Our Family of Brands

Powering Performance

CHEVRON LUBRICANTS LANKA PLC

Annual Report 2015

Contents

Our Family of Brands

Chevron Lubricants Lanka PLC
Chevron House, 490, Galle Road,
Colombo, Sri Lanka
Status: Listed
Legal Form: Public Limited Company
Financial Auditors: PricewaterhouseCoopers
www.chevron.lk

Chevron Lubricants Lanka PLC engages in blending, manufacturing, importing, distributing, and marketing lubricants oils, greases, brake fluids, and specialty products in Sri Lanka. The Company offers its products for industrial, commercial, and consumer applications. Chevron Lubricants Lanka PLC markets its products under Chevron, Caltex, and Texaco brands. The Company was incorporated in 1992 and is based in Colombo, Sri Lanka.

Annual report online
www.chevron.lk/reports

Powering Performance

The catalyst to our exceptional results at Chevron Lubricants Lanka is our human energy, which goes beyond our committed employees and extends to our business partners who have collectively powered performance.

The foundation of our organization rests on Chevron values, our strong work culture and business ethos that has harnessed the potential of human energy. We believe this energy will propel the Company to greater heights as Chevron Lanka moves on in its journey of powering performance.

Chevron Lanka
Powering Performance

Our 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. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment and benefit the communities where we work.

Integrity

We are honest with others and ourselves. We meet the highest ethical standards in all business dealings. We do what we say we will do. We accept responsibility and hold ourselves accountable for our work and our actions.

Trust

We trust, respect and support each other, and we strive to earn the trust of our colleagues and partners.

Diversity

We learn from and respect the cultures which we work. We value and demonstrate respect for the uniqueness of individuals and the varied perspectives and talents they provide. We have an inclusive work environment and actively embrace the diversity of people, ideas, talents and experiences.

Ingenuity

We seek new opportunities and out-of-the-ordinary solutions. We use our creativity to find unexpected and practical ways to solve problems. Our experience, technology and perseverance enable us to overcome challenges and deliver value.

Partnership

We have an unwavering commitment to being a good partner focused on building productive, collaborative, trusting and beneficial relationships with governments, other companies, our customers, our communities and each other.

Protecting people and the environment

We place the highest priority on the health and safety of our workforce and protection of our assets and the environment. We aim to be admired for world-class performance through disciplined application of our Operational Excellence Management System.

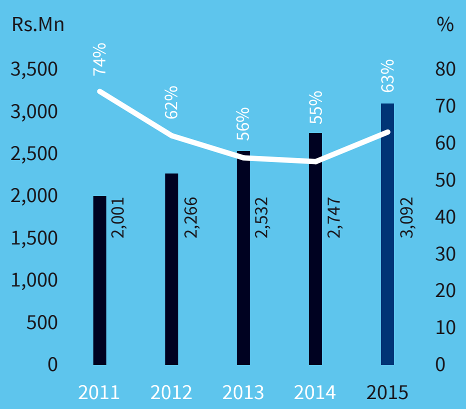
High Performance

We are committed to excellence in everything we do, and we strive to continually improve. We are passionate about achieving results that exceed expectation of our own and those of others. We drive for results with energy and a sense of urgency.

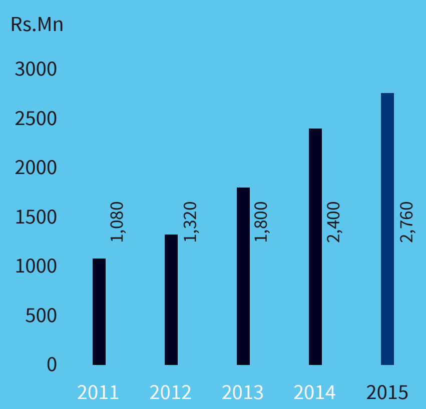
Financial Highlights

		2015 Rs. 000'	2014 Rs. 000'	%
Turnover		**11,563,854**	11,519,891	0%
Profit BeforeTax & OCI		**4,318,544**	3,699,633	17%
Taxation		**1,226,709**	952,800	29%
Profit After Tax		**3,091,835**	2,746,833	13%
Shareholders Funds		**4,687,029**	5,199,210	-10%
Property, Plant & Equipment		**2,195,826**	2,243,616	-2%
Gross Dividends	Rs. 000'	**2,760,000**	2,400,000	15%
Dividend per Share	Rupees	**23.00**	20.00	15%
Earnings per Share	Rupees	**25.77**	22.89	13%
Dividend Payout Ratio	%	**89**	87	2%
Price Earnings Ratio	Times	**13.35**	17.46	-24%
Market Value per Share as at 31st December	Rupees	**344.00**	399.60	-14%
Return on Equity	%	**63**	55	8%
Net Assets per Share	Rupees	**39.06**	43.33	-10%
Net Income to Turnover	%	**27**	24	3%

Profit After Tax & ROE



Gross Dividends



Farrukh Saeed
Chairman

Chairman's Review

It gives me great pleasure to yet again present before you the Annual Report of Your Company for the year 2015 on behalf of the board of directors. Over the past few years, Your Company has demonstrated tremendous resolve to surpass and better its yearly performance in order to set new and more ambitious goals. I am happy to report that Your Company has delivered its best-ever financial results and with this spirit of pursuing excellence, has strengthened its credentials as one of the prominent corporates in Sri Lanka with strong fundamentals and robust systems and processes.

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Enhanced Profitability

The Company surpassed the Rs.3 bn mark to deliver its best-ever financial performance beating even last year's achievement of net earnings of Rs.2.7 bn amidst challenging market conditions and intense competition in the industry, your Company was able to grow volumes in the retail front of the domestic market and overall volumes in the exports markets led by Bangladesh. Further the Company was well placed to capitalize on the favourable base oil prices due to the synergies accrued through effective procurement planning, sourcing and inventory management. Operating costs were streamlined since commissioning of the new blending plant, whilst leveraging on operational synergies of co-locating the blending plant and warehouse at Sapugaskanda.

Dividend Payout

Despite the substantial depletion of cash reserves amounting to Rs. 847 mn on account of Super Gain Tax, we paid four interim dividends totalling Rs. 23 per share which was an increase of 15% over the last year.

In pursuit of Excellence

Your Company remains committed to zero injury/spills and we are proud of our record of zero injury/spills for the last 14 years. This record speaks volumes for our commitment to the safety of our workforce and our concern to the environment.

Operational excellence underpins the company's success and strengthening this area is an ongoing endeavour across the organization. The commissioning of the Sapugaskanda plant and its smooth functioning has further strengthened Chevron's supply chain capability.

Reaching out to Society

It gives me pride to note that Your Company continues to spend on social responsibility programs. During the year we spent Rs.10.4 mn on CSR programmes, details of which are given on page 37.

Acknowledgements

I would like to express my gratitude to my colleagues on the board for their support and guidance through the year. I would like to place on record my thanks to our business partners, local and overseas distributors, customers, channel partners and shareholders for reposing their faith and trust in the company.

Farrukh Saeed
Chairman


Deshamanya Dr. Kishu Gomes
Managing Director/Chief Executive Officer

Managing Director's Review

Chevron Lubricants powered through the year under review with aplomb, further building on its distinctive capabilities, entrenched systems and processes and people-centered philosophy.

However, apart from financial results, we are equally proud of our 14 year safety record, which underscores our commitment to world-class safety and operational excellence. We have robust workplace safety procedures and strict implementation which ensure the safety and security of our operations at all times. Compliance and good governance are entrenched in our company policies and adherence to the same is second nature.

Apart from financial results, we are equally proud of our 14 year safety record, which underscores our commitment of world-class safety and operational excellence.

Challenging Conditions

The conditions in the industry were less than favourable in many ways. However, since we had anticipated most of the challenges earlier, we were suitably geared to combat negative outcomes. The company recorded a drop in institutional sales stemming from the power generation sector as the source of energy mix to the national grid varied with less lubricant intensive coal power and hydro power as opposed to lubricant intensive thermal power in the comparative period last year. A fully functional Norochcholai power plant and the higher rainfall in hydro catchment areas led the shift towards coal and hydro power respectively.

Further, the construction industry, another key source of revenue for the company, received a setback due to the phasing out of many large scale public infrastructure projects pending reassessment.

Winning Strategies

During the year we deployed a slew of strategies to strengthen our market presence and boost sales volumes. We successfully managed to promote Havoline Eco and other brands from our lubricant range for hybrid and new vehicles. Focused and targeted campaigns were undertaken to create awareness of these and other brand promotions.

We grew volumes within focused brand segments and succeeded in expanding business by supporting and developing our network of outlets further. This has helped us not only in increasing the sales of our products from these outlets, but also in enhancing the number of outlets selling our products to deliver greater convenience to customers by making our products easily accessible at diverse purchase points.

During the year we commenced a corporate advertising campaign reinforcing the Chevron heritage to the more widely known Caltex brand which was extremely well received by key stakeholders.

The favourable turn of events during the year was the drop in raw material prices albeit not to the same proportion to the crude oil prices. As a result, we had access to lower raw material prices which enabled us to compete effectively against the aggressive discounting to the trade, engaged in by the competition.

During the year we made further investments in our branded service station network to offer a better customer value proposition in terms of enhanced service quality standards.

Strengthening Export Markets

We were able to aggressively drive growth in the export markets of Bangladesh and the Maldives, especially in the power generation sector. We replicated some of our local promotional campaigns in Bangladesh while competitive pricing also helped us grow volumes

The volumes from Maldives too witnessed sizeable growth and over the year we further strengthened our customer base in the island.

Operational Efficiency

We were able to further streamline the transportation expenses due to our decision to co-locate the warehouse at the plant premises. Our logistics partner now operates within our premises with our staff to deliver increased customer satisfaction by way of faster turnaround of product order deliveries. It is pertinent to note that this would not have been possible without the support and cooperation of our logistics partner.

People Management

Our labour turnover has consistently been below average of industry norm. This has been the result of our efforts to offer our workforce an empowering and conducive work atmosphere. We invest considerable time and resources on training and development of our people, the most valuable asset and differentiator in our strategy. Team building activities are carried out regularly and a distinct culture of cooperation thrives in the company.

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Weak Industry Regulation

We have concerns about the 2016 budget proposals in respect of the lubricant industry. The government's proposal to open up the lubricant market and remove lubricants from the BOI negative list will affect all existing players. The market may be at risk of further fragmentation with 13 players and possibly more competing for a share of the 54mn liter market in a backdrop of sluggish industry growth. The presence of global and regional giants in the local market has also made the market fiercely competitive.

We would welcome regulation to address illegal imports product adulteration issues as the lack of it will result in revenue losses to the government and negative consequences to the customers. This has been highlighted at many forums conducted by PUCSL as the shadow regulator. Duty reduction on imported finished lubricants will serve to discourage new investments in lubricant manufacturing plants in Sri Lanka and result in more finished goods imported.

Committed to the Community

Love Life –Battling HIV and AIDS

The company is a committed corporate ambassador for HIV and AIDS in the country. Creating awareness to stop the spread of the fatal virus has been a concerted effort on our part. We have been involved in several awareness campaigns in the past. Chevron is an active member of the Lanka Business Coalition on HIV and AIDS (LBCH) and together aim to significantly contribute in making Sri Lanka a community united in purpose, to help eradicate the spread of HIV and AIDS.

In view of the increased incidence of reported cases and an estimated number of similar unreported cases we felt there was a vital need to take on a more aggressive role in raising awareness on HIV and AIDS, where we promote the concept of 'ambassadorship' to the private sector. More details of this unique and impactful CSR project are available in the CSR section of this report.

Future Prospects

Brand repositioning, focused communication, superior product technology, greater market penetration, focused promotions and educating consumers will be key drivers in the year ahead. We intend on continuing to invest in the market, our channel partners and we will extend similar dynamism to our export channels as well.

We welcome the government's budget proposal to bring down the corporate tax from 28% to 15%, as it will make the company more competitive and encourage investors to invest in local businesses.

However the reduction in the duty gap between imported and locally manufactured products in the industry is increasing competition untenably. We foresee base oil prices to remain relatively stable in the short term. We will remain watchful of the exchange rate which is likely to be more vulnerable to macro-economic forces.

Acknowledgements

I would like to place on record my deep gratitude to the Chairman and the Board of Directors for their guidance and counsel. The company is in a favourable position today thanks to the dedicated team that continues to push the boundaries of possibilities. Our strong performance augurs well for the future as we grow from strength to strength. Finally, my thanks to our shareholders for the support they have shown us during the year.

Deshamanya Dr. Kishu Gomes
Managing Director/Chief Executive Officer

Board of Directors

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1. Farrukh Saeed

Mr. Farrukh Saeed currently functions as the Vice President - Lubricants Asia Pacific. His previous assignments include General Manager Lubricants, Europe, Africa and Middle East; several positions in fuels (marketing and operations) and lubricants including governance and P&L responsibilities in Joint Ventures. He also served at the Head Quarters in the support role as advisor for Asia and Africa markets. He counts over 30 years' experience across variety of business disciplines at Chevron.

Mr. Saeed has a Bachelor of Science degree in Chemical Engineering and Masters in Business Administration.

2. Deshamanya Dr. Kishu Gomes

Mr. Kishu Gomes was appointed to the Board in 2000. Fellow member of the Chartered Institute of Marketing, UK, he holds an MBA from the University of Leicester, UK.

He joined Caltex in 1997 and rose steadily to become the first Sri Lankan Managing Director / CEO of Caltex Lubricants Lanka Limited and Caltex Ceylon Limited in 2001.

He was a Past President of the American Chamber of Commerce and held the position of Senior Vice-Chairman of the Chartered Institute of Marketing, UK local branch.

Amongst many awards won by Kishu are the 2 Inaugural Awards; Marketer of the Year awarded in 2001 and Best Young Director of the Year Award in 2003. He was also winner of the prestigious TOYP Award; Most Outstanding Young Persons in Sri Lanka in 2003 for Business Leadership and won the Pinnacle Award as the best Business Leader in the large category in Sri Lanka in 2004 from Chartered Institute of Management Accountants, UK, Sri Lanka branch. He was a Vice Patron of the Institute of Automotive Engineers, Sri Lanka. Kishu is the immediate past President of Lanka Business Coalition on HIV and AIDS and sits on the Board of Sri-Lanka AIDS Foundation too.

