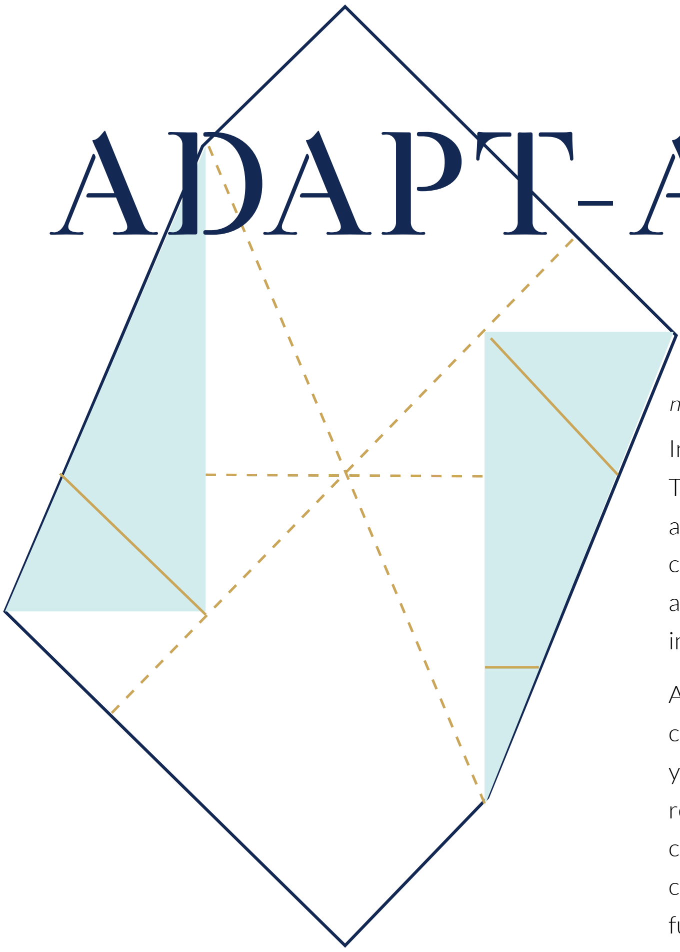
ADAPT-ABILITY

TEXACO Chevron CALTEX

Our Family of Brands

Chevron Lubricants Lanka PLC
Annual Report 2020

ADAPT-ABILITY



noun: the quality of being able to adjust to new conditions.

In a fast-changing environment, the ability to adapt is a necessity. That's why at Chevron Lanka, we endeavor to prepare for any eventuality; reliant on decades of experience in a fiercely competitive market. Over time we have continued to fine-tune a structure designed to deliver consistent value, continuous improvement, and robust performance.

As we face the unknown, we are gearing ourselves to face the challenges that tomorrow holds. We are shaping and sculpting your company to explore a future of exciting new possibilities; relying on our collective skill, knowledge, and versatility to deploy creative strategies and engineer solutions designed to anticipate change, address the people's needs, and transform both your future and ours. We are continuing to adapt to a future of change, while ensuring constant progress in the face of adversity.

__Origami__ is an old Japanese art form which has, over the years, evolved into a craft that stimulates aspects of strategic thinking, innovation and problem solving. It represents the versatility and adaptability of a single entity — the ability to transform itself into a new structure that is fully functional, durable, and multidimensional.

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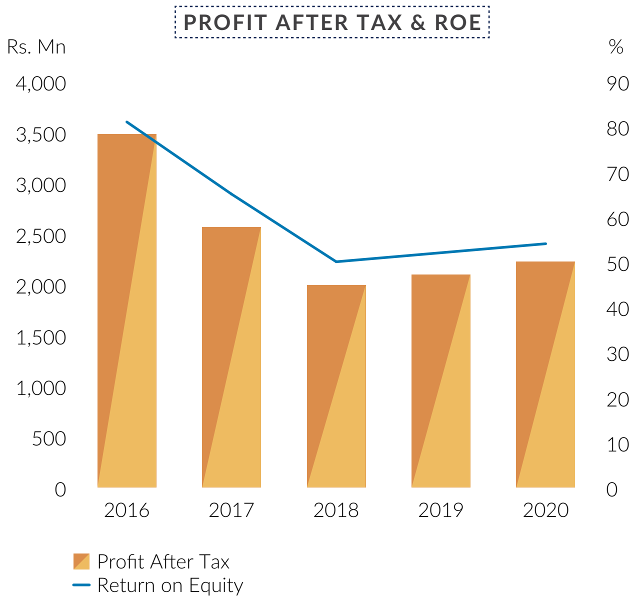
At the CORE *of our* BEING

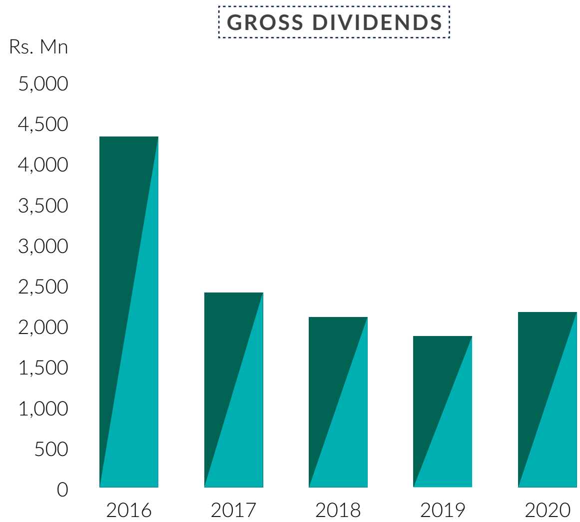
Built on a versatile foundation and a resourceful core, your Company is structured to adapt and transform — to be purposefully crafted in accordance with stakeholder needs and changing dynamics.

The diverse structures in origami all originate with a single piece of paper, which serves as its foundation or base — capable of being transformed into a range of possible outcomes.

Financial highlights

		2020 Rs. 000'	2019 Rs. 000'	%
Turnover		11,637,381	11,856,057	-2%
Profit BeforeTax & OCI		3,099,247	2,943,233	5%
Taxation		873,519	843,826	4%
Profit After Tax		2,225,729	2,099,408	6%
Shareholders Funds		4,180,188	4,136,297	1%
Property, Plant & Equipment		1,758,141	1,883,219	-7%
Gross Dividends	Rs. 000'	2,160,000	1,860,000	16%
Dividend per Share	Rupees	9.00	7.75	16%
Earnings per Share	Rupees	9.27	8.75	6%
Dividend Payout Ratio	%	97	89	8%
Price Earnings Ratio	Times	11.65	8.56	36%
Market Value per Share as at 31st December	Rupees	108.00	74.90	44%
Return on Equity	%	54	52	2%
Net Assets per Share	Rupees	17.42	17.23	1%
Net Income to Turnover	%	19	18	1%





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.

Chairperson's Review

> Our Company's robust systems, processes, and disciplined policies significantly increased our resilience

Dear Stakeholder,

EARNINGS PER SHARE

Rs. 9.27

PROFIT FOR THE YEAR

Rs. 2,226Mn

The outbreak of COVID-19 in Sri Lanka adversely impacted the local economy with lockdown measures and other health and safety protocols imposed to combat the pandemic, much like in the rest of the world. On the heels of a harsh year in terms of lowered economic activity and weak business confidence in 2019 due to the Easter attacks, the pandemic further eroded economic recovery prospects during 2020. However, the country managed to curb the spread of COVID-19 during the first wave, thereby enabling lockdowns to be lifted by the middle of Q2, although the second wave brought further closures during Q4.

OPERATING ENVIRONMENT

The pandemic outbreak brought most activity to a virtual standstill from mid-March 2020, adversely affecting GDP growth, which declined by 1.7% for the first quarter and experienced a mammoth decline of 16.3% during the second quarter, before stabilizing at a positive 1.5% and 1.3% during Q3 and Q4, respectively, whilst GDP was estimated to have declined by 3.6% during 2020. The Tourism sector that was already reeling from the impact of the Easter attacks of 2019 encountered further adversity, with arrivals dropping to zero, thus having a cascading effect on various sub-sectors that depend on tourism. The government's import restrictions to mitigate the economic pressure on foreign reserves during Q2, especially the restrictions on import of motor vehicles and motor spare parts (with the latter eased subsequently), further dampened activity in sectors related to our business.

The sharp depreciation of the Rupee against the US Dollar and the imposition of an increased Customs Import Duty by the government specifically on finished lubricants and base oils necessitated the revision of product prices, which was witnessed across the industry.

With the overall lubricant market not recording growth since 2016 and the economic woes caused by the disruption to activity as a result of the pandemic, the operating environment was considered less favorable during the year under review.

COMPANY PERFORMANCE

Our Company's robust systems, processes, and disciplined policies significantly increased our resilience, enabling us to record higher earnings than the prior year despite the challenging environment. The lockdowns, low economic activity, and reduced vehicular movement adversely impacted us; however, since we supply to certain essential services such as power generation, agriculture, and fisheries industries, we were able to continue sales even during the stringent lockdowns. The ability to recover cost increases via timely price increases without compromising competitiveness has also helped improve our earnings position. Although we had to tighten our belt in expense management, we are pleased that we did not have to resort to any curtailment of employee benefits or headcount reductions.

During 2020, the Company's Net Earnings After Tax increased by 6% to Rs. 2,226 Mn, resulting in Earnings Per Share of Rs. 9.27, compared to Rs. 8.75 recorded in the previous year. The Company declared and paid dividends of Rs. 9 per share during the year. The fourth interim dividend for 2020 was declared on 25th February 2021.

FUTURE OUTLOOK

In keeping with the Company's unblemished safety record of 19 years since the last lost time from an injury, Chevron Lanka adopted a series of measures in compliance with health guidelines to ensure its internal and external stakeholders' safety. Being a part of a global entity, Chevron Lanka was ready and prepared with appropriate measures even before the pandemic hit Sri Lanka. Apart from enabling 'work from home' for office-based employees, the Company closely monitored frontline staff's health and safety, providing them with the necessary personal protective equipment to operate safely. The Chevron Lanka team has adapted with alacrity to the new normal.

Chevron Lanka has repeatedly demonstrated its resilience in surmounting diverse challenges to deliver returns to shareholders while serving customers with the highest quality products. This inherent strength coupled with a dedicated team of employees and globally benchmarked systems and processes has helped sustain the Company through the global pandemic.

ACKNOWLEDGMENT

I take this opportunity to thank my colleagues on the Board for their words of wisdom and support throughout the challenging year. On behalf of the Company, I extend my best wishes to previous MD/CEO Pat McCloud in his new assignment while warmly welcoming the new MD/CEO, Muhammad Najam Shamsuddin, who brings with him a wealth of experience. I would also like to express my gratitude to Nicolas Bossut for his service as a Director of the Company from March 2019 to February 2021.

This year's performance was made possible due to the continued trust and support of all our stakeholders. While commending employees for their exceptional contribution during the year, I would also like to extend my gratitude to the health workers and armed forces who have been at the frontlines of the battle against the pandemic in Sri Lanka for their efforts to keep us safe.

Ms. Rochana Kaul
CHAIRPERSON

Managing Director/ Chief Executive Officer's Review

> Chevron Lubricants Lanka PLC was able to post earnings that were 6% higher than 2019

Dear Stakeholder,

The fast-evolving landscape due to the pandemic outbreak required an agile and well-considered response. I am incredibly proud of our company's performance amidst a global pandemic.

Once again, our team demonstrated resilience to overcome hurdles, nimbleness to adapt and respond while keeping stakeholders and customers engaged as we navigated through unprecedented times.

We committed to meet and exceed expectations, and we delivered.

INDUSTRY PERFORMANCE

The latest statistics released by the Public Utilities Commission of Sri Lanka (PUCSL) confirm that the lubricants industry has experienced a decline of 4% in the first nine months of 2020. This contraction reflects the downward trajectory the industry has witnessed in recent years.

Mobility restrictions due to the outbreak affected the public transport sector's performance during the first half of 2020. Moreover, the import restrictions on vehicles, spare parts, coupled with weak industrial and commercial activity, contributed to reduced demand for lubricants in 2020.

COMPANY PERFORMANCE

Operating in an industry with negative market growth, demand destruction due to the pandemic, deteriorating foreign exchange rate, and imposition of increased import duties by the Government, Chevron Lubricants Lanka PLC was able to post earnings that were 6% higher than 2019. We also paid a dividend of Rs.9 per share during the year, which speaks volumes for how well the company navigated the uncertain operating environment.

The year under review is a testament to the importance of having the fundamentals in place. Elements such as our countrywide distribution penetration, robust credit policies, margin and expense management, agility in responding to the changing landscape, and our ONE TEAM mindset made the difference in delivering solid results despite the environmental challenges.

OUR RESPONSE TO THE PANDEMIC

The first order of the day was to ensure appropriate health and safety protocols were in place even before the first case surfaced in Sri Lanka. The management team reviewed the company's existing Business Continuity Plan (BCP), incorporating new contingencies, and developed possible scenarios to ensure reliable and safe operations. As a result, when the pandemic hit Sri Lanka, and the Government imposed a national lockdown, our company was one of the better-prepared entities to deal with the inevitable adversities.

A work-from-home policy was put in place for office-based staff by leveraging digital tools to ensure continued interaction and connectivity. Since remote work was not an option for production workers and field sales staff, we instituted stringent safeguards to ensure workforce safety. We continue to operate under these safeguards in the new normal even today.

OUR PERFORMANCE THROUGH THE PANDEMIC

RETAIL

The retail sector, which accounts for 70% of our portfolio, recorded growth over 2019, despite the multitude of challenges. After the first wave, the retail sector's recovery represented the classic V-shaped curve.

We had to review and revise some of our operating models to cope with the highly volatile environment that prevailed during the pandemic. These changes ensured reliable supplies to our customers and increased our bandwidth to serve some competitor accounts, to fulfill market demand.

Agriculture and fisheries sectors were declared essential sectors during the pandemic's first wave, which helped us to continue to supply these sectors. However, the fisheries sector was adversely affected during the second wave as the Peliyagoda fish market emerged as the epicenter of a significant COVID-19 cluster.

We had to curtail some of our planned marketing and promotional activities primarily due to restrictions imposed on public gatherings. However, we continued adding new outlets to our network of exclusive outlets, including Authorized Dealers and Xpress Lube vehicle service stations, during the year.

COMMERCIAL & INDUSTRIAL (C&I)

COVID-19 had a severe impact on the Industrial sector. Many factories were unable to operate due to curfew restrictions, and the staff was unable to reach their place of work due to lockdowns. Demand from the state-owned transport sector was also adversely affected due to a drastic drop in passenger numbers, with most curtailing non-essential travel even after lifting of lockdowns.

Furthermore, the rubber sector, a key source of demand for our products, was severely impacted due to global factors and saw lean order books as buyers in the West braced for the pandemic's impact.

However, the company's bright spot was the power generation sector, which continued to operate even during stringent lockdowns, being an essential service. We also continued supplies to the Armed Forces during the lockdown since this again is an essential service, and the company received a commendation from personnel of the Naval base in Welisara for the warmth and hospitality extended to them when effecting supplies despite this location erupting as a COVID-19 cluster during the first wave of the pandemic.

It was also encouraging that we continued to win new business even during the lockdown, which enabled us to buffer some of the impact from existing customer accounts.

EXPORTS

The exports sector's performance was essentially a story of two halves that were distinctly different. The first half saw demand destruction in both export markets - Bangladesh and Maldives. Whereas in contrast, the second half saw a strong rebound, especially in Bangladesh. The rebound in the Maldives followed later during Q4.

During the first half of the year, Bangladesh – where the pandemic's impact was particularly severe – the retail sector experienced a virtual halt with most areas on lockdown. The densely populated geographies of Dhaka and Chittagong continued to struggle for most of the first half, after being declared as red zones, with markets closed and minimal vehicular movement.

Managing Director/ Chief Executive Officer's Review

> Chevron Lanka will continue to introduce sophisticated and technology-leading products that will help customers improve the efficiency and life-span of their equipment.

The industrial sector of Bangladesh fared better, with most industries allowed to operate after the first lockdown. Since we supply to Power Generation customers, we continued to ship our product to Bangladesh to serve this essential service, even during the lockdown. During the second half of the year, we won the supply deal to a new site of a Power Generation customer, previously with a competitor, and that win tremendously boosted our volumes to Bangladesh. We also saw a rebound in the Retail Sector during the last quarter, which bodes well for 2021.

Exports to the Maldives were stifled during the year due to compressed demand, stemming from the tourism industry, its primary economic contributor, which was badly affected by the pandemic and the country's lockdown.

With airports closed and travel restrictions imposed in most countries, resorts in the Maldives had to put up shutters, and some were converted to quarantine centers. Whilst our sales to the Maldives were well below expectations due to the issues highlighted, it is encouraging that we continued to ship product to the Maldives every month of 2020. Fortunately, we have seen an improvement in tourist arrivals, especially during the last quarter of the year, which boosted our volumes during Q4, 2020 and bodes well for 2021.

ORIGINAL EQUIPMENT MANUFACTURERS (OEMS) AND TOLL BLENDING

The OEM sector witnessed a drop in demand due to a significant reduction in customer footfall at the OEM service workshops. Most vehicle owners curtailed non-essential travel. With the work-from-home regime practiced by most companies, there was a marked reduction in vehicular movement. Furthermore, Government restrictions on importing vehicles and spare parts adversely affected the OEM's ability to service vehicles.

The second wave proved to be particularly harsh to this sector since most of our key customers in this sector have their main workshops or central warehouses in the Gampaha district, which turned out to be the second wave's epicenter.

With our toll blend customer also being an OEM Agent, they too were impacted adversely by the same factors detailed above.

OUR PEOPLE DRIVE OUR PASSION TO SERVE

To consolidate our growth, we are focused on fortifying our ONE-Team culture. We aim to remove silos in the way we work, empower our people by decentralizing decision-making and providing greater authority at the appropriate levels. While bringing about these constructive changes and transformation, we remain focused on meeting our shareholders' expectations, which have always been of paramount importance.

A SUSTAINABLE APPROACH TO BUSINESS

As an organization, we look at every possibility of bringing sustainable products to our customers. In addition to complying with local regulatory requirements, we are also looking at our overall operations to ensure that we deliver on shareholder expectations around sustainability.

Chevron Lanka will continue to introduce sophisticated and technology-leading products that will help customers improve the efficiency and life-span of their equipment.

LOOKING AHEAD

Our strategic imperatives remain unchanged. We will consolidate our leadership position and focus on upgrading our portfolio while building our capability.

We expect 2021 to be better than 2020, as we already see some positive trends. It is difficult to forecast the "new normal." However, it is safe to assume that economic activity will take some time to return to the pre-pandemic level.

Chevron Lubricants Lanka PLC is well-suited for environments like these. The year gone by has tested our elasticity to respond, and we are focused on exploring how we can keep our teams motivated to go through periods like this.

