CHEVRON LUBRICANTS LANKA PLC
Annual Report 2012

TEXACO Chevron CALTEX
Our Family of Brands

REAL GLOBAL LOCAL

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

Chevron Lubricants Lanka PLC engages in blending, manufacturing, importing, distributing, and marketing lubricant oils, greases, break 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.

REAL GLOBAL LOCAL

An international company with a worldwide network, delivering a portfolio of world-class products and services to thousands of Sri Lankans even in the remotest regions of the island. That's what it means to be a real global local.

Chevron Lanka touches lives in diverse ways; from the employees and distributors we work with and the shareholders to whom we bring rising value, to the communities we empower and the consumers we serve with high quality products and services to match.

Our vast experience, the global synergies we access and a steadfast commitment to the empowerment of all Sri lankans mean that even in the competitive environment we work in today, Chevron Lanka continues to originate industry benchmarks of excellence and value.

Chevron Lanka. The Real Global Local.

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.

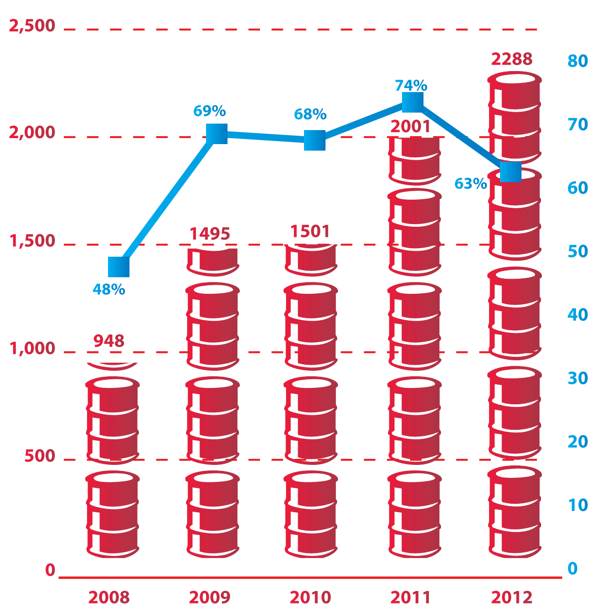
Protecting people and the environment
We place the highest priority on the health and safety of our workforce and protection of our assets and the environment. We aim to be admired for world-class performance through disciplined application of our Operational Excellence Management System.

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.

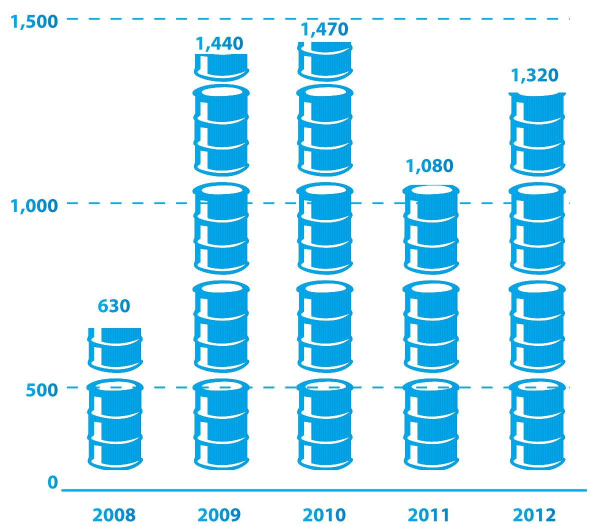
Financial Highlights

Financial Highlights		2012 Rs. 000'	2011 Rs. 000'	%
Turnover		**11,754,046**	11,039,945	6%
Profit BeforeTax		**3,111,457**	2,767,780	12%
Taxation		**854,125**	767,164	11%
Other Comprehensive Income		**30,340**	Nil	-
Profit After Tax and OCI		**2,287,672**	2,0 00,616	14%
Shareholders Funds		**4,125,818**	3,158,145	31%
Property, Plant & Equipment		**215,813**	193,113	12%
Gross Dividends	Rs. 000'	**1,320,000**	1,080,000	22%
Dividend per Share	Rupees	**11.00**	9.00	22%
Earnings per Share	Rupees	**19.06**	16.67	14%
Price Earnings Ratio	Times	**10.60**	10.20	4%
Market Value per Share as at 31st December	Rupees	**202.00**	170.00	19%
Return on Equity	%	**63**	74	(15%)
Net Assets per Share	Rupees	**34.38**	26.32	31%
Total Comprehesive Income to Turnover	%	**19**	18	7%

Profit After Tax and OCI / Rutern on Equity (ROE) Rs. Million



Gross Dividends Rs. Million



Chairman's Review

I am pleased to present the annual report for 2012.

Despite several macroeconomic challenges and the anemic industry growth exacerbated by extreme weather conditions, the Company recorded good results. The profit after tax and other comprehensive income, grew by 14% to Rs 2.3 billion. Four interim dividends were declared during the year amounting in total to Rs 11 per share and this, together with the appreciation of the share price, would amount to a total shareholder return of 24%.

The fact that the above results have been achieved on top of our safety record is no small accomplishment indeed. I am pleased to mention that we have completed a record setting milestone for safe operations by achieving 11 years of incident-free operations in Sri Lanka. As I mentioned last year, this has been achieved through a relentless commitment to instilling best practices and mitigation of risks in all areas of operations.

As I mentioned in my previous report and the subsequent announcement, the company is progressing well on the construction of a new blending plant on a four and half acre block of land, in a leasehold property at Sapugaskanda. We have successfully secured all the necessary approvals including the environmental clearance, and the land leveling has already been completed.

The new plant will be designed to realize further efficiency enhancements by incorporating ATG (Automatic Tank Gauging) and PLCs (Programmable Logic Controllers) for flow path management, smooth material flows throughout the operation and minimization of manual drum handling. It is estimated that the increased capacity of new tanks and additional features of the new plant will result in an estimated 20%-25% increase in capacity. Reinforcing Chevron's commitment to Sri Lanka operations, Ms. Barbara Burger, Global Vice President of Supply Chain visited the country in June 2012 and inspected the new site. The new plant will be ready to commence operations by June 2014.

You will be pleased to know that we continued with our social responsibility programs during the year with a particular emphasis on road safety, as Sri Lanka's traffic related accidents and deaths are a serious social issue. The purpose of our campaign was to make an impact on the behaviour of motorist as well as pedestrians.

Mr. Robert Otteson resigned from the board in August as he had to accept a new position within the Group and relocate to USA. I take this opportunity to thank Mr. Otteson for his valuable contribution and foresight to the success of the Company.

Mr. Daham Wimalasena has informed us that he would not seek re-election, having served on the Board for more than 10 years. I take this opportunity to thank Mr. Wimalasena for his long years of valuable contribution to the Company and wish him good health and happiness.

I would like to welcome Mr. Richard Brown to the Board. He has worked in both upstream and downstream operations of Chevron and comes with a wealth of experience.

> "Despite macroeconomic challenges and the anemic industry growth exacerbated by extreme weather conditions, the Company recorded good results."

I would like to thank my colleagues on the Board who play a key role in guiding the Company. I would also like to thank Mr. Kishu Gomes, his management team and staff for their commitment, teamwork and tireless effort to sustain and grow the business. I also thank our distributors both local and international, our channel partners and customers for their loyalty and our shareholders for their continued support of Chevron Lubricants Lanka.

Farrukh Saeed
Chairman

28 February 2013

Managing Director's Review of Operations

I am pleased to report another successful year of operations with a 6% increase in revenue and 14% increase in the profit after tax and other comprehensive income. These results were achieved despite intense competition, sluggish industry consumption and volatile exchange rates. We faced competition from licensed players and unlicensed players. The volumes generated from the agricultural segment were also affected due to severe weather that caused intense drought and floods in the country. In the face of these challenges, the Company demonstrated remarkable fortitude to overcome and emerge as a more resilient business. We kept our focus on delivering a superior value proposition to the customer backed by our global strength and brand equity. Although volumes came under pressure as a result of increased competition and certain unfair and unethical practices by some of the players, and despite the drastic decline in vehicle imports, we were able to deliver strong results. This is a testament to our position as a market leader having demonstrated vivacity, strength and remarkable resilience amidst a tough operating environment.

Driving Brand Value

During the year, we invested heavily in electronic and print media, and cinema advertising, to create top-of-mind awareness for our cutting-edge products under the Caltex brand portfolio. Leveraging on the new product launch for the special synthetic blend for new generation diesel SUV engines, and the upgrade of our petrol range to the highest API standard in Sri Lanka; we used a focused marketing approach to inform and educate our customer segments about the unique value proposition of each brand.

Being the country's market leader for lubricants, with the highest outlet penetration in the industry, we adopted an aggressive marketing strategy to utilize the branded channel network to deploy integrated communication campaigns with point of sale material used for customized consumer promotions and other integrated campaigns. We also moved forward with plans to implement new dealer board branding across all our retail channels located island-wide, under a massive brand standardization initiative to increase our market visibility. Further, we gained excellent exposure for our brands by being present with advertising during the cricket matches.

Amidst the several new initiatives and marketing projects implemented in 2012, a special channel promotion under the theme 'Caltex Sihina Charika' was launched as part of a reward & recognition program for all our channel partners, who play a critical role and make a significant contribution to the business. Several channel partners were recognized and rewarded based on their perfomance. We believe such trade marketing activities are imperative for the long term success of our business.

Managing Talent

We continued our talent management initiatives through regular training and development programs, which we believe are vital to continuously enhance our organizational capability and create value for our customers. Other talent management initiatives such as the expatriate exchange program and employee engagement activities were conducted throughout the year.

> "We kept our focus on delivering a superior value proposition to the customer backed by our global strength and brand equity."

Special Commendation for Business Excellence

I am pleased to inform you that the Company was awarded the Global Commerce Excellence Award by the Sri Lanka Shippers Council. This was an honour conferred on the Company in recognition of their commitment to the country and consistent contribution to the national economy during the civil war period between the years of 1985-2009.

Future Outlook

The slowdown of vehicle imports especially for petrol and diesel passenger cars will affect the industry. However commercial vehicle imports have recorded a steady growth pattern. The company has also made aggressive plans to exploit the export market potential. Despite the challenges of increased competition, I look forward with optimism to deliver shareholder value.

I would like to thank the Chairman and the Board of Directors for the guidance and support extended in achieving these excellent results. I also wish to thank the Management Team and all our employees for their commitment and our distributors, their staff and channel partners for their confidence and trust in working with Chevron.

Deshamanya Dr. Kishu Gomes
Managing Director/CEO

28 February 2013

Board of Directors

Deshamanya
Dr. Kishu Gomes

Deshamanya
Devasiri Rodrigo

Farrukh Saeed

Anura Perera / Richard Brown / Daham Wimalasena

Board of Directors

Farrukh Saeed
Chairman

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 profit and loss 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 28 years of experience across a variety of business disciplines at Chevron.

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

Deshamanya Dr. Kishu Gomes
Managing Director / Chief Executive Officer

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 currently the President of Lanka Business Coalition on HIV and AIDS and sits on the Board of Sri Lanka AIDS Foundation too.

He counts over 26 years of experience working for US multinationals having started his career at Coca-Cola in 1984.

Anura Perera
Director Finance

Appointed to the Board in 2002, Mr. Perera holds an Honours Degree in Commerce from the University of Kelaniya and Post Graduate certificates in Human Resources Management from Post Graduate Institute of Management. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and functions as the Alternate Chairman of the Business School Committee of 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 22 years of experience in Accounting and Finance. He also functions as a Director of Chevron Ceylon Limited.