He counts over 30 years of experience working for US multinationals having started his career at Coke in 1984.

3. Anura Perera

Appointed to the Board in 2002, Mr. Anura Perera holds a B.Com (Hons) Degree from the University of Kelaniya and Post Graduate certificates in Human Resources Management and Management from PIM Sri Lanka and University of Leicester, UK respectively. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and functions as the Alternate chairman of the Conference Technical Committee of the CA Sri Lanka. He joined the Company in 1996 as Deputy Manager Finance and Administration and was promoted as Manager Finance and Administration in 1997 and as General Manager in 2000. He counts more than 25 years' of senior managerial experience in Accounting and Finance. He also functions as a Director of Chevron Ceylon Limited.

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4. Richard Brown

Mr. Richard Brown has over 30 years of both Upstream and Downstream oil industry experience with Chevron and substantial financial and management expertise. His current role is Regional Finance Officer - Asia Pacific, based in Singapore, a position he took up in September 2012. Previously he was based in London working as Chevron's General Manager, Finance for the Europe, Eurasia and Middle East Operating Company. In his career, Mr. Brown has worked in many overseas locations including the UK, Norway, Kazakhstan and Angola and visited many others.

Mr. Brown holds a Bachelor of Arts (Economics) from the University of Warwick (UK).

5. Desamanya Deva Rodrigo

Mr. Deva Rodrigo FCA, former Territory Senior Partner of PricewaterhouseCoopers, Sri Lanka and Maldives, and past Chairman of the Ceylon Chamber of Commerce has served as an Independent Non- Executive Director of Chevron Lubricants Lanka PLC since 2009.

He is also a Non-Executive Director of Taprobane Holdings PLC and was until July 2015 a NED of Cargills Bank Limited'.

He has held public sector appointments as a member of the Monetary Board of the Central Bank of Sri Lanka, the Administrative Reforms Committee, National Council for Administration, Presidential Commission on Trade and Tariffs, Telecom Regulatory Commission and Director of Peoples Bank.

Mr. Rodrigo qualified as a Chartered Accountant in 1972. He is a product of Ananda College, Colombo.

6. S. H Amarasekera P.C.

Mr. Amarasekera, President Counsel is a leading Lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts, specializing in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange including CIC Holdings PLC (Chairman), Chemanex PLC (Chairman), Vallibel One PLC, Royal Ceramics Lanka PLC, Expo Lanka Holdings PLC, Keells Food Products PLC, Amana Bank PLC, Vallibel Power Erathna PLC & Amaya Leisure PLC. He is also the Chairman of CIC Agri Business (Private) Limited.

Management Team

1. **Kishu Gomes** | Managing Director / Chief Executive Officer
2. **Sumith Hewavitharana** | Indirect Sales Manager
3. **Erande De Silva** | Manager Finance & Planning
4. **Maheshni Hamangoda** | Human Resources Manager
5. **Hilary Fernando** | Lead Technical Manager

6. **Thushari Weragoda** | Laboratory & Quality Assurance Lead
7. **Anura Perera** | Director/ Chief Financial Officer
8. **Wijitha Akmeemana** | Manager Supply Chain
9. **Upali Wijesinghe** | Logistics Manager
10. **Thusitha De Silva** | Direct Sales Manager
11. **Bertram Paul** | General Manager Sales

Our Family of Brands

We believe our sound business model has, and will, contribute towards creating greater value in the years to come.

Management Discussion and Analysis

Economic Overview

The year 2015 was characterized by a macro-economic climate that was relatively less predictable consequent to policy changes introduced during the year. Certain contradictory fiscal proposals were announced in the interim national budget presented during the first quarter of 2015. Contained amongst the measures that were introduced was the one-off Super Gain Tax imposed on individuals or Companies who or which made a profit in excess of Rs. 2,000 mn for the year of Assessment 2013/2014. However this was ratified by the parliament only in October and led to significant financial ramifications to companies affected including Chevron.

According to the Department of Census and Statistics of Sri Lanka the economy was estimated to have recorded a GDP growth of 5.2% during the nine months to September 2015. The sectoral contribution remained skewed towards Services, whilst Industrial and Agriculture sectors followed. Amongst the sub-sectors that largely constituted the service and industrial sector performance during the period were transportation, wholesale and retail trade, manufacture of food-beverage-tobacco products and construction. The Annual average inflation was estimated at 3.8% and year-on-year headline inflation was 4.2% based on the National Consumer Price Index (2013=100).

Meanwhile based on the Central Bank of Sri Lanka, the external sector is said to have recorded a balance of payments deficit for the eleven months to November 2015, as a consequence of widening trade deficit and a relatively marginal surplus on worker's remittances, despite a growth in earnings from tourism during the period. Exports led by industrial exports declined as the crisis in EU markets affected textile and garments, as well as the export of rubber products. Agricultural exports in the form of Tea were dampened by the geo-political issues clouding the traditional Middle-eastern and Russian markets, amidst the decline in prices. The value of Imports declined partly correlated to the sharp decrease in intermediate goods vis-à-vis to the slump in global fuel prices. However the growth recorded in import of consumer goods and investment goods constrained the country of reviving the widening trade deficit year-on-year.

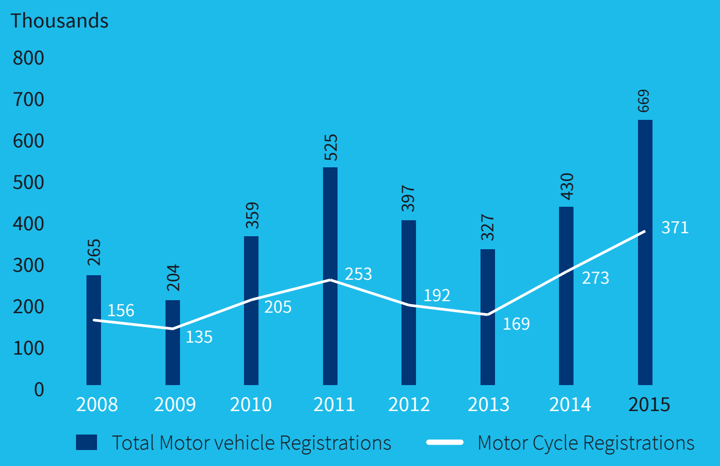
During September 2015 the Central Bank of Sri Lanka moved away from the soft-peg against the USD triggered by depleting foreign currency reserves, devalued regional and global currencies following the slow-down in key regional and global economies, which resulted in the LKR eventually depreciating over 9% against the USD in 2015. The country's gross official reserves were estimated at approximately $7.3 billion, which translated to over 4.6 months of imports

Lubricant Industry

We believe a few factors provided a degree of impetus towards the otherwise lackluster lubricant consumption experienced during recent years in the industry. Amongst these factors was the registration of new motor vehicles during the period. The year 2015 witnessed a record number of new motor vehicle registrations in the country, which translated to a 56% year-on-year increase over 2014. A number of economic and fiscal factors were conducive towards fostering growth in vehicle imports and registrations. The import duties and tariffs pertaining to vehicles remained attractive, whilst importers of hybrids, smaller passenger cars (less than 1000CC) and electric cars particularly capitalized on the comparative tariff benefits.

Based on the statistics of the Department of Motor Traffic in Sri Lanka, the registration of motor cycles continued to dominate with 55% of the composition of new motor vehicle registrations, followed by three wheelers 19% and motor cars of 16%.

Total Motor Vehicle Registrations



Source: Department of Motor Traffic in Sri Lanka

Demand for lubricants from the agriculture and fisheries sector were relatively stable and less disrupted by the adverse weather patterns. However the torrential rains towards the latter months of the year did curtail primary sectoral activities especially in the north and eastern provinces.

The gradual reduction in lubricant consumption due to the change in source of national energy mix continued during the year. The lubricant intensive thermal power contribution to the energy grid was significantly curtailed with the substitution of coal powered energy, whilst hydro and renewable energy mostly formed the balance mix. As a result a number of thermal power plants (IPPs) were phased out as the tenures matured during the year.

The gradual migration in consumer demand from lower-tier lubricants to higher-tier lubricants to reap the technological product benefits continued during the year. This entails the functional benefit of longer oil drain intervals and consequentially compresses lubricant volumes in the industry due to less frequent oil fills.

A further impediment to the growth in lubricant demand was the slow-down in the construction industry and rubber export oriented industries in particular. The activities of the construction industry were curtailed during the year as large scale infrastructure projects were temporarily deferred due to pending reassessment, whilst certain projects reached maturity and completion. Meanwhile the growth of rubber export oriented industries, were challenged by the macro-economic dynamics of the export destination countries. Considering the forces affecting the lubricant industry outlined above, competition remained wide-spread and aggressive.

Sales & Marketing

From an overall perspective, the Company grew Volumes on a net basis although the performance has been mixed in the various channels. The Indirect (B2C) Channel did particularly well followed by Export Markets while the Direct (B2B) Channel dragged down performance due to a significant decrease in consumption in the various Industrial segments. While official statistics are yet to be released by the regulator on the performance of the overall market, it is our belief that the Company has been able to increase share in a lackluster market.

Indirect Channel

Market conditions proved extremely challenging during the year with most construction projects coming to a virtual standstill following the changes in the political front at the beginning of the year , which adversely affected material suppliers (such as quarries) and transporters thus adversely affecting lubricant consumption. Given the constrained demand, competitors resorted to deep price cuts and extended credit terms to gain volumes. Despite these challenges, the Indirect Channel recorded double digit volume growth due to sound sales and marketing initiatives undertaken by the Company.

Selective trade promotions run across different product categories, specifically targeted at outlets where Chevron product penetration was relatively low, enabled us to gain significant volumes from competition during the year. Leveraging on brand equity of our products, we were able to secure these gains from competitors without compromising on unsustainable trade terms offered by competition, keeping with our overall strategy of profitable growth.

A consumer promotion offering one litre of engine oil free with consumer packs of 4 litre petrol engine oil and 5 litre diesel engine oil which was launched first during the 4th quarter of 2014 was repeated during 2015 and proved extremely popular among consumers, leading to strong growth in these product categories.

An attractive promotion offering attractive prizes was also rolled out during the latter part of the year under review for Distributors and their sales staff as a reward for the achievement of stretched sales targets. This promotion incentivized our key stakeholders involved in the Distribution operation, extended their support to achieve goals set by the Company.

Havoline Eco 0W-20 which was a product launched in 2014 specifically targeting users of hybrid vehicles and modern vehicles demanding a lower viscosity lubricant, proved a success in 2015 with extremely strong growth in volumes helped by a concerted distribution push on this product coupled with a trade promotion.

The increase in the motorcycles population during the latter part of 2014 with a large number of motor bikes given to public sector employees, resulted in the volumes of motorcycle oils increasing significantly during 2015. We were also helped by strong growth from Agricultural areas due to a good Agri season in 2015 after several years of poor harvests due to drought and floods. The fact that we were able to expand our base of retail outlets in rural sectors during the year, to cater to demand of rural communities especially in the Northern Province, enabled us to capitalize well on the growth in the Agri areas.

In our continuing efforts to further strengthen our distribution network, we rolled out a new Data Management System to all Caltex Regional Warehouses or Distributor points, improving the quality of data gathered which in turn could be used for quality and timely decisions as well as to better support our customers.

A new cloud based Customer Relationship Management (CRM) business application was rolled out to the Indirect Channel sales-force during the year by the organization. This application is designed to help the sales-force generate and track sales leads up to conversion while providing visibility to leaders across the organization on the process as well as the opportunities in the pipeline thus enabling more effective sales pipeline management.

A comprehensive technical training program was also conducted during the year in multiple cities across the country, targeting key decision makers of Independent Service Stations to upgrade their knowledge on changes in engine design of modern vehicles and its implications on vehicle servicing requirements and use of lubricants. This initiative while helping us strengthen our relationships with this important stakeholder group, resulted in increased volumes coming off this channel.

We also continued our strategy of expanding distribution and increasing availability of our products to ensure convenience to consumers. As part of this strategy several Caltex Oil Marts were added to our network during the year under review which also provided self-employment opportunities to several entrepreneurs.

However, the challenge of product adulterators in the market continued to intensify during the year in the absence of a robust mechanism by the regulator to check this menace which could have potentially disastrous effects to the consumers.

Direct Channel

The Direct (B2B) Channel suffered badly during the year under review due to a range of factors beyond our direct control. While the phasing out of major construction projects by the government adversely affected lubricant consumption in the construction sector, the largest impact stemmed from the Power Generation industry. The commissioning of Phase III of the Norochcholai Coal Power Plant during Q4, 2014 negatively impacted thermal power generation which is heavy on lubricant consumption. Increased rainfall in catchment areas also meant that the proportion contributed by Hydro power increased again at the expense of thermal power generation. The availability of lower unit cost power generation resulted in the government not renewing the license of several thermal power generating Independent Power Producers (IPPs) resulting in their closure, which again affected lubricant consumption adversely. The issue was further compounded by the State Power Generation Utility which shutdown their thermal power generating Sapugaskande Plant for a period of 6 months during 2015 for scheduled maintenance.

The rubber processing sector which is another key contributor to the volumes of the Direct Channel was also adversely affected during the year due to a drop in export orders from the key European customers of our Rubber Sector Exporters.

Our continued focus and emphasis on the total lubrication package, through our service offer of “Reliability Based Lubrication (RBL)” helped us differentiate ourselves with the competition while strategic pricing coupled with our RBL offering helped secure new customers and also increase sales to certain key government institutions. Our Sales & Service Engineers supported by our technology function continued to work on enhancing the lubrication knowhow of our key customers through customer specific technical seminars.

Export Markets

Export Sales continued to reflect double digit growth in 2015 with both export markets of Bangladesh and Maldives growing by similar proportions during the year.