The pandemic has allowed us to take a long and hard look at our business and decide how we should shape the organization to continue to "Win in any environment" and consistently strive to improve our Total Shareholder Returns.

Finally, the team we have at Chevron Lubricants Lanka has shown excellent team spirit, which is apparent in the strong performance delivered during a challenging year. The Chevron team has proved that they can win in any environment, irrespective of whether it's a market decline, a pandemic, or a recession. Chevron Lanka is firmly positioned to beat the competition and win across all seasons.

ACKNOWLEDGMENTS

I want to express gratitude to the Chairperson and Board of Directors for their guidance and encouragement throughout the year. I also want to thank our shareholders, business partners and customers for their loyalty and unstinting support during this challenging period. We all had to deal with multiple changes which impacted both our personal and professional lives. I want to thank each member of my team for their resilience and drive. In conclusion, we are optimistic about our company's prospects in 2021 and beyond.

On behalf of my team and me, I want to thank you for your trust and patronage.

Mr. Muhammad Najam Shamsuddin
MANAGING DIRECTOR/
CHIEF EXECUTIVE OFFICER

Board of Directors

Rochana Kaul
CHAIRPERSON /
NON EXECUTIVE DIRECTOR

Muhammad Najam Shamsuddin
MANAGING DIRECTOR /
CHIEF EXECUTIVE OFFICER

Haider Manasawala
NON EXECUTIVE DIRECTOR

Harsha Amarasekera
NON EXECUTIVE DIRECTOR

Erande De Silva
DIRECTOR /
CHIEF FINANCIAL OFFICER

Asite Talwatte
NON EXECUTIVE DIRECTOR

Rochana Kaul

Chairperson/Non Executive Director

Ms. Rochna Kaul appointed to the Board in 2017, is the Vice President of Chevron International Fuels and Lubricants', Europe, Africa, Middle East, South Asia Sales & Global Marine region. She is based in Singapore and is responsible for the sales and marketing of fuels and lubricants for her region. 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.

Ms. Kaul has over 16 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.

Ms. 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

Positions held in other companies

Ms. Rochna Kaul is also a director of Chevron Ceylon Limited, Chevron Lubricants Vietnam Limited, Chevron Africa-Pakistan Services (Pty) Ltd, Chevron Lubricants India Private Limited, Chevron Lubricants Holdings Pte Ltd and Arteco N.V.

Muhammad Najam Shamsuddin

Managing Director/CEO

Mr. Muhammad Najam Shamsuddin appointed to the board in October 2020, serves as the Managing Director & CEO of Chevron Lubricants Lanka PLC.

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

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

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

Mr. Shamsuddin started his career in advertising, where he spent a couple of years before moving to British American Tobacco (BAT), where he worked from 2001 to 2004. At BAT, his portfolio covered both Premium and Value offerings. He was responsible for ensuring seamless execution of marketing and sales strategy aligned with the overall value chain operations.

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

Positions held in other companies

Mr. Shamsuddin is also a Director of Chevron Ceylon Limited.

Haider Manasawala

Non-Executive Director

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

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

Previously, Haider worked with public accounting firms, KPMG Singapore and Arthur Andersen in their Middle East practices in UAE and Oman.

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

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

Positions held in other companies

Mr. Manasawala is also a Director of Chevron (China) Chemicals Co. Ltd and Chevron Lubricants Holdings Pte Ltd.

Board of Directors

Erande De Silva

Director / Chief Financial Officer

Mr. Erande De Silva appointed to the Board in 2019, joined Chevron Lubricants Lanka PLC in 2011 and served in the capacity of Manager Finance and Planning. He concurrently serves as the Company Secretary. He also functions as the Compliance Officer of the Company since August 2018. Amongst the accolades received, he was recognized as the Management Team Member of the year for 2014 at Chevron Lubricants Lanka. Mr. De Silva counts for more than sixteen years of experience in finance with business and commercial acumen in business planning, financial management, corporate finance, risk management and compliance. During his career he has been engaged in cross functional project initiatives with sales, marketing and supply chain. Prior to joining Chevron in 2011, Mr. De Silva was last employed as Manager Finance of a FMCG Company in Sri Lanka.

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

Positions held in other companies

Mr. De Silva is also a Director of Chevron Ceylon Limited.

Asite Talwatte

Non-Executive Director

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

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

Mr. Talwatte was President of 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.

Mr. Talwatte has been closely associated with the development of Corporate Governance in Sri Lanka being actively involved with the Code of Audit Committees in 2002 and the Code of Corporate Governance in 2003. He co-chaired the Committees to structure the revised Codes of Corporate Governance of 2008, 2012 and 2017 and the Listing Rules of 2008. He 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. Independent Non- Executive Director of Ceylon Hospitals Plc, Central Finance Plc (Chairman with effect from 1st July 2020), Sunshine Holdings Plc, DIMO Plc, CT Holdings Plc, Tokyo Cement Plc, Cargills Ceylon Plc. (w/e/f 28/08/2020), Kotmale Holdings Plc. (w/e/f. 18/12/2020), Silvermill Investment Holdings (Pvt) Ltd, Sunshine Healthcare Lanka Ltd, Gilkrist Leisure (Pvt) Limited, Myanthiho Investment and Trading (Pvt) Limited and Braybrooke Residential Towers (Pvt) Ltd.

Harsha Amarasekera

Non-Executive Director

Mr. Harsha Amarasekera, President's Counsel was appointed to the Board in 2013 and 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 Sampath Bank PLC, CIC Holdings PLC, CIC Agri Businesses (Pvt) Ltd, Swisstek (Ceylon) PLC and Swisstek Aluminium Ltd. He is also a Non-Executive Director of Vallibel One PLC, Expolanka Holdings PLC, Royal Ceramic PLC, Ambeon Capital PLC, Vallibel Power Erathna PLC and Amaya Leisure PLC.

Management Team

Muhammad Najam Shamsuddin
MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

Bertram Paul
GENERAL MANAGER SALES

Erande De Silva
DIRECTOR / CHIEF FINANCIAL OFFICER

Wijitha Akmeemana
GENERAL MANAGER SUPPLY CHAIN

Maheshni Hamangoda
HUMAN RESOURCES MANAGER

Anuradh Keppetiwalana
MARKETING MANAGER

Management Team

Thusitha De Silva
COMMERCIAL & INDUSTRIAL SALES MANAGER

Hilary Fernando
LEAD TECHNICAL MANAGER

Yasora Kodagoda
FINANCE & BUSINESS PLANNING MANAGER

Nishantha Wanniarachchi
LOGISTICS MANAGER

Thushari Weragoda
QUALITY ASSURANCE & LABORATORY MANAGER

Manoja Amarasekara
BUSINESS SUPPORT MANAGER

Channa Tennekoon
EXPORT SALES MANAGER

Aruna De Silva
INFORMATION TECHNOLOGY MANAGER

Gayanee Jayathilaka
PROCUREMENT MANAGER

Vajira Hewawasam
PRODUCTION MANAGER

Chanaka Caldera
NATIONAL SALES MANAGER

Management Discussion and Analysis

> "The pandemic took effect from March 2020 and had a dampening effect on socio-economic activities"

ECONOMIC OVERVIEW

The Country's economic climate during the year was engulfed by the COVID-19 global pandemic. The pandemic took effect from March 2020 and had a dampening effect on socio-economic activities primarily during the first wave, whilst the impact was relatively low during the second wave, which resurfaced during the latter half of the year. Consequent to the parliament being dissolved during March 2020 and the new parliament taking office after general elections held in August 2020, the country witnessed a Vote-on-Account during this passage of time in successive three-month tenures. The absence of parliament proceedings during the period also constrained enactment of fiscal proposals stemming from the 2020 National Budget. Although, the tax concessions vis-à-vis the national budget proposals offered through direct taxes and indirect taxes were pending legal enactment, these were implemented by the respective government institutions which ushered some relief to the business community. The 2021 national budget proposals promulgated during November 2020, largely portrayed fiscal policy continuity by the government despite the challenging economic context which was compounded by the COVID-19 adversities.

The weak business sentiment that prevailed in the economy was exemplified by the overall sentiments on business conditions, profitability, demand and capacity utilization, which deteriorated throughout the year as indicated in the "business sentiment index" (BSI) reported by Central Bank of Sri Lanka. The health and safety measures necessitated in response to the COVID-19 pandemic, came in the form of lockdowns, restrictions on public mobility and congregation, exacerbated the seamless flow of socio-economic activities of the nation.

The GDP was estimated to have declined by approximately 3.6% during 2020, in contrast to the 2.3% annual growth recorded during 2019, as per central bank of Sri Lanka. The sectoral decline for the year recorded by service, industrial and agricultural sectors was 1.5%, 6.9% and 2.4% respectively. Amongst the key sub-segments which indicated a decline during the period, transportation, accommodation, food and beverage activities, and other personal services of the service sector were prominent. The construction and manufacturing segments remained the key elements which slid in the industrial sector. Marine fishing and marine aquaculture primarily contributed to the decline recorded in the agriculture sector. The sectoral contribution to GDP remained largely consistent with services, industrial and agriculture contributing 59%, 25% and 7% respectively, whilst taxes and subsidies accounted for the balance 9%.

The annual average inflation was estimated at 6.2%, compared to 3.5% in 2019 whilst core inflation declined to 4.1%, compared to 5.7% in 2019, based on the National Consumer Price Index (2013=100) compiled by the Department of Census and Statistics. Food inflation wielded inflationary pressure on the NCPI during the latter half of the year, in particular, leading to increased spend in basic consumption.

Based on data from the Central Bank of Sri Lanka, the external sector recorded a balance of payments deficit during 2020. The trade deficit contracted due to an accelerated decline in imports, whilst exports declined by a lower proportion over the comparative period.

Decline in export earnings primarily stemmed from industrial exports, secondly from the agricultural exports, whilst the mineral and unclassified exports also declined and remained meager proponents of the export composition. Textile and garment exports led the industrial export decline. Garment exports to both traditional and non-traditional markets declined during the period. The decline in agricultural exports stemmed mainly from tea and seafood. The decline in exports is perceived to be linked to the fall in demand and consumption as a resultof the pandemic. Import expenditure contracted during the period as expenditure on intermediate goods, investment goods and consumer goods declined. The decline in intermediate goods were driven by fuel - refined petroleum and crude imports due to lower prices during the first half of the year, and relatively lower demand post pandemic, while textile and textile articles declined due to lower exports, and the base metals due to lower demand. Import expenditure on investment goods fell due to the reduction in building material, machinery equipment and transport equipment due to constrained construction activities. The decline in consumer goods stemmed from the non-food consumer goods, in the form of personal vehicles, was the result of government import restrictions and embargoes imposed in response to the economic challenges stemming from the pandemic.

As per Central Bank of Sri Lanka, earnings from tourism declined significantly as the tourism industry was globally hampered by the pandemic, and with the country being closed for tourism for most part of the year since the outbreak of the pandemic started in mid-March. The decline in earnings from tourism was almost perfectly correlated to the decline in tourist arrivals which was a sharp reduction of 73.5% compared to 2019. The workers' remittances increased during the year, as workers increased repatriation of earnings and possibly savings partly due to the exit from foreign employment contracts as a consequence of the pandemic. The reduction in earnings from tourism were partly off set by the contraction in the deficit of trade balance and the increase in worker remittances helped reduce the strain on the current account of the balance of payments (BOP).

The financial flows were hampered through a lower proportion of inflows to the government. An increase in government term loans were recorded but was wiped off by the decline in foreign direct investments to the country, decline in foreign investments in the Colombo Stock Exchange, decline in flows to the securities market, and the absence of any inflows from international sovereign bonds during the year.

The LKR depreciated against the USD by 2.6% during the year 2020 based on Central Bank of Sri Lanka statistics. Although, during the peak of the first wave of the pandemic the LKR depreciated sharply against the USD to a near 200 level. The austerity measures introduced and enforced by the government through import restrictions, imposing extended credit requirements to be negotiated for imports helped curb the depreciation during the period.

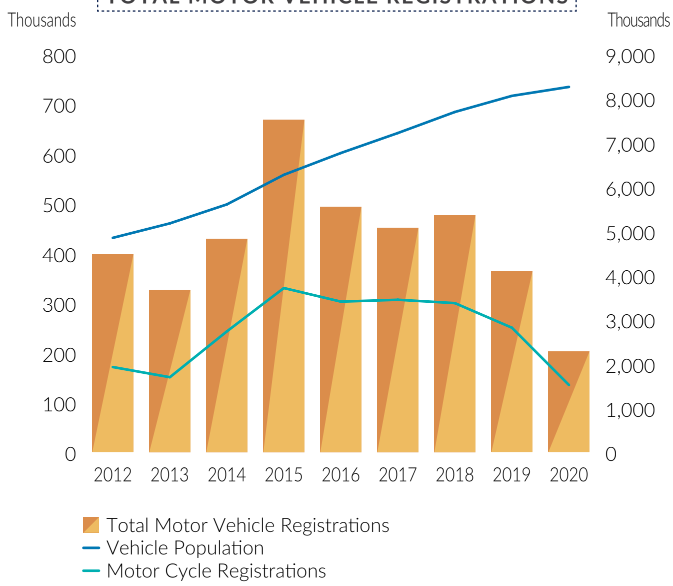
LUBRICANTS INDUSTRY

Based on publicized information by the Public Utility Commission of Sri Lanka (PUCSL) the structure of the lubricants industry remained unchanged during the year with thriteen players, including four companies with local blending plants. However, during the year in review, we believe the Ministry of Energy was reviewing the issuance of new lubricant licenses to further liberalize the already competitive lubricant industry, for which expression of interest was called a few years back by the Ministry. Consequently, in February 2021 the PUCSL publicized 3 new licensed entrants to the lubricant market. The total lubricant market had declined during the first nine months of the year 2020 by 4% primarily due to a 9% year-on-year decline during mid-year 2020 as a consequence of the pandemic, compared to the same period the previous year, per provisional market statistics released by the PUCSL.

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

The growth in registration of motor vehicles declined during 2020 to 2.5%, compared to 4.7% recorded during the previous year. The higher import tariffs on motor vehicles which included broader extension of luxury tax on vehicle imports, and the curtailment of duty free vehicle permits issued by the state was considered to be a likely deterrent on vehicle imports to the country pre-pandemic, and was compounded by the government embargo on import of motor vehicles as a measure to curb the widening trade deficit, the country's depleting foreign reserve position and the depreciation of LKR against certain key currencies such as the USD during the pandemic. Based on the statistics of the Department of Motor Traffic in Sri Lanka, the registration of motorcycles continued to dominate with 75% of the composition of new motor vehicle registrations, compared to 77% in 2019, followed by motor cars of 11%, parallel to 11% in 2019, and three-wheelers 3% compared to the 4% in 2019. The overall vehicle population saw a small increase to 8.25 million from 8.05 million recorded in 2019, whilst 72% of the vehicle population consists of motorcycles (58%) and three-wheelers (14%).

TOTAL MOTOR VEHICLE REGISTRATIONS



(Source: Department of Motor Traffic of Sri Lanka)

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

As per the statistics of the Central Bank of Sri Lanka, electricity generation was considered to have declined by 2% in 2020 compared to 2019. Further, the hydro-skewed power generation compressed lubricant demand. The lubricant-intensive thermal power contribution to the national energy grid was expected to have declined due to the consistent contribution of hydro-powered energy resulting from the considerable rainfall in the hydro catchment areas.

Management Discussion and Analysis

Based on the statistics of the Central Bank of Sri Lanka, the fuel oil based thermal power generation declined in particular during the year under review.

The demand for lubricants from the construction and manufacturing sectors were believed to have declined during the year, based on national sectoral contribution statistics. The growth in demand for lubricants from the agriculture sector, through growing of crops, was relatively subdued. Demand from the fisheries sector was considered to be adversely affected by the pandemic due to disease-stricken clusters originating from the countries central fish market which led to intermittent closures and restricted operations to curb the spread of the virus. The ailing tourism industry and decline in seafood exports during the year may have further compressed demand for lubricants from this sector.

The gradual rise in inflation, the adverse effects of the pandemic resulting in constrained socio-economic activities, curtailed mobility via public and private transportation modes, work from home arrangements, the complete halt in tourist arrivals during most part of the year severely affecting inbound tourism industry and related ancillary industries, are likely to have stifled vehicle usage to an extent during the year which adversely affects demand for lubricants.

SALES

The outbreak of the COVID-19 pandemic in Sri Lanka impacted overall sales volumes during 2020, nevertheless, the company recorded higher profitability over 2019, although overall sales volumes experienced a marginal decline. The latest market statistics, YTD September 2020, released by the Lubricant Regulator, the Public Utilities Commission of Sri Lanka (PUCSL), , indicated that even though the total Sri Lankan Lubricant market experienced a decline of 3.9%, Chevron's market share grew from 41.3% at end 2019 to 43.9% by September 2020. Our processes and systems, island wide distribution network, operational discipline, prudent credit policy and the dedication of the entire Chevron team to win against all odds, improved profitability over the previous year. The bright spot on the horizon was that the highest contributing channel - retail – performed beyond expectations considering the difficult circumstances and posted enhanced growth over 2019. Growing the retail channel to surpass the previous year's performance is a commendable achievement and overall, the company recorded adequate sales to surpass the previous year's profit achievement despite the disruption caused by COVID-19, which we consider a big win for the company.

RETAIL CHANNEL

The year 2020 started off strongly, driven by a dynamic agenda, with the company looking forward to a record Q1 in 2020, as March is historically the strongest month of the year for our retail business. However, when the pandemic hit Sri Lanka in mid-March, that momentum was lost until May, when the Western Province re-opened after lockdown and a strong recovery was seen. Despite the volatile environment, the company continued to pursue robust fundamentals which held it in good stead, such as a strong distribution network, which differentiates Chevron from other players in the lubricant industry by way of its country-wide presence, enabling timely deliveries to customers across the island from regional distributors in spite of lockdowns and travel restrictions.

Commendably, despite the downturn in the industry, Chevron was able to carve out valuable new business from competitors due to the agility and reliability shown by the company in serving customer needs. Chevron's stringent credit policy and financial discipline mitigated cash flow issues and strengthened the company's continued focus on sales.

In other challenges faced, the new import duty structure gazetted by the government effectively increased the import duties by as much as 15%. This compelled the company to revise prices of products upwards. Unfazed by the weak operating conditions, Chevron sustained several brand-led activities for the market as well as channel-led promotions to drive awareness and generate sales amongst consumers, especially in connection with product technology upgrades.

The performance of the retail channel was exceptional because of the many challenges the company had to face, including adherence to stringent health guidelines, operating with a reduced workforce (due to social distancing norms) and the inability to visit customers in isolated areas. Despite all these challenges, close collaboration with internal and external stakeholders, customers were served well with minimal disruption. Another benefit offered to customers was the company's ability to nimbly respond to competitor activity and seasonality, in sectors such as agriculture and fisheries, which helped drive strong volumes during seasonal months.