Deshamanya Devasiri Rodrigo
Non Executive Director

Desamanya Deva Rodrigo a Fellow member of CA Sri Lanka, 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 presently a Director of Cargills Agriculture and Commercial Bank, Softlogic Holdings PLC and Ceylon Tobacco Company PLC, and serves as the Chairman of their respective Audit Committees.

His public sector appointments include, member of the Monetary Board of the Central Bank of Sri Lanka, member of the Administrative Reforms Committee, National Council for Administration, Presidential Commission on Trade and Tariffs, Telecommunication Regulatory Commission and director of Peoples Bank.

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

Richard Brown

Non Executive Director

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, Richard has worked in many overseas locations including the UK, Norway, Kazakhstan and Angola and visited many others.

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

Daham Wimalasena

Non Executive Director

Graduate of the University of Ceylon. Wide experience in the Corporation Sector including Senior Management positions in the C.W.E, Competent Authority of the Colombo Gas and Water Company, Chairman of Ceylon Petroleum Corporation and Lanka Tankers Limited. from 1977 – 1989. Was also Chairman and Managing Director of the Ceylon Petroleum Corporation, Lanka Tankers and Lanka Marine Services Private Limited from 2002 – 2004.

Also served as an Executive Director of Plantation Management Companies namely Pussellewa Plantations and Maturata Plantations.

Held office in several National Sports Bodies for several years including Vice President of the Board of Control for Cricket in Sri Lanka, President of the Cycling Federation of Sri Lanka and President of the Nationalized Services Cricket Association. Presently he is the Chairman of the Board of Trustees of the Sri Lanka Cricket Foundation and also serves as a Non-Executive Director of Free Lanka Capital Holdings PLC.

Mr. Wimalsena was also a Member of Parliament from 2000-2001.

Management Team

Left to Right (Page 12)

Kishu Gomes
Managing Director /
Chief Executive Officer

Sumith Hewavitharana
Indirect Sales Manager

Erande De Silva
Manager Finance & Planning

Maheshni Hamangoda
Human Resources Manager

Hilary Fernando
Lead Technical Manager

Left to Right (Page 13)

Thushari Weragoda
Laboratory & Quality Assurance Lead

Wijitha Akmeemana
Manager Supply Chain

Anura Perera
Chief Financial Officer / Director

Upali Wijesinghe
Logistics Manager

Thusitha De Silva
Direct Sales Manager

Upuli Kulasiri
Marketing Manager

REAL GLOBAL LOCAL

Chevron Lanka.

We believe in the driving force of human achievement.

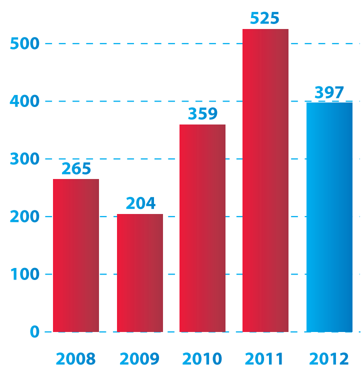
Management Discussion & Analysis

Sri Lanka's Economic Climate

Sri Lanka's economy continued its growth momentum with an estimated GDP (Gross Domestic Product) growth of 6.5% compared to 8.3% recorded in 2011.

In order to address the widening balance of payments gap, the Sri Lanka Government implemented policy changes in February/March 2012. The exchange rate was relaxed allowing currency to float in line with the market forces. This entailed a 7% depreciation of the domestic currency during the first quarter of the year, which was in addition to the 3% currency devaluation in November 2011. The rupee continued to fluctuate and finally rationalize towards the 4th quarter, ending the year with an overall depreciation of 15%. In a bid to further address the widening trade deficit and curb the escalating import bill, the Government introduced austerity measures during the year through the imposition of higher duty on the import of motor vehicles, vans and motorcycles, followed by an increase in fuel prices. Whilst the former severely curtailed vehicle imports to the country, the latter had a ripple impact towards inflation in the economy as energy cost soared.

Total Motor Vehicle Registrations In Thousands



The Government's fiscal and monetary policy measures of increasing duties and tariffs, policy interest rates and curtailing credit expansion by banks via the imposition of credit ceilings did achieve its objectives as the trade deficit narrowed and exchange rate stabilized towards the end of the year. Inflation recorded on an annual average basis was 7.6% (13% YOY increase), while core inflation on an annual average basis was 5.8% (4% YOY increase).

Lubricant Industry Climate

The severity of the macro-economic pressures and the adverse weather conditions prevalent during the year seemingly affected many industries and the lubricant industry was no exception. The duty revision on imported passenger vehicles and motorcycles, the rupee depreciation following a change in foreign exchange policy and the inflationary pressures resulting from the increase in fuel prices, had an immediate adverse impact on the lubricant industry. We believe the industry remained stagnant during the year due to these conditions. The number of lubricant companies remained almost the same, except for one small player exiting the market.

Sales & Marketing

Retail Segment

The retail segment, which comprises primarily of automotive lubricants for passenger cars, vans, trucks, three-wheelers and motor cycles, did not witness a noticeable growth during 2012. In terms of individual product growth, the Havoline brand of oils for motor cycle and three-wheeler engines has seen a notable increase in sales during 2012, while Delo motor oils for Diesel vehicles also witnessed positive growth during the year. Consumers have embraced Delo as a high-quality solution that provides extended running capabilities for heavy duty diesel engine vehicles. The popularity of the brand has grown tremendously and is currently endorsed by many.

In 2012, the Company introduced Havoline XLI, a coolant for motor vehicles and also upgraded the Havoline 4T inclusive of deposit shield technology for motorcycle engines. Havoline 4T is JASO MA2 certified, which is the highest quality performance standard for motor cycle engines. Engine oils for passenger cars were also upgraded to the prestigious API SN grading issued by the American Petroleum Institute (API), which is the highest rating achieved by a lubricant in the Sri Lankan market.

During the year CLLP also introduced a unique 1 litre pack of the Delo sports SUV range of engine oils, the first premium quality, high performance, low viscosity diesel engine oil for SUVs. The product has been well received by consumers and it has made significant progress in terms of capturing this growing niche market. Simultaneously the Havoline low viscosity synthetic range of oils for petrol engines was launched successfully.

During the year CLLP concentrated its marketing efforts to further create awareness of its rich product portfolio and value proposition among diverse customer segments. The distribution channels were streamlined to facilitate greater customer convenience, which would allow customers to transition from traditional captive channels and access CLLP's product offerings exclusively through non-traditional branded channels via the island wide network of high street outlets, oil marts and retail lube centers. Accordingly, the branded channel portfolio was expanded to offer standardized product visibility, consistent technical know-how and uniform service standards to all customers throughout Sri Lanka. These initiatives were supported by comprehensive training programs to educate distributors and channel partners, together with a more focused general media and publicity campaign that was launched to enhance customer awareness of CLLP's product range.

The automotive sector driven largely by the demand generated by Original Equipment Manufacturers (OEM) grew rapidly during the year. This particular sector augmented by the growth of commercial vehicles enjoyed significant growth, particularly due to the influx of vehicles entering the country during the early part of the year prior to the tariff revision. Consequently the demand for premium quality higher-tier lubricant products ascended.

Industrial Segment

In 2012, the Company continued to offer a differentiated value proposition to our industrial customers.

The performance of CLLP's power generation oil category directly correlates to the persistent changes in the country's energy mix comprising of thermal and hydro power. During the year under review Sri Lanka increasingly generated hydro power as a consequence of heavy rain fall, particularly in the hydro catchment areas, while thermal power generation was curtailed to reduce the burden of fuel imports to the economy. Accordingly CLLP's trade volumes to the power generation sector were constrained due to this shift in the country's energy mix.

The transport and construction sectors recorded modest performance during the year. This was primarily due to many large scale projects having reached maturity stage during 2012. Among these projects were the Colombo and Hambantota Port development, the Upper Kotmale power project and some key road construction projects which neared completion. In contrast, the demand for lubricant products in the rubber sector continued to grow, buoyed by the wave of optimism and the rising tide in the world rubber markets. Hence CLLP's trade volumes to this sector continued to grow during 2012.

Export Markets

Bangladesh

In 2012, Bangladesh faced a number of macro-economic issues. The government severely curtailed all non-essential imports into the country during the first half of the year in order to address the shortage of foreign currency, which led to a decline of sales volumes in 2012. However the situation improved in the second half of the year with the relaxation of import restrictions.

From the inception CLLP concentrated on retail penetration in Bangladesh and subsequently in 2010, ventured to the industrial segment which was dominated by the large power generation sector. Since then the Company has successfully established its reputation as a leading lubricant solutions provider, largely augmented by the "Chevron" brand value and complemented by the brand equity of the local partner.

"Engine oils for passenger cars were also upgraded to the prestigious API SN grading issued by the American Petroleum Institute (API), which is the highest rating achieved by a lubricant in the Sri Lankan market."

Management Discussion & Analysis

The Company continued its strategy of further developing the lubricant market in the country and initiated plans to explore the relatively untapped markets in areas beyond Dhaka city by enhancing its presence through greater visibility of the CLLP product range.

Throughout the year, the Company continued to make significant investments to strengthen branding and manage product development to facilitate the requirements of the Bangladesh market. Another notable achievement for CLLP was launching Delo Ultra to the Dhaka market in June 2012. The product featured as a higher-tier lubricant, specifically targeting OEM and retail commercial vehicles. Following the successful launch, a promotional campaign was initiated to improve visibility and create greater awareness on the functional properties of the product.

Maldives

2012 was a year characterized by considerable political and economic instability in the island nation. This was followed by a currency shortage that prevailed for most part of the year. Despite these uncertainties, the Company was able to record a growth in overall sales volume and contribution. During the year, CLLP concentrated on providing its business partners in the Maldives with extensive marketing support, whilst refocusing on potential areas for growth. A series of branding initiatives was carried out during the year to supplement growth. The commitment of the business partners in executing strategies was portrayed by the increased product visibility that resulted in consistent growth during the year.

The Company's Delo and Havoline brands continue to enjoy a significant presence in the Maldives in the key focus segments of high speed diesel power generation and small transport vessels locally known as "Dhonis". The automotive sector has been identified as a fast growing sector with attractive growth potential for the future.

During the year ahead CLLP would continue to strengthen the Company's presence in the key segments while simultaneously exploring and developing emerging sectors. The challenge for the forthcoming year is to ensure all channels are fully explored to effectively realize business synergies.

Supply Chain

Operational excellence is an important aspect of our business ethic. The commitment towards personal health and safety, process safety, environmental stewardship, reliability and efficiency are amongst key priorities at CLLP. We retained our exceptional track record in safety and celebrated 11 years of incident-free operations. The zero recordable injuries and zero days away from work, amplify the Company's commitment towards safety, which has been recognized and commended by Chevron regionally and globally.

Operational capabilities were augmented in response to market opportunities, as new machinery was installed to facilitate smaller packaging sizes, whilst the existing pail filling machinery was upgraded to accommodate the increased demand.

"We retained our exceptional track record in safety and celebrated 11 years of incident-free operations. The zero recordable injuries and zero days away from work, amplify the company's commitment towards safety"

Financial Review

Growth, Profitability and Efficiency

Revenue

The Company recorded a 6.5% growth during 2012 to post revenue of Rs. 11.7 billion in comparison to Rs. 11 billion in 2011, despite several macro-economic constraints which challenged growth of the lubricant industry. The top-line growth is mainly attributed to the price revision that was required in response to the depreciation of the Rupee, which led to an immediate increase in the cost of imports.

