STAYING THE COURSE

Our Family of Brands

Chevron Lubricants Lanka PLC

Annual Report 2018

You can view our Annual Report on
our website
www.chevron.lk

Staying the Course

Chevron Lanka has been through a very complex year with difficult economic environment, unusual currency fluctuations, fierce competition, and a host of other macro-economic factors.

Yet through it all, we have counted on our corporate strengths to see us through; using our products with advanced technologies, powerful local and global synergies to maintain leadership in the lubricants industry.

That is why we believe that we are strongly positioned to keep moving forward and stay the course to deliver sustainable value despite the strong headwinds we may face.

Our Family of Brands

Contents

27

Financial Review

32

Corporate Governance

Corporate Governance

Financial Statements

You can view our Annual Report on our website

www.chevron.lk

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.

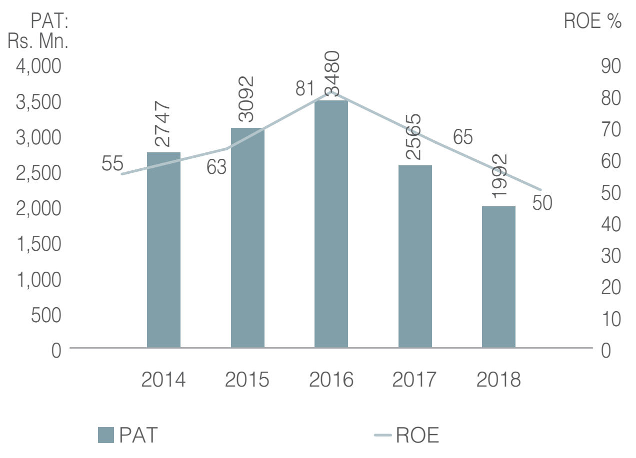
Protect people and the environment

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.

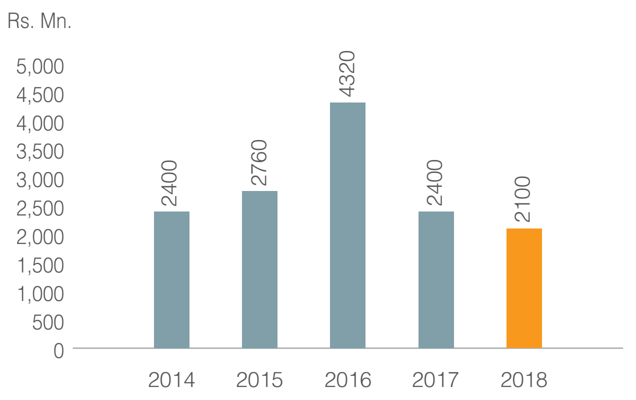
Financial
Highlights

		2018 Rs. 000'	2017 Rs. 000'	%
Turnover		10,861,044	11,052,496	-2%
Profit BeforeTax		2,760,085	3,495,785	-21%
Taxation		768,257	930,565	-17%
Profit After Tax		1,991,829	2,565,220	-22%
Shareholders Funds		3,914,473	4,006,914	-2%
Property, Plant & Equipment		1,963,377	2,066,551	-5%
Gross Dividends	Rs. 000'	2,100,000	2,400,000	-13%
Dividend per Share	Rupees	8.75	10.00	-13%
Earnings per Share	Rupees	8.30	10.69	-22%
Dividend Payout Ratio	%	105	94	11%
Price Earnings Ratio	Times	8.77	11.13	-21%
Market Value per Share as at 31st December	Rupees	72.80	119.00	-39%
Return on Equity	%	50	65	-15%
Net Assets per Share	Rupees	16.31	16.70	-2%
Net Income to Turnover	%	18	23	-5%

Profit After Tax & ROE



Gross Dividends



Chairperson's Review

2018 was challenging - the economic growth rate slowed under severe economic and political pressures which then led to unfavourable market conditions for lubricants and other industries.

Operating Environment

Weak domestic demand, continued tightening in monetary policy, contractionary fiscal measures, widening of BOP trade deficit, and political instability were all seen as the major causes for the drag on growth rate in 2018. Sri Lanka's economy was estimated to have grown by a modest 3.2% during 2018. The rupee depreciated approximately 16% against the US$ during 2018, demonstrating a rapid spike in the latter part of the year, relative to a 2% depreciation reported in the previous year in 2017. While the construction industry suffered a setback due to liquidity issues, towards the end of 2018 tourism also faced challenges as a result of adverse travel advisories resulting from political strife. The result was that overall consumers limited their discretionary spending, directly impacting most of the Sri Lankan economy.

The lubricants industry started the year on a positive note, posting growth of 6% in the first half of the year. However, the market weakened in the second half, and as a result a 0.3% decline was recorded for the full year compared to 2017. Further adding to the complexity of the market, the strong performance of hydro-power plants in the second half of the year under review decreased demand for lubricants used by thermal power generation. The slowdown in the construction industry further weakened demand for lubricant products. Overall, the market was relatively flat year-on-year.

Company Performance

One of the major challenges faced by our Company during the period under consideration was rising input costs, which tracked above the previous year, reflecting a steep trajectory due to market dynamics and the gradual rise in crude prices. However, input costs

The lubricants industry started the year on a positive note, posting growth of 6% in the first half of the year. However, the market weakened in the second half, and as a result a 0.3% decline was recorded for the full year compared to 2017.

Rochna Kaul
Chairperson

Chairperson's Review

Profit After Tax

Rs.1,992 mn

Earnings Per Share

Rs. 8.30

stabilized in the last quarter, providing some relief in 2018 and hope for a better financial year in 2019.

During 2018, the company's Net Earnings After Tax fell by 22% to Rs. 1,992 mn, resulting in Earnings Per Share of Rs. 8.30, compared to Rs. 10.69 recorded in the previous year. The decline in net earnings was mainly due to margin erosion as a result of increased input costs and weaker demand. The Company declared and paid dividends of Rs.8.75 per share. The fourth interim dividend was declared on 15th February 2019.

Demonstrating Stewardship

We continue to support all our stakeholders via ethical operations underscored by our commitment to good governance. A strong safety record of 17 years of incident-free operations is the hallmark of our performance. For our health and safety performance, we received a 'Good' rating from Chevron Corporation in the corporate Operational Excellence audit.

As market leader, our Company continues to cooperate with government authorities

We continue to support all our stakeholders via ethical operations underscored by our commitment to good governance. A strong safety record of 17 years of incident-free operations is the hallmark of our performance.

for improvements that will benefit the industry. The industry's appeal to elevate the Public Utility Commission of Sri Lanka (PUCSL) as a fully-fledged regulator instead of a shadow regulator remains unfulfilled. There are many issues that could be addressed if the industry was formally regulated. However, it is worth noting that PUCSL did undertake a number of measures including a media campaign to raise the awareness among the general public in selecting reliable lubricants rather than falling prey to unlicensed players in the industry.

Future Outlook

We remain optimistic about our Company's future prospects while expecting competition to remain fierce in the local market. We are confident that our products, people and business strategies will position us for long-term sustained success in the market. The size of the local market, the rate of growth and high competition emanating from 13 market players is expected to be a constraint. In response, we intend to place greater emphasis on growth segments such as exports, for sustained profitable growth.

We have revised our go-to market strategy for 2019 to address the challenges in the marketplace. In 2019, we will demonstrate a renewed focus on strengthening our relationship with our channel partners, customers, and the consumer. We will continue to practice disciplined expense management.

Appreciation

I take this opportunity to thank Kishu Gomes for his contribution, service and leadership during his time at the Company. In his place, I am delighted to welcome Patrick McCloud to the Company as Managing Director / CEO.

I would also like to acknowledge Mr. Deva Rodrigo's contribution to the company on his retirement from the Board. We are pleased to welcome Asite Talwatte in his place as an Independent Non-Executive Director.

I would also like to express my gratitude to Teek Hong Kee for his service as a Director of the Company from November 2017 through February 2019. Finally, my gratitude goes out to all our stakeholders and shareholders for their unwavering support and loyalty.

Rochna Kaul
Chairperson

Managing Director/ Chief Executive Officer's Review

The year under review proved to be a yet another challenging year with both industry-specific and macro-environmental factors. Base oil prices continued to rise during most of the year. The steep depreciation of the rupee exacerbated the impact from rising base oil prices, which necessitated action to recover the increased costs, at least partially. While retail customers opted for less expensive alternatives and decreased use of lubricants, there was also reduced demand from industrial customers, particularly from the construction industry, primarily due to challenges faced by that sector. The lubricants industry overall recorded a robust growth of 6% during the first half of the year. However, the growth slowed down during the third quarter followed by a steeper decline of 9% in the final quarter, which resulted in the contraction of the industry by 0.3% compared to 2017, as per the provisional industry data released by the PUCSL.

During 2017, the Company lost some of the tenders from the Government sector and was cognizant of the challenges that 2018 would bring. Thus, we started the year recognizing that we needed to make improvements in order to meet our sales targets. Our sales performance in the first nine months of the year under review in the retail segment was 12% above the comparative period in the previous year. However, the gains made throughout the year were negated during the fourth quarter as sales performance mirrored the downturn in the industry, economic slowdown and uncertain political environment.

We were compelled to increase our sales prices twice in the second half of the year to counter inflationary pressures. This was a difficult decision to make, yet necessary to restore lost margins. As expected, this move impacted sales volumes negatively. The competition eventually followed in our wake with their own price increases in the last few months of the year.

Base oil prices continued to rise during most of the year. The steep depreciation of the rupee exacerbated the impact from rising base oil prices, which necessitated action to recover the increased costs, at least partially.

Pat McCloud
Managing Director/ Chief Executive Officer

Managing Director/ Chief Executive Officer's Review

-0.3%

Decline

Lubricant industry volume
2018 vs 2017

-7%

Decline

Company overall volume
2018 vs 2017

-2%

Decline

Company Revenue
2018 vs 2017

Revenue and Earnings

Overall, the Company's volumes and revenue declined by 7% and 2%, respectively, compared to 2017. Net Profit after Tax declined by 22% during the same period to Rs.1,992 Mn. With the introduction of the New Inland Revenue Act, the Company lost the advantage of the lower tax rate of 14% for export earnings. Under the new Inland Revenue Act, companies predominantly conducting a business of exporting goods and services remained entitled to the lower tax rate of 14%; however, as a supplier primarily to the domestic market, we are now subject to a 28% rate on export earnings. It is noteworthy to mention that the Company's export revenues exceeded Rs.1 billion in 2018.

> Under the new Inland Revenue Act, companies predominantly conducting a business of exporting goods and services remained entitled to the lower tax rate of 14%; however, as a supplier primarily to the domestic market, we are now subject to a 28% rate on export earnings. It is noteworthy to mention that the company's export revenues exceeded Rs.1 billion in 2018.

Strategic Moves

In our continued quest to provide lubricant products with cutting edge technology, we upgraded the product slate during the year as described in more detail in the Management Discussion and Analysis. We also introduced the 6-liter package style to replace the promotion offer of 5 +1 liter to reduce logistics complexity.

Looking inward, stringent cost control and rationalization measures were undertaken to ward off the impact from reduced margins. Reduction of distribution expenses by 3% compared to 2017 reflects these initiatives.

Exports

Export volumes declined by 10% in comparison to the performance in the previous year. In Bangladesh, internal logistical issues faced by our distributor and intense competition, particularly in the industrial segment, contributed to the lackluster performance. The political situation, which affected tourism in Maldives and congestion at the Maldivian port, affected sales in that market.

Toll blending and OEM segment

Meanwhile, the company's OEM (Original Equipment Manufacturer) and Toll Blending business segment performed robustly, recording 40% growth over the previous year.

Human Capital

We believe that our people are the best in the industry and remain steadfast in their commitment to the organization. As a preferred employer, we ensure that they have the right tools to achieve the Company's vision while building their careers. Our competency development programme helps our sales team to sharpen their selling and technical skills to engage in value selling. We leverage digital platforms such as SalesForce.com to enhance our customer management capability. We also launched an internal social networking platform, partnering with Facebook, which the team began using to share best practices, wins in the marketplace and recognition for strong performance.

Operational Excellence

We take great pride in our operational excellence performance year after year. Our high standards and performance in safeguarding the health and safety of our valued employees sets high benchmarks for the rest of the industry. We continued our journey of incident-free operations for the 17th consecutive year. I consider this to be our Company's most important achievement. It shows that we have a well-entrenched health and safety culture that enables us to focus on doing every task safely each and every time. Our robust systems and processes, supported by a highly professional team of employees, have helped maintain the Company's focus on operating safely despite challenging conditions. I am also pleased to report that our supply chain underwent a comprehensive audit from Chevron's Corporate Operational Excellence (OE) Group. The audit resulted in a 'Good' rating - which is stellar, considering Chevron's high benchmarks in this area.

> I am also pleased to report that our supply chain underwent a comprehensive audit from Chevron's Corporate Operational Excellence (OE) Group. The audit resulted in a 'Good' rating - which is stellar, considering Chevron's high benchmarks in this area.

Looking Ahead

The vision for the Company has not changed – we aim to sustain our position as the pre-eminent marketer of lubricants in Sri Lanka. A comprehensive market audit was undertaken during the fourth quarter of 2018 to identify the opportunities and challenges facing us. Based on the findings of this study, in January 2019 we implemented improvements of our go-to-market strategy. The core of the strategy is to incentivize our distributors and channel partners to grow the business while being rewarded for the same. The strategy refocuses the Company and our channel partners on sales practices – such as customer engagement - that can win in an increasingly competitive marketplace. The opportunities in the export markets, especially in Bangladesh, are promising. We have repositioned existing resources to support our export market strategy. Our service station value proposition will be enhanced going forward and the branding will be changed gradually to reflect the new value proposition. A range of attractive incentives to the trade, as well as a series of consumer promotions, have been planned to boost volumes.

With these actions, we are confident that the Company will remain the competitive leader in the lubricants market. We are committed to "Staying the Course" with our core values and our commitments to all our stakeholders.

Acknowledgements

I take this opportunity to thank the Chairperson and Board for their guidance and support. Finally, I wish to thank our shareholders, distributors, suppliers, channel and business partners for their trust and loyalty.

Pat McCloud
Managing Director/
Chief Executive Officer

Board of Directors

1 Rochna Kaul
Chairperson

2 Pat McCloud
Managing Director/ Chief Executive Officer

3 Nicolas Bossut
Non-Executive Director

4 Anura Perera
Director / Chief Financial Officer

5 Harsha Amarasekera
Non-Executive Director

6 Asite Talwatte
Non-Executive Director

Board of Directors

1 Rochna Kaul
Chairperson

Rochna Kaul is the General Manager of Chevron Lubricants Asia Pakistan region and is based in Singapore. She is responsible for the sales and marketing of finished lubricants and coolants in Southeast Asia markets and Pakistan. Prior to assuming this position in August 2017, Kaul served as General Manager Southern Africa Products where she was responsible for working 800+ retail service stations as well as B2B commercial channels.

Kaul has 14 years of experience at Chevron. Throughout her Chevron career, she has held positions with increasing responsibility in marketing and sales. Kaul has worked across Asia, the Americas and Southern Africa. She is also actively involved in Chevron's Women's Network.

Kaul started her career in Singapore as Commercial Marketing Manager. She has an undergraduate degree in Economics and an MBA from the Asian Institute of Management

She is also a Director/Chairperson of Chevron Ceylon Limited.

2 Pat McCloud
Managing Director/ Chief Executive Officer

Pat McCloud joined Chevron in 2006 and advanced quickly through leadership roles in supply chain, procurement, sales and operations. He held positions across the Downstream and Chemicals organization, including Business Support Manager, Procurement Operations Manager, Lubricants Plant Operations Manager, and Sales and Operations Planning Manager.

Most recently, he served as Global Supply Chain Manager for Chevron Oronite, responsible for executing the business's global sales and operations planning process, helping increase asset utilization across the manufacturing system and optimize the supply chain, and implementing an integrated supply network planning platform.

McCloud earned a Bachelor of Science degree in Mechanical Engineering from Kettering University and a Master of Business Administration from the University of North Carolina at Chapel Hill.

He is also a Director of Chevron Ceylon Limited.