The second half of the year witnessed a strong recovery in the retail sector, and even though the business was impacted towards Q4 when the second wave hit, particularly the fishery sector, the downturn did not dent the company's performance during this period. In fact, Chevron was able to cement its credentials as a reliable supplier even amidst wider disruption in the economy.

Committed to sustaining close engagement with channel partners and to imbue motivation amongst the frontline sales staff of our distributors, , Chevron recognized and rewarded various internal and external stakeholders in the retail business during the year under review. Its comprehensive rewards programme is linked to achievement of targets and 2020 marked the second consecutive year that the programme was implemented successfully, helping to drive sales in the retail channel.

Chevron's partner engagement continued through initiatives to educate and improve the technical skills of both the sales force as well as channel partners once the first wave passed. New sales outlets were also opened through the year, thereby expanding the company's distribution network and helping to achieve strong sales performance. The company's market share based on PUCSL reports grew during the first nine months ending September 2020 which was a testament to all the measures put in place to respond to the extraordinary turn of events caused by the pandemic. Overall, the robust performance of the retail channel to a great extent helped cushion the decline from weaker performance of other channels affected by the pandemic.

COMMERCIAL & INDUSTRIAL CHANNEL

Many customers that Chevron caters to had to either curtail operations or completely shut down during the lockdown and curfew periods, further exacerbating the impact on the commercial and industrial channel. The resulting weak demand for lubricants resulted in a drop in performance in this channel. Despite these constraints, the company sustained supplies to essential services in the industrial channel, such as the power generation sector, as it was allowed to operate through the lockdown as an essential service. Chevron's arrangements with essential service providers such as Ceylon Electricity Board (CEB), Sri Lanka Transport Board (SLTB), Sri Lanka Ports Authority (SLPA), Petroleum Refinery and the armed forces allowed it to sustain sales to these customers albeit at lower volumes through the height of the pandemic, which helped sustain sales every month of the year.

Overcoming the inability to meet customers in person, the Chevron team effectively used digital platforms to interact with customers to solicit new business and secure payments. As markets came out of lockdown, especially during Q3, export activities of some commercial and industrial customers picked up pace which led to an pickup in the sales of lubricants. The rubber sector, being a key export industry for Chevron, faced a drop in volumes due to lockdowns in Europe and the US which eroded their order books and negatively impacted lubricant sales to the sector. On a positive note, the company's sales force sustained sales to key customers in the segment even at the height of the lockdown, successfully carving out new business despite the numerous headwinds, thereby helping to offset marginal decline in business from other industrial customers.

ORIGINAL EQUIPMENT MANUFACTURERS (OEM)

The second wave of the pandemic was particularly harsh for the OEM segment as many of their central warehouses were located in the Gampaha district, which was severely affected by the second wave in Q4.

As a result of the country's declining foreign reserve conundrum, the government restricted non-essential imports, specifically motor vehicle imports, which had a direct impact on lubricant sales to the OEM sector. Restrictions on imports of spare parts further impacted OEM workshops as they were unable to carry out repairs and servicing which resulted in a decline in demand for lubricants.

In a noticeable trend, vehicle owners restricted non-essential travel which impacted demand in both the OEM and retail channels. Large-scale customers such as SLTB too reduced bus services drastically due to lower demand which further hampered sales.

TOLL BLENDING

The company is engaged in toll blending genuine oil for a local dealer in the country and this sector has historically performed well, but during the year under review, due to movement restrictions and drop in demand for servicing, this sector also experienced poor sales. With their central warehouse also located in the Gampaha district, which was badly affected by the second wave of the pandemic, this customer was unable to operate at normal levels. The decline in this segment will be temporary until normal activity resumes.

EXPORT MARKETS:

The Export channel was unable to perform up to expectations due to the pandemic, but the company managed to win some new business and strengthened relationships with existing customers in its two key export markets.

BANGLADESH

A crucial export market for the company, Bangladesh, has been severely affected by the pandemic, recording large numbers of COVID-19 cases, which caused the retail sector in the country to come to a grinding halt almost up to Q3 in 2020. With the main retail areas cum highly dense population centers in Dhaka and Chittagong designated as high risk 'red zones', little or no commercial and retail activity was seen. As a result, exports volumes to the Bangladesh market faced a decline against the preceding year. Nevertheless, Chevron leveraged on the silver lining in Bangladesh's industrial sector, the power generation sector which was declared as an essential service. The company counts some of the largest power generation customers as its customers, which allowed lubricants sales to be channeled to this segment throughout the year, thereby partially compensating the drop in demand from the retail channel.

The second half of the year in Bangladesh proved more favourable. An upsurge in demand was seen in the second half of the year, coupled with the achievement of securing new high value customers in the power generation sector, helped the company to achieve higher sales volumes in Q3 and Q4. A simultaneous rebound was seen in retail volumes as well. Market engagement initiatives were sustained through the year and some marketing promotions slated for the local market deferred in Q2 were resumed in full force in Q4 to drive greater brand loyalty.

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As a result, by year-end the company successfully posted a decent performance in 2020 for Bangladesh, while cognizant of the fact that the strong recovery by year end bodes well for business prospects for both retail and industrial sales going ahead in 2021.

MALDIVES

With tourism accounting for 70% of the GDP of the Maldives, this sector was crippled by the global pandemic as tourism was one of the first industries globally to feel the impact of the pandemic. Chinese tourists account for the largest tourist numbers in the Maldives, with 26 direct daily flights between China and Male, which were cancelled overnight for months severely impacting the industry. Tourism came to a virtual standstill as most of the resorts became non-operational and had to shut down temporarily, while a few were converted into quarantine centers. While the Maldives market was hampered in contrast to our optimistic forecasts for the market before the outbreak, it is creditable that we managed to ship goods to the Maldives every single month of the year. However, by end of Q3 and early Q4 an uplift in tourist arrivals was seen, consequently recording an upward trend in demand for Chevron products. Other challenges persisted in the market with resorts facing cash flow issues due to the prolonged shut down, but the situation was well managed balancing financial health and reliable supplies to customers. Overall, considering the severe toll the pandemic took on the tourism sector in the Maldives, the company's performance can be deemed satisfactory, in this sector.

PRODUCT TECHNOLOGY

Innovation and new product technology have been the hallmark of Chevron as the lubricants leader in Sri Lanka. Notwithstanding the disruption in the wider industry and economy caused by the pandemic, the company continued to introduce improved technology to further cement its technology leadership in the market.

In 2020, we extended the Delo® Proof of Performance (PoP) large scale fleet trials conducted across Asia Pacific (APAC) countries to Sri Lanka and validated Chevron's claim that Delo® delivers 30,000 kms and consolidated extended oil drain intervals under the Sri Lankan operating conditions. This message will change the dynamics of local transportation industry on lubricant use and will help to reduce their operating costs of the transportation fleets. Again, looking at long drain interval benefit for petrol vehicle users, focus was diverted on Havoline®, through an internal PoP trial to showcase that Havoline® runs double the mileage over the general practice of 3000 – 5000km oil changes in the general market. Company established a comprehensive set of data to indicate that Havoline® engine oil products can run over 10,000 kms. Based on these findings, the company commenced educating channel partners, consumers and the industry on the capability of Havoline®'s extended use which saves money as they get more mileage and reduced vehicle servicing costs. In addition, longer oil drain intervals lower overall maintenance cost and translates to a positive impact on the environment by reducing the waste oil generation.

During the year under review, the company introduced product upgrades to the local market including petrol engine oil from American Petroleum Institute API SN to API SN PLUS to meet the latest industry demand of higher standards of API. The motorcycle engine oil API SL/JASO MA2 to API SN/JASO MA2 with Chevron patented CORE+ GEN Y Technology upgrade, and the long drain interval proven hub (wheel bearing) grease Delo® Starplex EP3 during the year which reflects company's commitment to bring world-class lubricant technology to the reach of Sri Lankan consumers at an affordable price. The technical teams engaged with channel partners on a regular basis to refresh their knowledge and educate them about the company's new technology innovations and benefits.

Chevron corporation also formulated the API SP / ILSAC GF6 passenger car engine oil, the latest API petrol oil standard. The Company is ready with production for the local market.

Supported by knowledgeable technical teams in the industry, backed by experience in global Chevron technology and best practices, the technical team works closely with the local regulator of the lubricant industry, the Public Utilities Commission of Sri Lanka (PUCSL), to identify and curtail product adulteration activities. The move by the regulator – PUCSL in conjunction with the Ministry of Energy and the Sri Lanka Standards Institution (SLSI) in upgrading the minimum standards on lubricants in the country is a move welcomed by Chevron and majority of the lubricant players in the market. The influx of newer generation vehicles in Sri Lanka will benefit from this move as they need high quality lubricants for a smoother run and to extend the life of their engines, while delivering numerous environment benefits by improved fuel efficiency and longer drain intervals such as low oil consumption, reduced waste oil and lowering the exhaust emissions.

Moreover, the International Marine Organization (IMO) changed their oil quality requirements effective from the year 2020 (IMO 2020) and Chevron was one of the first to adopt the improved standard in our formulation at our blending plant in Sri Lanka and was one of the first to include IMO Compliance Marine Engine Oil in the product portfolio. This helped the company to retain the business relationships with international shipping lines and to showcase Sri Lanka's blending and testing capabilities.

Chevron's knowledge sharing and technology leadership extends beyond Sri Lanka to its key export markets, Bangladesh and Maldives. In Bangladesh, the company supplies to the country's power generation sector for power plants running with HFO and natural gas. This business is built on the product capability and the strong technical support which includes technical knowledge sharing, in-service oil sample testing and monitoring. Maldives was supported with a technical visit to train the distributors and to share the knowledge with the resort engineering personnel. Continuous online technical support was extended to both export markets for smooth functioning even during the pandemic closure.

The company productively utilized the pandemic closure period to educate the local sales staff on product technology and build their technical capabilities. This enhanced knowledge will flow to the channel and consumers through their daily interactions with the market. The online platform was effectively used to conduct a number of training programs by local technical resources and regional technology product support team via Zoom and MS teams.

MARKETING ACTIVITIES

Chevron consolidated its brand reputation as a reliable supplier of world-class lubricant brands during 2020 by remaining accessible to customers through the height of the pandemic, ensuring that its channel partners received the necessary support to continue their marketing activities to the greatest possible extent amidst lockdowns and curfews. Undaunted by the unfavorable business climate in 2020, Chevron sustained several brand-led activities for the market as well as channel-led promotions to drive uptake amongst consumers of its exciting new product upgrades backed by the latest technology advancement.

DELO® EFFECT CAMPAIGN

The Delo® Technology Lab (DTL) was launched with the aim of creating awareness about the long drain intervals of Delo® and its core ISOSYN technology. In order to take this message to the market in a totally unique manner, Delo®, created history in Sri Lanka by launching the first-ever 'Virtual reality-enabled consumer engagement amongst the local lubricant industry. The edutainment idea to engage and educate consumers lived up to the brand legacy as participants in the promotion were given an experience of a lifetime.

The virtual reality experience illustrated the journey of oil inside the engine, so that consumers could have the rare opportunity to understand how engines work in a realistic manner. Mounted on a truck, the Delo® Technology Lab had 5 zones, namely the Delo® history zone, ISOSYN technology zone, product zone, experience zone and game zone with various visual aids, videos, virtual reality and innovative games. Qualified technicians and activation crew members provided explanations and demonstrations in each zone. The truck travelled to 38 locations, 20 towns and engaged 1000 consumers around the country. As one of our global brands in the heavy-duty diesel engine category in Sri Lanka, Delo® remains the market leader with a 50% share of the market in its category segment and in the multigrade segment. This promotion helped to strengthen Delo®'s brand proposition to the market. The core message of the campaign was to showcase the technology behind our product which enables the Delo® brand to provide extended drain intervals and thereby reduce the cost of ownership.

DIGITAL CUSTOMER ENGAGEMENT INITIATIVES

In the absence of a face-to-face approach due to lockdowns and curfews during the year under review, Chevron shifted focus on accelerating customer engagement via the digital platform, creating innovative and unique, yet practical messages to share with consumers to sustain brand engagement. Our digital communication was focused on raising awareness of COVID-19, on how to stay safe, health guidelines and methods on sanitizing vehicles.

The company produced two short captivating videos which went viral. The first video reminded consumers to restart their engines and

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keep them running for a few minutes every few days, along with other maintenance tips during lockdown, as their vehicles were lying idle. The timely and pertinent messaging in the video received 500,000 views in a short span of time and attracted 50% engagement.

The second video was made to salute truck drivers as unsung heroes on the frontlines of the pandemic, who risked their lives to ensure supply chains worked smoothly, and that food and essential goods were delivered on time from one corner of the country to another. The motivational video reinforced Chevron's support to the local community and received the highest engagement level of 62%.

STAR POWER REWARD NIGHT

Sustaining relationships with channel partners, the dealers award recognition program, the Star Power Awards Night was held to felicitate dealers who had performed exceptionally in 2019, with the top 10 dealers being appreciated at the event.

EXPANDING CALTEX EXCLUSIVE SERVICE STATION NETWORK

Despite the challenges in the business environment, the Caltex exclusive service station network was expanded by contracting 8 new service stations. The first outlet for the year - Delo® Xpresslube Mahela Auto Services – was opened in Divulapitiya, while the rest of the outlets were opened subsequently during the year. Moreover, Caltex Star Care imagery was refreshed with the brand image of Xpresslubes, thereby aligning to Chevron global brand guidelines.

APPOINTMENT OF NEW CALTEX AUTHORIZED DEALERS

Despite the headwinds from the market lockdown due to the pandemic, Caltex continued it focus on strengthening and growing its retail channel presence. The Caltex authorized dealer channel opened 74 new outlets island-wide during the year 2020. These outlets are contracted to sell Caltex lubricants exclusively. Dealers were supported with incentive schemes, new retail dealer boards, attractive promotions and outlet opening activations to boost sales.

COVID-19 RELATED CHANNEL MESSAGING

In line with COVID-19 health guidelines issued by Ministry of Health of Sri Lanka, the marketing team designed and deployed a range of communication materials and equipment for channel partners to ensure their safety and that of customers. These included separate posters for retailers and workshops, bilingual pennants at regional warehouses and Havoline® and Delo® branded washbasins for Havoline® and Delo® Xpresslubes respectively. The aim of highlighting the brand message and making it relevant during pandemic times was achieved through creative alignment.

For Havoline, highlighting the core brand purpose of protection was executed through the following message: "Washing your hands keeps you protected – Havoline® keeps your engine protected".

For Delo®, the core brand message of going further was highlighted by "Washing your hands keeps you protected – Delo® protects your engine to help you go further". Furthermore, as a sustainable initiative, discarded additive drums were recycled and converted into handwashing sinks.

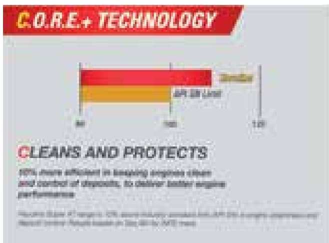
MECHANIC ENGAGEMENT INITIATIVE

Identifying mechanics as key stakeholders, the company focused on innovative engagement initiatives to expand the loyalty for Chevron amongst the country's mechanic community. The Caltex Thegi Malla programme based on usage of Caltex lubrication products was held during the year under review to offer mechanics the opportunity to win caps, mountain bikes and cash prizes in a unique competition which witnessed the participation of 600 mechanics across 50 Chevron outlets.

ATTRACTIVE GEN Y CAMPAIGN ANNOUNCES LAUNCH OF HAVOLINE® CORE + AND ZOOMTEC TECHNOLOGY.

Havoline® has always been at the forefront of incorporating new and evolving technology in its product portfolio to provide better protection and performance to consumers. Two-wheeler and three-wheelers account for 72% vehicle population in the country and is a growing segment in the automotive lubricants space.

During the year under review, the launch of the next generation of four-stroke motorcycle and scooter engine oils by Havoline® offered consumers benefits such as maximizing engine performance and smooth engine operation on all road conditions. The upgraded product line for motorcycles and scooters includes semi-synthetic and mineral products formulated with Havoline®'s proprietary C.O.R.E.+ Technology, and ZOOMTECH.



The product launch was supported with a mega campaign titled 'Gen Y' to communicate that all Havoline® Super 4T and SuperMatic 4T four-stroke motorcycle and scooter engine oils now come with the upgraded C.O.R.E.+ Technology. As Caltex's most advanced and best-performing formulation. C.O.R.E.+ Technology is an improvement over the previous C.O.R.E. Technology and further addresses key concerns especially those in stressful city traffic conditions. These engine oils deliver a more enjoyable riding experience with enhanced engine performance and cleaning properties. Apart from an upgrade in product technology, the entire Havoline® Super 4T and SuperMatic 4T range also meets API SN standards, one of the latest specifications in the industry.

The Gen Y campaign was a strong 360-degree go-to-market communication strategy covering multiple consumer touchpoints across both above the line (ATL) and below the line (BTL) platforms. Despite the second wave of COVID 19 hampering some of the BTL activities, such as mechanic training workshops, the ATL portion of the campaign continues to receive positive feedback.

Further, the benefits of the new Havoline® Super 4T and Supermatic 4T for motorcycle and scooters respectively were communicated to consumers in a novel way through the Sirasa Autovision TV programme, which shared the story behind their technology benefits for consumers and the industry.

SUPPLY CHAIN AND LOGISTICS

Although the year 2020 was anticipated to be a year in which we could aim for better results over the previous year, the outbreak of COVID-19 restricted the performance that the company was poised to deliver during the year. As a result, we had to operate under various challenges such as ensuring the health and safety of

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our people, navigating global supply chain disruptions to secure raw materials and packaging materials, securing necessary approvals and permits from various stakeholders, such as the government and the security forces amidst the lockdown.

The company was agile in its response and adopted different strategies to ensure operations remained seamless. In the new normal, split shift operations and extended shift operations became the norm through an abundance of caution including provision of company transport, social distancing, temperature screening etc. The company's supply chain operated smoothly due to strong collaboration between the sales, marketing, finance and HR teams.

A new business continuity plan was drawn up alongside the crisis management team to ensure Chevron met customer requirements despite the challenges, to sustain its reputation as a reliable supplier offering high quality customer service levels.

With freight costs increasing due to port delays at various ports, resulting in cost escalation, the company continued to face diverse challenges. Our measure of performance is on time in full(OTIF). We achieved a higher percentage of 99.2% on time in full over the 2020 goal of 95%. CLLP has maintained a 19-year record since the last lost time from an injury, which reflects the importance of staff safety, and our commitment to operational excellence. Chevron is constantly on a performance improvement journey, and we have adequate safeguards and trained personnel to use those safeguards appropriately.

Chevron has embarked on a digital transformation, where we are adopting a manufacturing integration and intelligence module, a new ERP system, which will bring numerous advantages and help us to simplify some of our existing practices. Currently, we are working on its manufacturing integration and intelligence implementation in our plant in Sri Lanka, targeting to be completed it by first quarter of 2021. With the commissioning of a new filling machine during 1Q 2021, CLLP will enhance its capacity for small pack filling and eliminate waste through Lean Sigma projects to improve performance.

