

# A SPIRIT OF ENDURANCE



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CHEVRON LUBRICANTS LANKA PLC | ANNUAL REPORT 2022



# A SPIRIT OF ENDURANCE

We know that in business, as in life, every challenge that comes our way is an opportunity to become stronger. The true test of resilience is persisting through the most complex and difficult circumstances to emerge determined to do better and be better. This has always been the spirit of endurance imbued by Chevron Lubricants Lanka PLC.

It is with pride that we report that in this remarkable year of many upheavals in our external environment, we have endured and emerged resilient, forging our path to success by relying on our strengths in the face of adversity.

This annual report contains a performance that truly reflects Chevron Lubricants Lanka's inimitable spirit of endurance.

*A triathlon is a type of multisport race that involves swimming, biking, and running across various distances. The triathlon dates back to the 1970s and has become a very popular distance race. Triathletes compete for fastest overall completion time, racing each segment sequentially with the time transitioning between the competitions.*



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Our family of brands

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<https://chevron.lk/reports/>



## 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

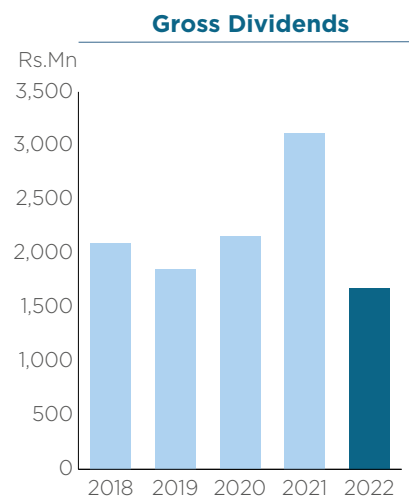
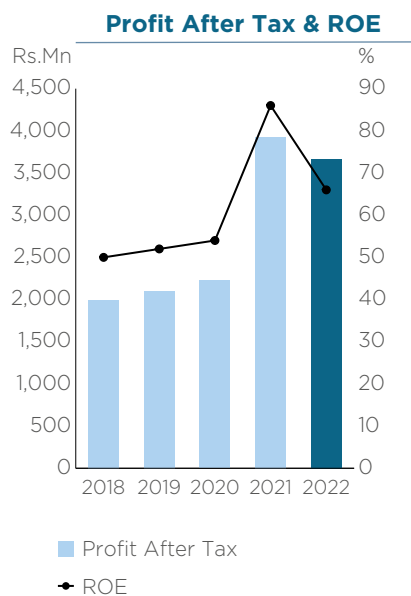
We build trusting and mutually beneficial relationships by collaborating with our communities, governments, customers, suppliers and other business partners. We are most successful when our partners succeed with us.

### 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 2022

		2022 Rs. 000'	2021 Rs. 000'	%
Turnover		24,574,730	16,866,311	46%
Profit Before Tax & OCI		4,999,632	4,332,714	15%
Taxation		1,333,578	406,604	228%
Profit After Tax		3,666,055	3,926,109	-7%
Shareholder's Funds		6,159,131	4,998,615	23%
Property, Plant & Equipment		1,588,867	1,661,480	-4%
<hr/>				
Gross Dividends	Rs. 000'	1,680,000	3,120,000	-46%
Dividend per Share	Rupees	7.00	13.00	-46%
Earnings per Share	Rupees	15.28	16.36	-7%
Dividend Payout Ratio	%	46	79	-33%
Price Earnings Ratio	Times	6.32	6.91	-9%
Market Value per Share as at 31st December	Rupees	96.50	113.00	-15%
Return on Equity	%	66	86	-20%
Net Assets per Share	Rupees	25.66	20.83	23%
Net Income to Turnover	%	15	23	-8%







# A SPIRIT OF ADAPTABILITY

We stay flexible, moving ahead with resilience and vigor, resonating with the strength of our collective stakeholders that has been developed over the years.

BUSINESS  
REVIEW

# CHAIRMAN'S REVIEW

**OPERATING IN A HIGHLY-COMPETITIVE ENVIRONMENT, CHEVRON LUBRICANTS LANKA WAS ABLE TO BOTH DEFEND ITS MARKET SHARE AS WELL AS MAKE FURTHER GAINS, AS REFLECTED IN THE LATEST INDUSTRY STATISTICS**



Chevron Lubricants Lanka PLC navigated significant challenges in what could be termed as one of the most difficult years in the company's history of doing business in Sri Lanka, to successfully sustain its reputation as a reliable supplier to the market.

The year 2022 dawned with new hope of economic recovery after the pandemic's severe impact on the economy for two previous years in a row. Most indicators in the first three months of 2022 pointed to an economic revival and a heightened business confidence. Still on the brink of a pandemic recovery, we were prepared for headwinds from demand destruction as well as constraints and challenges to our

operation; however, nobody could predict the ensuing economic and political crisis that Sri Lanka subsequently plunged into.

The situation reversed sharply from the second quarter of the year under review as the sovereign default, severe foreign currency liquidity and availability constraints, and the sharp devaluation and depreciation of the Sri Lankan Rupee (LKR) versus the United States Dollars (USD) impacted the entire economy, as well as the industry and the company. A severe fuel crisis characterized by mile-long queues, near hyperinflation, and sharp rises in commodity prices further added to the woes of the industry, as lubricant

consumption declined. The vehicle imports embargo continued in 2022 and some import tariff increases were also seen. The Russia-Ukraine crisis further impacted the global oil markets and raw material availability.

Operating in a highly-competitive environment, Chevron Lubricants Lanka was able to both defend its market share as well as make further gains, as reflected in the latest industry statistics. Based on the draft statistics released by the Public Utility Commission of Sri Lanka for the fourth quarter of 2022, to incumbent participants of the lubricant industry, the company's market share as



## OVERALL, CERTAIN STRATEGIC STEPS TAKEN DURING THE LATE 2021/EARLY 2022 PERIOD CUSHIONED THE COMPANY FROM ADVERSE IMPACTS EMANATING FROM THE MACROECONOMIC CRISIS. OUR STRONG FINANCIAL PERFORMANCE HAS ALSO BEEN DRIVEN BY STRONG MARGIN MANAGEMENT

at end-December 2022 was estimated at 48%, outperforming competitors despite indications that the overall lubricants market had contracted in the year under review.

### COMPANY PERFORMANCE

Amidst this plethora of challenges, the company remained focused on the management of stakeholders-value chain partners, employees, customers, and the regulator. Chevron Lubricants Lanka recorded strong profitability by earning a Profit after tax of Rs. 3,666 Mn (6.6% decline compared to Rs. 3,926 Mn in 2021), leading to Earnings per share of Rs.15.28 compared to Rs. 16.36 in the previous year. The company declared and paid dividends of Rs. 7 per share during the year. Chevron Lubricants Lanka fulfilled all its obligations to the regulator, including the retrospective surcharge tax Y/A 2020/21 and the incremental corporate income taxes, which were levied in December 2022 on Y/A 2022/23 and impacted the organization's earnings from July 2022 onwards.

It gives me immense pride to state that we have upheld our unblemished safety record through the year under review, which

reflects our best-in-class occupational health and safety policies. Considering the economic crisis in the country, during the year in review we executed several measures to support employees and value chain partners, with particular focus on the 'People' pillar vis-a-vis the triple bottom-line commitment to 'People, Planet and Profit'.

Overall, certain strategic steps taken during the late 2021/early 2022 period cushioned the company from adverse impacts emanating from the macroeconomic crisis. Our strong financial performance has also been driven by strong margin management. This combined with various actions taken to cope with the steep currency devaluation, depreciation, and rapid cost escalation helped Chevron Lubricants Lanka manage margins by passing on price increases to the consumer to cover the cost escalations.

The devaluation/depreciation caused the average cost of goods to spike at a record rate, never seen in the last decade, as food inflation soared past 90% on occasion and non-food inflation touched 60% or thereabouts. Considering the unprecedented inflation levels, we extended ex gratia payments and other support measures to our employees to help mitigate the issues they faced during the period. I am very proud to say that every member of the Chevron Lubricants family, including the leadership team, went above and beyond the call of duty to support each other as a team. I believe that the company's solid performance can be attributed to our wealth of human capital.

As a preferred partner, we lent a helping hand to customers as cash flow became a challenge for them and afforded them deferred payments and other forms of support. The strength of the Chevron network, in terms of securing timely supplies from associate companies and the strong relationships we have with our banking partners, has helped tide over the

**Rs. 24,574 Mn**  
**TURNOVER OF RS. 24,574 MN**  
**REFLECTING AN INCREASE OF**  
**46% FROM FY 2021**

forex crisis to maintain our reputation as a reliable supplier.

### FUTURE OUTLOOK

We look ahead with cautious optimism as some measure of economic and political stability has been established. The Sri Lankan Government has also reached a staff level IMF agreement, which paved the way for further debt restructuring talks and resulted in the release of the critical IMF loan. The revival of tourism, inflow of remittances and a resilient export sector should help shore up the economy further. However, the increased corporate and personal income taxes are expected to impact all sectors, whilst also shrinking disposable income for individuals.

With recession looming in the West, we anticipate challenges ahead, not only for Sri Lanka, but generally for all Asian countries as we depend heavily on exports to the United States and Europe.

However, what gives us the greatest hope is the resilience and discipline shown by Sri Lankans in surmounting the adverse effects of the pandemic and the economic crisis on their lives and livelihoods. This inherent courageous mentality of the people gives us hope for the nation's future.

As we enter 2023, it will be important for us as a team and the Board to ensure that we are taking the right decisions in a timely manner, such that we sustain and build on our performance. 2022 was a year of resilience and a year of empathy, and one in which we pursued the Chevron way in how we work. Our vision is to be an energy company most admired for its people, partnership, and performance.

# CHAIRMAN'S REVIEW

## ACKNOWLEDGEMENTS

I am grateful to the Board of Directors for their support through a stressful year. The CEO, senior management, and the entire team displayed exceptional forbearance and compassion towards each other and in overcoming obstacles in the way of profitability.

To all our stakeholders, shareholders, and value chain partners, I am thankful for the help to sustain our business throughout the year. I believe the events of 2022 have taught us all important lessons that will last a lifetime.

My heartfelt thanks to our outgoing Chairperson, Rochna Kaul, who has moved on to a new role within Chevron Corporation, after being at the helm of the company since 2017. Her astute leadership and thoughtful presence will be missed. With her departure, I am humbled to have the leadership elevate me into the position she leaves vacant.

I would also like to congratulate our new MD/CEO, Bertram Paul, who is a veteran in the company, having spent 15 years at Chevron Lubricants Lanka.

The entire company joins me in bidding adieu to one of our Non-Executive Independent Directors, Harsha Amaresekera, who retired this year. In his place, I am pleased to welcome Dr. Harsha Cabral and look forward to his valuable contributions.

Our robust human capital, strong relationships with key partners, and sound reputation are key attributes that will hold us in good stead as we move into 2023 and beyond.



**Muhammad Najam Shamsuddin**  
Chairman

# MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW



Chevron Lubricants Lanka PLC (CLLP) recorded stellar performance for the year 2022, in the midst of a perfect storm of political instability, social unrest and economic woes, which included steep currency depreciation, near hyperinflation, high interest rates, and increased taxes.

The strong performance of CLLP was made possible by timely and robust strategic initiatives, resilience of the team, cohesiveness among functional groups, and focus on the controllables despite headwinds. The sterling support received from the supply network of Chevron affiliates was critical, given the scarcity of forex in the banking system, and enabled CLLP to emerge as a reliable supplier.

The black swan events of 2022 included a sovereign default, 80% inflationary impact from currency deterioration within three months, inflation which crossed 70% on a headline basis with food inflation

## THE STRONG PERFORMANCE OF CLLP WAS MADE POSSIBLE BY TIMELY AND ROBUST STRATEGIC INITIATIVES, RESILIENCE OF THE TEAM, COHESIVENESS AMONG FUNCTIONAL GROUPS, AND FOCUS ON THE CONTROLLABLES DESPITE HEADWINDS.

crossing 90% and shortage of essentials including food, medicines, fuel, and LPG, resulted in severe demand destruction across segments. Vehicular movement was significantly curtailed with the scarcity of fuel during Q3 and subsequently, the rationing of fuel via the National Fuel Pass. The construction sector virtually crashed due to the shortage of cement, metal, and other construction materials, while the fisheries sector also took a severe beating due to the non-availability of kerosene for boats. The vehicle servicing industry also took a hit with the reduced running of vehicles and increased cost of

vehicle servicing compounding the issue of reduced disposable income.

Target-based incentive schemes for distributors, salespersons, and the trade helped drive volume in the Retail channel despite offtake issues, and we also continued our focus on expanding distribution penetration. Consumer and trade promotions were sustained during the year, leveraging on the strong equity of the Caltex brand.

In the Commercial and Industrial channel (C&I), the rubber sector was

## MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER'S REVIEW

**THE OUTLOOK FOR 2023 IS MIXED. THE STEEP INCREASE IN PERSONAL INCOME TAX IS EXPECTED TO REDUCE DISPOSABLE INCOME FOR MIDDLE CLASS CONSUMERS, WHILE THE STEEP INCREASE IN ELECTRICITY TARIFFS IS LIKELY TO FURTHER AGGRAVATE THE ISSUE FOR CONSUMERS, AS WELL INCREASE THE COST OF DOING BUSINESS FOR SMEs AND LARGE CORPORATES ALIKE.**

a key contributor since it continued to grow for most of the year due to steady performance of industrial exports. However, this too tailed off during the latter part of the year, adversely impacted by the economic downturn in Europe. Power generation was among the top contributors to C&I volumes, although this sector too faced headwinds due to reduced availability of fuel for the operation of power plants. We were however able to grow the share of wallet in the State-owned transport sector. Business from Consumer OEMs continued to struggle due to the continued ban on the import of new vehicles and reduced vehicle running. Commercial OEMs, however, with local assembly performed better.

The focus during the year for CLLP was on strong margin management across channels with fast recovery of increases in

the cost of goods, which has been the key driver of the strong financial results.

The overall lubricant industry recorded a year-on-year decline of 25% as per statistics released by the shadow regulator – PUCSL for the year 2022. Of this, however, Q1 recorded strong performance, since the major portion was before the macro-economic headwinds hit the country. Q2 saw a decline of 46% over Q1, and Q3 recorded a decline of 15% over Q2. As per published statistics, despite the decline in the overall market, Chevron has been able to record an increase in market share, with its 2022 exit share at 48% versus the 2021 exit share of 42%.

On exports, Maldives recorded relatively stable and consistent performance during the year. The highlight was the Bangladesh market, where a new go-to-market model was set in place at the end of 2021 and effective in January 2022. The new distributor set up a whole new team to handle our lubricants business, comprising experienced personnel from the industry. With strong support from CLLP covering training, as well as marketing, volumes took off over Q2 and Q3, focused on the retail sector. With Bangladesh also experiencing similar macro-economic headwinds as Sri Lanka in Q4, performance slowed, but the early gains helped post strong growth over the prior year.

CLLP continued its focus on lower carbon initiatives, in keeping with the strategies of its parent Company. A project to recycle used drums kicked off during the year and further gains were made in expanding the current solar energy contribution at our plant, as well as in using slop oil as the boiler fuel.

The outlook for 2023 is mixed. The steep increase in personal income tax is expected to reduce disposable income for middle class consumers, while the steep increase in electricity tariffs is likely to further

**Rs. 4,999 Mn**  
**PROFIT BEFORE TAX & OCI**  
**OF RS. 4,999 MN**  
**REFLECTING AN INCREASE OF**  
**15% FROM FY 2021**

aggravate the issue for consumers, as well increase the cost of doing business for SMEs and large corporates alike.

In terms of positives, the biggest is, undoubtedly, the approval of the extended fund facility by the International Monetary Fund (IMF) for Sri Lanka, which is expected to unlock further inflows from multilaterals, such as the World Bank and the Asian Development Bank. Inflation is seen to be coming down while admittedly on a high base and the recent strengthening of the Rupee is also a positive although with the free float, exchange rates are likely to be volatile. Recent improvements in tourist arrivals and increases in inward remittances are welcome signs.

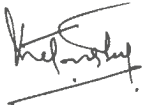
At an industry level, the further liberalization of the lubricant industry, with the Ministry of Power and Energy calling for applications from parties interested in the importation and manufacture of lubricants and greases, will further intensify competition.

On a positive note, the shadow regulator of the lubricants market – the Public Utilities Commission of Sri Lanka (PUCSL) has been quite active compared to prior years, engaging in market education and monitoring, and import inspections, plus taking action against product adulterators and unauthorized operators through the Consumer Affairs Authority, all of which are commendable actions.

In closing, I wish to sincerely thank my colleagues at CLLP, our network of distributors and their staff, our vendors and service providers, and especially our

banking partners for their contribution, commitment, and collaboration. I also wish to thank the Chairman and the Board of Directors for their support and guidance.