3 Nicolas Bossut
Non-Executive Director

Nicolas Bossut joined Chevron in 2004 and has advanced through a variety of finance roles in Chevron's corporate departments and operating companies. He has held positions such as General Manager Finance & Planning for our Technology, Project and Services organization; Administration and Finance Manager for our Petroindependendecia Joint Venture in Venezuela, and Finance Manager for Colombia Upstream operations. During his Chevron career, Bossut has worked in Canada, Colombia, Kazakhstan, Venezuela, the United States and Singapore. Prior to working for Chevron, Bossut worked for 5 years for Alcatel.

Most recently, he served as Corporate Treasury, Opco Financing Manager, covering the Asia Pacific region from Singapore. Effective March 1st, 2019 he became Regional Finance Officer for Chevron's Downstream operations in Asia Pacific.

Bossut holds a Bachelor of Political Science from the University of California at Berkeley, as well as an MBA from the Haas School of Business at the University of California at Berkeley. He is currently a director of SPRC, a publicly-listed Company in Thailand.

4 Anura Perera
Director / Chief Financial Officer

Appointed to the Board in 2002, Anura Perera holds a B. Com Honours Degree from the University of Kelaniya and Post Graduate certificates in Human Resources Management and Management from PIM Sri Lanka and University of Leicester, UK respectively. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a member of the Chartered Institute of Management Accountants, (UK), (ACMA/ CGMA). He joined the Company in 1996 as Deputy Manager Finance and Administration and was promoted as Manager Finance and Administration in 1997 and as General Manager in 2000. He counts more than 27 years' of senior managerial experience in Accounting and Finance.

He also serves as Director of Chevron Ceylon Limited.

5 Harsha Amarasekera
Non-Executive Director

Harsha Amarasekera, President Counsel is a leading light in the legal profession in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

Positions held in other companies

Non-Executive Chairman of CIC Holdings Plc, Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd and a Non-Executive Director of Vallibel One Plc, Expolanka Holdings Plc, Royal Ceramic Plc, Ambeon Capital PLC, Amana Bank Plc, Vallibel Power Erathna Plc, Amaya Leisure Plc, CIC Agri Business (Pvt) Ltd, Delmege (Pvt) Ltd, Galle Face Management Company (Pvt) Ltd, Link Natural Products (Pvt) Ltd, The Hill Club Company Limited, Millennium Airlines (Pvt) Ltd, Millennium Investments Lanka (Pvt) Ltd, Ceylon Hotel Holdings (Pvt)Ltd, , Handhuvaru Ocean Holidays Private Limited.

6 Asite Talwatte
Non-Executive Director

Asite Talwatte 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. Talwatte has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois.

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.

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

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 currently chairs the International Integrated Reporting Council of Sri Lanka (IIRSL) on behalf of CA Sri Lanka.

Positions held in other companies

Chairman of the Management Systems (Pvt) Limited, Director of Lanka Tours & Trades (Pvt) Limited, Business Intelligence (Pvt) Limited, Cirute Plantations (Pvt) Limited, MSL Kandy Properties (Pvt) Limited and MSL Audits Kandy (Pvt) Limited. Independent Non- Executive Director of Ceylon Hospitals PLC, Central Finance PLC, Sunshine Holdings PLC, DIMO PLC, CT Holdings PLC, Tokyo Cement Plc, Silvermill Investment Holdings (Pvt) Ltd, Estate Management Services (Pvt) Ltd, Sunshine Healthcare Lanka Ltd, Gilkrist Leisure (Pvt) Limited and Braybrooke Residential Towers (Pvt) Ltd.

Management Team

1 Pat McCloud
Managing Director / Chief Executive Officer

2 Anura Perera
Director / Chief Financial Officer

3 Bertram Paul
General Manager Sales

4 Wijitha Akmeemana
Manager Supply Chain

5 Erande De Silva
Manager Finance & Planning

6 Maheshni Hamangoda
Human Resources Manager

7 Sumith Hewavitharana
Indirect Sales Manager

8 Hilary Fernando
Lead Technical Manager

9 Thushari Weragoda
Laboratory &
Quality Assurance Lead

10 Upali Wijesinghe
Logistics Manager

11 Thusitha De Silva
Direct Sales Manager

12 Anuradh Keppetiwalana
Marketing Manager

Management Discussion & Analysis

Economic Overview

The economic climate during the first half of the year was considered relatively favourable, although sentiments on business conditions and profitability lagged based on the "business sentiment indices" reported by Central Bank of Sri Lanka. The latter half of the year was dominated by the adverse forex impact to the economy as the LKR rapidly depreciated against the USD and other major currencies, exacerbated by the rise in certain key commodity prices and compressed consumer purchasing power. Data from the Central Bank of Sri Lanka captured that the LKR depreciated by 16.4% during 2018 against the USD. The political uncertainty that unfolded during the last quarter led to sluggish consumer demand and weak business sentiment which further compounded the adverse effects of an already weakening economy.

The Government's fiscal policy measures during 2018 were driven by its intent to manage the widening fiscal deficit and gradually rebalance tax revenue between direct and indirect taxes, as indicated in the national budget. The impact of the increase and revision of certain direct taxes, including the removal of concessionary tax rates of specific segments, took full effect on both corporate entities and personnel from the year of assessment 2018/19, which may have partly influenced corporate earnings and consumer disposable income.

The GDP was estimated to have grown by approximately 3.2% during 2018, quite parallel to the 3.1% annual growth recorded during 2017, as per department of census and statistics of Sri Lanka. The service sector and agricultural sector primarily accounted for the growth estimated during the period, whilst the industrial sector growth was marginal. Amongst the key sub-segments which indicated growth during the period, wholesale and retail trade activities, transportation and financial services of the service sector were prominent contributors. The manufacturing segment growth within the industrial sector lagged against the comparative period in 2017.

The annual average inflation was estimated at 2.1%, compared to 7.7% in 2017, whilst core inflation declined to 2.4%, compared to 4.9% in 2017, based on the National Consumer Price Index (2013=100) compiled by the Department of Census and Statistics.

Based on the Central Bank of Sri Lanka data, the external sector recorded a balance of payments deficit during 2018, whilst the current account continued to be compressed by the widening trade deficit in the imports skewed economy.

Growth in export earnings primarily stemmed from industrial exports, whilst agricultural exports declined. Textile and garment exports recorded a growth in both traditional and non-traditional markets. Garment exports particularly to the European Union continued to grow following the restoration of the GSP+ facility since 2017. The decline in agricultural exports stemmed mainly from tea, spices and coconut. Import expenditure escalated during the period as expenditure on intermediate goods and consumer goods increased. The growth in intermediate goods were

The latter half of the year was dominated by the adverse forex impact to the economy as the LKR rapidly depreciated against the USD and other major currencies, exacerbated by the rise in certain key commodity prices

driven by refined petroleum fuel imports due to higher prices, textiles, chemical products and base metals due to higher importation of iron and steel. The increase in consumer goods stemmed from the non-food consumer goods in the form of personal vehicles. However, import expenditure on investment goods declined due to the reduction in machinery and building material.

As per the Central Bank of Sri Lanka, workers' remittances continued to decline due to geo-political uncertainties and continuation of subdued economic performance in major remittance generating destinations. However, inflows to balance of payments (BOP) were strengthened through the growth in earnings from tourism as tourist arrivals surpassed 2.3 million during the year.

The financial flows were strengthened through a higher proportion of foreign direct investments to the country, which helped off-set the net outflows recorded in foreign investments in the Colombo Stock Exchange and government securities market. The Government managed to secure a higher proportion of loans through the extended fund facility (EFF) from the IMF during the period compared to 2017.

Lubricant Industry

The structure of the lubricant industry remained unchanged during the year with 13 players, including three companies that blend lubricants locally. Following cabinet approval, the Ministry of Petroleum Resources Development called for an expression of interest for issuance of new lubricant licenses as a measure to further liberalize the already competitive lubricant industry. The total lubricant market has declined full year 2018 by 0.3% affected mainly by a 9% YOY decline during Q4 2018 compared to the same period last year, as per provisional market statistics released by the Public Utilities Commission of Sri Lanka.

We believe the following factors affected lubricant volumes during the year in review.

The growth in motor vehicle population declined marginally during 2018 to 6.6%, compared to 6.7% recorded during the previous year. The increased cash margin on import LCs, the higher import tariffs on motor vehicles and the firmly controlled loan-to-value (LTV) ratio by the Government to curtail credit expansion as a measure to curb the widening trade deficit deterred vehicle imports to the country towards the latter quarter. The depreciation of the LKR against major currencies continued to impede price sensitive consumers investing in motor vehicles. Amongst some of the factors that stifled vehicle usage during the year, the decline in disposable income due to increase in direct taxes and the rise in cost of fuel were prominent.

The lubricant-intensive thermal power contribution to the national energy grid is expected to have declined due to the consistent contribution of coal powered energy and the considerable rainfall in the hydro catchment areas resulting in an increase in hydroelectric power generation.

Demand for lubricants from the agriculture and fisheries sectors are expected to have recorded growth relative to the comparative period, despite being disrupted by intermittent weather patterns. Demand for lubricants from the construction sector slowed down during the year due to cash flow issues faced by the construction companies.

Meanwhile, we believe the demand for lubricants has been stifled by the uninspiring performance associated with the manufacturing sector of the economy. The growth from the construction sector of the economy was also estimated to have narrowed-down compared to the parallel period in 2017. Construction activities remain skewed towards less lubricant intensive projects.

Based on the statistics of the Department of Motor Traffic in Sri Lanka, the registration of motorcycles continued to dominate with 71% of the composition of new motor vehicle registrations, compared to 76% in 2017, followed by motor cars at 17%, compared to 9% in 2017, and three-wheelers 4%, compared to 5% in 2017. The overall vehicle population increased to 7.69 million from 7.21 million recorded in 2017, whilst 72% of the vehicle population consists of motorcycles (57%) and three-wheelers (15%).

The gradual migration in consumer demand from lower-tier lubricants to higher-tier lubricants to

Management Discussion & Analysis

reap the technological product benefits continued during the year. This results in the functional benefit of longer oil drain intervals, but consequentially compresses lubricant volumes in the industry due to less frequent oil fills.

Sales

2018 proved to be another challenging year with volume performance falling below the previous year due to varying factors affecting the different channels. The Indirect channel, which was recording strong year on year growth of 12% up to the third quarter 2018, ended the year flat with market offtake crashing during the fourth quarter of 2018 due to an extremely tight liquidity situation in the market and depressed market sentiment resulting from the political turmoil and uncertainty that prevailed for most of the last quarter. With the Indirect Channel accounting for nearly 70% of Company volumes, the adverse performance in this channel negatively impacted our overall business results.

The Direct Channel started the year with a handicap, considering that we had lost three high-volume Government tenders during the last quarter of 2017 (pertaining to supplies during 2018) as a result of competitive pricing by competitors. The volume loss amounted to nearly 25% of Direct Channel volumes that we enjoyed the previous year, which could not be made up despite smaller wins. The deficit was carried right until year end.

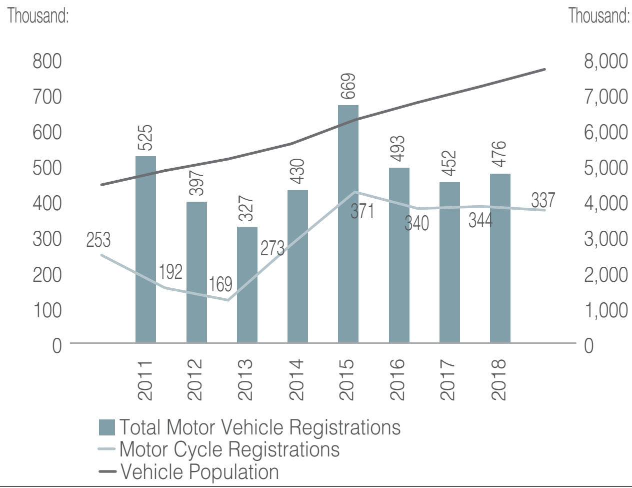
Export market performance also faced headwinds during the year due to a combination of factors, including increased price competition, market challenges as well some internal issues faced by our Export Distributors.

Toll blending did well for the Company, recording double digit year on year growth.

Steep forex depreciation coupled with product cost increases during the year compelled us to pass on two price increases to the market over three months between August to October, which were followed by competitors with a time lag and to varying extents across the different product categories.

Market data released by the regulator the Public Utilities Commission of Sri Lanka (PUCSL) for full year 2018 reflects an overall market decline of 0.3%

Total Motor Vehicle Registrations



(Source: Department of Motor Traffic of Sri Lanka)

compared to the previous year, driven by a massive 9% year on year decline during the last quarter of 2018 very much in line with our own performance. Consequently, our overall market share dipped by a further 2.6% in 2018 to 37.4%, compared to 40% a year ago.

The Indirect Channel (Retail)

The year started with a continuation of some of the trade and consumer promotional activities put in place during the last quarter of 2017, which continued into 2018. In addition, a series of promotional initiatives were added during the first quarter, including trade promotions on consumer packs of motorcycle oils as well as petrol and diesel engine oil, all of which yielded favourable results throughout the year. Revised incentive schemes were also introduced during the year for Distributors and Distributor staff, which yielded mixed results due to the mode of implementation.

Area demarcations were revised during the first quarter to achieve the optimal match of resources with market potential. Revised standards of market execution were rolled out to the network as part of renewed focus on this important area.

We continued to expand our network of exclusive outlets during the year with more than 100 Caltex Oil Marts opened. We also expanded our network of Caltex Star-Care Service

Stations during the year, including coverage of the northern and eastern Provinces, addressing the dearth of such outlets in those provinces.

One of the key initiatives that we completed during 2018 was conducting technical knowledge sharing sessions for key customers across all Indirect channel distributor territories of the Company. These programmes were well received and helped to reinforce and strengthen the relationships between these key customers and the Company, as well as the respective Distributors representing Caltex in their locality.

Increases in product cost and forex depreciation led to the progressive reduction of discounts to the trade especially on lower tier drums during the year as well as two price increases between August and October which depressed volumes but improved profitability.

The Direct Channel (Commercial & Industrial)

Despite the handicap of losing three key Government tenders during the year, the Direct Channel experienced a boost from the power generation (gen) sector during the first half of the year, due to favourability of thermal

One of the key initiatives that we completed during 2018 was conducting technical knowledge sharing sessions for key customers across all Indirect channel distributor territories of the Company.

power which increased lubricant consumption. The renewal of the power purchase agreement between the Government and major independent power producers that had expired previously, and the awarding of emergency power generation to certain players by the Government, were key drivers in the increase of our power gen volumes. However, with the torrential rains experienced in May and the resultant filling of the catchment areas, the power gen mix swung back in favour of hydro-power, adversely affecting lubricant consumption.

The construction sector experienced a similar swing of fortunes with good momentum during the first half of the year with the mobilization of the Central Highway construction project and the Southern Highway extension project. However, the sector crashed during the second half of the year with construction companies claiming cash flow and liquidity issues and unable to meet commitments and finance supplies. This situation significantly compressed lubricant volumes in the construction sector. As a result, we were forced to curtail supplies to key contractors considering overdue payments to us directly as well as our distributors.

On a positive note, the Direct channel submitted attractive bids to secure approximately 90% of the key high-volume Government tenders (including the three that were lost the previous year), which meant we should have been able to commence supplies during last quarter of 2018 to these customers. Unfortunately, with the political turmoil that prevailed during the last quarter, the awarding of all these key tenders was deferred due to challenges in securing Cabinet approvals.

Export Markets

Bangladesh

Despite a slow start to the year during the first quarter, volumes picked up during the second quarter and peaked during the third. However, an extremely poor fourth quarter resulted in overall volumes declining for the first time in Bangladesh during the year despite a series of initiatives that were put in place, especially in the Indirect channel. The expansion of the “Authorized Reseller Programme” enabled an expansion of distribution in the Indirect channel, which yielded strong growth, especially in motorcycle oil, both in terms of numeric distribution and product availability. We also launched a new product into the higher viscosity segment of diesel engine oils, replacing Delo Silver with Delo Gold Ultra, which has proved to be a winner in the lower viscosity segment of the market.

We strengthened overall distribution and availability in Sri Lanka’s second major city, Chittagong. However, an independent availability survey carried out in the market reflected lackluster performance in some other key cities as well in product

Management Discussion & Analysis

On a positive note, the Direct channel submitted attractive bids to secure approximately 90% of the key high-volume Government tenders (including the three that were lost the previous year)

categories such as petrol, diesel and gas engine oils.