The revenue from Maldives recorded growth as export volumes grew despite the political situation and economic pressures encountered during the financial year. In contrast exports to Bangladesh were affected as a result of the import restrictions imposed by the Bangladeshi Government to face the scarcity of foreign currency and a sharp depreciation of the "Taka". Export revenues reached Rs.672 million (2011-Rs.583 million), which included marine sales as well.

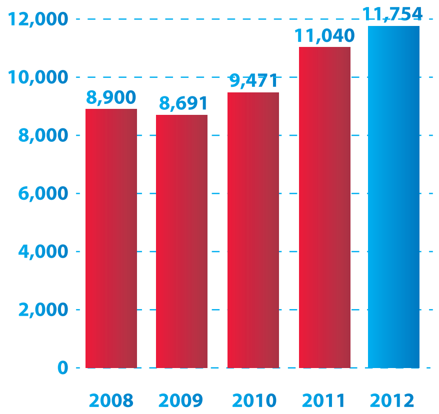
Profit After Tax and Other Comprehensive Income

During the year in review the company recorded a profit after tax and other comprehensive income of Rs. 2,288 million compared to Rs. 2,001 million in 2011, an increase of 14% YOY. The gross profit margin increased to 32.4% from 31.5% (2011), as base oil prices softened during latter part of 2012. However margins of imported finished lubricant products were adversely affected with the imposition of a 6% CESS by the Government which took effect from November 2012. Operating profit increased by 7% in 2012 stemming from the healthy gross margin performance, despite an increase in operational expenditure and a decline in other income compared to 2011. Profit before tax increased to Rs 3,111 million in 2012 from Rs 2,768 million in 2011. A contributory factor which led to the increase in profit before tax apart from the aforementioned facts was the increase in interest income due to higher interest rates as well as augmented cash reserves. Total comprehensive income for the year was boosted by an actuarial gain of Rs 30.3 million related to the retirement benefit obligation.

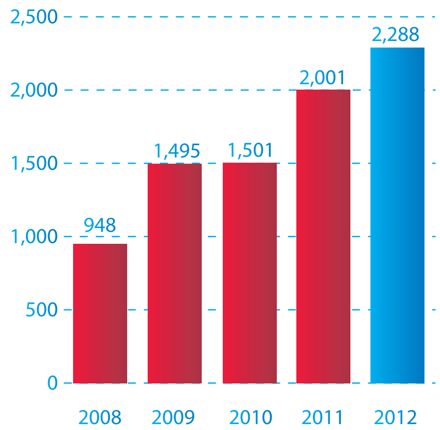
Income Tax

Income tax expense for the year was Rs 854 million, which translates to an effective tax rate of 27.2%. The increase in income tax largely correlates to the growth in profits before tax. However the effective tax rate for 2012 remained marginally below the comparative period in 2011, as the contribution from export profits which entail a lower tax burden was relatively higher.

Revenue
Rs. Millions



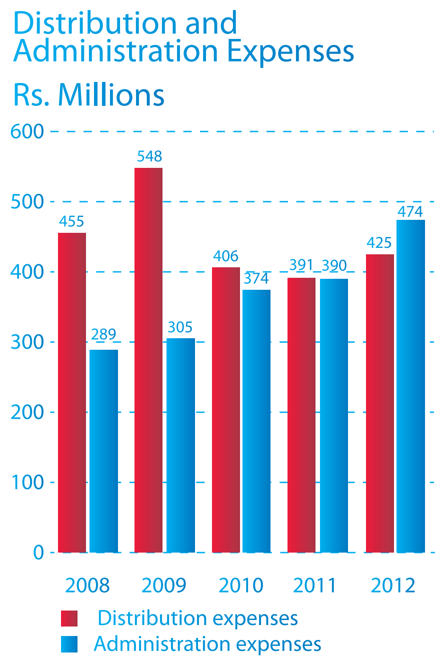
Profit After Tax and OCI
Rs. Millions



Financial Review

Distribution and Administration Expenses

Distribution expenses increased by 9% to Rs 425.4 million from Rs 390.5 million recorded in 2011. The increase in distribution expenses was largely due to the increases in transportation cost and utility expenses stemming from the rise in fuel prices and an increased investment in advertising and promotional expenditure to support sales and marketing activities. Administration expenses increased by 21% to Rs 473.5 million from Rs 389.9 million recorded in 2011. The increase in administration expenses was mainly due to increase in group service charges and depreciation of the rupee.



Liquidity

Working Capital

Raw material inventory increased by Rs 19 million due to timing effects of imports, despite a relatively lower cost of acquisition towards the culmination of financial year 2012. The finished goods inventory increased by Rs 243 million to Rs 590 million in 2012 from Rs 348 million recorded in 2011. The sharp increase in finished goods inventory was associated to the lower trade volumes recorded during the latter period of the year as a consequence to the adverse weather conditions that stifled distribution activities. However the Company predominantly managed to maintain an aggressive finished goods inventory cover during the year in review.

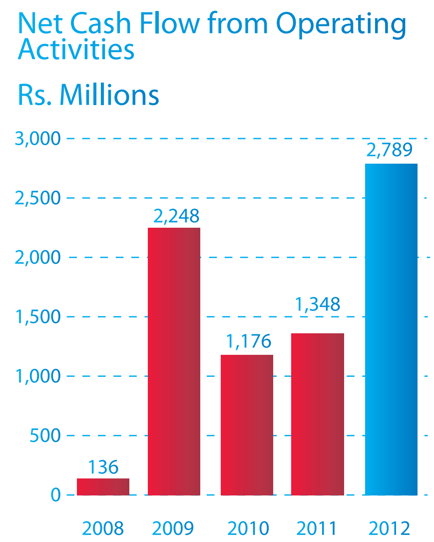
Trade receivables declined by Rs.186 million parallel to revenue recorded during the latter period of 2012. The robust credit control policies deployed helped improve the number of days sales outstanding (DSO) to 30 days in 2012 from 31 days in 2011.

The Company maintained a strong liquidity position recording a current ratio of 3.25 and a quick asset ratio of 2.02 in 2012.

Cash Flow

Cash generated from operating activities improved by Rs 1,407 million in 2012, due to growth in operating profits, and healthy working capital management. Consequently, net cash generated from operating activities during the period augmented to Rs 2,789 million compared to Rs 1,348 million in 2011.

Four interim dividends totaling Rs 1,320 million were declared during the year. The last interim dividend of Rs 3.00 for the year was paid on 09th of January 2013. The cash payout of Rs 1,380 million, consisted of Rs 960 million declared of current year profits and the last interim dividend of Rs 420 mn pertaining to 2011.

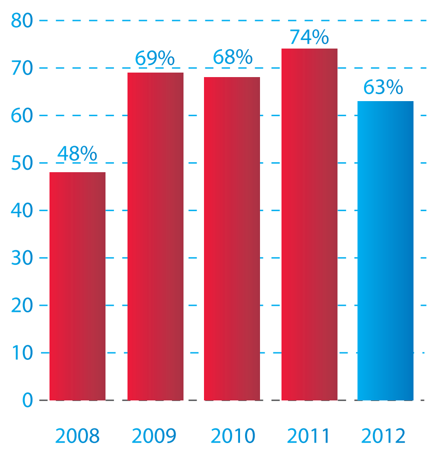


Stability and Investor Return

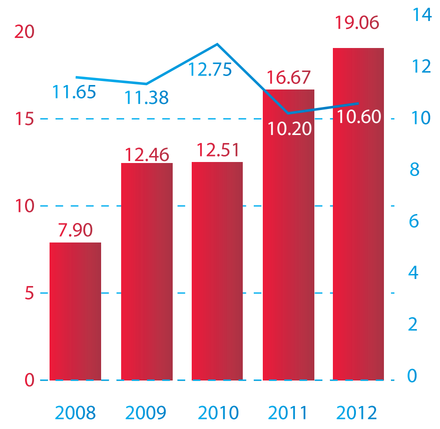
Financial Stability

Despite a robust growth in profit after tax, the return on equity declined to 63% in 2012 (from 74% in 2011), mainly due to build up of cash and cash equivalents. Earnings per share climbed steadily by 14% to record Rs.19.06 in 2012 compared to Rs.16.67 in 2011.

ROE



EPS & PE



Investor Return

Dividend per share amounted to Rs.11 which translates to a dividend yield of 5.5% based on the share price recorded end December 2012, whilst capital growth via appreciation of market share price amounted to 18.8% resulting in a total shareholder return of 24.3% in 2012 compared to 12% in 2011.

Quarterly Results

A summary of the quarterly results for 2012 and 2011 based on the quarterly financial statements submitted to the Colombo Stock Exchange (CSE) are tabulated below.

(All amounts in Rs. Millions)

	2012				2011			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Turnover	3,336	2,560	2,996	2,862	2,457	2,524	3,084	2,975
Gross profit	1,093	887	930	894	759	788	1,018	909
Operating profit	909	672	675	661	576	584	820	745
Finance income	31	57	46	60	5	2	15	22
Profit Before Tax	923	728	722	738	575	581	835	777
Profit After Tax and OCI	661	533	522	572	413	423	603	562

REAL GLOBAL LOCAL

Chevron Lanka.

It's about our ambition, our passion and our desire to succeed.

Corporate Social Responsibility Report

Chevron contributes to the economic and social well-being of people in the countries where we operate. Our investments in communities also are investments in the long-term success of our Company, designed to deliver mutual benefit and promote shared progress.

Caltex Road Safety Campaign

Drive Wise & Embrace Life. Safety is a driver's 1st priority

In recent years, the growing volume of vehicles in the country has given rise to an alarming increase in the number of road accidents resulting in as many as 6-7 fatalities on any given day due to lack of road safety awareness. The initial road safety awareness campaign conducted by CLLP in 2009 was conducted in tandem with these goals. In the year under review, the Company reinstated the program and embarked on a massive campaign to help improve commuter safety and reduce the number of road accidents and fatalities in the country. Using multiple electronic mediums to deliver powerful messages to the masses, in May 2012, CLLP together with the Sri Lanka Traffic Police launched an island wide campaign titled "Caltex Drive Wise & Embrace Life". The new initiative was designed to change the behaviour and attitude of the motorist as well as pedestrians. Prominent visual aids advocating the importance of road safety were displayed across Sri Lanka. CLLP's entire branded channel network was activated to showcase messages on road safety, supported by visual advertisements, cutouts and posters.

The campaign also included road safety leaflets to schools to highlight the significance of road safety among the student population. CLLP also conducted a series of ground-level tactical awareness programs at central traffic

points in Colombo and strategic entry points to Colombo city. The visual aids displayed as part of this awareness program made a convincing case for road safety via the shocking statistics and compelling graphical images.

Health Camps for Vulnerable communities

CLLP's health related projects are intended to bring about better general health practices among the mass population. Accordingly in 2012, CLLP embarked on a general health campaign to uplift the standard of health in a number of vulnerable coastal and fishing communities in the Northern, Eastern and Southern regions of the country. The series of camps, which reached over 1,500 people during the year, included onsite general health examinations and compulsory diabetes testing for all participants.

Corporate Social Responsibility Report

"Caltex, Right to Live" – HIV and AIDS prevention

Under the stewardship of CLLP's Managing Director/CEO, Mr. Kishu Gomes, the President of the Lanka Business Coalition on HIV and AIDS, the company has been at the forefront of HIV and AIDS prevention in the country for several years. CLLP has continuously advocated the critical importance of HIV and AIDs prevention in Sri Lanka. Our initiatives in this area are spearheaded by the "Caltex, Right to Live" forums conducted in partnership with Lanka Business Coalition on HIV and AIDS. All programs are structured to increase the level of awareness and emphasize the importance of reducing the risk of HIV and AIDS infections across the country. The sessions, which are conducted regularly, are designed to reach a wider nationwide audience including local and regional company employees, business partners, community partners and the general public. CLLP expects to continue with and further expand on this ongoing Corporate Social Responsibility (CSR) initiative into the foreseeable future.

