CHEVRON LUBRICANTS LANKA PLC
Annual Report 2013

Our Family of Brands

The BIG STORY

Contents

TEXACO Chevron CALTEX

Our Family of Brands

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

The BIG STORY

Our passion to keep outperforming our own best achievements is what has driven Chevron Lanka to deliver rising value to thousands of stakeholders each year.

This year, our story is a big one. We have commissioned and started work on a $15 million blending plant designed to streamline the manufacturing and warehousing processes for maximum productivity and speed. Once completed the facility will house a state-of-the-art lubricant blending plant and warehousing facility that would drive synergies in our value chain.

Chevron Lubricants Lanka.
It's a big story.

"2014 will be a landmark year for your company as we plan to relocate the blending plant to Sapugaskanda."

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

The BIG STORY

		2013 Rs. 000'	2012 Rs. 000'	%
Turnover		11,202,053	11,754,046	-5%
Profit BeforeTax		3,453,598	3,111,457	11%
Taxation		921,697	845,630	9%
Profit After Tax		2,531,900	2,265,827	12%
Shareholders Funds		4,840,021	4,125,818	17%
Property, Plant & Equipment		1,296,651	215,813	501%
Gross Dividends	Rs. 000'	1,800,000	1,320,000	36%
Dividend per Share	Rupees	15.00	11.00	36%
Earnings per Share	Rupees	21.10	18.88	12%
Dividend Payout Ratio	%	71	58	13%
Price Earnings Ratio	Times	12.69	10.70	19%
Market Value per Share as at 31st December	Rupees	267.80	202.00	33%
Return on Equity	%	56	62	-6%
Net Assets per Share	Rupees	40.33	34.38	17%
Net Income to Turnover	%	23	19	4%

Chairman's Review

...your Company was able to deliver yet another year of strong financial results surpassing the earnings over the last year by 12%...

I am pleased to inform our stakeholders that your Company was able to deliver yet another year of strong financial results surpassing the earnings over the last year by 12% and reaching a milestone of Rs. 2.5 bn of earnings after taxation. These results achieved in an increasingly competitive marketplace and a sluggish and stagnant industry is indeed credit worthy. We estimate that the lubricants consumption would have remained stagnant or reduced further on top of the 4% contraction in 2012 due to adverse weather conditions in the first quarter of the year, reduced vehicle imports and longer oil drain intervals. The reduced demand from the thermal power sector also contributed to the lower consumption of lubricants.

The increased earnings and free cash flows generated, enabled the Company to pay four interim dividends amounting to Rs. 15 per share as compared to Rs. 11 per share paid last year, an increase of 36%. The dividends and the appreciation of the share price year on year would amount to a total shareholder return of 38%.

2014 will be a landmark year for your Company as we plan to relocate the blending plant to Sapugaskanda. The construction of the plant is progressing on schedule and is expected to be fully completed by October 2014. This state of the art facility will help to further increase operational efficiencies.

What is noteworthy is our relentless focus on safety guided by the Chevron Operational Excellence Management System, in delivering the bottom line. We achieved 12 years of incident free operations by the end of 2013.

In our commitment to the society, we continued in promoting road safety awareness programmes for the third consecutive year. The mass communication campaigns, with the help of the Sri Lanka police, were used to bring about a behavioural and attitudinal change among the drivers and road users in reducing the alarming number of road accidents in the country. We also continued with AIDS awareness and education programmes with the help of the Sri Lanka AIDS Foundation.

I am confident in sustaining value to all of our stakeholders with the proven strategies adopted by the Company and excellence in execution of the chosen strategies by our talented and committed management team.

I would like to thank my colleagues on the Board for their continued support. The exemplary performance by the Company has been the result of a concerted team effort, led by the CEO, Mr. Kishu Gomes and his dynamic management team. We remain thankful to our valuable shareholders, local and overseas partners, distributors, customers, channel partners and other stakeholders for their continued confidence in the Company.

Farrukh Saeed
Chairman

3 March 2014

Managing Director's Review of Operations

The construction of our US$15 mn new blending plant at Sapugaskanda is in full swing and is scheduled for completion by October 2014.

Chevron Lubricants Lanka PLC recorded a dynamic performance in a high pressure environment during the period under review. The Company recorded a 12% increase in profits posting Rs. 2.53 bn, up from Rs 2.26 bn achieved in 2012. The ability to keep increasing the bottom-line progressively despite the challenging conditions, speaks for the maturity of its business strategies and its unwavering commitment to its sustainability agenda. The year 2013 marked 12 years of Sri Lanka operations without 'loss time incidents' - an enviable injury-free record - where no employee injured in the workplace had to forego a single day of work.

The less volatility in the exchange rate, somewhat stable base oil prices compared to 2012, prudent cost management and increased interest income from cash reserves helped cushion the reduced volumes which stemmed from adverse weather conditions in the first quarter of the year, reduced demand from the thermal power sector and longer oil drain intervals. The adverse weather conditions affected sales volumes from the agricultural and fisheries sectors. Volumes from our export markets in Bangladesh and Maldives also came under pressure due to adverse macro-economic and political factors in those markets. Total export revenue accounted for 6% of the total revenues.

Your Company continued to benefit from global synergies in various facets of our operations ranging from procurement of raw materials, product technology innovations, human resource best practices, brand & marketing and system & process support, all of which helped the Company to maintain its competitive position in the market.

The year under review tested the mettle of the Company and its ability to perform amidst complexity. The government's decision to increase duties on the import of vehicles further hampered growth in the automotive market. We believe that the industry as a whole did not record any growth during 2013, which was already coming in from a low base of a 4% decline experienced in 2012.

Focus on The Big Story

The construction of our US$15 mn new blending plant at Sapugaskanda is in full swing and is scheduled for completion by October 2014. The new state of the art plant will sport new technology and will also co-locate the warehouse on the same premises, a move that is expected to deliver cost savings for the Company. Elimination of the need to transport stocks from factory to warehouse, may reduce our carbon footprint further. We have harnessed a blend of both chevron global expertise in project management and local expertise in engineering both civil and mechanical, to complete the project in time and within planned expenditure and most importantly to avoid a single litre of unfulfilled orders during the transition. At the time of writing this review all the Base Oil storage and finished goods storage tanks have been completed. Prefabricated blending plant and warehouse structures have been erected.

Honouring Our Sustainability Agenda

We continued our road safety campaign in association with Sri Lanka Police Department and this campaign is raising valuable awareness on the need for greater road safety as the incidence of fatal road accidents has become a growing concern in the country.

We have also sustained our association with the President's Office in providing library books to needy schools under the *Nena-Guna Thilina* programme. Further, HIV/AIDS is an area of growing concern and of particular importance to the Company in alignment with group global sustainability agendas. We were involved in running several programmes to raise awareness and combat the epidemic.

Competitive Landscape and Regulatory Environment

While all big global and regional lubricant players have a presence in the Sri Lankan market, with 13 players operating in a market that is relatively small with a potential of 55 mn litres per annum, the Ministry of Petroleum Industries has initiated action to award further licences to new entrants to the lubricants industry. While more competition may be good for the consumer it becomes imperative to bring about the right regulations and put in place a legal framework to ensure sanity in the market for fair play and to safeguard the consumers. In the absence of a proper regulator the Public Utilities Commission of Sri Lanka (PUCSL) which operates as the shadow regulator has not been empowered to deal with the issues the industry has been confronted with. These have been brought to the notice of all stakeholders by the industry players, but without success. Product adulteration in various forms continues, posing a serious risk to the consumer. The re-branding and distribution of products by non-licensed players also continues unabated while 'cross filling', the filling of products to containers proprietary to other players thereby misleading the customer and avoiding duties and taxes to the government coffers in some cases. With the increased number of players that may enter the market in 2014, these issues are likely to get aggravated. Therefore the necessity for an effective regulator is an urgent need of the hour from the perspective of all stakeholders. It is hoped that the government be judicious in issuing licenses to more players, as this could have an adverse effect on the industry as a whole. As a market leader, we have been lobbying for greater regulation of companies and products to protect consumers from the serious negative consequences including product adulteration.

Nurturing People

The qualified, committed and experienced Chevron team continued their dynamic progress amidst a work culture that emphasizes excellence and rewards effort whilst ensuring an optimum work-life balance. Key personnel are given valuable regional and global exposure and undergo training programmes to develop their skills. We have focused on HR programmes to propel individual brilliance that leads to team brilliance to take on the multiplying business challenges. Rewards and recognition covering all categories of employees are engrained in the policy to provide regular inspiration.

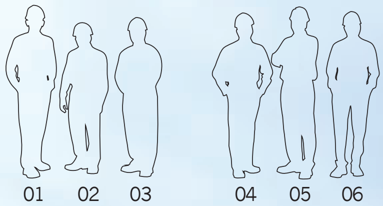
Appreciation

I would like to place on record my appreciation of the support provided by the Chairman and the Board of Directors. The Chevron Lubricants team deserves mention for their agility and dynamic response to operational challenges. Our shareholders have been a source of strength and we are confident of preserving stakeholder value.

Deshamanya Dr. Kishu Gomes
Managing Director/CEO

3 March 2014

Board of Directors



01 Anura Perera
02 Deshamanya Devasiri Rodrigo
03 Farrukh Saeed
04 Deshamanya Dr. Kishu Gomes
05 Richard Brown
06 Harsha Amarasekera P. C.

"Our passion to keep outperforming our own best achievements is what has driven Chevron Lanka to deliver rising value to thousands of stakeholders each year."