Competition proved to be intense, especially in the industrial sector where we were able to win only one of three key tenders during the year on expansion of power gen accounts due to very competitive bidding by competitors.

We spent the latter part of the year engaging in a deep dive study of the Bangladesh market to assess the factors inhibiting growth. With certain restructuring activities scheduled for early 2019, we are confident that we will get back into growth mode in this important export market with sizeable potential both in the Retail and Industrial sectors driven by significant expansion plans by the Government, especially in the area of power generation.

Maldives

The overall market in the Maldives experienced a slowdown during the first half of the year due to political issues leading up to the Presidential Elections. Our largest customer segment - resort tourism - experienced the heaviest impact due to travel advisories and resulting cancellations. In addition, congestion and delays at the port led to some vessels turning back without unloading their cargo, which caused stockout situations during the same period.

The fact that the political situation has stabilized following the Presidential Election is a welcome development and bodes well for the expansion of the market. With ambitious targets on tourist arrivals, new resorts in the pipeline, expansion of the International Airport with an additional runway and the new causeways linking Male city with the Airport island and with Hulumale, we believe that the outlook for the future is bright.

With restructuring activities scheduled for early 2019 on our go-to-market model in the Maldives, we are confident of profitable growth in this market in 2019 and beyond.

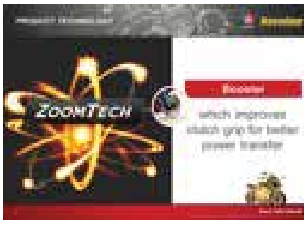
Marketing Activities

Gen X Campaign

The two-wheeler segment within the automotive category in Sri Lanka is the fastest growing segment for engine oils. Thus, the segment represents a strong growth potential for us. There is considerable consumer shift towards scooters due to the convenience they offer, particularly this mode of transport is popular among the female population.

We launched the Gen X campaign targeting both motorbikes and scooters. "Ride Strong" was a fully-fledged marketing communication campaign launched in April targeting the motorcycle oil (MCO) users. The campaign covered key above the line consumer touch points such as TV with a 30 second thematic advertisement. Furthermore, the campaign was heavily advertised using the digital platform in order to communicate the improved product benefits of C.O.R.E. technology and Zoomtech. Ride strong campaign also covered the key out of home consumer touch points such as Digital screens, cinemas and hoardings placed in strategic locations around the Island.

The campaign leveraged on the Havoline MCO product performance, which was enhanced through the adaptation of the C.O.R.E technology.



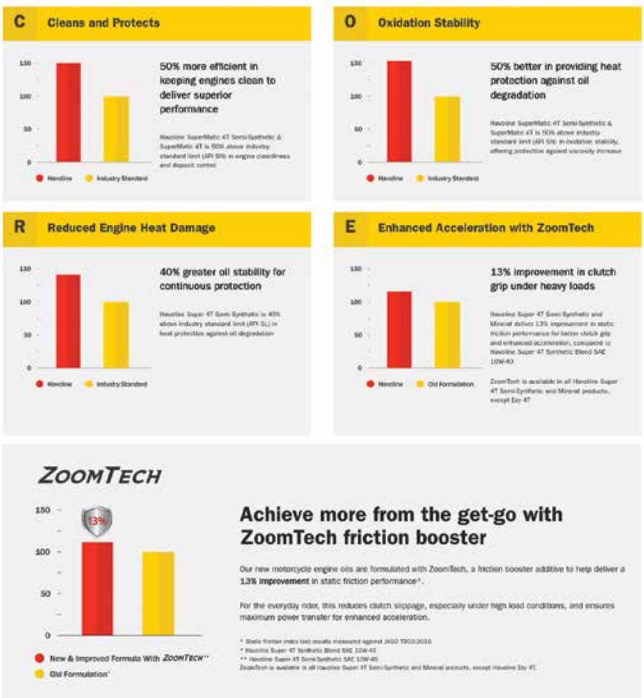
The Havoline MCO new range for motorcycle oils are with improved formulation of C.O.R.E technology and ZOOMTECH booster to protect and maximize engine performance.

The packaging was also revamped to make it more eye catching, modern and easy to understand. Our motorcycle oil range consists of three products with different viscosities – 10W-30, 20W-40 and 20W-50 and two scooter engine oils.

Knowledge Sharing Sessions (KSS)

The primary objectives of conducting the KSS with channel partners was to enhance the knowledge base of our partners in the trade, strengthen relationships, and build product and brand awareness of the wider product portfolio of Chevron. The Company conducted 17 knowledge sharing sessions for over 1,750 channel partners island-wide, covering the demarcated geographic areas of the 18 regional distributor warehouses.

(Knowledge sharing session held for the Kadawatha-Channel partners)



HDEO Consumer promotion-New 6 liter pack (1 liter free)

During the third quarter, the Company introduced a new 6 liter can in the heavy-duty engine oil (HDEO) segment to incentivize end consumers by changing the packaging dynamics of the consumer promotion. Previously a free 1 liter can was offered for every 5 liter can sold in the HDEO segment. The new promotion was well accepted by end consumers and additionally demonstrated improved environmental benefits by significantly reducing the use of plastic and other packing materials. The consumer promotion was supported in the trade through point-of-sale material, and digitally through owned media.

Channel Development Activities

We continued expanding the "Oil Mart" and Caltex

Management Discussion & Analysis

(Bertram Paul- General Manager Sales, addressing a knowledge sharing session)

“Star-Care” service stations. Several new outlets were opened during the year.

Product Technology

We continued to closely monitor the automotive and industry evolution to offer optimal products from Chevron’s global product slate to customers. During the year, we upgraded Havoline ProDS ECO5 SAE 0W-20 from API SN to API SN Plus to support the OEM design demands and completed all background work to introduce Havoline ProDS ECO5 SAE 5W-30 to fill the 5W-30 passenger car engine oil market requirements.

We continued our efforts to transfer industry knowledge to our local market by building capacity and empowering our retail field staff. We continued to carry out product integrity audits in the market to counter and curb product adulteration activities seen in the domestic market. Our objective was to deliver the technology promise, and the right product for the right application. In that journey we liaised with PUCSL to support and uplift the Sri Lankan lubricants industry.

A new Star Care outlet opened during the year

Supply Chain

Chevron’s Operational Excellence Audit Group conducted a Level 3 Audit of our Sapugaskanda Blend Plant during the year. The audit concluded with excellent results. Continued commitment towards inculcating a safe work culture throughout supply chain operations was pivotal in retaining our overall safety record of zero “recordable incidents” and “days away from work”. The record has been maintained for 17 consecutive years. The use of Loss Prevention System (LPS) tools, safe work practices, operational excellence audits and loss prevention-self-assessment (LPSA) during routine operations were foundational to this achievement. The team’s commitment ensured a 100% conformance rate in blending of lubricants.

Several improvement projects were carried out within the year. A key project carried out was to install solar panels to facilitate part of the electricity consumption within the facility, which supports the country’s aspiration of augmenting renewable energy. The laboratory at the plant is

(The social media campaign for “Helidarawwa” was recognized and awarded the “Best community engagement program in the retail sector at the SLT zero one awards ceremony held in 2018)

one of the best laboratories in Chevron’s global system and received an award in recognition for excellence in performance during the year 2018. Procurement operations have led the way in securing market competitive pricing through negotiations and ensuring consistency of supplies to support operations.

Our key supply chain business partners continue to strengthen our value chain. We are committed to world-class standards in safety, health, environment, reliability and efficiency with greater concentration on prevention of workplace injuries, fatalities and product spills.

Financial Review

Growth, Profitability and Efficiency

Revenue

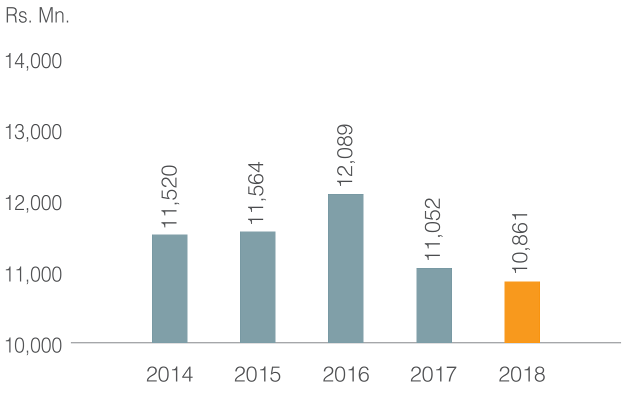
The Company recorded a revenue of Rs. 10.86 bn during the period under review which was a 2% YOY decline in comparison to Rs. 11.05 bn posted in 2017. The decline in revenue was primarily due to the decline in domestic trade volumes by 7%. The retail channel volumes were almost parallel to 2017, recording a mundane growth. The decline in domestic volumes was primarily due to the loss of three high volume government tenders.

The compressed consumer disposable income due to proportionally higher direct taxes, adverse forex effects, increased import tariffs on consumer goods, exacerbated by the political uncertainty during the latter quarter led to sluggish overall consumer demand in the economy and were key contributory factors which resulted in a decline in lubricant industry volume for the second consecutive year.

The Company was compelled to pass on two price increases to partially recoup the escalation of base oil prices, the sharp depreciation of the LKR against the USD and its ripple effect on import tariffs which caused inflationary pressure on operational expenditure. However, the price revisions were a strain on consumers in the retail channel, who were already affected by the decline in disposable income.

Export volumes encountered a temporary set-back with a decline in volumes and was mainly attributed to the Bangladesh market. Exports to Bangladesh declined by 10% disrupting the strong growth trajectory portrayed in recent years by the Company, whilst export volumes to Maldives also declined by 9% compared to last year. Despite the decline in export volumes the total combined export revenue in local currency from the two markets remained flat in 2018 to reach Rs. 1,081 mn (2017: Rs. 1,081 mn) due to the favourable effects of LKR depreciation against the USD. The Company continued to export certain lubricant and coolant products to a few inter companies of Chevron which recorded a 23% increase in volumes and a 40% increase in revenue YOY.

Revenue



Profit after Tax

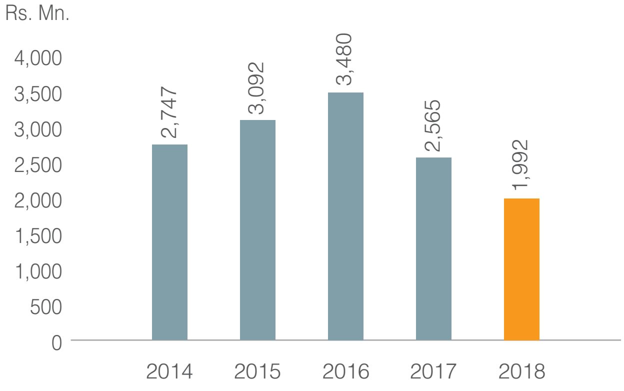
Profit After Tax declined by 22% YOY to Rs. 1,991 mn compared to Rs. 2,565 mn recorded in 2017. The gross profit margin declined to 38% from 43% in 2017 stemming from the escalation of base oil prices and adverse effects of LKR depreciation against the USD compounded by its effects on import tariffs. The rise in base oil prices were primarily driven by the increase in crude oil prices and overall demand-supply economics.

Operating profit declined by 19% in 2018 mainly due to the decline in gross margins. A modest growth in operational expenditure and a marginal increase in other income compared to 2017, limited the slide in operational earnings. Profit Before Tax declined to Rs. 2,760 mn in 2018 from Rs. 3,496 mn in 2017. Net finance income declined substantially due to lower interest income due to depleted cash reserves and net foreign exchange loss recorded during the year in contrast to the foreign exchange gain recorded during the parallel period. Profit for the year was

Financial Review

Rs. 1,992 mn compared to Rs.2,565 mn in 2017. Total comprehensive income declined by 22% YOY to Rs. 1,995 mn, which included a net other comprehensive expense after tax of Rs.3 mn pertaining to an actuarial gain on retirement benefit obligation

Profit After Tax



Income Tax

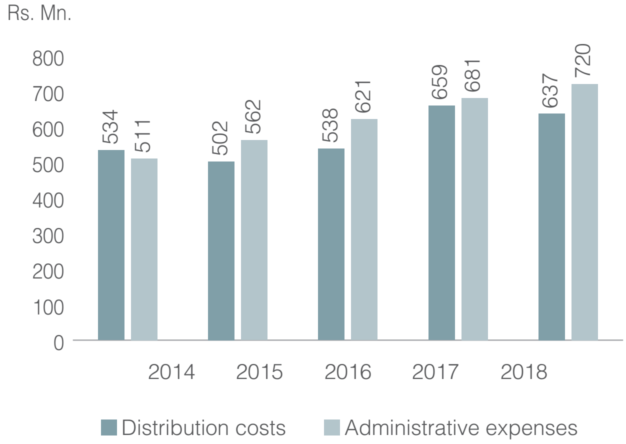
Income Tax expense for the year was Rs.931 mn, which translates to an effective tax rate of 28% compared to 27% last year. Effective rate was parallel to the statutory rate of Tax with export earnings being taxed at the standard rate from the Y/A 2018/19. Under the new Inland Revenue Act, only the companies predominantly conducting a business of exporting goods and services will be entitled to the lower tax rate of 14%, hence the Company was not entitled to the concessionary rate of Tax.

Total Income Tax expense amounted to Rs.769 mn, which included a tax provision on other comprehensive income for the year.

Distribution and Administration Expenses

Distribution expenses declined by 3% to Rs.637 mn from Rs.659 mn recorded in 2017. The decline in distribution expenses was driven by a few concentrated efforts towards cost rationalization. As a result, expenditure on advertising and sales promotion and social contributions were curtailed. However, transportation expenses increased as the revision of transport incentive paid to retail distributors implemented during mid 2017 took full effect, whilst export freight charges remained parallel due to the LKR depreciation, despite the lower export volumes during the year. Administration expenses amounted to Rs. 720 mn, which is a 6% increase compared to Rs.681 mn recorded in 2017. The increase largely stemmed from inter-company service charges which were also affected by the rupee depreciation.

Administration & Distribution Expenses



Liquidity

Working Capital

Total inventory increased by Rs. 710 mn, due to increases in both raw material and finished goods inventory. The raw material inventory increased by Rs.604 mn due to higher base oil prices and larger parcel size due to timing effects of imports. Finished goods inventory increased by Rs.106 mn to Rs.575 mn compared to the Rs.469 mn recorded in 2017 reflecting a relatively weak demand experienced during December 2018 and considering the higher value of inventory.

Trade Receivables declined compared to 2017 due to the weak consumer demand during the last quarter of the year, whilst the number of “days sales outstanding” (DSO – Company formulated) marginally edged up to 34 days in 2018 (33 days in 2017). The Company retained its tight credit control policy and collection efficiency to ensure the unswerving commitment towards efficiency in managing its working capital cycle, despite the relatively loose credit policies seen in the market to lure sales in a highly competitive environment. The Company was cautious in extending credit to sectors predisposed to liquidity constraints and remained vigilant to market and economic developments through robust credit controls.

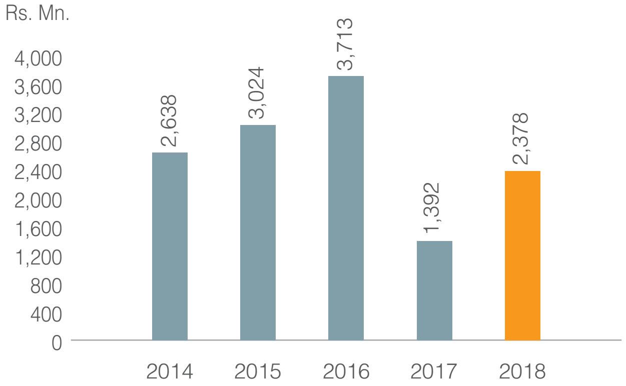
The Company maintained a healthy liquidity position by recording a current ratio of 2.3 (2017: 2.9) and a quick asset ratio of 0.7 in 2018 (2016: 1.2) to meet working capital requirements. The decline in current ratio and quick asset ratio compared to 2017 was due to a higher trade and other payable liability and lower trade receivables at year end.