Donation of Air Mattresses to the National Hospital of Sri Lanka

CLLP's tireless efforts in serving the most pressing needs of the community have led to some unique project commitments over the years. In 2012, CLLP donated a batch of air mattresses to the Surgical Intensive Care Unit (SICU) at the National Hospital of Sri Lanka. These air mattresses are intended to protect post-recovery patients from developing bed sores and deep vein thrombosis caused by prolonged periods of immobility.

Donation towards the 'Nana Guna Thilina' Presidential Book Project

CLLP continued in the efforts to create greater social development in the country by assisting the Government in its mission to create a stable educational platform in Sri Lanka. Accordingly, the Company demonstrated its support towards the 'Nana Guna Thilina' national book donation project. This is a presidential initiative that promotes the concept of free education in the country by facilitating learning and development for hundreds of school children from less privileged communities. For the third consecutive year, CLLP made a substantial investment in aid of this National book donation drive. The Company has always stressed the importance of making a meaningful contribution towards educational development. Hence this year's donations included a range of insightful and developmental reading materials such as encyclopedias in addition to the standard educational materials.

Caltex ‘Water & Life’ book donation to school libraries

With the aim of showcasing the rich diversity of Sri Lanka’s national hydro-cultural heritage, CLLP together with the Mihindu Cultural Foundation published a highly informative and pictorial encyclopedia entitled “Water and Life”. The book contains an array of images depicting Sri Lanka’s extraordinary aquatic ecosystem, together with other vital educational information related to ”Water & Life”.

The tri-lingual publication is an initiative to promote environmental consciousness at a grass root level starting with the student population in Sri Lanka. In 2012, the Company made over 1,000 donations of this book to school libraries, primarily in the North, and North Central provinces of the country.

Corporate Governance

The Board of Directors of the CLLP 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 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 the 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 are 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 Managing Director are excluded in determining the Directors to retire. The person who has served for the longest period has to retire but is eligible for re-appointment.

The Board met 4 times during 2012 and the attendance is given below;

		Attended
Farrukh Saeed	NED	4/4
Kishu Gomes	ED	4/4
Anura Perera	ED	4/4
Daham Wimalasena	NED/IND	4/4
Robert Otteson (resigned w.e.f on 3.09.2012)	NED	2/2
Deva Rodrigo	NED/IND	4/4
Richard Brown (Appointed w.e.f on 9.11.2012)	NED	1/1

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

Board Audit Committee

This Committee which was established in November 1999 functions under a written charter, and consists of two Non-Executive Directors namely Deva Rodrigo (Chairman) and Daham Wimalasena. 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 2012 and the attendance is given below

	Attended
Deva Rodrigo*	4/4
Daham Wimalasena	4/4

*Chairman of Audit Committee

Audit Committee Report is given in page 41.

Remuneration Committee

Remuneration committee consists of three Non-Executive Directors. Daham Wimalasena (Chairman), Deva Rodrigo and Richard Brown (appointed w.e.f. on 9th November 2012). This Committee reviews the salary program of executive employees, including the Executive Directors.

	Attended
Daham Wimalasena*	1/1
Deva Rodrigo	1/1
Robet Otteson (resigned w.e.f on 3.09.2012)	-
Richard Brown (Appointed w.e.f on 9.11.2012)	1/1

* Chairman of the Committee

Directors Remuneration

Total remuneration paid to Executive and Non-Executive Directors are given in page 55 and the report of the Remuneration Committee is given in page 42.

Management Structure

Clearly defined limits of authority have been delegated to the Managing Director and the General Managers. The Leadership Team consists of the Managing Director and the Heads of Functions of Finance, Supply Chain, and Sales and Marketing. 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.

Chevron Business Conduct and Ethics Code

The above code describes our policies both on the way we conduct ourselves and the way we do business. As a subsidiary of Chevron Corporation all the employees of the Company are required to adhere to the code which covers the areas of internal controls, conflicts of interest, improper payments and gifts, Government relations, multinational operations, protecting people and the environment, Antitrust laws, privacy of personal information, information protection and management of intellectual property assets. Training is provided to employees and a well defined process in place to monitor compliance. Group Internal Audit separately reviews compliance apart from the review of internal controls and financial records.

The Chevron Business Conduct and Ethics code directs any employee having information or knowledge of any unrecorded fund or asset or any prohibited act 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.

Investor Relations

Annual Report of the Company, quarterly reports and the Annual General Meetings (AGMs) are the principal means of communications with the shareholders. The Board is ready to answer any questions raised at the Annual General Meetings.

Protection of People and the Environment

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

Compliance with section 7.10 of the 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, (except for the period from 3rd September to 9th November) there were 4 Non-Executive Directors. Mr. Robert L Otteson resigned on 3rd September 2012 and subsequently Mr. Richard Brown was appointed to the Board on 9th November 2012.
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. This exceeds the stipulated minimum.
7.10.2 (b)	Independent Directors	Non Executive Directors should submit an annual declaration of his/ her independence/non independence against specified criteria.	Compliant	

Corporate Governance

Rule No	Subject	Criteria	Compliance Status	Details
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 as per 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 its determination.	Not Applicable	No such determination was required as all three 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 to 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.	Compliant	The Board complies with this requirement when new appointments are made.
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee.	Compliant	Please refer to the Remuneration Committee Report on page 42.
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 Remuneration Committee Report appearing on page 42.
7.10.5 (C)	Disclosure relating to Remuneration Committee	Annual report shall set out the names of Directors in the RC, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Please refer to the Remuneration Committee Report appearing on page 42.

Rule No	Subject	Criteria	Compliance Status	Details
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 Officer 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 on Page 28.
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 out the manner of compliance of the functions	Compliant	Please refer to the Audit Committee report on page 41.

Other Directorships held by Directors

Name of the Director	Name of the Company	Position held
Deva Rodrigo	1. Softlogic Holdings PLC 2. Ceylon Tobacco Company PLC 3. Cargills Agriculture 4. Commercial Bank	Non Executive Director Non Executive Director Non Executive Director Non Executive Director
Daham Wimalasena	Free Lanka Capital Holdings	Non Executive Director
Kishu Gomes	Chevron Ceylon Limited	Managing Director
Anura Perera	Chevron Ceylon Limited	Director/ Company Secretary

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 severity, risk response and periodic monitoring.

The audit committee spearheads the risk management process through periodic assessment and monitoring, which cascades to the management committee for implementation and execution. Risk management is deeply rooted and embedded in the corporate culture at Chevron.

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.

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

Business Risk

Loss of Volumes/ Market Share

Company faces the risk of losing volumes due to intense competition from the existing players in the industry as well as new entrants if the Government allows more players into the industry. Competitors may resort to price undercutting to gain market share.

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 could be affected due to the political unrest and macroeconomic scenarios in Maldives and Bangladesh.

Risk Response

Company manages these risks through customer and channel partner education, 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 warehousing, distribution and drum fabrication have been outsourced. Any business disruptions in the operations of the business partners may affect the Company's operations.

Risk response

Company maintains excellent relationships with the business partners and shares best practices with them. 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. 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.

REAL GLOBAL LOCAL

Chevron Lanka.

We work relentlessly to exceed the accepted parameters of excellence.

Financial Report

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Financial Calendar 2012

Dividends

First Interim	27th April 2012
Second Interim	10th August 2012
Third Interim	20th November 2012
Fourth Interim	9th January 2013

Interim Financials

First Quarter ended 31st March 2012	15th of May 2012
Second Quarter ended 30th June 2012	20th of July 2012
Third Quarter ended 30th September 2012	30th of October 2012
Fourth Quarter ended 31st December 2012	8th of February 2013

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 2012.

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 2012 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, Balance Sheet, Statement of Changes in Equity, Cash flow Statement and notes to the financial statements are given on pages 44 to 71

Accounting Polices

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 profit after tax and other comprehensive income of Rs. 2.3bn (2011-Rs.2bn), 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 44 and 46 respectively.

Dividends

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

First Interim Dividend	-	Rs. 3.00 per share paid on 27th April 2012
Second Interim Dividend	-	Rs. 3.00 per share paid on 10th August 2012
Third Interim Dividend	-	Rs. 2.00 per share paid on 20th November 2012
Fourth Interim Dividend	-	Rs. 3.00 per share paid on 9th January 2013

No final dividend has been proposed by the Board.

Property, Plant & Equipment

Capital expenditure incurred during 2012 including work-in-progress amounted Rs.67,627,055 (2011: Rs. 20,793,501). The movements in Property, Plant & Equipment are given in Notes to the Accounts.

Donations

Donations made by the Company during the year amounted to Rs. Nil (2011:Rs. 1,322,703). This is excluding the expenses charged to earnings on social responsibility programs which amounted to Rs.12,765,575 (2011:Rs.11,214,046). 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 2012:

Farrukh Saeed
Kishu Gomes
Daham Wimalasena
A.M.Anura Perera
Deva Rodirgo
Robert L Otteson (resigned w.e.f 3/09/2012)
Richard Brown (appointed w.e.f 9/11/ 2012)

Annual Report of the Directors

In terms of Clause 91 of the Articles of Association of the Company, Richard Brown ceases to be a director and being eligible, offers himself for re-election.

As per section 210 of the Companies Act no 7 of 2007, Mr. Daham Wimalasena ceases to be director.

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

Anura Perera 400 (31.12.2011 – 400).

None of the other Directors hold shares in the Company.

Directors Independence
Daham Wimalsena and Devasiri Rodrigo 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 Daham Wimalasena and Deva Rodrigo 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 29 to 31.

Remuneration and other benefits of Directors
The remuneration and value of other benefits of Directors are given in page 55.

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 31. These have been entered in the Interest Register.

Related Party Transactions
The Company procures most of raw materials from Chevron group companies in the ordinary course of business. In addition the Company pay for various services provided by the group. The value of purchases of products from Chevron Singapore (Private) Limited , Chevron Oronite (Private) Limited and Chevron Thailand Limited exceed 5% of the equity .The details of such transactions are given in notes 25 to the financial statements.

Share Capital and information on shares as at 31 December

	2012 **Rs**	2011 Rs
Earnings Per Share	**19.06**	16.67
Net Assets Per Share	**34.38**	26.32
Market price per Share	**202.00**	170.00
Highest Price during the Year	**205.20**	173.50
Lowest Price during the Year	**160.00**	156.00
Price Earnings Ratio	**10.60**	10.20
Dividends Per Share	**11.00**	9.00

Major Shareholders
The twenty largest shareholders and the percentages held by them are disclosed on page 75.

Reserves
Retained earnings of the Company as at 31.12.2012, amount to Rs. 3,526 million (31.12.2011 – Rs. 2,558 million). 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 framework as described above the Board is satisfied with the effectiveness of the internal controls for the period under review.

Statutory Payments
The Board of Directors confirm that to the best of their knowledge 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. 1,512,415 (2011:Rs. 1,374,956) as audit fees and Rs. 120,000 (2011:Rs. 90,000) 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 Meting
The Annual General Meeting will be held at the auditorium of Sri Lanka Institute of Tourism & Hotel Management, 78, Galle Road, Colombo 3 on Wendsday, 27th March 2013 at 3.30 p.m.

By order of the Board

Kishu Gomes
Managing Director / CEO

A. M. Anura Perera
Director / Secretary

28 February 2013

Statement of Directors Responsibility

Companies Act 7 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 Balance Sheet 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 Sri Lanka 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's financial records and data, as well as the minutes of directors' meetings.