Board of Directors

Farrukh Saeed

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

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

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

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

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

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

Anura Perera

Appointed to the Board in 2002, Mr. Anura Perera holds an Honours Degree in Commerce from the University of Kelaniya and Post Graduate certificates in Human Resources Management and Business Administration from PIM Sri Lanka and University of Leicester respectively. 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 & Conference Technical Committee of the CA Sri Lanka. He joined the Company in 1996 as Deputy Manager Finance and Administration and was promoted as Manager Finance and Administration in 1997 and as General Manager in 2000. He counts more than 23 years' of senior managerial experience in Accounting and Finance. He also functions as a Director of Chevron Ceylon Limited.

Richard Brown

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

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

Deshamanya Devasiri Rodrigo

Mr. Deva Rodrigo FCA, former Territory Senior Partner of PricewaterhouseCoopers, Sri Lanka and the 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, Commercial Bank of Ceylon PLC, Softlogic Holdings PLC and serves as the Chairman of their Audit Committees.

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

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

Harsha Amarasekera P.C.

Mr. Harsha Amarasekera, President's Counsel has a wide practice in the Original Courts as well as in the Appellate Courts. He has specialized in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He serves as an Independent Director in several listed companies in the Colombo Stock Exchange including Vallibel One Ltd., CIC Holdings PLC, Expo Lanka Holdings PLC, Amana Bank Ltd., Keells Food Products PLC, Amaya Leisure PLC and Vallibel Power Erathna PLC. He is also a Director of CIC Agri Business Private Limited.

Management Team

First Row
Left to Right

Wijitha Akmeemana
Manager Supply Chain

Maheshni Hamangoda
Human Resources Manager

Kishu Gomes
Managing Director /
Chief Executive Officer

Upuli Kulasiri
Marketing Manager

Thushari Weragoda
Laboratory & Quality Assurance Lead

Thusitha De Silva
Direct Sales Manager

Second Row
Left to Right

Anura Perera
Chief Financial Officer / Director

Hilary Fernando
Lead Technical Manager

Bertram Paul
General Manager Sales & Marketing
(returned to operations w.e.f. 01/01/2014)

Erande De Silva
Manager Finance & Planning

Upali Wijesinghe
Logistics Manager

Sumith Hewavitharana
Indirect Sales Manager

> Construction of the new blending plant took top priority in the supply chain agenda and managing project deliverables within envisaged timelines and budgets in collaboration with relevant business partners.

Management Discussion & Analysis

> "Expansion of our network of outlets away from traditional channels where lubricants have historically been sold to more non-traditional channels was continued this year as well and enabled us to increase our penetration especially in the North."

Sri Lanka's Economic Climate

The Central Bank of Sri Lanka estimated GDP to have grown by 7.2% in 2013, which portrays a higher trajectory compared to 6.4% in 2012 and a 4.5% average growth estimated for emerging market and developing economies during the year in review. The service and industry sectors spearheaded growth, whilst provincial contribution to the economy was relatively broad based.

As per Central Bank sources the external sector performance improved during the year as the trade deficit was estimated to have contracted year on year through growth in exports and decline in imports. Industrial exports to concentrated regions gathered momentum during the latter half of the year as EU and US economies indicated signs of recovery, whilst imports associated to intermediary and investment goods contracted marginally. An overall BOP surplus was estimated for the year in review, whilst Gross official reserves were estimated at $7 billion which translates to 4.5 months of imports.

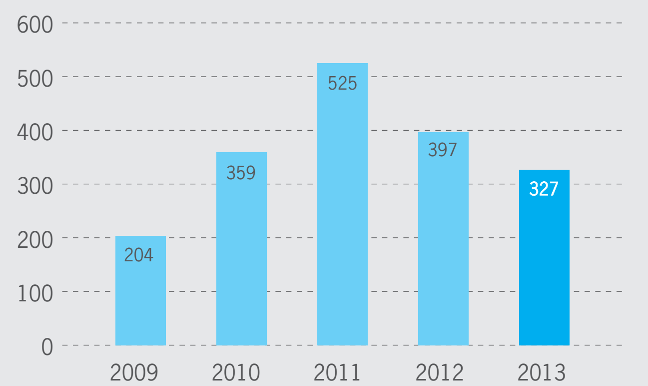
The depreciation of the Sri Lankan Rupee amounted to approximately 3% against the USD year on year in 2013. The Annual average inflation was 6.9%, whilst year on year headline inflation was 4.7% compared to 7.6% and 9.2% respectively in 2012.

Lubricant Industry Climate

The industry structure remained the same during 2013 with 13 players. Ministry of Petroleum Industries has requested for qualification from new parties to issue further the licences. Once the parties are selected they may enter the market during the second quarter of 2014. In the backdrop of a 4% decline in the lubricants industry during 2012, the year in review was characterized by many challenges. We believe that industry volumes remained almost stagnant through the year, heavily impacted by the drop in demand for lubricants in the thermal power generation sector as a result of the increased contribution of hydropower generation to the national grid.

The high import duties on vehicles and credit controls imposed through minimum cash margin requirements for import of vehicles served as a deterrent and stifled growth in vehicle population and demand for lubricants in the sector. The intermittent weather conditions experienced throughout the year had an adverse impact on demand from the agriculture and fisheries industries. These factors intensified competition amongst incumbent players that were competing for share and sustainability in the lubricant industry, amidst challenging economic and industry conditions.

Total Motor Vehicle Registations in Thousands



(Source: Department of Motor Traffic)

Intense competition among the existing and new entrants remains a risk, whilst extended oil drain intervals in new vehicles will pose challenges by way of low industry growth.

Sales & Marketing

The Retail Segment

This retail segment which comprises of automotive lubricants for passenger cars, vans, trucks, three-wheelers and motor cycles are served via the network of channel partners comprising of distributors, oil marts, fuel stations, spare part shops and service stations or workshops. This segment being the major contributor to the volume was adversely affected by the low industry growth. The depressed market situation proved to be particularly acute during the second quarter of the year after a robust start during the first quarter.

A combination of above the line & below the line initiatives were employed to effect the desired results which included an aggressive advertising campaign educating consumers on the correct facts with regard to genuine oils marketed by Original Equipment Manufacturers (OEMs). This campaign generated a considerable amount of interest, discussion & debate in the marketplace and served the purpose of getting consumers to reflect on the decision of which lubricant to use without going along blindly with the claims made by others.

Expansion of our network of outlets away from traditional channels where lubricants have historically been sold to more nontraditional channels was continued this year as well and enabled us to increase our penetration especially in the North. We also rationalized our investments in service stations/ workshops based on adherence to service standards, quality and profitability.

The incentive, reward and recognition programmes were leveraged to motivate and reward the direct and indirect salesforce, distributors and other channel partners. The Corporate Website for Chevron Lubricants Lanka PLC was also revamped & re-launched during the year which further strengthened the interaction between the Company and its customers.

$15 Mn

blending plant designed to streamline manufacturing and warehousing

Management
Discussion & Analysis

The Commercial & Industrial Segment

Performance in this segment was mixed during the year with varying factors driving the different segments.

The Rubber sector performed exceptionally well due to organic growth of the manufacturing sector, driven by growth in the export product lines of these customers. This sector continues to be a major contributor to our Industrial Segment. The Construction sector also performed relatively well with a few mega infrastructure development projects.

The Power generation sector took the biggest hit during the year adversely affected by the increased proportion of hydro power (which is less lubricant intensive) vs. thermal power in the mix due to the heavy rains experienced in the catchment areas.

In addition, some of the Independent Power Projects (IPPs) powered by diesel /heavy fuels completed their contract period of producing power and were taken off the grid which led to demand contraction from this sector.

With Chevron's proposition of value added solutions to Industrial customers through our programme of "Reliability Based Lubrication", we were able to secure new business wins during the year by offering higher tier products with demonstrated cost benefits to the customer by way of higher performance levels, extended drain intervals and reduced equipment downtime.

Export Markets

Adverse macro -economic and political factors affected both the Bangladesh and Maldivian markets during the year. However the drop in volumes in these export markets was marginal especially due to the shift in focus from the retail segment to commercial and industrial segment particularly in Bangladesh. The strategic decision to operate in the Maldivian market through multiple distributors enabled us to expand market reach, whilst the marketing initiatives put in place enabled us to increase awareness of our product offerings to key business to business segments in the Maldives and improve brand visibility in the business to consumer market space.

Supply Chain

The principles of Operational Excellence (OE) were closely embedded to key elements of supply planning, manufacturing and logistics. The Company was able to extend its record to 12 years of incident free operations sans a Total Recordable Incident (TRI) or a Day Away From Work (DAFW) and ensuring zero spills. The empowerment of employees through the unique concept of 'stop work authority' and 'loss prevention' by continuous training and evaluation were also instrumental in ensuring the unblemished safety record throughout supply chain operations.

In a bid to improve efficiency and cost economics the Caltex Texamatic range was successfully added to the portfolio of locally blended products.

Under the laboratory standardization programme carried out by Chevron the Company's laboratory has been consistently recognized. During the year 2013, the Company was awarded 2 Merit Certificates by Richmond Technical Center of Chevron USA in recognition of the Laboratory Proficiency Testing Programme (LPTP).

Construction of the new blending plant took top priority in the supply chain agenda and managing project deliverables within envisaged timelines and budgets in collaboration with relevant business partners. Robust plans have been formulated to address potential exigencies and ensure smooth transition during the relocation phase with minimal disruption to business operations.

