3,256,784,430	3,256,784,430
	5,404,492,593	**5,404,492,593**

(b) 31 December 2023

	Other financial liabilities	Total
Financial liabilities – measured at amortised cost		
Trade and other payables (excluding statutory liabilities)	1,159,777,793	1,159,777,793
Amounts due to related parties [Note 26 (c) (ii)]	334,004,217	334,004,217
Lease liabilities (Note 14)	500,085,867	500,085,867
	1,993,867,877	**1,993,867,877**

(c) 31 December 2022

	Financial assets – measured at amortised cost	Total
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	1,993,420,439	1,993,420,439
Amounts due from related parties [Note 26 (c) (i)]	22,648,711	22,648,711
Cash and cash equivalents (Note 19)	3,876,289,749	3,876,289,749
	5,892,358,899	**5,892,358,899**

(d) 31 December 2022

	Other financial liabilities	Total
Financial liabilities – measured at amortised cost		
Trade and other payables (excluding statutory liabilities)	1,427,235,278	1,427,235,278
Amounts due to related parties [Note 26 (c) (ii)]	3,572,850,288	3,572,850,288
Lease liabilities (Note 14)	393,063,056	393,063,056
	5,393,148,622	**5,393,148,622**

16. Financial instruments by category (Contd.)

(e) Credit quality of financial assets that are not impaired can be assessed by reference to historical information.

	2023	2022
Trade receivables		
Distributors	1,255,572,226	1,315,234,894
Commercial/industrial and others	613,641,226	560,161,198
Export customers/overseas	174,638,771	45,300,346
	2,043,852,224	**1,920,696,438**

Counterparties without external credit rating:

	2023	2022
Group 1	2,041,597,717	1,892,461,934
Group 2	2,254,507	28,234,504
Group 3	Nil	Nil
Total unimpaired trade and related party receivables	**2,043,852,224**	**1,920,696,438**

Group 1 – customers/related parties (less than 3 months).

Group 2 – customers/related parties (more than 3 months) with no defaults in the past.

Group 3 – customers/related parties (more than 3 months) with some defaults in the past. All defaults were fully recovered.

	2023	2022
Cash and cash equivalents		
Cash at banks with AAA to A ratings	3,256,784,430	3,876,289,749
Cash in hand	Nil	Nil
	3,256,784,430	**3,876,289,749**

17. Deferred tax liabilities

Deferred tax is calculated on all temporary differences under the liability method using an effective tax rate of 30%. (2022 – 30%).

The gross movement on the deferred income tax account is as follows:

	2023	2022
At beginning of year	234,197,137	156,812,811
Charged/(credited) to income statement (Note 10)	(28,606,922)	94,048,382
(Credited)/charged to other comprehensive income (Note 10)	1,879,672	(16,664,056)
At end of year	**207,469,887**	**234,197,137**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2023	2022
Deferred tax assets		
– Deferred tax assets to be recovered after more than 12 months	(222,069,329)	(81,021,782)
– Deferred tax assets to be recovered within 12 months	(26,770,543)	(3,814,323)
	(248,839,872)	(84,836,105)
Deferred tax liabilities		
– Deferred tax liability to be recovered after more than 12 months	456,309,759	319,033,242
Deferred tax liabilities - net	**207,469,887**	**234,197,137**

	Accelerated tax depreciation	Right of use Assets	Total
Deferred tax liabilities			
At 1 January 2022	194,175,185	Nil	194,175,185
Charged to income statement	124,858,057	Nil	124,858,057
At 31 December 2022	319,033,242	Nil	319,033,242
Charged to income statement	7,779,500	129,497,017	137,276,517
At 31 December 2023	**326,812,742**	**129,497,017**	**456,309,759**

	Defined benefit obligations	Lease Liability	Total
Deferred tax assets			
At 1 January 2022	(37,362,374)	Nil	(37,362,374)
Credited to income statement	(30,809,675)	Nil	(30,809,675)
Credited to other comprehensive income (Note 10)	(16,664,056)	Nil	(16,664,056)
At 31 December 2022	(84,836,105)	Nil	(84,836,105)
Credited to income statement	(15,857,679)	(150,025,760)	(165,883,439)
Charged to other comprehensive income (Note 10)	1,879,672	Nil	1,879,672
At 31 December 2023	**(98,814,112)**	**(150,025,760)**	**(248,839,872)**

18. Inventories

	2023	2022
Raw materials and consumables	3,297,229,036	1,593,631,702
Finished goods	1,176,218,926	3,584,786,288
	4,473,447,962	**5,178,417,990**

(a) Raw material and consumables and finished goods include goods in transit amounting to LKR 163,100,185 (2022 - LKR 387,931,587).