HR AND PERFORMANCE MANAGEMENT

Since 2018 Chevron has been transitioning into a transformed HR Service Delivery Model by reorganizing its resources under four umbrellas namely Business HR, HR Functional Strategy & Planning, Centers of Expertise and HR Shared Services. A turning point in this transformation was the movement of all HR Data and Tools under a single platform powered by 'Workday'.

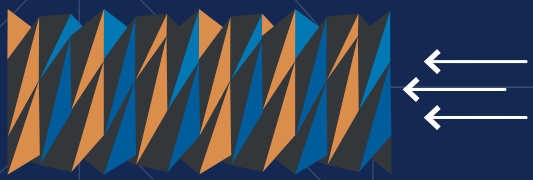
During the year under review, the company successfully implemented the new performance management system, which saw the transition of a 30-year legacy system into a refreshed, more feedback-driven and behaviour-based system. The new performance management system categorised performance standards under four 'We Lead' behaviours of 'Align & Inspire, Build Relationships, Grow Capabilities and Deliver Results'. The new program advocates greater feedback amongst employees and supervisors by introducing a 360 -degree view of performance supported by the Workday tool. The new standard also saw Chevron exit the conventional numerical performance ratings and adopt a more modern concept of a word-based performance rating system that compliments the 'We Lead' expectations.

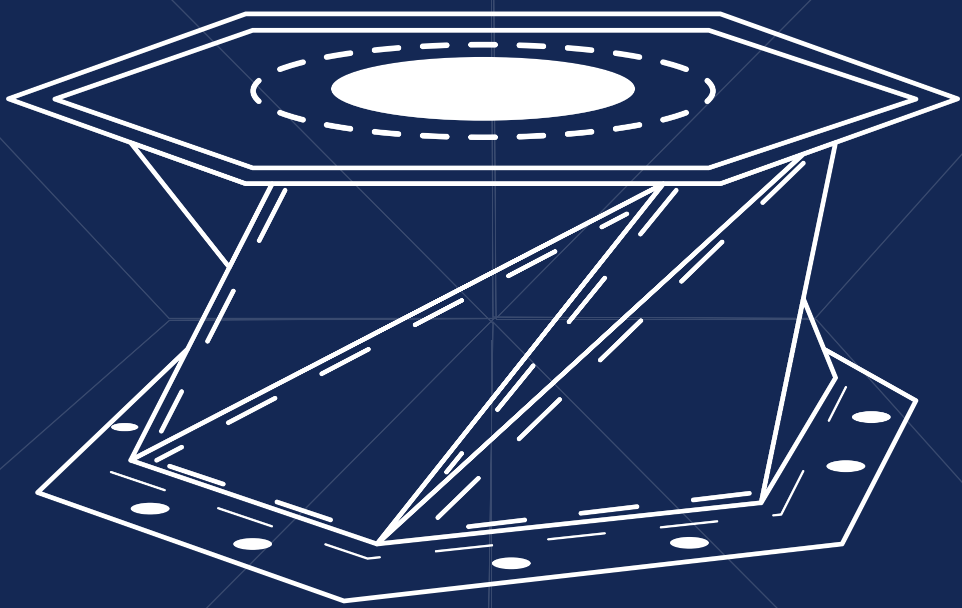
The global pandemic situation afforded Chevron Lubricants Lanka PLC an opportunity to explore our ability to operate remotely. The transition to 'work from home' was a test of our workforce to fully function from home, ushering in a whole new workplace culture. Chevron's state of the art IT platform enabled our workforce to perform their regular tasks using digital tools such as OneDrive, MS Teams and SharePoint. Guided by the priority to maintain the health and safety of our team, a Crisis Management Team (CMT) supervised the safety protocols and new work norms, even putting in place a 'return to office' procedure to enable employees to return to the workplace safely. All three of Chevron's business premises: the MAGA ONE corporate office, the blending plant and the base oil tank terminal site continued to operate as normal, in compliance with government health guidelines such as temperature screening, masking, hand sanitization, regular disinfecting and use of personal protective equipment in place.

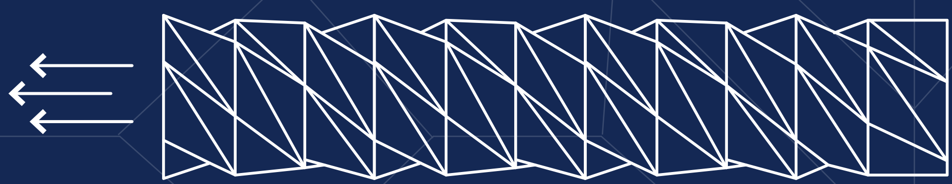
Chevron's global transformation journey - 'Transforming to win' stayed on course in the year under review, empowering the company to win in any environment whilst creating opportunity for innovation, simplification and faster decision making.

The company has been working on enhancing its knowledge transfer methodologies for the last two years. With a historically strong employee retention record, evident through the standard tenure with the company of about 15 years, 2020 saw the retirement of several long-standing employees. The knowledge transfer plan activated by the company enabled a smooth transition over to new employees, with the aim of retaining tacit knowledge within the company. Virtual recruitment of employees using the Workday tool was successfully implemented in year 2020.

STRUCTURED *for* CHANGE







Your Company is geared to withstand external forces and minimize impact from its surroundings. We have developed resilience and adaptability to take on challenges, in order to become an entity that is flexible and functional.

Based on principles of origami, researchers have developed a solution to help soften and reduce impact forces — designed for potential applications in spacecraft, cars and beyond.

Financial Review

GROWTH, PROFITABILITY AND EFFICIENCY

REVENUE

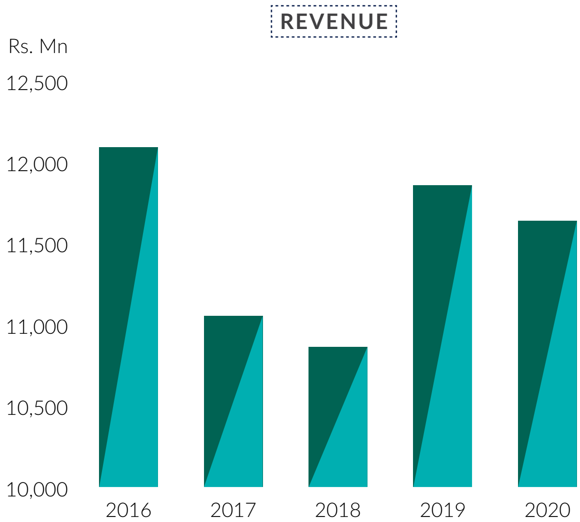
The Company recorded a revenue of Rs. 11.64 Bn during the period under review which was a 2% YOY decline in comparison to Rs. 11.86 Bn recorded in 2019. The decline in revenue was primarily driven by a decline in export volumes by 32% which translated to a revenue decrease of ~33% vs 2019. Both exports markets, Bangladesh & Maldives were severely impacted by the outbreak of the pandemic. Bangladesh experienced a surge in COVID-19 cases reported, bringing the retail operations to a standstill while volumes from Maldives were impeded due to the break in tourism.

Despite the contraction in export volumes, the highest volume contributing domestic retail channel performed commendably considering the headwinds encountered during the year. Having started the year strongly and poised for a strong Q1, the month of March presented itself with unprecedented challenges grounding the momentum to a standstill with the outbreak of the pandemic. During the peak of the first wave of the pandemic the Company generated compressed levels of revenue through the retail channel which supported agriculture and fisheries sectors primarily which were essential to sustain the livelihood of the country. However, the strong distribution network, robust credit policies and reliability in operations helped achieve a strong recovery in the retail channel as the country opened-up in phases after the lockdown was eased since May 2020.

However, the domestic commercial & industrial channel which also includes Own Equipment Manufacturers (OEM) and toll blending were severely affected by the pandemic due to restricted mobility, compressed demand and import restrictions imposed by the government which had an adverse impact in varying degrees on certain industries. Importantly the Company continued the supplies to essential services such as power generation, transportation sector and the armed forces, in an adroit manner overcoming the operational constraints encountered even during the lockdowns.

Export sales volumes to Bangladesh declined by 33% compared to 2019. The decline in volumes primarily stemmed from the Bangladesh retail channel vis-à-vis the adverse impact of the pandemic. However, the Company was able to consistently supply the power generation sector considered an essential service in the commercial and industrial channel of Bangladesh, which to an extent tapered the overall lower demand stemming from the Country. Export volumes to Maldives declined by 30% compared to 2019, primarily due to the closure of the resort sector. The total combined revenue from the two export markets declined to Rs.860 Mn (2019: Rs.1,286 Mn).

The Company continued to export certain lubricant and coolant products to a few inter companies of Chevron which too recorded a 21% decline in volumes and decrease in revenue of 13% YoY largely due to the effects of the pandemic globally.



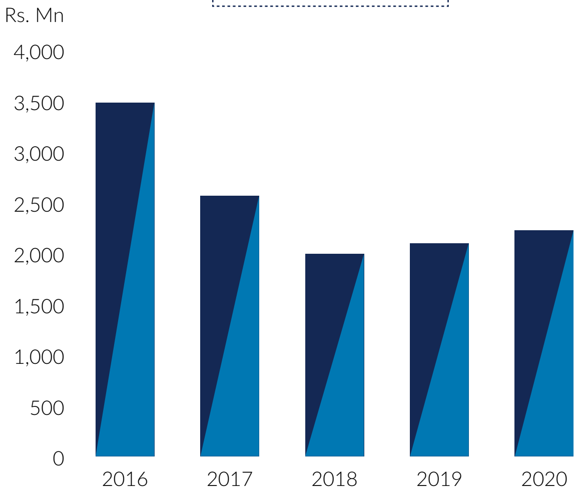
PROFIT AFTER TAX

Profit After Tax increased by 6% YOY to Rs. 2,226 Mn compared to Rs. 2,099 Mn recorded in 2019. The gross profit margin also increased to 40% from 37% in 2019 driven by pricing action necessitated to overcome cost recovery stemming from increased import tariffs and adverse forex effects. The new hybrid import duty structure on lubricants implemented by the government during the peak of the pandemic in April 2021 resulted in a significant increase in tariffs for base oil and lubricant imports. The significant depreciation of LKR against USD experienced around the same time compounded the adverse effects stemming from increased tariffs. Consequently, the company was compelled to implement an upward price revision effective 1st August 2020. Base oil prices which softened early during the year partly due to the decline in crude oil prices, held relatively stable for most months and increased during the latter quarter due to the effects of overall demand-supply economics. However, the favourable effects from the relatively lower base oil prices were outweighed by the depreciation of the LKR against the USD & increased import tariffs.

Operating profit increased by 4% in 2020 mainly due to the increase in gross profit driven by higher revenue per liter (average sales price). An increase in administrative expenditure compared to 2019 partially compressed the operational earnings. Profit Before Tax increased to Rs. 3,099 Mn in 2020 from Rs. 2,943 Mn in 2019. Net finance income increased due to higher interest income as a result of higher cash reserves held during the year and a higher net foreign exchange gain recorded YoY. Finance costs decreased in 2020 compared to 2019 due lower interest expenses incurred on external financing facilities.

Profit for the year was Rs. 2,226 Mn compared to Rs. 2,099 Mn in 2019. Total comprehensive income increased by 6% YOY to Rs. 2,202 Mn, which included a net other comprehensive expense after tax of Rs. 24 Mn pertaining to an actuarial loss on retirement benefit obligation.

PROFIT AFTER TAX



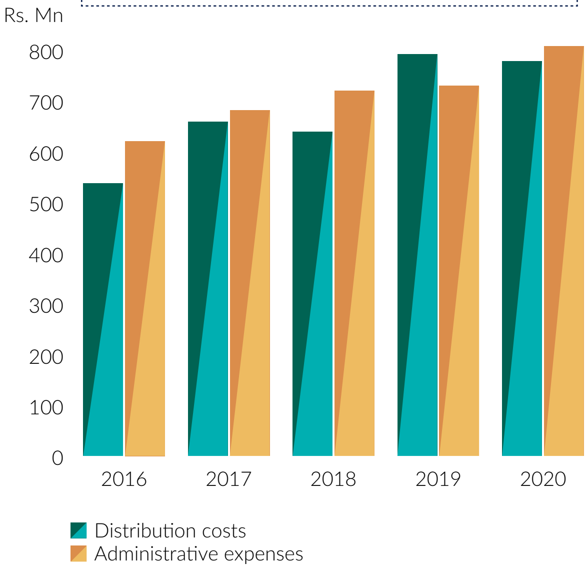
INCOME TAX

Income Tax expense for the year was Rs. 874 Mn, which translates to an effective tax rate of 28% compared to 29% last year. Following the presidential elections in 2019, the Government of Sri Lanka (GoSL) through the Department of Inland Revenue of Sri Lanka had issued notices indicating implementation of proposed changes to the Inland Revenue Act, No. 24 of 2017. These proposed changes which include revisions to Income Tax have not been applied by the Company for Reporting as these have not been enacted to tax laws nor substantively enacted as at the date of the audited statement of financial position. Total income tax expense amounted to Rs. 864 Mn, which included a deferred tax reversal on other comprehensive expenses for the year.

DISTRIBUTION AND ADMINISTRATION EXPENSES

Distribution expenses decreased marginally by 2% to Rs.778 Mn from Rs.791 Mn recorded in 2019. The decrease in distribution expenses were largely attributable to lower transportation expenses incurred due to decline in export sales recorded YoY due to both export markets being severely impacted by the pandemic. Administration expenses amounted to Rs. 808 Mn, reflecting an increase of 11% compared to Rs.730 Mn in 2019. The increase largely stemmed from higher USD denominated intercompany service charges incurred, due to an increase in service charges and the LKR depreciation against the USD experienced in the year.

ADMINISTRATION & DISTRIBUTION EXPENSES



LIQUIDITY

WORKING CAPITAL

Total inventory increased by Rs. 751 Mn, due to an increase in both raw material and finished goods inventory. The raw material inventory increased by Rs.644 Mn due to higher base oil prices and timing effects of the procurement cycle. Finished goods inventory increased by Rs.107 Mn to Rs.636 Mn compared to the Rs.529 Mn recorded in 2019 reflecting a relatively weak demand experienced during December 2020 and considering the higher value of inventory.

Whilst receivables increased only marginally compared to 2019, the number of "days sales outstanding" (DSO – Company formulated matric) decreased to 36 days in 2020 (33 days in 2019) due to weak consumer demand in Q4 following the outbreak of the second wave of COVID-19 in the country. The Company, however, retained its tight credit control policy and collection efficiency to ensure the strong commitment towards efficiency in managing its working capital cycle, despite the relatively loose credit policies seen in the market to lure sales in a highly competitive environment. The Company remained cautious in extending credit to sectors predisposed to liquidity constraints and remained vigilant to market and economic developments through robust credit controls.

Financial Review

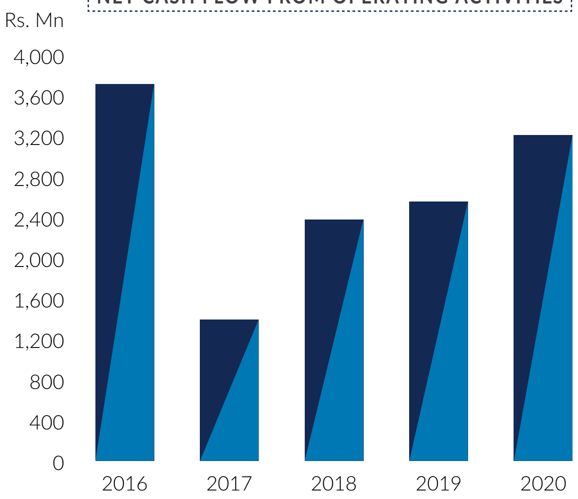
The company maintained a healthy liquidity position by recording a current ratio of 2.0 (2019: 2.9) and a quick asset ratio of 1.0 in 2020 (2019: 1.5) to meet working capital requirements. The decline in current ratio and quick asset ratio compared to 2019 was due to a higher trade and other payable liability and a relatively lower increase in trade receivables owing to decreased sales in the last quarter of 2020.

CASH FLOW

Cash generated from operating activities increased to Rs. 4.0 Bn compared to Rs. 3.3 Bn in 2019, whilst the net cash flow from operating activities increased to Rs. 3.2 Bn from Rs. 2.6 Bn recorded during 2019. The Company generated a free cash flow of Rs. 3.2 Bn (2019: Rs. 2.5 Bn). The net cash generated from investing activities also improved YoY due to lower capital expenditure incurred and increased interest income received relative to the previous period. The comparatively higher free cash flow generated in 2020 is mainly attributed to the increase in earnings and the decline in taxes paid during the year.

Three interim dividends totaling to Rs. 1,680 Mn were declared during the year. The cash payout of Rs. 2,160 Mn, consisted of Rs. 1,680 Mn dividends declared during the year and the fourth interim dividend of Rs. 480 Mn for the year 2019. The fourth interim dividend of Rs.480 Mn pertaining to 2020 was paid during March 2021. Cash and cash equivalents at year end increased relative to 2019 due to the timing effects of operating commitments and the cash payout of dividends during the financial year.

NET CASH FLOW FROM OPERATING ACTIVITIES

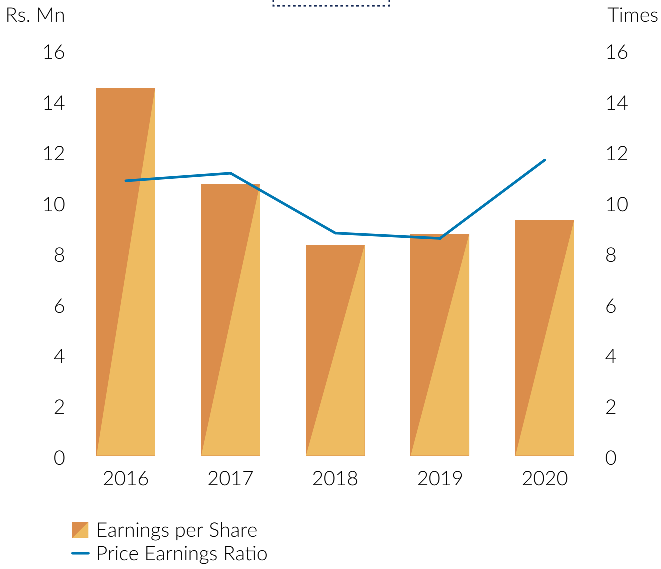


STABILITY AND INVESTOR RETURN

FINANCIAL STABILITY

The Company recorded a return on equity of 54% in 2020 (52% in 2019). Earnings per share increased by 6% to record Rs.9.27 in 2020 compared to Rs.8.75 in 2019.