The environment facing us is volatile, uncertain, and complex. However, as a team, we have what it takes to excel, as we have shown time and time again. Leveraging our competitive advantages of strong brand equity, wide distribution network, broad product portfolio, advanced technology, operational excellence, and competent and experienced personnel, I am confident that we can continue to win in the marketplace.



**Bertram Paul**  
Managing Director/  
Chief Executive Officer



# BOARD OF DIRECTORS



**MUHAMMAD NAJAM SHAMSUDDIN**  
Chairman/  
Non-Executive Director

Mr. Muhammad Najam Shamsuddin was appointed to the board in October 2020 as the Managing Director & CEO of Chevron Lubricants Lanka PLC, a position which he relinquished on 2nd November 2022. He was thereafter appointed as Chairman of the Board with effect from November 2022.

Commencing his association with Chevron Pakistan as Manager, Brand & Marketing in 2004, Mr. Shamsuddin has consistently held positions of increased significance, including Marketing Manager Pakistan & Gulf, Manager Commercial Sales, and Manager Special Projects - Africa, Middle, East, & Pakistan.

On 1st January 2014, Mr. Shamsuddin was selected as Area Business Manager (ABM) - Pakistan and, in 2015, as Country Chairman for Chevron Pakistan Lubricants (Pvt) Limited. During his tenure, Mr. Shamsuddin was instrumental in leading the company to deliver double-digit growth in earnings and volume.

In April 2019, Mr. Shamsuddin took over as the ABM for Chevron's Asia Pacific Cluster markets. As the ABM for AP Cluster, he oversaw profitable growth for Chevron Lubricants in Malaysia, Singapore, Vietnam, Indonesia, and other export countries.

Mr. Shamsuddin started his career in advertising, where he spent a couple of years before moving to British American Tobacco (BAT) Pakistan, where he worked from 2001

to 2004. He was responsible for ensuring seamless execution of marketing and sales strategy aligned with the overall value chain operations across Pakistan. At BAT, his portfolio covered both Premium and Value offerings.

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

**Positions held in other companies**

Mr. Shamsuddin is also a Director of Chevron Ceylon Limited, in which he serves as the 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 and 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**

Mr. Paul is also a Director of Chevron Ceylon Limited, in which he serves as the 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, the 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 also a Director of Chevron Lubricants Holdings Pte Ltd, EPPCO International Ltd and EPPCO Projects LLC.



**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 more than 18 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 of FMCG Company in Sri Lanka.

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 has 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**

Mr. De Silva is also a Director of Chevron Ceylon Limited, in which he serves as the Chief Financial Officer.

## BOARD OF DIRECTORS



**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 (ICASL) 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 ICASL 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 CA Sri Lanka for a two-year period in 2002/2003 and 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 ICASL.

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 and 2017 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 chairs the Corporate Governance Committee of CA Sri Lanka for the period 2022/2023.

### Positions held in other companies

Chairman of Management Systems (Pvt) Limited, Central Finance PLC. (Chairman with effect from 1st July 2020), Independent Non- Executive Director of Ceylon Hospitals PLC., Sunshine Holdings PLC., DIMO PLC., CT Holdings PLC., Tokyo Cement PLC., Cargills (Ceylon) PLC. (w/e/f 28/08/2020), Kotmale Holdings PLC., Silvermills Investment Holdings (Pvt) Ltd., Sunshine Healthcare Lanka Ltd., Gilkrist Leisure (Pvt) Limited, and Braybrooke Residential Towers (Pvt) Ltd. Also, Director of Lanka Tours & Trades (Pvt) Limited, Cirute Plantations (Pvt) Limited, and Myanthiho Investment and Trading (Pvt) Limited. (w/e/f. 18/12/2020).



**DR. HARSHA CABRAL**  
Non-Executive Director

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, and 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, 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, and 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**

Dr. Cabral currently serves as Independent Non-Executive Director of DIMO PLC, Hayleys PLC, Alumex PLC, Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited, World Export Centre Limited, Chevron Lubricants Lanka PLC, Darley Property Holdings (Private) Limited, CCC-ICLP International ADR Centre (Guarantee) Limited, National Olympic Committee (NOC) Ethics Committee (Chairman), Sri Lanka Institute of Information Technology (Guarantee) Limited (SLIIT), SLIIT International (Private) Limited, and Nanadiriya (Guarantee) Limited (Chairman) and he serves on several Audit Committees, Nomination Committees, Remuneration Committees, Recoveries Committees, and Related Party Transaction Committees, chairing most of them.

# MANAGEMENT TEAM



**BERTRAM PAUL**  
Managing Director/  
Chief Executive Officer

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**ERANDE DE SILVA**  
Director/Chief Financial Officer

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**MAHESHNI HAMANGODA**  
Human Resources Manager

---



**YASORA KODAGODA**  
Finance & Business Planning Manager

---



**HILARY FERNANDO**  
Lead Technical Manager

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**CHANNA TENNEKOON**  
Export Sales Manager

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**ANURADH KEPPETIWALANA**  
Marketing Manager

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**THUSHARI WERAGODA**  
Quality Assurance & Laboratory Manager

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**WIJITHA AKMEEMANA**  
General Manager  
Supply Chain

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**CHANAKA CALDERA**  
National Sales Manager

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**THUSITHA DE SILVA**  
Commercial & Industrial Sales Manager

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**VAJIRA HEWAWASAM**  
Production Manager

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**NISHANTHA WANNIARACHCHI**  
Logistics Manager

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**MANOJA SAJEEWANI**  
Business Support Manager

---



**ARUNA DE SILVA**  
Information Technology Manager

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**UMESH PERERA**  
Procurement Manager

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# A SPIRIT OF CHAMPIONSHIP

We stay formidable in a market that is fiercely competitive and requires an unparalleled level of partnership and determination.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BEING AN IMPORT-SKEWED ECONOMY, THE EXTERNAL TRADE IMBALANCE, COUPLED WITH STRAINED FOREIGN CURRENCY FLOWS GENERATED FROM TOURISM AND MIGRANT WORKER REMITTANCES, FURTHER ACCELERATED THE TRAJECTORY OF DOMESTIC CURRENCY DEPRECIATION AND CONSEQUENTLY RESULTED IN SHARP INFLATION AND AN ECONOMIC CRISIS IN 2022.

### ECONOMIC OVERVIEW

Sri Lanka confronted its worst economic crisis since its independence during the year in review. Although the meltdown in the economy seemed to have rooted from the Easter attacks in 2019, with the unprecedented adversity on tourism, which is a key foreign currency generating avenue of the country, the situation was aggravated with the subsequent outbreak of the COVID-19 pandemic, further complicating the nation's economy and finances through the years 2020 to 2021. In addition, the embargo on chemical fertilizers impeded the efficacy of agriculture activities in the country and constrained food security and the unsustainable tax concessions led to deep fiscal deficits, whilst the deterioration of the country's foreign reserves was further accelerated by the attempt to maintain an unsustainable exchange rate, which led to the country defaulting on its foreign debt obligations in April 2022 for the first time in its history. Being an import-skewed economy, the external trade imbalance, coupled with strained foreign currency flows generated from tourism and migrant worker remittances, further accelerated the trajectory of domestic currency depreciation and consequently resulted in sharp inflation and an economic crisis in 2022.

The adversities of these macroeconomic challenges were experienced by the citizens with prolonged power outages, and shortages in fuel, cooking gas, and essential medicine, which triggered

widespread social unrest, resulting in political instability. The latter months of the year were characterized by the Government's attempt to instill political stability, leverage on austerity measures, drafting of policies and reforms to pave a path towards the restructuring of foreign debt obligations to creditors, and securing the much-needed International Monetary Fund Extended Fund Facility as a steppingstone to manoeuvre the economy beyond the crisis.

The overall fiscal deficit during the cumulative period of January to November 2022 marginally narrowed, compared to the comparative period in 2021, as per the records of the Central Bank of Sri Lanka (CBSL). The imposition of the retrospective one-off Surcharge tax, increase in the VAT rates from 8% to eventually 15%, the introduction of the Social Security Contribution levy, increase in telecommunication levy, and import tariffs strengthened tax revenue inflows for the Government. The budget deficit was primarily financed through domestic sources, as access to global capital markets remained a challenge amidst the debt standstill and sovereign credit ratings downgrades.

As per the provisional statistics released by the Department of Census & Statistics of Sri Lanka (DCS), the economy recorded negative growth of 7.8% in 2022 compared to the 3.5% positive growth recorded in 2021. The main sectoral contributors to the economy remained

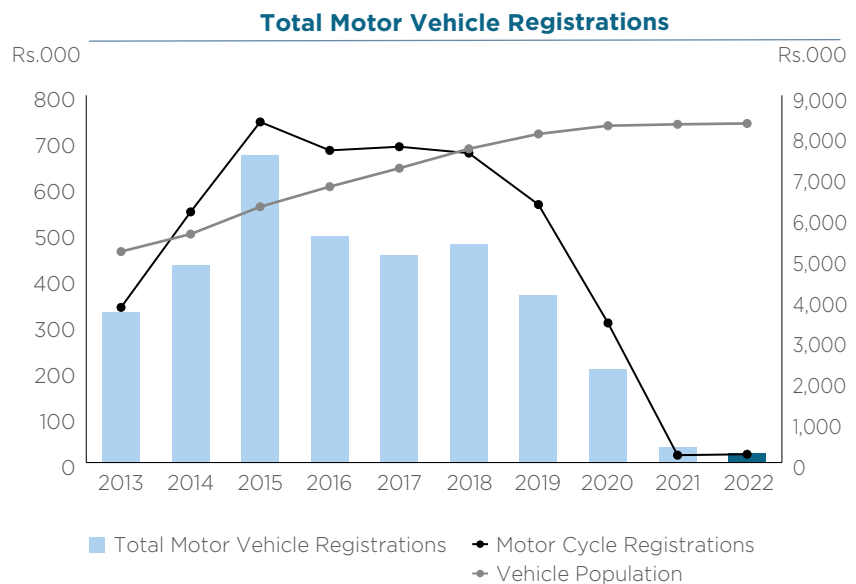
relatively consistent, with agriculture, industry, and services contributing 7.5%, 27.5% and 60.5% respectively, with taxes less subsidies on products contributing 5.3% in the year 2022. In tandem with the overall negative economic growth registered in 2022, all three major sectors also recorded negative growth in the year, fuelled by frequent power disruptions, foreign currency liquidity crisis leading to the unavailability of raw materials, shortages in fuel, and the adverse effects of global geopolitical tensions. The agricultural sector recorded negative growth of 4.6%, while industrial and services recorded negative growth of 16% and 2% respectively. Driven by the embargo on chemical fertilizers and followed by the scarcity of fertilizers and agrochemicals due to the foreign currency shortage, input cost rose sharply, dampening activities in the agricultural sector. The main contributors to the overall negative growth registered in agriculture were marine fishing and aquaculture, and the cultivation of rice, tea, and vegetables. Industrial activities contracted due to the collapse of the manufacturing sector, which recorded negative growth of 12.6% in the year, whilst other major sub-sectors, such as construction, mining, and quarrying also registered negative growth of 21% and 31% respectively. Meanwhile, negative growth in the services sector was largely attributable to contractions in activities in sub-sectors of real estate and ownership of dwelling, financial, and insurance services.

Reeling through the worst economic crisis the country has experienced in decades, inflation surged to historically high levels, with the annual average headline inflation for 2022 recorded at 50.4% in comparison to the 7% recorded in 2021. The year-on-year change in the National Consumer Price Index (NCPI, 2013=100) <sup>^1</sup>, increased to 59.2% in 2022, compared to 14% in 2021 as per the data compiled by CBSL. Core inflation on an annual average basis tracked at 43.9% compared to the 5.5% recorded in 2021. 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 5.2 Bn was recorded in 2022 compared to the USD 8.1 Bn recorded in 2021. Merchandise exports grew by 4.9% to USD 13.1 Bn compared to USD 12.5 Bn in 2021. Industrial exports spearheaded the growth with garment exports, accounting for a larger proportion of the growth. Mineral exports recorded meagre growth, whilst agricultural exports declined in 2022 compared to 2021. Total imports declined to USD 18.3 Bn compared to USD 20.6 Bn in 2021. A sharp decline was recorded in the consumer goods category, especially in the non-food consumer goods segment, whilst a parallel decline was also recorded in the investments goods category, particularly in the machinery and equipment segment. The austerity measures imposed by the Government to curb and deter non-essential imports had a compelling impact on the decline of the aforementioned import categories and specific segments. Imports in the form of intermediate goods grew during 2022 compared to 2021, whilst fuel, textile, and textile articles remained key drivers of intermediate goods imported.

Tourism rebounded during 2022 to record 719,978 tourist arrivals relative to 194,495 recorded in 2021, despite a certain degree of uncertainty that loomed in the country during most part of the year, which was entailed by the economic crisis, constrained domestic mobility due to fuel shortages and social unrest. Earnings from tourism were USD 1,136 Mn in 2022 compared to USD 507 Mn in 2021, whilst Russia, India and the United Kingdom accounted for most tourist arrivals during November and December in 2022. Worker remittances in 2022 amounted to USD 3,789 Mn in comparison to USD 5,491 Mn in 2021. A sharp decline in worker remittances were experienced vis-a-vis volatility and speculative positions held by migrant workers on exchange rates and also sensitivities to the heightened foreign exchange controls introduced during the year, which may have deterred remittances to an extent through the formal banking channel.



(Source: Department of Motor Traffic of Sri Lanka)

Financial inflows continued to remain strained during 2022. Net inflows to the Colombo Stock Exchange (CSE) was USD 182 Mn compared to net outflow of USD 238 Mn in 2021. Inflows to Government securities were meager during 2022 as well. Inflows through Government loans increased during 2022 to USD 2.2 Bn compared to USD 1.6 Bn in 2021. The headwinds, economic woes, and challenges in the external sector culminated in recording a balance of payment (BOP) deficit of USD 2.8 Bn during 2022 compared to the USD 4.0 Bn in 2021. The gross official reserves amounted to USD 1.9 Bn by the end of 2022. The gross official reserves included a USD 1.4 Bn SWAP facility with the People's Bank of China, which was subject to conditionalities on usability. The gross official reserves were approximated, to a mere 1.1 months of imports. This is compared to the USD 3.1 Bn recorded as official gross reserves during the same period in 2021.

The Central Bank of Sri Lanka (CBSL) intervened in the foreign exchange market to maintain the exchange rate at 200-203 Sri Lankan Rupee (LKR) to the United States Dollar (USD) from the latter part of 2021 until early March 2022. However, the severe foreign currency liquidity constraint experienced during this period

exerted significant pressure on sustaining the administered foreign exchange market. As a result, the CBSL devalued the LKR to reflect a foreign exchange rate of 230 LKR/USD. Thereafter, in March 2022, the CBSL decided to allow the currency to free float in the foreign exchange market, which led to a steep depreciation in the exchange rate. To alleviate the volatility in the exchange rate, from May 2022 onwards, 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'). As a result, from May to December 2022, the Sri Lankan Rupee remained relatively stable, recording only a marginal depreciation. Annual depreciation of the rupee in 2022 was 44.8% against the USD compared to the 7% depreciation recorded in 2021.

## LUBRICANTS INDUSTRY

As per the statistics released by Public Utility Commission of Sri Lanka (PUCSL), the lubricants industry has recorded a market decline of 25% as of the end of 2022, compared to the same period in 2021. Whilst the first quarter of 2022 recorded moderate growth, compared to 2021, with signs of economic recovery post pandemic, this growth was completely curtailed by the unprecedented economic crisis with quarter two and three



# MANAGEMENT DISCUSSION AND ANALYSIS

recording negative growth of 16% and 47% respectively, compared to the same periods in 2021. Despite the contraction in the overall lubricants industry, the lubricant market was further liberalized resulting in the entry of eight new players in 2022, taking the total number of players to 26 as at end 2022.

Demand for lubricants was subdued due to steep inflation vis-à-vis higher input cost due to a rise in global commodity prices, as well as exchange rate depreciation, resulting in price escalations and supply and logistical constraints encountered, due to the foreign currency liquidity constraints. The import control restrictions imposed by the Government to curb imports during the year further compounded the contraction of demand for lubricants. We believe the following factors also posed a significant impact to the lubricant industry in 2022:

The continued embargo on vehicle importation, which was first implemented in March 2020, compressed demand for lubricants in the market in 2022. The composition of the vehicle population in 2022 remained in tandem with that of previous years, with motorcycles comprising 57.7% in 2022 versus 57.9% in 2021, followed by motor cars at 10.9%, and three-wheelers at 14.2%, the composition of which remains unchanged from 2021, as per the statistics compiled by the Department of Motor Traffic in Sri Lanka.

Shortage in fuel supply, during the peak of the economic crisis, exerted an adverse impact on the lubricant consumption with domestic travel curtailed and almost reaching a standstill as most vehicles were idling, either due to lack of fuel to run or being parked in fuel queues. Unavailability of fuel also negatively impacted fisheries and agriculture, which in turn adversely impacted lubricant consumption in these sectors.

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.