Nurturing Talent

The Company conducted focused training programmes for employees to equip them with new learning, knowledge and skills to face future challenges. These focused programmes were extended to our distributors and their employees, with the intention of educating them with the knowledge and skills required to support the business. In addition, most employees completed identified development initiatives relating to their job while one employee successfully completed a developmental assignment overseas during the period in review. Some of the reward and recognition awards were re-designed to successfully meet the challenges and foster employee performance.

> "The Company conducted focused training programs for employees to equip them with new learning, knowledge and skills to face future challenges."

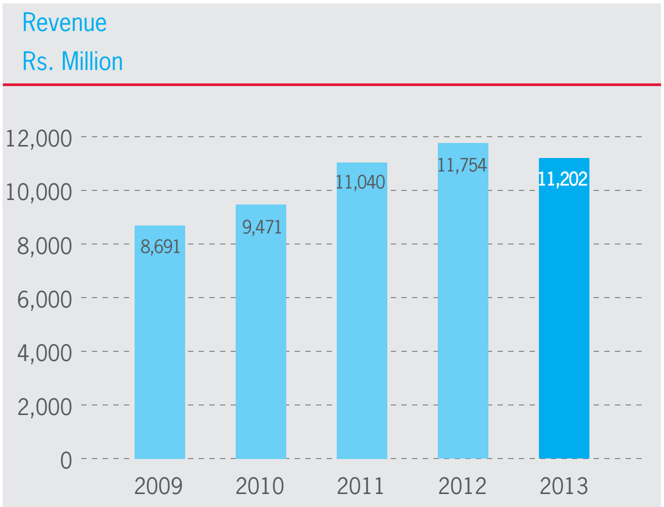
Financial Review

Growth, Profitability and Efficiency

Revenue

The company recorded revenue of Rs. 11.2 bn during the year which was a 5% decline in comparison to Rs. 11.8 bn posted in 2012, due to contraction in volumes. Several macro-economic and external factors constrained and challenged the growth of the lubricant industry. This was in the back drop of a 4% lubricant market volume decline already experienced in 2012. Amongst the constraints encountered were the decline in registration of new vehicles as a consequence of increased vehicle import duties and stringent credit controls, reduction in thermal power generation and its contribution to the national grid, the intermittent weather conditions that affected the agriculture and fisheries industries, whilst the extended oil drain intervals of new vehicles also contributed in reducing demand.

Export revenue from Bangladesh and Maldives declined marginally as the economic and political factors encountered in the respective countries during the financial year constrained operational and distribution activities. However total export revenues increased by 5% to reach Rs.702 mn (2012:Rs.662 mn), primarily through steady growth in marine lubricant sales.



Profit After Tax

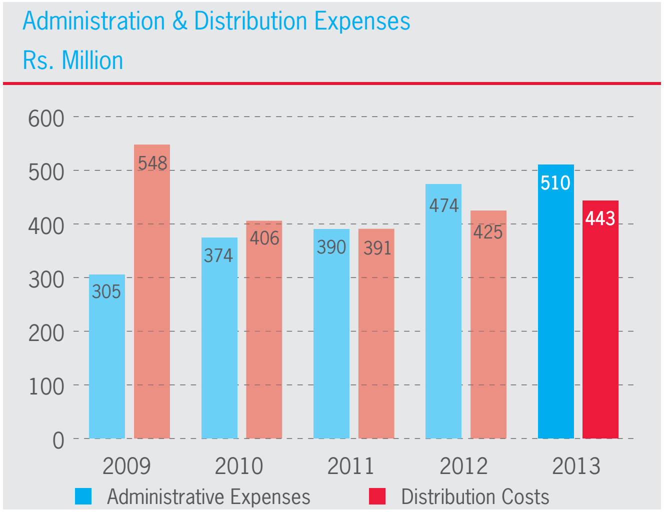
During the year in review the Company recorded a profit after tax of Rs. 2,532 mn compared to Rs. 2,266 mn in 2012, an increase of 12% YOY. The gross profit margin increased to 36.8% from 32.4% (2012) as base oil prices were comparatively stable vis-à-vis demand-supply economics pertaining to global base oils, whilst the rupee remained relatively less volatile. The Company also managed to derive cost efficiencies through central sourcing initiatives particularly in relation to base oils. Gross margins were also strengthened through cost efficiencies derived from moving certain imported product lines to the local blended portfolio. Operating profit increased by 9% in 2013 stemming from the healthy gross margin performance, despite an increase in operational expenditure and a decline in other income compared to 2012. Profit before tax increased to Rs.3,454 mn in 2013 from Rs. 3,111 mn in 2012. 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 augmented short term cash reserves. Total comprehensive income for the year was Rs.2,514 mn and was influenced by a net other comprehensive loss after tax of Rs.17.7 mn pertaining to an actuarial loss on retirement benefit obligation.

Income Tax

Income Tax expense for the year was Rs.922 mn, which translates to an effective tax rate of 26.7%. The increase in income tax largely correlates to the growth in profits before tax. However the effective tax rate for 2013 remained marginally below the comparative period in 2012 (27.2%), as the contribution from export profits inclusive of marine sales was relatively higher and entailed a lower tax burden. Total Income Tax expense amounted to Rs.915 mn, which included a credit for other comprehensive loss during the year.

Distribution and Administration Expenses

Distribution expenses increased by 4% to Rs.443 mn from Rs.425 mn recorded in 2012. The increase in distribution expenses was largely due to the provision for impairment of trade receivables and the increase in transportation cost stemming from the rise in fuel prices. Administration expenses increased by 8% to Rs.510 mn from Rs.474 mn recorded in 2012. The increase in administration expenses was mainly due to increases in group service charges and IT service charges, which were also affected by the depreciation of the rupee.



Liquidity

Working Capital

Raw material inventory reduced by Rs.166 mn, due mainly to the timing effects of imports The finished goods inventory declined by Rs.37 mn to Rs.553 mn in 2013 from Rs.590 mn recorded in 2012.

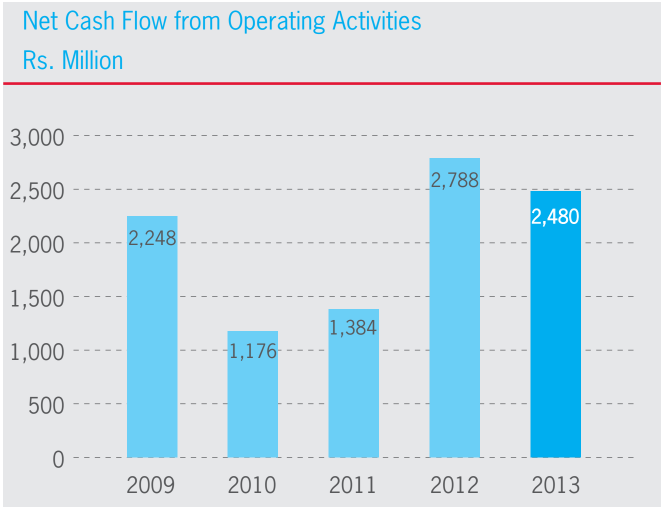
Trade Receivables increased by Rs.171 mn parallel to revenue recorded during the last two months of 2013, whilst the number of days sales outstanding (DSO) increased to 35 days (30 days in 2012).

The Company maintained a strong liquidity position recording a current ratio of 2.7 and a quick asset ratio of 1.8 in 2013 to facilitate both working capital requirements and planned capital expenditure commitments.

Cash Flow

Cash generated from operating activities declined marginally to Rs. 3.4 bn compared to Rs. 3.5 bn in 2012. However the Company generated a free cash flow of Rs1.6 bn despite Capital expenditure in the new plant.

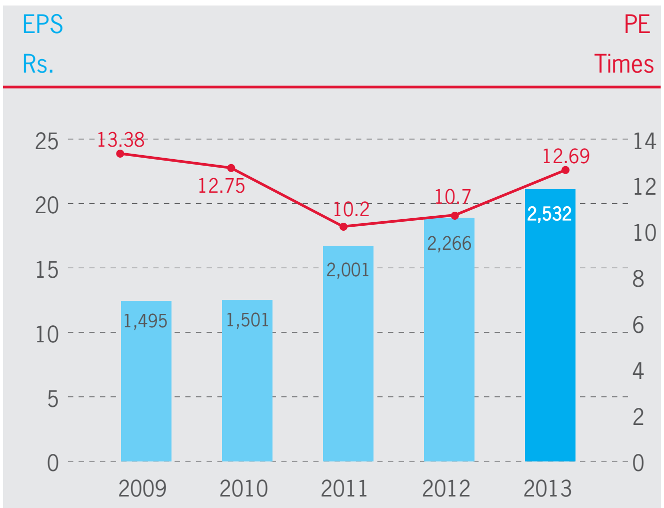
Four interim dividends totaling Rs.1,800 mn were declared during the year. The last interim dividend of Rs. 4.50 for the year was paid on 09th of January 2014. The cash payout of Rs. 1,620 mn, consisted of Rs.1,260 mn declared of current year profits and the last interim dividend of Rs.360 mn pertaining to 2012.