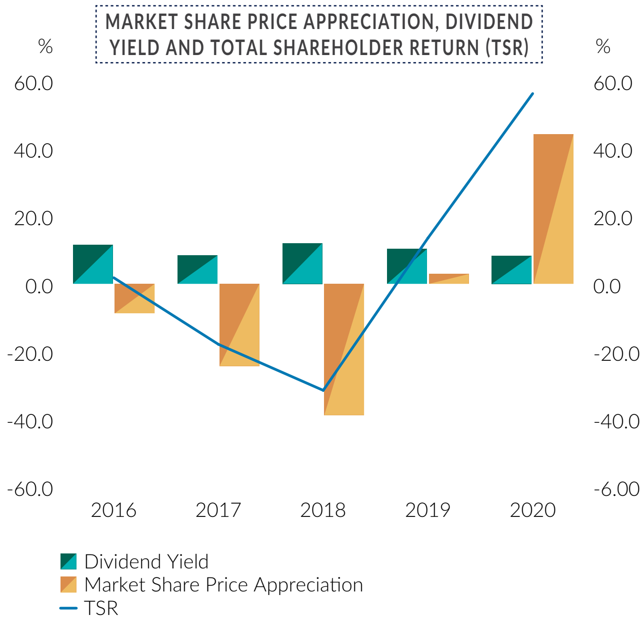
EPS & PE



INVESTOR RETURN

Dividend per share amounted to Rs.9.00 which translates to a dividend yield of 8.3% based on the share price recorded as at end December 2020 (2019: 10.3%), whilst capital growth improved via an increase in market share price by 44.2% (2019: 2.9%).

Total Shareholder Return also increased to 56.2% in 2020 (2019: 13.5%).



(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 2020 and 2019 based on the quarterly financial statements submitted to the Colombo Stock Exchange are tabulated below.

Interim financial statements submitted to the Colombo Stock Exchange

	2020 1Q Rs. Mn.	2020 2Q Rs. Mn.	2020 3Q Rs. Mn.	2020 4Q Rs. Mn.	2019 1Q Rs. Mn.	2019 2Q Rs. Mn.	2019 3Q Rs. Mn.	2019 4Q Rs. Mn.
Turnover	2,846	2,539	3,605	2,648	3,265	2,749	3,301	2,541
Gross Profit	1,145	934	1,472	1,066	1,215	979	1,262	977
Operating Profit	717	579	1,091	649	837	608	875	597
Finance income - Net	5	13	27	18	6	4	(1)	16
Profit Before Tax	723	592	1,118	667	843	612	874	613
Profit After Tax	517	427	803	479	603	439	622	435

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 the setting the overall direction, financial objectives and operational goals, reviewing and approving the annual plan, monitoring of performance against the objectives and goals, approval of quarterly and annual financial statements and major transactions. It monitors overall performance, risk management systems, the integrity of the Company's financial controls and the effectiveness of compliance program.

Two non –executive directors out of the four non-executive directors are considered independent in terms of the guidelines issued by the Securities and Exchange Commission of Sri Lanka.

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 6 times during 2020 and the attendance is given below;

	Attended
Rochna Kaul NED	6/6
Pat McCloud (resigned w.e.f. 01.10.2020) ED	5/6
Najam Shamsuddin (appointed w.e.f. 01.10.2020) ED	1/6
Erande De Silva ED	6/6
Nicolas Bossut (resigned w.e.f. 28.02.2021) NED	6/6
Asite Talwatte NED/IND	6/6
Harsha Amarasekera NED/IND	6/6

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

BOARD AUDIT COMMITTEE

This Committee functions under a written charter, and consists of two non-executive independent directors namely Mr. Asite Talwatte, (Chairman) and Mr. Harsha Amarasekera. CEO/ managing director and CFO/ 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 6 times during 2020 and the attendance is given below

	Attended
Asite Talwatte*	6/6
Harsha Amarasekera	6/6

*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
Nicolas Bossut (resigned w.e.f. 28.02.2021)	1/1

* Chairman of the Committee

DIRECTORS REMUNERATION

Total remuneration paid to executive and non-executive directors are given in page 71 and the report of the Remuneration Committee is given in page 47.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

The Committee met 4 times during the year;

	Attended
Asite Talwatte*	4/4
Harsha Amarasekera	4/4
Nicolas Bossut (resigned w.e.f. 28.02.2021)	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, favours or other advantages & insider trading.

Antibribery, international trade and anti-boycott laws.

Government affairs and political involvement.

Operational excellence

Anti- trust and competition laws.

Data privacy.

Protection of information and intellectual property

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

Whistle blowing

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

INVESTOR RELATIONS

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

PROTECTION OF PEOPLE AND THE ENVIRONMENT

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

Corporate Governance

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 13 and 14
7.10.3 (d)	Disclosure relating to Directors	Upon appointment of a new Director , a brief resume of such Director should be provided to CSE	Compliant	A brief resume of the directors appointed during the year were provided to CSE.
7.10.4	Criteria for defining independence	As per defined criteria of the CSE listing rules	Compliant	Both Independent Directors met the criteria

Rule No	Subject	Criteria	Compliance Status	Details
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee	Compliant	Please refer to the Remuneration Committee report on page 47
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 47
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 47
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Please refer to the Audit Committee Report given on page 44
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 headed by an Independent Director.
		CEO and CFO shall attend all Audit Committee Meetings	Compliant	Chief Executive Officer and Chief Financial Officer attended all Audit Committee meetings by invitation.
		Chairman or one member of the Audit Committee shall be a member of a recognized professional body.	Compliant	The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka
7.10.6 (b)	Functions of the Audit Committee	Should be as outlined in the 7.10 of the listing rules.	Compliant	Please refer to the Audit Committee report given on page 44 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 44

Corporate Governance

Rule No	Subject	Criteria	Compliance Status	Details
		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 44
		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 44
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 45
9.2.2	Composition of the RPTRC Related Party Transactions Review Committee	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 45
		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 45
9.2.4	Frequency of meetings	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Compliant	Please refer to the Corporate Governance report appearing on page 33

Rule No	Subject	Criteria	Compliance Status	Details
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 45
		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 45
		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 45
		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

Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the related Party Transactions entered in to during the Financial Year (LKR)	Aggregate value of the related Party Transactions as % of Net Revenue	Terms and Conditions of Related Party Transactions
Chevron Singapore Private Limited	Subsidiary of the ultimate parent	Purchase of Raw Materials for Blending of Lubricants	2,913,269,882	25%	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.	573,630,869	5%	As per the Service Level Agreement between the two entities.
			3,486,900,751	30%	

Risk Management

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

(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, catalog, assess and maintain our systems of internal controls over financial reporting. The COSO framework emphasizes publicly traded companies to adopt an internal control framework that is free from bias; allows for reasonably consistent qualitative and quantitative measurements of the Company's internal controls; is complete, and enables an objective evaluation of internal controls over financial reporting.

RISK 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.

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)

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

BUSINESS RISK

Loss of Volumes/ Market Share

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

Risk Response

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

Dependence on Business Partners

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

Risk response

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

Health, Environment and Safety Risk

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

Risk response

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

Operational Risk

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

Risk Management

Risk response

The Company has deployed policies, processes and procedures to ensure integrity of transactions, whilst also adopting controls mandated by Sarbanes-Oxley Act (SOX). Any deviations or gaps identified are reported, investigated and corrective action taken. The value chain activities from supply chain to distribution cum sales and marketing have been integrated on a central ERP system, supplemented with standardized processes. Further, these processes, systems and controls are subjected to periodic review by internal auditors and 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 63% of the credit granted is fully secured through bank guarantees..

Risk response

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

CYBER SECURITY RISK

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

Risk response

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

PANDEMIC RISK

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

Risk response

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

Annual Report of the Directors

The Directors of Chevron Lubricants Lanka Plc are pleased to present their report together with the audited financial statements for the year ended 31st December 2020.

STRUCTURE AND NATURE OF THE BUSINESS

Chevron Corporation (through Chevron Ceylon Ltd)

51%

Chevron Lubricants Lanka Plc

The core business activity of the company is the import, manufacturing / blending, distribution and marketing of lubricant products, greases, brake fluid, specialty products for domestic and certain export markets. The review of business activities for the year 2020 and the likely future developments are covered in detail under the Managing Director's review, and management discussion and analysis.

REVIEW OF BUSINESS PERFORMANCE

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

FINANCIAL STATEMENTS

The financial statements prepared in accordance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka are given on pages 50 to 88.

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, apart from those disclosed in Note 2.2 to the financial statements.

PROFITS AND APPROPRIATIONS

The profit after tax was Rs. 2,226 Mn (2019: 2,099 Mn) and total comprehensive income for the period amounted to Rs. 2,202 Mn (2019: 2,080 Mn).

INFORMATION ON DIVIDENDS AND RESERVES ARE GIVEN BELOW.

First interim dividend paid on 04th June 2020 at Rs. 1.00 per share

Second interim dividend paid on 17th August 2020 at Rs. 2.50 per share

Third interim dividend paid on 19th November 2020 at Rs. 3.50 per share

Fourth Interim dividend paid on 19th March 2021 at Rs.2.00 per share

(Interim Dividends were paid in compliance with CSE Listing Rule 7.1 (d))

For the year ended 31 December 2020	(Rs. Million)
Profit after tax	2,226
Balance brought from previous year	3,536
Fourth Interim Dividend (FY 2019) of Rs. 2.00 per share paid on 16th March 2020	(480)
First Interim Dividend of Rs. 1.00 per share paid on 04th June 2020	(240)
Second Interim Dividend of Rs. 2.50 per share paid on 17th August 2020	(600)
Third interim Dividend of Rs.3.50 per share paid on 19th November 2020	(840)
Unclaimed Dividend transferred to Retained Earnings	2
Re-measurement of defined benefit obligations	(24)
Balance carried forward to 2021	3,580

No final dividend has been proposed by the Board.

PROPERTY, PLANT & EQUIPMENT

Capital expenditure incurred during 2020 including work-in-progress amounted Rs. 58,967,206 (2019: Rs. 99,834,142). 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. (2019: Nil).

DIRECTORATE

The following served as Directors of the Company during the year 2020:

Rochna Kaul

Patrick McCloud (resigned w.e.f. 01.10.2020)

Najam Shamsuddin (appointed w.e.f. 01.10.2020)

Erande De Silva

Nicolas Michel Bossut (resigned w.e.f. 28.02.2021)

Asite Talwatte

Harsha Amarasekera

Haider Manasawala (appointed w.e.f. 28.02.2021)

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

Mr. Haider Manasawala who was appointed by the Board since the last Annual General Meeting retires at the forthcoming Annual

Annual Report of the Directors

General Meeting and is eligible for re-election in terms of the article 91 of Articles of Association of the Company.

In terms of Article 84 of Articles of Association of the Company Mr. 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:

None of the 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 87.

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 13 and 14. These have been entered in the Interest Register.

RELATED PARTY TRANSACTIONS

The company procures most of the raw materials from Chevron group companies in the ordinary course of business. In addition the Company obtains and pays for various services provided by the group. The details of such transactions are given in note 26 to the Financial statements. The Directors believe that the Company has fully complied with the rules of the Colombo Stock Exchange relating to related party transactions. Report of the related party transactions review committee is given on pages 45.

SHARE INFORMATION

Information relating to market value of shares, public shareholding and top 20 shareholders are given in page 91 to 93.

POST BALANCE SHEET EVENTS

Company declared an interim Dividend of Rs. 2.00 per share on 25 February 2021 and was paid on 19th of March 2021.

Other than those disclosed in Note 27 (a) to the financial statements in page 88 there have been no other events subsequent to the Balance Sheet date which would have material effect on the company or require disclosure or adjustment to the Financial Statements.

INTERNAL CONTROLS

Directors are responsible for devising proper internal controls to ensure that the proper books of accounts are maintained, the integrity of financial statements, assets are safeguarded, transactions are executed by those who have appropriate authority and there is proper segregation of duties. Board Audit committee reviews the internal audit reports to ensure established controls are adhered and any deviations reported and remediated. A whistle blowing mechanism is in place to report any violations of internal controls and Business conduct and ethics code. Based on the internal control frame work as described above the Board is satisfied with the effectiveness of the internal controls 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. 2,861,614 (2019: Rs. 2,649,643) as audit fees and Rs. 140,000 (2019: Rs. 120,000) for issue of solvency certificates.

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

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

ANNUAL GENERAL MEETING

The Board of Directors have decided in the interest of ensuring public health and complying with health and safety measures imposed by the relevant authorities, the 28th Annual General Meeting be held as a virtual meeting using a digital platform on Monday 24th May 2021 at 3.30p.m. from Chevron Lubricants Lanka PLC, Maga One, Level 16, 200 Nawala Road, Narahenpita, Colombo 05.

By order of the Board of Directors

Najam Shamsuddin	**Erande De Silva**
Managing Director/CEO	Director CFOCompanySecretary

22 April 2021

Statement of Directors' Responsibilities

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

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

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

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

The company's financial statements have been audited by 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.

Najam Shamsuddin
Managing Director / CEO

Erande De Silva
Director / CFO

Audit Committee Report

COMPOSITION

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

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

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.

1. MEETING THE GOALS

The Committee held six meetings during the year 2020. The Committee met on six occasions during the financial year 2020 and the members' attendance record is indicated in page 32 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 auditors have confirmed that they do not have any relationship with or interest in the Company other than that of an auditor.

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

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

APPRECIATION

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

Sgd,
Asite Talwatte
Chairman
Audit Committee

22 April 2021

Related Party Transactions Review Committee Report

COMMITTEE COMPOSITION

The Committee comprises two Independent Non-Executive Directors and one Non-Executive Director. The composition of the Committee fulfilled the requirements of the Listing Rule No. 9.2.2 of the Colombo Stock Exchange, throughout the financial year. The composition of the Related Party Transactions Review Committee during the year is indicated below.

Name of Director	Directorship Status at CLLP
Asite Talwatte	Independent Non-Executive Director
Harsha Amarasekera	Independent Non-Executive Director
Nicolas Bossut	Non-Executive Director *(Resigned w:e:f: 28/02/2021)
Haider Manasawala	Non-Executive Director *(Appointed w:e:f: 28/02/2021)

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

TERMS OF REFERENCE

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

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by section 9.5 of the CSE rules.
- Determine whether Related Party Transactions that are to be entered into by the Company require the prior approval of the Board or shareholders of the Company or require immediate market disclosure.
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee in its ongoing dealings with the relevant related party.
- Where necessary, the Committee shall seek the approval of the Board of Directors for Related Party Transactions, which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.
- In the event a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

POLICIES AND PROCEDURES

Sri Lanka Accounting Standards define Related Party Transactions. This definition is consistent with Section 9 of the listing rules of CSE. Under these the members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the data base of the Company.

MEETNGS

The Committee met on four occasions during the financial year 2020 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. The Committee reviewed the recurrent related party transactions on a quarterly basis at each meeting, which included the transactions for the specific quarter and the cumulative amounts for the reporting period. Details of Recurrent Related Party Transactions entered into by the Company during the year are disclosed in Note 26 to the Financial Statements.

DISCLOSURES IN THE ANNUAL REPORT

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

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

Related Party Transactions Review Committee Report

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 85 to page 88.

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

The Company has also filed the Transfer Pricing Disclosure Form with the Department of Inland Revenue for Year of Assessment 2019/20 in terms of paragraph (d) of regulation 6 of Gazette Extraordinary Notification – 2104/4 issued under section 76, 77 and 194 of the Inland Revenue Act, No. 24 of 2017.

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 2020 is given on page 42, in the 'Annual Report of the Directors'.

Sgd,
Asite Talwatte
Chairman
Related Party Transaction Review Committee

22 April 2021

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 Total Remuneration (TR) Group after discussion with the Remuneration Committee. The local HR team assists the process by providing the Chevron TR Group with market data obtained via benchmarking exercises to determine the annual pay structures and the Chevron TR Group proposes the maximum annual pay increases for each grade of employees.

Supervisors are responsible for evaluating performance of each individual employee, who are then assigned a performance ranking based on the supervisor's assessment. The performance ranking together with the maximum annual pay recommended by Chevron TR Group forms the annual pay increase for each employee. In the year under review Chevron embraced an enterprise-wide revision of its Performance Management Process under a new standard known as 'We Lead' which enables employees to demonstrate results under four leadership behaviors.

Benchmarking Surveys are commissioned periodically in order to assess the prevailing pay 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.

Notwithstanding the impact on the economy and the business of the Company by reason of COVID- 19, the Company has not taken any steps to either reduce pay and/or to withhold allowance as at the date of this report. However, the Remuneration Committee , after careful review , took conservative measures in proposing the annual pay increments for 2021 bearing in mind the challenges faced by CLLP by reason of COVID-19 and the inflationary pressure on the workforce. The Remuneration Committee will periodically review the situation prevailing by reason of COVID - 19 and take appropriate steps as and when necessary.

The aggregate remuneration paid to Executive and Non- Executive Directors is given on page 71

Sgd.
Harsha Amarasekera
Chairman, Remuneration Committee

22 April 2021

Financial Statements

FINANCIAL CALENDAR 2020

Interim Financials

1st Quarter	14th May 2020
2nd Quarter	27th July 2020
3rd Quarter	28th October 2020
4th Quarter	25th February 2021

Dividends Paid Dates

First interim dividend paid on 04th June 2020 at Rs. 1.00 per share

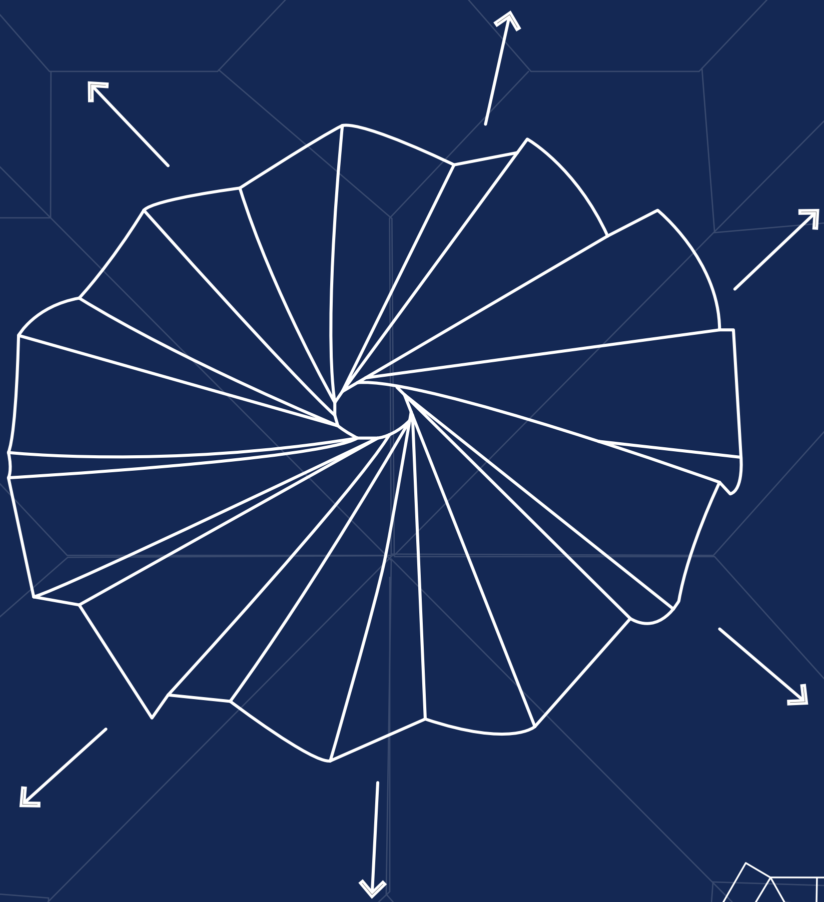
Second interim dividend paid on 17th August 2020 at Rs. 2.50 per share

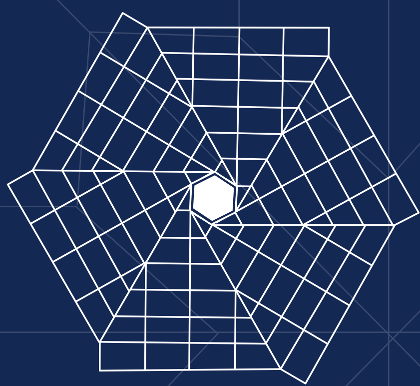
Third interim dividend paid on 19th November 2020 at Rs. 3.50 per share

Fourth Interim dividend paid on 19th March 2021 at Rs.2.00 per share

An

EXCELLENT FORM





At Chevron, we follow principles of continuous improvement — relying on simplified processes, efficient solutions and sustainable strategies to ensure long-term success. We're built for a future of expansion and growth — designed to deliver holistic value across the board.