Cash Flow

Cash generated from operating activities increased to Rs. 3.2 bn compared to Rs. 2.6 bn in 2017, whilst the net cash flow from operating activities increased to Rs. 2.4 bn from Rs. 1.4 bn recorded during 2017. The Company generated a free cash flow of Rs. 2.3 bn (2017: Rs.1.4 bn), while net cash generated from investing activities declined relative to the previous period. The comparatively higher free cash flow generated in 2018 despite the decline in earnings was primarily due to the increase in trade payables owing to the timing effect of imports, decline in trade receivables and the decline in taxes paid during the year.

Four interim dividends totaling to Rs.2,100 mn were declared and paid during the year. The cash payout of Rs. 2,100 mn consisted of Rs. 1,560 mn dividends declared during the year and the fourth interim dividend of Rs. 540 mn for the year 2017. The fourth interim dividend of Rs.360 mn pertaining to 2018 was declared in February 2019 and paid during March 2019. Cash and cash equivalents at year end improved relative to 2017 due to timing effects of working capital commitments towards the culmination of the financial year.

Net Cash Flow from Operating Activities

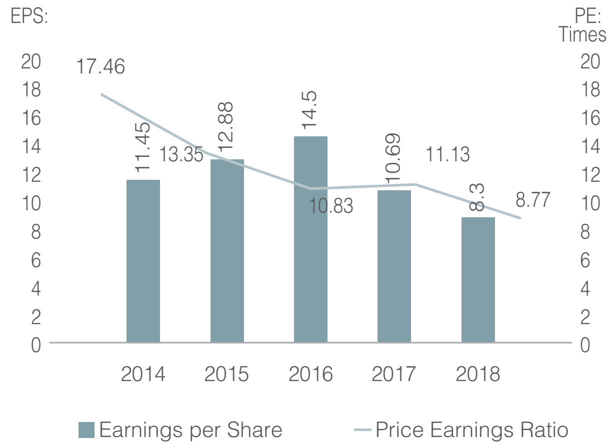


Stability and Investor Return

Financial Stability

The Company recorded a return on equity of 50% in 2018 (65% in 2017). Earnings per share fell by 22% to record Rs.8.30 in 2018 compared to Rs.10.69 in 2017.

EPS & PE



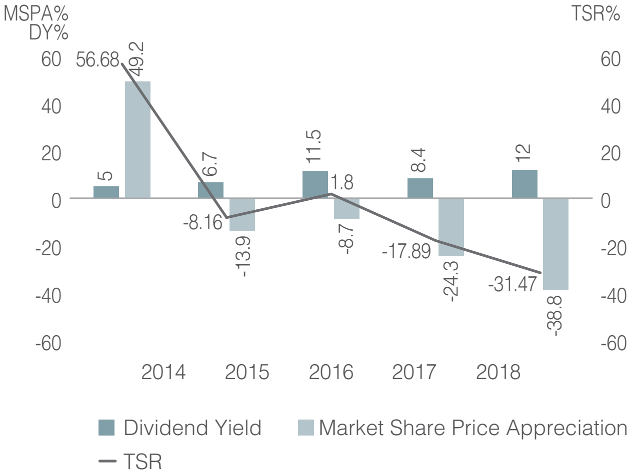
Financial Review

Investor Return

Dividend per share amounted to Rs.8.75 which translates to a dividend yield of 12.0% based on the share price recorded as at end December 2018 (2017: 8.4%), whilst capital growth contracted via fall in market share price to -38.8% (2017: -24.3%).

Total Shareholder Return declined to -31.47% in 2018 (2017: -17.89%).

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



Note: Market Share Price at year end 2016 has been adjusted following the share split effected in June 2016, to gauge relative movement for comparative purpose only.

Quarterly Results

A summary of the quarterly results for 2018 and 2017 based on the quarterly financial statements submitted to the Colombo Stock Exchange are tabulated below.

	2018 1Q Rs. Mn.	2018 2Q Rs. Mn.	2018 3Q Rs. Mn.	2018 4Q Rs. Mn.	2017 1Q Rs. Mn.	2017 2Q Rs. Mn.	2017 3Q Rs. Mn.	2017 4Q Rs. Mn.
Turnover	2,979	2,785	2,883	2,214	3,118	2,281	2,847	2,806
Gross Profit	1,264	1,037	1,036	754	1,402	1,023	1,193	1,123
Operating Profit	961	698	716	368	1,088	701	879	738
Finance income - Net	10	8	4	(4)	29	25	14	22
Profit Before Tax	970	706	720	363	1,118	727	893	758
Profit After Tax	697	507	516	267	822	526	656	549

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 programme.

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 2018 and the attendance is given below;

		Attended
Kishu Gomes (resigned w.e.f. 23.05.2018)	ED	1/1
Pat McCloud (appointed w.e.f. 01.09.2018)	ED	2/2
Rochna Kaul	NED	4/4
Asite Talwatte (appointed w.e.f. 26.07.2018)	NED	2/2
Anura Perera	ED	4/4
Teek Hong Kee (resigned w.e.f. 15.02.2019)	NED	4/4
Deva Rodrigo (resigned w.e.f.31.07.2018)	NED/IND	2/2
Harsha Amarasekera	NED/IND	4/4

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

Board Audit Committee

This Committee functions under a written charter, and consists of two non-executive directors namely Asite Talwatte (Chairman) and Harsha Amarasekera. Managing Director and Finance Director attend the meeting by invitation.

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 2018 and the attendance is given below

	Attended
Deva Rodrigo*(resigned w.e.f. 31.07.2018)	2/2
Asite Talwatte* (appointed w.e.f. 26.07.2018)	2/2
Harsha Amarasekera	4/4

* Chairman of Audit Committee

Remuneration Committee

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

	Attended
Harsha Amarasekera*	1/1
Asite Talwatte	1/1
Teek Hong Kee	1/1

* Chairman of the Committee

Directors Remuneration

Total remuneration paid to executive and non-executive directors are given in page 75 and the report of the Remuneration Committee is given in page 49.

Related Party Transactions Review Committee

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

The Committee met 5 times during the year;

	Attended
Deva Rodrigo* (resigned w.e.f.31.07.2018)	2/2
Asite Talwatte* (appointed w.e.f. 26.07.2018)	3/3
Teek Hong Kee (resigned w.e.f. 15.02.2019)	5/5
Harsha Amarasekera (appointed w.e.f. 31.03.2018)	4/4

* Chairman of the Committee

Chevron Business Conduct and Ethics Code

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

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

The BCEC includes the following subject areas;
Human rights
Company records and internal controls

Avoiding conflicts of interests which also covers accepting or giving gifts, fees, favors or other advantages and insider trading.

Antibribery, international trade and anti-boycott laws.
Government affairs and political involvement.
Operational excellence
Anti- trust and competition laws.
Data privacy.
Protection of information and intellectual property

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

Whistle blowing

The Chevron Business Conduct and Ethics code encourage any employee having information or knowledge of any violation of the Code promptly report it to his or her management, the Corporation's Auditing Department, Corporate Security, or the employee may call the toll-free

Corporate Governance

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 communications with the shareholders. The Board is ready to answer any questions raised at the Annual General Meetings. Shareholders may direct any questions or seek clarifications request for publicly available information by contacting the Company Secretary.

Protection of People and the Environment

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

Compliance with the 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 32 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	Company shall publish a brief resume of each Director	Compliant	Please refer to pages 16 and 17.

Rule No	Subject	Criteria	Compliance Status	Details
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	
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 49
7.10.5 (a)	Composition of Remuneration Committee	Remuneration Committee (RC) shall comprise a minimum of two Independent Non Executive Directors or majority of Independent Non Executive Directors.	Compliant	Out of the three members of the Remuneration Committee two are Independent Non-Executive Directors.
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 49
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 49
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant Compliant	Please refer to the Audit Committee Report given on page 45
7.10.6 (a)	Composition of the Audit Committee	Composition of the Audit Committee	Compliant	Audit Committee comprised of two Non-Executive Independent Directors and is headed by an Independent Director.
		CEO and CFO shall attend all Audit Committee Meetings	Compliant	The Chief Executive Officer and Chief Financial Officer attended 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

Corporate Governance

Rule No	Subject	Criteria	Compliance Status	Details
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 45 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 45
		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 45
		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 45
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 46
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 46
	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 46
9.2.4	Frequency of meetings	The Committee shall meet at least once a calendar quarter.	Compliant	Please refer to the Corporate Governance report appearing on page 33
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 46
		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 46
		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 46

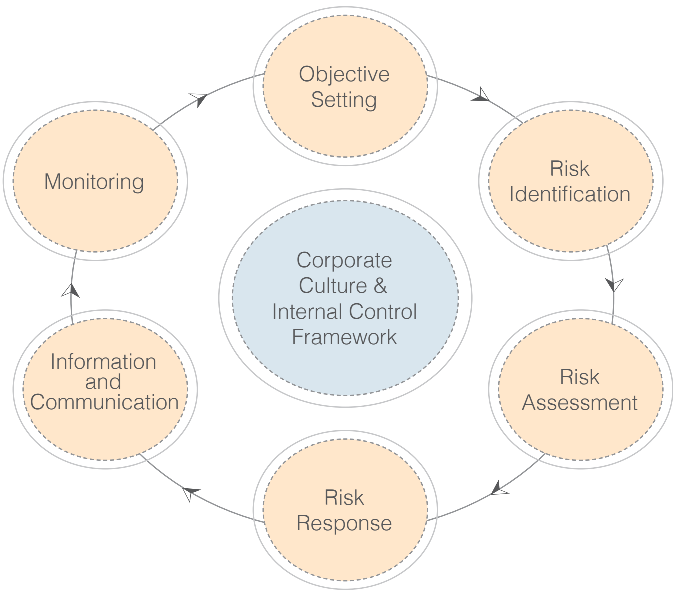
Rule No	Subject	Criteria	Compliance Status	Details
		The number of times the Committee has met during the financial year.	Compliant	Please refer to the Corporate Governance report appearing on page 33
9.3.2.(d)	Declaration by Board of Directors	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions	Compliant	Report of the Directors on page 42

Compliance with the section 9.3.2 (b) of Listing rules of the Colombo Stock Exchange

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 (Private) Limited	Subsidiary of the ultimate parent	Purchase of Raw Materials for Blending of Lubricants	3,308,200,695	30.5%	As per the Purchase Agreement between the two entities, on commercial terms.
Chevron Singapore (Private) Limited	Subsidiary of the ultimate parent	Services obtained for Lubricant Business, Procurement, HES, Legal, IT, HR, Fiscal and Business Support	479,599,481	4.4%	As per the Service Level Agreement between the two entities.
			3,787,800,176	34.9%	

Risk Management

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



(Risk Management Process)

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

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

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. There is no effective regulatory mechanism to curb such illegal activities that affect the industry. The export volumes may be affected by macro-economic developments, political unrest, fiscal policies of the respective geographies.

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
			Very Low	Low	Medium	High	Very High
			1	2	3	4	5
			Impact				
		Risk Rating	Low		Moderate		High
		Risk Score (RS)	5>RS		10>RS>5		25>RS>10

(Conceptual model of the Risk Matrix)

Risk Response

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

Dependence on Business Partners

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

Risk response

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

Health, Environment and Safety Risk

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

Risk response

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

Operational Risk

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

Risk response

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

Risk Management

with standardized processes. Further, these processes, systems and controls are subjected to periodic review by internal auditors and ISO auditors.

Financial Risk

Foreign Exchange Risk

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

Risk response

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

Credit Risk

The Company grants unsecured credit for some of our customers which could lead to bad debts. However, about 65% of the credit granted is fully secured.

Risk response

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

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 2018.

Structure and Nature of the Business

Chevron Corporation (through Chevron Ceylon Ltd)

↓

51%

Chevron Lubricants Lanka plc

The Core business activity of the company is the import, export, manufacture and marketing of lubricants, greases, brake fluid and specialty products. The review of business activities for the year 2018 and the likely future developments are covered in detail under the Managing Director's review and management discussion analysis.

Review of Business Performance

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

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 51 to 97.

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. 1,992 mn (2017: 2,565 mn) and total comprehensive income for the period amounted to Rs. 1,995 mn (2017: 2,546 mn).

Information on Dividends and Reserves are given below.

First interim dividend paid on 21st May 2018 at Rs. 2.25 per share

Second interim dividend paid on 3rd September 2018 at Rs. 2.25 per share

Third interim dividend paid on 19th November 2018 at Rs. 2.00 per share

Fourth Interim dividend paid on 12th March 2019 at Rs.1.50 per share

For the year ended 31 December 2018	(Rs. Million)
Profit after tax	1,992
Balance brought from previous year	3,407
Fourth Interim Dividend (FY 2017) of Rs. 2.25 per share paid on 2nd March 2018	(540)
First Interim Dividend of Rs. 2.25 per share paid on 18th May 2018	(540)
Second Interim Dividend of Rs. 2.25 per share paid on 3rd Sept 2018	(540)
Third interim Dividend of Rs.2.00 per share paid on 11th Nov 2018	(480)
Unclaimed Dividend transfer to Retained Earnings	12
Re-measurement of defined benefit obligations	3
Balance carried forward to 2019	3,314

No final dividend has been proposed by the Board.

Property, Plant & Equipment

Capital expenditure incurred during 2018 including work-in-progress amounted Rs. 74,753,686 (2017: Rs. 95,116,761 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. (2017: Nil).

Annual Report of the Directors

Directorate

The following served as Directors of the Company during the year 2018:

Rochna Kaul

Kishu Gomes (resigned w.e.f. 23.05.2018)

Pat McCloud (appointed w.e.f. 01.09.2018)

Anura Perera

Deva Rodrigo (resigned w.e.f. 31.07.2018)

Asite Talwatte (appointed w.e.f. 26.07.2018)

Harsha Amarasekera

Teek Hong Kee (resigned w.e.f 15.02.2019)

Nicolas Michel Bossut (appointed w.e.f. 04.03.2019)

Asite Talwatte and Nicolus Bossut who were appointed by the Board since last Annual General Meeting retire at the forthcoming Annual General Meeting and are 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 Harsha Amarasekera retires by rotation at the annual general meeting and is eligible for re-election.

Director's Shareholdings

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

Anura Perera 400 (31.12.2018– 400).

None of the other Directors hold shares in the Company.

Director's Independence

Asite Talwatte and Harsha Amarasekera 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 Amarasekera meet all the criteria of independence.

Information on Company's compliance with other rules on corporate governance are given in corporate governance report in page 34.

Remuneration and other benefits of Directors

The remuneration and the value of other benefits received by the Directors are given in page 96.

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 16 and 17 These have been entered in the Interest Register.

Related Party Transactions

The company procures most of the raw materials from Chevron group companies in the ordinary course of business. In addition the Company obtains and pays for various services provided by the group. The details of such transactions are given in note 26 to the Financial statements. The Directors believe that the Company has fully complied with the rules of the Colombo Stock Exchange relating to related party transactions. Report of the related party transactions review committee and the certificate given by the Finance Director to the Inland Revenue Department are given on pages 46 and 48. respectively.

Share Information

Information relating to market value of shares, public shareholding and top 20 shareholders are given in page 101.

Post Balance Sheet Events

Company declared an interim Dividend of Rs. 1.50 per share on 15 February 2019 and was paid on 12th of March 2019.

There have been no other events subsequent to the statement of financial position date which would have material effect on the company or require disclosure or adjustment to the Financial Statements.

Internal Controls

Directors are responsible for devising proper internal controls to ensure that the proper books of accounts are maintained, the integrity of financial statements, assets are safeguarded, transactions are executed by those who have appropriate authority and there is proper segregation of duties. Board Audit committee reviews the internal audit reports to ensure established controls are adhered and any deviations reported and remediated. A whistle blowing mechanism is in place to report any violations of internal controls and Business conduct and ethics code. Based on the internal control frame work as described above the Board is satisfied with the effectiveness of the internal controls 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. 2,453,373 (2017: Rs. 2,271,642) as audit fees and Rs. 120,000 (2017: Rs. 90,000) for issue of solvency certificates.

A resolution proposing their re-appointment as Auditors of he 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 Meting

The Annual General Meeting will be held on Tuesday, 23rd April 2019 at 3.30p.m. at Level 6 Public Forum, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07.

By order of the Board of Directors

Pat McCloud
Managing Director/CEO

Anura Perera
Director/CFO

27 March 2019

Statement of Directors' Responsibilities

Companies Act, No. 07 of 2007 stipulates that Directors are responsible for the preparation of financial statements for each financial year and place before a general meeting financial statements, comprising of a Statement of Comprehensive Income and a Statement of Financial Position which presents a true and fair of the 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 Accounting Standards. The financial statements include amounts that are based on management's best estimates and judgments.