Stability and Investor Return

Financial Stability

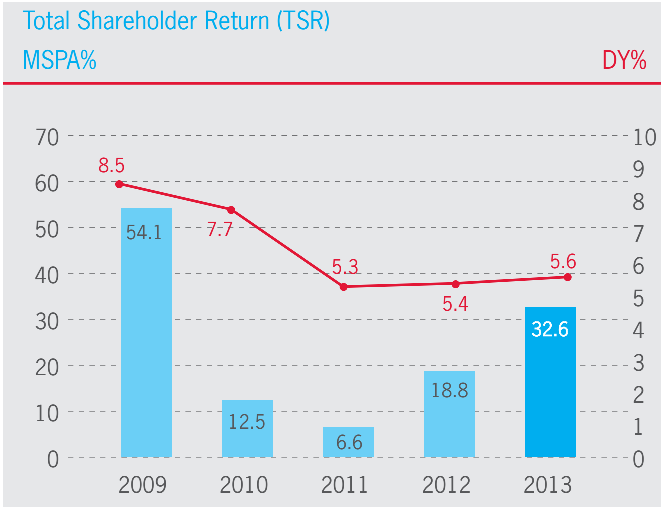
Despite a robust growth in profit after tax, the return on equity declined to 56% in 2013 (from 62% in 2012) due to the increase in capital employed as a result of the capital expenditure in the new plant and increased cash and cash equivalents to facilitate current capital expenditure plans and working capital requirements during the relocation phase. Earnings per share climbed steadily by 12% to record Rs.21.10 in 2013 compared to Rs.18.88 in 2012.



Financial
Review

Investor Returns

Dividend per share amounted to Rs.15 which translates to a dividend yield of 5.6% based on the share price recorded as at end December 2013, whilst capital growth via appreciation of market share price amounted to 32.6% resulting in a Total Shareholder Return of 38.2% in 2013 compared to 24.3% in 2012.



Quarterly Results

A summary of the quarterly results for 2013 and 2012 based on the quarterly financial statements submitted to the Colombo Stock Exchange is tabulated below.

Quarterly financial statements submitted to the Colombo Stock Exchange

	2013 1Q Rs. Mn.	2013 2Q Rs. Mn.	2013 3Q Rs. Mn.	2013 4Q Rs. Mn.	2012 1Q Rs. Mn.	2012 2Q Rs. Mn.	2012 3Q Rs. Mn.	2012 4Q Rs. Mn.
Turnover	3,168	2,427	2,783	2,823	3,336	2,560	2,996	2,862
Gross Profit	1,200	916	1,023	986	1,093	887	930	902
Operating Profit	988	689	763	734	909	672	676	691
Finance Income	65	80	68	66	14	57	47	77
Profit Before Tax	1,053	769	830	801	923	729	722	769
Profit After Tax	770	563	610	590	661	533	522	571

Note: These results may not add up to the final results disclosed in the Annual Accounts due to changes in presentation and reclassification.

Corporate Social Responsibility Report

Helping the Government to reduce road accident fatalities in Sri Lanka

Road accidents cause the most number of annual deaths in Sri Lanka. On an average 150 road accidents and six deaths are reported daily in the country.

As part of Chevron's commitment to improve road safety and make Sri Lankan roads safer for pedestrians and motorists, the Company conducted its 'Caltex Drive Wise & Embrace Life' road safety campaign via media as well as on ground, in an attempt to positively change reckless driving and commuting behaviours that are increasingly prevalent in the country. A hard-hitting mass media communication was carried out concurrently with an extensive street display of over 100 new road safety cut outs comprising a creative illustration of children conveying road safety messages. These cut outs were installed at police stations across 50 cities, which included the Colombo district among other major metros such as Kandy and Kurunegala.

Road safety campaigns initiated by the Company have been developed on the premise of creating more awareness and reinforcement among commuters across all walks of life.

As an extension of the Company's main road safety campaign, a special ground execution was implemented to appeal to the motorists who regularly travel on the Ambepussa – Dambulla road.

Under this initiative, several road safety boards were installed along the A6 main road in Pothuhera which is en route to key commercial and residential hubs such as Kurunegala and Dambulla. Each safety board was developed with a customized hard-hitting road safety message.

Corporate Social Responsibility Report

Medical Camp for the benefit of three wheel drivers

As an initiative to support social wellbeing of the three-wheel driver community in the country, the Company partnered with the All Island Three Wheeler Drivers' Union to provide free medical care to its membership.

During the health camp, hundreds of three wheeler and budget taxi drivers were given free access to vital tests which included a Random Blood Sugar (RBS) test, a free Blood Pressure (BP) check, a free Eye test and a free Doctor's consultation, which was conducted by a highly skilled and experience medical team. A mobile pharmacy counter was also set up in order to make the free distribution of medicine to each patient easily accessible.

> "During the health camp, hundreds of three wheeler and budget taxi drivers were given free access to vital tests ..."

Partnership with German Tech to develop future generation automobile engineers

The Company has developed a successful relationship with the Ceylon German Technical Training Institute (CGTTI) over the years, with the mutual aim of gearing future generation automobile engineers with the essential industry knowledge and training on automotive and industrial lubricant technology, and latest industry trends. In 2013, the Company marked the 12th consecutive year in conducting its highly informative technical course on "Lubrication essentials and future trends in the automotive industry" for over 150 final year automotive students registered for CGTTI's main Diploma programme.

Mr. Shantha Karunarathna, Principal, CGTTI with the Caltex Lead Technical Manager Mr. Hilary Fernando and team members at the recently conducted course, held at the CGTTI training auditorium

HIV and AIDS eradication drive

The Company stepped forward to support the AIDS Foundation of Lanka (AFL) for the HIV and AIDS poster competition, to increase public awareness and vigilance pertaining to the causes and prevalence of HIV and AIDS in Sri Lanka.

Several prizes were handed to winners of the poster competition under the child, youth and adult categories. The award ceremony was conducted at the World AIDS Day Commemoration held at the Sri Lanka Foundation Institute. Nearly 200 contestants participated in the ceremony which was presided over by Mr. William Weinstein, the Deputy Chief of Mission from U.S. High Commission.

Subsequently, each winning piece was passed on as exhibits to the private sector, as a initiative to educate the labour workforce using the poster as a creative aid to showcase important aspects associated with HIV and AIDS, such as social stigma and discrimination.

Dr. Sujatha Samarakoon - Foundation Trustee (AFL) being presented the sponsorship cheque by Ms. Upuli Kulasiri- Marketing Manager (Chevron) together with Ms. Senela Jayasuriya - Corporate Communications Manager (Chevron), in the presence of Dr. Palitha Abeykoon - Foundation Chairman and Dr. Sarojini Perera (AFL)

Nena Guna Thilina Presidential Book Project

Caltex continued its association with the Nena Guna Thilina Presidential Book Project, which was intended to increase the reading habbits among school children in Sri Lanka.

> "The Company stepped forward to support the AIDS Foundation of Lanka (AFL) for the HIV and AIDS poster competition, to increase public awareness and vigilance pertaining to the causes and prevalence of HIV and AIDS in Sri Lanka."

Mr. Kishu Gomes, Managing Director/CEO, CLLP at an official meeting with Mr. Lalith Weeratunga, Secretary to the President, to affirm the Company's continued commitment towards the Presidential book project. Also in the photo are Mr. Anura Perera - Director Finance, CLLP with Ms. Upuli Kulasiri, Marketing Manager, CLLP

Corporate Governance

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

Two Non-Executive Directors out of the four Non-Executive Directors are considered independent in terms of the guidelines issued by the Securities and Exchange Commission of Sri Lanka.

Appointment of Non-Executive Directors is based on the collective decision of the Board.

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

The Board met 4 times during 2013 and the attendance is given below;

		Attended
Farrukh Saeed	NED	4/4
Kishu Gomes	ED	4/4
Anura Perera	ED	4/4
Daham Wimalasena (resigned w.e.f 27.03.2013)	NED/IND	1/1
Richard Brown	NED	4/4
Deva Rodrigo	NED/IND	4/4
Harsha Amarasekera (appointed w.e.f 01.06.2013)	NED	3/3

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. The 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 the 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 2013 and the attendance is given below

	Attended
Daham Wimalasena (resigned w.e.f. 27.03.2013)	1/1
Deva Rodrigo*	4/4
Harsha Amarasekera (appointed w.e.f 01.06.2013)	3/3

*Chairman of the Audit Committee
Audit committee report is given in page 41

Remuneration Committee

Remuneration committee consists of three Non-Executive Directors and the Committee met once during the year.

	Attended
Deva Rodrigo	1/1
Harsha Amarasekera* (appointed w.e.f 1.06.2013)	1/1
Richard Brown	1/1

*Chairman of the Remuneration Committee

Directors Remuneration

Total remuneration paid to Executive and Non-Executive Directors is 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.