Engineers have designed a solar panel that can be easily deployed in space with minimal human intervention — an innovation based on simplicity, efficiency and sustainable results.

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 2020, 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 2020;
- 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
Performance incentives and discounts to customers The Company offers several incentives and discounts to distributors and some retailers through their distributors. At the point of invoicing, the incentives and discounts are computed to arrive at the amount to be invoiced based on historical sales trends of each customer and they are subsequently adjusted based on actual redistribution sales information received. Accordingly, sales of LKR 11.6 billion disclosed in Note 5 to the financial statements is recognised net of customer incentives and discounts amounting to LKR 0.87 billion for 2020.	Our audit procedures included controls testing and substantive procedures covering the following: a) We obtained a list of customers with whom the Company has sales agreements / contracts with terms and conditions on eligibility of incentives and discounts, and selected those customers whose sales have been recorded net of significant sales incentives and discounts. The sales agreements / contracts with the selected customers were examined and the terms and conditions related to customer incentives and discounts were discussed with management. b) We checked whether the financial year end provision had been duly approved and for a selected sample of customers, we recomputed the sales incentives and discounts, based on the contractual terms in the related customer sales agreements / contracts using the actual redistribution sales details of those customers, The actual redistribution sales details were extracted from the 'Distribution Management System' of the Company, for which we had obtained reliance from our System Assurance Specialist team.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHEVRON LUBRICANTS LANKA PLC (CONTD)
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD)
Key audit matters (Contd)

Key audit matter	How our audit addressed the Key audit matter
The customer incentives and discounts are material to the financial statements and is based on complex calculations with significant manual intervention and therefore this area was considered as a key audit matter.	c) We checked the approvals from the relevant personnel of the Company for a sample of the monthly debit / credit notes raised for adjustment of sales incentives and discounts for the month, for differences between sales incentives and discounts originally estimated at the time of sales invoicing and sales incentives and discounts recomputed based on actual sales extracted from the "Distribution Management System". d) We checked the incentive and discounts adjustments after the reporting date to arrive at the actual amount of incentives and discounts applicable to the financial year to assess the reasonability of the provision made at the financial year-end. e) We checked whether monthly stock verifications were performed at distributor locations and variances, if any had been adjusted in the performance incentives and discounts calculation. Based on the procedures above, we found that the calculations to compute performance incentives and discounts to be reasonable and the related manual interventions to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the 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.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
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

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

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with 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.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number 2857
Colombo
Sri Lanka

22 April 2021

Statement of Financial Position

(all amounts in Sri Lanka Rupees)

	Notes	As at 31 December 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	13	1,758,140,998	1,883,218,970
Right-of-use assets	14	342,746,553	389,368,278
Trade and other receivables	15	79,268,109	74,366,350
		2,180,155,660	2,346,953,598
Current assets			
Inventories	18	2,690,695,199	1,939,297,198
Trade and other receivables	15	1,082,246,832	1,079,619,912
Cash and cash equivalents	19	1,898,555,779	869,635,146
		5,671,497,810	3,888,552,256
Total assets		7,851,653,470	6,235,505,854
Equity and liabilities			
Capital and reserves			
Stated capital	20	600,000,000	600,000,000
Retained earnings		3,580,187,891	3,536,296,890
		4,180,187,891	4,136,296,890
Non-current liabilities			
Retirement benefit obligations	21	192,005,210	146,951,965
Deferred tax liabilities	17	246,669,514	266,010,083
Lease liabilities	14	332,367,276	358,791,714
		771,042,000	771,753,762
Current liabilities			
Trade and other payables	22	2,167,148,176	789,383,245
Current income tax liabilities		699,028,693	501,952,766
Lease liabilities	14	34,246,710	36,119,191
		2,900,423,579	1,327,455,202
Total liabilities		3,671,465,579	2,099,208,964
Total equity and liabilities		7,851,653,470	6,235,505,854

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 22 April 2021.

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

Signed on behalf of the Board on 22 April 2021.

Najam Shamsuddin
Managing Director

Erande De Silva
Director / Chief Financial Officer

Yasora Kodagoda
Manager - Finance and Planning

Notes on pages 58 to 88 form an integral part of these financial statements

Report of the independent auditors' on pages 50 to 52

Statement of Comprehensive Income
Income Statement

(all amounts in Sri Lanka Rupees)

	Notes	Year ended 31 December 2020	2019
Sales	5	11,637,381,476	11,856,056,511
Cost of sales	6	(7,020,423,256)	(7,421,331,899)
Gross profit		4,616,958,220	4,434,724,612
Other income	8	4,492,981	1,731,246
Distribution expenses	6	(777,739,351)	(791,339,694)
Administrative expenses	6	(807,977,649)	(729,799,434)
Net reversals of impairment losses on financial assets	15 (a)	46,008	2,058,390
Operating profit		3,035,780,209	2,917,375,120
Finance income	9	105,452,334	71,306,464
Finance costs	9	(41,985,251)	(45,448,199)
Finance income - net	9	63,467,083	25,858,265
Profit before tax		3,099,247,292	2,943,233,385
Income tax expenses	10	(873,518,662)	(843,825,810)
Profit for the year		2,225,728,630	2,099,407,575
Earnings per share attributable to the owners of the Company during the year			
Basic/ diluted earnings per share (LKR)	11	9.27	8.75

Notes on pages 58 to 88 form an integral part of these financial statements

Report of the independent auditors' on pages 50 to 52

Statement of Comprehensive Income
Other Comprehensive Income

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December 2020	2019
Profit for the year		2,225,728,630	2,099,407,575
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	21	(33,326,316)	(26,608,860)
Deferred tax attributable to remeasurement of retirement benefit obligations	17	9,331,368	7,450,481
Other comprehensive income for the year, net of tax		(23,994,948)	(19,158,379)
Total comprehensive income for the year		2,201,733,682	2,080,249,196

Notes on pages 58 to 88 form an integral part of these financial statements

Report of the independent auditors' on pages 50 to 52

Statement of Changes In Equity

(all amounts in Sri Lanka Rupees)	Notes	Stated capital	Retained earnings	Total
Balance at 1 January 2019		**600,000,000**	**3,314,473,195**	**3,914,473,195**
Profit for the year		Nil	2,099,407,575	2,099,407,575
Other comprehensive income for the year, net of tax		Nil	(19,158,379)	(19,158,379)
Total comprehensive income for the year		Nil	2,080,249,196	2,080,249,196
Transactions with owners - Dividends	12	Nil	(1,860,000,000)	(1,860,000,000)
Unclaimed dividends transfer to retained earnings		Nil	1,574,499	1,574,499
Balance at 31 December 2019		**600,000,000**	**3,536,296,890**	**4,136,296,890**
Balance at 1 January 2020		600,000,000	3,536,296,890	4,136,296,890
Profit for the year		Nil	2,225,728,630	2,225,728,630
Other comprehensive income for the year, net of tax		Nil	(23,994,948)	(23,994,948)
Total comprehensive income for the year		Nil	2,201,733,682	2,201,733,682
Transactions with owners - Dividends	12	Nil	(2,160,000,000)	(2,160,000,000)
Unclaimed dividends transfer to retained earnings		Nil	2,157,319	2,157,319
Balance at 31 December 2020		**600,000,000**	**3,580,187,891**	**4,180,187,891**

Notes on pages 58 to 88 form an integral part of these financial statements

Report of the independent auditors' on pages 50 to 52

Statement of Cash Flows

(all amounts in Sri Lanka Rupees)		Year ended 31 December	
	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	25	3,957,953,987	3,305,623,285
Interest paid		(41,985,251)	(45,448,199)
Retirement benefits obligations paid	21	(17,467,712)	(45,987,529)
Income tax paid		(686,451,936)	(658,699,263)
Net cash generated from operating activities		3,212,049,088	2,555,488,294
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(58,967,206)	(99,834,142)
Proceeds from disposal of property, plant and equipment		4,485,408	3,269,176
Interest received		65,568,411	41,340,640
Net cash generated from / (used in) investing activities		11,086,613	(55,224,326)
Cash flows from financing activities			
Principal elements of lease payments	14	(34,215,068)	(29,394,698)
Dividends paid	12	(2,160,000,000)	(1,860,000,000)
Net cash used in financing activities		(2,194,215,068)	(1,889,394,698)
Net increase in cash and cash equivalents		1,028,920,633	610,869,270
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		869,635,146	258,765,876
Net increase in cash and cash equivalents		1,028,920,633	610,869,270
Cash and cash equivalents at end of year	19	1,898,555,779	869,635,146

Notes on pages 58 to 88 form an integral part of these financial statements

Report of the independent auditors' on pages 50 to 52

Notes to the Financial Statements

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

1 GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the Board of Directors on 22 April 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Company has been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement 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 2020:

(i) Definition of Material – Amendments to LKAS 1 and LKAS 8

The amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout Sri Lanka Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in LKAS 1 about immaterial information.

In particular, the amendments clarify:

a) That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

b) The meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

This amendment is effective for the annual periods beginning on or after 1 January 2020.

(ii) Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

a) Increasing the prominence of stewardship in the objective of financial reporting

b) Reinstating prudence as a component of neutrality

c) Defining a reporting entity, which may be a legal entity, or a portion of an entity

d) Revising the definitions of an asset and a liability

e) Removing the probability threshold for recognition and adding guidance on derecognition

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)

(ii) Revised Conceptual Framework for Financial Reporting (Contd)

f) Adding guidance on different measurement basis, and

g) Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

This amendment is effective for the annual periods beginning on or after 1 January 2020.

(iii) Covid-19-related Rent Concessions – Amendments to SLFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. According to the amendment to SLFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

This amendment is effective for the annual periods beginning on or after 1 June 2020.

(b) New standards and amendments not effective and not early adopted in 2020

The following standards and interpretations had been issued by IASB (not yet adopted by CA Sri Lanka) but not mandatory for annual reporting periods ending 31 December 2020.

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

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

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

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

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

2.2 Changes in accounting policies and disclosures (Contd)

(b) New standards and amendments not effective and not early adopted in 2020 (Contd)

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

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

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

(iv) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

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

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 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.

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
Improvements on leasehold buildings	2.22 - 10
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 improvements are depreciated over the lesser of useful economic life and lease period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

2.4 Property, plant and equipment (Contd)

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

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

2.5 Impairment of non-financial assets

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

2.6 Accounting for leases - where the Company is the lessee

The Company leases various buildings and motor vehicles.

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

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

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

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

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

2.7 Financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

2.7 Financial assets (Contd)

(c) Measurement (Contd)

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

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

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

2.8 Financial liabilities

2.8.1 Classification and initial recognition

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

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

2.8.2 Subsequent measurement

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

2.8.3 Derecognition

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

2.8.4 Offsetting financial instruments

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

2.9 Inventories

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

2.10 Trade receivables

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

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

2.10 Trade receivables (Contd)

current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and accordingly adjusts the historical loss rates based on expected changes.

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

2.11 Cash and cash equivalents

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

2.12 Stated capital

Ordinary Shares are classified as equity.

2.13 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit obligation

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

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

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

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

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

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

2.14 Current and deferred income tax

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

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

2.14 Current and deferred income tax (Contd)

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

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

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

(a) Sale of goods

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

(b) Interest income

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

2.17 Dividend distribution

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

2.18 Segment reporting

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

2.18 Segment reporting (Contd)

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

There are no significant separate operating segments within the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk

3.1.1 Financial risk factors

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

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

The principal financial instruments of the Company comprise of short term deposits, money market investments, and cash. The main purpose of these 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 2020, a foreign exchange loss of LKR 9,749,367 (2019 - LKR 1,635,320) 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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTD)

3.1 Financial risk (Contd)

3.1.1 Financial risk factors (Contd)

(b) Credit risk (Contd)

As at 31 December 2020

	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total
Risk Exposure				
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	Nil	1,087,528,290	Nil	1,087,528,290
Amounts due from related parties (Note 15)	Nil	Nil	28,470,189	28,470,189
Cash and cash equivalents (excluding bank overdrafts) (Note 19)	1,898,555,779	Nil	Nil	1,898,555,779
Total credit risk exposure	1,898,555,779	1,087,528,290	28,470,189	3,014,554,258

As at 31 December 2019

	Cash in hand and at bank	Trade and other receivables	Amounts due from related parties	Total
Risk Exposure				
Trade and other receivables excluding prepayments, statutory receivables and marketing support fee paid to service centre operators)	Nil	1,059,166,058	Nil	1,059,166,058
Amounts due from related parties (Note 15)	Nil	Nil	15,209,640	15,209,640
Cash and cash equivalents (excluding bank overdrafts) (Note 19)	869,635,146	Nil	Nil	869,635,146
Total credit risk exposure	869,635,146	1,059,166,058	15,209,640	1,944,010,844

(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 2,918,890,316 (2019 - LKR 1,858,144,398) that are expected to readily generate cash inflows for managing liquidity risk.

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

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTD)

3.1 Financial risk (Contd)

3.1.1 Financial risk factors (Contd)

(c) Liquidity risk (Contd)

As at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Liabilities					
Trade and other payables (excluding statutory payables)	1,121,383,284	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 22)	1,026,626,076	Nil	Nil	Nil	Nil
Lease liabilities	14,692,852	56,303,932	64,472,595	129,064,386	524,956,591
Total liabilities	2,162,702,212	56,303,932	64,472,595	129,064,386	524,956,591

As at 31 December 2019

	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)	496,193,547	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 22)	291,677,511	Nil	Nil	Nil	Nil
Lease liabilities	15,469,093	59,931,529	70,272,917	157,368,727	546,647,506
Total liabilities	803,340,151	59,931,529	70,272,917	157,368,727	546,647,506

(d) Price risk

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

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

(e) Interest rate risk

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

3.2 Fair value estimation

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

3.3 Capital risk management

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

The capital structure of the Company represents equity attributable to owners of the Company, comprising issued stated capital and retained earnings.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

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

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

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

(b) Defined benefit obligations

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

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

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

(c) Impairment of trade receivables

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

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

(d) Estimated impairment of non-current assets

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

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

(e) Estimate on performance incentives and discounts

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

4.2 Critical judgements in applying the entity's accounting policies

SLFRS 16

Critical judgements in determining the lease term

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD)

4.2 Critical judgements in applying the entity's accounting policies (Contd)

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

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

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

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

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

COVID-19 Outbreak

COVID-19 outbreak which affected the Company operations since early March 2020 continue to evolve and change as its effects are far reaching. Accordingly, in preparing the financial statements, the management has considered the impact of COVID-19.

5 SALES

Sales are made up as follows:

	2020	2019
Local sales	10,678,604,337	10,456,806,135
Export sales	860,343,623	1,286,256,756
Related party sales [Note 26 (a)]	98,433,516	112,993,620
	11,637,381,476	11,856,056,511

Sales are recorded net of customer incentives and discounts of LKR 874,167,782 (2019 - LKR 1,151,016,805).

6 EXPENSES BY NATURE

	2020	2019
Directors' emoluments		
- executive	111,484,142	114,242,821
- non executive	5,808,000	5,808,000
	117,292,142	120,050,821
Auditors' remuneration		
- audit	2,861,614	2,649,643
- non audit	140,000	120,000
	3,001,614	2,769,643
Depreciation on property, plant and equipment (Note 13)	182,032,571	176,399,447
Depreciation on right-of-use assets (Note 14)	52,539,872	49,076,873
Amortisation of marketing support fee paid [Note 15 (e)]	22,148,521	17,361,757
Reversal of provision for impairment on trade receivables [Note 15 (a)]	(46,008)	(2,058,390)
Write off of property, plant and equipment (Note 13)	86,213	758,986
Repair and maintenance expenditure	18,584,767	21,045,986
Cost of inventories sold	6,741,180,825	6,927,866,718
Employee benefit expenses (Note 7)	328,610,596	319,542,372

7 EMPLOYEE BENEFIT EXPENSES

	2020	2019
Salaries, wages and other fringe benefits	267,143,630	261,823,540
Contribution to defined contribution plans	32,272,325	31,026,212
Defined benefit obligations (Note 21)	29,194,641	26,692,620
	328,610,596	319,542,372
Monthly average number of persons employed by the Company during the year:		
Permanent employees	75	77

Notes to the Financial Statements

8 OTHER INCOME

	2020	2019
Scrap sales	473,140	548,771
Write back of creditors	175,294	232
Profit on disposal of property, plant and equipment	2,559,014	434,949
Empty drum sales	1,285,533	747,294
	4,492,981	1,731,246

9 FINANCE INCOME AND COSTS

	2020	2019
Finance income:		
Interest income on short term deposits	65,751,908	42,139,283
Interest income on employee loans	495,623	442,566
	66,247,531	42,581,849
Net foreign exchange transaction and translation gains	39,204,803	28,724,615
	105,452,334	71,306,464
Finance costs:		
Interest charge on lease liabilities (Note 14)	(41,879,521)	(42,100,336)
Interest expense on bank overdraft	(105,730)	(3,347,863)
	(41,985,251)	(45,448,199)
Finance income - net	63,467,083	25,858,265

10 TAX

	2020	2019
Current tax:		
Current tax on profits for the year	883,652,207	827,870,559
Over provision for income tax in respect of previous years	(124,344)	Nil
	883,527,863	827,870,559
Deferred tax :		
Origination of temporary differences (Note 17)	(10,009,201)	15,955,251
Income tax expense	873,518,662	843,825,810
Deferred tax credited to other comprehensive Income (Note 17)	(9,331,368)	(7,450,481)
	864,187,294	836,375,329

10 TAX (CONTD)

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

	2020	2019
Profit before tax	3,099,247,292	2,943,233,385
Tax calculated at a tax rate of 28% (2019 - 28%)	867,789,242	824,105,348
Tax effects of:		
- Expenses not deductible for tax purposes	6,569,056	19,644,845
- Profit on sale of fixed assets	(716,524)	(121,787)
- Tax profit on retirement / disposal of fixed assets	1,232	197,404
Over provision for income tax in respect of previous years	(124,344)	Nil
Tax charge	873,518,662	843,825,810

The Company applied the enacted Income Tax rate of 28% on trading, interest income and on profits attributable to direct and indirect exports for year of assessment 2019/20.