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

Audit Committee Report

Composition

The Audit Committee comprising Desamanya Devasiri Rodrigo (Chair) and Daham Wimalasena 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 the industry 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, Sri Lanka SEC and best practice requirements.

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 included evaluating the performance of the internal audit function and of the external auditors and oversight of 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 including one without the presence of any executive directors.

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

Sgd,
Devasiri Rodrigo
Chairman
Audit Committee

28th February 2013

Report of the Remuneration Committee

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 of CLLP's functional leaders is evaluated by the regional functional heads in Singapore. Based on this policy, the regional TR group proposes annual salary increases to each employee.

The Remuneration Committee is satisfied with the salary reviews granted by this process except for the remuneration of higher grades who in the opinion of the Committee should be benchmarked with a representative group of comparator companies in Sri Lanka.

The official inflation rates do not represent the increase in the living costs of most employees. Therefore a better yardstick will have to be used to determine salary increases in the future. Since non cash benefits offered to employees have not been revised since 2004, a review of those is also recommended by the Remuneration Committee.

The aggregate remuneration paid to executive and non- executive Directors is given on page 55.

Sgd.
Daham Wimalasena
Chairman, Remuneration Committee

28 February 2013

Independent Auditor's Report

To the shareholders of Chevron Lubricants Lanka PLC

Report on the Financial Statements

1 We have audited the accompanying financial statements of Chevron Lubricants Lanka PLC, which comprise the balance sheet as at 31 December 2012, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements as set out on pages 44 to 71.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

4 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2012 and of its results and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards (SLFRSs).

Report on Other Legal and Regulatory Requirements

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

28 February 2013
Colombo

Chartered Accountants

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 December 2012	2011
Sales	5	**11,754,046,112**	11,039,945,418
Cost of sales		**(7,949,962,149)**	(7,565,448,536)
Gross profit		**3,804,083,963**	3,474,496,882
Other operating income	8	**12,294,729**	31,176,114
Distribution expenses		**(425,356,670)**	(390,500,092)
Administrative expenses		**(473,547,778)**	(389,940,738)
Operating profit	6	**2,917,474,244**	2,725,232,166
Finance income	9	**194,291,635**	44,009,190
Finance costs	9	**(308,887)**	(1,461,100)
Finance income - net	9	**193,982,748**	42,548,090
Profit before tax		**3,111,456,992**	2,767,780,256
Tax	10	**(854,124,891)**	(767,164,188)
Profit for the year		**2,257,332,101**	2,000,616,068
Other comprehensive income:			
Actuarial gain on retirement benefit obligations	20	**30,340,348**	Nil
Total comprehensive income for the year		**2,287,672,449**	2,000,616,068
Earnings per share attributable to the owners of the Company during the year			
(expressed in LKR per share)			
Basic earnings per share	11	**19.06**	16.67

Notes on pages 48 to 71 form an integral part of these financial statements
Report of the independent auditors' on page 43

Balance Sheet

(all amounts in Sri Lanka Rupees)	Notes	As at 31 December	
		2012	2011
Assets			
Non-current assets			
Property, plant and equipment	13(a)	**215,813,246**	193,112,940
Trade and other receivables	14	**94,108,948**	86,042,446
Deferred income tax assets	16	**1,341,170**	5,204,729
		311,263,364	284,360,115
Current assets			
Inventories	17	**2,132,117,702**	1,870,032,279
Trade and other receivables	14	**986,882,321**	1,187,466,124
Cash and cash equivalents	18	**2,517,244,003**	1,012,060,416
		5,636,244,026	4,069,558,819
Total assets		**5,947,507,390**	4,353,918,934
Equity and liabilities			
Capital and reserves			
Stated capital	19	**600,000,000**	600,000,000
Retained earnings		**3,525,817,833**	2,558,145,384
		4,125,817,833	3,158,145,384
Non-current liabilities			
Retirement benefit obligations	20	**87,328,145**	101,769,102
		87,328,145	101,769,102
Current liabilities			
Trade and other payables	21	**1,257,496,675**	721,439,537
Current income tax liabilities		**476,864,737**	372,564,911
		1,734,361,412	1,094,004,448
Total liabilities		**1,821,689,557**	1,195,773,550
Total equity and liabilities		**5,947,507,390**	4,353,918,934

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 28 February 2013.

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 / Chief Executive Officer

A.M Anura Perera
Director / Chief Financial Officer

Erande De Silva
Manager - Finance and Planning

Notes on pages 48 to 71 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 2011		600,000,000	1,637,529,316	2,237,529,316
Profit for the year		Nil	2,000,616,068	2,000,616,068
Other comprehensive income for the year		Nil	Nil	Nil
Transactions with owners				
- Dividends	12	Nil	(1,080,000,000)	(1,080,000,000)
Balance at 31 December 2011		**600,000,000**	**2,558,145,384**	**3,158,145,384**
Balance at 1 January 2012		600,000,000	2,558,145,384	3,158,145,384
Profit for the year		Nil	2,257,332,101	2,257,332,101
Other comprehensive income for the year		Nil	30,340,348	30,340,348
Transactions with owners				
- Dividends	12	Nil	(1,320,000,000)	(1,320,000,000)
Balance at 31 December 2012		**600,000,000**	**3,525,817,833**	**4,125,817,833**

Notes on pages 48 to 71 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	As at 31 December 2012	2011
Cash flows from operating activities			
Cash generated from operations	24	**3,535,565,541**	2,128,600,669
Interest paid		**(308,887)**	(1,461,100)
Retirement benefits paid	20	**(701,039)**	(25,005,726)
Income tax paid		**(745,961,506)**	(753,769,482)
Net cash generated from operating activities		**2,788,594,109**	1,348,364,361
Cash flows from investing activities			
Purchase of property, plant and equipment	13(a)	**(67,627,055)**	(20,793,501)
Proceeds from disposal of property, plant and equipment		**4,563,477**	12,654,135
Interest received		**159,653,056**	35,685,487
Net cash generated from investing activities		**96,589,478**	27,546,121
Cash flows from financing activities			
Dividends paid		**(1,380,000,000)**	(1,020,000,000)
Net cash used in financing activities		**(1,380,000,000)**	(1,020,000,000)
Net increase in cash and cash equivalents		**1,505,183,587**	355,910,482
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		**1,012,060,416**	656,149,934
Increase in cash and cash equivalents		**1,505,183,587**	355,910,482
Cash and cash equivalents at end of year	18	**2,517,244,003**	1,012,060,416

Notes on pages 48 to 71 form an integral part of these financial statements
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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 28th February 2013.

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). The financial statements are prepared under the historical cost convention. These are the Company's first annual financial statements prepared in accordance with SLFRSs as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation of financial statements in conformity with SLFRS 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.

The Company's financial statements were prepared in accordance with previously applicable Sri Lanka Accounting Standards (SLASs) until 31 December 2011. The presentation and classification of figures for the corresponding period of the previous year have been amended to be comparable with those for the current year.

The Company's first time adoption did not have an impact on measurement of equity, comprehensive income and cash flows for prior periods. Therefore, as required by SLFRS 1 First - time Adoption of Sri Lanka Accounting Standards (SLFRSs), reconciliation on transition from previous accounting standards to SLFRSs is not shown.

2.2 Changes in accounting policy and disclosures

New standards, amendments and interpretations issued but not effective for the financial year and not early adopted.

(i) SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs.

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	5.00 - 18.00
Leasehold buildings	2.22 - 10.00
Storage tanks and pipe lines	6.25 - 18.00
Plant and machinery	6.25 - 18.00
Office furniture and equipment	10.00 - 20.00
Motor vehicles	16.67 - 20.00
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 operating 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 balance sheet date. 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 balance sheet.

(b) Recognition and measurement of financial asset

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 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 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 balance sheet, 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 is liable to pay gratuity to its eligible staff in accordance with the Gratuity Act, No. 12 of 1983, which is a defined benefit plan.

The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet 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 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 substantially enacted at the balance sheet date.

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 substantially enacted by the balance sheet 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 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*

Sales 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.

2.15 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.

2.16 Comparatives

• Long term refundable deposits previously disclosed under other receivables are now shown under non current receivables.

• Interest received from bank deposits and government securities previously disclosed under cash flows from operating activities are now shown under cash flows from investing activities.

Management believes that above reclassifications give a fairer presentation.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks. Market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial risks and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is performed by the finance department under policies approved by the board of directors.

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

(a) 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.

As at 31 December 2012, if LKR had weakened by 1% against USD with all other variables held constant, will result in foreign exchange loss of LKR 671,299.

(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.

(c) Liquidity risk

Cash flow forecasting is performed by the finance division. The finance division monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Surplus cash held over and above balance 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 Rs 701,829,670 (2011- Rs 659,619,985) and other liquid assets of Rs 2,715,040,765 (2011- Rs 1,437,901,168) 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 balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2012	Less than 1 year	Total
Trade and other payables (excluding statutory liabilities)	1,193,563,455	1,193,563,455
At 31 December 2011		
Trade and other payables (excluding statutory liabilities)	644,425,694	644,425,694

(d) 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, capital is monitored on the basis of the gearing ratio. The Company has not obtained any debt facilities (other than bank overdrafts) to finance operations over the past 5 years.

4 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

4.1 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.

4.2 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 pension 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 gratuity obligations are based in part on current market conditions, additional information is disclosed in Note 20.

4.3 Allowance for doubtful debts

The Company assesses at the date of balance sheet 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.

5 Sales

Sales are arrived at as follows:

	2012	2011
Gross sales	**13,090,838,077**	12,300,102,353
Less: Value Added Tax	**(1,336,791,965)**	(1,260,156,935)
Net sales	**11,754,046,112**	11,039,945,418

6 Expenses by function

The following items have been charged in arriving at operating profit:

	2012	2011
Directors' emoluments		
- executive	**32,663,890**	29,834,489
- non executive	**2,032,532**	1,939,558
Auditors' remuneration		
- audit	**1,512,415**	1,374,956
- non audit	**120,000**	90,000
Depreciation on property, plant and equipment [Note 13(a)]	**43,836,111**	47,306,892
Amortisation of marketing support fee paid [Note 14(e)]	**24,169,982**	15,035,022
Reversal of impairment loss on trade receivables [Note 14(g)]	**Nil**	(1,901,535)
Property, plant and equipment written off	**1,090,638**	513,112
Write off of inventory [Note 17(c)]	**7,484,107**	Nil
Repair and maintenance expenditure	**2,126,236**	7,978,341
Operating lease rentals - property	**45,313,777**	39,539,115
Employee benefit costs (Note 7)	**189,485,110**	185,555,508
Other expenses	**8,499,031,799**	8,018,623,908
Total cost of sales, distriution and administration expenses	**8,848,866,597**	8,345,889,366

7 Employee benefit costs

	2012	2011
Salaries and wages	**152,550,129**	149,181,632
Contribution to defined contribution plans	**20,334,551**	18,543,352
Contribution to defined benefit obligations (Note 20)	**16,600,430**	17,830,524
	189,485,110	185,555,508

Number of persons employed by the Company at year end:

Permanent employees	**82**	82
Contract employees	**5**	1
	87	83

Notes to the Financial Statements continued

8 Other operating income

	2012	2011
Scrap sales	**3,112,116**	2,026,762
Write back of over provision for defined benefit obligation	**Nil**	9,044,540
Write back of unassigned credit balances in debtors ledger	**4,619,136**	7,649,492
Profit on disposal of property, plant and equipment	**4,563,477**	12,455,320
	12,294,729	31,176,114

9 Finance income and costs

	2012	2011
Finance income:		
Interest income on short term deposits	**159,653,056**	35,685,487
Net foreign exchange gain	**34,638,579**	8,323,703
	194,291,635	44,009,190
Finance costs:		
Interest expense on bank overdraft	**(308,887)**	(1,461,100)
Finance income - net	**193,982,748**	42,548,090

10 Tax

	2012	2011
Current tax	**856,835,365**	757,453,919
Deferred tax (Note 16)	**3,863,559**	10,040,305
Over provision for income tax in respect of previous years	**(6,574,033)**	(330,036)
	854,124,891	767,164,188

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:

Profit before tax	**3,111,456,992**	2,767,780,256
Tax calculated at a tax rate of 28% (2011 - 28%)	**871,207,958**	774,978,472
Effect of different tax rates	**(30,016,666)**	(20,049,860)
Income not subject to tax	**(3,194,477)**	(4,419,036)
Expenses not deductible for tax purpose	**22,702,109**	16,984,648
Over provision for income tax in respect of previous years	**(6,574,033)**	(330,036)
Tax charge	**854,124,891**	767,164,188

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.