According to the CBSL, electricity generation recorded a contraction of 3.3% year-on-year during the eight months ended August 2022, largely owing to the disruptions encountered in fuel and coal supply for thermal power generation, due to the foreign currency liquidity constraints and the surge in global commodity prices. Consequently, prolonged power outages, which even extended over 10 hours per day, were enforced by the Ceylon Electricity Board as a demand management strategy. In addition to the dire status of fuel unavailability for thermal power generation, torrential rain falls in May, June and August, and regular monsoon rains in October shifted the power generation towards hydropower, compressing the demand for lubricants.

Driven by the significant reduction in imports during the year, port activities also recorded a contraction with overall container handling and cargo handling recorded negative growth rates of 2.5% and 4.7% respectively, during the period ended September 2022 compared to the same period in 2021, according to CBSL. The negative growth registered in port activities also constrained the demand for lubricants in the sector.

The rubber sector also contracted by 13.8% year-on-year primarily due to the shortages in fertilizers and adverse weather conditions in rubber growing areas, which in turn, has had a cascading effect on the lubricant consumption in the rubber manufacturing industry.

Challenges induced by the catastrophic economic crisis have exposed unprecedented vulnerabilities across all businesses, including the lubricants industry in the country, whilst the recent global geopolitical tensions have aggravated the situation.

### RETAIL SALES

Despite the adverse impact on demand due to the economic downturn witnessed during the year, the retail channel

performed reasonably well. The retail channel commenced the year on a positive note with a strong performance during quarter one of 2022, which helped to partially neutralize the adverse impact to retail volumes experienced during the second half of 2022, as a result of the lacklustre demand vis-à-vis the evolving economic crisis.

The retail business contributed to nearly 70% of the Company's volumes. Hence, it was imperative to remain prudent on margin management through frequent price increases to absorb the unprecedented cost escalations during the year in review.

In a strategic move, the Distributor Trade Programme (DTP), which is one of the critical success factors driving the performance of the retail channel, was further strengthened in 2022. With the economic crisis deepening during the year, initial retail initiatives and DTP were recalibrated to ensure that the retail segment stayed on course, while delivering profitability to distributors and channel partners as well.

In order to sustain the momentum for retail sales, timely national promotions and trade schemes were rolled out to capture seasonal demands to stay competitive in a price-conscious environment. A stronger focus was placed on expanding the Caltex Authorized Dealer channel and Xpress



## IN CONTRAST TO THE SUBDUED PERFORMANCE IN THE BANGLADESH MARKET IN THE PREVIOUS YEAR, CHEVRON LANKA PERFORMED STRONGLY IN 2022

lube channels by adding 67 new outlets in total to both channels. Channel and brand investments were executed as planned to maintain equity for the Caltex brand in the market.

Amongst some of the challenges faced during the year, distributors and channel partners experienced investment constraints and cash flow issues due to the cost increases and demand disruption. The Company provided financial support to distributors to navigate the difficult period. The macroeconomic adversities experienced in the country had a direct adverse impact on lubricant demand across all channels. Consumers reduced their lubricant consumption by opting for longer oil drain intervals and shifted from packs to buying loose due to the cost pressures they experienced.

### COMMERCIAL & INDUSTRIAL SALES

Despite the significant impact and demand destruction in the overall lubricants market, Chevron's Commercial and Industrial (C&I) channel ended the year with only a marginal reduction in total sales in comparison to 2021. Winning most of the large-scale Government tenders, in addition to increased rubber exports, helped offset the significant demand drop witnessed in the construction sector and small-scale industries.

The rubber sector showed significant growth, especially during the first three quarters of the year, with the momentum lost during the last quarter of the year in review, due to a reduction in exports to the European and US markets as a result of prevailing global downturn.

Government transport, including buses and trains, dipped as a segment. However, Chevron Lanka carved out a greater share of this segment during the year, thereby establishing its leadership position in the category.

While most businesses were impacted due to the economic issues and shortage of products due to import restrictions, Chevron Lanka continued to supply its complete portfolio of products to ensure that its customer operations ran smoothly, demonstrating its reliability as the undisputed leader in providing lubricant solutions to the industry.

### ORIGINAL EQUIPMENT MANUFACTURERS (OEM)

The OEM sector, which had already suffered as a result of the import ban on new vehicles, suffered a double blow with the steep increases in prices of fuel, spare parts and other consumables. This was further compounded with the lower disposable income of vehicle owners, reduced vehicle use, and prolonged lubricant service intervals.

Restrictions on the imports of spare parts further impacted OEM workshops as they were unable to carry out repairs and servicing, which resulted in curtailed demand for lubricants. In a noticeable trend, vehicle owners restricted non-essential travel, which further constrained the demand for lubricants.

While consumer (passenger car) OEMs were badly impacted, some consolation was seen with commercial vehicles and some local assembly operations contributing to partly offset the adverse effects.

### TOLL BLENDING

Toll blending operations were impacted by the negative economic conditions in the country. Nevertheless, volumes marginally improved as compared to the previous year when lockdowns were in place. Demand destruction was experienced, especially during the second half of the

year, resulting in the slowdown in the movement of inventory during the period.

### EXPORTS TO MALDIVES

Consistent sales were recorded to the Maldives throughout the year under review as tourism, which is the largest sector of the Maldivian economy. Tourism is a significant contributor to GDP and foreign exchange in the Maldives, with an approximate inflow of over 1.6 million tourists in 2022, surpassing its tourist arrival targets despite the challenges faced due to the COVID-19 pandemic.

As a result of the revival of the tourism sector in the Maldives, Chevron Lanka regularly shipped to the Maldives through the year. While protecting the existing customer base, Chevron acquired new customer accounts and converted some competitor resorts, which resulted in strong volume performance. Demonstrating its long-term interest in the Maldives market, Chevron participated in the 'Marine Expo 2022' for the first time, which resulted in the addition of several potential leads to the current base.

### EXPORTS TO BANGLADESH

In contrast to the subdued performance in the Bangladesh market in the previous year, Chevron Lanka performed strongly in 2022, on the back of certain restructuring of operations in Chevron's go-to-market model for the country, including the appointment of a new distributor. The changes delivered strong volume performance in comparison to the previous year's performance. Volumes grew by 40% year-on-year. This performance was commendable despite the macroeconomic headwinds in Bangladesh caused by a dollar liquidity crisis and depleting foreign exchange reserves, which entailed high inflation and fuel crisis in quarter four, slowing down the strong export volume performance experienced by the Company in quarter two and quarter three.

A strong presence in the retail channel, especially in motorcycle oil, where Chevron ranks among the top five, helped

# MANAGEMENT DISCUSSION AND ANALYSIS

to sustain growth. The brand presence was also strengthened in the passenger car motor oil and heavy-duty engine oil segments in the retail market. In addition, the introduction of low viscosity oils by Chevron, focusing on passenger cars has helped to capture volumes in the premium sector.

While strengthening the retail channel in Bangladesh, Chevron was able to establish its position in the industrial sector as well, by acquiring several large new accounts. The nation's power generation sector recorded a drop in consumption due to the shortage of fuel for operations and delays in payments from the State for power contributed to the grid.

Continuing its brand building efforts, Chevron participated in the largest motor show in Bangladesh, the 'Dhaka Motor Show', serving to position itself as one of the top lubricant brands in Bangladesh. Competency development for the new sales team set up by the new distributor was a key focus area, which was effectively supported by Chevron Sri Lanka's technical and sales staff.

## MARKETING ACTIVITIES

### Havoline MCO Scooter Campaign

Seizing the opportunity in the market to target the scooter riding community, the Havoline Supermatic 4T product was launched with a digitally-led campaign to educate riders and build awareness on differences in scooters and lubrication systems as compared to motorcycle engines. This proved to be a timely campaign given the increased usage of scooters in Sri Lanka.

### Delo 3L Town Storming Activation

Moreover, with the increased demand for a value driven pack for 3L sump capacity diesel engine vehicles, a new Delo 3L product was launched in the market. The Delo Gold 15W40 was extended as a value driven pack, targeting the smaller sump capacity vehicles (3L engines). In order to build awareness and generate trial, an on-ground activation was executed over 35 days, in 42 locations, covering



high traffic consumer towns island-wide for 3L sump capacity diesel vehicles. This campaign generated 5,089 consumer engagements, and 960 technical inquiries.

### 'Caltex Runout' Consumer Promotion

Responding to the trend of maintaining longer service periods, on account of lower disposable incomes, Chevron Lanka launched a campaign in quarter four to remind consumers of the importance of timely servicing of vehicles, by offering attractive discounts to alleviate the financial burden on consumers. The brands featured in the promotion included Caltex, Havoline, Delo, and Lanka. The Havoline Eco series, Delo Gold Ultra, and Lanka Super DS were displayed prominently in the campaign. The fully digital and above-the-line consumer activation was held in parallel to the T20 Cricket World Cup promotion.

The campaign achieved a couple of objectives, including educating consumers on the importance of timely service maintenance and to avail of the lubricant discounts on offer, thereby driving consumers to the service centres, Xpress lubes, and the independent service stations. This propelled conversions through discounted lubricants sales in the service packages, including the trade reimbursement of discounts after verification by the sales team.

### Delo wins at Effie Awards

Chevron Lubricants Lanka's campaign was brought to life in a way that resonated with the local target audience to the extent that it was the only campaign to be recognized as a finalist within the 'Automotive - Aftermarket' category at the Effie awards in Sri Lanka.

### 'Caltex Sri Lanka' - LinkedIn Social Media Launch

Leveraging on new social marketing channels, Chevron Lubricants Lanka launched its presence for the first time on the LinkedIn platform. This engagement predominantly targets the business-to-business (B2B) audience, with a primary focus to create awareness and generate leads for Delo and other B2B product portfolio.



### Channel Enhancement Distributor Awards Programme

One of the key events held during the year was the Distributor Awards programme, which is eagerly awaited by the Chevron distributors annually. After a two-year hiatus, due to the pandemic, the event was held in-person with all of Chevron's key stakeholders at the Shangri-la Hotel in Colombo. The event witnessed the participation of over 150 stakeholders.

At the event, top performing distributors, distributor sales representatives, and

regional warehouse managers across the Titanium, Platinum, and Gold categories were awarded. Awards were also presented at the event including the Best Performing Xpress Lube, as well as the prestigious award for 'Best Chevron Sales Person'.

Despite the easing of COVID-19 restrictions, Chevron ensured that strict health guidelines were followed at the event to mitigate the spread of the virus, including pre-screening procedures, temperature checks, and the wearing of face shields. With these precautions, there were no reported infections post-event.

### Outdoor Branding

As an extension of brand building activities, Chevron kicked off a strategic outdoor branding campaign to drive the strength of the Caltex brand in the market. The branding project involved dealers, vehicles and service stations (Xpress lubes and independent service stations) with over 800 outlets covered through this initiative, providing prominent visibility to the brand.



### Chevron Business Point Platform

Expanding its digitalization efforts, Chevron launched a proprietary online ordering platform for Caltex exclusive distributors. The web-based system enables ease of access to distributors with less hardware investment. This platform has been used in over 15 countries in the world and the key benefits are faster ordering, real time order monitoring and stock update, better distributor visibility, reduced manual intervention, and greater distributor empowerment. The national rollout was completed by end of 2022.

### Sustainable Drum Recycling Project

Chevron Lanka successfully spearheaded the rollout of a sustainable drum recycling project in Sri Lanka. The project was initiated to protect the environment by optimizing drum usage. Keeping in line with Chevron's global vision to lower its carbon footprint, the drum recycling project also supports the local economy by reducing dollar outflows to procure new drums. The project has now moved from the pilot stage to full commercialization, with over 10% of the total drum requirement being catered through recycled drums.

### Supply Chain & Logistics

Chevron's supply chain (SC) faced a host of challenges in 2022 as a result of the economic crisis in the country. Transportation posed the biggest challenge, due to the shortage of fuel. However, the situation eased slightly in the latter part of the year with the introduction of the fuel quota system, which extended some relief to the Company's logistics operation. Nevertheless, the issue continued until the end of the year, while transport rates continued to almost double as compared to end 2021.

Globally, supply chains remained under pressure. Even though the pandemic was easing globally, shipping lanes remained disrupted, further exacerbating the chaos in the logistics industry. However, Chevron Lanka was able to cost-effectively manufacture vis-à-vis demand, through continuous dynamic planning and robust cross-functional collaboration.

Teams rotated between operating from the plant and from home, whilst manufacturing operations continued the practice of our safety culture and tools, emphasizing the use of Chevron's Operational Excellence Management System (OEMS) business model. The Company's safety culture is evidenced by the completion of a record 21-year fulfillment from last lost time injury.

On time in full deliveries (OTIF) achievement for the year was 97.71%, another record maintained by the supply chain over the last nine years.

Capital expenditure and Lean Sigma projects continued in 2022 to further reduce constraints at SC operations, in order to achieve energy utilization and resource efficiencies.

Several product upgrades were undertaken to address contemporary technical upgrades of vehicles in the market. Furthermore, testing capabilities were strengthened by end-of-life replacements of the instruments. Asset integrity maintenance checks continued in 2022 with the inspection of above ground storage tanks, which ensure primary product containment.

Despite a challenging business environment, Chevron Lanka collaborated closely with business partners and was able to successfully cater to the demand.

### HUMAN RESOURCES

Chevron's 'One Team' spirit shone through in numerous ways with the challenges faced in 2022. With a fresh wave of challenges impacting not only the business but also the livelihoods of our employees and their families, the Chevron workforce who returned to full-time 'work from office' mode in January 2022 had to be deployed back to 'work from home' due to the evolving economic situation.

The Sales and Supply Chain teams worked relentlessly to ensure supplies to customers were uninterrupted and



## MANAGEMENT DISCUSSION AND ANALYSIS

the essential services in the economy were uninterrupted during the acute fuel shortage. Chevron Lanka enabled office-based workers to be provided with home-based fibre data connectivity to facilitate work from home. The resilience of Chevron's employees in balancing their work and livelihoods amidst school closures and acute fuel and gas shortages deserves great commendation.

Chevron Sri Lanka portrayed great empathy for employee wellbeing during the hardships during the year. Employees were supported in three spheres: emotional wellbeing, financial security, and domestic welfare.

The Chevron Lanka Human Resource (HR) team partnered with one of Chevron's Wellness Partners – Lifeworks – to deliver a session on 'Building Resilience in Challenging Times', which provided tips to employees on coping with crisis situations, especially impacts to their personal lives.

In a significant move, the Chevron Total Remuneration Group, together with the Chevron Board Remuneration Committee ratified two ex-gratia lump sum payments to all Chevron Lanka employees in April and August 2022, and topped it off with an off-cycle pay increase in October 2022. The assortment of financial support provided to the employees was very well received by the employees and their families and managed to ease tensions to a great extent as rising inflation had started to impact households of all income levels in our company.

Responding to the hardships faced during the year, Chevron Lanka HR also pulled together a logistical operation to deliver packs of hard-to-procure dry rations and medicine items for each family and supplied each employee with an induction cooking hob as a liquid petroleum gas alternative. The Chevron Lanka employee survey attracted a 95% response rate and

our favourability index rose from 85% to 87%. Our engagement score increased from 82 to 83.

The HR team continued to leverage on career development tools in 2022, among which the career ladder movements were notable. Several strong performers in the sales team were promoted in the year under review. The Company also benefited from a Career Ladder refresh, covering employees in the Business Support and Finance teams. Several employees from the Marketing and Supply Chain teams completed certifications awarded by the National University of Singapore and the American Petroleum Institute respectively.

Meanwhile, the Employee Performance Awards were held in conjunction with Annual Growth Workshop, at Cinnamon Bentota, with several outstanding cross functional achievers recognized for their contributions by Chevron regional leaders.

Further strengthening the Chevron Lanka family, the annual employee family gathering titled 'Seasonal Mingle' provided an opportunity to felicitate employees with long-standing services to the organization. Despite many adversities, Chevron continues to be on a trajectory to safely deliver higher returns, lower carbon, and superior shareholder value in any business environment.



# FINANCIAL REVIEW

## GROWTH, PROFITABILITY AND EFFICIENCY

### Revenue

The Company recorded a revenue of Rs. 24.57 Bn during the period under review which was a 46% YOY increase in comparison to Rs. 16.87 Bn recorded in 2021. The increase in revenue was driven by higher revenue per liter (average sales price) generated, compensating for the lower volumes recorded in comparison 2021. Revenue increase on account of higher revenue per liter was approximately Rs. 9.6 Bn, partially offset by a decline in revenue of approximately Rs. 1.9 Bn due to lower volumes recorded compared to 2021.

The increase in revenue per liter was largely a result of the price increases that the Company was compelled to take during the year following unprecedented cost increases in global base oil prices, the depreciation of the LKR experienced during the year vis-à-vis the acute shortage of USD liquidity in the country's banking system vis-à-vis a managed foreign exchange rate regime exposing the LKR to an inevitable currency devaluation/ depreciation against the USD upon eventual market floatation.

