Our family of brands

VISION
COMMITMENT
TENACITY
PERFORMANCE

BEYOND

CHEVRON LUBRICANTS LANKA PLC
ANNUAL REPORT 2021

Our family of brands

SOAR BEYOND

During the year 2021 Chevron Lubricants Lanka imbibed characteristics of the eagle such as Vision, Commitment, Tenacity & Performance to SOAR beyond an environment of unprecedented challenges. Amidst the headwinds of the external environment, we adapted and moved ahead with resilience and vigor to achieve significant performance landmarks for the company. Our strides of success resonate with the strength of our collective team nurtured and developed through the years.

Eagles are a venerated symbol of power, freedom, and transcendence. Since time immemorial the characteristics of the eagle have been associated as a symbol of beauty, bravery, courage, honour, pride, determination, and grace. In business parlance eagles possess the characteristics of good leadership such as a powerful vision, tenacious spirit, ability to soar high and nurture its young.

CONTENTS

VISION

COMMITMENT

TENACITY

PERFORMANCE

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VISION

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

OUR VALUES

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

DIVERSITY AND INCLUSION

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

HIGH PERFORMANCE

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

INTEGRITY AND TRUST

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

PARTNERSHIP

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

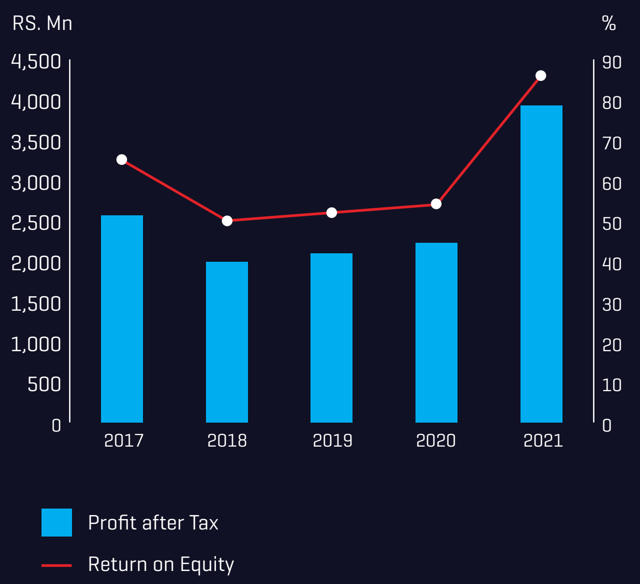
PROTECT PEOPLE AND THE ENVIRONMENT

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

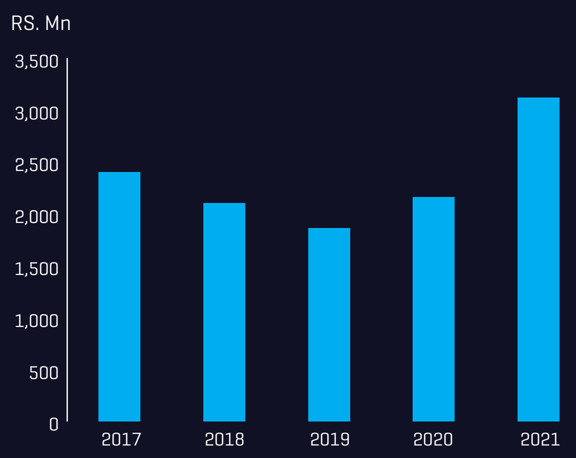
FINANCIAL HIGHLIGHTS 2021

		2021	2020	%
		LKR '000	LKR '000	
Turnover		16,866,311	11,637,381	45%
Profit BeforeTax & OCI		4,332,714	3,099,247	40%
Taxation		406,604	873,519	-53%
Profit After Tax		3,926,109	2,225,729	76%
Shareholders Funds		4,998,615	4,180,188	20%
Property, Plant & Equipment		1,661,480	1,758,141	-5%
Gross Dividends	Rs. 000'	3,120,000	2,160,000	44%
Dividend per Share	Rupees	13.00	9.00	44%
Earnings per Share	Rupees	16.36	9.27	76%
Dividend Payout Ratio	%	79	97	-18%
Price Earnings Ratio	Times	6.91	11.65	-41%
Market Value per Share as at 31st December	Rupees	113.00	108.00	5%
Return on Equity	%	86	54	26%
Net Assets per Share	Rupees	20.83	17.42	20%
Net Income to Turnover	%	23	19	4%

PROFIT AFTER TAX & ROE



GROSS DIVIDENDS



An eagle's eyes are approximately the same size as those of a human. When an eagle descends to attack its prey, the muscles in its eyes continuously adjust the curvature of the eyeballs in order to maintain sharp focus throughout the approach and attack. An eagle is able to spot its prey 3.2 km away

VISION

As the eyes of an eagle which is designed for long distance focus with clarity, Chevron Lubricants Lanka with its far-sighted vision pursued sound strategies to traverse the unprecedented challenges that came our way. These proactive strategies along with our visionary leadership and the tenacious spirit helped us to soar beyond transcending all obstacles that came our way.

CHAIRPERSON'S REVIEW

CHEVRON LANKA LEVERAGED ITS STRONG SUPPLY CHAIN TO CAPTURE THE SUPPRESSED DEMAND POST LOCKDOWNS. THE COMPANY'S REPUTATION AS A RELIABLE PARTNER HELPED SUSTAIN AND GROW ITS SHARE-OF-WALLET WITH KEY STRATEGIC CUSTOMERS.

Chevron Lubricants Lanka PLC commenced the year 2021 with hopes of an improved macroeconomic outlook after a volatile year 2020, which was filled with pandemic-induced economic challenges.

The COVID-19 pandemic again reared its head soon after first quarter of 2021 and triggered two lockdowns over the second and third quarters of the year, thereby muting business confidence. The foreign exchange crisis and soaring inflation exacerbated the country's economic situation. Considering the lockdown measures were not too severe, some economic sectors performed relatively better. At the same time, tourism showed signs of a revival by year-end on the back of an aggressive vaccination program by the government.

COMPANY PERFORMANCE

Operating conditions remained challenging for the lubricants industry. Rising cost, reduced activity due to lockdowns, and the ban on vehicle imports contributed negatively to overall industry growth. However, favorable tax policies helped the company in the initial months of the year under review.

Chevron Lanka leveraged its strong supply chain to capture the suppressed demand post lockdowns. The company's reputation as a reliable partner helped sustain and grow its share-of-wallet with key strategic customers.

The financial year under review is one of the strongest years from an earnings perspective. The company's Net Earnings

Rs. 3,926 Mn

Profit after tax Rs. 3,926 Mn
Reflecting an increase by 76%
from the FY 2020.

Rs. 16.36

Earnings per share Rs. 16.36

We aim to stay agile and nimble while adapting to the ever evolving environment through 2022 and beyond.

After Tax increased by 76% to Rs. 3,926 Mn, resulting in Earnings Per Share of Rs. 16.36, compared to Rs. 9.27 recorded in the previous year. The company declared and paid dividends of Rs. 13 per share during the year.

The company continued its Operational Excellence journey and achieved a significant milestone with 20 years of zero lost time due to injury. This underscores the best practices for health, safety, and environmental policies in the organization.

I commend the entire management team for their focus on the well-being of our people throughout the pandemic and for ensuring that everyone returns home safe and healthy to their loved ones every day.

LOOKING AHEAD

Amidst these headwinds, as a company, we learned, adapted, and moved ahead strongly to achieve stellar performance. We aim to stay agile and nimble while adapting to the ever evolving environment through 2022 and beyond. With focus and seamless execution, we can overcome almost every obstacle and turn it into an opportunity.

ACKNOWLEDGMENT

I want to thank the Board of Directors for their continued support through another challenging year. The CEO, management, and the entire team have displayed relentless commitment to deliver a staggering performance in a highly uncertain environment. In addition, I would also like to express my gratitude to our valued shareholders and all stakeholders, including distributors, channel partners, customers and business partners, for ensuring reliability in the supply of our products to consumers across the country.

Ms. Rochna Kaul
Chairperson

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

ONE OF THE CRITICAL FACTORS FOR CHEVRON LANKA'S SUCCESS IS ITS REPUTATION AS A RELIABLE SUPPLIER. WE LEVERAGED THE SAME TO ITS FULLEST AND ENSURED TIMELY DELIVERIES EVEN DURING LOCKDOWNS.

Chevron Lubricants Lanka PLC leveraged the unique experiences gained from year 2020 to deliver a strong performance in 2021. Although the business environment improved in the year under review, the macroeconomic conditions took a turn for the worse. External debt and inflation were challenges faced by many countries during the year, with Sri Lanka being particularly hard-hit by dwindling foreign exchange reserves. The dollar-rupee exchange witnessed significant volatility during certain months of the year, whilst availability of USD predominantly remained scarce. Moreover, all key external factors pointed to challenging business conditions.

INDUSTRY

Nine new players were allowed to enter the lubricants industry, as a result of which the total count has grown from 13 to 22. This is a rather unusual move as the market has been in a flat to declining trend over the previous four years.

Strengthening its pioneering presence in the industry, Chevron Lubricants was the first to introduce new formulations in the market during the year, thereby complying with the upgraded minimum standards introduced by the Ministry of Energy, well ahead of mandated implementation dates. The new formulation will improve fuel consumption and extend drain intervals, contributing to our lower carbon aspiration.

The company spearheaded the escalation of some of the industry challenges with the authorities, particularly adulteration and counterfeit oils. However, we are still awaiting concrete steps by the regulator to mitigate these threats to the overall industry. The enactment of the required legislative framework empowering the regulator to operate effectively is yet to take place. Also, while the Ministry of Energy has taken certain initial steps to set up an independent laboratory through the Industrial Technology Institute to test the conformity of lubricants to standards, it is yet to be operationalized to meet the market's needs.

Whilst the company adapted quickly to the new normal, some external challenges persisted for the industry, including supply chain disruptions due to scarcity of vessels, shortage of containers, and spiraling freight charges, which pushed up production costs in other sectors. These unprecedented increases resulted in the company passing on multiple price increases to the market, which was followed by most industry players.

COMPANY PERFORMANCE

In a challenging and volatile operating environment, the strong performance delivered by Chevron Lubricants Lanka in 2021 is an awe-inspiring achievement.

The year began on a solid note, with a first quarter performance being one of the strongest since 2012.

The first lockdown for the year over May/June saw subdued economic activity. However, the solid first quarter performance held the company in good stead for the first half of the year. The second half was a story of V-shaped recoveries. Each instance upon which lockdowns were lifted, the business witnessed strong demand, which Chevron Lanka was well-positioned to satisfy.

Margin management was a key focus area throughout the year; considering the steep increase in input costs, we passed multiple price increases and rationalized some of our trade discounts.

One of the critical factors for Chevron Lanka's success is its reputation as a reliable supplier. We leveraged the same to its fullest and ensured timely deliveries even during lockdowns. I am happy to report that our

> Our future outlook and strategic imperatives are focused on sustaining and growing our profitable portfolio while widening the company's footprint in its export markets.

supplier reliability metric aided in the winning of some critical government tenders, including the Ceylon Electricity Board and other government organizations, such as the Sri Lanka Transport Board.

A silver lining for manufacturing and export companies was the proposed concessionary tax rates by the Government which were enacted in 2021. The concessionary tax rates took effect from 2020, however were accounted for in 2021 post enactment.

RETAIL

Accounting for 70% of our portfolio, the retail sector delivered an outstanding performance. Our overall channel growth strategies, marketing initiatives, robust credit policies, island-wide distribution network, and the trend of strong market recovery after every lockdown led the retail team to deliver a very strong 2021.

COMMERCIAL & INDUSTRIAL (C&I)

The Commercial & Industrial sector recorded a turnaround after a subdued performance in the previous year. In 2021, the channel expanded stridently, as Chevron Lubricants Lanka won new tenders and retained existing agreements with state-owned entities.

The rubber sector continued to operate strongly, which helped sustain demand for our products. Despite volatility, the power generation sector offered enough opportunities in the first half of the year to capitalize on when constrained conditions pushed up the demand for thermal power generation.

ORIGINAL EQUIPMENT MANUFACTURERS (OEMs) AND TOLL BLENDING

This segment of the business was challenged because of reduced vehicular movement due to travel restrictions and lockdown. In addition, a drop in servicing of vehicles further added to the woes of this segment. However, some customers who went into local assembly of vehicles continued their relationship with the company and helped drive sales.

EXPORTS

The performance of the export arm was relatively weaker as the tourism industry in the Maldives continued to be depressed. Regardless, the company continued to ship products to the nation consistently every month, which was notable, although anticipated volume growth remained elusive.

Bangladesh, unfortunately, recorded a muted performance mainly because of a decline in industrial volumes and the impact of prolonged lockdowns in the retail market. Curtailment of shipments during the fourth quarter due to an anticipated change in Chevron's go-to-market model in Bangladesh also affected performance.

On an upbeat note, I am happy to report that the company has signed up a new distributor at the end of 2021 and is looking forward to a strong comeback in Bangladesh in 2022.

SUPPLY CHAIN

Managing the supply chain posed a real challenge across the industry due to the unavailability of vessels coming into Sri Lanka, a rise in freight costs, delay in the arrival of raw materials, and shortage of foreign currency to settle bills.

However, as a well-established, financially stable entity with an experienced value-chain network, Chevron Lanka maintained supplies to the market, which helped the company's channel partners and customers sustain and grow throughout the year.

OUR PEOPLE

Chevron Lanka takes much pride in the results it delivers and its contribution to shareholders, partners, and the society. These results and contributions are made possible by the company's dynamic team, through seamless implementation of the strategy. The company continues to be a magnet for industry talent. We hold true to our values and are committed to building our culture. The Chevron Lanka corporate brand enjoys high equity and is perceived as a leader where people come to build long and successful careers.

LOWER CARBON INITIATIVES

Chevron Lanka is committed to pursuing initiatives in a lower carbon future, for example, through its move to upgrade its lubricant product formulations as part of the minimum standards upgrade. The company will continue to augment its product portfolio with lower carbon products and look at future actions through this lens.

FUTURE OUTLOOK

Our future outlook and strategic imperatives are focused on sustaining and growing our profitable portfolio while widening the company's footprint in its export markets. Chevron reaffirms its commitment to stay reliable towards partners and customers, as it has been our unique customer value proposition through the years.

We commit to generating value for our shareholders and consumers as we progress into 2022 and beyond. For us, creating value is a marathon.

The company's fundamentals are strong, and I am confident that if we stick to our strategy, execute seamlessly, work with a growth mindset and remain agile, we will continue to deliver higher returns.

APPRECIATION

I want to thank the Chairperson and Board of Directors for their support and guidance through 2021. I would also like to thank our shareholders, business partners, and customers for offering their unstinted support in the face of challenges.

Each member of my team deserves praise for their tireless contribution. I am highly optimistic about our future and excited to see what we will deliver - Together.

Mr. Muhammad Najam Shamsuddin
MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS

ROCHNA KAUL

CHAIRPERSON/
NON EXECUTIVE DIRECTOR

Ms. Rochna Kaul appointed to the Board in 2017, serves as the Chairperson of Chevron Lubricants Lanka PLC. She 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 the region. Prior to assuming this position in August 2017, Ms. 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 17 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 Africa-Pakistan Services (Pty) Ltd, Chevron Lubricants India Private Limited, Chevron Lubricants Holdings Pte Ltd and Arteco N.V.

MUHAMMAD NAJAM SHAMSUDDIN

MANAGING DIRECTOR /
CHIEF EXECUTIVE OFFICER

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 leading the company to deliver double-digit growth in earnings and volume.