(b) The cost of inventories consumed and included in cost of sales amounted to LKR 15,298,854,796 (2022 - LKR 14,216,988,672).

19. Cash and cash equivalents

	2023	2022
Cash and bank balances	2,356,784,430	3,876,289,749
Short term deposits	900,000,000	Nil
	3,256,784,430	**3,876,289,749**

Short term deposits mainly consisted of repos, treasury bills and time deposits with a tenure of 1 to 3 months.

The weighted average annual effective interest rate on short term deposits was 11.40% (2022 – 11.79%).

The cash and cash equivalents are denominated in following currencies:

	2023	2022
US Dollars	125,954,912	184,251,150
Sri Lankan Rupees	3,130,829,518	3,692,038,599
	3,256,784,430	**3,876,289,749**

For the purpose of cash flow statement, the year end cash and cash equivalents comprise of the following:

	2023	2022
Cash and bank balances	2,356,784,430	3,876,289,749
Short term deposits	900,000,000	Nil
	3,256,784,430	**3,876,289,749**

20. Stated capital

	Ordinary shares	
	Number of shares	Value of shares
At 31 December 2022	240,000,000	600,000,000
At 31 December 2023	**240,000,000**	**600,000,000**

All issued shares are fully paid and do not have a par value.

21. Employee benefit obligations

	2023	2022
Statement of financial position obligations for:		
Gratuity benefits	329,380,372	282,787,018
Income statement charge:		
Gratuity benefits (Note 7)	66,474,274	42,365,655
Other comprehensive income:		
Remeasurement (gains)/losses	(6,265,574)	55,546,854

The movement in the defined benefit obligation over the year is as follows:

	2023	2022
At 1 January	282,787,018	205,136,866
Current service cost	26,884,092	18,200,532
Interest cost	39,590,182	24,165,123
Remeasurement (gains)/losses	(6,265,574)	55,546,854
Benefits paid	(13,615,346)	(20,262,357)
At 31 December	**329,380,372**	**282,787,018**

The amounts recognised in the statement of comprehensive income are as follows:

	2023	2022
Current service cost	26,884,092	18,200,532
Interest cost	39,590,182	24,165,123
Total included in the employee benefit costs (Note 7)	**66,474,274**	**42,365,655**

21. Employee benefit obligations (Contd.)

The provision is not externally funded, but actuarially valued and the valuation was carried out by Actuarial & Management Consultants (Private) Limited, an independent actuary, on 31 December 2023 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate	13% compounded annually	14% compounded annually
Estimated salary increment rate	12.3% per year	15% per year
Withdrawal rate	5% per annum up to age 54 and 0% thereafter	3% per annum up to age 54 and 0% thereafter

The present value of the defined benefit obligation for the year ended 31 December 2023 has been determined by discounting the estimated future cash outflows using the interest rate of government bond, as there is no deep market on high quality corporate bonds, by the actuarial valuer.

Assumptions regarding future mortality experience are set in accordance with A 1967/70 Mortality Table.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as follows:

		Increase in assumption		Decrease in assumption	
	Change in assumption	2023	2022	2023	2022
Discount rate	1.00%	Decrease by 5.87%	Decrease by 7.43%	Increase by 6.61%	Increase by 8.51%
Future salary growth rate	1.00%	Increase by 6.99%	Increase by 8.74%	Decrease by 6.31%	Decrease by 7.77%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Maturity profile of the defined benefit obligations:

The expected maturity analysis of undiscounted pension and post-employment medical benefits is as follows:

	2023	2022
Less than 1 year	56,428,265	13,704,986
Between 1 – 2 years	36,985,317	47,149,629
Between 2 – 5 years	149,504,276	44,563,240
Over 5 years	872,827,904	1,410,297,635
	1,115,745,762	**1,515,715,490**

22. Trade and other payables

	2023	2022
Trade payables	616,526,577	785,077,393
Accrued expenses [see Note (a) below]	486,471,408	600,606,439
Statutory payables	138,511,951	39,781,444
Other payables [see Note (b) below]	56,779,808	41,551,446
	1,298,289,744	1,467,016,722
Payable to related companies - Trade [Note 26 (c) (ii)]	334,004,217	3,572,850,288
	1,632,293,961	**5,039,867,010**