Bangladesh

We had a sluggish start to the year in Bangladesh with the volatile situation that prevailed in the first quarter due to political unrest. The "hartals" resulted in most business in the retail segment being shut for a prolonged period thus adversely affecting our Indirect Channel business in Bangladesh. The situation improved in the second quarter with the market responding very positively to some tactical trade promotions and an attractive consumer promotion executed in the retail market. We also focused on expanding distribution penetration into smaller cities in Bangladesh which yielded good results during the year.

The Industrial sector performed well with new business wins during the year in some high volume key customer accounts especially in the thermal power generation (heavy fuel and gas) industry segments.

Market education has been a constant focus in Bangladesh and a series of targeted key customer seminars and market visits were conducted by Chevron industry experts to support the market and our distributor partners in Bangladesh, during 2015 as in previous years.

Maldives

We recorded the highest ever volume sold in Maldives in the year 2015 with strong year on year growth, despite the ongoing political upheaval that prevailed in the country.

Our growth came mainly from the construction industry with various ongoing infrastructure projects and private sector building projects as well as from competitor share gained in the tourism industry. Strategic initiatives put in place by our multiple distributors in the Maldives yielded positive results during the year, driving the growth particularly from resorts.

The streamlining of operations and a more collaborative approach between the two distributors through whom we operate in the Maldives helped to optimize the use of their resources and energies to focus on competitor accounts. This also helped to further strengthen the existing customer relationships and to better service and support current customers.

Both distributors also participated in a major local trade exhibition during the year, which was supported by Chevron and yielded good returns in terms of creating awareness and lead generation.

Marketing

In addition to supporting the Indirect and Direct Channels locally and Export markets with required marketing communication material, sponsorships and events, marketing support was also rendered towards several initiatives to increase consumer awareness and build brand equity for the key brands and product categories of the company. Recently introduced new products namely Caltex Super Diesel Engine Oil and Havoline Pro DS ECO 5 (for Hybrid vehicles and modern vehicle engines requiring a low viscosity engine oil) were supported with above and below the line campaigns during the year, the media mix for which included TV, radio, cinema as well as digital marketing.

The Chevron Lanka website (www.chevron.lk) was also revamped during the year to ensure a more user friendly look and feel and to strengthen interaction between the company and its external stakeholders.

The most significant marketing activity undertaken during the year was the launch of a new corporate advertising campaign to strengthen overall corporate brand equity by reinforcing the association of the corporate brand 'Chevron' with the 'Caltex' brand which as the product brand is the more visible brand in the trade and to consumers. This campaign was very well received by consumers and other key stakeholders due to its very compelling, appealing and emotive nature, whilst delivering the message with clarity and conviction.

Product Technology

Keeping with industry trends of new vehicle technology, we leveraged on our low viscosity products 0W-20 Havoline Eco 5, 10W-30 Havoline Formula and Delo Sports synthetic blend to meet the growing demand. Meanwhile product technology related information was effectively disseminated to educate and enable our consumers to reap the intended benefits. We also introduced "Techron concentrate Plus fuel system cleaner" to provide a solution to customers who are in pursuit of greater fuel economy, improved emission, and those who drive under severe conditions.

We continued with channel partner education programmes across various sales regions. We also extended our technical support to export markets in Bangladesh and Maldives.

Supply Chain

It was paramount that the new blending plant and warehousing facility was geared to deliver the envisaged operational excellence keeping with our exceptional supply chain KPI record over the years. Achieving a 100% blend conformance rate from the onset was testament to our asset and process integrity and our ability to adapt to new and advanced technology within a short span of time. We also continued to achieve over 95% OTIF ("On-Time-In-Full") which reflects the efficiency and effectiveness of supply chain activities from sourcing to fulfilling customer demand.

Close cooperation between local and regional procurement ensured that cost of acquisition of base oils, additives and materials were at the most favorable terms.

Our values of speed, results, simplicity, directness together with an emphasis towards inclusivity and diversity ensured we achieved results the right way.

Employees

Further strengthening cross functional collaboration was a focus area for HR in the year under review. Following the relocation to our new blending plant in 2014 and on-boarding of a few new recruits, a team building activity themed 'Chevron One Season 3' was organized during 2015. Continuing from previous 'Chevron One 'engagements under the theme "One Team; One Battle; One Goal; One Destination" the focus of this activity was to build inclusivity and team spirit outside the natural functional demarcations.

Developmental initiatives for employees continued during the year according to our 'Annual Training Plan', with specific focus on building capabilities among our company sales force by imparting the soft skills required for our frontline sales teams to deliver value to our customers. The 'Lubricants Pathways' program continued this year too, enabling our sales force to undergo self-paced customized training programs in accordance with supervisor recommendations. Senior members of the sales force also received promotional opportunities through movement of the 'Finished Lubricants Sales Career Ladder'; a mechanism that offer developmental opportunities based on achievement of predetermined sales functional capabilities.

'MY HR', an Employee Self Service (ESS) Portal was launched during the year, transitioning the administration of employee leave, overtime and personal data to a web based tool.

Financial Review

Growth, Profitability and Efficiency

Revenue

The Company recorded a topline of Rs. 11.6 bn during the period under review in comparison to Rs. 11.5 bn posted in 2014. However the Company was able to grow volumes in the domestic market driven by the retail sales segment, which was noteworthy given industry growth of 1% and decline of 5% in 2014 and 2013 respectively. Overall domestic volumes grew by 3% compared to 2014. The favorable movement in base oil prices allowed the Company to adroitly maneuver its trade schemes and promotional campaigns to incentivize customers and consumers, thereby grow volumes.

The growth in volumes was further augmented by performance in both export markets Bangladesh and Maldives through higher retail penetration and acquisition of new accounts by the respective distributors. Exports to Bangladesh were consistent, resulting in a 13% year-on-year volume growth, while export volumes from Maldives grew by 13% as well. However volumes from marine lubricant sales and exports to related companies declined by 15% year-on-year. Total export revenue grew by 3% in 2015 to reach Rs. 895 mn (2014: Rs. 872 mn),

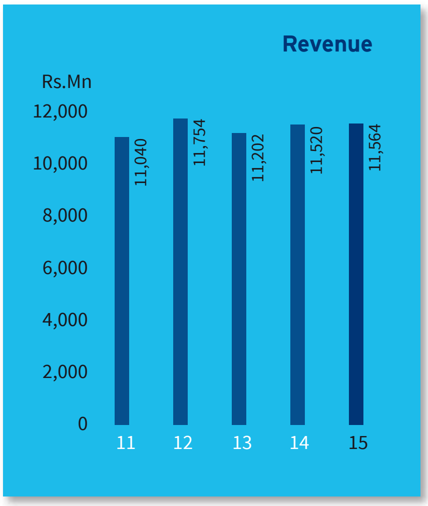
Profit after Tax

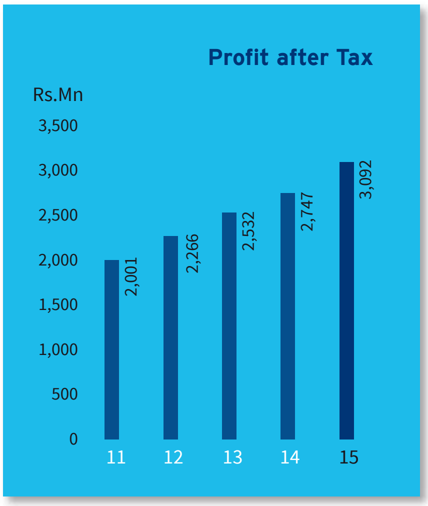
During the year under review the Company recorded a profit after tax of Rs. 3,092 mn compared to Rs. 2,747 mn in 2014, which translated to a growth of 13% YOY. The gross profit margin augmented to 45% from 40% in 2014 stemming from focused pricing strategies vis-à-vis value-selling, leveraging on strong brand equity, whilst capitalizing on softening base oil prices which partly trended with global crude oil prices . The disequilibrium in the global base oil market owing to demand-supply economics also contributed to lower base oil prices.

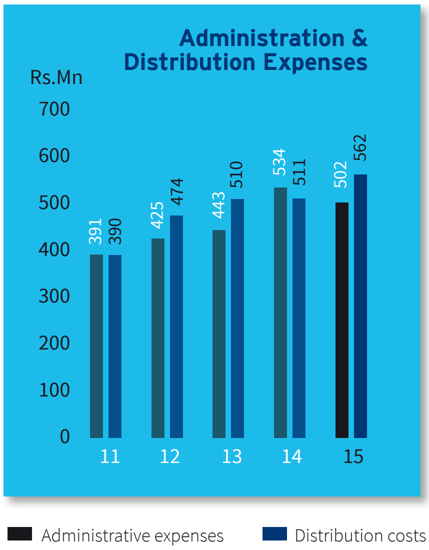
Operating profit grew by 16% in 2015 primarily due to the robust gross margin performance, despite an increase in operational expenditure and a decline in other income compared to 2014. Profit before tax increased to Rs.4,319 mn in 2015 from Rs. 3,700 mn in 2014. Net finance income increased by 36% to Rs. 175 mn (2014: Rs.129 mn) as cash reserves strengthened during the year owing to less capital expenditure commitments, whilst the yield on short term investments remained relatively stable. Total comprehensive income for the year was Rs.3,095 mn, which included a net other comprehensive income after tax of Rs.3 mn pertaining to an actuarial gain on retirement benefit obligation.

Income Tax

Income Tax expense for the year was Rs.1,227 mn, which translates to an effective tax rate of 28%. The increase in income tax largely correlates to the growth in profits before tax. However the effective tax rate for 2015 was higher than the effective rate of 26% recorded in 2014, due to an incremental provision necessitated for prior years of assessment. This provision was largely due to the position taken by the Company in the past in computing taxes on supply of oils to ships at the Colombo port as export sales , which should be treated as local sales as per a ruling ratified by the Tax appeals commission.







Total Income Tax expense amounted to Rs.1,228 mn, which included a charge for other comprehensive income during the year. Company also paid Rs. 847 mn as Super Gain Tax which has been accounted as shown in the statement of changes in equity and disclosed under note 10 to the accounts.

Distribution and Administration Expenses

Distribution expenses declined by 6% to Rs.502 mn from Rs.534 mn recorded in 2014. The decline in distribution expenses was mainly due to cost rationalization with the culmination of the plant relocation during year end 2014. There were certain one-off expenditure such as rental and transportation in 2014 to facilitate inventory build-up during the phase of decommissioning the old plant and the subsequent relocation to the new plant. However there was increased expenditure on advertising and sales promotion to support brand building and marketing communication initiatives. Administration expenses amounted to Rs. 562 mn which was a 10% increase compared to Rs.511 mn recorded in 2014. The increase largely stemmed from inter-company service charges, and exchange rate effects.

Liquidity

Working Capital

Total inventory declined by Rs. 438 mn, due to a reduction in both raw material and finished good inventory. The raw material inventory declined by Rs.186 mn due to timing effects of imports and the softening of base oil prices. Finished goods inventory also sharply declined by Rs.252 mn to Rs.342 mn in 2015 reflecting concentrated efforts towards lean inventory management practices, whilst the comparative period was burdened by inventory that was intentionally built-up to facilitate the smooth transition to the new plant.

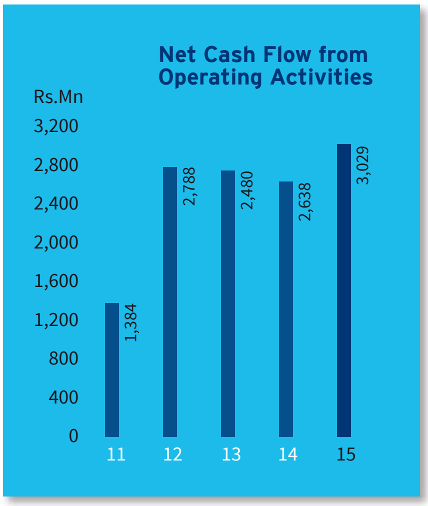
Trade Receivables declined by Rs.13 mn despite a higher proportion of revenue being recorded during the last two months of 2015 compared to 2014. As a result the days sales outstanding (DSO) improved by a day to close at 33 days (34 days in 2014). The improvement in DSO is a testament to the Company's collection efficiency, sound credit control policies and the commitment towards increased efficiency in managing its working capital cycle.

The company maintained a healthy liquidity position by recording a current ratio of 2.3 (2014: 3.9) and a quick asset ratio of 1.7 in 2014 (2014: 2.3) to meet working capital requirements. The decline in current ratio and quick asset ratio over 2014 stemmed from the increase in trade and other payables which included an interim dividend payable and an increase in current income tax liabilities for 2015.

Cash Flow

Net cash generated from operating activities increased to Rs. 3.0 bn compared to Rs. 2.6 bn in 2014, despite having paid Rs. 847 mn during the year on account of Super Gain Tax for the year of assessment 2013/14. The Company generated a free cash flow of Rs. 3.1 bn (2014: Rs.1.7 bn) as capital expenditure in particular eased post-completion of the new blending plant and warehouse facility in 2014.

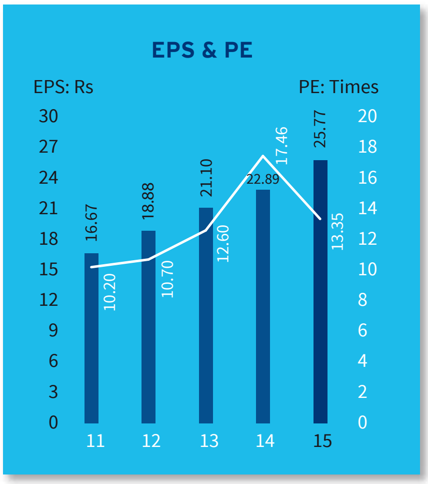
Four interim dividends totalling Rs.2,760 mn were declared during the year. The cash payout of Rs. 2,040 mn, consisted of dividends declared of current year profits. The last interim dividend of Rs.720 mn pertaining to 2015 was paid during January 2016.