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

Mr. Shamsuddin started his career in advertising, where he spent a couple of years before moving to British American Tobacco (BAT) Pakistan, where he worked from 2001 to 2004. 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 across Pakistan.

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, serves as a Non-Executive Director of Chevron Lubricants Lanka PLC. He currently leads the finance function for Europe, Middle East, Africa 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, Mr. Manasawala held the position of General Manager Finance and Planning for Chevron's Chemicals business in the Asia Pacific region located in Singapore.

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

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

Mr. Manasawala 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. He has served as director on the boards of Chevron companies and joint ventures in diverse countries including Singapore, Malaysia, Vietnam, China, New Zealand, Bangladesh, India and US.

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

POSITIONS HELD IN OTHER COMPANIES

Mr. Manasawala is also a Director of Chevron Lubricants Holdings Pte Ltd.

ERANDE DE SILVA

DIRECTOR /
CHIEF FINANCIAL OFFICER

Mr. Erande De Silva appointed to the Board in 2019, serves as an Executive Director and Chief Financial Officer of Chevron Lubricants Lanka PLC. He joined Chevron Lubricants Lanka PLC in 2011 and served in the capacity of Manager Finance and Planning. He concurrently serves as the Company Secretary. He also functioned as the Compliance Officer of the Company from August 2018 to March 2021. Amongst the accolades received, he was recognized as the Management Team Member of the year 2014 at Chevron Lubricants Lanka. Mr. De Silva counts for more than seventeen 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.

HARSHA AMARASEKERA

NON EXECUTIVE DIRECTOR

Mr. Harsha Amarasekera, President's Counsel was appointed to the Board of Chevron Lubricants Lanka PLC in 2013 and serves as an Independent Non-Executive Director. He is a leading luminary 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

He also serves as an Independent Director and Chairman in several listed companies in the Colombo Stock Exchange including Sampath Bank PLC, CIC Holdings PLC,

BOARD OF DIRECTORS

Swisstek (Ceylon) PLC. He is also an Independent Director of Vallibel One PLC, Expolanka Holdings PLC, Royal Ceramic PLC, Ambeon Capital PLC, Vallibel Power Erathna PLC and Amaya Leisure PLC. He is also the Chairman of CIC Agri Businesses (Private) Limited and Swisstek Aluminium Ltd. He also serves as Independent Non-Executive Director of Galle Face Management Company (Pvt) Ltd, Link Natural Products (Pvt) Ltd, The Hill Club Company Limited, Millennium Airlines (Pvt) Ltd, Millennium Investments Lanka (Pvt) Ltd, Ceylon Hotel Holdings (Pvt) Ltd, Handhuvaru Ocean Holidays Private Limited, Silver Aisle (Pvt) Ltd.

ASITE TALWATTE

NON EXECUTIVE DIRECTOR

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

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

Mr. Talwatte was President of 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 chaired the International Integrated Reporting Council of Sri Lanka (IIRSL) on behalf of CA Sri Lanka for several years and currently chairs the Corporate Governance Committee of CA Sri Lanka for the period 2022/2023.

POSITIONS HELD IN OTHER COMPANIES

Chairman of Management Systems (Pvt) Limited, Director of Lanka Tours & Trades (Pvt) Limited, Cirute Plantations (Pvt) Limited, Myanthiho Investment and Trading (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, and Braybrooke Residential Towers (Pvt) Ltd.

MANAGEMENT TEAM

1 **MUHAMMAD NAJAM SHAMSUDDIN**
MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

2 **ERANDE DE SILVA**
DIRECTOR / CHIEF FINANCIAL OFFICER

3 **MAHESHNI HAMANGODA**
HUMAN RESOURCES MANAGER

4 **BERTRAM PAUL**
GENERAL MANAGER SALES

5 **WIJITHA AKMEEMANA**
GENERAL MANAGER SUPPLY CHAIN

6 **YASORA KODAGODA**
FINANCE & BUSINESS PLANNING MANAGER

7 **CHANAKA CALDERA**
NATIONAL SALES MANAGER

8 **THUSITHA DE SILVA**
DIRECT SALES MANAGER

9 **ANURADH KEPPETIWALANA**
MARKETING MANAGER

MANAGEMENT TEAM

10 **HILARY FERNANDO**
LEAD TECHNICAL MANAGER

11 **THUSHARI WERAGODA**
QUALITY ASSURANCE & LABORATORY MANAGER

12 **NISHANTHA WANNIARACHCHI**
LOGISTICS MANAGER

13 **MANOJA AMARASEKARA**
BUSINESS SUPPORT MANAGER

14 **VAJIRA HEWAWASAM**
PRODUCTION MANAGER

15 **CHANNA TENNAKOON**
EXPORT SALES MANAGER

16 **ARUNA DE SILVA**
INFORMATION TECHNOLOGY MANAGER

17 **GAYANEE JAYATHILAKA**
PROCUREMENT MANAGER

As other birds fly away from the storm, an eagle spreads its mighty wings and uses the current to soar to greater heights. The eagle takes advantage of the very storm to soar above the rest.

COMMITMENT

With a deep sense of commitment and focus, we strived in the face of extraordinary obstacles. With a strong resolve set on achieving future objectives, our deep sense of commitment helped us navigate our way through the highs and lows of an extraordinarily challenging business landscape.

MANAGEMENT DISCUSSION AND ANALYSIS

THE SECTORAL GROWTH FOR THE YEAR RECORDED FOR SERVICE, INDUSTRIAL AND AGRICULTURAL SECTORS WAS 3.0%, 5.3% AND 2.0% RESPECTIVELY.

ECONOMIC OVERVIEW

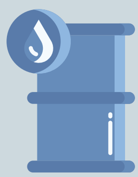
The COVID-19 pandemic, which catapulted into a global crisis in early 2020, continued to challenge the Sri Lankan economy in 2021 as well. The rapid and continuous evolution of the virus and the swift spread of multiple variants triggered lockdowns in 2021 with the third wave of the pandemic setting-off in April followed by another quarantine curfew, which was extended from time to time over the second and third quarters. Although the lockdowns were imposed in a selective manner with relatively moderate levels of mobility restrictions compared to those imposed in 2020, the socio-economic impact of these were substantial, hampering the macro-economic performance of the country. There was, however, noteworthy progress made with the rigorous vaccination drive that was spearheaded by the government, which has helped minimize the human toll of the pandemic as well enabling businesses and individuals to return to some level of normalcy whilst aiding the gradual recovery of the tourism industry.

The fiscal sector performance deteriorated during 2021, widening the budget deficit and increasing the government debt notably. Whilst the income tax rate revisions enacted during 2021 offered tax reliefs to businesses and individuals, this resulted in a decline of government revenue collection, particularly in the form of direct tax, which hampered efforts to tighten the fiscal deficit during the year.

The GDP was estimated to have grown by approximately 3.7% during 2021, in contrast to the 3.6% decline recorded during 2020, as per the provisional statistics of Central Bank of Sri Lanka (CBSL). The sectoral growth for the year recorded for service, industrial and agricultural sectors was 3.0%, 5.3% and 2.0% respectively. The main sectoral contributors to the GDP remained relatively consistent with, Services, Industry and Agriculture contributing 57.5%, 27.8% and 9.0% respectively with taxes less subsidies on products contributing 5.7%. The main sub-sectors that resulted in a growth were wholesale and retail trade, Transportation of goods & passenger service activities, real estate activities of the service sector, Manufacturing, Construction and Mining & quarrying from the industry sector. Meanwhile, growing of rice, spices and vegetables also recorded noteworthy increases in the agricultural sector.

Headline inflation on an annual average basis was 7% in 2021 in comparison to the 6.2% recorded in 2020, whilst the year-on-year inflation was 14% compared to 4.6% in 2020 based on the National Consumer Price Index (NCPI, 2013=100), compiled by the Department of Census and Statistics. Core inflation on an annual average basis tracked at 5.5% compared to the 4.7% recorded in 2020. As per the Central Bank of Sri Lanka (CBSL), both food

THE MAIN SUB-SECTORS THAT RESULTED IN A GROWTH WERE WHOLESALE AND RETAIL TRADE, TRANSPORTATION OF GOODS & PASSENGER SERVICE ACTIVITIES, REAL ESTATE ACTIVITIES OF THE SERVICE SECTOR, MANUFACTURING, CONSTRUCTION AND MINING & QUARRYING FROM THE INDUSTRY SECTOR.



and non-food categories exerted pressure on inflation.

As per provisional statistics issued by CBSL, the external sector was adversely affected by the challenges induced by the pandemic, with the trade deficit widening to USD 8.1 Bn in 2021 compared to the USD 6 Bn recorded in the same period in 2020. While exports exhibited a gradual recovery and improvement compared to 2020, increased expenditure on imports contributed to the widening of the trade deficit in 2021. The sub sectors of industrial, agriculture, and mineral exports performed relatively better, whilst garment exports of the industrial exports sector spearheaded the growth largely owing to growth momentum observed in advanced economies. The escalation of import expenditure across all major sectors was however on the backdrop of significant and unprecedented increases in global commodity prices experienced in 2021, including freight costs and global supply chain disruptions. Refined petroleum and textiles of the intermediate goods category, medical and pharmaceuticals of the consumer goods category, machinery and equipment of the investment goods category were the major elements which increased imports

Continuous disturbances stemming from recurrent outbreaks of the pandemic subdued performance in the tourism sector with limited number of tourist arrivals recorded at just 194,495 in 2021 with earnings from tourism also declining to USD 507 Mn compared to USD 682 Mn during 2020. The workers' remittances declined to USD 5,491 Mn during the year compared to USD 7,104 Mn in 2020. Workers may have been less inclined to repatriate earnings and possibly savings as the foreign exchange rate (LKR/USD) may have been perceived unattractive.

Financial inflows were limited during the year, whilst significant outflows were recorded due to the country's foreign debt servicing obligations as well as payments made in respect of maturing International Sovereign Bonds. Inflows were largely restricted to the receipts of tranches of syndicated loan facility obtained from China Development Bank and 'Special Drawings Right' allocation from the International Monetary Fund as foreign direct investments remained modest due to uncertainties caused by the pandemic. The flows from CSE reported a net outflow as well. As a result, the balance of payment position (BOP) deteriorated and was estimated to have recorded an overall deficit of USD 3,967 Mn in 2021 compared to the overall deficit of USD 2,328 recorded during 2020.

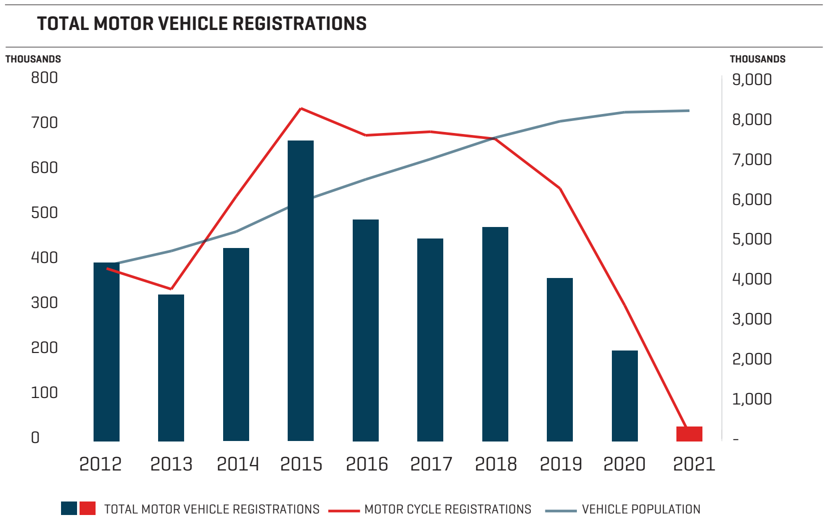
The Sri Lankan Rupee experienced volatility during the first eight months of 2021. The LKR depreciated against the USD particularly during the period August 2021 with the exchange rate tracking approximately at 230 levels (LKR/USD). However, CBSL once again intervened by requesting licensed commercial banks to manage the exchange rate to near 200-203 levels (LKR/USD) since September 2021. Accordingly, by the end of the year, the LKR had depreciated by approximately 7.0% against the USD compared to December 2020.

The CBSL exercised regular intervention to manage the exchange rate, by imposing multiple regulations and revisions in short cycles. The regulations were broad based on foreign exchange, restriction of imports (especially those perceived by the Government as non-essential imports) and certain regulations on the liquidation of export proceeds, in an attempt to improve the USD liquidity in the foreign exchange market. Despite the imposed regulations, the liquidity of foreign exchange amongst licensed commercial banks remained largely muted and further deteriorated as the external sector performance continued to be significantly constrained by a pandemic-affected sluggish tourism industry, which only gathered some

MANAGEMENT DISCUSSION AND ANALYSIS

momentum towards the latter months of the year. Foreign exchange flows were further stifled due to the moderate net inflow of worker remittances which further declined during the fourth quarter of 2021, possibly reflecting an unattractive formal exchange rate (LKR/USD) on offer despite meager incentives offered by the government to induce such worker remittances. The heightened pressure stemming from foreign debt servicing obligations, further aggravated the lack of foreign exchange liquidity.

The combined adverse effects of these factors and the relative decline in foreign reserves reported by the CBSL, was considered to have rendered the LKR to a vulnerable position upon the inevitable floatation of currency which took effect in March 2022.



(Source: Department of Motor Traffic of Sri Lanka)

LUBRICANTS INDUSTRY

On the backdrop of a market contraction reported to be 4.1% in 2020 as per the statistics released by Public Utility Commission of Sri Lanka (PUCSL), the lubricants industry witnessed the entrance of nine new players into the market in 2021, taking the count of the total number of players to twenty-two during the year.

The Ministry of Energy, collaboratively with the Sri Lanka Standard Institute, rolled out revisions to minimum automotive lubricant standards during 2021. Accordingly, CLLP conformed with the revised minimum standards by formulating changes for relevant products and met the compliance requirements ahead of time.

Amidst the economic woes created by the effects of the pandemic and certain unprecedented headwinds encountered by the industry, we believe the following factors also impacted the lubricant volumes in Sri Lanka during 2021.

The embargo on vehicle importation continued during the year, as an austerity measure to curb the widening trade deficit, the country's depleting foreign reserve position and the acute foreign currency liquidity shortage. Based on the statistics of the Department of Motor Traffic in Sri Lanka, growth in new motor vehicle registrations reported in 2021 was a mere 0.4% compared to 2.5% in 2020 and 4.7% reported during 2019 pre-pandemic period. The overall vehicle population saw a small increase to 8.29 million from 8.25 million recorded in 2020. 72% of the vehicle population consists of motorcycles (58%) and three-wheelers (14%), while 11% of the vehicle population is comprised of motor cars. The composition of the new motor vehicle registration during the year included tractors 47%, motorcycles 24% and motor cars 10%.

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

According to CBSL, electricity generation recorded a growth of 5.6% year-on-year. However, power generation was also significantly skewed towards hydropower supported by heavy rainfalls in the hydro catchment areas, followed by coal power, hence compressing the demand for lubricant-intensive fuel oil based thermal power.

The demand for lubricants from the construction and manufacturing sectors is likely to have increased during the year, based on national sectoral contribution statistics. The growth in demand for lubricants from the agriculture sector, through growing of crops, is believed to have increased as well.