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

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

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

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

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

Pat McCloud
Managing Director

Anura Perera
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
Deva Rodrigo FCA (Chair)	Independent Non-Executive Director *(Resigned w:e:f: 31/07/2018)
Asite Talwatte FCA (Chair)	Independent Non-Executive Director *(Appointed w:e:f: 26/07/2018)
Harsha Amarasekera PC	Independent 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 Audit Committee Terms of Reference (TOR) adopted by the Company in line with Chevron, US SEC and Sri Lanka SEC 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 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.

Meeting the Goals

The Committee held four meetings during the year 2018. The Committee met on four occasions during the financial year 2018 and the members' attendance record is indicated in page 33 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 examined and was satisfied with the independence of the external auditors.

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 and other Directors in fulfilling the obligations of the Audit Committee is recognized with appreciation.

Sgd,
Asite Talwatte
Chairman
Audit Committee

27 March 2019

Related Party Transactions Review Committee Report

Introduction

The objective of the Committee is to ensure that the interests of shareholders as a whole are taken into account when entering in to related party transactions and that the Company is compliant with the requirements of the SEC code and CSE listing rules.

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
Deva Rodrigo	Independent Non-Executive Director *(Resigned w:e:f: 31/07/2018)
Asite Talwatte	Independent Non-Executive Director *(Appointed w:e:f: 26/07/2018)
Harsha Amarasekera	Independent Non-Executive Director *(Appointed w:e:f: 31/03/2018)
Teek Hong Kee	Non-Executive Director *(Resigned w:e:f: 15/02/2019)
Nicolas Bossut	Non-Executive Director *(Appointed w:e:f: 04/03/2019)

* Indicates the effective dates on which the respective officers were either appointed or resigned from the Board of Directors and the Committee. Harsha Amarasekera serving as an Independent Non-Executive Director was appointed to the Committee with effect from 31.03.2018.

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 in to 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 five occasions during the financial year 2018 and the members' attendance record is indicated in page 33 of corporate governance report.

Related Party Transactions during the Year

The activities and observations of the Committee were communicated to the Board of Directors quarterly through oral briefings and by tabling the minutes of the Committee's meetings. During the year there were no Non-Recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules. 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 and the Inland Revenue Act No.10 of 2006.

- Recurrent Related Party Transactions are disclosed in page 37 of the annual report in compliance with Section 9.3.2 (b) of the listing rules of CSE.

- The "Certificate by the Director on Transfer Pricing" is reproduced in page 48 of the annual report, in compliance with regulations stipulated in the Gazette Extraordinary No. 1960/39 of March 31, 2016 issued under Section 104 of the Inland Revenue Act, No. 10 of 2006

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. These disclosures are on page 93 to page 97.

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 2018 is given on page 42, in the 'Annual Report of the Directors'.

Sgd,
Asite Talwatte
Chairman
Related Party Transaction Review Committee

27 March 2019

Certificate of the Director on Transfer Pricing

Chevron Lubricants Lanka PLC
Chevron House, 490, Galle road
Colombo 03,
Sri Lanka.
Tel : +94 11 4 524 524
Fax : +94 11 4 524 555
www.chevron.lk
Company Reg No. : PQ54

The Commissioner General of Inland Revenue
Department of Inland Revenue,
Colombo 2.
29.11.2017

29.11.2018

Dear Sir,

Certificate of the Director on Transfer Pricing

It is certified that the company has complied with the Transfer Pricing Regulations issued under Section 104 of the Inland Revenue Act, No.10 of 2006. The information pursuant to these Regulations is given in approved accountant certificate produced under Section 107(2)(a) of the said Inland Revenue Act. I believe that the record of transactions entered into with associated undertakings during the period from 01/01/2017 to 31/12/2017 are at arm's length, not prejudicial to the interests of the company and not carried out for profit shifting purposes.

Records and information of all transactions have been submitted to the approved accountant who reviewed the transfer pricing records and no adverse remarks have been made in the certificate done by the approval accountant.

....
Place For and on behalf of the Directors

Anura Perera
Director
Chevron Lubricants Lanka PLC
490, Galle Road,
Colombo 3

Remuneration Committee Report

Remuneration Policy

Chevron Lubricants Lanka PLC 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 Global TR (Total Remuneration) Group after discussion with the Committee. The local HR team assists the process by providing salary survey information and market data to the Chevron Regional TR group to determine the annual salary structures.

Business unit leaders and supervisors are responsible for evaluating performance of each individual employee and the performance evaluations of CLLP's functional leaders and are ranked accordingly. Based on this policy, the regional TR group proposes annual salary increases to each employee.

Surveys are commissioned periodically in order to assess the prevailing salary and benefit structure within the company, the findings of which are considered and reviewed by the Committee.

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.

The aggregate remuneration paid to Executive and Non-Executive Directors is given on page 75.

Sgd.
Harsha Amarasekera
Chairman, Remuneration Committee

27 March 2019

Financial Statements

Financial Calendar 2018

Interim Financials

1st Quarter ....27th April 2018

2nd Quarter ....13th August 2018

3rd Quarter ....29th October 2018

4th Quarter .... 18th February 2019

Dividends Paid dates

First interim dividend of Rs. 2.25 per share paid on 21st May 2018

Second interim dividend of Rs. 2.25 per share paid on 3rd September 2018

Third interim dividend of Rs. 2.00 per share paid on 19th November 2018

Fourth Interim dividend of Rs.1.50 per share paid on 12th March 2019

Independent Auditor's Report

pwc

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 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company, which comprise:

- the statement of financial position as at 31 December 2018;
- 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.

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 issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Customer incentives and discounts The Company has introduced several incentive and discount programs on different sales target bases to increase revenue from customers. The incentives are granted based on historical trends at the point of invoicing to the customers and adjusted on the actual redistribution sales information which is received subsequently. Accordingly, revenue of LKR 10.9 billion is recognised net of customer incentives and discounts amounting to LKR 1.8 billion for 2018. Incentives and discounts in 2018 represents 14% of gross revenue. The customer incentives and discounts are significant and is based on complex calculations with significant manual involvement and therefore we considered the discounts and incentives adjusted against revenue as a key audit matter.	We examined and discussed with management significant contracts entered in to with distributors and other customers including terms and conditions related to customer incentives and discounts. We recomputed the incentives and discounts, on a sample basis, based on the contractual terms in the customer agreements using the actual redistribution sales details extracted from the Distributor Management System of the Company for which system reliance was obtained. We checked the approval for a sample of monthly credit / debit notes raised to adjust the original invoices issued based on estimated incentives and discounts. We checked the incentive adjustments after the reporting date to arrive at the actual amount of incentives applicable to the last month of the period to assess the reasonability of the estimates made at the year end.

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
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**
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHEVRON LUBRICANTS LANKA PLC (Contd.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Contd.)

Other information

Management is responsible for the other information. The other information comprises the information included in 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 and will 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional 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

TO THE SHAREHOLDERS OF CHEVRON LUBRICANTS LANKA PLC (Contd.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Contd.)

Auditor's responsibilities for the audit of the financial statements (Contd)

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 ethical requirements in accordance with the Code of Ethics 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.

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number 2857
Colombo
Sri Lanka

27 March 2019

Income Statement

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December	
		2018	2017
Sales	5	10,861,043,808	11,052,496,295
Cost of sales		(6,769,486,364)	(6,311,851,231)
Gross profit		4,091,557,444	4,740,645,064
Other income	8	8,149,195	5,461,315
Distribution expenses		(636,902,552)	(658,950,701)
Administrative expenses		(719,725,356)	(681,273,893)
Operating profit	6	2,743,078,731	3,405,881,785
Finance income	9	22,173,711	95,056,335
Finance costs	9	(5,167,122)	(5,153,034)
Finance income - net	9	17,006,589	89,903,301
Profit before tax		2,760,085,320	3,495,785,086
Income tax expenses	10	(768,256,733)	(930,564,872)
Profit for the year		1,991,828,587	2,565,220,214
Earnings per share attributable to the owners of the Company during the year			
Basic earnings per share (LKR)	11	8.30	10.69

Notes on pages 59 to 97 form an integral part of these financial statements

Report of the independent auditors' on page 51 to 53

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December	
		2018	2017
Profit for the year		1,991,828,587	2,565,220,214
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	20	4,432,557	(26,290,047)
Deferred tax attributable to remeasurement of retirement benefit obligations	16	(1,241,116)	7,361,213
Other comprehensive income / (loss) for the year, net of tax		3,191,441	(18,928,834)
Total comprehensive income for the year		1,995,020,028	2,546,291,380

Notes on pages 59 to 97 form an integral part of these financial statements

Report of the independent auditors' on page 51 to 53

Statement of Financial Position

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December 2018	2017
Assets			
Non-current assets			
Property, plant and equipment	13	1,963,377,488	2,066,550,702
Trade and other receivables	14	76,238,763	77,294,180
		2,039,616,251	2,143,844,882
Current assets			
Inventories	17	2,755,735,263	2,045,959,622
Trade and other receivables	14	1,013,719,182	1,266,382,881
Cash and cash equivalents	18	258,765,876	139,732,757
		4,028,220,321	3,452,075,260
Total assets		6,067,836,572	5,595,920,142
Equity and liabilities			
Capital and reserves			
Stated capital	19	600,000,000	600,000,000
Retained earnings		3,314,473,195	3,406,913,996
		3,914,473,195	4,006,913,996
Non-current liabilities			
Retirement benefit obligations	20	139,638,014	162,227,628
Deferred tax liabilities	16	257,505,313	245,717,527
		397,143,327	407,945,155
Current liabilities			
Trade and other payables	21	1,423,438,580	661,176,026
Current income tax liabilities		332,781,470	404,851,459
Borrowings	22	Nil	115,033,506
		1,756,220,050	1,181,060,991
Total liabilities		2,153,363,377	1,589,006,146
Total equity and liabilities		6,067,836,572	5,595,920,142

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorised for issue by Board of Directors on 27 March 2019.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 7 of 2007.

Patrick McCloud
Managing Director

A.M. Anura Perera
Director / Chief Financial Officer

Erande De Silva
Manager - Finance and Planning

Notes on pages 59 to 97 form an integral part of these financial statements

Report of the independent auditors' on page 51 to 53

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees)	Notes	Stated capital	Retained earnings	Total
Balance at 1 January 2017		600,000,000	3,260,622,616	3,860,622,616
Profit for the year		Nil	2,565,220,214	2,565,220,214
Other comprehensive loss for the year, net of tax		Nil	(18,928,834)	(18,928,834)
Total comprehensive income for the year		Nil	2,546,291,380	2,546,291,380
Transactions with owners - Dividends	12	Nil	(2,400,000,000)	(2,400,000,000)
Balance at 31 December 2017		600,000,000	3,406,913,996	4,006,913,996
Balance at 1 January 2018		600,000,000	3,406,913,996	4,006,913,996
Profit for the year		Nil	1,991,828,587	1,991,828,587
Other comprehensive income for the year, net of tax		Nil	3,191,441	3,191,441
Total comprehensive income for the year		Nil	1,995,020,028	1,995,020,028
Transactions with owners - Dividends	12	Nil	(2,100,000,000)	(2,100,000,000)
Unclaimed dividends transfer to retained earnings		Nil	12,539,171	12,539,171
Balance at 31 December 2018		600,000,000	3,314,473,195	3,914,473,195

Notes on pages 59 to 97 form an integral part of these financial statements

Report of the independent auditors' on page 51 to 53

Cash Flow Statement

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December	
		2018	2017
Cash flows from operating activities			
Cash generated from operations	25	3,252,571,501	2,600,420,369
Interest paid		(1,954,870)	(5,065,386)
Retirement benefits paid	20	(43,066,303)	(8,632,791)
Income tax paid		(829,780,052)	(1,194,513,039)
Net cash generated from operating activities		2,377,770,276	1,392,209,153
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(74,753,686)	(95,116,761)
Proceeds from disposal of property, plant and equipment		8,876,325	3,474,243
Interest received		22,173,710	53,865,913
Net cash used in investing activities		(43,703,651)	(37,776,605)
Cash flows from financing activities			
Dividends paid		(2,100,000,000)	(3,240,000,000)
Net cash used in financing activities		(2,100,000,000)	(3,240,000,000)
Net increase / (decrease) in cash and cash equivalents		234,066,625	(1,885,567,452)
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		24,699,251	1,910,266,703
Net increase / (decrease) in cash and cash equivalents		234,066,625	(1,885,567,452)
Cash and cash equivalents at end of year	18	258,765,876	24,699,251

Notes on pages 59 to 97 form an integral part of these financial statements

Report of the independent auditors’ on page 51 to 53

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 House, 490, Galle Road, Colombo 03.

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 27 March 2019.

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"). These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value or at amortised cost.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRS/ LKAS) 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 4 to the financial statements

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

(i) SLFRS 9; Financial Instruments and associated amendments to various other standards

SLFRS 9 replaces the multiple classification and measurement models in LKAS 39; Financial Instruments: Recognition and Measurement, with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if:

a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and

b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The

Notes to the Financial Statements

2 Summary of significant accounting policies (Contd)

2.2 Changes in accounting policies and disclosures (Contd)

(a) New and amended standards adopted by the Company (Contd)

new standard also introduces expanded disclosure requirements and changes in presentation.

Further changes introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9. The changes introduce:

i. a third measurement category (FVOCI) for certain financial assets that are debt instruments

ii. a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard was effective for adoption for the annual periods beginning on or after 1 January 2018.

Amendments to SLFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from LKAS 39.

(ii) IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:

i. retrospectively for each period presented

ii. prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or

iii. prospectively from the beginning of a prior reporting period presented as comparative information.

(iii) SLFRS 15; Revenue from Contracts with Customers and Associated Amendments to Various Other Standards

SLFRS 15 replaced LKAS 18 which covered contracts for goods and services and LKAS 11 which covered construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

2 Summary of significant accounting policies (Contd)

2.2 Changes in accounting policies and disclosures (Contd)

(a) New and amended standards adopted by the Company (Contd)

i. identify contracts with customers

ii. identify the separate performance obligation

iii. determine the transaction price of the contract

iv. allocate the transaction price to each of the separate performance obligations, and

v. recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

(i) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

(ii) Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.

(iii) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

(iv) There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.

(v) There are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Amendments to SLFRS 15, 'Revenue from Contracts with Customers'

These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation permitted).

This standard and the amendment was effective for adoption for the annual periods beginning on or after 1 January 2018.

(b) New Accounting Standards, amendments and interpretations issued but not yet adopted

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 December 2018.

SLFRS 16; Leases

SLFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

Notes to the Financial Statements

2 Summary of significant accounting policies (Contd)

2.2 Changes in accounting policies and disclosures (Contd)

(b) New Accounting Standards, amendments and interpretations issued but not yet adopted (Contd)

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if SLFRS 15, 'Revenue from Contracts with Customers', is also applied.

Forthcoming impact of the adoption of the Standard

The Company has set up a project team which has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in SLFRS 16. The standard will affect primarily the accounting for the Company's operating leases.

Mandatory date of adoption by the Company

The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Company has assessed the impact arising from the adoption of SLFRS 16 under the simplified approach. Assets and liabilities arising from the leases are initially measured on a present value basis. Lease liabilities include the net present value of,

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable

(ii) variable lease payment that are based on an index or a rate

The lease payments are discounted using the Company's incremental borrowing rate. Right-of-use assets are measured at cost comprising of the following.

(i) the amount of the initial measurement of lease liability

(ii) any lease payments made at or before the commencement date less any lease incentives received

(iii) any initial direct costs

Accordingly, the right of use asset is LKR 362,800,753 including prepayments of lease rentals paid for use of leasehold rights amounting to LKR 14,139,548 as at 31 December 2018 and corresponding lease liability is LKR 348,661,205 approximately at the date of initial application of the standard.

2.3 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

2 Summary of significant accounting policies (Contd)

2.3 Foreign currency translation (Contd)

(b) Transactions and balances (Contd)

foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the statement of comprehensive income.

2.4 Property, plant and equipment

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

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

The cost of self-constructed assets include the cost of materials, direct labour and appropriate proportion of production overheads. Cost also includes site restoration costs.