(a) Accrued expenses include payable for advertising and sales promotional expenditure of LKR 129,970,901 (2022 – LKR 139,482,466), lubricant license fee of LKR 92,958,881 (2022 – LKR 68,374,027), payable for trade discounts & incentives of LKR 57,383,117 (2022 – LKR 250,064,494), employee related payables amounting to LKR 57,079,786 (2022 – LKR 24,062,888) and import fees payable of LKR 18,090,700 (2022 – LKR 57,245,096).

(b) Other payables mainly consist of unclaimed dividends by shareholders other than parent company of LKR 39,808,835 (2022 – LKR 40,205,395).

(c) The carrying amounts of trade and other payables are denominated in following currencies:

	2023	2022
US Dollars	390,015,468	3,997,463,933
Sri Lankan Rupees	1,242,278,493	1,042,403,077
	1,632,293,961	**5,039,867,010**

23. Contingent liabilities

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

24. Commitments

Capital commitments

Capital commitments in respect of plant and machinery, computers contracted, but not incurred (not received nor shipped) as at the financial year end amount to LKR 4,518,752 (2022 - Nil) and LKR 3,443,059 (2022 - Nil) respectively.

Financial commitments

There were no material financial commitments outstanding at the statement of financial position date.

25. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2023	2022
Profit before tax	5,144,503,444	4,999,632,407
Adjustments for:		
Depreciation on property, plant and equipment (Note 13)	186,582,042	179,440,382
Depreciation on right-of-use assets [Note 14 (b)]	61,154,191	47,443,606
Amortisation of marketing support fee paid (Note 6)	20,115,478	25,449,201
Profit on disposal of property, plant and equipment (Note 8)	(9,311,945)	Nil
Interest income (Note 9)	(144,124,812)	(575,980,420)
Interest expense (Note 9)	70,989,482	45,738,191
Defined benefit obligations (Note 21)	66,474,274	42,365,655
Changes in working capital		
– trade and other receivables	(138,214,108)	(836,143,255)
– inventories	704,970,028	(1,418,745,317)
– payables	(3,401,772,819)	302,471,691
Cash generated from operations	**2,561,365,255**	**2,811,672,141**

26. Directors' interest in contracts and related party transactions with the Company

Chevron Ceylon Limited is the immediate holding Company of Chevron Lubricants Lanka PLC. The Chevron entities disclosed in this note, are related parties through Chevron Lubricants Lanka PLC's ultimate parent Chevron Corporation Inc.

None of the directors of the Company had any direct or indirect interests in any contracts with the Company other than those stated below:

Mr Najam Shamsuddin, Mr Bertram Paul and Mr Erande De Silva, directors of the Company, are also directors of Chevron Ceylon Limited, which is the immediate holding company. Mr Haider Manasawala was a director of Chevron Lubricants Holdings Pte Ltd, EPPCO International Ltd, EPPCO Projects LLC, Chevron Lubricants India Private Limited and Arteco N.V.

The following transactions were carried out with the related parties.

(i) Reimbursable expenses incurred by Chevron Lubricants Lanka PLC

	2023	2022
Chevron Ceylon Limited	23,305	13,831
Chevron Singapore Pte Ltd	40,929,233	11,678,884
Chevron (Thailand) Limited	Nil	71,802
	40,952,538	**11,750,686**

(ii) Other related party transactions

The Company is controlled by Chevron Ceylon Limited which owns 51% of the Company's shares. The remaining 49% of the shares are widely held. The ultimate parent of the Company is Chevron Corporation Inc, incorporated in San Ramon – USA. All the related entities disclosed below with which the Company had transactions during the year are related through the ultimate parent company.

(a) Sale of goods and services (Note 5)

	2023	2022
Sale of goods:		
Chevron (Thailand) Limited	4,721,702	33,671,612
Chevron Marine Products LLC	57,294,458	38,992,109
Chevron Pakistan Lubricants Private Limited	118,159,845	42,648,198
	180,176,005	**115,311,919**

Goods are sold based on the price list in force and terms that would be available to third parties. The Company has not received any guarantees pertinent to related party transactions.