The Public transportation sector also witnessed a slowdown during the six months ending June 2021 in comparison to the same period in 2020, with kilometrage of private bus owners segment reporting a 32.7% decline, Sri Lanka Railways registering a decline of 35% whilst the kilometrage of Sri Lanka Transport Board also declined by 0.7% due to mobility restrictions imposed during the period as per statistics released by CBSL, constraining the demand for lubricants.

The drop in tourist arrivals due to COVID-19 lockdowns and restricted movement experienced during the year is likely to have affected the inbound tourism industry and related ancillary industries, while the rise in inflation experienced in the latter months of the year is also likely to have stifled vehicle usage to a certain extent, which is believed to have adversely affected demand for lubricants.

SALES

In 2021, Chevron recorded the highest volume level over the past five years, despite a host of challenges including an increase of over 50% in the number of industry operators, multiple lockdowns/ travel restrictions, supply disruptions, forex shortages, continuation of the ban on vehicle imports, and general economic woes.

2021 brought with it input cost increases which were truly unprecedented, driven by refining economics, a series of planned and unplanned refinery turnarounds, and production outages at plants along the US Gulf Coast due to adverse weather conditions, which resulted in an acute shortage of base oils in the global market, while force majeure declarations by certain suppliers led to shortages in additives. In addition, global disruption in shipping routes and acute shortage of vessels sailing to Colombo led to significant increases in the cost of ocean freight. The strong volume performance against such significant local and global challenges is even more remarkable.

While export sales fell below expectations, local sales more than compensated, ending 10% above the prior year enabling us to retain our market share close to the 2020 close, as per data released by the Regulator.

The strong results were made possible by close cross functional collaboration, meticulous planning, support from Chevron's global supply network and overall agility in responding to market conditions.

Retail Sales:

The Retail business, which accounts for 70% of Company volumes, drove the resurgence, despite being affected by the lockdowns and travel restrictions which curtailed passenger movement and lubricant consumption during Q2 and Q3 in addition to posing cashflow challenges to channel partners. The key to success was the strong resilience experienced in this sector when the lockdowns were lifted, attributable mainly due to the strong distribution penetration enjoyed by the company, high brand equity, supply reliability and robust credit policies at the ground level. Timely trade promotions leveraging seasonal uplifts and attractive incentive programs for channel partners

THE STRONG RESULTS WERE MADE POSSIBLE BY CLOSE CROSS FUNCTIONAL COLLABORATION, METICULOUS PLANNING, SUPPORT FROM CHEVRON'S GLOBAL SUPPLY NETWORK AND OVERALL AGILITY IN RESPONDING TO MARKET CONDITIONS.

helped keep the focus of relevant stakeholders and ensured competitiveness, thus enabling delivery of strong results.

The Retail channel continued the emphasis on fundamentals, ensuring frequency of customer interactions, outlet expansion, customer education on technical and product knowledge and exploiting gaps in the market due to supply challenges faced by competitors. Two list price increases and another effective price increase via rationalization of discounts to the trade were well executed during the year to combat forex challenges and steep input cost increases. It was heartening to see competitors adopting a similar course of action confirming that the root cause was an industrywide issue.

With the pandemic showing no signs of abating, the field network truly embraced the revised ways of working in the new normal by ensuring adherence to health guidelines including use of personal protective equipment, social distancing, and handwashing/sanitizing. Itineraries were closely examined to ensure avoidance of high-risk areas, close contacts of positive cases quarantined and not released to the field without negative test results. Agility was the byword in terms of field operations since work patterns were altered to ensure employee and distribution partner safety especially during the outbreak of the Delta variant during Q3.

Commercial & Industrial Sales (C&I):

The C&I channel had a strong start during Q1 boosted by increased consumption from the Power Gen sector with the mix switching in favour of lubricant intensive thermal power. The situation with Power Gen, however, switched back to hydro with the onset of rains and the filling of catchment areas from Q2 onwards. The lockdowns and travels restrictions of Q2 and Q3 adversely affected public transport, especially due to the stoppage of inter provincial transportation. The Rubber sector performed consistently during the year with these customers being able to operate their plants even during the lockdowns under a bubble scheme.

Retaining key government tenders in the Power Gen sector was a significant achievement during the year considering the steep input cost increases that we were compelled to pass on to these customers. While there were robust negotiations with these customers on the increases, it was heartening to note the appreciation of these customers of practical considerations and market realities, in addition to the historic supply reliability of Chevron. Sustained supplies to the Armed Forces also boosted C&I volumes during the year considering that these sectors operated continuously despite the countrywide lockdowns.

Sales to the Original Equipment Manufacturers Sector (OEMs) performed relatively well despite the continuation of the ban on motor vehicle imports due to increased emphasis on the maintenance and servicing of existing vehicles by consumers. However, the Consumer OEMs took a big hit during the lockdowns due to curtailed running by consumers. The saving grace was commercial OEMs who evidenced consistent demand especially those who had made the transition to local assembly to counter the import restrictions.

Toll blending performed under par mainly since our sole toll blend customer is a consumer OEM who was adversely affected by reduced demand during the lockdowns.

MANAGEMENT DISCUSSION AND ANALYSIS

Exports to Maldives:

Sales to Maldives recorded strong growth on a year-on-year basis with significantly improved tourist arrivals (over 200% over 2020, although still 22% below pre-pandemic levels). We consistently shipped to the Maldives every single month of the year and volumes were boosted by special promotions run on selected products targeting tourist resorts. The COVID-19 situation was relatively stable in the Maldives except for a surge of cases mid-year. The uplift in tourism especially towards the latter half of the year compensated for hits from the fisheries sector due to adverse weather conditions during certain months of the year.

Exports to Bangladesh:

Volumes to Bangladesh started strong in Q1 but took a dip in Q2 with the loss of a key Power Gen customer. Retail volumes also were adversely affected especially during mid-year due to lockdowns imposed on the back of soaring case counts and death toll. There was realigned focus on the Retail sector during Q3 with special promotions being rolled out on key automotive SKUs. Shipments to Bangladesh were however curtailed during the latter part of Q4 in preparation for a significant change in the go-to-market model for Bangladesh.

The proposed change was effected end 2021 with the appointment of a new party as the sole distributor for Caltex branded lubricants in Bangladesh effective Jan 2022. The new Distributor – Rock Energy is part of one of Bangladesh's fastest-growing business conglomerates, with over thirty years of experience in diversified business operations, including their flagship business in the oil and gas sector. We believe our new distributor partner in Bangladesh will enable us to fulfil the high growth expectations we have for this high potential market in 2022 and beyond.

PRODUCT TECHNOLOGY

The lubricants industry in Sri Lanka went through an eventful year in 2021. Whilst the first revision of the automotive lubricant standards by the Sri Lanka Standards Institution (SLSI) was completed in 2020. 2021 was the year of implementation. With the Ministry of Energy announcing the implementation dates, Chevron introduced several new products and product upgrades to meet the demands of the industry while providing optimal solutions to market applications.

The diesel engine oils DEO standards were upgraded from API CF (obsolete) to the current active licensable API CH4; petrol engine oils from API SJ to licensable API SL; motorcycle engine oils from API SJ / JASO MA to API SL /JASO MA2 and scooter oils as a separate category with API SL JASO MB as the minimum standard. Standards for automotive gear oils, 2T engine oils, and automotive grease standards were also revised. SLSI implemented the qualification process in the standards as well as measures for market monitoring.

Chevron planned the transitions well ahead to meet the stipulated deadline. With dedicated cross-functional teams, Chevron completed all these product transitions smoothly with almost zero write-offs, and new or upgraded products were offered to customers well in advance of the deadline.

The change was significant not only to the lubricant industry but also to Chevron's business. Diesel engine oil DEO monograde which contributed to nearly 25% of the volume to Chevron was rendered obsolete with the change and the DEO market transitioned to multigrade engine oils. Chevron discontinued the Lanka Super DS 10W, 30, 40, and 50 grades and introduced new products Lanka Super DS 15W-40 and 20W-50 multigrade products to serve the lower tier DEO segment. Lanka Torqforce series (10W, 30, and 40) was introduced to cater to the hydraulic and gear applications which used the API CF engine oil types.

Addressing the petrol engine oil standards upgrade, the API SJ licensed Lanka Super plus 30 and 40 were upgraded to API SL licensed products. No change was required in Chevron's motorcycle oils, scooter oils, automotive gear oils, 2T engine oil, and automotive greases since our products already meet the new SLSI standard.

WE CONSISTENTLY SHIPPED TO THE MALDIVES EVERY SINGLE MONTH OF THE YEAR AND VOLUMES WERE BOOSTED BY SPECIAL PROMOTIONS RUN ON SELECTED PRODUCTS TARGETING TOURIST RESORTS.

Chevron executed a well-planned awareness and communication program to communicate these changes to the larger market. Technical knowledge sharing was done for all sales staff and the distributor sales staff, covering the entire island, followed by customer communications through letters, brochures, and leaflets.

A well-coordinated and meticulously planned product transition process helped Chevron reap multiple benefits such as the reduction of supply chain complexities, improve on cost effectiveness, and most importantly, sustained our market share.

Introducing the latest technologies to the Sri Lanka lubricant industry has been a hallmark of Chevron's operations. Continuing to lead the market, Chevron introduced the API SP licensed Havoline ECO Fully Synthetic SAE 0W-16, 0W-20, and 5W-30 superior petrol engine oils and the latest 2020 IMO compliant marine cylinder oil - Taro Ultra in the year 2021.

Considering the global raw material scarcity that impacted the lubricant industry with many additive suppliers declaring force majeure, the lubricant market was faced with product shortages. However, the local planning teams supported by the local technical/ laboratory teams, with the help of regional technical support, managed to navigate through these rough periods without any market starvation by using alternative formulation options, while ensuring product consistency.

Leveraging the Delo long drain interval trial done in 2020, Chevron completed a successful launch to take the long drain interval story to the market. Regional and local technical experts shared the knowledge and the technology behind this successful trial and technical capabilities of Delo to support local fleet operators.

Despite the challenges posed by travel restrictions due to the pandemic, technical and product knowledge training of our salesforce and channel partners continued during 2021. While face to face trainings were done when lockdowns were lifted, virtual mediums were utilized effectively during lockdowns to train our channel partners and salesforce.

The Chevron International Fuel and Lubricants (IFL) Sales Curriculum Phase 1 Certification was a major milestone in the technical sales skill building for sales personnel. The sales team went through a comprehensive series of courses on product knowledge and application certification via Lubricant University.

MARKETING ACTIVITIES

Chevron partners with National Transport Commission to provide relief for private bus owners

Chevron together with the Ministry of Transport and the National Transport Commission initiated a program to provide relief to private bus owners who had been adversely affected by the pandemic situation.

This relief program, having considered the impact on the livelihoods of private bus owners due to extended covid restrictions, provided benefits to private bus owners when they purchased lubricants through exclusive Chevron sales channels. Working closely with the National Transport Commission, Chevron was able to provide relief benefits to an estimated 18,000 private bus owners island wide, enabling them to better maintain their vehicles despite financial difficulties. Chevron has consistently supported local ecosystems as a socially responsible corporate citizen, fostering growth and sustenance through a variety of programs.

Expanding Caltex exclusive service station and authorized dealer network.

Despite the pandemic head winds and market lock down, Caltex continued to focus on strengthening and growing its exclusive retail network and presence. Furthermore, Chevron carried out all retail outlet development and branding activities in compliance with local health guidelines.

Muhammad Najam Shamsuddin, Managing Director/Chief Executive Officer of Chevron Lubricants Lanka PLC Presenting the Private Bus owners relief package to Hon. Dilum Amunugama Minister of Transport at an event held by the Ministry of Transportation

MANAGEMENT DISCUSSION AND ANALYSIS

During the year 2021, the Caltex authorized dealer channel grew with the opening of 60 new outlets island wide. These outlets are contracted exclusively for the sale of Caltex lubricant products. The dealers were supported and motivated through incentive schemes, new retail facia, attractive promotions and outlet opening activations to boost sales under the Caltex Star Power retail programs, the primary go-to market locally developed retailer engagement program for Chevron in Sri Lanka.

Despite the challenging business environment, the Caltex exclusive service station network was further expanded by contracting new service stations branded under Chevron's global "Xpresslube" brand imagery.

Rewarding the loyal retail channel partners

Having successfully steered its Star Power trade program over three consecutive years, Chevron has covered more than 1,000 retailers across the country. The primary objectives of this program were to reward and build sustainable and profitable relationship with retailers further strengthening our ties with them.

his program has driven significant volume increase as well as product awareness among retailers, whilst positively contributing towards increasing Chevron's market share in the lubricants category. The program gave away over Rs. 30 million worth of promotional prizes throughout the year, ranging from gold vouchers to other whitegoods and electronics items.

Havoline Thagi Engima Season 02 – consumer promotion

The second season of 'Caltex Havoline Thegi Engima' mega consumer promotion was successfully concluded having run its course from February to April 2021, rewarding our loyal consumers, extending appreciation for committed service.

The mega promotion ran island-wide covering a span of nine continuous weeks, rewarding over Rs. 6.5 million worth of gifts, which included, daily and weekly prizes, such as smartphones and gold coins, and instant mobile reloads.

The promotion was heavily supported by a comprehensive and well-executed digital communication campaign. Furthermore, the promotion created extensive ground visibility through a merchandising competition among the sales representatives. During the promotion period, consumer engagement activities attracted over 35,000 messages and the digital media campaign achieved over 18 million impressions.

Recognizing the economic drawbacks and financial adversities that have burdened

the nation and society, Caltex spearheaded this promotion, passionately driven with the intention to give back to the community by means of supporting loyal consumers through a variety of benefits and rewards. With a simple mechanism, the promotion was geared to guarantee a win for every consumer with every purchase.

Launch of Havoline API SP upgrade for Eco range

Chevron launched the reformulated Caltex Havoline® ProDS Fully Synthetic ECO ("Caltex Havoline ECO") series that provides all-round protection and maximized fuel economy for optimum engine performance. Meeting and surpassing the latest industry standards, these engine oils deliver superior results for passenger cars petrol engines under severe operating conditions.

The upgraded Caltex Havoline ECO product range meet the American Petroleum Institute (API) SP1 and International Lubricant Standardization Advisory Committee (ILSAC) GF-6A and GF-6B standards. These are the latest engine oil performance standards in the industry that address both current and modern engines' critical demands. As a result, Caltex Havoline ECO offers improved fuel mileage and advanced protection against chain wear and low speed pre-ignition (LSPI) with optimal deposit control, equipping motorists with high-performing engines. Havoline with Deposit Shield® Technology, is an advanced formulation that protects the engine from harmful deposits to deliver optimum performance.

In order to support the product launch and to create brand awareness, a digital campaign was developed targeting the relevant audience via Facebook, Youtube and other programmatic mediums reaching over 16 million impressions.

Delo proves 30,000 km on a single oil drain in Sri Lanka

Delo achieved new heights of product development and technology taking a monumental step forward in the lubricant market by proving an oil drain interval of 30,000 kilometres providing heavy duty diesel engine vehicle owners with extended service intervals.

Delo underwent an extensive field trial in Sri Lanka with reputed local fleet operators carrying out bi-weekly tests on vehicles with single oil drain through an independent test lab in Singapore, whose results proved the 30,000 kilometre mileage on two test cycles. Using ISOSYN technology, Delo, utilized the expertise and experience granting Delo users ostensible performance advantage of 30,000 kilometres on single oil drain, extended engine protection, confidence, durability and savings.

DURING THE YEAR 2021, THE CALTEX AUTHORIZED DEALER CHANNEL GREW WITH THE OPENING OF 60 NEW OUTLETS ISLAND WIDE.