Chevron Business Conduct and Ethics Code (BCEC)

The BCEC 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 (corporate opportunities) , 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. In addition to mandatory computer based training which is compulsory, face to face training is provided to employees at regular intervals. A well-defined process is in place to monitor compliance. The Group's 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 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	Please also refer to page 28 of the Corporate Governance report
7.10.2 (a)	Independent Directors	Two or one third of the Non-Executive Directors, whichever is higher should be independent	Compliant	Please also refer to page 28 of the Corporate Governance report
7.10.2.(b)	Independent Directors	Non Executive Directors should submit an annual declaration of his/her independence/non independence against specified criteria	Compliant	Please also refer to page 28 of the Corporate Governance report
7.10.3 (a)	Disclosure relating to Directors	The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director.	Compliant	The Board made a detemination against the criteria given in rule 7.10.4
7.10.3 (b)	Disclosure relating to Directors	In the event a Director does not qualify as 'independent', but if the Board is of the opinion that the Director is independent the Board shall specify the criteria not met and the basis for its determination	Not Applicable	No such determination was required as the two independent directors met the criteria
7.10.3.(c)	Disclosure relating to Directors	The Company shall publish a brief resume of each Director	Compliant	Please refer to pages 12 -13
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	Complied	
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee	Compliant	Please refer to the Remuneration Committee report on page 42

Corporate Governance

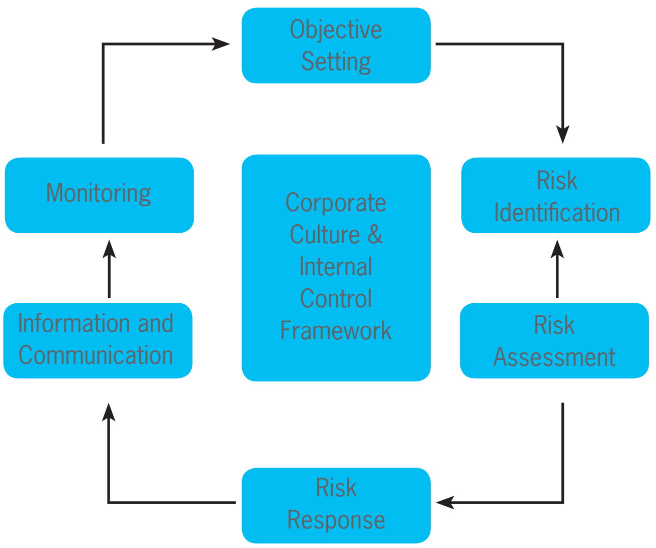
Rule No	Subject	Criteria	Compliance Status	Details
7.10.5 (a)	Composition of Remuneration Committee	Remuneration Committee (RC) shall comprise of a minimum of two independent Non Executive Directors or majority of Independent Non Executive Directors.	Compliant	Out of the three members of the Remuneration 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 who will make the final determination.	——	Please refer to the report of the Remuneration Committee appearing on page 42
7.10.5 .(C)	Disclosure relating to Remuneration Committee	The Annual report shall set out the names of Directors in the RC, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer to the report of the Remuneration Committee appearing on page 42
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Please refer to the Audit Committee Report given on page 41
7.10.6 (a)	Composition of the Audit Committee	Composition of the Audit Committee	Compliant	The Audit Committee comprised of two Non-Executive Independent Directors and headed by an Independent Director.
		The CEO or CFO shall attend all Audit Committee Meetings	Compliant	The Chief Executive Officer and Chief Financial Officer attended Audit Committee meetings by invitation.
		The 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
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	
		c. The Annual Report shall contain a report of the Audit Committee setting out the manner of compliance of the functions	Compliant	

Other Directorships held by Directors

Name of the Director	Name of the Company	Nature of Relationship
Harsha Amarasekera	Vallibel One Plc	Director
	Expo Lanka Holdings Plc	Director
	CIC Holdings Plc	Director
	Keells Food Products Plc	Director
	Amaya Leisure Plc	Director
	Vallibel Power Erathna Plc	Director
	Amana Bank	Alternate Director
	CIC Agri Business (Pvt) Ltd	Director
	Delmege (Pvt) Ltd	Director
	Galle Face Management Company (Pvt) Ltd	Director
	Suisse Hotel Kandy (Pvt) Ltd	Director
	Millennium Airlines (Pvt) Ltd	Director
	Ceylon Hotel Holdings (Pvt) Ltd	Director
	Westend Holdings Ltd	Director
	Leisure Lines Lanka (Pvt) Ltd	Director
	Ceylon Leisure Holdings (Pvt) Ltd	Director
	S.H.K. Travels & Leisure (Pvt) Ltd	Director
	Bensons Ltd	Director
	Manson Investments (Pvt) Ltd	Director
	Millennium Investments Lanka (Pvt) Ltd	Director
Deva Rodrigo	Softlogic Holdings PLC	Director
	Cargills Agriculture	Director
	Commercial bank	Director
Kishu Gomes	Chevron Ceylon Ltd	Director
Anura Perera	Chevron Ceylon Ltd	Director

Risk Management

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



(Risk Management Process)

The Audit Committee spearheads the risk management process through periodic assessment and monitoring and cascades to the Management Committee for implementation and execution. Risk management is deeply rooted and embedded in the corporate culture at Chevron.

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

Risk Assessment and Profiling

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

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

Likelihood	5	Almost Certain	5	10	15	20	25
	4	Likely	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Unlikely	2	4	6	8	10
	1	Remote	1	2	3	4	5
			Very Low	Low	Medium	High	Very High
			1	2	3	4	5
			Impact				
		Risk Rating	Low		Moderate		High
		Risk Score (RS)	5>RS		10>RS>5		25>RS>10

(Conceptual Model of the Company's Risk Matrix)

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

Business Risk

Loss of Volumes/ Market Share

The Company faces the risk of losing volumes due to intense competition amongst existing players in the industry as well as new entrants. As a result competitors may continue to pursue price-centric strategies to gain market share within segments of the market.

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

Risk Response

Company manages these risks to an extent through customer and channel partner education, marketing communication on product value propositions, creating awareness among the relevant stakeholders and leveraging on the brand equity. We also offer constructive suggestions to the authorities to maintain the high product standards.

Dependence on Business Partners

Some of the critical operations of the business such as warehousing, distribution and drum fabrication have been outsourced. Any business disruptions in the operations of such business partners may affect the Company's operations.

Risk response

The Company maintains excellent relationships with its business partners and shares best practices with them. The organization also engages in benchmarking such activities, supplier evaluation and reviewing whether the decision to outsource remains plausible. In addition the Company has developed contingency plans to face any disruptions in critical outsourced activities.

Health, Environment and Safety Risk

These risks relate to incidents and events that could cause injuries to employees and disrupt day to day business operations and cause 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 an adverse impact on profitability, competitiveness, reputation and conducting overall business operations.

Risk response

The Company has deployed policies, processes and procedures to ensure integrity of transactions. Any deviations or gaps identified are reported, investigated and corrective action taken. The value chain activities from supply chain to distribution cum sales and marketing have been integrated on a central ERP system, supplemented with processes and practices that are globally recognized. Further, these processes, systems and controls are subjected to periodic review by internal auditors and ISO auditors.

Financial Risk

Foreign Exchange Risk

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

Risk response

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

Credit Risk

The 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

A 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.

"During the year in review the company recorded a profit after tax of Rs. 2,532 mn, an increase of 12% year on year."

Financial
Reports

Financial Calendar 2013

Dividends	
First Interim	19th April 2013
Second Interim	2nd August 2013
Third Interim	11th November 2013
Fourth Interim	9th January 2014

Interim Financials

First Quarter ended 31st March 2013	23rd April 2013
Second Quarter ended 30th June 2013	24th July 2013
Third Quarter ended 30th September 2013	23rd October 2013
Fourth Quarter ended 31st December 2013	24th February 2014

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 2013.

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 2013 and the likely future developments are covered in detail under the Managing Director's review and management discussion analysis.

Financial Statements

The financial statements which include the Statement of Comprehensive Income, Statement of changes in Equity, Statement of Financial Position, Cash Flow Statement and notes to the financial statements are given on pages 44 to 67.

Accounting Policies

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

Review of Business

The Company made a net profit after tax of Rs. 2.5bn (2012:Rs.2.3bn), after making provisions for all known liabilities, provision for doubtful debts and depreciation on property plant and equipment. The detailed Statement of Comprehensive Income and the Statement of Changes to the Equity are given on page 44,45 and 47 respectively.

Dividends

The following Interim Dividends were paid out of the current year profits.

First Interim Dividend	-	Rs.3.00 per share paid on 19th April 2013
Second Interim Dividend	-	Rs.3.00 per share paid on 2nd August 2013
Third Interim Dividend	-	Rs.4.50 per share paid on 11th November 2013
Fourth Interim Dividend	-	Rs.4.50 per share paid on 9th January 2014

No final dividend has been proposed by the Board.

Property, Plant & Equipment

Capital expenditure incurred during 2013 including work-in-progress amounted to Rs. 1,128,106,218 (2012: Rs. 67,627,055). The movements in Property, Plant & Equipment are given in Note 13 to the Accounts.

Donations

No donations were made during the year. However the Company incurred Rs. Rs.12,499,976 (2012:Rs. 12,765,575) on Social Responsibility Programmes. The details of these programmes are given in the sustainability report.

Directorate

The following served as Directors of the Company during the year 2013:

Farrukh Saeed
Kishu Gomes
Daham Wimalasena (resigned with effect from 27th March 2013)
A.M.Anura Perera
Deva Rodirgo
Richard Brown
Harsha Amarasekera (appointed with effect from 1st June 2013)

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

In terms of Article 84 of the Articles of Association Mr. Richard Brown retires by rotation and being eligible offers himself for re-election.

Directors' Shareholdings

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

Anura Perera 200 (31.12.2012– 400).

None of the other Directors hold shares in the Company.

Directors' Independence

Devasiri Rodrigo and Harsha Amarasekera function as Independent Directors of the Company.

As per the rules on corporate governance (section 6.4) stipulated by the Colombo Stock Exchange each of the above Directors have made written declarations. Accordingly Devasiri Rodrigo and Harsha Amarasekera meet all the criteria of independence.

Information on the Company's compliance with other rules on corporate governance are given in the corporate governance report in page 28.

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 28. These have been entered in the Interest Register.

Related Party Transactions

The Company procures most of its raw materials from Chevron group companies in the ordinary course of business. In addition the Company pays for various services provided by the Group. The details of such transactions are given in note 25 to the Financial statements.