(b) Purchases of goods and services

	2023	2022
Purchase of goods:		
Chevron Singapore Pte Ltd	5,152,374,872	5,413,743,764
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	Nil	41,167,853
Chevron (Thailand) Limited	201,996,352	268,710,479
Chevron Oronite Pte Ltd	1,551,058,172	2,295,030,561
Chevron Belgium BV.	9,755,706	17,137,984
Chevron Lubricants Vietnam Limited	76,753,091	Nil
Chevron Pakistan Lubricants Private Limited	Nil	19,578,811
Chevron Marine Products LLC	Nil	696,762
	6,991,938,193	**8,056,066,214**

	2023	2022
Purchases of services:		
Chevron USA Inc. (Chevron Products Company)	237,145,464	231,788,878
Chevron Singapore Pte Ltd	1,001,771,202	1,080,007,946
Chevron International Services Ltd	425,433	5,126,689
Chevron Services Company	213,732	13,315,189
Chevron Pakistan Lubricants Private Limited	17,277	60,215,470
Chevron Marine Products LLC	189,569	291,428
	1,239,762,676	**1,390,745,600**

The Company procures most of its raw materials (base oils and additives) from related parties on commercial terms and conditions.

The Company receives services from Chevron Group Companies (CGCs) for which payments are made by the Company. These services include Original Equipment Manufacturers (OEM) endorsement and identification and acquisition, product life cycle management, regional marketing, global supply chain planning and operations, operational excellence and enterprise resources planning, human resources management services, legal services and IT services. The Company has entered into service level agreements with relevant Chevron affiliates, setting out the methodology, terms and conditions for the service charges among Group Companies.

Purchases of goods and services during the year from related parties amounts to 99% (2022 – 153%) of net assets and 69% (2022 – 72%) of total assets at the end of the financial year.

Key management consists the members of the Board. The compensation paid or payable to key management personnel is shown below:

	2023	2022
Salaries and other short-term employee benefits	80,977,368	189,211,625
	80,977,368	**189,211,625**

Purchase of goods and services from related parties are on "arm's length basis".

The Company has not provided security for such related party transactions, while the nature of consideration provided in settlement was cash. The Company has not given any guarantees pertinent to related party transactions.

(c) Outstanding balances arising from sale/purchase of goods/services

(i) Receivable from related parties:

	2023	2022
Chevron Products Company	Nil	1,981,576
Chevron Marine Products LLC	12,633,313	Nil
Chevron Pakistan Lubricants Private Limited	4,450,641	8,902,618
Chevron (Thailand) Limited	Nil	71,802
Chevron Singapore Pte Ltd	11,384,903	11,678,884
Chevron Ceylon Limited	Nil	13,831
	28,468,857	**22,648,711**

The Company had Nil provisions for doubtful debts applicable to the amount of outstanding balances from related parties, neither did the Company recognize bad debts during the period stemming from related parties.

(ii) Payable to related parties:

	2023	2022
Chevron Singapore Pte Ltd	114,320,232	2,589,307,932
Chevron Oronite Pte Ltd	100,182,959	436,283,056
Chevron (Thailand) Limited	7,874,354	26,498,491
Chevron Belgium N.V	Nil	7,210,842
Chevron Malaysia Limited	Nil	107,559,453
Chevron Pakistan Lubricants Private Limited	72,792,469	82,235,997
Chevron USA Inc. (Chevron Products Company)	21,980,740	314,455,106
Chevron Lubricants Vietnam Limited	9,800,234	Nil
Chevron International Services Ltd	7,053,229	7,546,321
Chevron Services Company	Nil	1,056,328
Chevron Marine Products LLC	Nil	696,762
	334,004,217	**3,572,850,288**

(d) Mr. Asite Talwatte is an Independent Non Executive Director of Diesel and Motor Engineering PLC, Cargills (Ceylon) PLC, Central Finance Company PLC. Dr. Harsha Cabral is an Independent Non Executive Director of Diesel & Motor Engineering PLC, Hayleys PLC. The Company had following receivable and payable balances as at the statement of financial position.

	2023	2022
Receivable from Diesel & Motor Engineering PLC [Refer (a)]	**55,453**	**2,734,806**
Payable to Central Finance Company PLC	**Nil**	**Nil**

(a) Chevron Lubricants Lanka PLC had the following transactions during the period from 01 January 2023 to 31 December 2023.