This innovative technological advancement in product development will help businesses navigate these uncertain times by enhancing savings potentially of up to 17% through maintenance, service, and operational cost reductions, thereby supporting corporate, small and medium sized fleet operators to overcome difficult economic conditions. This development will help increase availability, reliability and durability of vehicles for fleet operators,

MANAGEMENT DISCUSSION AND ANALYSIS

enabling them to operate vehicles on the road whilst minimizing service downtime and breakdowns, increasing the ability of engines to withstand damage and generate more income.

Furthermore, the extended drain intervals, would lead to reduced disposal of used oil.

Chevron Sri Lanka launched a live digital event in December 2021 inviting all media personnel, fleet operators and other enthusiasts to commemorate this signature event. Followed by the public relations event, an extensive multi touch point 360 degree communication campaign was launched. Coinciding with the B2C communication campaign, a B2B fleet acquisition program was also kicked off in the year 2021.

In a new technological advancement, Delo enhanced offerings by introducing an online calculator which will enable users to calculate the cost benefit that is associated with the utilization of Delo products. Consumers may visit https://chevron.lk/delo-benefit-calculator/ to access this calculator feature and learn how one can achieve its increased performance and cost saving benefits.

SUPPLY CHAIN AND LOGISTICS

During the year 2021, Chevron's supply chain faced a combination of new as well as familiar challenges compared to 2020. As covid continued to rage all over the globe, shipping lanes continued to be disrupted, adding further complexity to the already chaotic logistics landscape. Despite the lockdowns, the supply chain team was able to deliver planned volumes,

ON TIME IN FULL DELIVERIES (OTIF) ACHIEVEMENT FOR THE YEAR WAS 98%, ANOTHER RECORD MAINTAINED BY THE SUPPLY CHAIN TEAM OVER THE LAST 10 YEARS.

through dynamic planning and around the clock discussions with sales teams. Non-operational staff operated from home and the plant, based on business requirement, whilst operational staff was deployed on split shift operations at times and continued manufacturing operations at the plant leveraging on our safety culture and tools, emphasizing the OEMS business model. The safety culture is evidenced by the completion of a record 20-year fulfilment from the last lost time injury.

On time in full deliveries (OTIF) achievement for the year was 98%, another record maintained by the supply chain team over the last 10 years.

Manufacturing integration and intelligence was implemented as planned in 2021, bringing in additional analytics for improvement of operational efficiencies. The smaller pack filling line was launched, reducing planning complexities for capacity as well as materials.

The change to minimum standard upgrade and multigrade oils was planned and was completed ahead of schedule. The mission needed new additives, capital investments for blending as well as seamless and continuous product testing. Several tank inspections were carried out in compliance with tank inspection guidelines. The changes for procuring the inspection services resulted in increased productivity in operations as well as savings for the company.

Despite a challenging business environment, supply chain collaborated closely with business partners, internal customers and were able meet business targets and customer demand.

HUMAN RESOURCES

Year 2021 saw the 'rekindling' of Human Energy at Chevron on several fronts. Amidst disruptions and many uncertainties, we forged ahead with bringing our teams into a more progressive and collaborative space. These efforts included inducting new hires and leaders into their new roles, leveraging on efficiencies in the deployment of people resources in functional groups such as Finance, IT and Customer Service, providing a safe space for our teams to collaborate in person and continuing our digital HR journey with a new online Recognition Tool.

As in previous years, in year 2021, the Company saw the retirement of some of our long-standing colleagues in Finance and Supply Chain functions. With a 'hire for the future' approach in mind, such natural attrition opportunities were used to future-proof the organizational design by attracting talent with skill competencies that facilitate future growth.

New leaders leveraged on the Chevron's 'New Leader Assimilation (NLA)' process to acclimatize with their new leadership roles and the organizational culture. We created several classic textbook examples of building capability this year, where we were able to provide several short-term developmental assignments to some of our team members in the Lubricants, Supply Chain and Finance organizations to explore their prowess at managing different job roles within Chevron during the absence of assigned job holders.

We continued to explore ways to demonstrate 'Chevron We Lead' behaviours in our day-to-day business engagements. A notable initiative was the 'MT Moderator' role which we successfully trialled for the first time. Selected high potential colleagues were given the opportunity to moderate the Management Team forum monthly with the objective of providing them valuable leadership exposure and business insights.

Our promotion cycle was revised to 1 November annually. Through the process, we were able to promote a record number of moves in 2021 particularly in the sales function, where we were able to promote our frontliners to Territory Manager and Area Manager roles respectively.

The Global Recognition and Award Tool (R&A) was launched in 2021 and has been a trailblazer in changing the way good work gets recognized at Chevron. . The tool enables 360-degree, instant recognition of employees for demonstrable 'Chevron We Lead' behaviours, measured via a points system. One could get nominated for everyday acts of excellence to more high impact behaviours that benefit the organization. The tool provides employees the discretion to convert their points anytime of the year into cash awards.

Chevron Lanka's scores on the Chevron Employee Survey (CES) favourability index climbed compared to the previous year. The favourability scores are a reflection of employee motivation to give out their best, employee endorsement of Chevron as a great employer and employee satisfaction levels at work.

Our remote working model continued in year 2021, with employees continuing to engage via the use of our virtual platforms. With our workforce fully vaccinated against COVID-19, in November we hosted an Employee Townhall coupled with our Annual Growth Workshop to acknowledge the efforts of individuals and teams across Chevron. Employees and families came together in December 2021, for the first time since the outbreak of the pandemic,for an evening of fellowship titled a 'A Night with the Stars' ending a challenging yet successful financial year on a celebratory note.

The talons, or claws on an eagle's toes are curved and razor-sharp for catching and holding their prey. These large toes gave eagles the name raptor, which comes from a Latin word "rapere" meaning to grip or grasp.

TENACITY

Chevron Lubricants Lanka demonstrated a tenacious spirit in weathering the storms of a disruptive environment. With a strong sense of adaptability guided by ethics, firmly entrenched with good governance practices the Company forged ahead.

FINANCIAL REVIEW

GROWTH, PROFITABILITY AND EFFICIENCY

Revenue

The Company recorded a revenue of Rs. 16.87 bn during the period under review which was a 45% YOY increase in comparison to Rs. 11.64 bn recorded in 2020. The increase in revenue was largely attributable to robust performance observed across the domestic market which recorded a revenue growth of 48% YOY. The growth observed in the domestic channels was primarily driven by higher revenue per liter (average sales price) which accounted for 75% of the revenue increase. The remainder of the revenue growth of 25% was attributable to increase in volumes by 11% YOY.

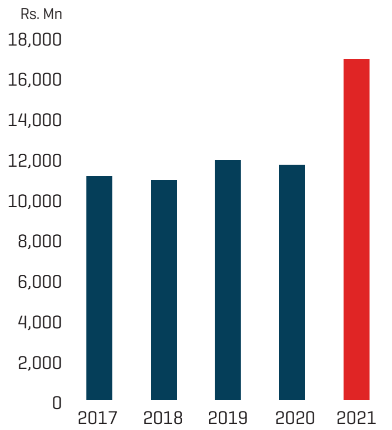
The increase in revenue per liter was largely a result of the three price increases that the Company was compelled to take during the year following unprecedented cost increases in global base oil prices, the depreciation of LKR experienced during the year and also the acute shortage of USD liquidity in the country's banking system vis-à-vis a managed foreign exchange rate regime exposing the LKR to an inevitable currency devaluation/ depreciation against the USD upon eventual market floatation. The volume growth was primarily driven by the domestic retail channel which accounts for approximately 70% of the Company's total volumes. The Company continued to build and leverage on its well-structured trade promotional schemes and incentive programs for channel partners, which was pivotal in delivering the results.

The domestic commercial & industrial (C&I) channel which includes Own Equipment Manufacturers (OEM) and toll blending also reported a growth in 2021. The volume growth in the C&I segment stemmed from the rubber sector which continued to operate even during the lockdowns under a bubble scheme, securing of key government tenders in the power generation sector, while supplies to essential services such as armed forces also continued even during the lockdowns.

Export sales volumes to Bangladesh declined by 27% compared to 2020. The decline in volumes primarily stemmed from the loss of a key Power-Gen sector customer in Bangladesh, while the retail channel was adversely affected vis-à-vis the impact of the pandemic. The Company appointed a new distributor in Bangladesh in December 2021 and as result shipments to Bangladesh were curtailed during the fourth quarter of the year to manage a seamless transition between the distributors. However, export volumes to Maldives increased by 27% compared to 2020, primarily due to the improvement observed in the tourism sector which was severely constrained by the pandemic during the previous year. The total combined revenue from the two export markets increased to Rs.877 Mn (2020: Rs. 860 Mn).

In addition to the continued exports of certain lubricant and coolant products to a few inter companies, the Company also exported some base oil and additives which helped record a 87% increase in volumes with a corresponding revenue increase of 116% YoY.

REVENUE



Profit after tax

Profit After Tax increased by 76% YOY to Rs. 3,926 mn compared to Rs. 2,226 mn recorded in 2020. However, the gross profit margin decreased to 37% from 40% in 2020, due to escalation in cost of goods sold. The increase in base oil prices to unprecedented levels since the commencement of the year, the rise in prices of additives, significant escalation of ocean freight cost aggravated by the disruptions experienced in shipping routes, the adverse effects of currency depreciation and the cascading effects of these cost escalations on import tariffs were key reasons for the relatively compressed gross margin. Consequently, the company was compelled to effect three price increases during the year.

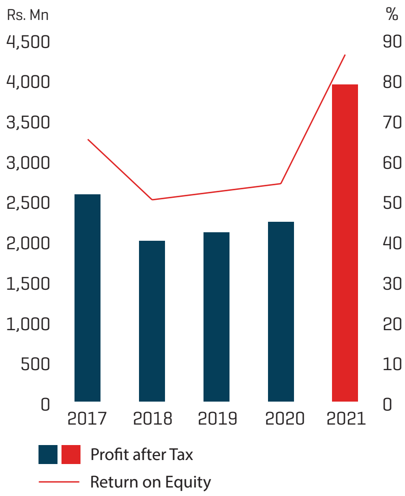
Despite the increase in administrative & distribution expenditure compared to 2020, operating profit increased by 31% in 2021 mainly due to the increase in gross profit.

Profit Before Tax increased to Rs. 4,333 mn in 2021 from Rs. 3,099 mn in 2020. A net finance cost was recorded for 2021 compared to the net finance income reported in 2020. A higher net foreign exchange loss was recorded YOY due to LKR depreciation against the USD, which partially offset the higher interest income stemming from higher cash reserves held during the year. The interest cost decreased in 2021 compared to 2020 due to lower interest charge attributed to lease liabilities.

Profit for the year was Rs. 3,926 mn compared to Rs. 2,226 mn in 2020. Total comprehensive income increased by 79% YOY to Rs. 3,936 mn, which included a net other comprehensive income after tax of Rs. 9.7 mn pertaining to an actuarial gain on retirement benefit obligation.

FINANCIAL REVIEW

Profit After Tax & ROE



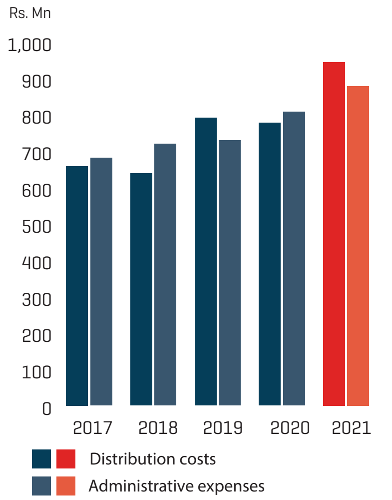
Income tax

Income Tax expense for the year was Rs. 406 mn, which translates to an effective tax rate of 9% compared to 28% last year. In reference to the Inland Revenue (Amendment) Act, No. 10 of 2021, the Company has applied Tax Rates of 18% for Manufacturing, 14% for Exports, 24% Standard Rate for other sources of Business Income and 24% for Investment Income. During the Comparative period in 2020, the Company had accounted for Business and Investment Income applying the standard rate of 28%. The lower revised tax rates which took effect since 01.01.2020, were only enacted in 2021. As a consequence the Income Tax and Deferred Tax adjustments (reversals) for the prior period were recognized in these financial statements resulting in a lower effective tax rate for 2021. Total income tax expense amounted to Rs. 409 mn, which included a deferred tax expense on other comprehensive income for the year.

Distribution and administration expenses

Distribution expenses increased by 21% to Rs.945 mn from Rs. 778 mn recorded in 2020. The increase in distribution expenses were largely attributable to higher transportation expenses incurred due to increase in sales recorded YoY, while professional fees increased vis-à-vis an automation project leveraging on artificial intelligence to support pricing and margin improvement decisions. Administration expenses amounted to Rs. 878 mn, reflecting an increase of 9% compared to Rs.808 mn in 2020. 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 during the year.

Administration & Distribution Expenses



LIQUIDITY

Working capital

Total inventory increased by Rs. 1,069 mn, due to an increase in both raw material and finished goods inventory. The raw material inventory increased by Rs.661 mn due to higher base oil prices and timing effects of the procurement cycle. Finished goods inventory increased by Rs.408 mn to Rs.1,044 mn compared to the Rs.636 mn recorded in 2020 reflecting a relatively weak demand experienced during December 2021 and considering the higher value of inventory.

Whilst trade receivables increased only marginally compared to 2020, the number of "days sales outstanding" (DSO – Company formulated matric) improved to 29 days in 2021 (36 days in 2020). The Company, retained its tight credit control policy and collection efficiency to ensure the strong commitment towards efficiency in managing its working capital cycle, despite the relatively loose credit policies seen in the market to push sales in a highly competitive environment. 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.

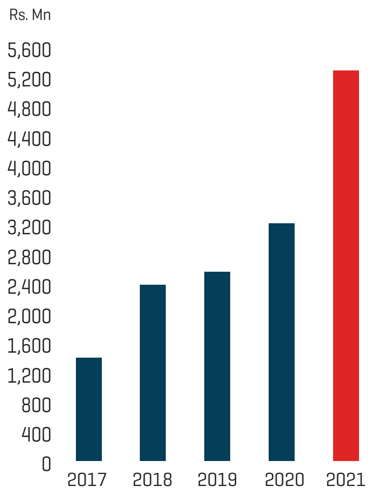
The company maintained a healthy liquidity position by recording a current ratio of 1.7 (2020: 2.0) and a quick asset ratio of 1.0 in 2021 (2020: 1.0) to meet working capital requirements. The decline in current ratio compared to 2020 was due to a higher trade and other payable liability recorded as at the end of the year attributable to the delay in settlement of some of the foreign currency denominated trade liabilities stemming from the foreign currency liquidity shortage experienced by the country.

Cash flow

Cash generated from operating activities increased to Rs. 6.0 bn compared to Rs. 4.0 bn in 2020, whilst the net cash flow from operating activities increased to Rs. 5.3 bn from Rs. 3.2 bn recorded during 2020. The Company generated a free cash flow of Rs. 5.3 bn (2020: Rs. 3.2 bn). The net cash generated from investing activities, declined YoY due to higher capital expenditure incurred which offset the increased interest income received relative to the previous period. The comparatively higher free cash flow generated in 2021 is mainly attributed to the increase in earnings and the decline in taxes paid during the year.