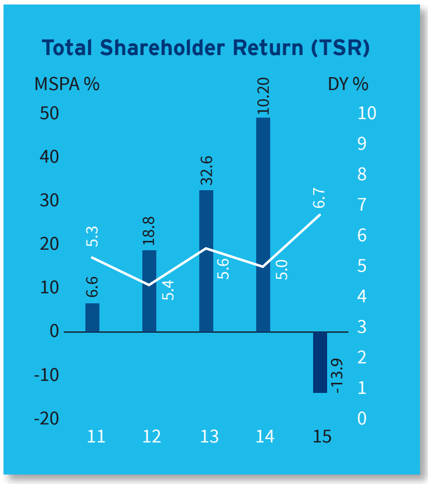
Stability and Investor Return

Financial Stability

The return on equity grew to 63% in 2015 (from 55% in 2014) due to growth in profits and a decline in capital employed. The capital employed vis-à-vis to retained earnings was compressed by the Super Gain Tax charge, which also led to a higher return on equity. Earnings per share grew steadily by 13% to record Rs.25.77 in 2015 compared to Rs.22.89 in 2014. The Company's financial stability and growth trajectory is further highlighted by a compounded annual growth in earnings of 11.50% achieved during the last 4 years.



Earnings per share — Price earnings Ratio



Market Share Price Appreciation

Dividend Yield

Investor Return

Dividend per share amounted to Rs.23 which translates to a dividend yield of 6.7% based on the share price recorded as at end December 2015 (2014: 5%), whilst capital growth contracted via fall in market share price amounting to -13.9% (2014: 49%) resulting in an adverse Total Shareholder Return of -7.2% in 2015 (2014: 54%).

Quarterly Results

A summary of the quarterly results for 2015 and 2014 based on the quarterly financial statements submitted to the Colombo Stock Exchange are tabulated below.

Quarterly financial statements submitted to the Colombo Stock Exchange

	2015 1Q Rs. Mn.	2015 2Q Rs. Mn.	2015 3Q Rs. Mn.	2015 4Q Rs. Mn.	2014 1Q Rs. Mn.	2014 2Q Rs. Mn.	2014 3Q Rs. Mn.	2014 4Q Rs. Mn.
Turnover	2,811	2,797	2,998	2,958	2,989	2,706	3,082	2,743
Gross Profit	1,196	1,278	1,376	1,346	1,241	1,155	1,261	946
Operating Profit	999	1,022	1,090	1,032	1,001	902	991	676
Finance income	29	42	48	56	45	20	25	39
Profit Before Tax	1,027	1,065	1,139	1,087	1,046	922	1,016	715
Profit After Tax	743	797	835	713	764	675	750	558

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

Corporate Social Responsibility

"Love Life" - Campaign

Amongst those present at the "Love Life walk and cycling parade" were Managing Director of CLLP Mr. Kishu Gomes, Honourable Minister for Health Mr. Rajitha Senaratne and officials of Capital Maharaja organization.

Our focus during the year was directed towards raising HIV and AIDS awareness among the public as the escalation in the number of reported cases of HIV and AIDS in the country continues to threaten Sri Lanka's socio economic balance, where the numbers of unreported cases are expected to exceed the number of reported cases, mainly due to the lack of adequate public awareness and attention given to the HIV and AIDS in the country.

A musical show was organized in collabration with Capital Maharaja organization at the Galle Face Green, which attracted over 250,000 spectators. The event was graced by Honourable Minister for Health Mr. Rajitha Senaratne. Many other high profile political, business, entertainment and sports personalities graced the occasion. The main attraction of the show was international singing star Karthik and members of the A R Rahman music academy, who entertained the crowd with English, Sinhala, Tamil and Hindi songs. The programme was instrumental in reaching out to over 250,000 people at the venue to spread the message of HIV & AIDS.

We also collaboratively organized a walkathon to bring people across gender and age to the streets to raise awareness on HIV & AIDS in Sri Lanka. The company also engaged its stakeholders and business partners in this campaign. The AIDS Foundation, USAID and other high profile organizations endorsed the 'Love Life' campaign. The "Love Life walk and the cycling parade" was followed by a medical camp which offered free medical check – ups for the general public free of charge.

The participants that graced the musical show organized at the Galle Face Green

Judging by the response received we believe we were able to achieve our objective. After all, this has a direct impact on human capital in the workplace. Moreover, the stigma associated with the disease too needs to be removed so that HIV &AIDS patients can visit the doctors and undergo tests without any fear of discrimination and can find gainful employment and be treated fairly in the workplace.

Road Safety Campaign

The “Drive wise, Embrace life” initiative we initiated five years ago was sustained through the period under review as well. This, being our flagship Road Safety Campaign is carried out in collaboration with Sri Lanka Police. The objective of the campaign is to make Sri Lanka’s roads safer for both pedestrians as well as motorists. The high number of road accidents in Sri Lanka is a problem that needs urgent attention.

Chevron initiated this campaign as a high profile mass media campaign which includes placing road safety signs with emotionally driven messages to inculcate road discipline and safety at locations highly vulnerable to road accidents. The campaign was also deployed through radio channels and advertising in theatres, especially during festivals and holidays.

Free medical check-ups offered to public after the “Love Life walk and the cycling parade”.

Donating Vital Equipment to Kandy Hospital Cancer ward

During the year we donated vital equipment to the Kandy Hospital’s cancer unit, in response to an urgent request from hospital authorities. This equipment will enable the doctors in cutting down the waiting time for screening of suspected cases thereby leading to early detection and treatment.

Mr. Bertram Paul - General Manager Sales of CLLP handing over the Essential medical equipment to Dr. Nisanka Wijewardena – Deputy Director (Kandy General Hospital) & Col. Galahitiyawa – Committee Member (Kandy General Hospital)

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-election.

The Board met 4 times during 2015 and the attendance is given below;

		Attended
Farrukh Saeed	NED	4/4
Kishu Gomes	ED	4/4
Anura Perera	ED	4/4
Richard Brown	NED	4/4
Deva Rodrigo	NED/IND	3/4
Harsha Amarasekera	NED/IND	4/4

Board Audit Committee

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

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

The Board Audit Committee met 4 times during 2015 and the attendance is given below;

	Attended
Deva Rodrigo*	4/4
Harsha Amarasekera	4/4

*Chairman of Audit Committee

Audit Committee Report is given in page 41.

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
Deva Rodrigo	1/1
Harsha Amarasekera*	1/1
Richard Brown	1/1

*Chairman of the Committee

Directors Remuneration

Total remuneration paid to executive and non-executive directors are given in page 58 and the report of the Remuneration Committee is given in page 42.

Related Party Transactions Review Committee

The above committee was established in December 2015 and the composition is as follows.

Deva Rodrigo - *Chairman*

Richard Brown - *Non Executive Director*

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.

No meetings were held during 2015.

Management Structure

The Leadership Team consists of the Managing Director and the Heads of Functions of Finance, Supply Chain, and Sales. Under the Functionalized structure of the Chevron Corporation local General Managers, in addition to their reporting line to the Managing Director report to their functional heads in the Asia Pacific region. Functional Heads are fully accountable for the respective performance agreements under the business and strategic plan. Clearly defined limits of authority have been delegated to the Managing Director and the General Managers

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'.

Integrity, Trust, Diversity, Ingenuity, Partnership, Protecting People and the Environment and high performance are all core values of the Chevron Way that underpin our business conduct.

The BCEC includes the following topics ;

- Company records and internal controls
- Avoiding conflicts of interests which also covers accepting or giving gifts, fees, favors or other advantages
- Use of material non-public information of any kind for personal gain including insider trading
- Complying with Anti-bribery and international trade laws
- Anti-trust and completion laws
- Data Privacy
- Protection of information and intellectual property
- Operational excellence

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.

The Chevron Business Conduct and Ethics code encourage any employee having information or knowledge of any violation of the Code to 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.

Details of other Board Seats held by the directors

Name of Director	Directorship status at CLLP	Board seats held in other Sri Lankan Companies	
		Executive Capacity	Non-Executive capacity
Farrukh Saeed	Chairman		Chevron Ceylon Ltd
Kishu Gomes	Managing Director/CEO	Chevron Ceylon Ltd	Nil
Richard Brown	Non- Executive Director	Nil	Nil
Deva Rodrigo	Non- Executive Director	Stanley Davidson Property Holdings (Pvt) Ltd	Taprobane Holdings PLC Cargills Bank Limited (NED till July 2015)
Anura Perera	Executive Director/ Company Secretary	Chevron Ceylon Ltd	Nil
Harsha Amarasekera	Non- Executive Director		CIC Holdings Plc- Chairman Chemanex Plc- Chairman CIC Agri Business (Pvt) Ltd- Chairman Delmege (Pvt) Ltd Galle Face Management Company (Pvt) Ltd Ceylon Hotel Holdings (Pvt) Ltd Millennium Airlines (Pvt) Ltd Millennium Investments Lanka (Pvt) Ltd Bensons Ltd- Chairman The Hill Club Company Limited Link Natural Products (Pvt) Ltd Vallibel One Plc Expo Lanka Holdings Plc Royal Ceramic Plc Keells Food Products Plc Amana Bank Limited Vallibel Power Erathna Plc Amaya Leisure Plc

Compliance with the section 7.10 of Corporate Governance rules of the Colombo Stock Exchange

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 also refer to page 26 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 detemination against the criteria given in rule 7.10.4
7.10.3 (b)	Disclosure relating to Directors	In the event a Director does not qulify 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 is 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.
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	Not applicable during the period	
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 42.

Rule No	Subject	Criteria	Compliance Status	Details
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 four members of the remuneration commitee 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 42.
7.10.5 (C)	Disclosure relating to Remuneration Committee	Annual report shall set out the names of directors in the RM, 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 42.
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Please refer to the Audit Committee Report given on page 41.
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 or CFO shall attend all Audit Committee Meetings	Compliant	Chief Executive Officer and Chief Finacial Oficer attended Audit Committee meetings by invitation.
		Chairman or one member of the Audit Committee shall be a member of a recognised 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 41 and the Coporate Governance Report

Rule No	Subject	Criteria	Compliance Status	Details
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 41.
		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 41.
		c. The Annual Report shall contain a report of the Audit Committee setting ut the manner of compliance of the functions	Compliant	Please refer to the Audit Committee report on page 41.

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 or 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.

Risk Management

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

Internal Control Framework

Chevron's policy is to conduct its 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

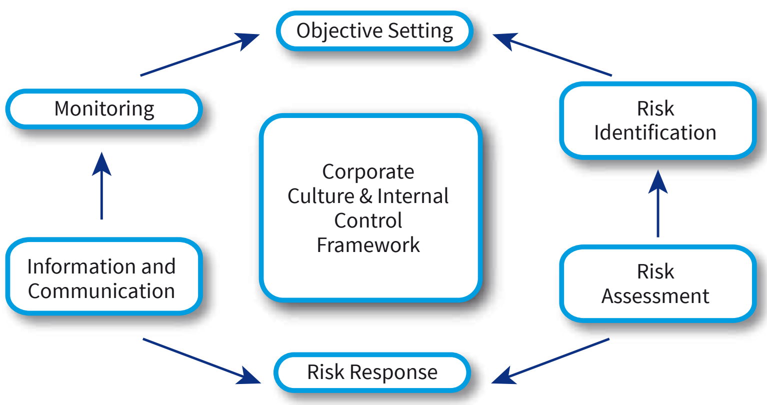
Chevron has adopted the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to document, catalog, assess and maintain its systems of internal controls over financial reporting. The COSO framework emphasizes publicly traded companies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

Risk assessment and profiling

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

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

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



(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 the corporate culture at Chevron.

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)

Business Risk

Loss of Volumes/ Market Share

Company faces the risk of losing volumes due to low market growth rates, intense competition from the existing players in the industry as well as new entrants if the Government allows more players to enter the industry. As a result competitors may continue to pursue price-centric strategies to gain market share within segments of the market.

On the other hand there are unlicensed operators in the market who resort to selling adulterated products. There is no effective regulatory mechanism to curb such illegal activities which affect the industry. The export volumes to Bangladesh and Maldives are intermittently influenced by macro-economic developments, political unrest and instability which tend to constrain operations and distribution activities.

Risk Response

Company manages these risks to an extent 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 offer constructive suggestions to the authorities to maintain the high product standards.

Dependence on Business Partners

Some of the critical operations of the business such as handling warehouse operations, distribution and drum fabrication have been outsourced. Any business disruption in the operations of such business partners may affect the company's operations.

Risk response

Company maintains excellent relationships with the business partners and shares best practices with them. The organization also engages in benchmarking such activities, supplier evaluation and reviewing whether the decision to outsource remains plausible. In addition 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 harm 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. This would have 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. 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 processes and practices that are globally recognized. Further, these processes, systems and controls are subjected to periodic review by internal auditors and ISO auditors.

Financial Risk

Foreign Exchange Risk

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

Risk response

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

Credit Risk

Company grants unsecured credit for some of the customers which could lead to bad debts. However about 70% of the credit granted is fully secured.

Risk response

Major proportion of the company's credit sale is executed based on secured credit terms. Stringent credit controls are in place to limit the exposure on unsecured credit.

Our Family of Brands

In a year of growing together, our business has powered the performance of industries, commercial enterprises and small businesses across the country, to create value for all our stakeholders.

Financial Calendar 2015

Interim Financials

1st Quarter	22nd April 2015
2nd Quarter	12th August 2015
3rd Quarter	02nd November 2015
4th Quarter	26th January 2016

Dividends paid date

1st Interim Dividend of Rs.5.00 per share paid on	14th May 2015
2nd Interim Dividend of Rs.6.00 per share paid on	1st September 2015
3rd Interim Dividend of Rs.6.00 per share paid on	20th November 2015
4th Interim Dividend of Rs.6.00 per share paid on	7th January 2016

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 2015.

Nature of the Business and Likely Future Developments

The Core business activity of the company is import, manufacture and marketing of lubricants, greases, brake fluid and specialty products. The review of business activities for the year 2015 and the likely future developments are covered in detail under the Managing Director's review and management discussion analysis.