Name of Company/entity	Name of the related person/entity	Brief description of the transaction	Value of Transaction (Taxes included)
Diesel & Motor Engineering PLC	Mr. Asite Talwatte & Dr. Harsha Cabral	Sale of Lubricants to DIMO	40,363,621
Central Finance PLC	Mr. Asite Talwatte	Hire charges to Central Finance	84,186,987
Hayleys Fabric PLC	Dr. Harsha Cabral	Sale of Lubricants to Hayleys	2,585,090
Cargills Foods Company Pvt Ltd	Mr. Asite Talwatte	Purchase of Gift Vouchers	16,779,465

27. Events after the end of reporting period

Other than disclosed below, no events have occurred since the statement of financial position date which would require adjustments to, or disclosure in, the financial statements.

(a) The third interim dividend for 2023 of LKR 8.00 per share amounting to LKR 1,920,000,000.00 was declared on 27 February 2024 and paid on 15 and 28 March 2024.

TEN YEAR FINANCIAL SUMMARY

(In Rupees '000)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Trading Results										
Turnover	23,252,503	24,574,730	16,866,311	11,637,381	11,856,057	10,861,044	11,052,496	12,089,111	11,563,854	11,519,891
Profit Before Tax & OCI	5,144,503	4,999,632	4,332,714	3,099,247	2,943,233	2,760,085	3,495,785	4,702,671	4,318,544	3,699,633
Taxation	1,541,490	1,333,578	406,604	873,519	843,826	768,257	930,565	1,222,261	1,226,709	952,800
Profit After Tax	3,603,013	3,666,055	3,926,109	2,225,729	2,099,408	1,991,829	2,565,220	3,480,410	3,091,835	2,746,833
Balance Sheet										
Share Capital	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Reserves	7,732,330	5,559,131	4,398,615	3,580,188	3,536,297	3,314,473	3,406,914	3,260,623	4,087,029	4,599,210
Shareholders' funds	8,332,330	6,159,131	4,998,615	4,180,188	4,136,297	3,914,473	4,006,914	3,860,623	4,687,029	5,199,210
Property, Plant & Equipment	1,611,884	1,588,867	1,661,480	1,758,141	1,883,219	1,963,377	2,066,551	2,132,858	2,195,826	2,243,616
Current & Non Current Assets excluding PPE	10,333,235	11,444,830	9,331,713	6,093,512	4,352,287	4,104,459	3,529,369	4,913,648	4,849,178	4,233,183
Current Liabilities	2,610,788	5,999,396	5,322,385	2,900,424	1,327,455	1,756,220	1,181,061	2,820,069	2,058,777	1,056,091
Non Current Liabilities	1,002,001	875,170	672,193	771,042	771,754	397,143	407,945	365,814	299,198	221,497
Net Assets	8,332,330	6,159,131	4,998,615	4,180,188	4,136,297	3,914,473	4,006,914	3,860,623	4,687,029	5,199,211
Key Indicators										
Gross Dividends (Rs. '000)	1,440,000	1,680,000	3,120,000	2,160,000	1,860,000	2,100,000	2,400,000	4,320,000	2,760,000	2,400,000
Dividend per Share (Rupees)	6.00	7.00	13.00	9.00	7.75	8.75	10.00	18.00	11.50	10.00
Price Earnings Ratio (Times)	6.01	6.32	6.91	11.65	8.56	8.77	11.13	10.83	13.35	17.46
Market value per share as at 31 December (Rupees)	90.30	96.50	113.00	108.00	74.90	72.80	119.00	157.10	344.00	399.60
Return on Equity (%)	50	66	86	54	52	50	65	81	63	55
Net Assets per share (Rupees)	34.72	25.66	20.83	17.42	17.23	16.31	16.70	16.09	19.53	21.66
Net Income to Turnover (%)	15	15	23	19	18	18	23	29	27	24
Earnings per Share (Rupees)	15.01	15.28	16.36	9.27	8.75	8.30	10.69	14.50	12.88	11.45