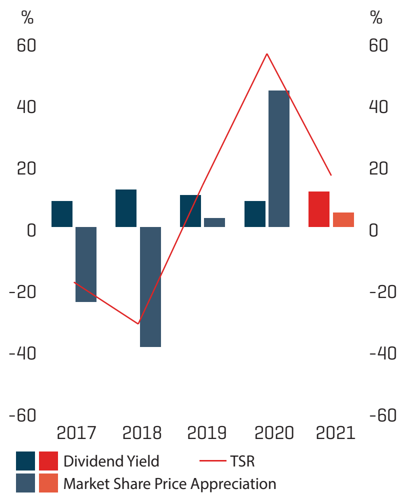
Three interim dividends totaling to Rs. 2,640 mn were declared during the year. The cash payout of Rs. 3,120 mn, consisted of Rs. 2,640 mn of interim dividends declared during the year and the fourth interim dividend of Rs. 480 mn for the year 2020. The fourth interim dividend of Rs.480 mn pertaining to 2021 was paid during March 2022. Cash and cash equivalents at year end increased relative to 2020 due to the timing effects of operating commitments, the increase in USD denominated trade and other payables due to the acute shortage of USD liquidity in the country's banking system.

Net Cash Flow from Operating Activities



EPS & PE

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



STABILITY AND INVESTOR RETURN

Financial stability

The Company recorded a return on equity of 86% in 2021 (54% in 2020). Earnings per share increased by 76% to Rs. 16.36 in 2021 compared to Rs.9.27 in 2020.

Investor return

Dividend per share amounted to Rs. 13.00 which translates to a dividend yield of 11.5% based on the share price recorded as at end December 2021 (2020: 8.3%), whilst capital growth improved via an increase in market share price by 4.6% (2020: 44.2%).

Total Shareholder Return was 16.7% in 2021 (2020: 56.2%).

(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 2021 and 2020 based on the quarterly financial statements submitted to the Colombo Stock Exchange are tabulated below.

INTERIM FINANCIAL STATEMENTS SUBMITTED TO THE COLOMBO STOCK EXCHANGE

	2021 1Q	2021 2Q	2021 3Q	2021 4Q	2020 1Q	2020 2Q	2020 3Q	2020 4Q
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Turnover	4,353	2,762	5,196	4,555	2,846	2,539	3,605	2,648
Gross Profit	1,835	988	1,742	1,614	1,145	934	1,472	1,066
Operating Profit	1,429	579	1,270	1,086	717	579	1,091	649
Finance income - Net	(35)	(6)	(19)	30	5	13	27	18
Profit Before Tax	1,393	573	1,251	1,115	723	592	1,118	667
Profit After Tax	1,539	461	1,020	906	517	427	803	479

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

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

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

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

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

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

The Board met 5 times during 2021 and the attendance is given below;

		Attended
Rochna Kaul	NED	4/5
Najam Shamsuddin	ED	5/5
Erande De Silva	ED	5/5
Nicolas Bossut (resigned w.e.f. 28.02.2021)	NED	1/1
Haider Manasawala (appointed w.e.f. 28.02.2021)	NED	4/4
Asite Talwatte	NED/IND	5/5
Harsha Amarasekera	NED/IND	4/5

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 and as per CSE listing rule requirement 7.10.6. (a).

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

The Board Audit Committee met 4 times during 2021 and the attendance is given below

	Attended
Asite Talwatte*	4/4
Harsha Amarasekera	3/4

*Chairman of Audit Committee

Mr. Najam Shamsuddin - Managing Director/CEO and Mr. Erande De Silva – Director/CFO attended all four audit committee meetings as per CSE listing rule requirement 7.10.6. (a)

REMUNERATION COMMITTEE

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
Haider Manasawala (appointed 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 65 and the report of the Remuneration Committee is given in page 41.

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	3/4
Nicloas Bossut (resigned w.e.f. 28.02.2021)	1/1
Haider Manasawala (appointed w.e.f. 28.02.2021)	3/3

* Chairman of the Committee

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

CHEVRON BUSINESS CONDUCT AND ETHICS CODE

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

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

The BCEC includes the following subject areas;

Human rights

Company records and internal controls

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

Antibribery, international trade and anti-boycott laws.

Government affairs and political involvement.

Operational excellence

Anti- trust and competition laws.

Data privacy.

Protection of information and intellectual property

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

Whistle blowing

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

INVESTOR RELATIONS

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

PROTECTION OF PEOPLE AND THE ENVIRONMENT

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

Compliance with the 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 30 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 10 and 11.

CORPORATE GOVERNANCE

Rule No	Subject	Criteria	Compliance Status	Details
7.10.3.(d)	Disclosure relating to Directors	Upon appointment of a new Director , a brief resume of such Director should be provided to CSE	Compliant	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
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee	Compliant	Please refer to the Remuneration Committee report on page 41.
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 41.
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 41.
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Please refer to the Audit Committee Report given on page 40.
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 40 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 40.
		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 40.
		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 40.
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 42.

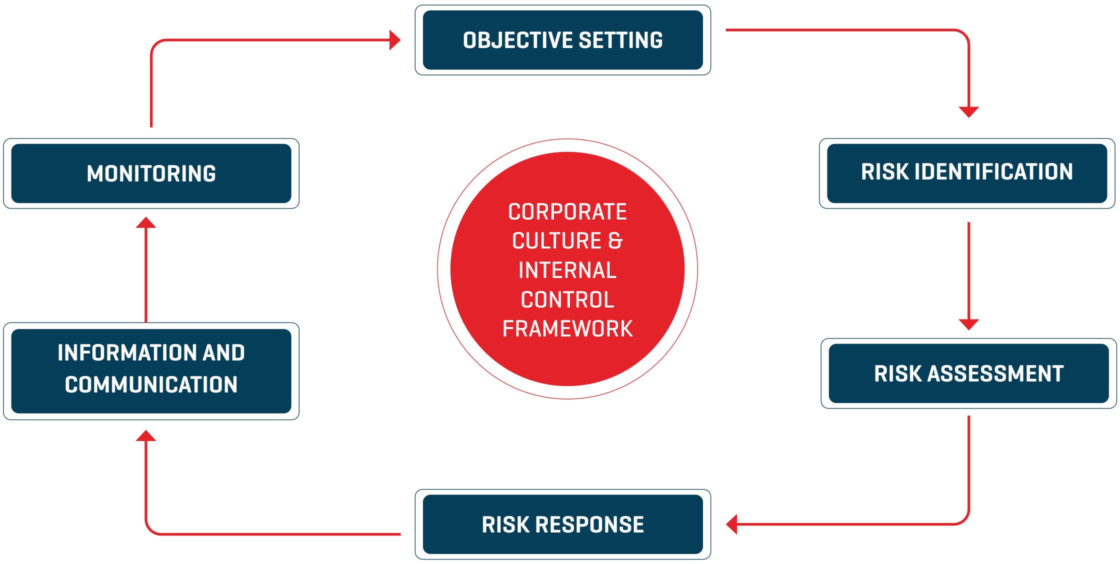
Rule No	Subject	Criteria	Compliance Status	Details
9.2.2	Composition of the RPTRC	The Committee should comprise a combination of Non Executive Directors and Independent Non-Executive Directors	Compliant	Please refer to the report of the Related Party Transaction Review Committee appearing on page 42.
	Related Party Transactions Review Committee	One Independent Non Executive Director shall be appointed as the Chairman of the Committee	Compliant	Please refer to the report of the Related Party Transaction Review Committee appearing on page 42.
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 30.
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 42.
		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 42.
		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 42.
		The number of times the Committee has met during the financial year.	Compliant	Please refer to the Corporate Governance report appearing on page 30.
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 38.

Compliance with the section 9.3.2 (b) of Listing rules of the Colombo Stock Exchange
Recurrent Related Party Transactions

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the related Party Transactions entered in to during the Financial Year (LKR)	Aggregate value of the related Party Transactions as % of Net Revenue	Terms and Conditions of Related Party Transactions
Chevron Singapore Pte Limited	Subsidiary of the ultimate parent	Purchase of Raw Materials for Blending of Lubricants	4,542,524,764	27%	As per the Purchase Agreement between the two entities, on commercial terms.
Chevron Singapore Pte Limited	Subsidiary of the ultimate parent	Services obtained for Lubricant Business, Procurement, HES, Legal, IT, HR.	614,664,614	4%	As per the Service Level Agreement between the two entities.
			5,157,189,378	31%	

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 response

The Company has deployed policies, processes and procedures to ensure integrity of transactions, whilst also

RISK MANAGEMENT

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

FINANCIAL RISK

Foreign Exchange Risk

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

Risk response

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

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

CREDIT RISK

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

Risk response

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

CYBERSECURITY RISK

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

Risk response

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

PANDEMIC RISK

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

Risk response

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

ANNUAL REPORT OF THE DIRECTORS

The Directors of Chevron Lubricants Lanka Plc are pleased to present their report together with the audited financial statements for the year ended 31st December 2021.

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 2021 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 46 to 82.

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. 3,926 mn (2020: 2,226 mn) and total comprehensive income for the period amounted to Rs. 3,936 mn (2020: 2,202 mn).

INFORMATION ON DIVIDENDS AND RESERVES ARE GIVEN BELOW

First interim dividend paid on 04th June 2021 at Rs. 5.00 per share

Second interim dividend paid on 24th August 2021 at Rs. 2.00 per share

Third interim dividend paid on 19th November 2021 at Rs. 4.00 per share

Fourth Interim dividend paid on 21st March 2022 at Rs.2.00 per share

For the year ended 31 December 2021	(Rs. Million)
Profit after tax	3,926
Balance brought from previous year	3,580
Fourth Interim Dividend (FY 2020) of Rs. 2.00 per share paid on 19th March 2021	(480)
First Interim Dividend of Rs. 5.00 per share paid on 04th June 2021	(1,200)
Second Interim Dividend of Rs. 2.00 per share paid on 24th August 2021	(480)
Third interim Dividend of Rs.4.00 per share paid on 19th November 2021	(960)
Unclaimed Dividend transferred to Retained Earnings	3
Re-measurement of defined benefit obligations	10
Balance carried forward to 2022	4,399

No final dividend has been proposed by the Board.

PROPERTY, PLANT & EQUIPMENT

Capital expenditure incurred during 2021 including work-in-progress amounted Rs. 89,218,233 (2020: Rs. 58,880,993). 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. (2020: Nil).

DIRECTORATE

The following served as Directors of the Company during the year 2021:

Rochna Kaul
Najam Shamsuddin
Erande De Silva
Asite Talwatte
Harsha Amarasekera
Nicolas Michel Bossut
(resigned w.e.f. 28.02.2021)
Haider Manasawala
(appointed w.e.f. 28.02.2021)

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

DIRECTOR'S SHAREHOLDINGS

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

None of the Directors hold shares in the Company.

DIRECTOR'S INDEPENDENCE

Asite Talwatte and Harsha 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 31.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The remuneration and the value of other benefits received by the Directors are given in page 80.

ANNUAL REPORT OF THE DIRECTORS

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 10 and 11. 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 42 and 43.

SHARE INFORMATION

Information relating to market value of shares, public shareholding and top 20 shareholders are given in page 85 and 86.

POST BALANCE SHEET EVENTS

Company declared an interim Dividend of Rs. 2.00 per share on 25 February 2022 and was paid on 21st of March 2022.

Other than those disclosed in Note 27 (a), (b) and (c) to the financial statements in page 82, 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. 3,090,540 (2020: Rs. 2,861,614) as audit fees and Rs. 140,000 (2020: Rs. 140,000) for issue of solvency certificates.

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

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

ANNUAL GENERAL MEETING

The 29th Annual General Meeting will be held on Wednesday 11th May 2022 at 3.30p.m. at Jasmine Auditorium, BMICH, Bauddhaloka Mawatha, Colombo 07.

By order of the Board of Directors

Najam Shamsuddin
Managing Director/CEO

Erande De Silva
Director /CFO/ Company Secretary

08 April 2022

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/ Company Secretary

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

MEETING THE GOALS

The Committee met on four occasions during the financial year 2021 and the members' attendance record is indicated in page 30 of corporate governance report.

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

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

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

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

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

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

APPRECIATION

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

Sgd,
Asite Talwatte
Chairman
Audit Committee
08 April 2022

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.

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 2022 bearing in mind the challenges faced by CLLP by reason of COVID-19 and the inflationary pressure on the workforce. The Remuneration Committee has recommended that there be a comprehensive TR Study for CLLP in 2022 in partnership with Chevron TR Group to review the Total Rewards position and make suitable adjustments as necessary.

The aggregate remuneration paid to Executive and Non- Executive Directors is given on page 65.

Sgd,
Harsha Amarasekera
Chairman, Remuneration Committee
08 April 2022

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.

MEETINGS

The Committee met on four occasions during the financial year 2021 and the members' attendance record is indicated in page 30 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 33 of the annual report in compliance with Section 9.3.2 (b) of the listing rules of CSE.

During the year there were no Non-Recurrent Related Party Transactions that exceeded the respective thresholds, which require disclosure as per Section 9.3.2 (a) of the listing rules of CSE.

The Company has made relevant disclosures on related party transactions as required by LKAS 24 in Note 26 to the financial statements. These disclosures are on page 78 to page 81.

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 2020/21 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 and the Inland Revenue (Amendment) Act, No.10 of 2021.

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 2021 is given on page 38, in the 'Annual Report of the Directors'.

Sgd,

Asite Talwatte
Chairman
Related Party Transaction Review Committee
08 April 2022

Eagles can fly up to an altitude of 10,000 feet, but they are able to swiftly land on the ground. At a high-altitude, eagles are able to inspire others to greater heights. When eagles fly, they make less noise than other birds. They wait patiently for opportunities to strike.

PERFORMANCE

Inspiring the way flying high with sound performance levels demonstrated the strength of our organization and its potential to perform despite the odds. This reflects the strength of the business fundamentals of the Company to create a strong platform of performance which ensures long-term stability and value creation for all stakeholders.

Financial Statements

FINANCIAL CALENDAR 2021

Interim Financials

1st Quarter Interim Financials	12th May 2021
2nd Quarter Interim Financials	4th August 2021
3rd Quarter Interim Financials	28th October 2021
4th Quarter Interim Financial	25th February 2022

Dividends Paid Dates

1st Interim Dividend Paid on 4th June 2021 at Rs. 5 per share

2nd Interim Dividend Paid on 24th August 2021 at Rs. 2 per share

3rd Interim Dividend Paid on 19th November 2021 at Rs. 4 per share

4th Interim Dividend Paid on 21st March 2022 at Rs. 2 per Share

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHEVRON LUBRICANTS LANKA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Chevron Lubricants Lanka PLC ("the Company") as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional 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 ("customers"). At the point of invoicing, the incentives and discounts are estimated based on historical sales trends of each customer to arrive at the sales amount to be included in the invoices. Incentives and discounts are adjusted at month end based on actual redistribution sales information. Accordingly, sales of LKR 16.87 billion disclosed in Note 5 to the financial statements is stated net of customer incentives and discounts amounting to LKR 1.59 billion for 2021.	Our audit procedures included test of controls and substantive audit procedures covering the following: a) We obtained a list of customers with whom the Company has entered into sales agreements / contracts that included terms and conditions on eligibility of incentives and discounts. From this list we selected those customers whose sales have been recorded net of significant sales incentives and discounts. The sales agreements / contracts with the selected customers were examined and the terms and conditions related to customer incentives and discounts were discussed and confirmed with management. b) We obtained a detailed listing of sales incentives and discounts recorded for the year and traced a selected sample of sales incentives and discounts to the corresponding sales invoices.