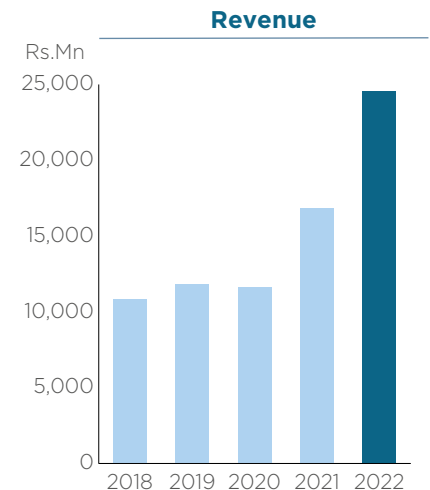
Lower volumes recorded in 2022 in comparison to 2021 was primarily driven by the domestic retail channel which accounts for approximately 70% of the Company's total volumes. Overall demand for lubricants was hampered significantly due to acute fuel shortage experienced from the second quarter of the year, the cascading impact of inflation and 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 margins through strong focus on margin management initiatives whilst leveraging on its well-structured trade promotional schemes and incentive programmes for channel partners, which was pivotal in delivering the revenue growth for the year.

The domestic commercial & industrial channel also recorded a negative growth in volumes during the year on the backdrop of the severe economic downturn experienced in the country which impacted all industries and businesses at different scales, lowering the demand for lubricants. The Company was however able to curb the decrease in volumes in this segment to a larger extent with volume gains recorded through some of the large-scale Government tenders that were won by Chevron Lanka during the year in review. While the Original Equipment Manufacturers (OEM) segment also recorded a negative growth in volumes, the toll blending operation recorded a growth in volumes compared to a relatively lower base in 2021.

Export sales volumes to Bangladesh increased by 40% compared to 2021. The volume increase primarily stemmed from strong performance in the retail market specifically in the segments of motorcycle oils, passenger car motor oils, and heavy-duty engine oils. The seamless onboarding of the new distributor in 2022 and the competency development of the distributor staff supported by Chevron Lanka's team was pivotal in recording the volume growth during 2022.

However, export volumes to Maldives decreased by 9% compared to 2021, primarily due to certain operational challenges encountered by our distributor in Maldives during the last quarter of the year. The total combined revenue from the two export markets increased to Rs. 2,108 Mn (2021: Rs. 877 Mn).

The continued export of certain lubricant and coolant products to a few inter-companies recorded a volume decrease of 70% vs 2021, largely due to the absence of base oil and additive sales in 2022 to inter-companies.



### Profit after tax

Profit After Tax decreased by 7% YOY to Rs. 3,666 Mn compared to Rs. 3,926 Mn recorded in 2021. However, the gross profit margin increased to 42% from 37% in 2021, on account of the price increases implemented in 2022 in an attempt to arrest the erosion of margins due to escalation in cost of goods sold and forex losses incurred during the year. The increase in base oil prices, the rise in prices of additives, and the adverse effects of currency depreciation led to significant forex losses being incurred on foreign currency denominated import bills which were long outstanding as a result of foreign currency liquidity constraints in Sri Lanka's banking system and the cascading effects of these cost escalations on import tariffs were key reasons for the relatively higher cost of goods sold reported in 2022. Consequently, the Company was compelled to effect price increases over 100% during the year which contributed to the increased margins reported during the period in review. However, the gross margin recorded during the year should be considered in conjunction with the unprecedented net foreign exchange losses recorded of Rs. 2,992 Mn. A major proportion of the foreign exchange losses (classified under finance costs) relate to import of materials for manufacturing operations. Hence, the composite net gross margin (including the impact of

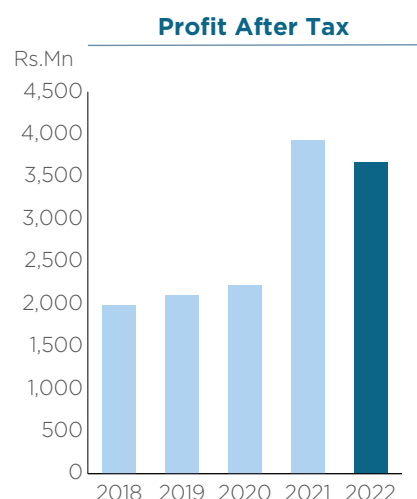
# FINANCIAL REVIEW

foreign exchange losses) declined as a proportion of revenue, during 2022 compared to 2021.

Despite the increase in administrative & distribution expenditure compared to 2021, operating profit increased by 72% in 2022 mainly due to the increase in gross profit.

Profit Before Tax increased to Rs. 4,999 Mn in 2022 from Rs. 4,332 Mn in 2021. A net finance cost was recorded for 2022 due to higher net foreign exchange loss that was recorded YOY as a result of significant LKR depreciation against the USD, which partially offset the higher interest income stemming from higher cash reserves held during the year. The interest cost increased in 2022 compared to 2021 due to higher interest charge attributed to Right-of-Use liabilities.

Profit for the year was Rs. 3,666 Mn compared to Rs. 3,926 Mn in 2021. Total comprehensive income decreased by 8% YOY to Rs. 3,627 Mn, which included a net other comprehensive loss after tax of Rs. 38.9 Mn pertaining to an actuarial loss on retirement benefit obligation.



## Income tax

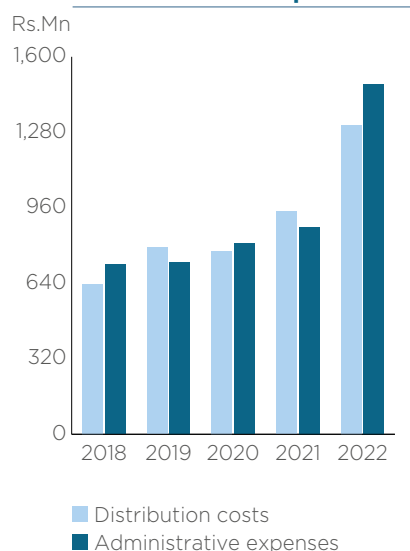
Income Tax expense for the year was Rs. 1,334 Mn, which translates to an effective tax rate of 27% compared to 9% last year. In reference to the Inland Revenue (Amendment) Act No. 45 of 2022 which was enacted during late December, the Company has computed its business income for the financial year and 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 take effect typically 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 have been applied for the pro-rated 50% taxable business income for the first six months, whilst 30% tax rate has been 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 reference to the Inland Revenue (Amendment) Act, No. 10 of 2021, the Company had applied tax rates of 18% for Manufacturing, 14% for Exports, 24% Standard Rate for other sources of Business Income and 24% for Investment Income in 2021. The increased tax rates in 2022, also entailed a higher deferred tax charge for the year. The tax expense during the comparative period in 2021 was deflated with the inclusion of a tax credit (tax reversal of income tax for Y/A 2020/21 and deferred tax credit for Y/A 2021/22) with the introduction of the relatively concessionary tax rates applicable for gains and profits from manufacturing (18%) and gains and profits from export of goods (14%). The changes in these tax regimes during 2022 and 2021 has resulted in higher income taxes being recorded during 2022 and also explains the variation in effective tax rates between the periods. Total income tax expense amounted Rs. 1,317 Mn which included a deferred tax credit on other comprehensive income for the year.

The Company also paid Rs. 789 Mn as Surcharge Tax, imposed by the Government through the Surcharge Tax act No.14 of 2022 in retrospect for Y/A 2020/21 and was accounted through the statement of changes to equity as recommended by the addendum to statement of alternate treatment (SoAT) on accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka.

## Distribution and administration expenses

Distribution expenses increased by 39% to Rs. 1,310 Mn from Rs. 945 Mn recorded in 2021. The increase in distribution expenses were largely attributable to higher transportation expenses incurred due to increase in transportation costs, owing to the fuel price hikes experienced during the year, increase in advertising, sales and promotions costs and employee related costs due to ex-gratia payments made to employees during the year on account of the economic crisis. Administration expenses amounted to Rs. 1,484 Mn, reflecting an increase of 69% compared to Rs. 878 Mn in 2021. The increase largely stemmed from USD denominated intercompany service charges incurred, primarily due to the steep LKR depreciation against the USD experienced during the year and secondly due to a marginal increase in USD denominated charge (4% increase after a period of two years).

### Administration & Distribution Expenses



## LIQUIDITY

### Working capital

Total inventory increased by Rs. 1,419 Mn, due to an increase in finished goods, partially offset by a decrease in raw materials inventory. The raw material inventory decreased by Rs. 1,122 Mn due to the timing effects of the procurement cycle. Finished goods inventory increased by Rs. 2,541 Mn to Rs. 3,585 Mn compared to the Rs. 1,044 Mn recorded in 2021, reflecting a relatively weak demand experienced during the fourth quarter of 2022 and considering the higher value of inventory.

Trade receivables increased compared to 2021 by Rs. 798 Mn with the number of “days sales outstanding” (DSO – Company formulated metric) increasing to 44 days in 2022 (29 days in 2021). 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 on the backdrop of the demand disruption witnessed 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 1.8 (2021: 1.7) and a quick asset ratio of 1.0 in 2022 (2021: 1.0) to meet working capital requirements. The higher current ratio compared to 2021 was largely attributable to the increase in trade and other receivables. A decline in the composition of trade & other payables as percentage of total current assets in 2022 was evident due to a significant component of the foreign currency denominated liabilities held as of December 2021 been settled by the end of 2022 with the improvement in the forex market & inflows witnessed during the latter part of 2022.

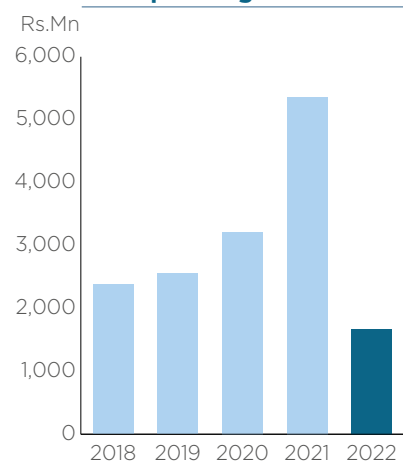
### Cash Flow

Cash generated from operating activities decreased to Rs. 2.8 Bn compared to Rs. 6.0 Bn in 2021, whilst the net cash flow from operating activities decreased to Rs. 1.7 Bn from Rs. 5.3 Bn recorded during 2021. The Company generated a free cash flow of Rs. 1.6 Bn (2021: Rs. 5.3 Bn). The net cash generated from investing activities declined YoY due to higher capital expenditure incurred. The comparatively lower free cash flow generated in 2022 is mainly attributed to the decrease in trade and other payables due to the settlement of long outstanding foreign currency denominated liabilities and the increase taxes paid during the year on account of the surcharge tax which was imposed 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 Y/A 2020/21 at the rate of twenty five

per centum on the taxable income of such Individual, Partnership or Company, for such year of assessment.

One interim dividend of Rs. 1,200 Mn was declared during the year. The cash payout of Rs. 1,680 Mn, consisted of Rs. 1,200 Mn of interim dividends declared during the year and the fourth interim dividend of Rs. 480 Mn for the year 2021. The fourth interim dividend of Rs.480 Mn pertaining to 2021 was paid during March 2022. Cash and cash equivalents at year end decreased relative to 2021 due to the settlement of long outstanding foreign currency denominated liabilities and payment of surcharge tax.

### Net Cash Flow from Operating Activities

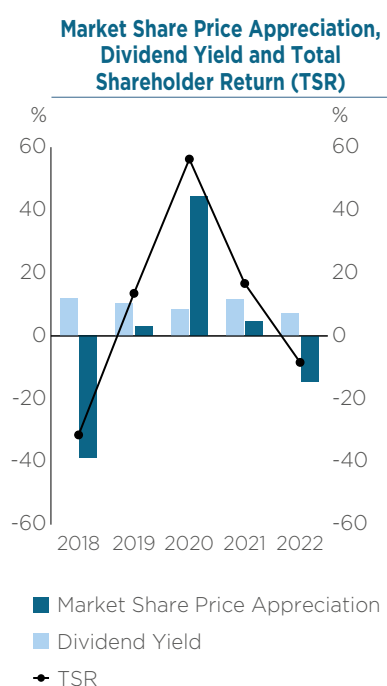
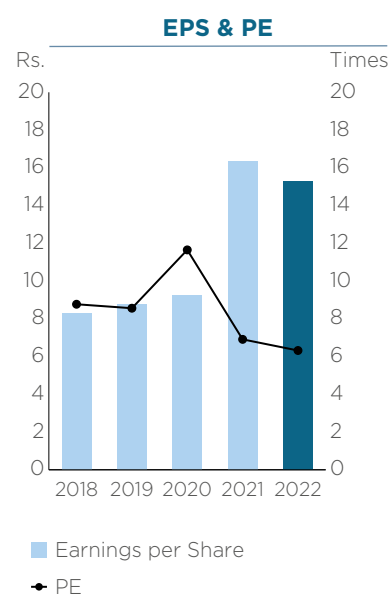


## STABILITY AND INVESTOR RETURN

### Financial stability

The Company recorded a return on equity of 66% in 2022 (86% in 2021). Earnings per share decreased by 7% to Rs. 15.28 in 2022 compared to Rs. 16.36 in 2021.

## FINANCIAL REVIEW



### Investor return

Dividend per share amounted to Rs. 7.00 which translates to a dividend yield of 7.3% based on the share price recorded as at end December 2022 compared to an increase of 11.5% recorded in 2021, whilst capital growth declined via a fall in market share price by 14.6% in comparison to an increase reported in 2021 of 4.6%.

Total Shareholder Return also declined to 8.41% in 2022 in comparison to an increase reported in 2021 of 16.67%.

### Quarterly Results

A summary of the quarterly results for 2022 and 2021 based on the quarterly financial statements submitted to the Colombo Stock Exchange are tabulated below.

Interim financial statements submitted to the Colombo Stock Exchange

	2022 1Q Rs. Mn.	2022 2Q Rs. Mn.	2022 3Q Rs. Mn.	2022 4Q Rs. Mn.	2021 1Q Rs. Mn.	2021 2Q Rs. Mn.	2021 3Q Rs. Mn.	2021 4Q Rs. Mn.
Turnover	7,701	6,174	6,031	4,669	4,353	2,762	5,196	4,555
Gross Profit	3,316	2,878	2,390	1,709	1,835	988	1,742	1,614
Operating Profit	2,745	2,129	1,656	973	1,429	579	1,270	1,086
Finance income/(cost) - Net	(1,584)	(1,102)	137	52	(35)	(6)	(19)	30
Profit Before Tax	1,161	1,027	1,793	1,025	1,393	573	1,251	1,115
Profit After Tax	943	840	1,457	431	1,539	461	1,020	906

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.

# 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 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.

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 2022 and the attendance is given below;

		Attended
Rochna Kaul (resigned 02.11.2022)	NED	4/4
Najam Shamsuddin	ED	4/4
Erande De Silva	ED	4/4
Haider Manasawala	NED	4/4
Asite Talwatte	NED/IND	4/4
Harsha Amarasekera (resigned w.e.f. 04.10.2022)	NED/IND	3/3
Harsha Cabral (appointed w.e.f. 04.10.2022)	NED	1/1

NED = Non-Executive Director, ED = Executive Director, IND = Independent Director

Mr. Najam Shamsuddin relinquished his duties as an Executive Director w.e.f. 02.11.2022 and was appointed as a non-executive director w.e.f. 02.11.2022. Mr. Bertram Paul was appointed as an executive director w.e.f. 02.11.2022. There were no board meetings scheduled between 02.11.2022 and 31.12.2022.

## BOARD AUDIT COMMITTEE

This Committee functions under a written charter, and consists of two Non-Executive Independent Directors, namely Mr. Asite Talwatte, (Chairman), Mr. Harsha Amarasekera (resigned w.e.f. 04.10.2022) and Mr. Harsha Cabral (appointed w.e.f. 04.10.2022). Managing Director/CEO and Director/CFO attend the meeting as per CSE listing rule requirement 7.10.6. (a).

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 2021 and the attendance is given below

	Attended
Asite Talwatte*	4/4
Harsha Amarasekera (resigned w.e.f. 04.10.2022)	3/3
Harsha Cabral (appointed w.e.f. 04.10.2022)	1/1

\*Chairman of Audit Committee

Mr. Najam Shamsuddin – in the capacity of Managing Director/CEO and Mr. Erande De Silva – Director/CFO attended all four Audit Committee meetings as per CSE listing rule requirement 7.10.6. (a)

## REMUNERATION COMMITTEE

The Remuneration Committee consists of three Non-Executive Directors. This Committee reviews the salary and benefits programmes of executive employees, including the Executive Directors.



# CORPORATE GOVERNANCE

	Attended
Harsha Amarasekera* (resigned w.e.f. 04.10.2022)	1/1
Asite Talwatte	1/1
Haider Manasawala	1/1

\* Chairman of the Committee

Mr. Harsha Cabral was appointed as Chairman of the Committee w.e.f. 04.10.2022. There were no committee meetings scheduled between 04.10.2022 and 31.12.2022.