Further information about deferred tax is provided in Note 17.

11 EARNINGS PER SHARE

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

	2020	2019
Profit attributable to shareholders	2,225,728,630	2,099,407,575
Number of ordinary shares in issue at 31 December (Note 20)	240,000,000	240,000,000
Basic/ diluted earnings per share (LKR)	9.27	8.75

12 DIVIDENDS

	2020	2019
Proposed and paid interim dividend of LKR 9.00 per share (2019 - LKR 7.75 per share)	2,160,000,000	1,860,000,000

The fourth interim dividend for 2020 of LKR 2.00 per share amounting to LKR 480,000,000 was declared on 25 February 2021 and paid on 19 March 2021.

The fourth interim dividend for 2019 of LKR 2.00 per share amounting to LKR 480,000,000 was declared on 24 February 2020 and paid on 17 March 2020.

13 PROPERTY, PLANT AND EQUIPMENT

	Land Improvements	Improvements on leasehold buildings	Storage tanks and pipe lines	Plant and machinery	Office furniture and equipment	Motor vehicles	Computers	Capital work in progress	Total
Year ended 31 December 2019									
Opening 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
Additions	Nil	Nil	Nil	663,000	43,751,202	17,500,000	34,775,573	3,144,367	99,834,142
Transferred from capital work-in-progress	3,031,899	18,452,037	Nil	12,524,672	239,351	Nil	15,926,504	(50,174,463)	Nil
Write offs - cost (Note 6)	(82,495)	(4,453,391)	Nil	(1,539,493)	(1,662,997)	Nil	(634,228)	Nil	(8,372,604)
- accumulated depreciation (Note 6)	77,343	4,453,391	Nil	1,426,932	1,021,724	Nil	634,228	Nil	7,613,618
Disposals - cost	Nil	(1,708,254)	Nil	Nil	(7,804,544)	(114,000)	(10,972,499)	Nil	(20,599,297)
- accumulated depreciation	Nil	1,213,633	Nil	Nil	5,564,415	114,000	10,873,022	Nil	17,765,070
Depreciation charge (Note 6)	(8,541,218)	(41,474,058)	(25,663,546)	(57,783,241)	(16,783,362)	(6,290,684)	(19,863,338)	Nil	(176,399,447)
Closing net book amount	182,917,250	949,935,308	259,283,016	307,874,691	82,755,431	30,473,180	66,813,388	3,166,706	1,883,218,970
At 31 December 2019									
Cost	228,239,711	1,157,631,724	419,164,260	706,542,345	149,420,192	54,847,959	132,244,175	3,166,706	2,851,257,072
Accumulated depreciation	(45,322,461)	(207,696,416)	(159,881,244)	(398,667,654)	(66,664,761)	(24,374,779)	(65,430,787)	Nil	(968,038,102)
Net book amount	182,917,250	949,935,308	259,283,016	307,874,691	82,755,431	30,473,180	66,813,388	3,166,706	1,883,218,970
Year ended 31 December 2020									
Opening net book amount	182,917,250	949,935,308	259,283,016	307,874,691	82,755,431	30,473,180	66,813,388	3,166,706	1,883,218,970
Additions	7,429,009	8,477,130	Nil	11,200,800	6,298,540	12,500,000	13,061,727	Nil	58,967,206
Transferred from capital work-in-progress	Nil	Nil	Nil	Nil	20,900	Nil	3,059,593	(3,080,493)	Nil
Write offs - cost (Note 6)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	(86,213)	(86,213)
Disposals - cost	Nil	Nil	Nil	Nil	Nil	(9,647,978)	(3,383,239)	Nil	(13,031,217)
- accumulated depreciation	Nil	Nil	Nil	Nil	Nil	7,805,106	3,299,717	Nil	11,104,823
Depreciation charge (Note 6)	(8,602,565)	(41,661,532)	(25,388,701)	(57,536,532)	(16,848,183)	(7,209,336)	(24,785,722)	Nil	(182,032,571)
Closing net book amount	181,743,694	916,750,906	233,894,315	261,538,959	72,226,688	33,920,972	58,065,464	Nil	1,758,140,998
At 31 December 2020									
Cost	235,668,720	1,166,108,854	419,164,260	717,743,145	155,739,632	57,699,981	144,982,256	Nil	2,897,106,848
Accumulated depreciation	(53,925,026)	(249,357,948)	(185,269,945)	(456,204,186)	(83,512,944)	(23,779,009)	(86,916,792)	Nil	(1,138,965,850)
Net book amount	181,743,694	916,750,906	233,894,315	261,538,959	72,226,688	33,920,972	58,065,464	Nil	1,758,140,998

(a) Property, plant and equipment includes fully depreciated assets still in books, the cost of which at 31 December 2020 amounted to LKR 268,259,031 (2019 - LKR 177,718,162).

(b) Depreciation expense of LKR 140,367,207 (2019 - LKR 137,785,875) has been charged in cost of goods sold, LKR 17,403,118 (2019 - LKR 15,534,517) as administrative expenses and LKR 24,262,246 (2019- LKR 23,079,055) as selling and distribution expenses.

14 LEASES

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

(a) Amounts recognised in the statement of financial position

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

	2020	2019
Right-of-use assets		
Land and buildings	313,315,233	337,321,174
Motor vehicles	29,431,320	52,047,104
	342,746,553	389,368,278
Lease liabilities		
Current lease liabilities	34,246,710	36,119,191
Non-current lease liabilities	332,367,276	358,791,714
	366,613,986	394,910,905

Additions to the right-of-use assets during the financial year ended 31 December 2020 were LKR 5,918,147 (2019 - LKR 76,725,030)

Movement relating to leases:

	2020	2019
Right-of use assets		
Right-of-use asset recognised as at 1 January - Land and buildings	337,321,174	270,831,992
Right-of-use asset recognised as at 1 January - Motor vehicles	52,047,104	76,748,581
Transferred from lease rentals paid in advance	Nil	14,139,548
Additions made during the year - Buildings	5,918,147	76,725,030
Depreciation charged during the year - Land and buildings (Note 6)	(29,924,088)	(24,375,396)
Depreciation charged during the year - Motor vehicles (Note 6)	(22,615,784)	(24,701,477)
	(52,539,872)	(49,076,873)
Right-of-use asset recognised as at 31 December 2020	342,746,553	389,368,278
Lease liabilities		
Lease liability recognised as at 1 January - Land and buildings	340,444,690	270,831,992
Lease liability recognised as at 1 January - Motor vehicles	54,466,215	76,748,581
Additions made during the year - Buildings	5,918,148	76,725,030
Interest charged during the year (Note 9)	41,879,521	42,100,336
Rentals paid during the year	(76,094,588)	(71,495,034)
Lease liability recognised as at 31 December 2020	366,613,986	394,910,905

Notes to the Financial Statements

14 LEASES (CONTD)

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2020	2019
Depreciation charge of right-of-use assets		
Land and buildings (Note 6)	29,924,088	24,375,396
Motor vehicles (Note 6)	22,615,784	24,701,477
	52,539,872	49,076,873
Interest charge on lease liabilities (Note 9)	41,879,521	42,100,336

(c) The total cash outflow for leases for the financial year ended 31 December 2020 was LKR 76,094,588 (2019 - LKR 71,495,034).

15 TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables	1,020,334,537	988,555,261
Less: provision for impairment of trade receivables [refer (a) below]	Nil	(46,008)
Trade receivables - net	1,020,334,537	988,509,253
Prepayments	2,902,221	4,125,090
Deposits	36,380,155	35,511,515
Staff loans [refer (d) below]	26,830,432	29,174,919
Marketing support fee paid to service centre operators [refer (e) below]	42,614,241	33,140,763
Statutory receivables [refer (c) below]	Nil	42,344,711
Other receivables	3,983,166	5,970,371
	1,133,044,752	1,138,776,622
Receivables from related parties [Note 26 (c) (i)]	28,470,189	15,209,640
Total trade and other receivables	1,161,514,941	1,153,986,262
Less: non-current portion		
Staff loans	18,992,702	21,624,537
Marketing support fee paid to service centre operators	23,895,252	17,230,298
Deposits	36,380,155	35,511,515
Total non-current portion	79,268,109	74,366,350
Current portion	1,082,246,832	1,079,619,912

(a) Impairment of trade receivables;

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

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

15 TRADE AND OTHER RECEIVABLES (CONTD)

(a) Impairment of trade receivables; (Contd)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 1 January 2020 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. The Company has identified the GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes.

On that basis, the loss allowance as at 31 December 2020 and 1 January 2020 (on adoption of SLFRS 9) was determined as follows for both trade receivables:

	2020	2019
Loss allowance	Nil	46,008

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020	2019
Opening loss allowance as at 1 January	46,008	2,802,470
Trade receivables written off against loss allowance	Nil	(698,072)
Reversal of loss allowance on trade receivables (Note 6)	(46,008)	(2,058,390)
Closing balance	Nil	46,008

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

(b) The carrying amounts of trade and other recevables are denominared in the following currency:

	2020	2019
US Dollars	144,410,823	228,476,805
Sri Lankan Rupees	1,017,104,118	925,509,457
	1,161,514,941	1,153,986,262

(c) Other receivables consisted of VAT receivable of LKR Nil (2019 - LKR 42,344,711).

(d) Staff loans due at the financial position date represent loans given to staff on fixed repayment terms and are unsecured. These loans are largely given at a concessionary rate of 4.2% per annum (2019 - 4.2%). The effective market interest rates on non-current receivables (staff loans) as at 31 December 2020 were 9% per annum (2019 - 12.5%). The effect of discounting is not considered to be material.

(e) Marketing support fee is an advance payment made to the service station operators under which a bulk payment is made at the beginning of the contract period to meet the marketing expenses over the contract period. Service station operator should guarantee a minimum volume over the contract period to meet his obligations under the contract. If the terms are not met, service station operator is required to refund to the Company a proportionate amount of the bulk payment. The marketing support payment is amortised over the contract period and amortisation charge of LKR 22,148,521 (2019 - LKR 17,361,757) is recognised in the statement of comprehensive income (Note 6).

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

Notes to the Financial Statements

15 TRADE AND OTHER RECEIVABLES (CONTD)

(g) Movement of the loss allowance of trade receivables is as follows:

	2020	2019
At 1 January	46,008	2,802,470
Trade receivables written off against loss allowance	Nil	(698,072)
Reversal of loss allowance on trade receivables (Note 6)	(46,008)	(2,058,390)
At 31 December	Nil	46,008

16 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets - measured at amortised cost	Total
a) 31 December 2020		
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	1,087,528,290	1,087,528,290
Amounts due from related parties [Note 26 (c) (i)]	28,470,189	28,470,189
Cash and cash equivalents (Note 19)	1,898,555,779	1,898,555,779
	3,014,554,258	3,014,554,258

	Other financial liabilities	Total
b) 31 December 2020		
Financial liabilities- measured at amortised cost		
Trade and other payables (excluding statutory liabilities)	1,121,383,284	1,121,383,284
Amounts due to related parties	1,026,626,076	1,026,626,076
Lease liabilities (Note 14)	366,613,986	366,613,986
	2,514,623,346	2,514,623,346

	Financial assets - measured at amortised cost	Total
c) 31 December 2020		
Trade and other receivables (excluding prepayments, statutory receivables and marketing support fee paid to service centre operators)	1,059,166,058	1,059,166,058
Amounts due from related parties [Note 26 (c) (i)]	15,209,640	15,209,640
Cash and cash equivalents (Note 19)	869,635,146	869,635,146
	1,944,010,844	1,944,010,844

16 FINANCIAL INSTRUMENTS BY CATEGORY (CONTD)

	Other financial liabilities	Total
d) 31 December 2019		
Financial liabilities - measured at amortised cost		
Trade and other payables (excluding statutory liabilities)	496,193,547	496,193,547
Amounts due to related parties	291,677,511	291,677,511
Lease liabilities (Note 14)	394,910,905	394,910,905
	1,182,781,963	1,182,781,963

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

Trade receivables

	2020	2019
Distributors	652,865,337	536,809,655
Commercial / industrial and others	278,701,481	279,753,365
Export customers / overseas	88,767,719	171,946,233
	1,020,334,537	988,509,253

Counterparties without external credit rating:

	2020	2019
Group 1	1,016,250,152	987,892,626
Group 2	4,084,385	616,627
Group 3	Nil	Nil
Total unimpaired trade and related party receivables	1,020,334,537	988,509,253

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

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

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

Cash and cash equivalents

	2020	2019
Cash at banks with AAA to A ratings	1,898,423,779	869,502,448
Cash in hand	132,000	132,698
	1,898,555,779	869,635,146

Notes to the Financial Statements

17 DEFERRED TAX LIABILITIES

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate of 28% (2019 - 28%).

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

	2020	2019
At beginning of year	266,010,083	257,505,313
(Credited) / Charged to income statement (Note 10)	(10,009,201)	15,955,251
Credited to other comprehensive income (Note 10)	(9,331,368)	(7,450,481)
At end of year	246,669,514	266,010,083

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

	2020	2019
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	(50,637,955)	(36,816,342)
- Deferred tax assets to be recovered within 12 months	(3,123,504)	(4,330,208)
	(53,761,459)	(41,146,550)
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	300,430,973	307,156,633
Deferred tax liabilities - net	246,669,514	266,010,083

	Accelerated tax depreciation	Total
Deferred tax liabilities		
At 1 January 2019	296,603,957	296,603,957
Charged to income statement	10,552,676	10,552,676
At 31 December 2019	307,156,633	307,156,633
Credited to income statement	(6,725,660)	(6,725,660)
At 31 December 2020	300,430,973	300,430,973

	Defined benefit obligations	Total
Deferred tax assets		
At 1 January 2019	(39,098,644)	(39,098,644)
Charged to income statement	5,402,575	5,402,575
Credited to other comprehensive income (Note 10)	(7,450,481)	(7,450,481)
At 31 December 2019	(41,146,550)	(41,146,550)
Credited to income statement	(3,283,541)	(3,283,541)
Credited to other comprehensive income (Note 10)	(9,331,368)	(9,331,368)
At 31 December 2020	(53,761,459)	(53,761,459)

18 INVENTORIES

	2020	2019
Raw materials and consumables	2,054,498,270	1,410,579,687
Finished goods	636,196,929	528,717,511
	2,690,695,199	1,939,297,198

(a) Raw material and consumables and finished goods include goods in transit amounting to LKR 865,369,857 (2019 - LKR 146,131,853).

(b) The cost of inventories consumed and included in cost of sales amounted to LKR 6,741,180,825 (2019 - LKR 6,927,866,718).

19 CASH AND CASH EQUIVALENTS

	2020	2019
Cash and bank balances	198,555,779	169,635,146
Short term deposits	1,700,000,000	700,000,000
	1,898,555,779	869,635,146

Short term deposits 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 5.51% (2019 - 7.89%).

The cash and cash equivalents are denominated in following currencies:

	2020	2019
US Dollars	109,318,519	16,960,167
Sri Lankan Rupees	1,789,237,260	852,674,979
	1,898,555,779	869,635,146

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

	2020	2019
Cash and bank balances	198,555,779	169,635,146
Short term deposits	1,700,000,000	700,000,000
	1,898,555,779	869,635,146

20 STATED CAPITAL

	Ordinary shares	
	Number of shares	Value of shares
At 31 December 2019	240,000,000	600,000,000
At 31 December 2020	240,000,000	600,000,000

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

Notes to the Financial Statements

21 RETIREMENT BENEFIT OBLIGATIONS

	2020	2019
Statement of financial position obligations for:		
Gratuity benefits	192,005,210	146,951,965
Income statement charge:		
Gratuity benefits (Note 7)	29,194,641	26,692,620
Other comprehensive income:		
Remeasurement loss	33,326,316	26,608,860

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

	2020	2019
At 1 January	146,951,965	139,638,014
Current service cost	14,499,444	10,215,334
Interest cost	14,695,197	16,477,286
Remeasurement loss	33,326,316	26,608,860
Benefits paid	(17,467,712)	(45,987,529)
At 31 December	192,005,210	146,951,965

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

	2020	2019
Current service cost	14,499,444	10,215,334
Interest cost	14,695,197	16,477,286
Total included in the employee benefit costs (Note 7)	29,194,641	26,692,620

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 2020 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	8% compounded annually	10% compounded annually
Estimated salary increment rate	8% per year	7% per year
Withdrawal rate	3% per annum up to age 54 and 0% thereafter	8% per annum up to age 54 and 0% thereafter

21 RETIREMENT BENEFIT OBLIGATION (CONTD)

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

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

	Change in assumption	Increase in assumption		Decrease in assumption	
		2020	2019	2020	2019
Discount rate	1.00%	Decrease by 7.82%	Decrease by 5.22%	Increase by 9.00%	Increase by 5.77%
Future salary growth rate	1.00%	Increase by 9.32%	Increase by 6.07%	Decrease by 8.25%	Decrease by 5.57%

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

22 TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	353,600,261	259,347,506
Accrued expenses [see Note (a) below]	733,805,430	206,070,019
Statutory payables	19,138,816	1,512,187
Other payables [see Note (b) below]	33,977,593	30,776,022
	1,140,522,100	497,705,734
Payable to related companies - Trade [Note 26 (d)(ii)]	1,026,626,076	291,677,511
	2,167,148,176	789,383,245

(a) Accrued expenses include employee related payables amounting to LKR 40,112,747 (2019 - LKR 47,273,462), lubricant license fee of LKR 38,920,488 (2019 - LKR 35,748,854), payable for advertising and sales promotional expenditure of LKR 60,425,364 (2019 - LKR 32,758,319), payable for trade discounts & Incentives of LKR 114,486,620 (2019 - LKR 17,281,781) and import fees payable of LKR 407,607,225 (2019 - LKR 11,032,692).

(b) Other payables mainly consist of unclaimed dividends by shareholders other than parent company of LKR 28,002,531 (2019 - LKR 26,889,977).