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

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 are estimated and adjusted subsequently based on complex calculations with significant manual intervention and therefore considered as a key audit matter.	c) We checked whether the financial year end provision for discounts and incentive had been duly approved. For a selected sample of customers we recomputed the sales incentives and discounts provided, based on the contractual terms in the related customer sales agreements / contracts using the actual redistribution sales details of those customers. The actual redistribution sales details were extracted from the 'Distribution Management System' of the Company, for which we had obtained reliance from our System and Process Assurance Specialist team. d) We checked the approvals from the relevant personnel of the Company for a sample of the debit / credit notes raised for adjustment of sales incentives and discounts for the month, for differences between sales incentives and discounts originally estimated at the time of sales invoicing and sales incentives and discounts recomputed based on actual sales extracted from the "Distribution Management System". e) We checked the incentive and discounts adjustments made after the reporting date to arrive at the actual amount of incentives and discounts at the year end to assess the reasonability of the provision made at the financial year-end. f) We checked whether monthly stock verifications were performed at distributor locations and variances, if any identified thereon had been adjusted in the performance incentives and discounts calculation. Based on the procedures above, we found that the calculations to estimate and compute performance incentives and discounts to be reasonable and the related manual interventions to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2021 ("the Annual Report") but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number 4084
Colombo
Sri Lanka
08 April 2022

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees) As at 31 December

	Notes	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	13	1,661,479,763	1,758,140,998
Right-of-use assets	14	302,189,289	342,746,553
Trade and other receivables	15	63,971,812	79,268,109
		2,027,640,864	2,180,155,660
Current assets			
Inventories	18	3,759,672,673	2,690,695,199
Trade and other receivables	15	1,180,763,029	1,082,246,832
Cash and cash equivalents	19	4,025,116,197	1,898,555,779
		8,965,551,899	5,671,497,810
Total assets		10,993,192,763	7,851,653,470
Equity and liabilities			
Capital and reserves			
Stated capital	20	600,000,000	600,000,000
Retained earnings		4,398,614,748	3,580,187,891
		4,998,614,748	4,180,187,891
Non-current liabilities			
Retirement benefit obligations	21	205,136,866	192,005,210
Deferred tax liabilities	17	156,812,811	246,669,514
Lease liabilities	14	310,243,782	332,367,276
		672,193,459	771,042,000
Current liabilities			
Trade and other payables	22	4,739,475,965	2,167,148,176
Current income tax liabilities		552,363,563	699,028,693
Lease liabilities	14	30,545,028	34,246,710
		5,322,384,556	2,900,423,579
Total liabilities		5,994,578,015	3,671,465,579
Total equity and liabilities		10,993,192,763	7,851,653,470

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 08 April 2022.

Signed on behalf of the Board on 08 April 2022.

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

Najam Shamsuddin
Managing Director

Erande De Silva
Director / Chief Financial Officer

Yasora Kodagoda
Manager - Finance and Planning

Notes on pages 54 to 82 form an integral part of these financial statements
Report of the independent auditors' on pages 46 to 48

STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT

(all amounts in Sri Lanka Rupees) Year ended 31 December

	Notes	2021	2020
Sales	5	16,866,310,961	11,637,381,476
Cost of sales	6	(10,687,861,082)	(7,020,423,256)
Gross profit		6,178,449,879	4,616,958,220
Other income	8	7,701,449	4,492,981
Distribution expenses	6	(944,738,139)	(777,739,351)
Administrative expenses	6	(878,149,891)	(807,977,649)
Net reversals of impairment losses on financial assets	15 (a)	Nil	46,008
Operating profit		4,363,263,298	3,035,780,209
Finance income	9	86,109,488	105,452,334
Finance costs	9	(116,659,131)	(41,985,251)
Finance income - net	9	(30,549,643)	63,467,083
Profit before tax		4,332,713,655	3,099,247,292
Income tax expenses	10	(406,604,475)	(873,518,662)
Profit for the year		3,926,109,180	2,225,728,630
Earnings per share attributable to the owners of the Company during the year			
Basic/ diluted earnings per share (LKR)	11	16.36	9.27

Notes on pages 54 to 82 form an integral part of these financial statements

Report of the independent auditors' on pages 46 to 48

STATEMENT OF COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees)

		Year ended 31 December	
	Notes	2021	2020
Profit for the year		3,926,109,180	2,225,728,630
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	21	11,882,904	(33,326,316)
Deferred tax attributable to remeasurement of retirement benefit obligations	17	(2,164,279)	9,331,368
Other comprehensive income / (loss) for the year, net of tax		9,718,625	(23,994,948)
Total comprehensive income for the year		3,935,827,805	2,201,733,682

Notes on pages 54 to 82 form an integral part of these financial statements

Report of the independent auditors' on pages 46 to 48

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lanka Rupees)

	Notes	Stated capital	Retained earnings	Total
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 loss 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
Balance at 1 January 2021		600,000,000	3,580,187,891	4,180,187,891
Profit for the year		Nil	3,926,109,180	3,926,109,180
Other comprehensive income for the year, net of tax		Nil	9,718,625	9,718,625
Total comprehensive income for the year		Nil	3,935,827,805	3,935,827,805
Transactions with owners - Dividends	12	Nil	(3,120,000,000)	(3,120,000,000)
Unclaimed dividends transfer to retained earnings		Nil	2,599,052	2,599,052
Balance at 31 December 2021		600,000,000	4,398,614,748	4,998,614,748

Notes on pages 54 to 82 form an integral part of these financial statements

Report of the independent auditors' on pages 46 to 48

STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees) Year ended 31 December

	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	25	5,967,746,815	3,957,953,987
Interest paid		(38,973,271)	(41,985,251)
Retirement benefits obligations paid	21	(5,557,913)	(17,467,712)
Income tax paid		(645,290,587)	(686,451,936)
Net cash generated from operating activities		5,277,925,044	3,212,049,088
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(89,218,233)	(58,967,206)
Proceeds from disposal of property, plant and equipment		9,531,781	4,485,408
Interest received		81,191,576	65,568,411
Net cash generated from / (used in) investing activities		1,505,124	11,086,613
Cash flows from financing activities			
Principal elements of lease payments	14	(32,869,750)	(34,215,068)
Dividends paid	12	(3,120,000,000)	(2,160,000,000)
Net cash used in financing activities		(3,152,869,750)	(2,194,215,068)
Net increase in cash and cash equivalents		2,126,560,418	1,028,920,633
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		1,898,555,779	869,635,146
Net increase in cash and cash equivalents		2,126,560,418	1,028,920,633
Cash and cash equivalents at end of year	19	4,025,116,197	1,898,555,779

Notes on pages 54 to 82 form an integral part of these financial statements

Report of the independent auditors' on pages 46 to 48

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 08 April 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Company's financial statements have been adopted by the Company (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2021 (ie year ending 31 December 2021) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2022.

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 2021:

(i) Amendment to SLFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to SLFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such 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 concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

This amendment is effective for the annual periods beginning on or after 1 April 2021.

(b) New standards and amendments not effective and not early adopted in 2021

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

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or 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 LKAS 1 means when it refers to the 'settlement' of a liability.

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

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 2021 (Contd)
(i) Classification of Liabilities as Current or Non-current – Amendments to LKAS 1 (Contd)

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.

(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.

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

LKAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

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

(vi) Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.
The amendments are effective for annual periods beginning on or after 1 January 2023.

2.3.1 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

2.3.2 Going Concern

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

2.4 Property, plant and equipment

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

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

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

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

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

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

The principal annual rates used for this purpose are:

	%
Land improvements	3.57 - 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

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

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

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

2.7 Financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)
2.7 Financial assets (Contd)

(d) Derecognition

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

Debt instruments

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

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

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

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

Equity instruments

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

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

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

2.8.2 Subsequent measurement

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

2.8.3 Derecognition

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

2.8.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)
2.8 Financial liabilities (Contd)
2.8.4 Offsetting financial instruments (Contd)

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 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and accordingly adjusts the historical loss rates based on expected changes.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)
2.13 Employee benefits (Contd)
(b) Defined benefit obligation (Contd)

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

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

2.14 Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)
2.16 Revenue recognition (Contd)

(b) Interest income

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

2.17 Dividend distribution

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

2.18 Segment reporting

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

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

There are no significant separate operating segments within the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk

3.1.1 Financial risk factors

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

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

The principal financial instruments of the Company comprise of short term deposits, money market investments, and cash. The main purpose of these 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 2021, a foreign exchange loss of LKR 36,784,127 (2020 - LKR 9,749,367) would have resulted with each 1% weakening of LKR against USD with all other variables held constant on translation of year end foreign currency denominated balances.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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 2021

	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	1,129,122,368	Nil	1,129,122,368
Amounts due from related parties (Note 15)	Nil	Nil	33,384,760	33,384,760
Cash and cash equivalents (Note 19)	4,025,116,197	Nil	Nil	4,025,116,197
Total credit risk exposure	4,025,116,197	1,129,122,368	33,384,760	5,187,623,325

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 (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

(c) Liquidity risk

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

Surplus cash held over and above the amount required for working capital management is invested in interest bearing savings accounts, treasury bills and repurchase agreements, time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Company held liquid assets of LKR 5,089,323,837 (2020 - LKR 2,918,890,316) 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.

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 2021

	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)	1,069,687,131	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 22)	3,668,373,295	Nil	Nil	Nil	Nil
Lease liabilities	12,399,940	52,945,041	59,094,965	108,332,445	503,168,893
Total liabilities	4,750,460,366	52,945,041	59,094,965	108,332,445	503,168,893

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

(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 borrowings to finance operations over the past 5 years except lease liabilities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and assumptions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD)

4.1 Critical accounting estimates and assumptions (Contd)

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

(b) Defined benefit obligations

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

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

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

(c) Impairment of trade receivables

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

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

(d) Estimated impairment of non-current assets

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

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

(e) Estimate on performance incentives and discounts

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

4.2 Critical judgements in applying the entity's accounting policies

SLFRS 16

Critical judgements in determining the lease term

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

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

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate), and

- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset;

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

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

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

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:	2021	2020
Local sales	15,776,649,992	10,678,604,337
Export sales	877,281,751	860,343,623
Related party sales [Note 26 (a)]	212,379,218	98,433,516
	16,866,310,961	11,637,381,476

Sales are recorded net of customer incentives and discounts of LKR 1,586,954,719 (2020 - LKR 874,167,782).

6 EXPENSES BY NATURE

	2021	2020
Directors' emoluments		
- executive	138,116,144	111,484,142
- non executive	5,808,000	5,808,000
	143,924,144	117,292,142
Auditors' remuneration		
- audit	3,090,540	2,861,614
- non audit	140,000	140,000
	3,230,540	3,001,614
Depreciation on property, plant and equipment [Note 13]	182,612,848	182,032,571
Depreciation on right-of-use assets [Note 14]	47,601,838	52,539,872
Amortisation of marketing support fee paid [Note 15 (e)]	24,892,879	22,148,521
Reversal of provision for impairment on trade receivables [Note 15 (a)	Nil	(46,008)
Write off of property, plant and equipment [Note 13]	36,581	86,213
Repair and maintenance expenditure	20,332,884	18,584,767
Cost of inventories sold	10,313,195,152	6,741,180,825
Employee benefit expenses [Note 7]	341,209,852	328,610,596

7 EMPLOYEE BENEFIT EXPENSES

	2021	2020
Salaries, wages and other fringe benefits	275,559,840	267,143,630
Contribution to defined contribution plans	35,077,539	32,272,325
Defined benefit obligations [Note 21]	30,572,473	29,194,641
	341,209,852	328,610,596
Monthly average number of persons employed by the Company during the year: Permanent employees	75	75

NOTES TO THE FINANCIAL STATEMENTS

8 OTHER INCOME

	2021	2020
Scrap sales	628,991	473,140
Write back of creditors	(4,687)	175,294
Profit on disposal of property, plant and equipment	6,301,742	2,559,014
Empty drum sales	775,403	1,285,533
	7,701,449	4,492,981

9 FINANCE INCOME AND COSTS

	2021	2020
Finance income:		
Interest income on short term deposits	85,654,720	65,751,908
Interest income on employee loans	454,768	495,623
	86,109,488	66,247,531
Foreign exchange transaction and translation gains	Nil	39,204,803
	86,109,488	105,452,334
Finance costs:		
Interest charge on lease liabilities (Note 14)	(38,968,022)	(41,879,521)
Interest expense on bank overdraft	(5,249)	(105,730)
Foreign exchange transaction and translation losses	(77,685,860)	Nil
	(116,659,131)	(41,985,251)
Finance income - net	(30,549,643)	63,467,083

10 TAX

	2021	2020
Current tax:		
Current tax on profits for the year	807,153,412	883,652,207
Over provision for income tax in respect of previous years [refer (a) below]	(308,527,955)	(124,344)
	498,625,457	883,527,863
Deferred tax :		
Origination of temporary differences (Note 17)	(92,020,982)	(10,009,201)
Income tax expense	406,604,475	873,518,662
Deferred tax charged / (credited) to other comprehensive Income (Note 17)	2,164,279	(9,331,368)
	408,768,754	864,187,294

(a) In reference to the Inland Revenue (Amendment) Act, No.10 of 2021, the Company has applied Tax Rates of 18% for Manufacturing, 14% for Exports, 24% Standard Rate for other sources of business income and 24% for investment income. During the comparative period in 2020, the Company had accounted for business and investment income applying the standard rate of 28%. The Current and Deferred Tax adjustments (reversals) as a consequence of the revised rates which take effect since 01 January 2020 have been recognized in these financial statements.

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:

	2021	2020
Profit before tax	4,332,713,655	3,099,247,292
Tax calculated at a tax rate of 24% (2020 - 28%)	1,039,851,277	867,789,242
Tax effects of:		
- Different tax rates	(249,909,028)	Nil
- Income not subject to tax	(102,733)	Nil
- Expenses not deductible for tax purposes	18,538,312	6,569,056
- Deferred tax due to different tax rates	(5,804,599)	Nil
- Profit on sale of fixed assets	(1,503,639)	(716,524)
- Tax profit on retirement / disposal of fixed assets	279,223	1,232
Effect on opening deferred tax due to reduced tax rates	(86,216,383)	Nil
Over provision for income tax in respect of previous years	(308,527,955)	(124,344)
Tax charge	406,604,475	873,518,662

The Company applied the enacted Income Tax rate of 18% on the profits attributable to manufacturing, 14% on the profits attributable to exports and 24% on other sources of business and investment income for the year of assessment 2021/22.

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:

	2021	2020
Profit attributable to shareholders	3,926,109,180	2,225,728,630
Number of ordinary shares in issue at 31 December (Note 20)	240,000,000	240,000,000
Basic/ diluted earnings per share (LKR)	16.36	9.27

12 DIVIDENDS

	2021	2020
Proposed and paid interim dividend of LKR 13.00 per share (2020 - LKR 9.00 per share)	3,120,000,000	2,160,000,000

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

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.