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

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

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

The principal annual rates used for this purpose are:

	%
Land improvements	3.57 - 5
Leasehold buildings	2.22 - 3.57
Storage tanks and pipe lines	6.25
Plant and machinery	6.25 - 20
Office furniture and equipment	10 - 20
Motor vehicles	10 - 20
Computers	16.67 - 33.33

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

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

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

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

2.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Financial Statements

2 Summary of significant accounting policies (Contd)

2.6 Accounting for leases - where the Company is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.7 Financial assets

(a) Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(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.

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are

2 Summary of significant accounting policies (Contd)

2.7 Financial assets (Contd)

(c) Measurements (Contd)

recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

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

Equity instruments

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

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

(d) Impairment of financial assets

From 1 January 2018, 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 IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Accounting policies applied until 31 December 2017

Classification

The Company classified its financial assets in the following categories: fair value through profit or loss, held to maturity instruments, loans and receivables, and available for sale. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and re-evaluated this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss were financial assets held for trading. A financial asset was classified in this category if it was acquired principally for the purpose of selling in the short term. Derivatives also categorised as held for trading unless they were designated as hedges. Assets in this category were classified as current assets if it is expected to be settled within 12 months; otherwise, they were classified as non-current.

(ii) Held to maturity investments

These investments were non-derivative financial assets with fixed or determinable payments and fixed maturity period which the entity had the positive intention and ability to hold to maturity other than those assets which the entity upon initial recognition designates as fair value through profit or loss, available for sale or loans and receivables.

(iii) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets as trade and other receivables except

Notes to the Financial Statements

2 Summary of significant accounting policies (Contd)

2.7 Financial assets (Contd)

(e) Accounting policies applied until 31 December 2017 (Contd)

for those assets which had maturity period greater than 12 months after the statement of financial position date.

(iv) Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless management intended to dispose them within 12 months from the statement of financial position date.

Recognition of financial assets

Regular purchases and sales of financial assets were recognised on the trade-date – the date on which the Company committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss were initially recognised at fair value, and transaction costs were expensed in the income statement. Financial assets were derecognised when the rights to receive cash flows from the investments had expired or had been transferred and the Company had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Held to maturity investments, loans and receivables were subsequently carried at amortised cost using the effective interest method.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured and derivatives that were linked to and must be settled by delivery of such unquoted equity instrument, were measured at cost.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category were presented in the income statement, in the period in which they arose. Dividend income from financial assets at fair value through profit or loss was recognised in the income statement as part of other income when the Company's right to receive payment was established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity were included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method was recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments were recognised in the income statement as part of other income when the Company's right to receive payments was established.

Financial assets and liabilities were offset and the net amount reported in the statement of financial position date when there was a legally enforceable right to offset the recognised amounts and there was an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost (Loans and receivables)

The Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets were impaired. A financial asset or a group of financial assets were impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an

2 Summary of significant accounting policies (Contd)

2.7 Financial assets (Contd)

(e) Accounting policies applied until 31 December 2017 (Contd)

impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assessed whether objective evidence of impairment existed.

For loans and receivables category, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Company also measured impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decreased can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the income statement.

2.8 Financial liabilities

2.8.1 Classification and initial recognition

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

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

2.8.2 Subsequent measurement

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

2.8.3 Derecognition

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

2.8.4 Offsetting financial instruments

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. 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

Notes to the Financial Statements

2 Summary of significant accounting policies (Contd)

2.10 Trade receivabless (Contd)

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 IFRS 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 2018 or 1 January 2018 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.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution expenses in the statement of comprehensive income.

2.11 Cash and cash equivalents

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

2.12 Stated capital

Ordinary Shares are classified as equity.

2.13 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit obligation

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

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

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

Past service costs are recognised immediately as an expense in the statement of comprehensive income, unless the changes to the plan are conditional on the

2 Summary of significant accounting policies (Contd)

2.13 Employee benefits (Contd)

(b) Defined benefit obligation (Contd)

employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

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

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 20 to the financial statements.

2.14 Current and deferred income tax

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

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

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

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

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

The principal temporary differences arise from depreciation on property, plant and equipment and defined benefit obligations.

2.15 Provisions

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

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

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

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Notes to the Financial Statements

2 Summary of significant accounting policies (Contd)

2.16 Revenue recognitio (Contd)

(a) Sale of goods

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

(b) Interest income

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

2.17 Dividend distribution

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

2.18 Segment reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business segment) or in providing products or services within a particular economic environment (Geographical segment), which is subject to risk and rewards that are different from those of other segments.

Local and export sales are to be identified as distinguishable segments for the Company and the applicable segment reporting disclosures are given in Note 5 and Note 15.

3. Financial risk management

3.1 Financial risk

3.1.1 Financial risk factors

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

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

The principal financial instruments of the Company comprise of short term deposits, money market investments, and cash. The main purpose of these finance instruments is to raise and maintain liquidity for the Company's operations, and maximise returns on the Company's financial reserves. The Company has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

(a) Market risk

(i) Foreign exchange risk

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

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

Sensitivity analysis

As at 31 December 2018, a foreign exchange loss of LKR 7,413,523 would have resulted if LKR had weakened by 1% against USD with all other variables held constant on translation of year end foreign currency denominated balances.

3. Financial risk managements (Contd)

3.1 Financial risk (Contd)

3.1.1 Financial risk factors (Contd)

(b) Credit risk

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

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

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

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 2018	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total
Risk Exposure				
Trade and other receivables (excluding pre-payments and statutory receivables)	Nil	963,424,769	Nil	963,424,769
Amounts due from related parties (Note 14)	Nil	Nil	21,729,258	21,729,258
Cash and cash equivalents (excluding bank overdrafts) (Note 18)	258,765,876	Nil	Nil	258,765,876
Total credit risk exposure	258,765,876	963,424,769	21,729,258	1,243,919,903

As at 31 December 2017	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total
Risk Exposure				
Trade and other receivables (excluding pre-payments and statutory receivables)	Nil	1,132,458,586	Nil	1,132,458,586
Amounts due from related parties (Note 14)	Nil	Nil	13,873,421	13,873,421
Cash and cash equivalents (excluding bank overdrafts) (Note 18)	139,732,757	Nil	Nil	139,732,757
Total credit risk exposure	139,732,757	1,132,458,586	13,873,421	1,286,064,764

Notes to the Financial Statements

3. Financial risk managements (Contd)

3.1 Financial risk (Contd)

3.1.1 Financial risk factors (Contd)

(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 1,154,915,050 (2017 - LKR 1,204,114,936) that are expected to readily generate cash inflows for managing liquidity risk.

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

As at 31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities					
Trade and other payables (excluding statutory payables)	657,202,995	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 21)	756,263,617	Nil	Nil	Nil	Nil
Total liabilities	1,413,466,612	Nil	Nil	Nil	Nil

As at 31 December 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities					
Trade and other payables (excluding statutory payables)	487,102,954	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 21)	171,637,351	Nil	Nil	Nil	Nil
Bank overdraft (Note 18)	115,033,506	Nil	Nil	Nil	Nil
Total liabilities	1,426,144,078	Nil	Nil	Nil	Nil

3. Financial risk managements (Contd)

3.1 Financial risk (Contd)

3.1.1 Financial risk factors (Contd)

(d) Price risk

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, financial assets at fair value through profit or loss, forward foreign exchange contracts, other payables and bank borrowings. The carrying amounts of these assets and liabilities approximate their fair values. The fair values for both financial assets and liabilities together with the carrying amounts shown in the statement of financial position date are as follows:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables (excluding prepayments and statutory receivables)	963,424,769	963,424,769	1,132,458,586	1,132,458,586
Amounts due from related parties (Note 14)	21,729,258	21,729,258	13,873,421	13,873,421
Cash and cash equivalents (excluding bank overdrafts) (Note 17)	258,765,876	258,765,876	139,732,757	139,732,757
Bank overdrafts (Note 18)	Nil	Nil	115,033,506	115,033,506
Trade and other payables (excluding statutory payables)	657,202,995	657,202,995	487,102,954	487,102,954
Amounts due to related parties (Note 21)	756,263,617	756,263,617	171,637,351	171,637,351

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.

The Company has not obtained any debt facilities (other than temporary bank overdrafts) to finance operations over the past 5 years.

Notes to the Financial Statements

4 Critical accounting estimates and judgements

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.

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 20.

(c) Impairment of trade receivable

"The Company applies the IFRS 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.

4.2 Critical judgements in applying the entity's accounting policies

No critical judgements have been made in applying the entity's accounting policies.

5 Sales

	2018	2017
Sales are made up as follows:		
Local sales	9,687,064,495	9,903,932,812
Export sales	1,081,497,882	1,081,502,651
Related party sales [Note 26 (a)]	92,481,431	67,060,832
	10,861,043,808	11,052,496,295

6 Expenses by nature

	2018	2017
Directors' emoluments		
- executive	77,435,087	43,200,885
- non executive	5,808,000	5,808,000
	83,243,087	49,008,885
Auditors' remuneration		
- audit	2,453,373	2,271,642
- non audit	120,000	90,000
	2,573,373	2,361,642
Depreciation on property, plant and equipment (Note 13)	172,976,571	161,399,332
Amortisation of marketing support fee paid [Note 14 (f)]	17,937,995	18,662,057
(Reversal of provision) / provision for impairment on trade receivables [Note 14 (i)]	(1,441,351)	2,045,212
Property, plant and equipment written off (Note 13)	3,037,231	10,967
Repair and maintenance expenditure	35,201,524	38,065,599
Operating lease rental - property	41,299,154	39,825,519
Employee benefit cost (Note 7)	274,324,409	264,073,661

Notes to the Financial Statements

7 Employee benefit costs

	2018	2017
Salaries and wages	218,419,374	209,302,210
Contribution to defined contribution plans	30,995,789	29,712,267
Contribution to defined benefit obligations (Note 20)	24,909,246	25,059,184
	274,324,409	264,073,661
Average monthly number of persons employed by the Company during the year:		
Permanent employees	77	77

8 Other income

	2018	2017
Scrap sales	450,061	845,942
Write back of creditors	53,211	Nil
Profit on disposal of property, plant and equipment	6,963,227	3,460,611
Empty drum sales	682,696	1,154,762
	8,149,195	5,461,315

9 Finance income and costs

	2018	2017
Finance income:		
Interest income on short term deposits	21,703,639	55,161,934
Interest income on employee loans	470,072	459,694
	22,173,711	55,621,628
Net foreign exchange transaction and translation gains	Nil	39,434,707
	22,173,711	95,056,335
Finance costs:		
Interest expense on bank overdraft	(1,867,223)	(5,153,034)
Net foreign exchange transaction and translation losses	(3,299,899)	Nil
	(5,167,122)	(5,153,034)
Finance income - net	17,006,589	89,903,301

10 Tax

	2018	2017
Current tax:		
Current tax on profits for the year	757,669,592	924,703,659
Under / (over) provision for income tax in respect of previous years	40,471	(913,922)
	757,710,063	923,789,737
Deferred tax :		
Origination of temporary differences (Note 16)	10,546,670	6,775,135
Income tax expense	768,256,733	930,564,872
Deferred tax charged / (credited) to other comprehensive Income (Note 16)	1,241,116	(7,361,213)
	769,497,849	923,203,659

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:

	2018	2017
Profit before tax	2,760,085,320	3,495,785,086
Tax calculated at a tax rate of 28% (2017 - 28%)	772,823,890	978,819,824
Tax effects of:		
- Different tax rates	(12,240,329)	(63,936,237)
- Income not subject to tax	(18,958)	(1,886,231)
- Expenses not deductible for tax purposes	7,743,517	18,481,438
- Profit on sale of fixed assets	(91,858)	Nil
Under / (over) provision for income tax in respect of previous years	40,471	(913,922)
Tax charge	768,256,733	930,564,872

The Company is liable for income tax at a rate of 28% on trading / interest income and on profits attributable to direct and indirect exports from year of assessment 2018/19. Profits attributable to direct and indirect exports prior to year of assessment 2018/19 was at 12%.

Further information about deferred tax is provided in Note 16.

Notes to the Financial Statements

11 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the number of shares in issue as at end of the year.

	2018	2017
Profit attributable to shareholders	1,991,828,587	2,565,220,214
Number of ordinary shares in issue at 31 December (Note 19)	240,000,000	240,000,000
Basic earnings per share (LKR)	8.30	10.69

12 Dividends

	2018	2017
Proposed and paid interim dividend of LKR 8.75 per share (2017 - LKR 10.00 per share)	2,100,000,000	2,400,000,000

The fourth interim dividend for 2017 of LKR 2.25 per share amounting to LKR 540,000,000 was declared on 08 February 2018 and paid on 02 March 2018.

The fourth interim dividend for 2018 of LKR 1.50 per share amounting to LKR 360,000,000 was declared on 15 February 2019 and paid on 12 March 2019.

13 Property, plant and equipment

	Land improvement	Leasehold buildings	Storage tanks	Plant and machinery	Office furniture and equipment	Motor vehicles	Computers	Capital work in progress	Total
Year ended 31 December 2017									
Opening net book amount	200,997,124	1,045,352,371	337,624,538	389,358,985	61,844,031	23,155,517	26,610,107	47,915,199	2,132,857,872
Asset class reclassification - cost	2,499,255	(2,499,255)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
- accumulated depreciation	(999,702)	999,702	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Additions	1,220,108	8,449,333	Nil	29,133,040	4,368,529	Nil	21,257,359	30,688,392	95,116,761
Transferred from capital work-in-progress	Nil	978,724	1,058,768	21,721,822	16,680,001	Nil	7,106,674	(47,545,989)	Nil
Write offs - cost (Note 6)	Nil	Nil	Nil	Nil	(1,007,201)	Nil	(501,465)	Nil	(1,508,666)
- accumulated depreciation (Note 6)	Nil	Nil	Nil	Nil	996,234	Nil	501,465	Nil	1,497,699
Disposals - cost	Nil	Nil	Nil	Nil	(633,254)	(8,125,000)	(2,422,745)	Nil	(11,180,999)
- accumulated depreciation	Nil	Nil	Nil	Nil	619,622	8,125,000	2,422,745	Nil	11,167,367
Depreciation charge (Note 6)	(8,187,524)	(40,582,546)	(25,953,928)	(55,034,157)	(12,225,159)	(6,264,477)	(13,151,541)	Nil	(161,399,332)
Closing net book amount	195,529,261	1,012,698,329	312,729,378	385,179,690	70,642,803	16,891,040	41,822,599	31,057,602	2,066,550,702
At 31 December 2017									
Cost	223,984,764	1,144,808,612	423,474,260	674,073,904	118,877,690	52,777,959	86,133,502	31,057,602	2,755,188,293
Accumulated depreciation	(28,455,503)	(132,110,283)	(110,744,882)	(288,894,214)	(48,234,887)	(35,886,919)	(44,310,903)	Nil	(688,637,591)
Net book amount	195,529,261	1,012,698,329	312,729,378	385,179,690	70,642,803	16,891,040	41,822,599	31,057,602	2,066,550,702
Year ended 31 December 2018									
Opening net book amount	195,529,261	1,012,698,329	312,729,378	385,179,690	70,642,803	16,891,040	41,822,599	31,057,602	2,066,550,702
Additions	Nil	Nil	Nil	9,631,164	2,234,974	10,500,000	2,190,746	50,196,802	74,753,686
Transferred from capital work-in-progress	1,305,543	1,784,905	Nil	15,727,777	94,000	Nil	12,145,377	(31,057,602)	Nil
Write offs - cost (Note 6)	Nil	(1,252,185)	(4,310,000)	(4,538,679)	(6,076,793)	Nil	(7,032,975)	Nil	(23,210,632)
- accumulated depreciation (Note 6)	Nil	1,171,199	2,440,908	3,795,596	5,866,954	Nil	6,898,744	Nil	20,173,401
Disposals - cost	Nil	Nil	Nil	Nil	(232,691)	(25,816,000)	(287,825)	Nil	(26,336,516)
- accumulated depreciation	Nil	Nil	Nil	Nil	232,691	23,902,902	287,825	Nil	24,423,418
Depreciation charge (Note 6)	(8,403,083)	(40,950,298)	(25,913,724)	(57,212,727)	(14,332,296)	(6,214,078)	(19,950,365)	Nil	(172,976,571)
Closing net book amount	188,431,721	973,451,950	284,946,562	352,582,821	58,429,642	19,263,864	36,074,126	50,196,802	1,963,377,488
At 31 December 2018									
Cost	225,290,307	1,145,341,332	419,164,260	694,894,166	114,897,180	37,461,959	93,148,825	50,196,802	2,780,394,831
Accumulated depreciation	(36,858,586)	(171,889,382)	(134,217,698)	(342,311,345)	(56,467,538)	(18,198,095)	(57,074,699)	Nil	(817,017,343)
Net book amount	188,431,721	973,451,950	284,946,562	352,582,821	58,429,642	19,263,864	36,074,126	50,196,802	1,963,377,488

(a) Property, plant and equipment includes fully depreciated assets still in books, the cost of which at 31 December 2018 amounted to LKR 143,744,657 (2017 - LKR 143,465,701).