## Directors' Remuneration

Total remuneration paid to executive and non-executive directors are given on page 69 and the report of the Remuneration Committee is given on page 43.

## Related Party Transactions Review Committee

The Committee consists of three Non-Executive Directors. The scope of the committee would is 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 Amarasekera (resigned w.e.f. 04.10.2022)	3/3
Harsha Cabral (appointed w.e.f. 04.10.2022)	1/1
Haider Manasawala	4/4

\* Chairman of the Committee

Mr. Erande De Silva Director/CFO attended all four Related Party Transaction 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 are 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

Anti-bribery, 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 encourages 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 hotline. Names and contact telephone numbers of subject matter experts under each compliance subject and hotline 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 communication 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 product stewardship, we manage risks of our products with everyone involved throughout the products' lifecycles.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES OF THE COLOMBO STOCK EXCHANGE

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

### Compliance with the Rules of the Colombo Stock Exchange on Corporate Governance & Related Party Transactions

Rule No	Subject	Criteria	Compliance Status	Details
7.10.1.(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Compliant	As at the conclusion of the last AGM and throughout the financial year, there were 4 Non-Executive Directors
7.10.2 (a)	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
7.10.2.(b)	Independent Directors	Non-Executive Directors should submit an annual declaration of his/her independence/non-independence against specified criteria	Compliant	Please refer to page 31 of the Corporate Governance Report
7.10.3 (a)	Disclosure relating to Directors	The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director	Compliant	The Board made a determination against the criteria given in rule 7.10.4
7.10.3 (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
7.10.3.(c)	Disclosure relating to Directors	The Company shall publish a brief resume of each Director	Compliant	Please refer to pages 12 to 15
7.10.3 (d)	Disclosure relating to Directors	Upon appointment of a new Director, a brief resume of such Director should be provided to CSE	Compliant	A brief resume of the Directors appointed during the year were provided to the CSE
7.10.4	Criteria for defining independence	As per defined criteria of the CSE listing rules	Compliant	Both Independent Directors met the criteria
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee	Compliant	Please refer to the Remuneration Committee report on page 43
7.10.5 (a)	Composition of Remuneration Committee	Remuneration Committee (RC) shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors	Compliant	Out of the three members of the Remuneration Committee two are Independent Non-Executive Directors
7.10.5 (b)	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	Compliant	Please refer to the report of the Remuneration Committee appearing on page 43

## CORPORATE GOVERNANCE

Rule No	Subject	Criteria	Compliance Status	Details
7.10.5 .(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 43
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Please refer to the Audit Committee Report given on page 42
7.10.6 (a)	Composition of the Audit Committee	Composition of the Audit Committee	Compliant	Audit Committee comprised two Non-Executive Independent Directors and headed by an Independent Director
		CEO and CFO shall attend all Audit Committee Meetings	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 body	Compliant	The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka
7.10.6 (b)	Functions of the Audit Committee	Should be as outlined in the 7.10 of the listing rules	Compliant	Please refer to the Audit Committee report given on page 42 and the Corporate Governance Report
7.10.6.(c)	Disclosures in the Annual Report relating to Audit Committee.	a. Names of the Directors comprising the Audit Committee	Compliant	Please refer to the Audit Committee report on page 42
		b. The Audit Committee shall make determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer to the Audit Committee report on page 42
		c. The Annual Report shall contain a report of the Audit Committee setting out the manner of compliance of the functions	Compliant	Please refer to the Audit Committee report on page 42
9.2.1	Review of Related Party Transactions	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 Transaction Review Committee appearing on page 44
9.2.2	Composition of the RPTRC	The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors	Compliant	Please refer to the report of the Related Party Transaction Review Committee appearing on page 44
	Related Party Transactions Review Committee	One Independent Non-Executive Director shall be appointed as the Chairman of the Committee	Compliant	Please refer to the report of the Related Party Transaction Review Committee appearing on page 44
9.2.4	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 32

Rule No	Subject	Criteria	Compliance Status	Details
9.3.2 (b)	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 35
9.3.2 (c)	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 Transaction Review Committee appearing on page 44
		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 Transaction Review Committee appearing on page 44
		The policies and procedures adopted by the Committee for reviewing the Related Party Transactions	Compliant	Please refer to the report of the Related Party Transaction Review Committee appearing on page 44
		The number of times the Committee has met during the financial year	Compliant	Please refer to the Corporate Governance report appearing on page 32
9.3.2.(d)	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	Report of the Directors on page 40 and Related Party Transaction Review Committee Report on page 45

### Compliance with the section 9.3.2 (b) 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	5,413,743,764	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	1,080,007,946	4%	As per the Service Level Agreement between the two entities
			6,493,751,710	26%	

# RISK MANAGEMENT

## RISK MANAGEMENT

The Company encounters varied risks that originate from the micro and macro environment, which could 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 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, catalogue, 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 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. The 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 could 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.



Likelihood	5	Almost Certain	5	10	15	20	25	
	4	Likely	4	8	12	16	20	
	3	Moderate	3	6	9	12	15	
	2	Unlikely	2	4	6	8	10	
	1	Remote	1	2	3	4	5	
Risk Rating Risk Score (RS)			Very Low	Low	Medium	High	Very High	
			1	2	3	4	5	
			Impact					
			Low		Moderate		High	
			5>RS		10>RS>5		25>RS>10	

(Conceptual model of the Risk Matrix)

Following are some of the key risks faced by the Company.

### 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, and 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 brand equity. We also have regular dialogue and interaction with the Public Utilities Commission of Sri Lanka, the 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, and 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.

# RISK MANAGEMENT

## 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 2022.

## STRUCTURE AND NATURE OF THE BUSINESS

**Chevron Corporation**  
(through Chevron Ceylon Ltd)



**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, and specialty products for domestic and certain export markets. The review of business activities for the year 2022 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 Director's 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 48 to 86.

## 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 Rs. 3,666 Mn (2021: 3,926 Mn) and total comprehensive income for the period amounted to Rs. 3,627 Mn (2021: 3,936 Mn).

## Information on Dividends and Reserves are given below.

First interim dividend paid on 22nd November 2022 at Rs. 5.00 per share

For the year ended 31 December 2022	(Rs. Million)
Profit after tax	3,666
Balance brought from previous year	4,399
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	(789)
Fourth Interim Dividend (FY 2021) of Rs. 2.00 per share paid on 21st March 2022	(480)
First Interim Dividend of Rs. 5.00 per share paid on 22nd November 2022	(1,200)
Unclaimed Dividend transferred to Retained Earnings	2
Re-measurement of defined benefit obligations	(39)
Balance carried forward to 2023	5,559

No final dividend has been proposed by the Board.

## PROPERTY, PLANT & EQUIPMENT

Capital expenditure incurred during 2022 including work-in-progress amounted to Rs. 106,827,282 (2021: Rs. 89,218,233). 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. (2021: Nil).

## DIRECTORATE

The following served as Directors of the Company during the year 2022:

Rochna Kaul	(resigned w.e.f. 02.11.2022)
Najam Shamsuddin	(relinquished duties as MD/CEO w.e.f. 02.11.2022 & appointed as Chairman w.e.f. 02.11.2022)
Bertram Paul	(appointed w.e.f. 02.11.2022)
Erande De Silva	
Asite Talwatte	
Haider Manasawala	
Harsha Amarasekera	(resigned w.e.f. 04.10.2022)
Harsha Cabral	(appointed w.e.f. 04.10.2022)

Mr. Bertram Paul who was appointed by the Board since the last Annual General Meeting retires at the forthcoming Annual General Meeting and is eligible for re-election in terms of the article 91 of Articles of Association of the Company.

Mr. Harsha Cabral who was appointed by the Board since the last Annual General Meeting retires at the forthcoming Annual General Meeting and is eligible for re-election in terms of the article 91 of Articles of Association of the Company.

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

# ANNUAL REPORT OF THE DIRECTORS

## DIRECTORS' SHAREHOLDINGS

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

None of the Directors hold shares in the Company.

## DIRECTORS' INDEPENDENCE

Asite Talwatte and Harsha Cabral function as Independent Directors of the Company.

As per the rules on corporate governance (section 6.4) 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 on page 33.

## REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The remuneration and the value of other benefits received by the Directors are given on page 85.

## 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.

## OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Other directorships held by the Directors have been disclosed with the Directors profiles on page 12 to 15. 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. The report of

the Related Party Transactions Review Committee is given on pages 44 and 45.

## SHARE INFORMATION

Information relating to market value of shares, public shareholding and top 20 shareholders are given on page 89 to 91.

## POST BALANCE SHEET EVENTS

Reference to Note 27 to the Financial Statements on page 86, 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 the Business Conduct and Ethics Code. Based on the internal control framework as described above, the Board is satisfied with the effectiveness of the internal controls for the period under review.

## 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 PricewaterhouseCoopers (chartered accountants). They were paid Rs. 3,708,648 (2021: Rs.3,090,540) as audit fees and Rs. 90,000 (2021: Rs. 140,000) for issue of solvency certificates.

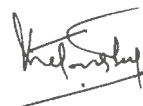
A resolution proposing their re-appointment as Auditors of the Company will be tabled at the Annual General Meeting.

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 has decided the 30th Annual General Meeting will be held as a virtual meeting using a digital platform on Tuesday 30th May 2023 at 3.30p.m. from Chevron Lubricants Lanka PLC, Maga One, Level 16, 200 Nawala Road, Narahenpita, Colombo 05.

By order of the Board of Directors



**Bertram Paul**

Managing Director/CEO



**Erande De Silva**

Director/CFO/Company Secretary

28 April 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The 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 present 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 the Management's best estimates and judgments.

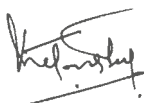
As per the Section 148 of the Act, the Directors are also required to maintain sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to ensure that the Financial Statements presented comply with the requirements of the Companies Act.

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 its responsibilities as set out above.

The company's Financial Statements have been audited by PricewaterhouseCoopers, independent auditors approved by the shareholders. The Management has made available to PricewaterhouseCoopers all the Company's 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 can 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



# 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 Amarasekera PC	Independent Non-Executive Director *(Resigned w.e.f. 04/10/2022)
Harsha Cabral PC	Independent Non-Executive Director *(Appointed w.e.f. 04/10/2022)

\* Indicates the effective dates on which the respective officers were either appointed or resigned from the Board of Directors and the Committee.

## 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 PricewaterhouseCoopers 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 2022 and the members' attendance record is indicated on page 31 of corporate governance report.

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 the 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

28 April 2023

# 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. The annual benchmarking survey undertaken by CLLP was postponed to 2023 owing to the lack of interest among participating companies which were impacted from the economic downturn in Sri Lanka. Instead, the TR Group took the stance of ageing the 2021 data to arrive at the salary proposal.

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.

In 2022, the Remuneration Committee reviewed and endorsed an assortment

of relief measures for CLLP employees.

The impact of Sri Lanka's currency devaluation and resultant inflation was felt at all levels of our community and our employees in CLLP were no exception. The Remuneration Committee unanimously approved proposals by Chevron Corporation to provide two ex-gratia lump sum payouts and an off-cycle pay increase to all employees in CLLP to ease out the financial pressures. Each family was provided a pack of essential dry rations and an induction cooking hob to provide relief from the acute shortage of LP Gas.

Notwithstanding the impact on the economy and the business of the Company by reason of COVID-19, the Company has not taken any steps to either reduce pay and/or to withhold allowance as at the date of this report. However, the Remuneration Committee, after careful review, took conservative measures in proposing the annual pay increments for 2022 bearing in mind the challenges faced by CLLP by reason of COVID-19 and the inflationary pressure on the workforce. The Remuneration Committee also took note that the TR Country Study for Sri Lanka has been planned for 1Q of 2023. The TR Country Study which will be led by the Chevron TR Group will include a comprehensive review of CLLP's Total Rewards position, to sustain its competitive position as a preferred employer.

The aggregate remuneration paid to Executive and Non-Executive Directors is given on page 69.

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

28 April 2023

# 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. 9.2.2 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 Amarasekera	Independent Non-Executive Director *(Resigned w.e.f. 04/10/2022)
Harsha Cabral	Independent Non-Executive Director *(Appointed w.e.f. 04/10/2022)
Haider Manasawala	Non-Executive Director

\* Indicates the effective dates on which the respective officers were either appointed or resigned from the Board of Directors and the Committee.

## 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 9.5 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 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 2022 and the members' attendance record is indicated on page 32 of the 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 on page 35 of the annual report in compliance with Section 9.3.2 (b) 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 9.3.2 (a) 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 83 to page 86.

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 Transaction Review Committee.

The Company has also filed the Transfer Pricing Disclosure Form with the Department of Inland Revenue for Year of Assessment 2021/22 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 2022 is given on page 40, in the ‘Annual Report of the Directors’.

Sgd,

**Asite Talwatte**

**Chairman**

Related Party Transaction Review  
Committee

28 April 2023



# A SPIRIT OF VICTORY

We ride ahead with resilience and vigor to achieve significant performance landmarks for the Company.

FINANCIAL  
STATEMENTS

## **FINANCIAL CALENDAR 2022**

### **Interim Financials**

1st Quarter Interim Financials	11th May 2022
2nd Quarter Interim Financials	28th July 2022
3rd Quarter Interim Financials	1st November 2022
4th Quarter Interim Financials	27th February 2023

### **Dividends paid dates**

First Interim Dividend paid on 22 November 2022 at Rs. 5 per share



# INDEPENDENT AUDITOR'S REPORT



**TO THE SHAREHOLDERS OF CHEVRON LUBRICANTS LANKA PLC**  
**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Our opinion**

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

**What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

**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 judgement, 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.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Performance incentives and discounts to customers</b></p> <p>The Company offers several incentives and discounts to distributors and some retailers through their distributors ("customers").</p> <p>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.</p> <p>Incentives and discounts are adjusted at month end based on actual redistribution sales information.</p> <p>Accordingly, sales of LKR 24.57 billion disclosed in Note 5 to the financial statements is stated net of customer incentives and discounts amounting to LKR 3.15 billion for 2022.</p> <p>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.</p>	<p>Our audit procedures included test of controls and substantive audit procedures covering the following:</p> <p>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.</p> <p>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.</p>

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**T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk**

**Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, N R Gunasekera FCA, T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda FCA, Ms W D A S U Perera ACA, Ms L A C Tillekeratne ACA, K M D R P Manatunga ACA**

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chevron Lubricants Lanka PLC (Contd.)

Report on the audit of the financial statements (Contd.)

Key audit matter (Contd.)

Key audit matter	How our audit addressed the Key audit matter
	<p>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.</p> <p>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".</p> <p>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.</p> <p>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.</p> <p>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.</p>

### 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 identified above 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 the 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.

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Chevron Lubricants Lanka PLC (Contd.)****Report on the audit of the financial statements (Contd.)****Responsibilities of management and those charged with governance for the financial statements (Contd.)**

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 skepticism 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.
- 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.

*PricewaterhouseCoopers*

**CHARTERED ACCOUNTANTS**

CA Sri Lanka membership number 4084  
COLOMBO

28 April 2023

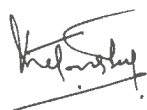
# STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees)	Notes	As at 31 December	
		2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,588,866,663	1,661,479,763
Right-of-use assets	14	341,531,619	302,189,289
Trade and other receivables	15	70,328,322	63,971,812
		2,000,726,604	2,027,640,864
<b>Current assets</b>			
Inventories	18	5,178,417,990	3,759,672,673
Trade and other receivables	15	1,978,262,331	1,180,763,029
Cash and cash equivalents	19	3,876,289,749	4,025,116,197
		11,032,970,070	8,965,551,899
<b>Total assets</b>		<b>13,033,696,674</b>	<b>10,993,192,763</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Stated capital	20	600,000,000	600,000,000
Retained earnings		5,559,130,717	4,398,614,748
		6,159,130,717	4,998,614,748
<b>Non-current liabilities</b>			
Employee benefit obligations	21	282,787,018	205,136,866
Deferred tax liabilities	17	234,197,137	156,812,811
Lease liabilities	14	358,185,567	310,243,782
		875,169,722	672,193,459
<b>Current liabilities</b>			
Trade and other payables	22	5,039,867,010	4,739,475,965
Current income tax liabilities		924,651,736	552,363,563
Lease liabilities	14	34,877,489	30,545,028
		5,999,396,235	5,322,384,556
<b>Total liabilities</b>		<b>6,874,565,957</b>	<b>5,994,578,015</b>
<b>Total equity and liabilities</b>		<b>13,033,696,674</b>	<b>10,993,192,763</b>

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorized for issue by Board of Directors on 28 April 2023.

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

Signed on behalf of the Board on 28 April 2023.