	2012	2011
Profit attributable to shareholders	**2,287,672,449**	2,000,616,068
Number of ordinary shares in issue at 31 December (Note 19)	**120,000,000**	120,000,000
Basic earnings per share	**19.06**	16.67

12 Dividends

	2012	2011
Interim dividend of Rs 11.00 per share for 2012 (2011 - Rs 9.00 per share)	**1,320,000,000**	1,080,000,000

13 (a) 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
At 31 December 2011									
Cost	8,613,637	59,394,107	85,510,103	248,806,020	99,266,438	32,699,168	35,938,287	4,314,920	574,542,680
Accumulated depreciation	(4,921,337)	(47,898,976)	(39,622,743)	(147,788,434)	(84,684,788)	(31,387,368)	(25,126,094)	Nil	(381,429,740)
Net book amount	3,692,300	11,495,131	45,887,360	101,017,586	14,581,650	1,311,800	10,812,193	4,314,920	193,112,940
Year ended 31 December 2012									
Opening net book amount	3,692,300	11,495,131	45,887,360	101,017,586	14,581,650	1,311,800	10,812,193	4,314,920	193,112,940
Additions	Nil	Nil	Nil	16,841,251	575,966	25,816,000	2,831,137	21,562,701	67,627,055
Transfers	Nil	Nil	Nil	Nil	Nil	Nil	4,314,920	(4,314,920)	Nil
Write offs at cost	(145,000)	Nil	(80,750)	(5,156,035)	(38,935,873)	(23,985)	(4,655,207)	Nil	(48,996,850)
Accumulated depreciation on write offs	74,326	Nil	61,310	4,573,776	38,567,477	23,985	4,605,338	Nil	47,906,212
Disposals at cost	Nil	Nil	Nil	Nil	(222,821)	(15,112,978)	Nil	Nil	(15,335,799)
Accumulated depreciation on disposal	Nil	Nil	Nil	Nil	222,821	15,112,978	Nil	Nil	15,335,799
Depreciation charge (Note 6)	(617,398)	(2,330,271)	(7,464,091)	(16,746,525)	(7,258,047)	(4,249,539)	(5,170,240)	Nil	(43,836,111)
Closing net book amount	3,004,228	9,164,860	38,403,829	100,530,053	7,531,173	22,878,261	12,738,141	21,562,701	215,813,246
At 31 December 2012									
Cost	8,468,637	59,394,107	85,429,353	260,491,236	60,683,710	43,378,205	38,429,137	21,562,701	577,837,086
Accumulated depreciation	(5,464,409)	(50,229,247)	(47,025,524)	(159,961,183)	(53,152,537)	(20,499,944)	(25,690,996)	Nil	(362,023,840)
Net book amount	3,004,228	9,164,860	38,403,829	100,530,053	7,531,173	22,878,261	12,738,141	21,562,701	215,813,246

(b) Property, plant and equipment include fully depreciated assets, the cost of which at 31 December 2012 amounted to Rs 163,027,103 (2011 - Rs 170,746,701).

(c) Depreciation expense of Rs 28,467,364 (2011 - Rs 26,875,682) has been charged in cost of goods sold, Rs 4,460,980 (2011 - Rs 3,932,314) as administrative expenses and Rs 10,907,769 (2011- Rs 16,498,896) as selling and distribution expenses.

(d) Capital work in progress mainly comprises of cost of site preparation and professional fees for blending facility at Sapugaskanda amounting to Rs 16,011,900 (2011- Rs Nil).

14 Trade and other receivables

	2012	2011
Trade receivables	**913,193,730**	1,099,028,035
Less: provision for impairment of trade receivables	**(13,567,298)**	(13,567,298)
Trade receivables - net	**899,626,432**	1,085,460,737
Receivable from related parties [Note 25 (d)(i)]	**18,454,058**	15,404,635
Prepayments	**15,918,347**	3,634,784
Deposits	**24,195,390**	11,665,390
Staff loans [refer (d) below]	**22,652,127**	17,748,755
Marketing support fee paid to service centre operators [refer (e) below]	**79,740,547**	82,774,525
Other receivables [refer (c) below]	**20,404,368**	56,819,744
Total trade and other receivables	**1,080,991,269**	1,273,508,570
Less: non current portion		
Staff loans	**17,217,603**	13,008,747
Marketing support fee paid to service centre operators	**52,695,955**	61,368,309
Deposits	**24,195,390**	11,665,390
Total non current portion	**94,108,948**	86,042,446
Current portion	**986,882,321**	1,187,466,124

(a) Trade receivables by credit quality:

	2012	2011
Neither past due nor impaired	**717,174,485**	934,091,675
Past due but not impaired	**182,451,947**	151,369,062
Impaired	**13,567,298**	13,567,298
	913,193,730	1,099,028,035

The past due but not impaired balance relates to a number of independent customers for whom there is no recent history of default. The age analysis of past due but not impaired balance is as follows:

	2012	2011
Up to 3 months	**159,647,252**	144,051,359
3 to 6 months	**21,640,671**	17,491,665
Over 6 months	**1,164,024**	(10,173,962)
	182,451,947	151,369,062

The impaired receivables have been fully provided for.

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

	2012	2011
US Dollars	**106,831,921**	48,209,518
Sri Lankan Rupees	**974,159,348**	1,225,299,052
	1,080,991,269	1,273,508,570

(c) Other receivables mainly consist of interest receivable of Rs 7,540,274 (2011- Rs 869,062).

(d) Staff loans due at the balance sheet date represent loans given to staff on fixed repayment terms and are unsecured. These loans are given at a concessionary rate of 4.2% (2011 - 4.2%).

(e) Marketing support payment 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 their 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 fee. The marketing support payment is amortised over the contract period and amortisation charge recognised in the statement of comprehensive income.

(f) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral security.

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

	2012	2011
At 1 January	**13,567,298**	15,468,834
Reversal of impairment	**Nil**	(1,901,535)
At 31 December	**13,567,298**	13,567,299

15 Financial instruments by category

	Loans and receivables	Total
a) 31 December 2012		
Assets as per balance sheet		
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	**985,332,375**	985,332,375
Cash and cash equivalents (Note 18)	**2,517,244,003**	2,517,244,003
	3,502,576,378	3,502,576,378

	Other financial liabilities	Total
b) 31 December 2012		
Liabilities as per balance sheet		
Trade and other payables (excluding statutory liabilities)	**1,193,563,455**	1,193,563,455
	1,193,563,455	1,193,563,455

		Loans and receivables	Total
c)	31 December 2011 Assets as per balance sheet		
	Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	**1,187,099,261**	1,187,099,261
	Cash and cash equivalents (Note 18)	**1,012,060,416**	1,012,060,416
		2,199,159,677	2,199,159,677

		Other financial liabilities	Total
d)	31 December 2011 Liabilities as per balance sheet		
	Trade and other payables (excluding statutory liabilities)	**644,425,694**	644,425,694
		644,425,694	644,425,694

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

Trade receivables

	2012	2011
Distributors	**523,162,984**	641,230,618
Commercial / industrial and others	**316,335,154**	396,020,601
Export custormers / overseas	**60,128,294**	48,209,518
	899,626,432	1,085,460,737

Cash at bank and short term deposits

	2012	2011
Cash and bank	**835,015,499**	352,212,174
Government securities	**701,829,670**	659,619,985
Banks with AAA to A ratios	**980,081,189**	Nil
	2,516,926,358	1,011,832,159

16 Deferred income tax assets and liabilities

Deferred tax is calculated on all temporary differences under the liability method using an effective tax rate of 28% (2011 - 28%).

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

	2012	2011
At beginning of year	**5,204,729**	15,245,034
Charge for the year (Note 10)	**(3,863,559)**	(10,040,305)
At end of year	**1,341,170**	5,204,729

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

Deferred tax assets	2012	2011
- Deferred tax assets to be recovered after more than 12 months	**24,451,881**	28,602,724
- Deferred tax assets to be recovered within 12 months	**62,770**	NIl
	24,514,651	28,602,724
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	**(21,611,813)**	(22,138,309)
- Deferred tax liability to be recovered within 12 months	**(1,561,668)**	(1,259,686)
	(23,173,481)	(23,397,995)
Deferred tax assets (net)	**1,341,170**	5,204,729

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 January 2011	**(14,831,527)**	(14,831,527)
Credited to income statement	**(8,566,467)**	(8,566,467)
At 31 December 2011	**(23,397,994)**	(23,397,994)
Credited to income statement	**224,512**	224,512
At 31 December 2012	**(23,173,482)**	(23,173,482)

Deferred tax assets	Defined benefit obligations	Deferred rent	Total
At 1 January 2011	29,938,285	138,276	30,076,561
Credited to income statement	(1,398,332)	(75,506)	(1,473,838)
At 31 December 2011	28,539,953	62,770	28,602,723
Credited to income statement	(4,088,071)	Nil	(4,088,071)
At 31 December 2012	24,451,882	62,770	24,514,652

17 Inventories

	2012	2011
Raw materials and consumables	**1,541,767,445**	1,522,519,946
Finished goods	**590,350,257**	347,512,333
	2,132,117,702	1,870,032,279

(a) Raw material and consumables include goods in transit amounting to Rs 506,266,673 (2011 - Rs 494,841).

(b) The cost of inventories recognised as expense and included in cost of sales amounted to Rs 7,813,337,420 (2011 - Rs 7,390,892,398).

(c) Materials amounting to Rs 7,484,107 (2011 - Rs Nil) were written off as a result of a fire damage during transportation of goods.

18 Cash and cash equivalents

	2012	2011
Cash at bank and in hand	**835,333,144**	352,440,431
Short term deposits	**1,681,910,859**	659,619,985
	2,517,244,003	1,012,060,416

Short term deposits mainly consist of overnight repos, treasury bills and time deposits.

The weighted average effective interest rate on short term deposits was 10.45% (2011 - 6.25%).