Financial Statements

The financial statements which include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, and notes to the financial statements are given on pages 49 to 75.

Accounting Policies

Details of the accounting policies are given in Note 2 of the Financial statements. There have been no changes to accounting policies adopted by the company during the year.

Review of Business

Company made a net profit after tax of Rs.3.1bn (2014:Rs.2.7bn), after making provisions for all known liabilities, provision for doubtful debts and depreciation on property plant and equipment. The Statement of Comprehensive Income and the Statement of Changes to the Equity are given on page 45 and 47 respectively.

Dividends

Following Interim Dividends were paid out of the current year profits.

First Interim Dividend	Rs.5.00 per share paid on 14th May 2015
Second Interim Dividend	Rs.6.00 per share paid on 1st September 2015
Third Interim Dividend	Rs.6.00 per share paid on 20th November 2015
Fourth Interim Dividend	Rs.6.00 per share paid on 7th January 2016

No final dividend has been proposed by the Board.

Property, Plant & Equipment

Capital expenditure incurred during 2015 including work-in-progress amounted to Rs. 95,445,714 (2014: Rs. 995,097,046. The movements in Property, Plant & Equipment are given in Note 13 to the Accounts.

Donations

Donations made by the Company during the year amounted to Rs. 1,076,500 (2014:Rs. 3,314,440). This is excluding the expenses charged to earnings on social responsibility programs which amounted to Rs. 9,342,098 (2014:Rs. 9,185,537). The details of the social responsibility programs are given in the sustainability report.

Directorate

The following served as Directors of the Company during the year 2015:

Farrukh Saeed
Kishu Gomes
Anura Perera
Deva Rodrigo
Richard Brown
Harsha Amarasekera

In terms of Clause 84 of the Articles of the Company, Mr. Harsha Amarasekera, who retires by rotation ceases to be a director and being eligible, offers himself for re-election.

Mr. Deva Rodrigo who has attained the age of 70 years and retires in terms of Article 83(viii) of the Articles of Association of the Company. The Company has received a notice from a member that he be re-elected as a Director.

Director's Shareholdings

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

Anura Perera 200 (31.12.2015– 200).

None of the other Directors hold shares in the Company.

Directors Independence

Deva Rodrigo 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 Deva Rodrigo 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 26.

Remuneration and other benefits of Directors

The remuneration and value of other benefits of Directors are given in page 58.

Directors Interests in Contracts

Directors' interests in contracts are disclosed in Note 25 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 in the Corporate Governance report on page 28 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 pays for various services provided by the group. The details of such transactions are given in note 25 to the Financial statements.

Share Capital and information on shares as at 31 December

	2015 Rs.	2014 Rs.
Earnings Per Share	25.77	22.89
Net Assets Per Share	39.06	43.33
Market price per Share	344.00	399.60
Highest Price during the Year	460.00	400.00
Lowest Price During the Year	342.10	263.00
Price Earnings Ratio	13.35	17.46
Dividends Per Share	23.00	20.00

Major Shareholders

The twenty largest shareholders and the percentages held by them are disclosed on page 79.

Reserves

Retained earnings of the Company as at 31.12.2015, amount to Rs. 4,087mn (31.12.2014 – Rs. 4,599 mn). Movements are shown in the Statement of Changes in Equity in the financial statements.

Post Balance Sheet Events

There have been no 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 the all statutory payments for the financial year have been paid or where relevant provided for.

Going Concern

After considering the financial position, operating conditions regulatory and other factors and such matters required to be addressed in the Corporation Governance Code, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.

Auditors

The financial statements for the year have been audited by Messrs PricewaterhouseCoopers (chartered accountants). They were paid Rs. 1,947,567 (2014: Rs.1,820,156) as audit fees and Rs.120,000 (2014:Rs. 120,000) for issue of solvency certificates.

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

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

Annual General Meeting

The Annual General Meeting will be held on 31st March 2016 at the Institute of Chartered Accountants of Sri Lanka (6th Floor) 30A, Malalasekera Mw, Colombo 7 at 3 .30 pm.

By order of the Board

Kishu Gomes	**A.M. Anura Perera**
Managing Director/CEO	Director/ Secretary

03 March 2016

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 of the state of the Company as at the end of the financial year and which comply with the requirements of the above Act. The financial statements have been prepared and presented in accordance with all relevant Sri Lanka Financial Reporting Standards Accounting Standards. The financial statements include amounts that are based on management's best estimates and judgments.

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

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

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

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

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

Kishu Gomes
Managing Director/CEO

A.M. Anura Perera
Director/ Secretary

Audit Committee Report

Composition

The Audit Committee comprised Desamanya Deva Rodrigo (Chair) and Mr. Harsha Amarasekara P.C. Accordingly it complied with SEC rules relating to independence, having at least one member with financial expertise and not having any Directors with executive responsibilities. Together they possessed relevant experience in finance, law and in business.

Terms of Reference

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

Ensuring financial statement integrity, effectiveness of internal controls over financial reporting, compliance with laws and regulations and the independence of the external auditors PricewaterhouseCoopers, was the core 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 function.

1. Meeting the Goals

In fulfilling the TOR the committee held four meetings during the year.

The Committee had two meetings with the external auditors and one separate meeting with them without the presence of any executive directors or employees.

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 mitigation and management procedures implemented or to be implemented were discussed with the management to ensure that they were adequate to protect the company from reported risks.

The Committee examined and was satisfied with the independence of the external auditors.

The Committee also reviewed the year end financial statements prepared by the management in conformity with the requirements of the Companies Act No 7 of 2007, and the unaudited interim financial statements. 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, results and strategic plans and budget of the company.

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

Appreciation

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

Sgd,

Deva Rodrigo

Chairman

Audit Committee

03 March 2016

Remuneration Committee Report

Remuneration Policy

Chevron Lubricants Lanka PLC provides a remuneration package to its employees in conformity with Chevron's worldwide remuneration policy. The framework to determine the compensation and benefits package which links the remuneration to enterprise and individual performance is provided by Chevron Global TR (Total Remuneration) Group. The local HR team assists the process by providing salary survey information and market data to the Chevron Regional TR group to determine the annual salary structures.

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

A survey which was undertaken by an external consultant in order to assess the present salary and benefit structure within the Company and which was referred to in my report last year was completed during the course of this year. Its' findings were considered and reviewed by the Remuneration Committee and the Committee is satisfied with the salary and benefits reviews granted by the process now in place.

The aggregate remuneration paid to Executive and Non-Executive Directors is given on page 58.

Sgd,

Harsha Amarasekera

Chairman
Remuneration Committee

03 March 2016

Independent Auditor's Report
To the shareholders of Chevron Lubricants Lanka PLC

pwc

Report on the Financial Statements

1 We have audited the accompanying financial statements of Chevron Lubricants Lanka PLC, which comprise the statement of financial position as at 31 December 2015, and the statements of income, other comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out in pages 49 to 75.

Management's responsibility for the financial statements

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

Auditor's Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

Opinion

4 In our opinion the financial statements give a true and fair view of the financial position of Chevron Lubricants Lanka PLC as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

5 These financial statements also comply with the requirements of Section 151(2) of the Companies Act, No. 7 of 2007.

03 March 2016
Colombo

PricewaterhouseCoopers
....
CHARTERED ACCOUNTANTS

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

Income Statement

(all amounts in Sri Lanka Rupees)

		Year ended 31 December	
	Notes	2015	2014
Sales	5	11,563,854,206	11,519,890,730
Cost of sales		(6,368,022,136)	(6,917,074,893)
Gross profit		5,195,832,070	4,602,815,837
Other income	8	10,900,488	13,140,484
Distribution expenses		(501,918,210)	(534,104,096)
Administrative expenses		(561,582,482)	(511,251,474)
Operating profit	6	4,143,231,866	3,570,600,751
Finance income	9	175,350,343	129,483,892
Finance costs	9	(38,355)	(451,304)
Finance income - net	9	175,311,988	129,032,588
Profit before tax		4,318,543,854	3,699,633,339
Income tax expenses	10	(1,226,708,646)	(952,800,109)
Profit for the year		3,091,835,208	2,746,833,230
Earnings per share attributable to the owners of the Company during the year			
Basic earnings per share (LKR)	11	25.77	22.89

Notes on pages 49 to 75 form an integral part of these financial statements

Report of the independent auditors' on page 43

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)

		Year ended 31 December	
	Notes	2015	2014
Profit for the year		3,091,835,208	2,746,833,230
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	20	4,648,423	17,161,950
Deferred tax attributable to remeasurement of			
retirement benefit obligations	16	(1,301,558)	(4,805,346)
Other comprehensive income for the year, net of tax		3,346,865	12,356,604
Total comprehensive income for the year		3,095,182,073	2,759,189,834

Notes on pages 49 to 75 form an integral part of these financial statements

Report of the independent auditors' on page 43

Statement of Financial Position

(all amounts in Sri Lanka Rupees)

		As at 31 December	
	Notes	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	13	2,195,826,396	2,243,615,983
Trade and other receivables	14	90,101,273	66,273,544
		2,285,927,669	2,309,889,527
Current assets			
Inventories	17	1,308,618,987	1,746,240,896
Trade and other receivables	14	1,111,409,051	1,130,139,551
Cash and cash equivalents	18	2,339,048,578	1,290,528,877
		4,759,076,616	4,166,909,324
Total assets		7,045,004,285	6,476,798,851
Equity and liabilities			
Capital and reserves			
Stated capital	19	600,000,000	600,000,000
Retained earnings		4,087,028,628	4,599,210,366
		4,687,028,628	5,199,210,366
Non-current liabilities			
Retirement benefit obligations	20	125,557,205	119,901,629
Deferred tax liabilities	16	173,641,215	101,595,634
		299,198,420	221,497,263
Current liabilities			
Trade and other payables	21	1,347,178,568	652,961,543
Current income tax liabilities		711,598,669	403,129,679
		2,058,777,237	1,056,091,222
Total liabilities		2,357,975,657	1,277,588,485
Total equity and liabilities		7,045,004,285	6,476,798,851

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 03 March 2016.

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

Kishu Gomes
Managing Director

A.M Anura Perera
Director / Chief Financial Officer

Erande De Silva
Manager - Finance and Planning

Notes on pages 49 to 75 form an integral part of these financial statements

Report of the independent auditors' on page 43

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees)

	Notes	Stated capital	Retained earnings	Total
Balance at 1 January 2014		600,000,000	4,240,020,532	4,840,020,532
Profit for the year		Nil	2,746,833,230	2,746,833,230
Other comprehensive income for the year, net of tax		Nil	12,356,604	12,356,604
Total comprehensive income for the year		Nil	2,759,189,834	2,759,189,834
Transactions with owners - Dividends	12	Nil	(2,400,000,000)	(2,400,000,000)
Balance at 31 December 2014		600,000,000	4,599,210,366	5,199,210,366
Balance at 1 January 2015		600,000,000	4,599,210,366	5,199,210,366
Super gain tax for year of assessment 2013/14	10	Nil	(847,363,811)	(847,363,811)
Profit for the year		Nil	3,091,835,208	3,091,835,208
Other comprehensive income for the year, net of tax		Nil	3,346,865	3,346,865
Total comprehensive income for the year		Nil	3,095,182,073	3,095,182,073
Transactions with owners - Dividends	12	Nil	(2,760,000,000)	(2,760,000,000)
Balance at 31 December 2015		600,000,000	4,087,028,628	4,687,028,628

Notes on pages 49 to 75 form an integral part of these financial statements

Report of the independent auditors' on page 43

Cash Flow Statement

(all amounts in Sri Lanka Rupees)

	Notes	Year ended 31 December	
		2015	2014
Cash flows from operating activities			
Cash generated from operations	24	4,732,264,582	3,579,844,270
Interest paid	9	(38,355)	(451,304)
Retirement benefits paid	20	(8,228,541)	(7,473,160)
Income tax paid		(1,694,859,444)	(934,141,315)
Net cash generated from operating activities		3,029,138,242	2,637,778,491
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(95,445,714)	(995,097,046)
Proceeds from disposal of property, plant and equipment		258,148	4,839,193
Interest received		154,569,025	97,834,211
Net cash generated from / (used in) investing activities		59,381,459	(892,423,642)
Cash flows from financing activities			
Dividends paid		(2,040,000,000)	(2,940,000,000)
Net cash used in financing activities		(2,040,000,000)	(2,940,000,000)
Net increase / (decrease) in cash and cash equivalents		1,048,519,701	(1,194,645,151)
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		1,290,528,877	2,485,174,028
Increase / (decrease) in cash and cash equivalents		1,048,519,701	(1,194,645,151)
Cash and cash equivalents at end of year	18	2,339,048,578	1,290,528,877

Notes on pages 49 to 75 form an integral part of these financial statements

Report of the independent auditors' on page 43

Notes to the Financial Statements

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

1 General information

Chevron Lubricants Lanka PLC carries on the business of importing, blending, distributing and marketing of lubricant oils and greases. The Company is a public limited liability company incorporated and domiciled in Sri Lanka. The address of its registered office is Chevron House, 490, Galle Road, Colombo 03.

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

These financial statements have been approved for issue by the Board of Directors on 03 March 2016.

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 are prepared in accordance with and comply with Sri Lanka Financial Reporting Standards (SLFRSs / LKASs). The financial statements are prepared under the historical cost convention. The Company's financial statements are prepared in accordance with SLFRSs / LKASs, as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation of financial statements in conformity with SLFRSs / LKASs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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 2015:

(i) SLFRS 8, 'Operating Segments', requires disclosure of the judgments made by management in aggregating operating segments and also clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.

(ii) SLFRS 13, 'Fair Value Measurement', confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. SLFRS 13 also clarifies that the portfolio exception in the standard (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of LKAS 39 'Financial Instruments: Recognition and Measurement'.

(iii) LKAS 19, 'Employee Benefits', clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

(b) New accounting standards, amendments and interpretations issued but not yet adopted.

"Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Company. The Company is yet to assess the impact of these new standards that are set out below.