Share Capital and information on shares as at 31 December

	2013 Rs.	2012 Rs.
Earnings Per Share	21.10	18.88
Net Assets Per Share	40.33	34.38
Market Price per Share	267.80	202.00
Highest Price during the Year	375.00	205.20
Lowest Price during the Year	202.00	160.00
Price Earnings Ratio	12.69	10.70
Dividends Per Share	15.00	11.00

Major Shareholders

The twenty largest shareholders and the percentages held by them are disclosed on page 71.

Reserves

Retained earnings of the Company as at 31.12.2013, amount to Rs. 4,240 mn (31.12.2012 –3,526 mn). Movements are shown in the statement of changes in Equity in the financial statements.

Events After the End of the Reporting Peroid

There have been no events subsequent to the Financial Position date which would have material effect on the Company or require disclosure or adjustment to the Financial Statements.

Internal Controls

The Directors are responsible for devising 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. The Board Audit committee reviews the internal audit reports to ensure established controls are adhered to and any deviations reported and remedied. A whistle blowing mechanism is in place to report any violations of internal controls and Business Conduct and Ethics Code. Based on the internal control frame work as described above, the Board is satisfied with the effectiveness of the internal controls for the period under review.

Statutory Payments

The Board of Directors confirm that to the best of their knowledge all the 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.1,663,697 (2012: Rs. 1,512,415) as audit fees and Rs. 120,000 (2012:Rs. 120,000) for issue of solvency certificates. A resolution proposing their re-appointment as Auditors of the Company will be tabled at the Annual General Meeting.

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

Annual General Meting

The Annual General Meeting will be held at the Sri Lanka Institute of Tourism & Hotel Management auditorium, at 78, Galle Road, Colombo 3 on Tuesday, 8th April 2014 at 3.30p.m.

By order of the Board

Kishu Gomes
Managing Director/CEO

A.M. Anura Perera
Director/ Secretary

3 March 2014

Statement of Directors' Responsibilities

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

As per 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 the Board has discharged its responsibilities as set out above.

The Company's financial statements have been audited by PricewaterhouseCoopers, independent auditors approved by the shareholders. The 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.

Sgd
Kishu Gomes
Managing Director

Anura Perera
Finance Director

Audit Committee
Report

Composition

The Audit Committee comprised of Deshamanya Devasiri Rodrigo (Chair), Daham Wimalasena (resigned w.e.f on 27.03.2013) and Mr. Harsha Amarasekara (Appointed w.e.f on 01.06.2013). Accordingly it complied with SEC rules relating to independence, having at least one member with financial expertise and not having any Directors with executive responsibilities. Together they possessed relevant experience in 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 and Sri Lanka SEC requirements and best practice.

Ensuring financial statement integrity, effectiveness of internal controls over financial reporting, compliance with laws and regulations and the independence of the external auditors PricewaterhouseCoopers, was the core responsibility of the Committee. TOR also 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 and one separate meeting with the external auditors without the presence of any executive directors or other employees.

The reports issued by local internal audit and by the external auditors were reviewed, the implications of the matters reported were assessed and the relevant risk mitigation and management procedures implemented or to be implemented were discussed with 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 Financial Position 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 contribution 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

3 March 2014

Remuneration Committee Report

Remuneration Policy

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

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

A survey has been undertaken by an external consultant in order to assess the present salary and benefit structure within the Company and its' findings will be considered and reviewed by the Remuneration Committee, and pending the completeness of such survey, the Committee is satisfied with the salary reviews granted by the process in place.

The aggregate remuneration paid to Executive and Non- Executive Directors is given on page 55.

Sgd.
Harsha Amarasekera
Chairman, Remuneration Committee

3 March 2014

Independent
Auditor's Report

pwc

Report on the Financial Statements

1 We have audited the accompanying financial statements of Chevron Lubricants Lanka PLC, which comprise the statement of financial position as at 31 December 2013, 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 49 to 67.

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 (LKAS and 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 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards (LKAS and 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.

3 March 2014
COLOMBO

PricewaterhouseCoopers
CHARTERED ACCOUNTANTS

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Statement of
Comprehensive Income

(all amounts in Sri Lanka Rupees)

	Notes	Year ended 31 December 2013	2012
Sales	5	11,202,053,091	11,754,046,112
Cost of sales		(7,076,849,922)	(7,949,962,149)
Gross profit		4,125,203,169	3,804,083,963
Other income	8	2,160,625	12,294,729
Distribution expenses		(442,892,727)	(425,356,670)
Administrative expenses		(509,800,929)	(473,547,778)
Operating profit	6	3,174,670,138	2,917,474,244
Finance income		279,044,128	194,291,635
Finance costs		(116,698)	(308,887)
Finance income - net	9	278,927,430	193,982,748
Profit before tax		3,453,597,568	3,111,456,992
Tax	10	(921,697,175)	(845,629,594)
Profit for the year		2,531,900,393	2,265,827,398
Earnings per share attributable to the owners of the Company during the year			
Basic earnings per share (LKR)	11	21.10	18.88

Notes on pages 49 to 67 form an integral part of these financial statements

Report of the independent auditors' on page 43.

Statement of
Comprehensive Income (Cont'd)

(all amounts in Sri Lanka Rupees)

	Notes	Year ended 31 December 2013	2012
Profit for the year		2,531,900,393	2,265,827,398
Other comprehensive (loss) / income:			
Actuarial (loss) / gain on retirement benefit obligations	20	(24,580,131)	30,340,348
Tax on other comprehensive income	10	6,882,437	(8,495,297)
Other comprehensive (loss) / income for the year		(17,697,694)	21,845,051
Total comprehensive income for the year		2,514,202,699	2,287,672,449

Notes on pages 49 to 67 form an integral part of these financial statements
Report of the independent auditors' on page 43.

Statement of Financial Position

(all amounts in Sri Lanka Rupees)

	Notes	As at 31 December 2013	2012
Assets			
Non-current assets			
Property, plant and equipment	13	1,296,651,148	215,813,246
Trade and other receivables	14	81,152,382	94,108,948
Deferred income tax assets	16	8,722,892	1,341,170
		1,386,526,422	311,263,364
Current assets			
Inventories	17	1,928,703,683	2,132,117,702
Trade and other receivables	14	1,252,067,901	986,882,321
Cash and cash equivalents	18	2,485,174,028	2,517,244,003
		5,665,945,612	5,636,244,026
Total assets		7,052,472,034	5,947,507,390
Equity and liabilities			
Capital and reserves			
Stated capital	19	600,000,000	600,000,000
Retained earnings		4,240,020,532	3,525,817,833
		4,840,020,532	4,125,817,833
Non-current liabilities			
Retirement benefit obligations	20	122,059,549	87,328,145
		122,059,549	87,328,145
Current liabilities			
Trade and other payables	21	1,599,802,204	1,257,496,675
Current income tax liabilities		490,589,749	476,864,737
		2,090,391,953	1,734,361,412
Total liabilities		2,212,451,502	1,821,689,557
Total equity and liabilities		7,052,472,034	5,947,507,390

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorised for issue by the Board of Directors on 03rd March 2014.

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

Kishu Gomes
Managing Director

A.M Anura Perera
Director / Chief Financial Officer

Erande De Silva
Manager - Finance and Planning

Notes on pages 49 to 67 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 2012		600,000,000	2,558,145,384	3,158,145,384
Profit for the year		Nil	2,265,827,398	2,265,827,398
Other comprehensive income for the year		Nil	21,845,051	21,845,051
Total comprehensive income for the year		Nil	2,287,672,449	2,287,672,449
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
Balance at 1 January 2013		600,000,000	3,525,817,833	4,125,817,833
Profit for the year		Nil	2,531,900,393	2,531,900,393
Other comprehensive loss for the year		Nil	(17,697,694)	(17,697,694)
Total comprehensive income for the year		Nil	2,514,202,699	2,514,202,699
Transactions with owners				
- Dividends	12	Nil	(1,800,000,000)	(1,800,000,000)
Balance at 31 December 2013		600,000,000	4,240,020,532	4,840,020,532

Notes on pages 49 to 67 form an integral part of these financial statements
Report of the independent auditors' on page 43.

Cash Flow
Statement

(all amounts in Sri Lanka Rupees)

	Notes	Year ended 31 December 2013	2012
Cash flows from operating activities			
Cash generated from operations	24	3,398,175,975	3,535,565,541
Interest paid	9	(116,698)	(308,887)
Retirement benefits paid	20	(9,661,984)	(701,039)
Income tax paid		(908,471,446)	(745,961,506)
Net cash generated from operating activities		2,479,925,847	2,788,594,109
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(1,128,106,218)	(67,627,055)
Proceeds from disposal of property, plant and equipment		420,536	4,563,477
Interest received	9	235,689,860	159,653,056
Net cash (used) / generated from investing activities		(891,995,822)	96,589,478
Cash flows from financing activities			
Dividends paid		(1,620,000,000)	(1,380,000,000)
Net cash used in financing activities		(1,620,000,000)	(1,380,000,000)
Net (decrease) / increase in cash and cash equivalents		(32,069,975)	1,505,183,587
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		2,517,244,003	1,012,060,416
(Decrease) / increase in cash and cash equivalents		(32,069,975)	1,505,183,587
Cash and cash equivalents at end of year	18	2,485,174,028	2,517,244,003

Notes on pages 49 to 67 form an integral part of these financial statements
Report of the independent auditors' on page 43.

Notes to the
Financial Statements
(All amounts in notes are shown in Sri Lanka Rupees unless otherwise stated)

1 GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the Board of Directors on 03 March 2014.

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. The Company's financial statements are 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Changes in accounting policies and disclosures

There were no changes in accounting policies. Where necessary comparative figures have been adjusted to confirm with changes in presentation in the current year.