The cash and cash equivalents are denominated in following currencies:

	2012	2011
US Dollars	**120,699,623**	108,874,007
Sri Lankan Rupees	**2,396,544,380**	903,186,409
	2,517,244,003	1,012,060,416

19 Stated capital

	Ordinary shares	
	Number of shares	Value of shares
At 31 December 2011	**120,000,000**	600,000,000
At 31 December 2012	**120,000,000**	600,000,000

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

20 Retirement benefit obligations

	2012	2011
Balance sheet obligations for:		
Gratuity benefits	**87,328,145**	101,769,102
Income statement (gain) / charge:		
Gratuity benefits	**16,600,430**	17,830,524
Other comprehensive income:		
Actuarial gain	**(30,340,348)**	Nil

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

	2012	2011
At 1 January	**101,769,102**	108,944,304
Current service cost	**8,065,920**	8,631,422
Interest cost	**8,534,510**	9,199,102
Actuarial gain	**(30,340,348)**	Nil
Benefits paid	**(701,039)**	(25,005,726)
At 31 December	**87,328,145**	101,769,102

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

	2012	2011
Current service cost	**8,065,920**	8,631,422
Interest cost	**8,534,510**	9,199,102
Total included in the employee benefit costs (Note 7)	**16,600,430**	17,830,524

The provision is not externally funded, but actuarially valued and the valuation was carried out by Messrs Towers Watson Philippines, Inc an independent actuary, on 31 December 2012 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	**15% compounded annually**	9% compounded annually
Estimated salary increment rate	**12% per year**	9% per year
Withdrawal rate	**5% per annum upto age 50 and 0% thereafter**	5% per annum upto age 50 and 0% thereafter

Assumptions regarding future mortality experience are set in accordance with 1983 Group Annuity Mortality Table.

21 Trade and other payables

	2012	2011
Trade payables	**93,916,736**	109,246,130
Payable to related companies - Trade [Note 25 (d)(ii)]	**499,965,617**	99,277,500
- Dividend [Note 25 (d)(iii)]	**165,240,000**	192,780,000
Accrued expenses [refer (a) below]	**229,781,794**	57,833,639
Other payables [refer (b) below]	**268,592,528**	262,302,268
	1,257,496,675	721,439,537

(a) Accrued expenses include import fees payables of Rs 108,229,849 (2011 - Rs 8,304,390), promotional incentives of Rs 31,500,000 (2011 - Rs 3,004,589), advertisement and sales promotion expenses of Rs 10,221,182 (Rs 1,685,163) and marketing support payments to service station operators amounting to Rs 1,415,215 (2011 - Rs 7,321,045).

(b) Other payables mainly consist of dividend payable to shareholders of Rs 158,770,662 (2011 - Rs 185,288,425) and employee benefit expenses of Rs 30,539,931 (2011 - Rs 20,883,477).

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

	2012	2011
US Dollars	**36,284,253**	64,503,913
Sri Lankan Rupees	**1,221,212,422**	656,935,624
	1,257,496,675	721,439,537

22 Contingent liabilities

There were no material contingent liabilities existing at the balance sheet date.

23 Commitments

Capital commitments

There were no material capital commitments contracted for at the balance sheet date not recognised in the financial statements.

Financial commitments

The Company has entered into Service Level Agreement (SLA) with Chevron USA 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

The future minimum lease payments under cancellable operating leases and non-cancellable leases are as follows:

Notes to the Financial Statements continued

Cancellable	2012	2011
Not later than one year	**28,665,000**	16,500,000
Later than 1 year and not later than 5 years	**95,192,789**	53,488,370
	123,857,789	69,988,370

Non-cancellable	2012	2011
Not later than one year	**14,134,545**	13,789,000
Later than 1 year and not later than 5 years	**3,555,315**	17,689,860
	17,689,860	31,478,860

The lease agreement covering the land on which blending plant facility is located expires on 14th July 2014 with no provision for renewal thereafter. The Company has entered into an agreement with Lanka Industrial Estates Limited to obtain a 30 year lease of land, with an option for a renewal, to construct the new blending plant.

24 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2012	2011
Profit before tax	**3,111,456,992**	2,767,780,256
Adjustments for:		
Depreciation [Note 13(a)]	**43,836,111**	47,306,892
Property, plant and equipment written off (Note 6)	**1,090,638**	513,112
Amortisation of marketing support fee paid (Note 6)	**24,169,982**	15,035,022
Write off of inventory [Note 17(c)]	**7,484,107**	Nil
Profit on disposal of property, plant and equipment (Note 8)	**(4,563,477)**	(12,455,320)
Interest income (Note 9)	**(159,653,056)**	(35,685,487)
Interest expense (Note 9)	**308,887**	1,461,100
Reversal of impairment of trade receivables (Note 6)	**Nil**	(1,901,535)
Changes in working capital		
- trade and other receivables	**160,863,212**	(276,295,899)
- inventories	**(262,085,423)**	(397,046,372)
- payables	**596,057,138**	2,058,376
Defined benefit obligations (Note 20)	**16,600,430**	17,830,524
Cash generated from operations	**3,535,565,541**	2,128,600,669

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

	2012	2011
Chevron Ceylon Limited	**6,388,212**	22,500
PT Chevron Oil Products Indonesia	**12,178,283**	Nil
Chevron International (Private) Limited	**213,976**	Nil
	18,780,471	22,500

(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

	2012	2011
Sales of goods:		
Fuel and Marine Marketing Limited	**27,040,509**	20,923,833
Chevron Thailand Limited	**2,241,682**	71,893
Chevron Malaysia Limited	**2,047,551**	Nil
	31,329,742	20,995,726

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

	2012	2011
Purchase of goods:		
Chevron Singapore (Private) Limited	**3,945,914,723**	4,040,112,753
Chevron Espana SA	**Nil**	5,076,165
Chevron Alkhalij	**27,798,609**	12,761,830
Chevron Thailand Limited	**170,257,746**	187,849,532
Chevron Oronite (Private) Limited	**593,944,242**	473,262,167
Chevron South Africa (Private) Limited	**Nil**	20,858,905
Chevron (Tianjin) Lubricants Company Limited	**10,473,879**	12,553,821
CUSA Global Lubricants Asia Pacific	**3,029,892**	2,476,981
Chevron Brazil Lubricants Limited	**8,132,733**	Nil
Chevron Belgium N.V	**9,219,535**	Nil
	4,768,771,359	4,754,952,154

	2012	2011
Purchases of services:		
Chevron International (Private) Limited	**1,424,083**	1,143,395
Chevron Holding Inc. Philippines	**10,451,826**	7,546,052
Chevron Texaco Information Technology Company	**67,238,865**	50,532,429
Chevron Global Downstream Services	**Nil**	76,391,387
Chevron Business and Real Estate Services	**Nil**	37,398
Chevron Asia Pacific Regional Services	**271,750,046**	136,376,477
CUSA Project Olympic Branch	**39,487,673**	37,175,170
Chevron Belgium N.V	**492,204**	732,853
Chevron Global Down Stream	**Nil**	36,895
Chevron Thailand Limited	**91,956**	169,396
Chevron International Services Limited	**Nil**	203,396
Chevron Lubricants Vietnam Limited	**Nil**	116,065
Chevron Service Company	**583,150**	Nil
	391,519,803	310,460,913

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

Company receives services from Chevron Group Companies (CGCs) for which payments are made by the Company. These services include Original Equipment Manufacturers (OEM) endorsement and identification and acquisition, product life cycle management, regional marketing, global supply chain planning and operations, operational excellence and enterprise resources planning, human resources management services, legal services and finance. The Company has entered into a service level agreement with Chevron USA Inc. which governs the framework and 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% (2011 - 0% to 6%).

Purchases of goods and services during the year from related parties amounts to 125% (2011 - 160%) of net assets and 87% (2011 - 116%) of total assets at the end of the financial year.

(c) Key management compensation

Key management includes directors (executive and non-executive) and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	2012	2011
Salaries and other short-term employee benefits	**34,696,422**	31,774,047

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

(i) *Receivable from related parties:*	2012	2011
Chevron Ceylon Limited	**1,435,511**	Nil
Chevron International (Private) Limited	**Nil**	1,364,600
Chevron Product Company	**194,803**	492,575
Chevron Marine Products LLC	**5,342,922**	12,156,610
Chevron Europe Eurasia & MidEast E&P	**Nil**	1,390,850
Chevron (Tianjin) Lubricants Company Limited	**644**	Nil
PT Chevron Oil Products Indonesia	**11,480,178**	Nil
	18,454,058	15,404,635

(ii) *Payable to related parties:*	2012	2011
Chevron International (Private) Limited	**34,199**	Nil
Chevron Holdings Incorporation Philippines	**857,119**	284,832
Chevron Singapore (Private) Limited	**414,847,585**	505,446
Chevron Oronite (Private) Limited	**44,711,357**	42,468,050
Chevron Information Technology Company	**11,980,819**	14,637,618
Chevron Africa-Pakistan Services	**Nil**	2,872
Chevron (Thailand) Limited	**7,595,227**	8,713,519
CUSA Global Lubricants Asia Pacific	**709,662**	Nil
Chevron Asia Pacific Regional Services	**8,198,911**	18,930,516
Chevron Business Real Estate Services	**Nil**	8,271
Chevron Global Downstream Services	**Nil**	6,844,098
CUSA Project Olympic Branch	**3,253,867**	6,417,511
Chevron Belgium N.V	**2,048,058**	145,305
Chevron International Services Limited	**Nil**	203,396
Chevron Lubricants Vietnam Limited	**Nil**	116,066
Chevron Alkhalij	**5,145,663**	Nil
Chevron Service Company	**583,150**	Nil
	499,965,617	99,277,500

(iii) Dividend payable to related party:	2012	2011
Chevron Ceylon Limited	**165,240,000**	192,780,000

Notes to the Financial Statements continued

26 Post balance sheet events

No events have occurred since the balance sheet date which would require adjustments to or disclosure in the financial statements.

27 Explanation of transition to SLFRSs

These are the Company's first financial statements prepared in accordance with SLFRSs, as noted in Note 2.1.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements for the year 31 December 2011 and in the preparation of an opening SLFRS Balance sheet at 1 January 2011 (the Company's date of transition).

1. Initial elections upon adoption

1.1 SLFRS exemption options

These exemptions do not apply to the Company.

1.1.1 Fair value as deemed cost.

1.1.2 Translation differences (LKAS 21), as SLAS's and the SLFRS's were already aligned as regard to these transactions.

1.1.3 Employee benefits (SLFRS 19) as SLASs and the SLFRSs were already aligned with regard to these transactions.

1.1.4 Share based payment transactions SLFRS 2 is not applicable for the Company.

1.1.5 Leases (LKAS 17) as SLAS and SLFRS were already aligned with regard to these transactions.

1.1.6 Insurance contracts (SLFRS 4), as this is not relevant to the Company's operations.

1.1.7 Investment in subsidiaries, jointly controlled entities and associates is not applicable for the Company.

1.1.8 Assets and liabilities of subsidiaries, associates and joint ventures under SLFRS 1.

1.1.9 Compound financial instruments (LKAS 32), because the Company does not have these types of financial instruments as at the date of transition to SLFRS.

1.1.10 Fair value measurement of financial assets or financial liabilities at initial recognition.

1.1.11 Borrowing costs (LKAS 23) is not applicable for the Company.

1.1.12 Transfers of assets from customers (IFRIC 18) is not applicable for the Company.

1.1.13 Decommissioning liabilities (IFRIC 1) included in the cost of an item of property, plant and equipment, does not apply as the Company does not have liabilities of this type.

1.1.14 Financial assets of intangible assets accounted for under Service Conncession Agreements (IFRIC 12), does not apply as the Company has not entered into public-to-private service concession agreements.

1.2 SLFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in SLFRS 1 applied in the conversion from SLAS to SLFRS.

Exception for estimates

SLFRS estimates as at 1 January 2011 are consistent with the estimates as at the same date made in conformity with Sri Lanka Accounting Standards.