(i) SLFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of SLFRS 9 was issued in July 2014. It replaces the guidance in LKAS 39 that relates to the classification and measurement of financial instruments. SLFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in LKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under LKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

(ii) SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces LKAS 18 and LKAS 11 and related interpretations. This standard will be effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Company.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.4 Property, plant and equipment

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

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

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

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

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

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

The principal annual rates used for this purpose are:

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

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

Service station equipment is depreciated over the service station operator agreement 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 Accounting for leases - where the Company is the lessee

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

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

2.6 Financial assets

(a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At the reporting date, there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

(b) Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(c) Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. Cash flows relating to loans and receivables falling due within a period of less than one year are not discounted if the effect of discounting is immaterial.

Impairment testing of trade receivables is described in Note 2.9.

2.7 Financial liabilities

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

All financial liabilities are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2.8 Inventories

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

2.9 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

2.10 Cash and cash equivalents

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

2.11 Stated capital

Ordinary Shares are classified as equity.

2.12 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit obligation

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

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

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

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

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

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

2.13 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.

2.14 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.

2.15 Revenue recognition

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

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

(a) Sale of goods

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

(b) Interest income

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

2.16 Dividend distribution

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

2.17 Segment reporting

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

However, there are no distinguishable components to be identified as segments for 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 that relates to 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 2015, a foreign exchange loss of LKR 463,841 would have resulted if LKR had weakened by 1% against USD with all other variables held constant on translation of year end foreign currency denominated balances.

(b) Credit risk

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

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

Trade receivables

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

Cash and cash equivalents

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

(c) Liquidity risk

In the management of liquidity risk, the Company monitor and maintain 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 money market funds of LKR 1,964,800,000 (2014 - LKR 1,053,100,000) and other liquid assets of LKR 1,446,155,968 (2014 - LKR 1,295,817,608) 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.

3.1.1 Financial risk factors

(c) Liquidity risk (Contd.)

As at 31 December 2015

	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)	726,774,467	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 21)	536,618,303	Nil	Nil	Nil	Nil
Total liabilities	1,263,392,770	Nil	Nil	Nil	Nil

As at 31 December 2014

	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)	597,171,532	Nil	Nil	Nil	Nil
Amounts due to related parties (Note 21)	55,198,735	Nil	Nil	Nil	Nil
Total liabilities	652,370,267	Nil	Nil	Nil	Nil

(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 Capital risk management

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

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

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

4 Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

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

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

(b) Defined benefit obligations

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

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

Other key assumptions for defined benefit obligations are based in part on current market conditions, additional information is disclosed in Note 20.

(c) Allowance for doubtful debts

The Company assesses at the date of statement of financial position whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

(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 2.4. The recoverable amount of these assets have been determined based on higher of the assets' fair value less cost to sell and value in use. These calculations require the use of estimates and judgements.

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

4.2 Critical judgements in applying the entity's accounting policies

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

5 Sales

Sales are arrived as follows:

	2015	2014
Gross sales	12,744,682,347	12,811,106,746
Less: Value Added Tax	(1,180,828,141)	(1,291,216,016)
Net sales	11,563,854,206	11,519,890,730

6 Expenses by nature

	2015	2014
Directors' emoluments		
- executive	38,124,545	34,167,937
- non executive	6,757,319	4,461,075
	44,881,864	38,629,012
Auditors' remuneration		
- audit	1,947,567	1,820,156
- non audit	120,000	120,000
	2,067,567	1,940,156
Depreciation on property, plant and equipment (Note 13)	143,068,133	48,009,150
Amortisation of marketing support fee paid [Note 14(f)]	23,514,007	29,090,846
Reversal of provision for impairment on trade receivables [Note 14(i)]	(5,378,977)	(2,505,680)
Property, plant and equipment written off (Note 13)	167,168	123,061
Repair and maintenance expenditure	9,611,912	30,154,224
Operating lease rental - property	38,982,620	54,133,434
Employee benefit costs (Note 7)	226,911,709	231,207,483

7 Employee benefit costs

	2015	2014
Salaries and wages	183,011,302	185,045,601
Contribution to defined contribution plans	25,367,867	23,684,692
Contribution to defined benefit obligations (Note 20)	18,532,540	22,477,190
	226,911,709	231,207,483
Average monthly number of persons employed by the Company during the year:		
Permanent employees	78	78
Contract employees	Nil	3
	78	81

8 Other income

	2015	2014
Scrap sales	4,599,152	2,133,028
Write back of unassigned credit balances in debtors ledger	1,547,833	579,663
Profit on disposal of property, plant and equipment	258,148	4,839,193
Empty drum sales	4,495,355	5,588,600
	10,900,488	13,140,484

9 Finance income and costs

	2015	2014
Finance income:		
Interest income on short term deposits	159,441,176	91,078,336
Interest income on employee loans	667,966	731,384
	160,109,142	91,809,720
Net foreign exchange transaction and translation gains	15,241,201	37,674,172
	175,350,343	129,483,892
Finance costs:		
Interest expense on bank overdraft	(38,355)	(451,304)
Finance income - net	175,311,988	129,032,588

10 Tax

	2015	2014
Current tax:		
Current tax on profits for the year	1,080,620,717	873,782,521
Under / (over) provision for income tax in respect of previous years	75,343,906	(26,495,592)
	1,155,964,623	**847,286,929**
Deferred tax :		
Origination of temporary differences (Note 16)	70,744,023	105,513,180
Income tax expense	**1,226,708,646**	**952,800,109**
Deferred tax charged to other comprehensive Income (Note 16)	1,301,558	4,805,346
	1,228,010,204	**957,605,455**

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:

	2015	2014
Profit before tax	4,318,543,854	3,699,633,339
Tax calculated at a tax rate of 28% (2014 - 28%)	1,209,192,280	1,035,897,335
Tax effects of:		
- Different tax rates	(45,799,514)	(54,804,254)
- Income not subject to tax	(3,885,266)	(7,736,690)
- Expenses not deductible for tax purposes	20,203,680	34,285,750
Tax effect of qualifying payments [See Note (a) below]	(28,346,440)	(28,346,440)
Under / (over) provision for income tax in respect of previous years	75,343,906	(26,495,592)
Tax charge	1,226,708,646	952,800,109

(a) The company has claimed qualifying payment relief in terms of Section 34 (2) (s) of the Inland Revenue (Amendment) Act No. 8 of 2012 on the investments made in the expansion of its plant. Accordingly, out the sum of Rs. 404,949,140 directly attributable to expansion, the company has already claimed Rs. 202,474,570 for years of assessment 2013/14, 2014/15 and would be claiming Rs.101,237,285 for the year of assessment 2015/16. The Company has further carried forward, unclaimed investment relief of Rs. 101,237,285 as of 31 December 2015.

(b) As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Company was liable for Super Gain Tax of Rs. 847,363,811. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

11 Earnings per share

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

	2015	2014
Profit attributable to shareholders	3,091,835,208	2,746,833,230
Number of ordinary shares in issue at 31 December (Note 19)	120,000,000	120,000,000
Basic earnings per share (LKR)	25.77	22.89

12 Dividends

	2015	2014
Proposed and paid interim dividend LKR 23.00 per share (2014 - LKR 20.00 per share)	2,760,000,000	2,400,000,000

13 Property, plant and equipment

	Land improvement	Leasehold buildings	Storage tanks	Plant and machinery	Office furniture and equipment	Motor vehicles	Computers	Capital work in progress	Total
Year ended 31 December 2014									
Opening net book amount	2,391,878	7,012,734	27,477,850	110,891,683	3,528,092	18,681,106	12,099,584	1,114,568,221	1,296,651,148
Additions	Nil	Nil	Nil	Nil	Nil	9,647,978	331,555	985,117,513	995,097,046
Transferred from capital work-in-progress	205,184,401	1,107,227,809	365,237,182	353,702,872	46,429,865	Nil	6,996,583	(2,084,778,712)	Nil
Write offs - cost (Note 6)	(2,780,109)	(44,547,661)	(957,238)	(24,174,514)	(7,780,393)	Nil	(1,300,489)	Nil	(81,540,404)
- accumulated depreciation (Note 6)	2,780,109	44,547,661	957,238	24,140,433	7,691,413	Nil	1,300,489	Nil	81,417,343
Disposals - cost	Nil	Nil	(32,932,319)	(19,023,795)	Nil	(1,964,224)	Nil	Nil	(53,920,338)
- accumulated depreciation	Nil	Nil	32,932,319	19,023,795	Nil	1,964,224	Nil	Nil	53,920,338
Depreciation charge (Note 6)	(1,059,334)	(4,601,292)	(9,856,656)	(20,687,451)	(1,508,022)	(4,094,466)	(6,201,929)	Nil	(48,009,150)
Closing net book amount	206,516,945	1,109,639,251	382,858,376	443,873,023	48,360,955	24,234,618	13,225,793	14,907,022	2,243,615,983
At 31 December 2014									
Cost	210,872,929	1,122,074,255	416,776,978	589,274,539	80,073,620	50,647,459	45,404,133	14,907,022	2,530,030,935
Accumulated depreciation	(4,355,984)	(12,435,004)	(33,918,602)	(145,401,516)	(31,712,665)	(26,412,841)	(32,178,340)	Nil	(286,414,952)
Net book amount	206,516,945	1,109,639,251	382,858,376	443,873,023	48,360,955	24,234,618	13,225,793	14,907,022	2,243,615,983
Year ended 31 December 2015									
Opening net book amount	206,516,945	1,109,639,251	382,858,376	443,873,023	48,360,955	24,234,618	13,225,793	14,907,022	2,243,615,983
Additions	Nil	2,095,921	Nil	9,861,732	12,602,198	10,200,000	17,099,239	43,586,624	95,445,714
Transferred from capital work-in-progress	Nil	Nil	Nil	3,391,020	Nil	Nil	10,822,167	(14,213,187)	Nil
Write offs - cost (Note 6)	Nil	Nil	Nil	(4,186,526)	(5,903,221)	Nil	(7,834,511)	Nil	(17,924,258)
- accumulated depreciation (Note 6)	Nil	Nil	Nil	4,131,889	5,903,221	Nil	7,721,980	Nil	17,757,090
Disposals - cost	Nil	Nil	Nil	Nil	Nil	Nil	(8,896,130)	Nil	(8,896,130)
- accumulated depreciation	Nil	Nil	Nil	Nil	Nil	Nil	8,896,130	Nil	8,896,130
Depreciation charge (Note 6)	(7,594,079)	(39,908,803)	(25,345,747)	(48,762,805)	(6,730,117)	(5,197,116)	(9,529,466)	Nil	(143,068,133)
Closing net book amount	198,922,866	1,071,826,369	357,512,629	408,308,333	54,233,036	29,237,502	31,505,202	44,280,459	2,195,826,396
At 31 December 2015									
Cost	210,872,929	1,124,170,176	416,776,978	598,340,765	86,772,597	60,847,459	56,594,898	44,280,459	2,598,656,261
Accumulated depreciation	(11,950,063)	(52,343,807)	(59,264,349)	(190,032,432)	(32,539,561)	(31,609,957)	(25,089,696)	Nil	(402,829,865)
Net book amount	198,922,866	1,071,826,369	357,512,629	408,308,333	54,233,036	29,237,502	31,505,202	44,280,459	2,195,826,396

(a) Property, plant and equipment includes fully depreciated assets still in books, the cost of which at 31 December 2015 amounted to LKR 123,517,320. (2014 - LKR 142,786,000).

(b) Depreciation expense of LKR 120,569,664 (2014 - LKR 37,689,803) has been charged in cost of goods sold, LKR 7,228,671 (2014 - LKR 3,721,944) as administrative expenses andLKR 15,269,798 (2014- LKR 6,597,404) as selling and distribution expenses.

(c) Capital work in progress comprises cost of equipment relating to blending plant and warehousing facility at Sapugaskanda amounting to LKR 38,089,844.

14 Trade and other receivables

	2015	2014
Trade receivables	1,088,691,927	1,080,934,425
Less: provision for impairment of trade receivables	(16,784,537)	(22,163,514)
Trade receivables - net	1,071,907,390	1,058,770,911
Prepayments	878,083	4,229,165
Deposits	26,898,442	26,356,170
Staff loans [refer (e) below]	30,402,330	29,394,694
Marketing support fee paid to service		
centre operators [refer (f) below]	46,744,101	39,152,592
Other receivables [refer (d) below]	12,595,348	21,553,410
	1,189,425,694	1,179,456,942
Receivable from related parties [Note 25 (d) (i)]	12,084,630	16,956,153
Total trade and other receivables	1,201,510,324	1,196,413,095
Less: non-current portion		
Staff loans	23,480,658	21,910,066
Marketing support fee paid to service centre operators	39,722,173	18,007,308
Deposits	26,898,442	26,356,170
Total non-current portion	90,101,273	66,273,544
Current portion	1,111,409,051	1,130,139,551

(a) Trade receivables by credit quality:

	2015	2014
Neither past due nor impaired	1,025,273,434	893,138,194
Past due but not impaired	46,633,956	165,632,717
Impaired	16,784,537	22,163,514
	1,088,691,927	1,080,934,425

(b) The past due but not impaired balance relates to a number of independent customers for whom there is no recent history of default or in circumstances where sufficient collateral is available. The age analysis of past due but not impaired balance is as follows:

	2015			
	Up to 3 months	3 to 6 months	Over 6 months	Total
Past due but not impaired	44,696,619	1,917,598	19,739	46,633,956

	2014			
	Up to 3 months	3 to 6 months	Over 6 months	Total
Past due but not impaired	75,683,300	10,271,060	79,678,357	165,632,717

The impaired receivables have been fully provided for.

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

	2015	2014
US Dollars	129,829,110	130,527,171
Sri Lankan Rupees	1,071,681,214	1,065,885,924
	1,201,510,324	1,196,413,095

(d) Other receivables mainly consist of interest receivable of LKR 8,182,507 (2014- LKR 2,642,388) on short term deposits and VAT receivable of LKR Nil (2014 - LKR 7,782,162).