New standards, amendments and interpretations issued but not effective for the financial year nor 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 – 18
Leasehold buildings	2.22 – 10
Storage tanks and pipe lines	6.25 – 18
Plant and machinery	6.25 – 18
Office furniture and equipment	10 – 20
Motor vehicles	10 – 20
Computers	16.67 – 33.33

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

Service station equipment is depreciated over the service station operator agreement period.

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

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

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

2.5 Accounting for leases - where the Company is the lessee

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

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

2.6 Financial assets

(a) Classification

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

Loans and receivables

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

(b) Recognition and measurement of financial 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 statement of financial position, bank overdrafts are included in borrowings in current liabilities.

2.11 Stated capital

Ordinary Shares are classified as equity.

2.12 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit obligation

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

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

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

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

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

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

2.13 Current and deferred income tax

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

The provision for current income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the tax laws enacted or substantially enacted at the statement of financial position 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 statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax is settled.

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

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

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

2.14 Revenue recognition

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

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

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

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

2.15 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.

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 2013, a foreign exchange gain of LKR 385,963 would have resulted if LKR had weakened by 1% against USD with all other variables held constant.

(b) Credit risk

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

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

Trade receivables

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

Cash and cash equivalents

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

(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 the 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 LKR 2,231,808,900 (2012 - LKR 701,829,670) and other liquid assets of LKR 1,324,380,150 (2012 - LKR 2,715,040,765) that are expected to readily generate cash inflows for managing liquidity risk.

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

At 31 December 2013	**Less than 1 year**	**Total**
Trade and other payables (excluding statutory liabilities)	1,544,800,827	1,544,800,827
At 31 December 2012		
Trade and other payables (excluding statutory liabilities)	1,193,563,455	1,193,563,455

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

5 SALES

Sales are arrived at as follows:

	2013 Rs.	2012 Rs.
Gross sales	12,463,836,898	13,090,838,077
Less: Value Added Tax	(1,261,783,807)	(1,336,791,965)
Net sales	11,202,053,091	11,754,046,112

6 EXPENSES BY NATURE

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

	2013 Rs.	2012 Rs.
Directors' emoluments		
- executive	34,489,417	32,663,890
- non executive	1,863,158	2,032,532
Auditors' remuneration		
- audit	1,663,697	1,512,415
- non audit	120,000	120,000
Depreciation on property, plant and equipment [Note 13]	46,233,853	43,836,111
Amortisation of marketing support fee paid [Note 14(e)]	29,538,878	24,169,982
Provision for impairment on trade receivables [Note 14(g)]	11,101,896	Nil
Property, plant and equipment written off	1,034,462	1,090,638
Write off of inventory [Note 17(c)]	Nil	7,484,107
Repair and maintenance expenditure	15,171,304	2,126,236
Operating lease rentals - property	63,517,602	45,313,777
Employee benefit costs (Note 7)	198,231,357	189,485,110

7 EMPLOYEE BENEFIT COSTS

	2013 Rs.	2012 Rs.
Salaries and wages	155,761,126	152,550,129
Contribution to defined contribution plans	22,656,974	20,334,551
Contribution to defined benefit obligations (Note 20)	19,813,257	16,600,430
	198,231,357	189,485,110
Number of persons employed by the Company at year end:		
Permanent employees	78	82
Contract employees	7	5
	85	87

8 OTHER INCOME

	2013 Rs.	2012 Rs.
Scrap sales	998,461	3,112,116
Write back of unassigned credit balances in debtors ledger	741,628	4,619,136
Profit on disposal of property, plant and equipment	420,536	4,563,477
	2,160,625	12,294,729

9 FINANCE INCOME AND COSTS

	2013 Rs.	2012 Rs.
Finance income:		
Interest income on short term deposits	235,017,561	159,065,675
Interest income on Employee Loans	672,299	587,381
Net foreign exchange gain	43,354,268	34,638,579
	279,044,128	194,291,635
Finance costs:		
Interest expense on bank overdraft	(116,698)	(308,887)
Finance income - net	278,927,430	193,982,748

10 TAX

	2013 Rs.	2012 Rs.
Current tax	931,823,747	856,835,365
Deferred tax (Note 16)	(499,285)	(4,631,738)
Over provision for income tax in respect of previous years	(9,627,287)	(6,574,033)
Taxes included in income statement for the year	921,697,175	845,629,594
Tax on other comprehensive income (Note 16)	(6,882,437)	8,495,297
Taxes included in total comprehensive income	914,814,738	854,124,891

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:

	2013 Rs.	2012 Rs.
Profit before tax	3,453,597,568	3,111,456,992
Tax calculated at a tax rate of 28% (2012 - 28%)	967,007,319	871,207,958
Effect of different tax rates	(48,920,704)	(30,016,666)
Income not subject to tax	(2,034,190)	(3,194,477)
Expenses not deductible for tax purpose	15,771,322	18,838,550
(Reversal) / origination of temporary differences	(7,381,722)	3,863,559
Over provision for income tax in respect of previous years	(9,627,287)	(6,574,033)
Tax charge	914,814,738	854,124,891

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.

	2013 Rs.	2012 Rs.
Profit attributable to shareholders	2,531,900,393	2,265,827,398
Number of ordinary shares in issue at 31 December (Note 19)	120,000,000	120,000,000
Basic earnings per share (LKR)	21.10	18.88

12 DIVIDENDS

	2013 Rs.	2012 Rs.
Interim dividend 2013 proposed and paid - LKR 15.00 per share (2012 - LKR 11.00 per share)	1,800,000,000	1,320,000,000

13 PROPERTY, PLANT AND EQUIPMENT

	Land improvement	Leasehold buildings	Storage tanks	Plant and machinery	Office furniture and equipment	Motor vehicles	Computers	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
Year ended 31 December 2013									
Opening 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
Additions	Nil	Nil	Nil	23,747,274	624,936	Nil	5,215,768	1,098,518,240	1,128,106,218
Transfers	Nil	Nil	Nil	5,512,720	Nil	Nil	Nil	(5,512,720)	Nil
Write offs at cost	Nil	Nil	Nil	(10,981,254)	(19,871,548)	Nil	(1,910,707)	Nil	(32,763,509)
Accumulated depreciation on write-offs	Nil	Nil	Nil	9,954,404	19,863,935	Nil	1,910,707	Nil	31,729,046
Disposals at cost	Nil	Nil	Nil	Nil	(12,950)	(414,500)	(2,357,714)	Nil	(2,785,164)
Accumulated depreciation on disposal	Nil	Nil	Nil	Nil	12,950	414,500	2,357,714	Nil	2,785,164
Depreciation charge (Note 6)	(612,350)	(2,152,126)	(10,925,979)	(17,871,514)	(4,620,404)	(4,197,155)	(5,854,325)	Nil	(46,233,853)
Closing net book amount	2,391,878	7,012,734	27,477,850	110,891,683	3,528,092	18,681,106	12,099,584	1,114,568,221	1,296,651,148
At 31 December 2013									
Cost	8,468,637	59,394,107	85,429,353	278,769,976	41,424,148	42,963,705	39,376,484	1,114,568,221	1,670,394,631
Accumulated depreciation	(6,076,759)	(52,381,373)	(57,951,503)	(167,878,293)	(37,896,056)	(24,282,599)	(27,276,900)	Nil	(373,743,483)
Net book amount	2,391,878	7,012,734	27,477,850	110,891,683	3,528,092	18,681,106	12,099,584	1,114,568,221	1,296,651,148

(a) Property, plant and equipment include fully depreciated assets, the cost of which at 31 December 2013 amounted to LKR 171,907,171 (2012 - LKR 163,027,103).

(b) Depreciation expense of LKR 32,899,209 (2012 - LKR 28,467,364) has been charged in cost of goods sold, LKR 3,468,750 (2012 - LKR 4,460,980) as administrative expenses and LKR 9,865,894 (2012- LKR 10,907,769) as selling and distribution expenses.

(c) Capital work in progress mainly comprises of cost of site preparation and construction cost of blending plant at Sapugaskanda amounting to LKR 1,106,231,000 (2012- LKR 16,011,900).

14 TRADE AND OTHER RECEIVABLES

	2013 Rs.	2012 Rs.
Trade receivables	1,095,684,216	913,193,730
Less: provision for impairment of trade receivables	(24,669,194)	(13,567,298)
Trade receivables - net	1,071,015,022	899,626,432
Receivable from related parties [Note 25 (d)(i)]	23,271,211	18,454,058
Prepayments	1,943,771	15,918,347
Deposits	25,322,963	24,195,390
Staff loans [refer (d) below]	28,293,056	22,652,127
Marketing support fee paid to service centre operators [refer (e) below]	62,690,388	79,740,547
Other receivables [refer (c) below]	120,683,872	20,404,368
Total trade and other receivables	1,333,220,283	1,080,991,269
Less: non current portion		
Staff loans	21,670,988	17,217,603
Marketing support fee paid to service centre operators	34,158,431	52,695,955
Deposits	25,322,963	24,195,390
Total non current portion	81,152,382	94,108,948
Current portion	1,252,067,901	986,882,321

(a) Trade receivables by credit quality:

	2013 Rs.	2012 Rs.
Neither past due nor impaired	843,327,371	717,174,485
Past due but not impaired	227,687,651	182,451,947
Impaired	24,669,194	13,567,298
	1,095,684,216	913,193,730

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

	2013 Rs.	2012 Rs.
Up to 3 months	142,086,042	159,647,252
3 to 6 months	29,341,981	21,640,671
Over 6 months	56,259,628	1,164,024
	227,687,651	182,451,947

The impaired receivables have been fully provided for.