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

	2020	2019
US Dollars	1,228,666,092	408,968,964
Sri Lankan Rupees	938,482,084	380,414,281
	2,167,148,176	789,383,245

23 CONTINGENT LIABILITIES

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

24 COMMITMENTS

Capital commitments

Capital commitments in respect of a modification to the existing filling line contracted for but not incurred at the financial year ended amounts to LKR 34,804,391.

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.

Other than above, there were no material commitments outstanding as at the date of the statement of financial position.

25 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	2020	2019
Profit before tax	3,099,247,292	2,943,233,385
Adjustments for:		
Depreciation on property, plant and equipment (Note 13)	182,032,571	176,399,447
Depreciation on right-of-use assets [Note 14 (b)]	52,539,872	49,076,873
Write off of property, plant and equipment (Note 6)	86,213	758,986
Amortisation of marketing support fee paid (Note 6)	22,148,521	17,361,757
Profit on disposal of property, plant and equipment (Note 8)	(2,559,014)	(434,949)
Interest income (Note 9)	(66,247,531)	(42,581,849)
Interest expense (Note 9)	41,985,251	45,448,199
Reversal of provision for impairment of trade receivables [Note 15 (a)]	(46,008)	(2,058,390)
Defined benefit obligations (Note 21)	29,194,641	26,692,620
Changes in working capital		
- trade and other receivables	(28,952,070)	(92,230,023)
- inventories	(751,398,001)	816,438,065
- payables	1,379,922,250	(632,480,836)
Cash generated from operations	3,957,953,987	3,305,623,285

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 Najam Shamsuddin and Mr Erande De Silva, 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 Africa-Pakistan Services (Pty) Limited, Chevron Lubricants India Private Limited, Chevron Lubricants Holdings Pte Ltd and Arteco N.V., whilst Mr Nicolas Bossut was a Director of Chevron Singapore Pte Ltd, Chevron Africa-Pakistan Services (Pty) Limited, Chevron Lubricants Holdings Pte Ltd, Chevron International Holdings Pte Ltd, Chevron South Asia Holdings Pte Ltd and Star Petroleum Refining Public Company Limited.

The following transactions were carried out with the related parties.

(i) Reimbursable expenses incurred by Chevron Lubricants Lanka PLC

	2020	2019
Chevron Ceylon Limited	Nil	53,500
Chevron Singapore (Private) Limited	Nil	1,340,854
	Nil	1,394,354

(ii) Other related party transactions

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

Notes to the Financial Statements

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

(ii) Other related party transactions (Contd)

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

	2020	2019
Sale of goods:		
Chevron Thailand Limited	27,480,855	45,045,227
Chevron Marine Products LLC	62,373,837	65,322,016
Chevron Pakistan Lubricants Private Limited	8,578,824	2,626,377
	98,433,516	112,993,620

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

(b) Purchases of goods and services

	2020	2019
Purchase of goods:		
Chevron Singapore Pte Ltd	2,913,269,882	2,372,326,464
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	19,912,923	28,012,736
Chevron (Thailand) Limited	78,986,982	72,848,852
Chevron Oronite Pte Ltd	718,401,503	834,994,456
Chevron Belgium N.V	4,196,897	4,322,886
Chevron Lubricants Vietnam Limited	2,035,158	5,653,811
Chevron Marine Products LLC	Nil	377,863
Chevron Services Company	249,254	Nil
	3,737,052,599	3,318,537,068

	2020	2019
Purchases of services:		
Chevron Holdings Inc. (Philippines)	7,067,434	6,724,692
Chevron USA Inc. (Chevron Information Technology Company)	108,357,338	71,494,110
Chevron USA Inc. (Chevron Products Company)	1,416,413	8,072,088
Chevron Belgium N.V	69,776	221,354
Chevron Corporation	Nil	60,091
Chevron USA Inc. (Chevron Industries)	83,931,491	89,601,585
Chevron Singapore Pte Ltd	573,630,869	519,385,339
Chevron Malaysia Limited	25,846,817	Nil
Chevron International Services Ltd	824,506	Nil
Chevron Services Company	150,896	Nil
	801,295,540	695,559,259

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

(ii) Other related party transactions (Contd)

(b) Purchases of goods and services (Contd)

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

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

Purchases of goods and services during the year from related parties amounts to 109% (2019 - 97%) of net assets and 58% (2019 - 64%) of total assets at the end of the financial year.

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

	2020	2019
Salaries and other short-term employee benefits	118,792,787	122,860,010
	118,792,787	122,860,010

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

(i) Receivable from related parties:

	2020	2019
Chevron Products Company	552,892	1,581,895
Chevron Services Company	Nil	401,536
Chevron Marine Products LLC	18,905,953	5,321,561
Chevron Pakistan Lubricants Private Limited	Nil	2,628,100
Chevron (Thailand) Limited	981,976	3,935,694
Chevron Singapore Pte Ltd	8,029,368	1,340,854
	28,470,189	15,209,640

(ii) Payable to related parties:

	2020	2019
Chevron Holdings Inc. (Philippines)	604,790	612,777
Chevron Singapore Pte Ltd	920,294,277	177,172,535
Chevron Oronite Pte Ltd	36,248,622	89,898,436
Chevron USA Inc. (Chevron Information Technology Company)	11,190,300	11,796,770
Chevron (Thailand) Limited	25,392,242	Nil
Chevron Belgium N.V	2,216,159	12,349
Chevron Malaysia Limited	25,846,817	115,448
Chevron USA Inc. (Chevron Industries)	Nil	9,441,499
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	4,832,869	2,627,697
	1,026,626,076	291,677,511

Notes to the Financial Statements

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

(ii) Other related party transactions (Contd)

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

	2020	2019
Receivable from Diesel & Motor Engineering PLC	6,590,371	2,948,771
Payable to Central Finance Company PLC	Nil	23,760

27 EVENTS AFTER THE END OF REPORTING PERIOD

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

(a) The fourth interim dividend of LKR 2.00 per share amounting to LKR 480,000,000 was declared on 25 February 2021 and paid on 19 March 2021.

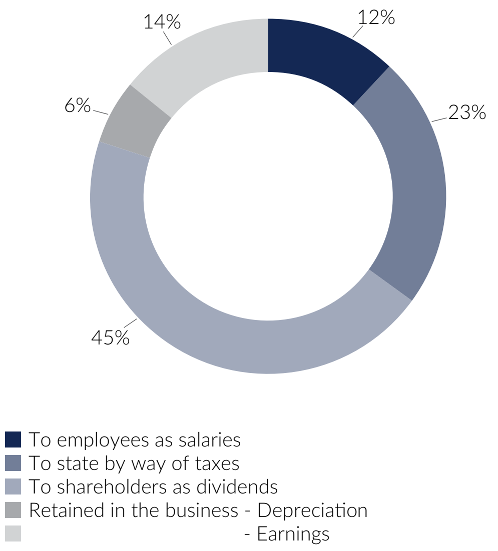
10- Year Financial Summary

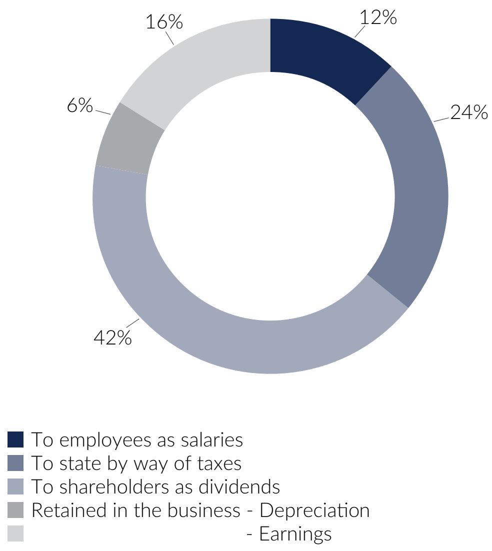
(in Rupees 000')		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Trading Results											
Turnover		11,637,381	11,856,057	10,861,044	11,052,496	12,089,111	11,563,854	11,519,891	11,197,152	11,754,046	11,039,945
Profit Before Tax & OCI		3,099,247	2,943,233	2,760,085	3,495,785	4,702,671	4,318,544	3,699,633	3,453,598	3,111,457	2,767,780
Taxation		873,519	843,826	768,257	930,565	1,222,261	1,226,709	952,800	921,697	845,630	767,164
Profit After Tax		2,225,729	2,099,408	1,991,829	2,565,220	3,480,410	3,091,835	2,746,833	2,531,900	2,265,827	2,000,616
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		3,580,188	3,536,297	3,314,473	3,406,914	3,260,623	4,087,029	4,599,210	4,240,021	3,525,818	2,558,145
Shareholders funds		4,180,188	4,136,297	3,914,473	4,006,914	3,860,623	4,687,029	5,199,210	4,840,021	4,125,818	3,158,145
Property, Plant & Equipment		1,758,141	1,883,219	1,963,377	2,066,551	2,132,858	2,195,826	2,243,616	1,296,651	215,813	193,113
Current & Non Current Assets excluding PPE		6,093,512	4,352,287	4,104,459	3,529,369	4,913,648	4,849,178	4,233,183	5,755,821	5,731,694	4,160,806
Current Liabilities		2,900,424	1,327,455	1,756,220	1,181,061	2,820,069	2,058,777	1,056,091	2,090,392	1,734,361	1,094,004
Non Current Liabilities		771,042	771,754	397,143	407,945	365,814	299,198	221,497	122,060	87,328	101,769
Net Assets		4,180,188	4,136,297	3,914,473	4,006,914	3,860,623	4,687,029	5,199,211	4,840,021	4,125,818	3,158,145
Key Indicators											
Gross Dividends	Rs.000'	2,160,000	1,860,000	2,100,000	2,400,000	4,320,000	2,760,000	2,400,000	1,800,000	1,320,000	1,080,000
Dividend per Share	Rupees	9.00	7.75	8.75	10.00	18.00	11.50	10.00	7.50	5.50	4.50
Price Earnings Ratio	Times	11.65	8.56	8.77	11.13	10.83	13.35	17.46	12.69	10.70	10.20
Market value per share as at 31st December	Rupees	108.00	74.90	72.80	119.00	157.10	344.00	399.60	267.80	202.00	170.00
Return on Equity	%	54	52	50	65	81	63	55	56	62	74
Net Assets per share	Rupees	17.42	17.23	16.31	16.70	16.09	19.53	21.66	20.17	17.19	13.16
Net Income to Turnover	%	19	18	18	23	29	27	24	23	19	18
Earnings per Share	Rupees	9.27	8.75	8.30	10.69	14.50	12.88	11.45	10.55	9.44	8.34

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)	2020	2019
Value addition		
Turn Over	11,637	11,856
Finance Income	105	71
Less: Materials and services purchased	7,993	8,344
value created	3,750	3,583
Distribution of Value addition		
To employees as salaries	440	434
To state by way of taxes	874	844
To shareholders as dividends	1680	1,500
Retained in the business - Depreciation	235	225
- Earnings	522	580
	3,750	3,583





Shareholder Information

Analysis of Shareholders summary report as at 31st December 2020

Shareholdings	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1 - 1000	4,485	59.75	1,362,017	0.57
1001 - 10,000	2,180	29.04	8,125,157	3.39
10,001 - 100,000	703	9.37	20,904,427	8.71
100,001 - 1,000,000	122	1.63	34,931,508	14.55
1,000,001 & over	16	0.21	174,676,891	72.78
Total	7,506	100.00	240,000,000	100.00

Shareholders categorised summary report as at 31st December 2020

Shareholdings	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
Individual	7,171	95.54	50,309,930	20.96
Institutional	335	4.46	189,690,070	79.04
Total	7,506	100.00	240,000,000	100.00
Resident	7,378	98.29	199,617,482	83.17
Non- Resident	128	1.71	40,382,518	16.83
Total	7,506	100.00	240,000,000	100.00
Public Holding	7,505		117,600,000	49.00%

Share Information

Shareholdings	2020	2019
Net Assets Per Share (Rs.)	17.42	17.23
Closing Price Per Share (Rs.)	108.00	74.90
Highest Price during the year (Rs.)	112.00	83.00
Lowest Price During the year (Rs.)	46.00	50.00
Public Share Holding	49%	49%
Number of Public Share Holders	7505	6659
Compliant with CSE Rule 7.13.1 under option 1 - Float Adjusted Market Capitalization (Rs.)	12,700,800,000	
Compliant with CSE Rule 7.13.1 under option 2 - Float Adjusted Market Capitalization (Rs.)		8,808,240,000

Shareholder Information

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

Names and the Number of Shares held by the Largest 20 shareholders as at 31st December 2020

	Name of Shareholders	Number of Shares 2020	%	Number of Shares 2019	%
1	Chevron Ceylon Limited	122,400,000	51.00%	122,400,000	51.00%
2	BNYM RE-BARCA GLOBAL MASTER FUND LP	19,802,707	8.25%	19,802,707	8.25%
3	Renuka Hotels Limited	5,201,918	2.17%	5,201,918	2.17%
4	SSBT-Change Global Frontier Markets, LP	4,768,777	1.99%	4,768,777	1.99%
5	CARGO BOAT DEVELOPMENT COMPANY PLC	3,417,818	1.42%	3,400,000	1.42%
6	Sri Lanka Insurance Corporation LTD- LIFE FUND	3,400,000	1.42%	3,400,000	1.42%
7	BNYM RE-FRONTAURA GLOBAL FRONTIER FUND LLC	2,425,000	1.01%	2,756,627	1.15%
8	BBH-PIONEER MULTI-ASSET INCOME FUND	2,117,467	0.88%		0.00%
9	CRESCENT LAUNDERERS AND DRY CLEANERS PVT LIMITED	2,000,000	0.83%	2,000,000	0.83%
10	BANK OF CEYLON-NO2 A/C (BOC PTF)	1,688,823	0.70%	1,688,823	0.70%
11	MRS. SELLIAH ARUNTHATHI	1,425,000	0.59%	1,350,000	0.56%
12	BNYMSANV RE-NEON LIBERTY EMERGING MARKETS FUND LP	1,404,635	0.59%	2,709,102	1.13%
13	CB LONDON S/A VERDIPAPIRFONDET ODIN EMERGING MARKETS	1,250,000	0.52%		0.00%
14	NUWARA ELIYA PROPERTY DEVELOPERS (PVT) LTD	1,248,830	0.52%		0.00%
15	Mr.Somasiri Addara Pathiranage	1,110,000	0.46%	1,075,000	0.45%
16	EMPLOYEE'S PROVIDENT FUND	1,015,916	0.42%	1,015,916	0.42%
17	MRS. KAILASAPILLAI ABIRAMIPILLAI	1,000,000	0.42%	900,000	0.38%
18	MR. SAMARANAYAKE NIHAL PARAKRAMA DE ALWIS	900,000	0.38%		0.00%
19	BANK OF CEYLON NO. 1 ACCOUNT	837,966	0.35%	979,440	0.41%
20	RUBBER INVESTMENT TRUST LTD A/C NO 01	763,746	0.32%	828,746	0.35%
	Sub Total	178,178,603	74.24%	174,277,056	72.63%
	Others	61,821,397	25.76%	65,722,944	27.37%
	Total	240,000,000	100.00%	240,000,000	100%

Notes

Notes

Notes

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of Chevron Lubricants Lanka PLC will be held on 24th May 2021 at 3.30 p.m. as a virtual meeting using a digital platform from Chevron Lubricants Lanka PLC, Level 16, 200 MAGA ONE, Nawala Road, Narahenpita, Colombo 5 for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2020 and the Report of the Auditors thereon.
- To re- elect as Director, Mr. Muhammad Najam Shamsuddin who retires in terms of Article 91 of the Articles of Association of the Company.
- To re- elect as Director, Mr. Haider Abdulhusain Manasawala who retires in terms of Article 91 of the Articles of Association of the Company.
- To re-elect as Director, Mr. Shiran 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

Erande De Silva
Secretary
Colombo

22 April 2021

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to participate and vote instead of him.
2. A proxy holder need not be a member of the Company. The form of proxy is attached herewith for your completion.
3. The completed form of proxy should be returned not later than 3.30pm on Saturday, 22nd May 2021. Please refer to https://chevron.lk/reports/ for more details on the manner in which the said form should be submitted.

28th Annual General Meeting Instructions to Shareholders

Dear Shareholder/s,

The Board of Directors of the Company have decided in the interest of ensuring public health and complying with the health and safety measures imposed by the relevant authorities, the Company's 28th Annual General Meeting ("AGM") be convened as a virtual meeting using a digital platform. This is in line with the guidelines provided by the Colombo Stock Exchange and the legal advice obtained by the Company thereon.

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

PRIOR REGISTRATION AND VERIFICATION

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

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

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

Form of Proxy

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

....of...

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

Rochna Misra Kaul	whom failing
Muhammad Najam Shamsuddin	whom failing
Happavana Vithanage Erande Lasith De Silva	whom failing
Asite Drupath Bandara Talwatte	whom failing
Shiran Harsha Amarasekera	whom failing
Haider Abdulhusain Manasawala	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 Eighth Annual General Meeting of Chevron Lubricants Lanka PLC which will be held on Monday 24th May 2021 at 3.30 p.m. as a virtual meeting using a digital platform from Chevron Lubricants Lanka PLC, Level 16, 200 MAGA ONE, Nawala Road, Narahenpita, Colombo 5 and at any adjournment thereof and at every poll which may be taken in consequence thereof:

	FOR	AGAINST
1. To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2020 and the Report of the Auditors thereon.		
2. To re- elect as Director, Mr. Muhammad Najam Shamsuddin who retires in terms of Article 91 of the Articles of Association of the Company.		
3. To re- elect as Director, Mr. Haider Abdulhusain Manasawala who retires in terms of Article 91 of the Articles of Association of the Company.		
4. To re-elect as Director, Mr. Shiran 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...........2021

Signature ....

NOTES:

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address and by signing in the space provided and filling in the date of signature.
2. If the shareholder is a Company or Corporate body, the Form of Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
3. If the Form of Proxy has been signed by an attorney, the relative Power of Attorney should also accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.
4. The Completed Form of Proxy should be returned not later than 3.30pm on Saturday, 22nd May 2021. Please refer to https://chevron.lk/reports/ for more details on the manner in which the said form should be submitted Please note that we will not be accepting submissions if it is in a manner other than what is indicated on https://chevron.lk/reports/

Corporate Information

LEGAL FORM

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

DIRECTORS

Rochna Kaul - Chairperson / Non Executive Director

Najam Shamsuddin - Managing Director / Chief Executive Officer

Erande De Silva - Director / Chief Financial Officer

Haider Manasawala - Non Executive Director

Asite Talwatte - Non Executive Director

Harsha Amarasekera - Non Executive Director

SECRETARY

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

REGISTERED OFFICE

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

COMPANY REGISTRATION NUMBER

PQ 54

REGISTRARS TO THE COMPANY

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

AUDITORS

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

LAWYERS TO THE COMPANY

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

BANKERS

Citibank NA
Deutsche Bank AG
Commercial Bank of Ceylon PLC

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FACSIMILE

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Annual Report 2020