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Land Improvments	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 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
Year ended 31 December 2021									
Opening net book amount	181,743,694	916,750,906	233,894,315	261,538,959	72,226,688	33,920,972	58,065,464	Nil	1,758,140,998
Additions	362,959	1,003,750	1,984,174	49,753,342	4,051,389	14,500,000	5,983,843	11,578,776	89,218,233
Write offs - cost (Note 6)	Nil	Nil	Nil	(11,419,913)	(206,500)	Nil	(8,234,441)	Nil	(19,860,854)
- accumulated depreciation (Note 6)	Nil	Nil	Nil	11,409,584	180,248	Nil	8,234,441	Nil	19,824,273
Disposals - cost	Nil	Nil	Nil	(959,659)	(5,907,500)	(10,200,000)	(2,425,641)	Nil	(19,492,800)
- accumulated depreciation	Nil	Nil	Nil	594,789	5,907,500	7,334,831	2,425,641	Nil	16,262,761
Depreciation charge (Note 6)	(9,252,025)	(42,067,566)	(24,635,169)	(58,087,913)	(17,415,063)	(7,207,486)	(23,947,626)	Nil	(182,612,848)
Closing net book amount	172,854,628	875,687,090	211,243,320	252,829,189	58,836,762	38,348,317	40,101,681	11,578,776	1,661,479,763
At 31 December 2021									
Cost	236,031,679	1,167,112,604	421,148,434	755,116,915	153,677,021	61,999,981	140,306,017	11,578,776	2,946,971,427
Accumulated depreciation	(63,177,051)	(291,425,514)	(209,905,114)	(502,287,726)	(94,840,259)	(23,651,664)	(100,204,336)	Nil	(1,285,491,664)
Net book amount	172,854,628	875,687,090	211,243,320	252,829,189	58,836,762	38,348,317	40,101,681	11,578,776	1,661,479,763

(a) Property, plant and equipment includes fully depreciated assets still in books, the cost of which at 31 December 2021 amounted to LKR 240,070,851 (2020 - LKR 268,259,031).

(b) Depreciation expense of LKR 141,377,020 (2020 - LKR 140,367,207) has been charged in cost of goods sold, LKR 17,424,239 (2020 - LKR 17,403,118) as administrative expenses and LKR 23,811,589 (2020 - LKR 24,262,246) 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:

	2021	2020
Right-of-use assets		
Land and buildings	290,115,509	313,315,233
Motor vehicles	12,073,780	29,431,320
	302,189,289	342,746,553

	2021	2020
Lease liabilities		
Current lease liabilities	30,545,028	34,246,710
Non-current lease liabilities	310,243,782	332,367,276
	340,788,810	366,613,986

Additions to the right-of-use assets during the financial year ended 31 December 2021 were LKR 7,044,574 (2020 - LKR 5,918,147).

Movement relating to leases:

	2021	2020
Right-of use assets		
Right-of-use asset recognised as at 1 January - Land and buildings	313,315,233	337,321,174
Right-of-use asset recognised as at 1 January - Motor vehicles	29,431,320	52,047,104
Additions made during the year - Buildings	7,044,574	5,918,148
Depreciation charged during the year - Land and buildings (Note 6)	(30,244,297)	(29,924,088)
Depreciation charged during the year - Motor vehicles (Note 6)	(17,357,541)	(22,615,784)
	(47,601,838)	(52,539,872)
Right-of-use asset recognised as at 31 December 2021	302,189,289	342,746,553

	2021	2020
Lease liabilities		
Lease liability recognised as at 1 January - Land and buildings	334,150,344	340,444,690
Lease liability recognised as at 1 January - Motor vehicles	32,463,642	54,466,215
Additions made during the year - Buildings	7,044,574	5,918,148
Interest charged during the year (Note 9)	38,968,022	41,879,521
Rentals paid during the year	(71,837,772)	(76,094,588)
Lease liability recognised as at 31 December 2021	340,788,810	366,613,986

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:

	2021	2020
Depreciation charge of right-of-use assets		
Land and buildings (Note 6)	30,244,297	29,924,088
Motor vehicles (Note 6)	17,357,541	22,615,784
	47,601,838	52,539,872
Interest charge on lease liabilities (Note 9)	38,968,022	41,879,521

(c) The total cash outflow for leases for the financial year ended 31 December 2021 was LKR 71,837,772 (2020 - LKR 76,094,588).

15 TRADE AND OTHER RECEIVABLES

	2021	2020
Trade receivables	1,064,207,640	1,020,334,537
Less: provision for impairment of trade receivables [refer (a) below]	Nil	Nil
Trade receivables - net	1,064,207,640	1,020,334,537
Prepayments	5,179,828	2,902,221
Deposits	37,427,018	36,380,155
Staff loans [refer (d) below]	19,585,319	26,830,432
Marketing support fee paid to service centre operators [refer (e) below]	32,021,363	42,614,241
Statutory receivables [refer (c) below]	45,026,522	Nil
Other receivables	7,902,391	3,983,166
	1,211,350,081	1,133,044,752
Receivables from related parties [Note 26 (c) (i)]	33,384,760	28,470,189
Total trade and other receivables	1,244,734,841	1,161,514,941
Less: non-current portion		
Staff loans	13,519,742	18,992,702
Marketing support fee paid to service centre operators	13,025,052	23,895,252
Deposits	37,427,018	36,380,155
Total non-current portion	63,971,812	79,268,109
Current portion	1,180,763,029	1,082,246,832

(a) Impairment of trade receivables;

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. 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 2021 and 1 January 2021 (on adoption of SLFRS 9) was determined as follows for both trade receivables:

15 TRADE AND OTHER RECEIVABLES (CONTD)

(a) Impairment of trade receivables (Contd)

	2021	2020
Loss allowance	Nil	Nil

The closing loss allowances for trade receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	2021	2020
Opening loss allowance as at 1 January	Nil	46,008
Reversal of loss allowance on trade receivables (Note 6)	Nil	(46,008)
Closing balance	Nil	Nil

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

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

	2021	2020
US Dollars	117,991,078	144,410,823
Sri Lankan Rupees	1,126,743,763	1,017,104,118
	1,244,734,841	1,161,514,941

(c) Other receivables consisted of VAT receivable of LKR 45,026,522 (2020 - LKR Nil).

(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 (2020 - 4.2%). The effective market interest rates on non-current receivables (staff loans) as at 31 December 2021 were 10% per annum (2020 - 9%). 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 24,892,879 (2020 - LKR 22,148,521) 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.

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

	2021	2020
At 1 January	Nil	46,008
Reversal of loss allowance on trade receivables (Note 6)	Nil	(46,008)
At 31 December	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

16 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets - measured at amortised cost	Total
c) 31 December 2021		
Trade and other receivables (excluding prepayments, statutory receivables and marketing support fee paid to service centre operators)	1,129,122,368	1,129,122,368
Amounts due from related parties [Note 26 (c) (i)]	33,384,760	33,384,760
Cash and cash equivalents [Note 19]	4,025,116,197	4,025,116,197
	5,187,623,325	5,187,623,325

	Other financial liabilities	Total
d) 31 December 2021		
Financial liabilities - measured at amortised cost		
Trade and other payables (excluding statutory liabilities)	1,069,687,131	1,069,687,131
Amounts due to related parties [Note 26 (c) (ii)]	3,668,373,295	3,668,373,295
Lease liabilities [Note 14]	340,788,810	340,788,810
	5,078,849,236	5,078,849,236

	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 [Note 26 (c) (ii)]	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

16 FINANCIAL INSTRUMENTS BY CATEGORY (CONTD)

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

	2021	2020
Trade receivables		
Distributors	762,253,101	652,865,337
Commercial / industrial and others	282,661,431	278,701,481
Export customers / overseas	19,293,108	88,767,719
	1,064,207,640	1,020,334,537

Counterparties without external credit rating:

	2021	2020
Group 1	1,062,909,583	1,016,250,152
Group 2	1,298,057	4,084,385
Group 3	Nil	Nil
Total unimpaired trade and related party receivables	1,064,207,640	1,020,334,537

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

	2021	2020
Cash at banks with AAA to A ratings	4,025,114,102	1,898,423,779
Cash in hand	2,095	132,000
	4,025,116,197	1,898,555,779

17 DEFERRED TAX LIABILITIES

The Company has applied a Tax Rate of 18% for manufacturing income, 14% for exports income and 24% for other sources of business income. Deferred tax is calculated on all temporary differences under the liability method using an effective tax rate of 18.21% (2020 - 28%).

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

	2021	2020
At beginning of year	246,669,514	266,010,083
Credited to income statement (Note 10)	(92,020,982)	(10,009,201)
Charged / (credited) to other comprehensive income (Note 10)	2,164,279	(9,331,368)
At end of year	156,812,811	246,669,514

NOTES TO THE FINANCIAL STATEMENTS

17 DEFERRED TAX LIABILITIES (CONTD)

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

	2021	2020
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	(35,552,221)	(50,637,955)
- Deferred tax assets to be recovered within 12 months	(1,810,153)	(3,123,504)
	(37,362,374)	(53,761,459)
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	194,175,185	300,430,973
Deferred tax liabilities - net	156,812,811	246,669,514

	Accelerated tax depreciation	Total
Deferred tax liabilities		
At 1 January 2020	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
Credited to income statement	(106,255,788)	(106,255,788)
At 31 December 2021	194,175,185	194,175,185

	Defined benefit obligations	Total
Deferred tax assets		
At 1 January 2020	(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)
Charged to income statement	14,234,806	14,234,806
Charged to other comprehensive income (Note 10)	2,164,279	2,164,279
At 31 December 2021	(37,362,374)	(37,362,374)

18 INVENTORIES

	2021	2020
Raw materials and consumables	2,715,562,986	2,054,498,270
Finished goods	1,044,109,687	636,196,929
	3,759,672,673	2,690,695,199

(a) Raw material and consumables and finished goods include goods in transit amounting to LKR 217,965,009 (2020 - LKR 865,369,857).

(b) The cost of inventories consumed and included in cost of sales amounted to LKR 10,313,195,152 (2020 - LKR 6,741,180,825).

19 CASH AND CASH EQUIVALENTS

	2021	2020
Cash and bank balances	755,116,197	198,555,779
Short term deposits	3,270,000,000	1,700,000,000
	4,025,116,197	1,898,555,779

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

The weighted average annual effective interest rate on short term deposits was 4.86% (2020 - 5.51%).

The cash and cash equivalents are denominated in following currencies:

	2021	2020
US Dollars	159,410,345	109,318,519
Sri Lankan Rupees	3,865,705,852	1,789,237,260
	4,025,116,197	1,898,555,779

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

	2021	2020
Cash and bank balances	755,116,197	198,555,779
Short term deposits	3,270,000,000	1,700,000,000
	4,025,116,197	1,898,555,779

20 STATED CAPITAL

	Ordinary shares Number of shares	Ordinary shares Value of shares
At 31 December 2020	240,000,000	600,000,000
At 31 December 2021	240,000,000	600,000,000

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

21 RETIREMENT BENEFIT OBLIGATIONS

	2021	2020
Statement of financial position obligations for:		
Gratuity benefits	205,136,866	192,005,210
Income statement charge:		
Gratuity benefits (Note 7)	30,572,473	29,194,641
Other comprehensive income:		
Remeasurement (gains) / losses	(11,882,904)	33,326,316

NOTES TO THE FINANCIAL STATEMENTS

21 RETIREMENT BENEFIT OBLIGATIONS (CONTD)

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

	2021	2020
At 1 January	192,005,210	146,951,965
Current service cost	15,212,056	14,499,444
Interest cost	15,360,417	14,695,197
Remeasurement (gains) / losses	(11,882,904)	33,326,316
Benefits paid	(5,557,913)	(17,467,712)
At 31 December	205,136,866	192,005,210

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

	2021	2020
Current service cost	15,212,056	14,499,444
Interest cost	15,360,417	14,695,197
Total included in the employee benefit costs (Note 7)	30,572,473	29,194,641

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 2021 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate	11.78% compounded annually	8% compounded annually
Estimated salary increment rate	11.2% per year	8% per year
Withdrawal rate	1% per annum up to age 54 and 0% thereafter	3% per annum up to age 54 and 0% thereafter

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	
		2021	2020	2021	2020
Discount rate	1.00%	Decrease by 8.19%	Decrease by 7.82%	Increase by 9.46%	Increase by 9.00%
Future salary growth rate	1.00%	Increase by 9.82%	Increase by 9.32%	Decrease by 8.64%	Decrease by 8.25%

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

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

Maturity profile of the defined benefit obligations

The weighted average duration of the defined benefit obligation is 9.80 years (2020 - 8.99 years).

22 TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	552,820,964	353,600,261
Accrued expenses [see Note (a) below]	470,280,781	733,805,430
Statutory payables	1,415,539	19,138,816
Other payables [see Note (b) below]	46,585,386	33,977,593
	1,071,102,670	1,140,522,100
Payable to related companies - Trade [Note 26 (c)(ii)]	3,668,373,295	1,026,626,076
	4,739,475,965	2,167,148,176

(a) Accrued expenses include employee related payables amounting to LKR 10,473,581 (2020 - LKR 40,112,747), lubricant license fee of LKR 66,104,701 (2020 - LKR 38,920,488), payable for advertising and sales promotional expenditure of LKR 97,248,715 (2020 - LKR 60,425,364), payable for trade discounts & Incentives of LKR 141,652,801(2020 - LKR 114,486,620) and import fees payable of LKR 65,807,435 (2020 - LKR 407,607,225)

(b) Other payables mainly consist of unclaimed dividends by shareholders other than parent company of LKR 41,297,821 (2020 - LKR 28,002,531).

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

	2021	2020
US Dollars	3,955,814,136	1,228,666,092
Sri Lankan Rupees	783,661,829	938,482,084
	4,739,475,965	2,167,148,176

23 CONTINGENT LIABILITIES

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

24 COMMITMENTS

CAPITAL COMMITMENTS

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

FINANCIAL COMMITMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

25 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	2021	2020
Profit before tax	4,332,713,655	3,099,247,292
Adjustments for:		
Depreciation on property, plant and equipment (Note 13)	182,612,848	182,032,571
Depreciation on right-of-use assets [Note 14 (b)]	47,601,838	52,539,872
Write off of property, plant and equipment (Note 6)	36,581	86,213
Amortisation of marketing support fee paid (Note 6)	24,892,879	22,148,521
Profit on disposal of property, plant and equipment (Note 8)	(6,301,742)	(2,559,014)
Interest income (Note 9)	(86,109,488)	(66,247,531)
Interest expense (Note 9)	38,973,271	41,985,251
Reversal of provision for impairment of trade receivables [Note 15 (a)]	Nil	(46,008)
Defined benefit obligations (Note 21)	30,572,473	29,194,641
Changes in working capital		
- trade and other receivables	(103,194,867)	(28,952,070)
- inventories	(1,068,977,474)	(751,398,001)
- payables	2,574,926,841	1,379,922,250
Cash generated from operations	5,967,746,815	3,957,953,987

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 Africa-Pakistan Services (Pty) Limited, Chevron Lubricants India Private Limited, Chevron Lubricants Holdings Pte Ltd and Arteco N.V., whilst Mr Haider Manasawala was a Director of Chevron Lubricants Holdings Pte Ltd.

The following transactions were carried out with the related parties.

(i) Reimbursable expenses incurred by Chevron Lubricants Lanka PLC

	2021	2020
Chevron Ceylon Limited	29,143	Nil
Chevron Products Company	1,981,576	Nil
	2,010,719	Nil

(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.