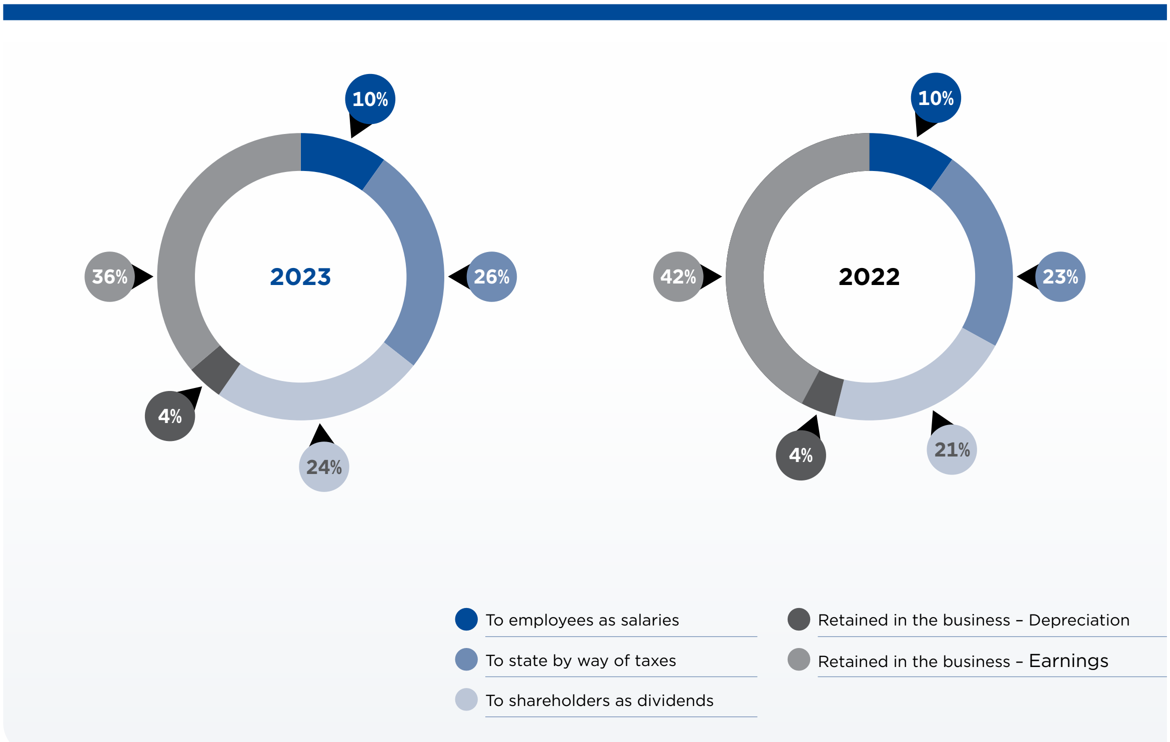
Note:

The Company effected an increase of the Company's shares by way of a subdivision of each ordinary share into two ordinary shares thus increasing the number of shares from 120,000,000 ordinary shares to 240,000,000 effective 7 June 2016. Therefore Basic EPS/DPS/Net Asset per share for prior years have been restated for comparative purpose. However PE ratio has been retained unadjusted to reflect historical records.

STATEMENT OF VALUE ADDED

	2023 Rs.	2022 Rs.
Value addition		
Turn Over	23,253	24,575
Finance Income	425.3	576
Less: Materials and services purchased	17,691	19,400
Value created	5,987	5,751
Distribution of Value addition		
To employees as salaries	591	563
To state by way of taxes	1,541	1,333.58
To shareholders as dividends	1440	1200
Retained in the business - Depreciation	248	227
Retained in the business - Earnings	2,167	2,427
	5,987	5,751

Distribution of Value addition



SHAREHOLDER INFORMATION

Analysis of Shareholders summary report as at 31 December 2023

Shareholdings	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1 - 1000	6,005	63.23	1,702,822	0.71
1001 - 10,000	2,569	27.05	9,522,208	3.97
10,001 - 100,000	770	8.11	22,201,920	9.25
100,001 - 1,000,000	135	1.42	37,255,648	15.52
1,000,001 & over	18	0.19	169,317,402	70.55
Total	9,497	100.00	240,000,000	100.00

Shareholders categorised summary report as at 31st December 2023

	No of Shareholders	No of shareholders %	Total Holdings	Total Holdings %
Individual	9,123	96.06	55,387,155	23.08
Institutional	374	3.94	184,612,845	76.92
Total	9,497	100.00	240,000,000	100.00
Resident	9,380	98.77	212,905,144	88.71
Non-Resident	117	1.23	27,094,856	11.29
Total	9,497	100.00	240,000,000	100.00
Public Holding	9,496		117,600,000	49.00%