**Bertram Paul**  
Managing Director / Chief Executive Officer



**Erande De Silva**  
Director / Chief Financial Officer



**Yasora Kodagoda**  
Manager - Finance and Planning

Notes on pages 56 to 86 form an integral part of these financial statements

Report of the independent auditors' on pages 48 to 50

# STATEMENT OF COMPREHENSIVE INCOME

## INCOME STATEMENT

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December	
		2022	2021
Sales	5	24,574,729,706	16,866,310,961
Cost of sales	6	(14,287,759,201)	(10,687,861,082)
<b>Gross profit</b>		<b>10,286,970,505</b>	<b>6,178,449,879</b>
Other income	8	2,104,186	7,701,449
Distribution expenses	6	(1,309,668,534)	(944,738,139)
Administrative expenses	6	(1,483,606,620)	(878,149,891)
<b>Operating profit</b>		<b>7,495,799,537</b>	<b>4,363,263,298</b>
Finance income	9	575,980,420	86,109,488
Finance costs	9	(3,072,147,550)	(116,659,131)
Finance income - net	9	(2,496,167,130)	(30,549,643)
Profit before tax		4,999,632,407	4,332,713,655
Income tax expenses	10	(1,333,577,656)	(406,604,475)
<b>Profit for the year</b>		<b>3,666,054,751</b>	<b>3,926,109,180</b>
<b>Earnings per share attributable to the ordinary equity holders of the Company</b>			
Basic/ diluted earnings per share	11	15.28	16.36

Notes on pages 56 to 86 form an integral part of these financial statements

Report of the independent auditors' on pages 48 to 50

# STATEMENT OF COMPREHENSIVE INCOME

## OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December	
		2022	2021
<b>Profit for the year</b>		<b>3,666,054,751</b>	3,926,109,180
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of employee benefit obligations	21	(55,546,854)	11,882,904
Deferred tax attributable to remeasurement of employee benefit obligations	17	16,664,056	(2,164,279)
<b>Other comprehensive (loss) / income for the year, net of tax</b>		<b>(38,882,798)</b>	9,718,625
<b>Total comprehensive income for the year</b>		<b>3,627,171,953</b>	3,935,827,805

Notes on pages 56 to 86 form an integral part of these financial statements

Report of the independent auditors' on pages 48 to 50



## STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lanka Rupees)	Notes	Stated capital	Retained earnings	Total
Balance at 1 January 2021		600,000,000	3,580,187,891	4,180,187,891
Profit for the year		Nil	3,926,109,180	3,926,109,180
Other comprehensive income for the year, net of tax		Nil	9,718,625	9,718,625
Total comprehensive income for the year		Nil	3,935,827,805	3,935,827,805
Transactions with owners - Dividends	12	Nil	(3,120,000,000)	(3,120,000,000)
Unclaimed dividends transfer to retained earnings		Nil	2,599,052	2,599,052
<b>Balance at 31 December 2021</b>		<b>600,000,000</b>	<b>4,398,614,748</b>	<b>4,998,614,748</b>
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
<b>Balance at 31 December 2022</b>		<b>600,000,000</b>	<b>5,559,130,717</b>	<b>6,159,130,717</b>

Notes on pages 56 to 86 form an integral part of these financial statements

Report of the independent auditors' on pages 48 to 50

# STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December	
		2022	2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	2,811,672,141	5,967,746,815
Interest paid		(45,738,191)	(38,973,271)
Employee benefits obligations paid	21	(20,262,357)	(5,557,913)
Interest received		582,818,661	81,191,576
Income tax paid		(1,655,977,730)	(645,290,587)
<b>Net cash generated from operating activities</b>		<b>1,672,512,524</b>	<b>5,359,116,620</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(106,827,282)	(89,218,233)
Proceeds from disposal of property, plant and equipment		Nil	9,531,781
<b>Net cash generated from investing activities</b>		<b>(106,827,282)</b>	<b>(79,686,452)</b>
<b>Cash flows from financing activities</b>			
Principal elements of lease payments	14	(34,511,690)	(32,869,750)
Dividends paid	12	(1,680,000,000)	(3,120,000,000)
<b>Net cash used in financing activities</b>		<b>(1,714,511,690)</b>	<b>(3,152,869,750)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(148,826,448)</b>	<b>2,126,560,418</b>
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		4,025,116,197	1,898,555,779
Net (decrease) / increase in cash and cash equivalents		(148,826,448)	2,126,560,418
<b>Cash and cash equivalents at end of year</b>	19	<b>3,876,289,749</b>	<b>4,025,116,197</b>

Notes on pages 56 to 86 form an integral part of these financial statements

Report of the independent auditors' on pages 48 to 50

# 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 28 April 2023.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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.

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 2022 (ie year ending 31 December 2022) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2023.

### 2.2 Changes in accounting policies and disclosures

#### (a) New Standards and Amendments – Applicable 1 January 2022

##### (i) Property, Plant and Equipment: Proceeds before intended use – Amendments to LKAS 16

The amendment to LKAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

##### (ii) Onerous Contracts – Cost of Fulfilling a Contract Amendments to LKAS 37

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

##### (iii) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalized in May 2020:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

***(b) New Standards and Amendments but not adopted in 2022***

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2022:

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

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

This amendment is effective for the annual periods beginning on or after 1 January 2023.

**(ii) Amendments to LKAS 1 and SLFRS Practice Statement 2 - Disclosure of Accounting Policies**

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting

information. To support this amendment, the IASB also amended SLFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

**(iii) Definition of Accounting Estimates – Amendments to LKAS 8**

The amendment to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

This amendment will be effective for annual reporting periods beginning on or after 1 January 2023.

**(iv) Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction**

The amendments to LKAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. LKAS 12 did not previously address

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Changes in accounting policies and disclosure (Contd.)

(a) *New Standards and Amendments – Applicable 1 January 2022 (Contd.)*

(iv) **Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction (Contd.)**

how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

### 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 recognized 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 labor and appropriate proportion of production overheads.

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. 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 derecognized.

The principal annual rates used for this purpose are:

	%
Land improvements	3.57 - 10
Improvements on leasehold buildings	2.27 - 10
Storage tanks and pipe lines	5 - 20
Plant and machinery	6.25 - 33.33
Office furniture and equipment	10 - 50
Motor vehicles	14.29 - 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 recognized 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 amortization 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (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 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.



# NOTES TO THE FINANCIAL STATEMENTS

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.6 Accounting for leases - where the Company is the lessee (Contd.)

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 recognized 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 recognized 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 derecognized 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 recognized 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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 recognized 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 recognized 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 recognized 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.

#### **(d) 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 recognized from initial recognition of the receivables.

## **2.8 Financial liabilities**

### **2.8.1 Classification and initial recognition**

Financial liabilities are initially recognized 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 derecognizes 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 recognized amounts and there is an intention to settle on a net basis or realize 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 labor, 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 2021 or 1 January 2021 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.10 Trade receivables (Contd.)

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 bank 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 recognized 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 recognized 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 unrecognized 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 recognized 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 recognized 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 recognized 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 realized or the deferred income tax is settled.

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

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 and defined benefit obligations.

## 2.15 Provisions

Provisions are recognized 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 recognized 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 recognized 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 recognized as interest expense.

## 2.16 Revenue recognition

Sales are recognized 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 maximizes 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 recognized 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 recognized 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 recognized 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 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 minimize 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 finance instruments is to raise and maintain liquidity for the Company's operations, and maximize 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:

	2022	2021
Trade and other receivables (Note 15)	196,707,885	117,991,078
Trade and other payable (Note 22)	3,997,463,933	3,955,814,136
Amounts due from related parties (Note 15)	22,648,711	33,384,760
Amounts due to related parties (Note 22)	3,572,850,288	3,668,373,295
Cash and cash equivalents (Note 19)	184,251,150	159,410,345
<b>Total foreign currency exposure</b>	<b>7,973,921,967</b>	<b>7,934,973,614</b>

#### Sensitivity analysis

As at 31 December 2022, a foreign exchange loss of LKR 36,165,187 (2021 - LKR 36,784,127) 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 2022, the Company recorded a net foreign exchange loss of LKR 2,992,846,526 (2021 - LKR 77,685,860) 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 analyzing 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 utilization of credit limits is regularly monitored. Management does not expect any losses from non-performance by these counterparties.

### **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 2022	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total
<b>Risk Exposure</b>				
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
<b>Total credit risk exposure</b>	<b>3,876,289,749</b>	<b>1,993,420,439</b>	<b>22,648,711</b>	<b>5,892,358,899</b>

As at 31 December 2021	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total
<b>Risk Exposure</b>				
Trade and other receivables (excluding prepayments, statutory receivables and marketing support fee paid to service centre operators)	Nil	1,129,122,368	Nil	1,129,122,368
Amounts due from related parties (Note 15)	Nil	Nil	33,384,760	33,384,760
Cash and cash equivalents (Note 19)	4,025,116,197	Nil	Nil	4,025,116,197
<b>Total credit risk exposure</b>	<b>4,025,116,197</b>	<b>1,129,122,368</b>	<b>33,384,760</b>	<b>5,187,623,325</b>

### **(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 5,796,986,187 (2021 - LKR 5,089,323,837) 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.



## NOTES TO THE FINANCIAL STATEMENTS

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

**3 FINANCIAL RISK MANAGEMENT (CONTD.)****3.1 Financial risk (Contd.)****3.1.1 Financial risk factors (Contd.)***(c) Liquidity risk (Contd.)*

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
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>5,015,262,630</b>	<b>64,465,082</b>	<b>55,793,571</b>	<b>144,580,202</b>	<b>564,704,778</b>

As at 31 December 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>Liabilities</b>					
Trade and other payables (excluding statutory payables)	1,069,687,131	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 22)	3,668,373,295	Nil	Nil	Nil	Nil
Lease liabilities	12,399,940	52,945,041	59,094,965	108,332,445	503,168,893
<b>Total liabilities</b>	<b>4,750,460,366</b>	<b>52,945,041</b>	<b>59,094,965</b>	<b>108,332,445</b>	<b>503,168,893</b>

*(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 12.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

### 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:

	2022	2021
Local sales	22,351,356,604	15,776,649,992
Export sales	2,108,061,183	877,281,751
Related party sales [Note 26 (a)]	115,311,919	212,379,218
	<b>24,574,729,706</b>	<b>16,866,310,961</b>

Sales are recorded net of customer incentives and discounts of LKR 3,148,805,368 (2021 - LKR 1,586,954,719).

## 6 EXPENSES BY NATURE

	2022	2021
Directors' emoluments		
- executive	175,728,372	138,116,144
- non executive	5,808,000	5,808,000
	<b>181,536,372</b>	<b>143,924,144</b>
Auditors' remuneration		
- audit	3,708,648	3,090,540
- non audit	90,000	140,000
	<b>3,798,648</b>	<b>3,230,540</b>
Depreciation on property, plant and equipment (Note 13)	179,440,382	182,612,848
Depreciation on right-of-use assets (Note 14)	47,443,606	47,601,838
Amortisation of marketing support fee paid [Note 15 (e)]	25,449,201	24,892,879
Write off of property, plant and equipment (Note 13)	Nil	36,581
Repair and maintenance expenditure	48,510,635	20,332,884
Cost of inventories sold (Note 18)	14,216,988,672	10,313,195,152
Employee benefit expenses (Note 7)	387,612,809	341,209,852

## 7 EMPLOYEE BENEFIT EXPENSES

	2022	2021
Salaries, wages and other fringe benefits	306,913,637	275,559,840
Contribution to defined contribution plans	38,333,517	35,077,539
Defined benefit obligations (Note 21)	42,365,655	30,572,473
	<b>387,612,809</b>	<b>341,209,852</b>
Monthly average number of persons employed by the Company during the year:		
Permanent employees	73	75

## NOTES TO THE FINANCIAL STATEMENTS

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

## 8 OTHER INCOME

	2022	2021
Scrap sales	618,172	628,991
Write back / (write off) of creditors	165,582	(4,687)
Profit on disposal of property, plant and equipment	Nil	6,301,742
Empty drum sales	1,320,432	775,403
	2,104,186	7,701,449

## 9 FINANCE INCOME AND COSTS

	2022	2021
Finance income:		
Interest income on short term deposits	575,643,182	85,654,720
Interest income on employee loans	337,238	454,768
	575,980,420	86,109,488
Finance costs:		
Interest charge on lease liabilities (Note 14)	(45,737,360)	(38,968,022)
Interest expense on bank overdraft	(831)	(5,249)
Interest expense on overdue trade liabilities	(33,562,833)	Nil
Foreign exchange transaction and translation losses	(2,992,846,526)	(77,685,860)
	(3,072,147,550)	(116,659,131)
Finance income - net	(2,496,167,130)	(30,549,643)

## 10 INCOME TAX EXPENSE

	2022	2021
Current tax:		
Current tax on profits for the year [refer (a) below]	1,239,529,274	807,153,412
Over provision for income tax in respect of previous years	Nil	(308,527,955)
	1,239,529,274	498,625,457
Deferred tax :		
Origination of temporary differences (Note 17)	94,048,382	(92,020,982)
<b>Income tax expense</b>	<b>1,333,577,656</b>	<b>406,604,475</b>
Deferred tax (credited) / charged to other comprehensive Income (Note 17)	(16,664,056)	2,164,279
	1,316,913,600	408,768,754

(a) In reference to the Inland Revenue (Amendment) Act, No.45 of 2022, the Company has computed its Business Income for the financial year and pro-rated 50% for the first six months and 50% for the second six months. The Company has 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, whilst 30% has been applied for the pro-rated business income of the second six months. Tax rates of 24% & 30% has been applied for investment income for the first six months and the second six months respectively. During the comparative period in 2021, in reference to the Inland Revenue (Amendment) Act, No.10 of 2021, the Company applied Tax Rates of 18% for Manufacturing, 14% for Exports, 24% Standard Rate for other sources of business income and 24% for investment income.

## (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 is 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 Rs. 788,736,630. Accordingly, the first installment of Rs. 394,368,315 was paid on 20 April 2022. The 2nd installment of Rs. 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 is 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 Rs. 788,736,630 was recognized in the Statement of Changes in Equity as an adjustment to the 01 January 2022 opening retained earnings.

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:

	2022	2021
Profit before tax	4,999,632,407	4,332,713,655
Tax calculated at a tax rate of 30% (2021 - 24%)	1,499,889,722	1,039,851,277
Tax effects of:		
- Different tax rates	(289,645,703)	(249,909,028)
- Income not subject to tax	(150,396)	(102,733)
- Expenses not deductible for tax purposes	29,435,651	18,538,312
- Deferred tax due to different tax rates	94,048,382	(5,804,599)
- Profit on sale of fixed assets	Nil	(1,503,639)
- Tax profit on retirement / disposal of fixed assets	Nil	279,223
Effect on opening deferred tax due to reduced tax rates	Nil	(86,216,383)
Over provision for income tax in respect of previous years	Nil	(308,527,955)
Tax charge	1,333,577,656	406,604,475

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:

	2022	2021
Profit attributable to shareholders	3,666,054,751	3,926,109,180
Number of ordinary shares in issue at 31 December (Note 20)	240,000,000	240,000,000
Basic/ diluted earnings per share	15.28	16.36

## 12 DIVIDENDS

	2022	2021
Proposed and paid interim dividend of LKR 7.00 per share (2021 - LKR 13.00 per share)	1,680,000,000	3,120,000,000

The fourth interim dividend for 2021 of LKR 2.00 per share amounting to LKR 480,000,000 was declared on 25 February 2022 and paid on 21 March 2022.



## NOTES TO THE FINANCIAL STATEMENTS

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

## 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
<b>Year ended 31 December 2021</b>									
Opening net book amount	181,743,694	916,750,906	233,894,315	261,538,959	72,226,688	33,920,972	58,065,464	Nil	1,758,140,998
Additions	362,959	1,003,750	1,984,174	49,753,342	405,1389	14,500,000	5,983,843	11,578,776	89,218,233
Write offs - cost (Note 6)	Nil	Nil	Nil	(11,419,913)	(206,500)	Nil	(8,234,441)	Nil	(19,860,854)
- accumulated depreciation (Note 6)	Nil	Nil	Nil	11,409,584	180,248	Nil	8,234,441	Nil	19,824,273
Disposals - cost	Nil	Nil	Nil	(959,659)	(5,907,500)	(10,200,000)	(2,425,641)	Nil	(19,492,800)
- accumulated depreciation	Nil	Nil	Nil	594,789	5,907,500	7,334,831	2,425,641	Nil	16,262,761
Depreciation charge (Note 6)	(9,252,025)	(42,067,566)	(24,635,169)	(58,087,913)	(17,415,063)	(7,207,486)	(23,947,626)	Nil	(182,612,848)
<b>Closing net book amount</b>	<b>172,854,628</b>	<b>875,687,090</b>	<b>211,243,320</b>	<b>252,829,189</b>	<b>58,836,762</b>	<b>38,348,317</b>	<b>40,101,681</b>	<b>11,578,776</b>	<b>1,661,479,763</b>
<b>At 31 December 2021</b>									
Cost	236,031,679	1,167,112,604	421,148,434	755,116,915	153,677,021	61,999,981	140,306,017	11,578,776	2,946,971,427
Accumulated depreciation	(63,177,051)	(291,425,514)	(209,905,114)	(502,287,726)	(94,840,259)	(23,651,664)	(100,204,336)	Nil	(1,285,491,664)
<b>Net book amount</b>	<b>172,854,628</b>	<b>875,687,090</b>	<b>211,243,320</b>	<b>252,829,189</b>	<b>58,836,762</b>	<b>38,348,317</b>	<b>40,101,681</b>	<b>11,578,776</b>	<b>1,661,479,763</b>
<b>Year ended 31 December 2022</b>									
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)
<b>Closing net book amount</b>	<b>157,674,139</b>	<b>848,524,976</b>	<b>192,135,031</b>	<b>197,706,228</b>	<b>46,694,304</b>	<b>30,940,295</b>	<b>24,559,726</b>	<b>90,631,964</b>	<b>1,588,866,663</b>
<b>At 31 December 2022</b>									
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)
<b>Net book amount</b>	<b>157,674,139</b>	<b>848,524,976</b>	<b>192,135,031</b>	<b>197,706,228</b>	<b>46,694,304</b>	<b>30,940,295</b>	<b>24,559,726</b>	<b>90,631,964</b>	<b>1,588,866,663</b>

(a) Property, plant and equipment includes fully depreciated assets still in books, the cost of which at 31 December 2022 amounted to LKR 311,110,031 (2021 - LKR 240,070,851).