(e) Staff loans due at the financial position date represent loans given to staff on fixed repayment terms and are unsecured. These loans are largely given at a concessionary rate of 4.2% (2014 - 4.2%).

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

(g) The effective interest rates on non-current receivables (staff loans and marketing support payments) as at 31 December 2015 were 11.00% (2014 - 11.91%).

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

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

	2015	2014
At 1 January	22,163,514	24,669,194
Reversal of provision for impairment (Note 6)	(5,378,977)	(2,505,680)
At 31 December	16,784,537	22,163,514

15 Financial instruments by category

		Loans and receivables	Total
a)	31 December 2015		
	Financial assets - measured at amortised cost		
	Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	1,153,888,140	1,153,888,140
	Cash and cash equivalents (Note 18)	2,339,048,578	2,339,048,578
		3,492,936,718	3,492,936,718

		Other financial liabilities	Total
b)	31 December 2015		
	Financial liabilities - measured at amortised cost		
	Trade and other payables (excluding statutory liabilities)	1,263,392,770	1,263,392,770

		Loans and receivables	Total
c)	31 December 2014		
	Financial assets - measured at amortised cost		
	Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	1,153,031,338	1,153,031,338
	Cash and cash equivalents (Note 18)	1,290,528,877	1,290,528,877
		2,443,560,215	2,443,560,215

		Other financial liabilities	Total
d)	31 December 2014		
	Financial liabilities - measured at amortised cost		
	Trade and other payables (excluding statutory liabilities)	652,370,267	652,370,267

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

Trade receivables

	2015	2014
Distributors	746,588,586	733,011,853
Commercial / industrial and others	232,706,159	237,528,822
Export customers / overseas	92,612,645	88,230,236
	1,071,907,390	1,058,770,911

Cash and cash equivalents

	2015	2014
Cash at Banks with AAA to A ratings	374,025,518	237,046,697
Government securities	1,964,800,000	1,053,100,000
Cash in hand	223,060	382,180
	2,339,048,578	1,290,528,877

16 Deferred tax liabilities / (assets)

Deferred tax is calculated on all temporary differences under the liability method using an effective tax rate of 28% (2014 - 28%).

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

	2015	2014
At beginning of year	101,595,634	(8,722,892)
Charged to income statement (Note 10)	70,744,023	105,513,180
Charged to other comprehensive income (Note 10)	1,301,558	4,805,346
At end of year	173,641,215	101,595,634

16 Deferred tax liabilities /(assets) (CONTD)

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

Deferred tax assets	2015	2014
- Deferred tax assets to be recovered after more than 12 months	(30,421,996)	(31,043,298)
- Deferred tax assets to be recovered within 12 months	(4,734,022)	(2,529,158)
	(35,156,018)	(33,572,456)
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	144,529,664	126,686,094
- Deferred tax liability to be recovered within 12 months	64,267,569	8,481,996
	208,797,233	135,168,090
Deferred tax liabilities / (assets) - net	173,641,215	101,595,634

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 January 2014	25,453,782	25,453,782
Charged to income statement	109,714,308	109,714,308
At 31 December 2014	135,168,090	135,168,090
Charged to income statement	73,629,143	73,629,143
At 31 December 2015	208,797,233	208,797,233

Deferred tax assets	Defined benefit obligations	Total
At 1 January 2014	(34,176,674)	(34,176,674)
Credited to income statement	(4,201,128)	(4,201,128)
Charged to other comprehensive income (Note 10)	4,805,346	4,805,346
At 31 December 2014	(33,572,456)	(33,572,456)
Credited to income statement	(2,885,120)	(2,885,120)
Charged to other comprehensive income (Note 10)	1,301,558	1,301,558
At 31 December 2015	(35,156,018)	(35,156,018)

17 Inventories

	2015	2014
Raw materials and consumables	966,429,212	1,151,892,436
Finished goods	342,189,775	594,348,460
	1,308,618,987	1,746,240,896

(a) Raw material and consumables and finished goods include goods in transit amounting to LKR 19,392,276 (2014 - LKR 106,898,756).

(b) The cost of inventories recognised as expense and included in cost of sales amounted to LKR 6,123,127,311 (2014 - LKR 6,729,702,262).

18 Cash and cash equivalents

	2015	2014
Cash at bank and in hand	374,248,578	237,428,877
Short term deposits	1,964,800,000	1,053,100,000
	2,339,048,578	1,290,528,877

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

The weighted average effective interest rate on short term deposits was 5.89% (2014 - 5.89%).

The cash and cash equivalents are denominated in following currencies:

	2015	2014
US Dollars	82,903,024	127,277,197
Sri Lankan Rupees	2,256,145,554	1,163,251,680
	2,339,048,578	1,290,528,877

19 Stated capital

	Ordinary shares	
	Number of shares	Value of shares
At 31 December 2014	120,000,000	600,000,000
At 31 December 2015	120,000,000	600,000,000

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

20 Retirement benefit obligations

	2015	2014
Statement of financial position obligations for:		
Gratuity benefits	125,557,205	119,901,629
Income statement charge:		
Gratuity benefits (Note 7)	18,532,540	22,477,190
Other comprehensive income:		
Remeasurement gain	(4,648,423)	(17,161,950)

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

	2015	2014
At 1 January	119,901,629	122,059,549
Current service cost	8,041,148	14,647,146
Interest cost	10,491,392	7,830,044
Remeasurement gain	(4,648,423)	(17,161,950)
Benefits paid	(8,228,541)	(7,473,160)
At 31 December	125,557,205	119,901,629

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

	2015	2014
Current service cost	8,041,148	14,647,146
Interest cost	10,491,392	7,830,044
Total included in the employee benefit costs (Note 7)	18,532,540	22,477,190

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 2015 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	10.36%	8.75%
	compounded	compounded
	annually	annually
Estimated salary increment rate	5% per year	6% per year
Withdrawal rate	8% per annum up to	3% per annum up to
	age 55 and 0%	age 55 and 0%
	thereafter	thereafter

Assumptions regarding future mortality experience are set in accordance with A 67/70 Mortality Table.

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.50%	Increase by 4.99%
Future salary growth rate	1.00%	Increase by 5.42%	Decrease by 5.03%

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 5.22 years. The distribution of the timing of benefit payments is as follow.

	2015	2014
Less than 1 year	16,907,223	9,032,706
Between 1 – 2 years	16,294,890	9,355,670
Between 2 – 5 years	65,765,235	68,559,571
Between 5 - 10 years	77,689,927	115,682,425
	176,657,275	202,630,372

21 Trade and other payables

		2015	2014
Trade payables		186,968,258	228,388,083
Accrued expenses [see note (a) below]		199,558,022	236,378,528
Other payables [see note (b) below]		424,033,985	132,996,197
		810,560,265	597,762,808
Payable to related companies	- Trade [Note 25 (d)(ii)]	206,138,303	55,198,735
	- Dividend [Note 25 (d)(iii)]	330,480,000	Nil
		536,618,303	55,198,735
		1,347,178,568	652,961,543

(a) Accrued expenses include import fees payable of LKR 5,148,455 (2014 - LKR 13,336,467), promotional incentives of LKR 87,457,046 (2014 - LKR 69,268,597), advertising and sales promotion expenses of LKR 23,879,963 (2014 - LKR 27,416,706), CSR project expenses of LKR 3,355,821 (2014 - LKR 7,718,646) and employee related payables amounting to LKR 25,459,719 (2014 - LKR 27,158,366).

(b) Other payables mainly consist of liabilities to non trade vendors pertaining to capital expenditure of LKR 11,035,109 (2014 - LKR 90,443,121), interim dividend payable to shareholders other than parent company of LKR 317,708,134 (2014 - LKR Nil) and WHT payable in relation to dividend of LKR 71,811,866 (2014 - LKR Nil).

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

	2015	2014
US Dollars	259,116,282	202,114,040
Sri Lankan Rupees	1,088,062,286	450,847,503
	1,347,178,568	652,961,543

22 Contingent liabilities

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

23 Commitments

Capital commitments

There were no capital commitments at the date of the statement of financial position (as at 31 December 2014 - LKR Nil).

Financial commitments

The Company has entered into Service Level Agreements (SLA) with Chevron USA Inc., Chevron International Pte Ltd and Chevron Holdings Inc. which governs the services offered by the Group companies and reimbursement cost incurred by the Group.

Operating lease commitments - where the Company is the lessee

(a) Cancellable

Details of cancellable operating leases are as follows:

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

The undiscounted future minimum lease payments under cancellable operating leases are as follows:

	2015	2014
Not later than one year	24,414,643	23,759,406
Later than one year and not later than five years	103,600,417	100,696,524
Later than five years	632,368,965	656,530,082
	760,384,025	760,384,025

(b) Non-cancellable

Details of cancellable operating leases are as follows:

Description	Lessor	Term
Lease of building at which the Company's registered office is located in Colombo 03	Oceanica Group Private Limited	5 Years

The undiscounted future minimum lease payments under non-cancellable lease is as follows:

Non-cancellable	2015	2014
Not later than one year	13,536,000	13,536,000
Later than one year and not later than five years	30,456,000	43,992,000
	43,992,000	57,528,000

24 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2015	2014
Profit before tax	4,318,543,854	3,699,633,339
Adjustments for:		
Depreciation (Note 13)	143,068,133	48,009,150
Property, plant and equipment written off (Note 6)	167,168	123,061
Amortisation of marketing support fee paid (Note 6)	23,514,007	29,090,846
Profit on disposal of property, plant and equipment (Note 8)	(258,148)	(4,839,193)
Interest income (Note 9)	(160,109,142)	(91,809,720)
Interest expense (Note 9)	38,355	451,304
Reversal of provision for impairment of trade receivables [Note 14(i)]	(5,378,977)	(2,505,680)
Defined benefit obligations (Note 20)	18,532,540	22,477,190
Changes in working capital		
- trade and other receivables	(17,692,142)	103,591,847
- inventories	437,621,909	182,462,787
- payables	(25,782,975)	(406,840,661)
Cash generated from operations	4,732,264,582	3,579,844,270

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

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

Mr Anura Perera, Mr Kishu Gomes and Mr Farrukh Saeed, directors of the Company, are also directors of Chevron Ceylon Limited, which is the immediate holding company.

The following transactions were carried out with the related parties.

(i) Reimbursable expenses incurred by Chevron Lubricants Lanka PLC

	2015	2014
Chevron Ceylon Limited	92,612	Nil
PT Chevron Oil Products Indonesia	Nil	1,533,205
Chevron Alkhalij Ltd	Nil	590,359
Chevron Lubricants Vietnam Ltd	Nil	4,188,684
	92,612	6,312,248

(ii) Other related party transactions

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

(a) Sales of goods and services

	2015	2014
Sales of goods:		
Chevron (Tianjin) Lubricants Company Limited	3,046,125	Nil
Chevron Thailand Limited	2,402,662	Nil
Fuel and Marine Marketing Limited	71,348,697	96,607,651
	76,797,484	96,607,651

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

(b) Purchases of goods and services

	2015	2014
Purchase of goods:		
Chevron Singapore (Private) Limited	2,414,632,167	3,120,876,314
Chevron Alkhalij Ltd	27,550,792	18,923,575
Chevron Thailand Limited	122,469,456	155,027,555
Chevron Oronite (Private) Limited	408,009,507	364,666,714
Chevron (Tianjin) Lubricants Company Limited	2,947,794	7,464,334
Chevron Products Company	1,592,837	7,464,334
Chevron Brazil Lubricants Limited	4,793,475	6,313,577
Chevron Belgium N.V	1,433,485	1,696,948
Chevron Lubricants Vietnam Ltd	6,796,773	6,313,577
	2,990,226,286	3,688,746,928

	2015	2014
Purchases of services:		
Chevron International (Private) Limited	366,489,426	312,486,639
Chevron Holding Inc. Philippines	2,555,290	4,642,886
Chevron Texaco Information Technology Company	53,456,610	67,759,047
Chevron Products Company	49,473,300	57,180,431
Chevron Belgium N.V	253,465	1,696,948
Chevron Service Company	275,900	1,372,182
Chevron Corporation	Nil	37,016
Chevron Energy Technology Company	1,066,398	Nil
	473,570,389	445,175,149

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

(b) Purchases of goods and services (Contd.)

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

The Company receives services from Chevron Group Companies (CGCs) for which payments are made by the Company. These services include Original Equipment Manufacturers (OEM) endorsement, 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 finance. The Company has entered into service level agreements with relevant Chevron affiliates, setting out the methodology, terms and conditions for the service charges among Group Companies. Services are bought from the related companies on a cost-plus basis, allowing a margin ranging from 0% to 6% (2014 - 0% to 6%).

Purchases of goods and services during the year from related parties amounts to 74% (2014 - 80%) of net assets and 49% (2014 - 64%) of total assets at the end of the financial year.