Share Information	2023	2022
Net Assets Per Share (Rs)	34.72	25.66
Closing Price Per Share (Rs.)	90.30	96.50
Highest Price during the year (Rs.)	109.25	137.00
Lowest Price During the year (Rs.)	78.00	60.00
Public Share Holding (%)	49	49
Number of Public Share Holders	9,496	9,403
Compliant with CSE Rule 7.13.1 under option 1 – Float Adjusted Market Capitalization (Rs.)	10,619,280,000	11,348,400,000

Share price movements	Closing Rs.	Highest Rs.	Lowest Rs.
Market value of share in 1996	50.00	50.00	40.00
Market value of share in 1997	46.00	64.50	35.00
Market value of share in 1998	62.75	70.00	57.00
Market value of share in 1999	75.00	75.00	55.25
Market value of share in 2000	50.00	68.00	45.00
Market value of share in 2001	75.00	88.00	54.50
Market value of share in 2002	120.50	124.00	72.00
Market value of share in 2003	71.50	227.00	69.00
Market value of share in 2004	63.75	110.00	54.50
Market value of share in 2005	58.00	74.00	52.25
Market value of share in 2006	85.00	90.50	56.00
Market value of share in 2007	85.25	97.50	76.00
Market value of share in 2008	92.00	118.25	81.75
Market value of share in 2009	141.75	233.00	93.00
Market value of share in 2010	159.50	193.75	141.00
Market value of share in 2011	170.00	183.50	152.00
Market value of share in 2012	202.00	205.20	160.00
Market value of share in 2013	267.80	375.00	202.00
Market value of share in 2014	399.60	400.00	263.00
Market value of share in 2015	344.00	460.00	342.10
Market value of share in 2016	157.10	350.00	149.00
Market value of share in 2017	119.00	179.90	109.00
Market value of share in 2018	72.80	77.70	64.80
Market value of share in 2019	74.90	83.00	50.00
Market value of share in 2020	108.00	112.00	46.00
Market value of share in 2021	113.00	121.00	86.60
Market value of share in 2022	96.50	137.00	60.00
Market value of share in 2023	90.30	109.25	78.00

Names and the Number of Shares held by the Largest 20 shareholders as at 31st December 2023

	Number of Shares 2023	%	Number of Shares 2022	%
1. Chevron Ceylon Limited	122,400,000	51.00	122,400,000	51.00
2. BNYM RE-BARCA Global Master Fund LP	12,931,372	5.39	12,931,372	5.39
3. Renuka Hotels Limited	5,201,918	2.17	5,201,918	2.17
4. SSBT-Change Global Frontier Markets, LP	4,930,007	2.05	4,930,007	2.05
5. Cargo Boat Development Company PLC	3,417,818	1.42	3,417,818	1.42
6. Sri Lanka Insurance Corporation Ltd - Life Fund	3,400,000	1.42	3,400,000	1.42
7. J.B. Cocoshell (Pvt) Ltd	2,262,973	0.94		
8. Crescent Launderers and Dry Cleaners Pvt Limited	2,000,000	0.83	2,000,000	0.83
9. BNYM RE- Pioneer Multi-Asset Income Fund	1,752,813	0.73	1,752,813	0.73
10. Mrs. A. Selliah	1,700,000	0.71	1,600,000	0.67
11. Employees Trust Fund Board	1,336,100	0.56	1,272,121	0.53
12. Bank of Ceylon No. 1 Account	1,272,121	0.53	1,272,121	0.53
13. Bank of Ceylon-No2 A/C (BOC PTF)	1,216,941	0.51	1,216,941	0.51
14. Mr. A.P. Somasiri	1,200,000	0.50	1,110,000	0.46
15. Mrs. A. Kailasapillai	1,150,000	0.48	1,100,000	0.46
16. Mr. M.M.C. Cooray	1,115,000	0.46	1,210,000	0.50
17. Employee's Provident Fund	1,015,916	0.42	1,015,916	0.42
18. Nuwara Eliya Property Developers (Pvt) Ltd	1,014,423	0.42	1,015,916	0.42
19. Mr. L.E. Bader	932,642	0.39	1,185,772	0.49
20. Dr. S.P. Jayawardena	900,399	0.38		
Subtotal	171,150,443	71.31	168,032,715	70.01
Others	68,849,557	28.69	71,967,285	29.99
Total	240,000,000	100.00	240,000,000	100.00

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty First Annual General Meeting of Chevron Lubricants Lanka PLC will be held on 30th May 2024 at 4.00 p.m. at Jasmine Hall, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2023 and the Report of the Auditors thereon.
- To re-elect as Director, Mr. Asite Talwatte who retires by rotation in terms of Clause 84 of the Articles of Association of the Company.
- To reappoint Messrs. Deloitte Partners as Auditors and to authorise the Directors to determine their remuneration.
- To authorize the Directors to determine & make donations.
- To consider any other business of which due notice has been given.