(b) Depreciation expense of LKR 143,576,926 (2021 - LKR 141,377,020) has been charged in cost of goods sold, LKR 15,616,356 (2021 - LKR 17,424,239) as administrative expenses and LKR 20,247,100 (2021 - LKR 23,811,589) as selling and distribution expenses.

## 14 LEASES

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

### (a) Amounts recognized in the statement of financial position

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

	2022	2021
<b>Right-of-use assets</b>		
Land and buildings	313,069,724	290,115,509
Motor vehicles	28,461,895	12,073,780
	<b>341,531,619</b>	<b>302,189,289</b>

	2022	2021
<b>Lease liabilities</b>		
Current lease liabilities	34,877,489	30,545,028
Non-current lease liabilities	358,185,567	310,243,782
	<b>393,063,056</b>	<b>340,788,810</b>

Additions to the right-of-use assets during the financial year ended 31 December 2022 were LKR 86,785,936 (2021 - LKR 7,044,574).

Movement relating to leases:

	2022	2021
<b>Right-of use assets</b>		
Right-of-use asset recognized as at 1 January - Land and buildings	290,115,509	313,315,233
Right-of-use asset recognized as at 1 January - Motor vehicles	12,073,780	29,431,320
Additions made during the year - Buildings	55,858,435	7,044,574
Additions made during the year - Motor vehicles	30,927,501	Nil
Depreciation charged during the year - Land and buildings (Note 6)	(32,904,221)	(30,244,297)
Depreciation charged during the year - Motor vehicles (Note 6)	(14,539,385)	(17,357,541)
	<b>(47,443,606)</b>	<b>(47,601,838)</b>
<b>Right-of-use asset recognized as at 31 December</b>	<b>341,531,619</b>	<b>302,189,289</b>

	2022	2021
<b>Lease liabilities</b>		
Lease liability recognized as at 1 January - Land and buildings	326,749,875	334,150,344
Lease liability recognized as at 1 January - Motor vehicles	14,038,935	32,463,642
Additions made during the year - Buildings	55,858,435	7,044,574
Additions made during the year - Motor vehicles	30,927,501	Nil
Interest charged during the year (Note 9)	45,737,360	38,968,022
Rentals paid during the year	(80,249,050)	(71,837,772)
<b>Lease liability recognized as at 31 December</b>	<b>393,063,056</b>	<b>340,788,810</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

## 14 LEASES (CONTD.)

*(b) Amounts recognized in the income statement*

The income statement shows the following amounts relating to leases

	2022	2021
<b>Depreciation charge of right-of-use assets</b>		
Land and buildings (Note 6)	32,904,221	30,244,297
Motor vehicles (Note 6)	14,539,385	17,357,541
	47,443,606	47,601,838
Interest charge on lease liabilities (Note 9)	45,737,360	38,968,022

(c) The total cash outflow for leases for the financial year ended 31 December 2022 was LKR 80,249,050 (2021 - LKR 71,837,772).

## 15 TRADE AND OTHER RECEIVABLES

	2022	2021
Trade receivables	1,920,696,438	1,064,207,640
Less: provision for impairment of trade receivables [refer (a) below]	Nil	Nil
Trade receivables - net	1,920,696,438	1,064,207,640
Prepayments	7,463,563	5,179,828
Deposits	46,387,386	37,427,018
Staff loans [refer (d) below]	19,248,005	19,585,319
Marketing support fee paid to service centre operators [refer (e) below]	25,057,940	32,021,363
Statutory receivables [refer (c) below]	Nil	45,026,522
Other receivables	7,088,610	7,902,391
	2,025,941,942	1,211,350,081
Receivables from related parties [Note 26 (c) (i)]	22,648,711	33,384,760
<b>Total trade and other receivables</b>	<b>2,048,590,653</b>	<b>1,244,734,841</b>
Less: non-current portion		
Staff loans	14,396,640	13,519,742
Marketing support fee paid to service centre operators	9,544,296	13,025,052
Deposits	46,387,386	37,427,018
<b>Total non-current portion</b>	<b>70,328,322</b>	<b>63,971,812</b>
<b>Current portion</b>	<b>1,978,262,331</b>	<b>1,180,763,029</b>

(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 2022 or 1 January 2022 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.

On that basis, the loss allowance as at 31 December 2022 and 1 January 2022 (on adoption of SLFRS 9) was determined as follows for both trade receivables:

	2022	2021
Loss allowance	Nil	Nil

The closing loss allowances for trade receivables as at 31 December 2022 reconcile to the opening loss allowances as follows:

	2022	2021
Opening loss allowance as at 1 January	Nil	Nil
Loss allowance on trade receivables	Nil	Nil
<b>Closing balance</b>	<b>Nil</b>	<b>Nil</b>

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:

	2022	2021
US Dollars	196,707,885	117,991,078
Sri Lankan Rupees	1,851,882,768	1,126,743,763
	<b>2,048,590,653</b>	<b>1,244,734,841</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

**15 TRADE AND OTHER RECEIVABLES (CONTD.)**

(c) Statutory receivables consist of VAT receivable of LKR Nil (2021 - LKR 45,026,522).

(d) 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 (2021 - 4.2%). The effective market interest rates on non-current receivables (staff loans) as at 31 December 2022 were 27% per annum (2021 - 10%). The effect of discounting is not considered to be material.

(e) 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 25,449,201 (2021 - LKR 24,892,879) is recognized in the statement of comprehensive income (Note 6).

(f) 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**

	Financial assets - measured at amortised cost	Total
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**a) 31 December 2022**

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

	Other financial liabilities	Total
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**b) 31 December 2022****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

	Financial assets - measured at amortised cost	Total
--	---	-------

**c) 31 December 2021**

Trade and other receivables (excluding prepayments, statutory receivables and marketing support fee paid to service centre operators)	1,129,122,368	1,129,122,368
Amounts due from related parties [Note 26 (c) (i)]	33,384,760	33,384,760
Cash and cash equivalents (Note 19)	4,025,116,197	4,025,116,197
	5,187,623,325	5,187,623,325

	Other financial liabilities	Total
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**d) 31 December 2021**

**Financial liabilities - measured at amortised cost**

Trade and other payables (excluding statutory liabilities)	1,069,687,131	1,069,687,131
Amounts due to related parties [Note 26 (c) (ii)]	3,668,373,295	3,668,373,295
Lease liabilities (Note 14)	340,788,810	340,788,810
	5,078,849,236	5,078,849,236

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

**Trade receivables.**

	2022	2021
Distributors	1,315,234,894	762,253,101
Commercial / industrial and others	560,161,198	282,661,431
Export customers / overseas	45,300,346	19,293,108
	1,920,696,438	1,064,207,640

Counterparties without external credit rating:

	2022	2021
Group 1	1,892,461,934	1,062,909,583
Group 2	28,234,504	1,298,057
Group 3	Nil	Nil
<b>Total unimpaired trade and related party receivables</b>	<b>1,920,696,438</b>	<b>1,064,207,640</b>

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.

**Cash and cash equivalents**

	2022	2021
Cash at banks with AAA to A ratings	3,876,289,749	4,025,114,102
Cash in hand	Nil	2,095
	3,876,289,749	4,025,116,197



## NOTES TO THE FINANCIAL STATEMENTS

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

**17 DEFERRED TAX LIABILITIES**

Deferred tax is calculated on all temporary differences under the liability method using an effective tax rate of 30.00%. (In 2021, the Company applied a Tax Rate of 18% for manufacturing income, 14% for exports income and 24% for other sources of business income which resulted in an effective tax rate of 18.21%)

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

	2022	2021
At beginning of year	156,812,811	246,669,514
Charged / (credited) to income statement (Note 10)	94,048,382	(92,020,982)
(Credited) / charged to other comprehensive income (Note 10)	(16,664,056)	2,164,279
<b>At end of year</b>	<b>234,197,137</b>	<b>156,812,811</b>

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

	2022	2021
<b>Deferred tax assets</b>		
- Deferred tax assets to be recovered after more than 12 months	(81,021,782)	(35,552,221)
- Deferred tax assets to be recovered within 12 months	(3,814,323)	(1,810,153)
	<b>(84,836,105)</b>	<b>(37,362,374)</b>
<b>Deferred tax liabilities</b>		
- Deferred tax liability to be recovered after more than 12 months	319,033,242	194,175,185
<b>Deferred tax liabilities - net</b>	<b>234,197,137</b>	<b>156,812,811</b>

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 January 2021	300,430,973	300,430,973
Credited to income statement	(106,255,788)	(106,255,788)
At 31 December 2021	194,175,185	194,175,185
Charged to income statement	124,858,057	124,858,057
<b>At 31 December 2022</b>	<b>319,033,242</b>	<b>319,033,242</b>

Deferred tax assets	Defined benefit obligations	Total
At 1 January 2021	(53,761,459)	(53,761,459)
Charged to income statement	14,234,806	14,234,806
Charged to other comprehensive income (Note 10)	2,164,279	2,164,279
At 31 December 2021	(37,362,374)	(37,362,374)
Credited to income statement	(30,809,675)	(30,809,675)
Credited to other comprehensive income (Note 10)	(16,664,056)	(16,664,056)
<b>At 31 December 2022</b>	<b>(84,836,105)</b>	<b>(84,836,105)</b>

## 18 INVENTORIES

	2022	2021
Raw materials and consumables	1,593,631,702	2,715,562,986
Finished goods	3,584,786,288	1,044,109,687
	5,178,417,990	3,759,672,673

(a) Raw material and consumables and finished goods include goods in transit amounting to LKR 387,931,587 (2021 - LKR 217,965,009).

(b) The cost of inventories consumed and included in cost of sales amounted to LKR 14,216,988,672 (2021 - LKR 10,313,195,152).

## 19 CASH AND CASH EQUIVALENTS

	2022	2021
Cash and bank balances	3,876,289,749	755,116,197
Short term deposits	Nil	3,270,000,000
	3,876,289,749	4,025,116,197

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 11.79% (2021 - 4.86%).

The cash and cash equivalents are denominated in following currencies:

	2022	2021
US Dollars	184,251,150	159,410,345
Sri Lankan Rupees	3,692,038,599	3,865,705,852
	3,876,289,749	4,025,116,197

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

	2022	2021
Cash and bank balances	3,876,289,749	755,116,197
Short term deposits	Nil	3,270,000,000
	3,876,289,749	4,025,116,197

## NOTES TO THE FINANCIAL STATEMENTS

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

## 20 STATED CAPITAL

	Ordinary shares	
	Number of shares	Value of shares
At 31 December 2021	240,000,000	600,000,000
<b>At 31 December 2022</b>	<b>240,000,000</b>	<b>600,000,000</b>

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

## 21 EMPLOYEE BENEFIT OBLIGATIONS

	2022	2021
<i>Statement of financial position obligations for:</i>		
Gratuity benefits	282,787,018	205,136,866
<i>Income statement charge:</i>		
Gratuity benefits (Note 7)	42,365,655	30,572,473
<i>Other comprehensive income:</i>		
Remeasurement losses / (gains)	55,546,854	(11,882,904)

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

	2022	2021
At 1 January	205,136,866	192,005,210
Current service cost	18,200,532	15,212,056
Interest cost	24,165,123	15,360,417
Remeasurement losses / (gains)	55,546,854	(11,882,904)
Benefits paid	(20,262,357)	(5,557,913)
<b>At 31 December</b>	<b>282,787,018</b>	<b>205,136,866</b>

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

	2022	2021
Current service cost	18,200,532	15,212,056
Interest cost	24,165,123	15,360,417
<b>Total included in the employee benefit costs (Note 7)</b>	<b>42,365,655</b>	<b>30,572,473</b>

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 2022 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows.

	2022	2021
Discount rate	14% compounded annually	11.78% compounded annually
Estimated salary increment rate	15% per year	11.2% per year
Withdrawal rate	3% per annum up to age 54 and 0% thereafter	1% per annum up to age 54 and 0% thereafter

The present value of the defined benefit obligation for the year ended 31 December 2022 has been determined by discounting the estimated future cash outflows using the interest rate of government bond adjusted to climate the incremental country risk, 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 is:

	Change in assumption	Increase in assumption		Decrease in assumption	
		2022	2021	2022	2021
Discount rate	1.00%	<b>Decrease by 7.43%</b>	Decrease by 8.19%	<b>Increase by 8.51%</b>	Increase by 9.46%
Future salary growth rate	1.00%	<b>Increase by 8.74%</b>	Increase by 9.82%	<b>Decrease by 7.77%</b>	Decrease by 8.64%

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 recognized 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:

	2022	2021
Less than 1 year	13,704,986	10,652,311
Between 1 – 2 years	47,149,629	8,899,925
Between 2 – 5 years	44,563,240	59,336,355
Over 5 years	1,410,297,635	806,617,482
	1,515,715,490	885,506,073

## NOTES TO THE FINANCIAL STATEMENTS

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

**22 TRADE AND OTHER PAYABLES**

	2022	2021
Trade payables	785,077,393	552,820,964
Accrued expenses [see Note (a) below]	600,606,439	470,280,781
Statutory payables	39,781,444	1,415,539
Other payables [see Note (b) below]	41,551,446	46,585,386
	1,467,016,722	1,071,102,670
Payable to related companies - Trade [Note 26 (c) (ii)]	3,572,850,288	3,668,373,295
	5,039,867,010	4,739,475,965

(a) Accrued expenses include payable for trade discounts & Incentives of LKR 250,064,494 (2021 - LKR 141,652,801), payable for advertising and sales promotional expenditure of LKR 139,482,466 (2021 - LKR 97,248,715), lubricant license fee of LKR 68,374,027 (2021 - LKR 66,104,701), import fees payable of LKR 57,245,096 (2021 - LKR 65,807,435) and employee related payables amounting to LKR 1,597,593 (2021 - LKR 10,473,581).

(b) Other payables mainly consist of unclaimed dividends by shareholders other than parent company of LKR 40,205,395 (2021 - LKR 41,297,821).

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

	2022	2021
US Dollars	3,997,463,933	3,955,814,136
Sri Lankan Rupees	1,042,403,077	783,661,829
	5,039,867,010	4,739,475,965

**23 CONTINGENT LIABILITIES**

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

**24 COMMITMENTS****Capital commitments**

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

**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:

	2022	2021
Profit before tax	4,999,632,407	4,332,713,655
Adjustments for:		
Depreciation on property, plant and equipment (Note 13)	179,440,382	182,612,848
Depreciation on right-of-use assets [Note 14 (b)]	47,443,606	47,601,838
Write off of property, plant and equipment (Note 6)	Nil	36,581
Amortisation of marketing support fee paid (Note 6)	25,449,201	24,892,879
Profit on disposal of property, plant and equipment (Note 8)	Nil	(6,301,742)
Interest income (Note 9)	(575,980,420)	(86,109,488)
Interest expense (Note 9)	45,738,191	38,973,271
Defined benefit obligations (Note 21)	42,365,655	30,572,473
Changes in working capital		
- trade and other receivables	(836,143,255)	(103,194,867)
- inventories	(1,418,745,317)	(1,068,977,474)
- payables	302,471,691	2,574,926,841
<b>Cash generated from operations</b>	<b>2,811,672,141</b>	<b>5,967,746,815</b>

## 26 DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS WITH THE COMPANY

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 and EPPCO Projects LLC.

The following transactions were carried out with the related parties.