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)

	2021	2020
Sale of goods:		
Chevron Thailand Limited	48,086,620	27,480,855
Chevron Marine Products LLC	55,909,214	62,373,837
Chevron Pakistan Lubricants Private Limited	83,074,445	8,578,824
Chevron Lubricants Vietnam Limited	21,025,564	Nil
Chevron Belgium BV.	4,283,375	Nil
	212,379,218	98,433,516

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

(b) Purchases of goods and services

	2021	2020
Purchase of goods:		
Chevron Singapore Pte Ltd	4,542,524,764	2,913,269,882
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	34,877,726	19,912,923
Chevron Thailand Limited	93,062,071	78,986,982
Chevron Oronite Pte Ltd	1,406,796,570	718,401,503
Chevron Belgium BV.	6,039,210	4,196,897
Chevron Lubricants Vietnam Limited	18,538,482	2,035,158
Chevron Services Company	Nil	249,254
Chevron Pakistan Lubricants Private Limited	20,224,901	Nil
	6,122,063,724	3,737,052,599

	2021	2020
Purchases of services:		
Chevron Holdings Inc. (Philippines)	1,981,576	7,067,434
Chevron USA Inc. (Chevron Information Technology Company)	Nil	108,357,338
Chevron USA Inc. (Chevron Products Company)	131,842,136	1,416,413
Chevron Belgium BV.	6,039,210	69,776
Chevron USA Inc. (Chevron Industries)	Nil	83,931,491
Chevron Singapore Pte Ltd	614,664,614	573,630,869
Chevron Malaysia Limited	83,609,965	25,846,817
Chevron International Services Ltd	1,111,984	824,506
Chevron Services Company	Nil	150,896
Chevron Pakistan Lubricants Private Limited	10,971,306	Nil
	850,220,791	801,295,540

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

NOTES TO THE FINANCIAL STATEMENTS

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 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 139% (2020 - 109%) of net assets and 63% (2020 - 58%) 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:

	2021	2020
Salaries and other short-term employee benefits	145,707,994	118,792,787
	145,707,994	118,792,787

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

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

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

	2021	2020
(i) Receivable from related parties:		
Chevron Products Company	736,791	552,892
Chevron Marine Products LLC	5,476,490	18,905,953
Chevron Pakistan Lubricants Private Limited	25,884,416	Nil
Chevron (Thailand) Limited	1,287,063	981,976
Chevron Singapore Pte Ltd	Nil	8,029,368
	33,384,760	28,470,189

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

26 DIRECTORS' INTEREST IN CONTRACTS AND RELATED PARTY TRANSACTIONS WITH THE COMPANY (CONTD)
(ii) Other related party transactions (Contd)
(c) Outstanding balances arising from sale / purchase of goods / services (Contd)

	2021	2020
(ii) Payable to related parties:		
Chevron Holdings Inc. (Philippines)	Nil	604,790
Chevron Singapore Pte Ltd	2,966,545,854	920,294,277
Chevron Oronite Pte Ltd	399,712,373	36,248,622
Chevron USA Inc. (Chevron Information Technology Company)	Nil	11,190,300
Chevron (Thailand) Limited	6,242,188	25,392,242
Chevron Belgium N.V	Nil	2,216,159
Chevron Malaysia Limited	112,318,759	25,846,817
Chevron Asia Pacific Holdings Ltd (Chevron Alkhalij)	24,176,787	4,832,869
Chevron Pakistan Lubricants Private Limited	21,390,629	Nil
Chevron USA Inc. (Chevron Products Company)	131,842,136	Nil
Chevron Lubricants Vietnam Limited	5,034,662	Nil
Chevron International Services Ltd	1,109,907	Nil
	3,668,373,295	1,026,626,076

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

	2021	2020
Receivable from Diesel & Motor Engineering PLC [refer (a) and (b) below]	2,564,495	6,590,371
Payable to Central Finance Company PLC	Nil	Nil

(a) Chevron Lubricants Lanka PLC had the following transactions during the period of 01 January 2021 to 31 December 2021.

Name of Company/entity	Name of the related person/entity	Brief description of the transaction	Value of Transaction (Taxes included)
Diesel & Motor Engineering PLC	Mr. Asite Talwatte	Sale of Lubricants to DIMO	LKR 27,622,404
Central Finance PLC	Mr. Asite Talwatte	Hire charges to Central Finance	LKR 34,460,842

NOTES TO THE FINANCIAL STATEMENTS

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. The following disclosures are considered as non adjusting events after the reporting period.

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

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

The Surcharge Tax liability of the Company in total is Rs. 788,736,680.

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

(c) The Company's current liabilities comprised of USD denominated Trade and Other Payables as disclosed in Note 22 (c), which were valued in LKR using the year end foreign exchange rate of 203 (LKR/USD) reported by the Central Bank of Sri Lanka. However, subsequently the Central Bank of Sri Lanka allowed greater flexibility in exchange rates with the LKR being devalued on 7th March 2022 and since then the LKR has further depreciated against the USD. As at 07th April 2022, the current liabilities of the Company comprised of USD denominated Trade and Other Payables brought forward from the statement of financial position date of USD 12,027,864.64, and remained unpaid due to the acute foreign currency liquidity shortage in the Country's banking system. Based on the foreign exchange rate reported by the Central Bank of Sri Lanka on 07th April 2022 of 320 (LKR/USD), the brought forward trade and other payables which remained unpaid of USD 12,027,864.64 is estimated to entail an unrealized foreign exchange loss of LKR 1,407,236,107

	USD Amount	Date Valued	Exchange Rate	LKR Equivalent
Unpaid USD denominated Trade & Other Payables brought forward from the Statement of Financial Position date	12,027,864.64	07 April 2022	319.9971	3,848,881,804
	12,027,864.64	31 December 2021	202.9991	2,441,645,697
Estimated Unrealized Foreign Exchange Loss				1,407,236,107

10 - YEAR FINANCIAL SUMMARY

(in Rupees 000')

		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Trading Results											
Turnover		16,866,311	11,637,381	11,856,057	10,861,044	11,052,496	12,089,111	11,563,854	11,519,891	11,197,152	11,754,046
Profit Before Tax & OCI		4,332,714	3,099,247	2,943,233	2,760,085	3,495,785	4,702,671	4,318,544	3,699,633	3,453,598	3,111,457
Taxation		406,604	873,519	843,826	768,257	930,565	1,222,261	1,226,709	952,800	921,697	845,630
Profit After Tax		3,926,109	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
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		4,398,615	3,580,188	3,536,297	3,314,473	3,406,914	3,260,623	4,087,029	4,599,210	4,240,021	3,525,818
Shareholders funds		4,998,615	4,180,188	4,136,297	3,914,473	4,006,914	3,860,623	4,687,029	5,199,210	4,840,021	4,125,818
Property, Plant & Equipment		1,661,480	1,758,141	1,883,219	1,963,377	2,066,551	2,132,858	2,195,826	2,243,616	1,296,651	215,813
Current & Non Current Assets excluding PPE		9,331,713	6,093,512	4,352,287	4,104,459	3,529,369	4,913,648	4,849,178	4,233,183	5,755,821	5,731,694
Current Liabilities		5,322,385	2,900,424	1,327,455	1,756,220	1,181,061	2,820,069	2,058,777	1,056,091	2,090,392	1,734,361
Non Current Liabilities		672,193	771,042	771,754	397,143	407,945	365,814	299,198	221,497	122,060	87,328
Net Assets		4,998,615	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
Key Indicators											
Gross Dividends	Rs. 000'	3,120,000	2,160,000	1,860,000	2,100,000	2,400,000	4,320,000	2,760,000	2,400,000	1,800,000	1,320,000
Dividend per Share	Rupees	13.00	9.00	7.75	8.75	10.00	18.00	11.50	10.00	7.50	5.50
Price Earnings Ratio	Times	6.91	11.65	8.56	8.77	11.13	10.83	13.35	17.46	12.69	10.70
Market value per share as at 31st December	Rupees	113.00	108.00	74.90	72.80	119.00	157.10	344.00	399.60	267.80	202.00
Return on Equity	%	86	54	52	50	65	81	63	55	56	62
Net Assets per share	Rupees	20.83	17.42	17.23	16.31	16.70	16.09	19.53	21.66	20.17	17.19
Net Income to Turnover	%	23	19	18	18	23	29	27	24	23	19
Earnings per Share	Rupees	16.36	9.27	8.75	8.30	10.69	14.50	12.88	11.45	10.55	9.44

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.

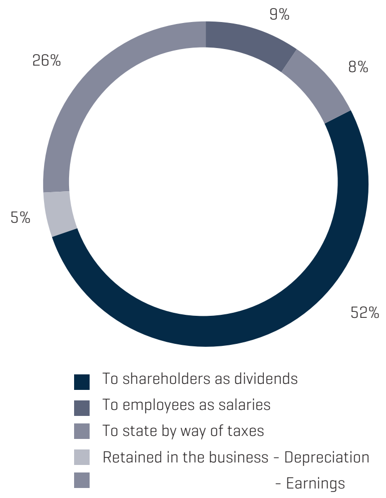
STATEMENT OF VALUE ADDED

(in Rupees millions)

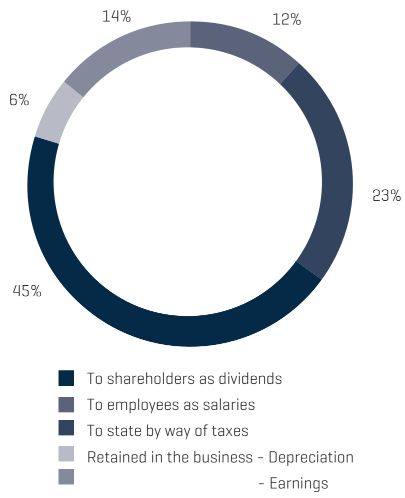
	2021	2020
Value addition		
Turnover	16,866	11,637
Finance Income	86	105
Less: Materials and services purchased	11,900	7,993
Value created	5,052	3,750

	2021	2020
Distribution of Value addition		
To employees as salaries	479	440
To state by way of taxes	407	874
To shareholders as dividends	2,640	1,680
Retained in the business - Depreciation	230	235
- Earnings	1,296	522
	5,052	3,750

STATEMENT OF VALUE ADDED -2021



STATEMENT OF VALUE ADDED -2020



SHAREHOLDER INFORMATION

Analysis of Shareholders summary report as at 31st December 2021

Shareholdings	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1 - 1000	5,255	62.12	1,557,983	0.64
1001 - 10,000	2,301	27.20	8,629,446	3.60
10,001 - 100,000	756	8.94	22,843,104	9.52
100,001 - 1,000,000	129	1.52	36,815,546	15.34
1,000,001 & over	19	0.22	170,153,921	70.90
Total	8,460	100.00	240,000,000	100.00

Shareholders categorised summary report as at 31st December 2021

Shareholdings	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
Individual	8,082	95.53	54,453,231	22.69
Institutional	378	4.47	185,546,769	77.31
Total	8,460	100.00	240,000,000	100.00
Resident	8,340	98.58	216,364,282	90.15
Non- Resident	120	1.42	23,635,718	9.85
Total	8,460	100.00	240,000,000	100.00
Public Holding	8,459		117,600,000	49.00%

Share Information	2021	2020
Net Assets Per Share (Rs)	20.83	17.42
Closing Price Per Share (Rs.)	113.00	108.00
Highest Price during the year (Rs.)	121.00	112.00
Lowest Price During the year (Rs.)	86.60	46.00
Public Share Holding	49%	49%
Number of Public Share Holders	8459	7505
Compliant with CSE Rule 7.13.1 under option 1 - Float Adjusted Market Capitalization (Rs.)	13,288,800,000	12,700,800,000

SHAREHOLDER INFORMATION

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

Names and the Number of Shares held by the Largest 20 shareholders as at 31st December 2021

		Number of shares 2021	%	Number of shares 2020	%
1	Chevron Ceylon Limited	122,400,000	51.00%	122,400,000	51.00%
2	BNYM RE-BARCA GLOBAL MASTER FUND LP	9,347,799	3.89%	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%	3,417,818	1.42%
6	Sri Lanka Insurance Corporation Ltd- Life Fund	3,400,000	1.42%	3,400,000	1.42%
7	Acuity Partners (Pvt) Limited/Mr.Elayathamby Thavagnanasooriyam/Mr.Elayathamby Thavagnanasundaram	2,636,691	1.10%		
8	Nuwara Eliya Property Developers (Pvt) Ltd	2,339,816	0.97%	1,248,830	0.52%
9	Hatton National Bank Plc/Elayathamby Thavagnanasundaram	2,070,302	0.86%		
10	Commercial Bank Of Ceylon PLC/Metrocorp (Pvt) Ltd	2,000,009	0.83%		
11	Crescent Launderers and Dry Cleaners Pvt Limited	2,000,000	0.83%	2,000,000	0.83%
12	BNYM RE- PIONEER MULTI-ASSET INCOME FUND	1,752,813	0.73%		
13	Mrs. A. Selliah	1,600,000	0.67%	1,425,000	0.59%
14	Bank of Ceylon-No2 A/C (Boc Ptf)	1,519,941	0.63%	1,688,823	0.70%
15	Bank of Ceylon No. 1 Account	1,272,121	0.53%	837,966	0.35%
16	Mr. N.P.D.A. Samaranayake	1,200,000	0.50%	900,000	0.38%
17	Mr. A.P. Somasiri	1,110,000	0.46%	1,110,000	0.46%
18	Mrs. A. Kailasapillai	1,100,000	0.46%	1,000,000	0.42%
19	Employee's Provident Fund	1,015,916	0.42%	1,015,916	0.42%
20	Mr. S.N.P. Palihena	1,000,000	0.42%		
	Subtotal	171,153,921	71.30%	170,217,755	70.92%
	Others	68,846,079	28.70%	69,782,245	29.08%
	Total	240,000,000		240,000,000	

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Nineth Annual General Meeting of Chevron Lubricants Lanka PLC will be held on 11th May 2022 at 3.30 p.m. at Jasmine Auditorium, BMICH, Bauddhaloka Mawatha, Colombo 07, for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2021 and the Report of the Auditors thereon.
- To re-elect as Director, Mr. Asite Talwatte who retires by rotation in terms of Clause 84 of the Articles of Association of the Company.
- To reappoint Messrs. 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
08 April 2022

Note:
A member entitled to attend and vote at the meeting is entitled to appoint a proxy to participate and vote instead of him.
A proxy holder need not be a member of the Company. The form of proxy is attached herewith for your completion.
The completed form of proxy should be deposited at the Registered Office of the Company at Level 16, 200 MAGA ONE, Nawala Road, Narahenpita, Colombo 5 not later than 3.30pm on Monday, 09th May 2022.

NOTES

NOTES

FORM OF PROXY
ANNUAL GENERAL MEETING

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 Nineth Annual General Meeting of Chevron Lubricants Lanka PLC which will be held on Wednesday 11th May 2022 at 3.30 p.m. at Jasmine Auditorium, BMICH, Bauddhaloka Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof:

		FOR	AGAINST
1.	To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2021 and the Report of the Auditors thereon.		
2.	To re-elect as Director, Mr. Asite Talwatte who retires by rotation in terms of Clause 84 of the Articles of Association of the Company		
3.	To reappoint Messrs. PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration.		
4.	To authorize the Directors to determine & make donations.		

Signed this ....day of...........2022

Signature ....

NOTES:

1. Please indicate with an "X" in the space provided how your proxy is to vote on each resolution. If there is in the view of the proxy holder doubt (by reason of the way in which the instructions in the proxy have been completed) as to the way in which the proxy holder should vote, the proxy holder will vote as he thinks fit.

2. A proxy holder need not be a member of the Company.
3. Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address and by signing in the space provided and filling in the date of signature.
2. If the shareholder is a Company or Corporate body, the Form of Proxy should be executed under its Common Seal in accordance with its Articles of Association or Constitution.
3. If the Form of Proxy has been signed by an attorney, the relative Power of Attorney should also accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.
4. The Completed Form of Proxy should be deposited at the Registered Office of the Company, located at Level 16, 200 MAGA ONE, Nawala Road, Narahenpita, Colombo 5 not later than 3.30pm on Monday, 09th May 2022.

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
Pricewaterhouse Coopers
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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