(b) Depreciation expense of LKR 138,166,897 (2017 - LKR 134,743,568) has been charged in cost of goods sold, LKR 13,765,851 (2017 - LKR 11,042,945) as administrative expenses and LKR 21,043,823 (2017 - LKR 15,612,819) as selling and distribution expenses.

Notes to the Financial Statements

14 Trade and other receivables

	2018	2017
Trade receivables	898,951,644	1,082,435,808
Less: provision for impairment of trade receivables [refer (i) below]	(2,802,470)	(18,053,628)
Trade receivables - net	896,149,174	1,064,382,180
Prepayments	17,931,792	17,077,401
Deposits	29,471,505	28,864,746
Staff loans [refer (e) below]	32,159,474	27,607,953
Marketing support fee paid to service centre operators [refer (f) below]	37,326,520	43,862,515
Other receivables [refer (d) below]	55,190,222	148,008,845
	1,068,228,687	1,329,803,640
Receivables from related parties [Note 26 (d) (i)]	21,729,258	13,873,421
Total trade and other receivables	1,089,957,945	1,343,677,061
Less: non-current portion		
Staff loans	24,824,174	20,967,967
Marketing support fee paid to service centre operators	21,943,084	27,461,467
Deposits	29,471,505	28,864,746
Total non-current portion	76,238,763	77,294,180
Current portion	1,013,719,182	1,266,382,881

(a) Trade receivables by credit quality:

	2018	2017
Neither past due nor impaired	794,597,669	952,526,750
Past due but not impaired	101,551,505	111,855,430
Impaired	2,802,470	18,053,628
	898,951,644	1,082,435,808

14 Trade and other receivables (Contd)

(b) The Company applies the IFRS 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 group 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 2018 or 1 January 2018 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.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables:

31 December 2018	Current	Upto 3 months	3 to 6 months	Over 6 months	Total
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount					
– trade receivables	794,597,669	94,241,438	7,310,067	2,802,470	898,951,644
Loss allowance	Nil	Nil	Nil	2,802,470	2,802,470

1 January 2018	Current	Upto 3 months	3 to 6 months	Over 6 months	Total
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount					
– trade receivables	952,853,029	103,617,417	7,911,734	18,053,628	1,082,435,808
Loss allowance	Nil	Nil	Nil	18,053,628	18,053,628

Notes to the Financial Statements

14 Trade and other receivables (Contd)

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

	2018	2017
US Dollars	128,659,783	191,377,107
Sri Lankan Rupees	961,298,162	1,152,299,954
	1,089,957,945	1,343,677,061

(d) Other receivables mainly consist of VAT receivable of LKR 49,545,606 (2017 - LKR 136,405,138).

(e) 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 (2017 - 4.2%).

(f) 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 17,937,995 (2017 - LKR 18,662,057) is recognised in the statement of comprehensive income (Note 6).

(g) The effective market interest rates on non-current receivables (staff loans) as at 31 December 2018 were 14.5% per annum (2017 - 15%). The effect of discounting is not considered to be material.

(h) 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.

(i) Movement of the provision for impairment of trade receivables is as follows:

	2018	2017
At 1 January	18,053,628	16,015,370
Trade receivables written off against provision	(13,809,807)	(6,954)
(Reversal of provision) / provision for impairment on trade receivables (Note 6)	(1,441,351)	2,045,212
At 31 December	2,802,470	18,053,628

15 Financial instruments by category

	Loans and receivables	Total
a) 31 December 2018		
Financial assets - measured at amortised cost		
Trade and other receivables (excluding prepayments, statutory receivables and marketing support fee paid to service centre operators)	985,154,027	985,154,027
Cash and cash equivalents (Note 18)	258,765,876	258,765,876
	1,243,919,903	1,243,919,903

	Other financial liabilities	Total
b) 31 December 2018		
Financial liabilities - measured at amortised cost		
Trade and other payables (excluding statutory liabilities)	1,413,466,612	1,413,466,612
	1,413,466,612	1,413,466,612

	Loans and receivables	Total
c) 31 December 2017		
Financial assets - measured at amortised cost		
Trade and other receivables (excluding prepayments, statutory receivables and marketing support fee paid to service centre operators)	1,146,332,007	1,146,332,007
Cash and cash equivalents (Note 18)	139,732,757	139,732,757
	1,286,064,764	1,286,064,764

Notes to the Financial Statements

15 Financial instruments by category (Contd.)

	Other financial liabilities	Total
d) 31 December 2017		
Financial assets - measured at amortised cost		
Trade and other payables (excluding statutory liabilities)	658,740,305	658,740,305
Bank overdrafts (Note 22)	115,033,506	115,033,506
	773,773,811	773,773,811

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

	2018	2017
Trade receivables		
Distributors	570,439,295	658,424,148
Commercial / industrial and others	261,224,664	282,626,324
Export customers / overseas	64,485,215	123,331,708
	896,149,174	1,064,382,180

	2018	2017
Cash and cash equivalents		
Cash at banks with AAA to A ratings	258,633,796	139,576,106
Cash in hand	132,080	156,651
	258,765,876	139,732,757

16 Deferred tax liabilities

Deferred tax is calculated on all temporary differences under the liability method using an effective tax rate of 28% (2017 - 28%).

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

	2018	2017
At beginning of year	245,717,527	246,303,605
Charged to income statement (Note 10)	10,546,670	6,775,135
Charged / (credited) to other comprehensive income (Note 10)	1,241,116	(7,361,213)
At end of year	257,505,313	245,717,527

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

	2018	2017
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	(24,681,175)	(40,600,332)
- Deferred tax assets to be recovered within 12 months	(14,417,469)	(4,823,404)
	(39,098,644)	(45,423,736)
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	296,603,957	291,141,263
Deferred tax liabilities - net	257,505,313	245,717,527

Notes to the Financial Statements

16 Deferred tax liabilities (Contd)

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 January 2017	279,766,740	279,766,740
Charged to income statement	11,374,523	11,374,523
At 31 December 2017	291,141,263	291,141,263
Charged to income statement	5,462,694	5,462,694
At 31 December 2018	296,603,957	296,603,957

Deferred tax assets	Defined benefit obligations	Total
At 1 January 2017	(33,463,135)	(33,463,135)
Credited to income statement	(4,599,388)	(4,599,388)
Credited to other comprehensive income (Note 10)	(7,361,213)	(7,361,213)
At 31 December 2017	(45,423,736)	(45,423,736)
Charged to income statement	5,083,976	5,083,976
Charged to other comprehensive income (Note 10)	1,241,116	1,241,116
At 31 December 2018	(39,098,644)	(39,098,644)

17 Inventories

	2018	2017
Raw materials and consumables	2,181,038,900	1,576,665,119
Finished goods	574,696,363	469,294,503
	2,755,735,263	2,045,959,622

(a) Raw material and consumables and finished goods include goods in transit amounting to LKR 622,612,566 (2017 - LKR 73,545,401).

(b) The cost of inventories consumed and included in cost of sales amounted to LKR 6,249,746,721 (2017 - LKR 5,905,660,369).

18 Cash and cash equivalents

	2018	2017
Cash and bank balances and short term deposits	258,765,876	139,732,757
	258,765,876	139,732,757

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

The weighted average effective interest rate on short term deposits was 7.28% (2017 - 7.99%).

The cash and cash equivalents are denominated in following currencies:

	2018	2017
US Dollars	47,079,222	32,058,358
Sri Lankan Rupees	211,686,654	107,674,399
	258,765,876	139,732,757

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

	2018	2017
Cash and bank balances and short term deposits	258,765,876	139,732,757
Bank overdrafts (Note 22)	Nil	(115,033,506)
	258,765,876	24,699,251

19 Stated capital

	Ordinary shares	
	Number of shares	Value of shares
At 31 December 2017	240,000,000	600,000,000
At 31 December 2018	240,000,000	600,000,000

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

20 Retirement benefit obligations

	2018	2017
Statement of financial position obligations for:		
Gratuity benefits	139,638,014	162,227,628
Income statement charge:		
Gratuity benefits (Note 7)	24,909,246	25,059,184
Other comprehensive income:		
Remeasurement (gain) / loss	(4,432,557)	26,290,047

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

	2018	2017
At 1 January	162,227,628	119,511,188
Current service cost	16,547,218	10,012,725
Interest cost	8,362,028	15,046,459
Remeasurement (gain) / loss	(4,432,557)	26,290,047
Benefits paid	(43,066,303)	(8,632,791)
At 31 December	139,638,014	162,227,628

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

	2018	2017
Current service cost	16,547,218	10,012,725
Interest cost	8,362,028	15,046,459
Total included in the employee benefit costs (Note 7)	24,909,246	25,059,184

20 Retirement benefit obligations (Contd)

The provision is not externally funded, but actuarially valued and the valuation was carried out by Actuarial & Management Consultants (Private) Limited, an independent actuary, on 31 December 2018 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	11.80% compounded annually	10.20% compounded annually
Estimated salary increment rate	6% per year	6% per year
Withdrawal rate	8% per annum up to age 55 and 0% thereafter	8% per annum up to age 55 and 0% thereafter

Assumptions regarding future mortality experience are set in accordance with A 67/70 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
Discount rate	1.00%	Decrease by 3.77%	Increase by 4.11%
Future salary growth rate	1.00%	Increase by 4.48%	Decrease by 4.16%

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

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

Notes to the Financial Statements

20 Retirement benefit obligations (Contd)

Maturity profile of the defined benefit obligations

The weighted average duration of the defined benefit obligation is 4.34 years. The distribution of the timing of benefit payments is as follows.

Expected maturity analysis of undiscounted retirement benefit obligations:

	2018	2017
Less than 1 year	51,490,962	17,226,443
Between 1 – 2 years	12,756,213	51,110,799
Between 2 – 5 years	47,110,769	47,388,864
Between 5 - 10 years	82,139,285	91,345,647
	193,497,229	207,071,753

21 Trade and other payables

	2018	2017
Trade payables	305,920,591	301,064,433
Accrued expenses [see Note (a) below]	329,131,023	143,083,938
Other payables [see Note (b) below]	32,123,349	45,390,304
	667,174,963	489,538,675
Payable to related companies - Trade [Note 26 (d)(ii)]	756,263,617	171,637,351
	1,423,438,580	661,176,026

(a) Accrued expenses include import fees payable of LKR 164,118,453 (2017 - LKR 8,110,699), lubricant license fee of LKR 30,483,070 (2017 - LKR 34,464,938), employee related payables amounting to LKR 35,926,325 (2017 - LKR 24,671,526), provision for trade discounts & Incentives of LKR 23,186,253 (2017 - LKR Nil) and provision for demurrage on base oil of LKR 36,651,021 (2017 - LKR Nil).

(b) Other payables mainly consist of unclaimed dividends by shareholders other than parent company of LKR 21,662,404 (2017 - LKR 32,654,905).

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

	2018	2017
US Dollars	917,091,338	292,085,697
Sri Lankan Rupees	506,347,242	369,090,329
	1,423,438,580	661,176,026

22 Borrowings

	2018	2017
Bank overdraft	Nil	115,033,506

(a) The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	2018	2017
6 months or less	Nil	115,033,506
(b) Weighted average effective interest rates:		
- Bank overdrafts - LKR	Nil	9.85%

(c) Bank overdrafts are unsecured.

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 at the date of the statement of financial position.

Financial commitments

The Company has entered into Service Level Agreements (SLA) with Chevron USA Inc., Chevron Singapore (Private) Limited and Chevron Holdings Inc. which govern the services offered by the Group companies and reimbursement of costs incurred by the Group.

Notes to the Financial Statements

24 Commitments (Contd)

Operating lease commitments - where the Company is the lessee and Hire agreements - where the Company is the hirer

(a) Cancellable

Details of cancellable operating leases are as follows:

Description	Lessor	Term
Lease of land on which blending plant and warehouse facility is located at Sapugaskanda	Lanka Industrial Estates Limited (LINDEL)	30 Years
Lease of Tank Yard at Mutwal	Sri Lanka Ports Authority	30 Years

The undiscounted future minimum lease payments under cancellable operating leases are as follows. The annual incremental lease rental for the tank yard at Mutwal is fixed and specified in the lease agreement, therefore included in estimating the commitment. The annual inflationary adjustment for the LINDEL land on which the plant and warehouse is located is variable based on the CCPI and therefore not included in the estimated commitment.

	2018	2017
Not later than one year	28,202,496	26,914,574
Later than one year and not later than five years	119,688,414	114,209,181
Later than five years	585,669,953	603,397,021
	733,560,863	744,520,776

(b) Non-cancellable

Details of non-cancellable operating leases and hire agreements are as follows:

Description	Lessor	Term
Lease of building at which the Company's registered office is located in Colombo 03	Oceanica Group Private Limited	5 Years
Hire of Motor Vehicles	Central Finance Company PLC	5 - 6 Years

The undiscounted future minimum lease and hire payments under non-cancellable lease and hire agreements are as follows:

	2018	2017
Not later than one year	32,283,324	42,435,324
Later than one year and not later than five years	62,421,835	90,950,295
Later than five years	Nil	3,754,864
	94,705,159	137,140,483

25 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2018	2017
Profit before tax	2,760,085,320	3,495,785,086
Adjustments for:		
Depreciation (Note 13)	172,976,571	161,399,332
Property, plant and equipment written off (Note 6)	3,037,231	10,967
Amortisation of marketing support fee paid (Note 6)	17,937,995	18,662,057
Profit on disposal of property, plant and equipment (Note 8)	(6,963,227)	(3,460,611)
Interest income (Note 9)	(22,173,711)	(55,621,628)
Interest expense (Note 9)	1,867,223	5,153,034
(Reversal of provision) / provision for impairment of trade receivables [Note 14 (i)]	(1,441,351)	2,045,212
Defined benefit obligations (Note 20)	24,909,246	25,059,184
Changes in working capital		
- trade and other receivables	237,222,472	(154,231,388)
- inventories	(709,775,641)	(256,374,911)
- payables	774,889,373	(638,005,965)
Cash generated from operations	3,252,571,501	2,600,420,369

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:

Ms Rochna Kaul, Mr Pat McCloud and Mr Anura Perera, directors of the Company, are also directors of Chevron Ceylon Limited, which is the immediate holding company. Ms. Rochna Kaul is also a director of Chevron Lubricants Vietnam Limited, Chevron Pakistan Lubricants Limited and Chevron India, whilst Mr. Teek Hong Kee was a Director of Chevron Singapore Pte Ltd.

The following transactions were carried out with the related parties.

(i) Reimbursable expenses incurred by Chevron Lubricants Lanka PLC

	2018	2017
Chevron Ceylon Limited	Nil	4,600
	Nil	4,600

Notes to the Financial Statements

26 Directors' interest in contracts and related party transactions with the Company (Contd)

(ii) Other related party transactions

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

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

	2018	2017
Sales of goods:		
Chevron Thailand Limited	17,795,103	4,092,474
Chevron Marine Products LLC	53,022,759	60,255,198
Chevron Pakistan Lubricants Pvt Ltd	21,663,569	2,713,160
	92,481,431	67,060,832

Goods are sold based on the price list in force and terms that would be available to third parties.