### (i) Reimbursable expenses incurred by Chevron Lubricants Lanka PLC

	2022	2021
Chevron Ceylon Limited	13,831	29,143
Chevron Products Company	Nil	1,981,576
Chevron Singapore Pte Ltd	11,678,884	Nil
Chevron (Thailand) Limited	71,802	Nil
	<b>11,764,517</b>	<b>2,010,719</b>

### (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.



## NOTES TO THE FINANCIAL STATEMENTS

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

**26 DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS WITH THE COMPANY (CONTD.)**

## (ii) Other related party transactions (Contd.)

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

	2022	2021
Sale of goods:		
Chevron (Thailand) Limited	33,671,612	48,086,620
Chevron Marine Products LLC	38,992,109	55,909,214
Chevron Pakistan Lubricants Private Limited	42,648,198	83,074,445
Chevron Lubricants Vietnam Limited	Nil	21,025,564
Chevron Belgium BV.	Nil	4,283,375
	<b>115,311,919</b>	<b>212,379,218</b>

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

	2022	2021
Purchase of goods:		
Chevron Singapore Pte Ltd	5,413,743,764	4,542,524,764
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	41,167,853	34,877,726
Chevron (Thailand) Limited	268,710,479	93,062,071
Chevron Oronite Pte Ltd	2,295,030,561	1,406,796,570
Chevron Belgium BV.	17,137,984	6,039,210
Chevron Lubricants Vietnam Limited	Nil	18,538,482
Chevron Pakistan Lubricants Private Limited	19,578,811	20,224,901
Chevron Marine Products LLC	696,762	Nil
	<b>8,056,066,214</b>	<b>6,122,063,724</b>

	2022	2021
Purchases of services:		
Chevron Holdings Inc. (Philippines)	Nil	1,981,576
Chevron USA Inc. (Chevron Products Company)	231,788,878	131,842,136
Chevron Belgium BV.	Nil	6,039,210
Chevron Singapore Pte Ltd	1,080,007,946	614,664,614
Chevron Malaysia Limited	Nil	83,609,965
Chevron International Services Ltd	5,126,689	1,111,984
Chevron Services Company	13,315,189	Nil
Chevron Pakistan Lubricants Private Limited	60,215,470	10,971,306
Chevron Marine Products LLC	291,428	Nil
	<b>1,390,745,600</b>	<b>850,220,791</b>

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 153% (2021 - 139%) of net assets and 72% (2021 - 63%) 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:

	2022	2021
Salaries and other short-term employee benefits	189,211,625	145,707,994
	189,211,625	145,707,994

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:

	2022	2021
Chevron Products Company	1,981,576	736,791
Chevron Marine Products LLC	Nil	5,476,490
Chevron Pakistan Lubricants Private Limited	8,902,618	25,884,416
Chevron (Thailand) Limited	71,802	1,287,063
Chevron Singapore Pte Ltd	11,678,884	Nil
Chevron Ceylon Limited	13,831	Nil
	22,648,711	33,384,760

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:

	2022	2021
Chevron Holdings Inc. (Philippines)	Nil	Nil
Chevron Singapore Pte Ltd	2,589,307,932	2,966,545,854
Chevron Oronite Pte Ltd	436,283,056	399,712,373
Chevron USA Inc. (Chevron Information Technology Company)	Nil	Nil
Chevron (Thailand) Limited	26,498,491	6,242,188
Chevron Belgium N.V	7,210,842	Nil
Chevron Malaysia Limited	107,559,453	112,318,759
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	Nil	24,176,787
Chevron Pakistan Lubricants Private Limited	82,235,997	21,390,629
Chevron USA Inc. (Chevron Products Company)	314,455,106	131,842,136
Chevron Lubricants Vietnam Limited	Nil	5,034,662
Chevron International Services Ltd	7,546,321	1,109,907
Chevron Services Company	1,056,328	Nil
Chevron Marine Products LLC	696,762	Nil
	3,572,850,288	3,668,373,295

## NOTES TO THE FINANCIAL STATEMENTS

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

**26 DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS WITH THE COMPANY (CONTD.)****(ii) Other related party transactions (Contd.)**

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

	2022	2021
Receivable from Diesel & Motor Engineering PLC [refer (a)]	2,734,806	2,564,495
Payable to Central Finance Company PLC	Nil	Nil

(a) Chevron Lubricants Lanka PLC had the following transactions during the period of 01 January 2022 to 31 December 2022.

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	LKR 32,792,765
Central Finance PLC	Mr. Asite Talwatte	Hire charges to Central Finance	LKR 51,918,967

**27 EVENTS AFTER THE END OF REPORTING PERIOD**

No events have occurred since the statement of financial position date which would require adjustments to, or disclosure in, the financial statements.

# 10- YEAR FINANCIAL SUMMARY

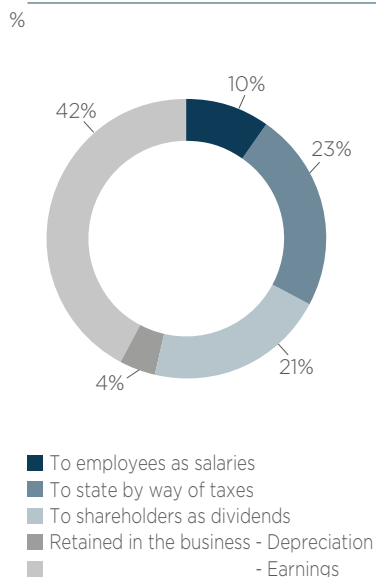
(in Rupees 000)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Trading Results</b>										
Turnover	24,574,730	16,866,311	11,637,381	11,856,057	10,861,044	11,052,496	12,089,111	11,563,854	11,519,891	11,197,152
Profit Before Tax & OCI	4,999,632	4,332,714	3,099,247	2,943,233	2,760,085	3,495,785	4,702,671	4,318,544	3,699,633	3,453,598
Taxation	1,333,578	406,604	873,519	843,826	768,257	930,565	1,222,261	1,226,709	952,800	921,697
<b>Profit After Tax</b>	<b>3,666,055</b>	<b>3,926,109</b>	<b>2,225,729</b>	<b>2,099,408</b>	<b>1,991,829</b>	<b>2,565,220</b>	<b>3,480,410</b>	<b>3,091,835</b>	<b>2,746,833</b>	<b>2,531,900</b>
<b>Balance Sheet</b>										
Share Capital	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Reserves	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	4,240,021
Shareholders funds	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	4,840,021
Property, Plant & Equipment	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	1,296,651
Current & Non Current Assets excluding PPE	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	5,755,821
Current Liabilities	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	2,090,392
Non Current Liabilities	875,170	672,193	771,042	771,754	397,143	407,945	365,814	299,198	221,497	122,060
<b>Net Assets</b>	<b>6,159,131</b>	<b>4,998,615</b>	<b>4,180,188</b>	<b>4,136,297</b>	<b>3,914,473</b>	<b>4,006,914</b>	<b>3,860,623</b>	<b>4,687,029</b>	<b>5,199,211</b>	<b>4,840,021</b>
<b>Key Indicators</b>										
Gross Dividends Rs.000'	Rs. 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	1,800,000
Dividend per Share	Rupees	7.00	13.00	9.00	7.75	8.75	18.00	11.50	10.00	7.50
Price Earnings Ratio	Times	6.32	6.91	11.65	8.56	8.77	11.13	13.35	17.46	12.69
Market value per share as at 31st December	Rupees	96.50	113.00	108.00	74.90	72.80	119.00	344.00	399.60	267.80
Return on Equity	%	66	86	54	52	50	81	63	55	56
Net Assets per share	Rupees	25.66	20.83	17.42	17.23	16.31	16.70	19.53	21.66	20.17
Net Income to Turnover	%	15	23	19	18	18	23	27	24	23
Earnings per Share	Rupees	15.28	16.36	9.27	8.75	8.30	10.69	12.88	11.45	10.55

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 7th 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.

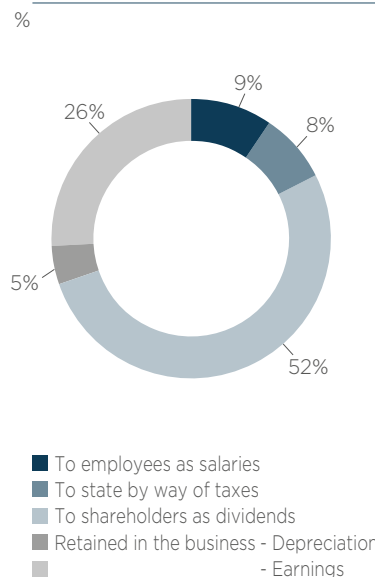
# STATEMENT OF VALUE ADDED

(in Rupees millions)	2022	2021
<b>Value addition</b>		
Turnover	24,575	16,866
Finance Income	576	86
Less: Materials and services purchased	19,400	11,900
Value created	5,751	5,052
<b>Distribution of Value addition</b>		
To employees as salaries	563	479
To state by way of taxes	1,334	407
To shareholders as dividends	1,200	2,640
Retained in the business - Depreciation	227	230
- Earnings	2,427	1,296
	5,751	5,052

**Statement of Value Added -2022**



**Statement of Value Added -2021**



# SHAREHOLDER INFORMATION

## ANALYSIS OF SHAREHOLDERS SUMMARY REPORT AS AT 31ST DECEMBER 2022

Shareholdings	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1 - 1000	5,947	63.24	1,727,216	0.72
1001 - 10,000	2,554	27.16	9,389,541	3.91
10,001 - 100,000	762	8.10	22,345,406	9.31
100,001 - 1,000,000	121	1.29	32,904,024	13.71
1,000,001 & over	20	0.21	173,633,813	72.35
<b>Total</b>	<b>9,404</b>	<b>100.00</b>	<b>240,000,000</b>	<b>100.00</b>

## SHAREHOLDERS CATEGORIZED SUMMARY REPORT AS AT 31ST DECEMBER 2022

	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
Individual	9,007	95.78	57,788,525	24.08
Institutional	397	4.22	182,211,475	75.92
<b>Total</b>	<b>9,404</b>	<b>100.00</b>	<b>240,000,000</b>	<b>100.00</b>
Resident	9,288	98.77	212,107,402	88.38
Non- Resident	116	1.23	27,892,598	11.62
<b>Total</b>	<b>9,404</b>	<b>100.00</b>	<b>240,000,000</b>	<b>100.00</b>
Public Holding	9,403		117,600,000	49.00%

Share Information	2022	2021
Net Assets Per Share (Rs.)	25.66	20.83
Closing Price Per Share (Rs.)	96.50	113.00
Highest Price during the year (Rs.)	137.00	121.00
Lowest Price During the year (Rs.)	60.00	86.60
Public Share Holding	49%	49%
Number of Public Share Holders	9403	8459
Compliant with CSE Rule 7.13.1 under option 1 - Float Adjusted Market Capitalization (Rs.)	11,348,400,000	13,288,800,000



## SHAREHOLDER INFORMATION

Share price movements	Closing	Highest	Lowest
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

### Names and the Number of Shares held by the Largest 20 shareholders as at 31st December 2022

	Number of Shares 2022		Number of Shares 2021	%
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%	9,347,799	3.89%
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%	4,768,777	1.99%
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 MR. W.G.D.C. RANAWEERA	2,473,700	1.03%		
8 COMMERCIAL BANK OF CEYLON PLC/METROCORP (PVT) LTD	2,000,009	0.83%	2,000,009	0.83%
9 CRESCENT LAUNDERERS AND DRY CLEANERS PVT LIMITED	2,000,000	0.83%	2,000,000	0.83%
10 NUWARA ELIYA PROPERTY DEVELOPERS (PVT) LTD	1,954,055	0.81%	2,339,816	0.97%
11 BNYM RE- PIONEER MULTI-ASSET INCOME FUND	1,752,813	0.73%	1,752,813	0.73%
12 MRS. A. SELLIAH	1,600,000	0.67%	1,600,000	0.67%
13 HATTON NATIONAL BANK PLC/ELAYATHAMBY THAVAGNANASUNDARAM	1,461,371	0.61%		
14 BANK OF CEYLON NO. 1 ACCOUNT	1,272,121	0.53%	1,272,121	0.53%
15 BANK OF CEYLON-NO2 A/C (BOC PTF)	1,216,941	0.51%	1,519,941	0.63%
16 MR. M.M.C. COORAY	1,210,000	0.50%		
17 MR. L.E. BADER	1,185,772	0.49%		
18 MR. A.P. SOMASIRI	1,110,000	0.46%	1,100,000	0.46%
19 MRS. A. KAILASAPILLAI	1,100,000	0.46%	1,100,000	0.46%
20 EMPLOYEE'S PROVIDENT FUND	1,015,916	0.42%	1,015,916	0.42%
<b>Subtotal</b>	<b>173,633,813</b>	<b>72.33%</b>	<b>164,236,928</b>	<b>71.30%</b>
<b>Others</b>	<b>66,366,187</b>	<b>27.67%</b>	<b>75,763,072</b>	<b>28.70%</b>
<b>Total</b>	<b>240,000,000</b>	<b>100.00%</b>	<b>240,000,000</b>	<b>100.00%</b>



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of Chevron Lubricants Lanka PLC will be held on 30th May 2023 at 3.30 p.m. as a virtual meeting using a digital platform from Chevron Lubricants Lanka PLC, Level 16, 200 MAGA ONE, Nawala Road, Narahenpita, Colombo 5 for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2022 and the Report of the Auditors thereon.
- To re-elect as Director, Mr. Bertram Shanthikumar Paul who retires in terms of Article 91 of the Articles of Association of the Company.
- To re-elect as Director, Mr. Liyanamohottige Joseph Sri Harsha Cabral who retires in terms of Article 91 of the Articles of Association of the Company.
- To re-elect as Director, Mr. Haider Manasawala who retires by rotation in terms of Clause 84 of the Articles of Association of the Company.
- To reappoint Messrs. PricewaterhouseCoopers as Auditors and to authorize 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

28 April 2023

## 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 returned not later than 3.30pm on Sunday, 28th May 2023. Please refer to <https://chevron.lk/reports/> for more details on the manner in which the said form should be submitted.

# 30TH ANNUAL GENERAL MEETING INSTRUCTIONS TO SHAREHOLDERS

Dear Shareholder/s,

The Board of Directors of the Company have decided, the Company's 30th Annual General Meeting ("AGM") be convened as a virtual meeting using a digital platform. This is in line with the previous guidelines provided by the Colombo Stock Exchange and the legal advice obtained by the Company thereon.

Shareholders are encouraged to attend the meeting virtually and if they are unable to so attend, they may exercise their vote by appointing a proxy in the form of the template provided. In order to ensure the smooth functioning of the AGM via a digital platform, shareholders are encouraged to authorize a Director as proxy to attend and vote at the AGM on their behalf.

## **PRIOR REGISTRATION AND VERIFICATION**

In order for a shareholder or proxy holder to attend the AGM virtually, you will need to access website <https://chevron.lk/reports/> in order to obtain instructions on registering for the virtual meeting and for the submission of questions ahead of the meeting. Please note that unless you register and submit your questions in accordance with the manner indicated in the website, we will not be in a position to accept same.

Shareholders are advised that there will be an audio and video recording of the meeting.

Please note that this is not a public event and therefore recording or publishing this event in full or in part without the prior written consent of the Company is strictly prohibited and those who violate these instructions will be reported to Law enforcement authorities.

# 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 Thirtieth Annual General Meeting of Chevron Lubricants Lanka PLC which will be held on Tuesday 30th May 2023 at 3.30 p.m. as a virtual meeting using a digital platform from Chevron Lubricants Lanka PLC, Level 16, 200 MAGA ONE, Nawala Road, Narahenpita, Colombo 5 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 31.12.2022 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as Director, Mr. Bertram Shanthikumar Paul who retires in terms of Article 91 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as Director, Mr. Liyanamohottige Joseph Sri Harsha Cabral who retires in terms of Article 91 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as Director, Mr. Haider Manasawala who retires by rotation in terms of Clause 84 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Messrs. PricewaterhouseCoopers as Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine & make donations.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of.....2023

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.

# FORM OF PROXY

## 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 returned not later than 3.30pm on Sunday, 28th May 2023. Please refer to <https://chevron.lk/reports/> for more details on the manner in which the said form should be submitted. Please note that we will not be accepting submissions if it is in a manner other than what is indicated on <https://chevron.lk/reports/>



# 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 - Non Executive Director  
Dr. Harsha Cabral - Non Executive Director

## SECRETARY

Erande De Silva  
Level 16, MAGA ONE,  
200, Nawala Road,  
Narahenpita, Colombo 5

## REGISTERED OFFICE

Level 16, MAGA ONE,  
200, Nawala Road,  
Narahenpita, Colombo 5

## COMPANY REGISTRATION NUMBER

PQ 54

## REGISTRARS TO THE COMPANY

S S P Corporate Services (Private) Limited  
101, Inner Flower Road,  
Colombo 3

## AUDITORS

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

## LAWYERS TO THE COMPANY

Julius & Creasy  
Attorneys-at-Law and Notaries Public  
Julius & Creasy Building  
No. 371, R.A. de Mel Mawatha  
Colombo 3

## BANKERS

Citibank NA  
Deutsche Bank AG  
Commercial Bank of Ceylon PLC

## WEB ADDRESS

[www.chevron.lk](http://www.chevron.lk)

## EMAIL

[contactus@chevron.com](mailto:contactus@chevron.com)

## TELEPHONE

0114524524

## FACSIMILE

0114524566

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