(c) Key management compensation

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

	2015	2014
Salaries and other short-term employee benefits	49,194,660	42,418,538
	49,194,660	42,418,538

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

(i) Receivable from related parties:	2015	2014
Chevron Products Company	550,669	101,339
Chevron Marine Products LLC	11,533,961	12,075,770
Chevron Lubricants Vietnam Limited	Nil	4,188,684
Chevron Alkhalij Ltd	Nil	590,360
	12,084,630	16,956,153

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

(ii) Payable to related parties:	2015	2014
Chevron International (Private) Limited	90,117,833	7,725,146
Chevron Holdings Incorporation Philippines	132,508	81,837
Chevron Singapore (Private) Limited	17,141,857	10,139,805
Chevron Oronite (Private) Limited	25,976,754	8,923,051
Chevron Information Technology Company	21,285,324	1,758,554
Chevron (Thailand) Limited	7,079,396	5,432,949
Chevron Products Company	26,268,063	14,290,773
Chevron Belgium N.V	Nil	1,288,270
Chevron Lubricants Vietnam Limited	973,296	Nil
Chevron Corporation	Nil	11,336
Chevron Alkhalij Ltd	15,904,620	4,259,784
Chevron Tianjin Lubricants Co Ltd	1,207,891	246,965
Chevron Service Company	Nil	1,040,265
Chevron Energy Technology Company	50,761	Nil
	206,138,303	55,198,735

(iii) Dividend payable to related party:	2015	2014
Chevron Ceylon Limited	330,480,000	Nil

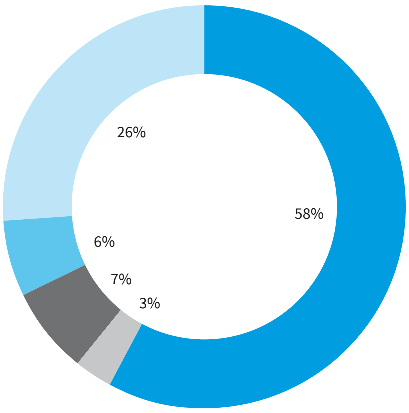
26 Events after the end of reporting period

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

Statement of Value Added

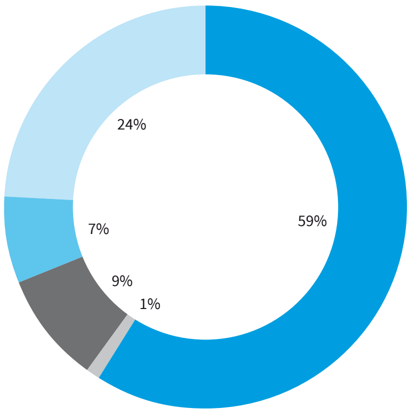
(in Rupees millions)

		2015	2014
Value addition			
Turnover		11,564	11,520
Finance Income		175	129
Less: Materials and services purchased		7,008	7,619
value created		4,731	4,030
Distribution of Value addition			
To employees as salaries		265	265
To state by way of taxes		1,228	958
To shareholders as dividends		2,760	2,400
Retained in the business	- Depreciation	143	48
	- Earnings	335	359
		4,731	4,030



Statement of Value Added -2015

- To employees as salaries
- To state by way of taxes
- To shareholders as dividends
- Retained in the business - Depreciation
- - Earnings



Statement of Value Added -2014

- To employees as salaries
- To state by way of taxes
- To shareholders as dividends
- Retained in the business - Depreciation
- - Earnings

Ten Year Financial Summary

(in Rupees 000')

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Trading Results											
Turnover		11,563,854	11,519,891	11,197,152	11,754,046	11,039,945	9,471,256	8,690,554	8,900,298	8,654,342	7,694,289
Profit Before Tax & OCI		4,318,544	3,699,633	3,453,598	3,111,457	2,767,780	2,333,950	2,344,370	1,482,962	1,658,252	1,245,924
Taxation		1,226,709	952,800	921,697	845,630	767,164	832,676	849,465	535,240	579,893	439,191
Profit After Tax		3,091,835	2,746,833	2,531,900	2,265,827	2,000,616	1,501,274	1,494,905	947,722	1,078,359	806,733
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		4,087,029	4,599,210	4,240,021	3,525,818	2,558,145	1,637,529	1,606,255	1,551,350	1,233,627	905,269
Shareholders funds		4,687,029	5,199,210	4,840,021	4,125,818	3,158,145	2,237,529	2,206,255	2,151,350	1,833,627	1,505,269
Property, Plant & Equipment		2,195,826	2,243,616	1,296,651	215,813	193,113	220,338	260,080	325,608	387,869	420,828
Current & Non Current Assets excluding PPE		4,849,178	4,233,183	5,755,821	5,731,694	4,160,806	3,154,727	3,771,466	2,846,258	2,483,180	2,125,702
Current Liabilities		2,058,777	1,056,091	2,090,392	1,734,361	1,094,004	1,028,591	1,706,313	927,828	938,389	932,817
Non Current Liabilities		299,198	221,497	122,060	87,328	101,769	108,945	118,978	92,688	99,032	108,445
Net Assets		4,687,029	5,199,211	4,840,021	4,125,818	3,158,145	2,237,529	2,206,255	2,151,350	1,833,627	1,505,269
Key Indicators											
Gross Dividends	Rs. 000'	2,760,000	2,400,000	1,800,000	1,320,000	1,080,000	1,470,000	1,440,000	630,000	750,000	570,000
Dividend per Share	Rupees	23.00	20.00	15.00	11.00	9.00	12.25	12.00	10.50	12.50	9.50
Price Earnings Ratio	Times	13.35	17.46	12.69	10.70	10.20	12.75	11.38	11.65	9.49	12.64
Market value per share as at 31st December	Rupees	344.00	399.60	267.80	202.00	170.00	159.50	141.75	92.00	85.25	85.00
Return on Equity	%	63	55	56	62	74	68	69	48	65	107
Net Assets per share	Rupees	39.06	43.33	40.33	34.38	26.32	18.65	18.39	17.93	15.28	12.54
Net Income to Turnover	%	27	24	23	19	18	16	17	11	12	10
Earnings per Share	Rupees	25.77	22.89	21.10	18.88	16.67	12.51	12.46	7.90	8.99	6.72

Shareholder Information

Shareholders categorised summary report as at 31st December 2015

No of shares held	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1 - 1000	2,150	0.57	678,180	0.57
1001 - 10,000	965	2.92	3,502,407	2.92
10,001 - 100,000	252	5.91	7,096,082	5.91
100,001 - 1,000,000	54	13.68	16,416,282	13.68
1,000,001 & over	18	76.92	92,307,049	76.92
Total	3,439	100.00	120,000,000	100.00

Analysis report of shareholders as at 31st December 2015

	No of Shareholders	No of shareholders %	Total Holdings	Total Holdings %
Individual	3,206	93.22	14,075,544	11.73
Institutional	233	6.78	105,924,456	88.27
Total	3,439	100.00	120,000,000	100.00
Resident	3,301	69.76	83,717,883	69.76
Non- Resident	138	30.24	36,282,117	30.24
Total	3,439	100.00	120,000,000	100.00
Public Holding			58,799,800	49.00%

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

20 Largest Shareholders as at 31st December 2015

Name of Shareholders	Number of Shares	%
Chevron Ceylon Limited	61,200,000	51.00
HSBC INTL NOM LTD-SSBT WASATCH FRONTIER EMERGING SMALL COUNTRIES FUND	6,224,848	5.19
Citigroup Global Markets Limited Agency Trading Prop Securities A/C	2,954,168	2.46
BNYM SA/NV- Blackrock Frontiers Investment Trust PLC	2,238,940	1.87
HSBC International Nominees Ltd-SSBT-Aberdeen Institutional Commingled Funds, LLC	1,880,000	1.57
HSBC INTL NOM LTD-BP2S LUXEMBOURG-ABERDEEN GLOBAL FRONTIER MARKETS EQUITY FUND	1,830,800	1.53
RBC Investor Services Bank- COELI SICAV I- FRONTIER MARKETS FUND	1,829,851	1.52
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global Asian Small companies fund	1,675,287	1.40
Caceis Bank Luxembourg S/A BARCA GLOBAL MASTER FUND LPOGIER	1,592,496	1.33
Renuka Hotels Limited	1,400,000	1.17
Cargo Boat Development Company Limited	1,400,000	1.17
HSBC INTL NOMINEES LTD-BP2S LONDON- ABERDEEN ASIA SMALLER COMPANIES INVESTMENT TRUST	1,384,697	1.15
Nothern Trust Global Services London S/A VERDIPAPIRONDET ODIN EMERGING MARKETS	1,256,947	1.05
Nothern Trust CO S/A- Nothern Trust Fiduciary Services (Ireland) Ltd AS TRUSTEE TO BARING ASEAN FRO	1,224,739	1.02
BNYM SA/NV-NEON LIBERTY EMERGING MARKETS FUND LP	1,109,098	0.92
Mellon Bank N.A.- Florida Retirement System	1,095,406	0.91
Employees Provident Fund	1,007,958	0.84
HSBC INTL NOM LTD-SSBT PARAMETRIC EMERGING MARKETS FUND	1,001,814	0.83
Crescent Launderers & Dry Cleaners (Pvt) Ltd	1,000,000	0.83
CB NY S/A WASATCH FRONTIER EMERGING SMALL COUNTRIES CIT FUND	950,060	0.79
Total	94,257,109	78.55

at 31st December 2014

Name of Shareholders	Number of Shares	%
Chevron Ceylon Limited	61,200,000	51.00
HSBC INTL NOM LTD-SSBT WASATCH FRONTIER EMERGING SMALL COUNTRIES FUND	6,300,185	5.25
Caceis Bank Luxembourg S/A BARCA GLOBAL MASTER FUND LPOGIER	2,716,306	2.26
Citigroup Global Markets Limited Agency Trading Prop Securities A/C	2,403,670	2.00
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global Asian Small companies fund	2,234,700	1.86
RBC Investor Services Bank- COELI SICAV I- FRONTIER MARKETS FUND	2,223,027	1.85
BNYM SA/NV- Blackrock Frontiers Investment Trust PLC	2,107,175	1.76
HSBC International Nominees Ltd-SSBT-Aberdeen Institutional Commingled Funds, LLC	1,880,000	1.57
HSBC INTL NOM LTD-BP2S LUXEMBOURG-ABERDEEN GLOBAL FRONTIER MARKETS EQUITY FUND	1,830,800	1.53
Nothern Trust CO S/A- Nothern Trust Fiduciary Services (Ireland) Ltd AS TRUSTEE TO BARING ASEAN FRO	1,825,368	1.52
HSBC INTL NOMINEES LTD-BP2S LONDON- ABERDEEN ASIA SMALLER COMPANIES INVESTMENT TRUST	1,490,800	1.24
Renuka Hotels Limited	1,400,000	1.17
Cargo Boat Development Company Limited	1,400,000	1.17
HSBC INTL NOM LTD-JPMCB-INVESTERINGSFORENINGEN BANKINVEST, AFO NEW EMERGING MARKETS AKTIER	1,206,844	1.01
Nothern Trust Global Services London S/A VERDIPAPIRONDET ODIN EMERGING MARKETS	1,191,184	0.99
Mellon Bank N.A.- Florida Retirement System	1,100,000	0.92
Employees Provident Fund	1,007,958	0.84
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global-Emerging Markets Smaller Companies Fund	1,000,000	0.83
Crescent Launderers & Dry Cleaners (Pvt) Ltd	1,000,000	0.83
CB NY S/A WASATCH FRONTIER EMERGING SMALL COUNTRIES CIT FUND	950,060	0.79
	96,468,077	80.39

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of Chevron Lubricants Lanka PLC will be held on Thursday, 31st March 2016 at 3.30p.m. at Level 6 Public Forum, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07 for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2015 and the Report of the Auditors thereon.

- To re-elect Mr. Harsha Amarasekera who retires by rotation in terms of Clause 84 of the Articles of the Company, a Director.

- To re-elect as Director, Mr. Deva Rodrigo who has attained the age of 70 years and retires in terms of Article 83(viii) of the Articles of Association of the Company, for which the following notice has been given by a member:

  "That the age limit stipulated in Section 210 of the Companies Act No.7 of 2007 shall not apply to Mr. Deva Rodrigo who has attained the age of 70 years and that he be re-elected a Director of the Company".

- To reappoint Messrs. Pricewaterhouse Coopers as Auditors and to authorise the Directors to determine their remuneration.

- To authorize the Directors to determine & make donations.

- To consider any other business of which due notice has been given.

By Order of the Board

A.M. Anura Perera

Secretary

Colombo
03 March 2016

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.

2. A proxy need not be a member of the Company. The form of proxy is attached herewith.

3. The Completed form of proxy should be deposited at the Registered Office of the Company at Chevron House 490, Galle Road, Colombo 3 not less than 48 hours before the time appointed for the holding of the meeting.

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

Farrukh Saeed	whom failing
Honnantharage Kishu Pradeep Kumara Gomes	whom failing
Richard Bridgmore Brown	whom failing
Parakrama Deva Rodrigo	whom failing
Shiran Harsha Amarasekera	whom failing
Adikarige Mervin Anura Perera	whom failing

....

of ....

as my / our proxy to represent me / us and to vote as indicated hereunder for me / us and on my / our behalf at the Twenty Third Annual General Meeting of Chevron Lubricants Lanka PLC to be held on Thursday, 31st March 2016 at 3.30p.m. at Level 6 Public Forum, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07 and at any adjournment thereof and at every poll which may be taken in consequence thereof :

		FOR	AGAINST
1.	To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st December 2015 with the Report of Auditors thereon.		
2.	To re-elect Mr. Harsha Amarasekera who retires by rotation, a Director		
3.	To re-elect Mr. Deva Rodrigo who has attained the age of 70 years and retires in terms of Article 83(viii) of the Articles of Association of the Company.		
4.	To authorize the Directors to determine & make donations.		
5.	To reappoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration.		

Signed this....................day of.........................2016 Signature ....

NOTES:

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

INSTRUCTIONS AS TO COMPLETION

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

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

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

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

Corporate Information

Legal Form	:	A Public Limited Liability Company (Incorporated in 1992 and listed on the Colombo Stock Exchange)
Directors	:	Farrukh Saeed - Chairman Kishu Gomes - Managing Director & CEO Richard Brown Harsha Amarasekara Deva Rodrigo Anura Perera
Secretary	:	Anura Perera Chevron House, 490, Galle Road, Colombo 3
Registered Office	:	Chevron House 490, Galle Road, Colombo 3 Tel: 0114 524524
Company Registration Number	:	PQ 54
Registrars to the Company	:	S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 3
Auditors	:	PricewaterhouseCoopers Chartered Accountants P.O. Box 918 100, Braybrooke Place, Colombo 2
Lawyers to the Company	:	Julius & Creasy Attorneys-at-Law and Notaries Public No 41, Janadhipathi Mawatha, Colombo 1
Bankers	:	Citibank NA Deutsche Bank Commercial Bank of Ceylon PLC
Web Address	:	www.chevron.lk
Email	:	contactus@chevron.com
Telephone	:	0114 524 524
Facsimile	:	0114 524 566

www. chevron.lk