26 Directors' interest in contracts and related party transactions with the Company (Contd)

(b) Purchases of goods and services

	2018	2017
Purchase of goods:		
Chevron Singapore (Private) Limited	3,308,200,695	2,791,638,159
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	25,865,420	20,041,037
Chevron Thailand Limited	93,453,830	72,559,451
Chevron Oronite (Private) Limited	527,891,326	464,532,170
Chevron (Tianjin) Lubricants Company Limited	Nil	120,072
Chevron Products Company	5,837,975	5,033,215
Chevron Brazil Lubricants Limited	5,508,308	2,608,195
Chevron Belgium N.V	4,386,080	6,453,055
Chevron Lubricants Vietnam Ltd	4,780,853	4,481,786
Chevron Pakistan Lubricants Pvt Ltd	Nil	4,661,866
Chevron Malaysia Limited	Nil	1,292,893
Chevron International Pte Limited	Nil	181,911
	3,975,924,487	3,373,603,810

	2018	2017
Purchases of services:		
Chevron International Pte Limited	Nil	435,915,222
Chevron Holdings Inc. (Philippines)	5,423,876	7,562,382
Chevron USA Inc. (Chevron Information Technology Company)	69,291,950	69,337,077
Chevron USA Inc. (Chevron Products Company)	46,140,219	58,712,036
Chevron Belgium N.V	176,646	314,601
Chevron Service Company	Nil	92,457
Chevron Corporation	3,157,411	Nil
Chevron Singapore Pte Ltd	479,599,481	Nil
Chevron Industries	33,071,269	Nil
	636,860,852	571,933,775

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, IT services and finance. 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 118% (2017 - 98%) of net assets and 76% (2017 - 71%) of total assets at the end of the financial year.

Notes to the Financial Statements

26 Directors' interest in contracts and related party transactions with the Company (Contd)

(c) Key management compensation

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

	2018	2017
Salaries and other short-term employee benefits	87,409,997	54,064,941
	87,409,997	54,064,941

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

(i) Receivable from related parties:

	2018	2017
Chevron Products Company	889,788	1,235,645
Chevron Services Company	150,823	Nil
Chevron Marine Products LLC	20,688,647	12,637,776
	21,729,258	13,873,421

(ii) Payable to related parties:

	2018	2017
Chevron International Pte Limited	Nil	66,535,333
Chevron Holdings Inc. (Philippines)	128,569	318,805
Chevron Singapore (Private) Limited	653,394,589	48,555,802
Chevron Oronite (Private) Limited	41,517,083	28,291,693
Chevron USA Inc. (Chevron Information Technology Company)	14,200,435	11,092,147
Chevron Thailand Limited	8,062,398	2,082,552
Chevron USA Inc. (Chevron Products Company)	417,509	6,818,105
Chevron Belgium N.V	Nil	2,028,155
Chevron Malaysia Limited	Nil	1,252,893
Chevron Pakistan Lubricants Pvt Ltd	Nil	4,661,866
Chevron Corporation	6,071	Nil
Chevron Industries	33,071,269	Nil
Chevron Asia Pacific Holdings Ltd	5,465,694	Nil
	756,263,617	171,637,351

26 Directors' interest in contracts and related party transactions with the Company (Contd)

(e) Asite Talwatte is a Director of Diesel & Motor Engineering PLC. The Company had the following receivable and payable balances as at the statement of financial position

	2018	2017
Amounts Receivable by Chevron Lubricants Lanka PLC	3,165,509	3,400,757
Diesel & Motor Engineering PLC		
Amounts Payable by Chevron Lubricants Lanka PLC		
Diesel & Motor Engineering PLC	71,923	Nil

27 Changes in Accounting policies

SLFRS 9 - Financial Instruments

(a) Classification and measurement

On 1 January 2018 (the date of initial application of SLFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate SLFRS 9 categories.

(b) Reclassifications of financial instruments on adoption of SLFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Company were as follows, with any reclassifications noted:

Current financial assets

	Measurement category		Carrying amount		
	Original (LKAS 39)	New (SLFRS 9)	Original	New	Difference
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	Amortised cost	Amortised cost	1,146,332,007	1,146,332,007	Nil
Cash and cash equivalents (Note 17)	Amortised cost	Amortised cost	139,732,757	139,732,757	Nil

The application of the new expected credit loss model and the reclassifications of the financial instruments on adoption of SLFRS 9 did not result in any changes to their initial measurements.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application. The Company does not identify any material impact to the financial statement at the date of initial application.

28 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 apart from the following disclosure.

The fourth interim dividend of LKR 1.50 per share amounting to LKR 360,000,000 was declared on 15 February 2019 and paid on 12 March 2019.

10 - Year Financial Summary

(in Rupees 000')

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Trading Results											
Turnover		10,861,044	11,052,496	12,089,111	11,563,854	11,519,891	11,197,152	11,754,046	11,039,945	9,471,256	8,690,554
Profit Before Tax		2,760,085	3,495,785	4,702,671	4,318,544	3,699,633	3,453,598	3,111,457	2,767,780	2,333,950	2,344,370
Taxation		768,257	930,565	1,222,261	1,226,709	952,800	921,697	845,630	767,164	832,676	849,465
Profit After Tax		1,991,829	2,565,220	3,480,410	3,091,835	2,746,833	2,531,900	2,265,827	2,000,616	1,501,274	1,494,905
Balance Sheet											
Share Capital		600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Reserves		3,314,473	3,406,914	3,260,623	4,087,029	4,599,210	4,240,021	3,525,818	2,558,145	1,637,529	1,606,255
Shareholders funds		3,914,473	4,006,914	3,860,623	4,687,029	5,199,210	4,840,021	4,125,818	3,158,145	2,237,529	2,206,255
Property, Plant & Equipment		1,963,377	2,066,551	2,132,858	2,195,826	2,243,616	1,296,651	215,813	193,113	220,338	260,080
Current & Non Current Assets excluding PPE		4,104,459	3,529,369	4,913,648	4,849,178	4,233,183	5,755,821	5,731,694	4,160,806	3,154,727	3,771,466
Current Liabilities		1,756,220	1,181,061	2,820,069	2,058,777	1,056,091	2,090,392	1,734,361	1,094,004	1,028,591	1,706,313
Non Current Liabilities		397,143	407,945	365,814	299,198	221,497	122,060	87,328	101,769	108,945	118,978
Net Assets		3,914,473	4,006,914	3,860,623	4,687,029	5,199,211	4,840,021	4,125,818	3,158,145	2,237,529	2,206,255
Key Indicators											
Gross Dividends Rs.000'	Rs. 000'	2,100,000	2,400,000	4,320,000	2,760,000	2,400,000	1,800,000	1,320,000	1,080,000	1,470,000	1,440,000
Dividend per Share	Rupees	8.75	10.00	18.00	11.50	10.00	7.50	5.50	4.50	6.13	6.00
Price Earnings Ratio	Times	8.77	11.13	10.83	13.35	17.46	12.69	10.70	10.20	12.75	11.38
Market value per share as at 31st December	Rupees	72.80	119.00	157.10	344.00	399.60	267.80	202.00	170.00	159.50	141.75
Return on Equity	%	50	65	81	63	55	56	62	74	68	69
Net Assets per share	Rupees	16.31	16.70	16.09	19.53	21.66	20.17	17.19	13.16	9.32	9.19
Net Income to Turnover	%	18	23	29	27	24	23	19	18	16	17
Earnings per Share	Rupees	8.30	10.69	14.50	12.88	11.45	10.55	9.44	8.34	6.26	6.23

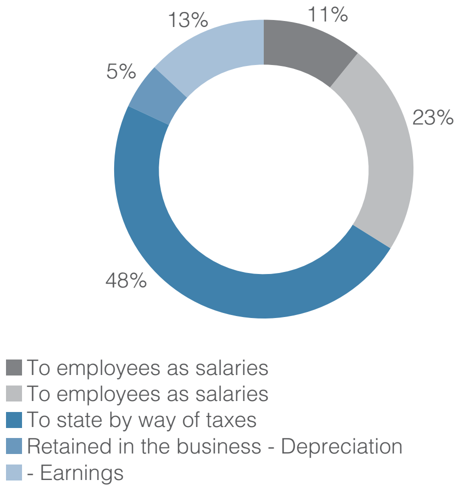
Note : The Company effected an increase of the Company's shares by way of a subdivision of each ordinary share into two ordinary shares thus increasing the number of shares from 120,000,000 ordinary shares to 240,000,000 effective 7th June 2016. Therefore Basic EPS / DPS / Net Asset per share for prior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

Statement of Value Added

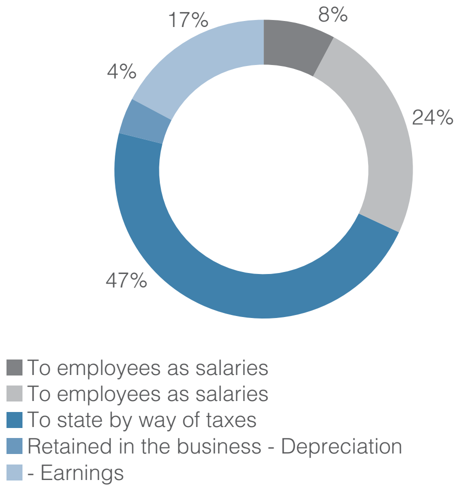
(in Rupees millions)

	2018	2017
Value addition		
Turn Over	10,861	11,052
Finance Income	22	95
Less: Materials and services purchased	7,594	7,210
value created	3,289	3,937
Distribution of Value addition		
To employees as salaries	352	307
To state by way of taxes	769	923
To share holders as dividends	1560	1,860
Retained in the business - Depreciation	173	161
- Earnings	435	686
	3,289	3,937

Statement of Value added -2018



Statement of Value added -2017



Shareholder Information

Categorised Summary reports as at 31st December 2018

No of shares held			No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1	-	1000	3,465	57.14	1,114,864	0.46
100	-	10,000	1,858	30.64	7,047,671	2.94
10,001	-	100,000	623	10.27	19,190,403	8.00
100,001	-	1,000,000	99	1.63	30,377,324	12.66
1,000,001& over			19	0.31	182,269,738	75.94
Total			6,064	100.00	240,000,000	100.00

Categorised Summary reports as at 31st December 2018

No of shares held	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
Individual	5,739	94.64	40,681,745	16.95
Institutional	325	5.36	199,318,255	83.05
Total	6,064	100.00	240,000,000	100.00
Resident	5,928	97.76	186,832,296	77.85
Non- Resident	136	2.24	53,167,704	22.15
Total	6,064	100.00	240,000,000	100.00
Public Holding	6,062		117,599,600	49.00%

Share Information

	2018	2017
Net Assets Per Share (Rs)	16.31	16.70
Closing Price Per Share (Rs.)	72.80	119.00
Highest Price during the year (Rs.)	122.00	179.90
Lowest Price During the year (Rs.)	64.80	109.00
Public Share holding	49%	49%
Number of public Share Holders	6062	5550
Compliant under option 2 - Float Adjusted Market Capitalization (Rs.)	8,561,280,000	

As at 31 December Name of Shareholders	2018 Number of Shares	2018 %	2017 Number of Shares	2017 %
Chevron Ceylon Limited	122,400,000	51.00	122,400,000	51.00
Caceis Bank, Luxembourg Branch-Barca Global Master Fund LP	14,673,379	6.11		-
Renuka Hotels Limited	5,201,918	2.17	5,201,918	2.17
RBC Investor Services Bank- COELI SICAV I- FRONTIER MARKETS FUND	4,465,502	1.86	4,175,502	1.74
SSBT-Change Global Frontier Markets, LP	4,270,250	1.78		-
BNYMSANV RE-NEON LIBERTY EMERGING MARKETS FUND,LP	4,177,352	1.74	4,177,352	1.74
Nothern Trust Global Services London S/A Verdipapirfondet Odin Emerging Markets	3,444,194	1.44	3,444,194	1.44
Sri Lanka Insurance Corporation LTD- LIFE FUND	3,400,000	1.42	2,900,000	1.21
Cargo Boat Development Company Limited	3,400,000	1.42	3,400,000	1.42
BNYM SA/NV- FRONTAURA GLOBAL FRONTIER FUND LLC	2,769,163	1.15	2,769,163	1.15
BBH-PIONEER MULTI-ASSET INCOME FUND	2,117,467	0.88		-
Crescent Launderers & Dry Cleaners (Pvt) Ltd	2,000,000	0.83	2,000,000	0.83
BNYM RE-FRONTIER MARKET OPPORTUNITIES MASTER FD,L.P	1,730,763	0.72	2,076,963	0.87
SSBT-FRANK RUSSEL TRUST COMPANY COMINGLED BENEFIT FUNDS TRUST GNA-6QH3	1,721,007	0.72	1,809,078	0.75
Bank of Ceylon -No 2 A/C	1,688,823	0.70	1,729,977	0.72
SSBT- PARAMETRIC TAX- MANAGED EMERGING MARKETS FUND	1,378,614	0.57	1,821,700	0.76
MRS. SELLIAH	1,350,000	0.56		-
SSBT-RUSSELL INVESTMENTS INSTITUTIONAL FUNDS PUBLIC LIMITED COMPANY	1,065,390	0.44	1,635,690	0.68
EMPLOYEES PROVIDENT FUND	1,015,916	0.42		-
BNYM RE-FIRST EAGLE INTERNATIONAL SMALL CAP VALUE FUND LP	928,168	0.39		-
Sub Total	183,197,906	76.33	159,541,537	66.48
Others	56,802,094	23.67	80,458,463	33.52
Total	240,000,000	100.00	240,000,000	100.00

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Sixth Annual General Meeting of Chevron Lubricants Lanka PLC will be held on Tuesday, 23rd April 2019 at 3.30p.m. at Level 6 Public Forum, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07 for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2018 and the Report of the Auditors thereon.
- To re- elect as Director, Mr. Asite Talwatte who retires in terms of Article 91 of the Articles of Association of the Company.
- To re- elect as Director, Mr. Nicolas Bossut who retires in terms of Article 91 of the Articles of Association of the Company.
- To re-elect as Director, Mr. Harsha Amarasekera 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 authorise the Directors to determine their remuneration.
- To authorize the Directors to determine & make donations.
- To consider any other business of which due notice has been given.

By Order of the Board

A.M. Anura Perera
Secretary
Colombo

27 March 2019

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company. The form of proxy is attached herewith.
3. The Completed form of proxy should be deposited at the Registered Office of the Company at Chevron House 490, Galle Road, Colombo 3 not less than 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

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

....of...

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

Rochna Misra Kaul	whom failing
Patrick Aaron McCloud	whom failing
Nicolas Michel Bossut	whom failing
Asite Drupath Bandara Talwatte	whom failing
Shiran Harsha Amarasekera	whom failing
Adikarige Mervin Anura Perera	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 Twenty Sixth Annual General Meeting of Chevron Lubricants Lanka PLC will be held on Tuesday, 23rd April 2019 at 3.30p.m. at Level 6 Public Forum, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof:

	FOR	AGAINST
1. To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2018 and the Report of the Auditors thereon.		
2. To re- elect as Director, Mr. Asite Talwatte who retires in terms of Article 91 of the Articles of Association of the Company.		
3. To re- elect as Director, Mr. Nicolas Bossut who retires in terms of Article 91 of the Articles of Association of the Company.		
4. To re-elect as Director, Mr Harsha Amarasekera who retires by rotation in terms of Clause 84 of the Articles of Association of the Company		
5. To reappoint Messrs. PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration.		
6. To authorize the Directors to determine & make donations.		

Signed this ....day of...........2019 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 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 proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution

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

4. The Completed Form of Proxy should be deposited at the Registered Office of the Company, located at Chevron House, 490, Galle Road, Colombo 3, 48 hours prior to the time appointed for the holding of the meeting.

Corporate Information

Legal Form	:	A Public Limited Liability Company (Incorporated in 1992 and listed on the Colombo Stock Exchange)
Directors	:	Rochna Kaul - Chairperson Pat McCloud - Managing Director & CEO Nicolas Bossut Asite Talwatte Harsha Amarasekera Anura Perera
Secretary	:	Anura Perera Chevron House, 490, Galle Road, Colombo 3
Registered Office	:	Chevron House 490, Galle Road, Colombo 03
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 No 41, Janadhipathi Mawatha, Colombo 01
Bankers	:	Citibank NA Deutsche Bank AG Commercial Bank of Ceylon PLC
Web Address	:	www.chevron.lk
Email	:	contactus@chevron.com
Telephone	:	0114524524
Facsimile	:	0114524566

Designed & produced by
emagewise
Printed by Printage (Pvt) Ltd

Our Family of Brands

Chevron House
490, Galle Road,Colombo 3

www.chevron.lk