By Order of the Board

Erande De Silva
Secretary

Colombo
29th April 2024

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to participate and vote instead of him.
2. A proxy holder need not be a member of the Company. The form of proxy is attached herewith for your completion.
3. The completed form of proxy should be deposited at the Registered Office of the Company at Level 16, MAGA ONE, No. 200, Nawala Road, Narahenpita, Colombo 05 not less than 48 hours before the time appointed for the holding of the meeting (not later than 4.00pm on Tuesday, 28th May 2024).

NOTES

FORM OF PROXY

I/We the undersigned (please print) ....

.... of

.... being member/s of
Chevron Lubricants Lanka PLC do hereby appoint

Muhammad Najam Shamsuddin	whom failing
Bertram Shanthikumar Paul	whom failing
Happavana Vithanage Erande Lasith De Silva	whom failing
Asite Drupath Bandara Talwatte	whom failing
Haider Abdulhusain Manasawala	whom failing
Liyanamohottige Joseph Sri Harsha Cabral	whom failing

....

of ....

....

as my/our proxy to represent me/us and to vote as indicated hereunder for me/us and on my/our behalf at the Thirty First Annual General Meeting of Chevron Lubricants Lanka PLC which will be held on Thursday 30th May 2024 at 4.00 p.m. at Jasmine Hall, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof:

	For	Against
1. To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2023 and the Report of the Auditors thereon.		
2. To re-elect as Director, Mr. Asite Talwatte who retires by rotation in terms of Clause 84 of the Articles of Association of the Company		
3. To reappoint Messrs. Deloitte Partners as Auditors and to authorise the Directors to determine their remuneration.		
4. To authorize the Directors to determine & make donations.		

Signed this .... day of .... 2024.

Signature ....

Notes:

1. Please indicate with an "X" in the space provided how your proxy is to vote on each resolution. If there is in the view of the proxy holder doubt (by reason of the way in which the instructions in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he thinks fit.
2. A proxy holder need not be a member of the Company.
3. Instructions as to completion are noted on the reverse hereof.

Instructions as to Completion

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address and by signing in the space provided and filling in the date of signature.

2. If the shareholder is a Company or Corporate body, the Form of Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.

3. If the Form of Proxy has been signed by an attorney, the relative Power of Attorney should also accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.

4. The completed form of proxy should be deposited at the Registered Office of the Company at Level 16, MAGA ONE, No. 200, Nawala Road, Narahenpita, Colombo 05 not less than 48 hours before the time appointed for the holding of the meeting (not later than 4.00 p.m. on Tuesday, 28th May 2024).

CORPORATE INFORMATION

Legal Form

A Public Limited Liability Company (Incorporated in 1992 and listed on the Colombo Stock Exchange)

Directors

Najam Shamsuddin –
Chairman/Non-Executive Director

Bertram Paul –
Managing Director/Chief Executive Officer

Erande De Silva –
Director/Chief Financial Officer

Haider Manasawala –
Non-Executive Director

Asite Talwatte –
Independent Non-Executive Director

Harsha Cabral –
Independent Non-Executive Director

Secretary

Erande De Silva
Level 16, MAGA ONE,
No. 200, Nawala Road,
Narahenpita, Colombo 05.

Registered Office

Level 16, MAGA ONE,
No. 200, Nawala Road,
Narahenpita, Colombo 05.

Company Registration Number

PQ 54

Registrars to the Company

S S P Corporate Services (Private) Limited
101, Inner Flower Road,
Colombo 03

Auditors

Deloitte Partners
Chartered Accountants
P.O. Box 918
100, Braybrooke Place,
Colombo 02

Lawyers to the Company

Julius & Creasy
Attorneys-at-Law and Notaries Public
No. 371, R.A. De Mel Mawatha,
Colombo 03

Bankers

Citibank NA
Deutsche Bank AG
Commercial Bank of Ceylon PLC

Web Address

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