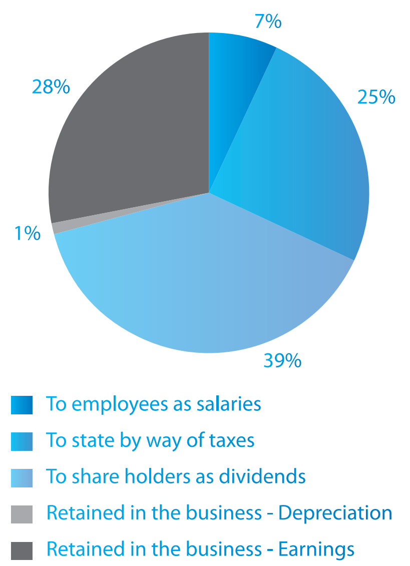
The other compulsory exceptions of SLFRS 1 has not been applied as these are not relevant to the Company.

- Derecognition of financial assets and financial liabilities.
- Non-controlling interest
- Hedge accounting

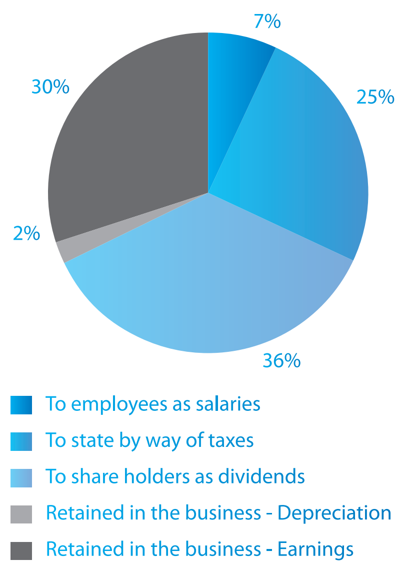
Statement of Value added

	2012	2011
Value addition		
Turn Over	**11,754**	11,040
Finance Income	**194**	42
Less: Materials and services purchased	**8,540**	8,052
value created	**3,408**	3,030
Distribution of Value addition		
To employees as salaries	**222**	215
To state by way of taxes	**854**	767
To share holders as dividends	**1,320**	1,080
Retained in the business - Depreciation	**44**	47
- Earnings	**968**	921
	3,408	3,030

Statement of Value added - 2012



Statement of Value added - 2011



Ten Years Summary

(in Rupees 000')		**2012**	2011	2010	2009	2008	2007	2006	2005	2004	2003
Trading Results											
Turnover		**11,754,046**	11,039,945	9,471,256	8,690,554	8,900,298	8,654,342	7,694,289	5,560,298	4,545,588	4,214,126
Profit Before Tax		**3,111,457**	2,767,780	2,333,950	2,344,370	1,482,962	1,658,252	1,245,924	994,004	892,071	1,185,809
Taxation		**854,125**	767,164	832,676	849,465	535,240	579,893	439,191	293,508	245,274	352,079
Profit After Tax and OCI		**2,287,672**	2,000,616	1,501,274	1,494,905	947,722	1,078,359	806,733	700,496	646,797	833,730
Balance Sheet											
Share capital		**600,000**	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Reserves		**3,525,818**	2,558,145	1,637,529	1,606,255	1,551,350	1,233,627	905,269	668,535	616,123	2,009,326
Shareholders funds		**4,125,818**	3,158,145	2,237,529	2,206,255	2,151,350	1,833,627	1,505,269	1,268,535	1,216,123	2,609,326
Property, Plant & Equipment		**215,813**	193,113	220,338	260,080	325,608	387,869	420,828	426,424	468,377	449,985
Current & Non Current Assets		**5,731,694**	4,160,806	3,154,727	3,771,466	2,846,258	2,483,180	2,125,702	2,082,317	1,669,446	3,401,436
Current Liabilities		**1,734,361**	1,094,004	1,028,591	1,706,313	927,828	938,389	932,817	1,101,357	777,179	1,100,999
Non Current Liabilities		**87,328**	101,769	108,945	118,978	92,688	99,032	108,445	138,849	144,521	141,096
Net Assets		**4,125,818**	3,158,145	2,237,529	2,206,255	2,151,350	1,833,627	1,505,269	1,268,535	1,216,123	2,609,326
Key Indicators											
Gross Dividends	Rs. 000'	**1,320,000**	1,080,000	1,470,000	1,440,000	630,000	750,000	570,000	585,000	2,040,000	690,000
Dividend per share	Rupees	**11.00**	9.00	12.25	12.00	10.50	12.50	9.50	9.75	34.00	11.50
Price Earnings Ratio	Times	**10.60**	10.20	12.75	11.38	11.65	9.49	12.64	9.94	11.83	10.29
Market value per share as at 31st December	Rupees	**202.00**	170.00	159.50	141.75	92.00	85.25	85.00	58.00	63.75	71.50
Return on Equity	%	**63**	74	68	69	48	65	58	56	34	64
Net Assets per share	Rupees	**34.38**	26.32	18.65	18.39	17.93	15.28	12.54	10.57	10.13	21.74
Total Comprehesive Income to Turnover	%	**19**	18	16	17	11	12	10	13	14	20
Earnings Per Share	Rupees	**19.06**	16.67	12.51	12.46	7.90	8.99	6.72	5.84	5.39	6.95

Shareholder Information

Shareholders categorised summary report as at 31st December 2012

No of shares held			No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1	-	1000	1,868	58.65	687,085	0.57
1001	-	10,000	1,001	31.43	3,642,137	3.04
10,001	-	100,000	259	8.13	7,498,977	6.25
100,001	-	1,000,000	46	1.44	13,613,089	11.34
1,000,001	&	over	11	0.35	94,558,712	78.80
Total			3,185	100.00	120,000,000	100.00

Analysis report of shareholders as at 31st December 2012

	No of Shareholders	No of shareholders %	Total holdings	Total holdings %
Individual	2,976	93.44	13,644,756	11.37
Institutional	209	6.56	106,355,244	88.63
Total	3,185	100.00	120,000,000	100.00
Resident	3,067	96.30	85,158,591	70.97
Non- Resident	118	3.70	34,841,409	29.03
Total	3,185	100.00	120,000,000	100.00
Public Holding			58,799,600	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 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

Shareholder Information

20 Largest Shareholders
as at 31st December 2012

Name of Shareholders	Number of Shares	%
Chevron Ceylon Limited	61,200,000	51.00
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global	10,629,700	8.86
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global- EME	5,463,700	4.55
HSBC International Nominees Ltd-BP2 S London- Aberdeen Asia Smaller Comp	3,580,800	2.98
Caceis Bank Luxembourg S/A BARCA GLOBAL MASTER FUND LPOGIER	3,416,306	2.85
Employees Provident Fund	2,554,566	2.13
Cargo Boat Development Company Limited	2,000,000	1.67
HSBC INTL NOM LTD-SSBT WASATCH FRONTIER EMERGING SMALL	1,600,840	1.33
Renuka Hotels Limited	1,400,000	1.17
Mellon Bank N.A.- Florida Retirement system	1,396,000	1.16
HSBC INTL NOM LTD-BP2S LUXEMBOURG-ABERDEEN GLOBAL FRONT	1,316,800	1.10
Crescent Launderers & Dry Cleaners (Private) Limited	1,000,000	0.83
DBIL-Danske Invest- Global emerging markets small cap	874,000	0.73
Danske Bank A/S	650,000	0.54
DFCC Bank- Account No 1	609,400	0.51
HSBC INTL NOM LTD-JPMCB-INVESTERINGSFORENINGEN BANKINVEST	595,000	0.50
AVIVA NDB Insurance PLC A/C No 07	579,800	0.48
Northern Trust CO S/A National Westminister Bank PLC as trustee of Jupiter India Fund	500,000	0.42
Mr. Udabage	476,500	0.40
Mrs. Selliah	381,000	0.32
	100,224,412	83.53

as at 31st December 2011

Name of Shareholders	Number of Shares	%
Chevron Ceylon Limited	61,200,000	51.00
HSBC International Nominees Ltd-BPSS Lux -Aberdeen Global Asia Smaller Comp	10,629,700	8.86
HSBC International Nominees Ltd-BPSS Lux -Aberdeen Global- EME	4,563,700	3.80
HSBC International Nominees Ltd-BP2S London -Aberdeen Asia Smaller Comp	3,580,800	2.98
Caceis Bank Luxembourg S/A Barca Global Master Fund LP	3,414,600	2.85
Employees Provident Fund	3,310,800	2.76
Cargo Boat Development Company Limited	2,000,000	1.67
Renuka Hotels Limited	1,400,000	1.17
National Savings Bank	1,276,200	1.06
Bank of Ceylon No 1 Account	1,272,200	1.06
Crescent Launderers & Dry Cleaners (Private) Limited	1,000,000	0.83
Mellon Bank N.A.- Florida Retirement system	770,000	0.64
AVIVA NDB Insurance PLC A/C No 07	704,800	0.59
Danske Bank A/S	650,000	0.54
DFCC Bank- Account No 1	609,400	0.51
DBIL-Danske invest-Global Emerging Markrts Small Cap	600,000	0.50
Employees Trust Fund Board	49,200	0.46
Freudenberg Shipping Agencies Limited	509,000	0.42
Northern Trust CO S/A the Royal Bank of Scotland as Trustee	500,000	0.42
Mr. Mahipala Udabage	476,500	0.40
	99,016,900	82.51

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Chevron Lubricants Lanka PLC will be held on Wednesday, 27th March 2013 at 3.30p.m. at the auditorium of Sri Lanka Institute of Tourism & Hotel Management, 78, Galle Road, Colombo 3 for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2012 and the Report of the Auditors thereon.
- To re-elect Mr. Richard Brown who was appointed by the Board since the last Annual General Meeting, a Director.
- To re-elect Mr. Deva Rodrigo, who retires by rotation in terms of Clause 84 of the Articles of the Company, a Director.
- To reappoint Messrs. PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration.
- To authorize the Directors to determine & make donations.
- To consider any other business of which due notice has been given.

By order of the Board

A. M. Anura Perera
Secretary

Colombo
28th February 2013

Note:

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

Form of Proxy

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

....

of ....being member/s of

Chevron Lubricants Lanka PLC do hereby appoint

Farrukh Saeed	whom failing
Honnantharage Kishu Pradeep Kumara Gomes	whom failing
Richard Brown	whom failing
Parakrama Devasiri Rodrigo	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 Twentieth Annual General Meeting of Chevron Lubricants Lanka PLC to be held on Wednesday, 27th March 2013 at 3.30p.m. at the auditorium of Sri Lanka Institute of Tourism & Hotel Management, 78, Galle Road, Colombo 3 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 2012 with the Report of Auditors thereon.		
2.	To re-elect Mr. Richard Brown who was appointed by the Board since the last Annual General Meeting, a Director.		
3.	To re-elect Mr. Deva Rodrigo, who retires by rotation in terms of Clause 84 of the Articles of the Company, a Director.		
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..........2013 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 Daham Wimalasena Deva Rodrigo Anura Perera
Secretary	:	Anura Perera Chevron House, 490, Galle Road, Colombo 03
Registered Office	:	Chevron House 490, Galle Road, Colombo 03 Tel: 0114 524 524
Company Registration Number	:	PQ 54
Registrars to the Company	:	S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03
Auditors	:	PricewaterhouseCoopers Chartered Accountants P.O. Box 918 100, Braybrooke Place, Colombo 02
Lawyers to the Company	:	Julius & Creasy Attorneys-at-Law and Notaries Public No 41, Janadhipathi Mawatha, Colombo 01
Bankers	:	Citibank NA Deutsche Bank Standard Chartered Bank Commercial Bank of Ceylon PLC
Web Address	:	www.chevron.lk
Email	:	contactus@chevron.com
Telephone	:	0114 524 524
Facsimile	:	0114 524 566

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Our Family of Brands