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

	2013 Rs.	2012 Rs.
US Dollars	117,724,649	106,831,921
Sri Lankan Rupees	1,215,495,634	974,159,348
	1,333,220,283	1,080,991,269

(c) Other receivables mainly consist of interest receivable of LKR.8,666,280 (2012- LKR 7,540,274) and VAT receivable of LKR 86,321,999 (2012 - LKR Nil).

(d) Staff loans due at the financial position date represent loans given to staff on fixed repayment terms and are unsecured. These loans are given at a concessionary rate of 4.2% (2012 - 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 his obligations under the contract. If the terms are not met service station operator is required to refund to the Company a proportionate amount of the bulk payment. The marketing support payment is amortised over the contract period and amortisation charge is recognised in the statement of comprehensive income.

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

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

	2013 Rs.	2012 Rs.
At 1 January	13,567,298	13,567,298
Provision for impairment	11,101,896	Nil
At 31 December	24,669,194	13,567,298

15 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables Rs.	Total Rs.
a) 31 December 2013		
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments and marketing support fee paid to service centre operators)	1,268,586,125	1,268,586,125
Cash and cash equivalents (Note 18)	2,485,174,028	2,485,174,028
	3,753,760,153	3,753,760,153

	Other financial liabilities Rs.	Total Rs.
b) 31 December 2013		
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	1,544,800,826	1,544,800,826

	Loans and receivables Rs.	Total Rs.
c) 31 December 2012		
Assets as per statement of financial position		
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 Rs.	Total Rs.
d) 31 December 2012		
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	1,193,563,455	1,193,563,455

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

Trade receivables	2013 Rs.	2012 Rs.
Distributors	714,615,472	523,162,984
Commercial / industrial and others	297,820,210	316,335,154
Export customers / overseas	58,579,340	60,128,294
	1,071,015,022	899,626,432

Cash at bank and short term deposits	2013 Rs.	2012 Rs.
Cash at bank	99,613,795	835,015,499
Government securities	2,231,808,900	701,829,670
Banks with AAA to A ratios	153,600,000	980,081,189
	2,485,022,695	2,516,926,358

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% (2012 - 28%). The gross movement on the deferred income tax account is as follows:

	2013 Rs.	2012 Rs.
At beginning of year	1,341,170	5,204,729
Credited to comprehensive income (Note 10)	499,285	4,631,738
Credited / (Charged) to other comprehensive income (Note 10)	6,882,437	(8,495,297)
At end of year	8,722,892	1,341,170

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

Deferred tax assets	2013 Rs.	2012 Rs.
- Deferred tax assets to be recovered after more than 12 months	34,176,674	24,451,881
- Deferred tax assets to be recovered within 12 months	Nil	62,770
	34,176,674	24,514,651
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(21,964,408)	(21,611,813)
- Deferred tax liability to be recovered within 12 months	(3,489,374)	(1,561,668)
	(25,453,782)	(23,173,481)
Deferred tax assets (net)	8,722,892	1,341,170

Deferred tax liabilities	Accelerated tax depreciation Rs.	Total Rs.
At 1 January 2012	(23,397,994)	(23,397,994)
Credited to income statement	224,513	224,513
At 31 December 2012	(23,173,481)	(23,173,481)
Credited to income statement	(2,280,301)	(2,280,301)
At 31 December 2013	(25,453,782)	(25,453,782)

Deferred tax assets	Defined benefit obligations Rs.	Deferred rent Rs.	Total Rs.
At 1 January 2012	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
Credited to income statement	9,724,792	(62,770)	9,662,022
At 31 December 2013	34,176,674	Nil	34,176,674

17 INVENTORIES

	2013 Rs.	2012 Rs.
Raw materials and consumables	1,375,566,039	1,541,767,445
Finished goods	553,137,644	590,350,257
	1,928,703,683	2,132,117,702

(a) Raw material and consumables include goods in transit amounting to LKR 100,843,174 (2012 - LKR 506,266,673).

(b) The cost of inventories recognised as expense and included in cost of sales amounted to LKR 6,926,536,150 (2012 - LKR 7,813,337,420).

(c) Materials amounting to LKR Nil (2012- LKR 7,484,107) were written off as a result of a fire damage during transportation of goods.

18 CASH AND CASH EQUIVALENTS

	2013 Rs.	2012 Rs.
Cash at bank and in hand	99,765,128	835,333,144
Short term deposits	2,385,408,900	1,681,910,859
	2,485,174,028	2,517,244,003

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

The weighted average effective interest rate on short term deposits was 8.36% (2012 - 10.45%).

The cash and cash equivalents are denominated in following currencies:

	2013 Rs.	2012 Rs.
US Dollars	56,997,196	120,699,623
Sri Lankan Rupees	2,428,176,832	2,396,544,380
	2,485,174,028	2,517,244,003

19 STATED CAPITAL

	Ordinary shares	
	Number of shares Rs.	Value of shares Rs.
At 31 December 2012	120,000,000	600,000,000
At 31 December 2013	120,000,000	600,000,000

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

20 RETIREMENT BENEFIT OBLIGATIONS

	2013 Rs.	2012 Rs.
Statement of financial position obligations for:		
Gratuity benefits	122,059,549	87,328,145
Income statement charge:		
Gratuity benefits (Note 7)	19,813,257	16,600,430
Other comprehensive income:		
Actuarial loss /(gain)	24,580,131	(30,340,348)

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

	2013 Rs.	2012 Rs.
At 1 January	87,328,145	101,769,102
Current service cost	7,054,412	8,065,920
Interest cost	12,758,845	8,534,510
Actuarial loss / (gain)	24,580,131	(30,340,348)
Benefits paid	(9,661,984)	(701,039)
At 31 December	122,059,549	87,328,145

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

	2013 Rs.	2012 Rs.
Current service cost	7,054,412	8,065,920
Interest cost	12,758,845	8,534,510
Total included in the employee benefit costs (Note 7)	19,813,257	16,600,430

The provision is not externally funded, but actuarially valued and the valuation was carried out by Messer's Towers Watson Philippines, Inc an independent actuary, on 31 December 2013 using the Projected Unit Credit Method. The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate	12% compounded annually	15% compounded annually
Estimated salary increment rate	12% per year	12% per year
Withdrawal rate	5% per annum up to age 50 and 0% thereafter	5% per annum up to age 50 and 0% thereafter

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

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 7.99%	Increase by 9.10%
Future salary growth rate	1.00%	Increase by 9.14%	Decrease by 8.18%

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

Maturity profile of the defined benefit obligation.

The weighted average duration of the defined benefit obligation is 20.66 years. The distribution of the timing of benefit payments is as follows.

	2013 Rs.
Less than 1 year	3,996,267
Between 1 – 2 years	7,126,167
Between 2 – 5 years	23,451,431
Over 5 years	126,334,728

21 TRADE AND OTHER PAYABLES

	2013 Rs.	2012 Rs.
Trade payables	360,283,615	93,916,736
Payable to related companies · Trade [Note 25 (d)(ii)]	516,368,545	499,965,617
· Dividend [Note 25 (d)(iii)]	247,860,000	165,240,000
Accrued expenses [refer (a) below]	112,255,876	229,781,794
Other payables [refer (b) below]	363,034,167	268,592,528
	1,599,802,204	1,257,496,675

(a) Accrued expenses include import fees payable of LKR 21,394,837 (2012 - LKR 108,229,849), promotional incentives of LKR 10,457,222 (2012 - LKR 31,500,000), advertisement and sales promotion expenses of LKR Nil (2012 - LKR 10,221,182) ,CSR Project expenses of LKR.6,206,443 (2012 - LKR Nil) and marketing support payments to service station operators amounting to LKR Nil (2012 - LKR 1,415,215).

(b) Other payables mainly consist of dividend payable to shareholders of LKR 238,235,206 (2012 - LKR 158,770,662) and WHT payable in relation to dividend of LKR 54,609,612 (2012 - LKR 36,131,610).

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

	2013 Rs.	2012 Rs.
US Dollars	136,125,521	36,284,253
Sri Lankan Rupees	1,463,676,683	1,221,212,422
	1,599,802,204	1,257,496,675

22 CONTINGENT LIABILITIES

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

23 COMMITMENTS

Capital commitments

Capital commitments in respect of the construction of a new blending plant contracted for but not incurred at the financial year ended amounts to LKR 597,734,771.

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.

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

Cancellable	2013 Rs.	2012 Rs.
Not later than one year	27,007,350	28,665,000
Later than 1 year and not later than 5 years	96,618,829	95,192,789
	123,626,179	123,857,789

Non-cancellable	2013 Rs.	2012 Rs.
Not later than one year	3,555,315	14,134,545
Later than 1 year and not later than 5 years	Nil	3,555,315
	3,555,315	17,689,860

Operating lease commitments - where the Company is the lessee

The lease agreement covering the land on which the blending 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 the 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:

	2013 Rs.	2012 Rs.
Profit before tax	3,453,597,568	3,111,456,992
Adjustments for:		
Depreciation [Note 13]	46,233,853	43,836,111
Property, plant and equipment written off (Note 6)	1,034,462	1,090,638
Amortisation of marketing support fee paid (Note 6)	29,538,878	24,169,982
Write off of inventory [Note 17(c)]	Nil	7,484,107
Profit on disposal of property, plant and equipment (Note 8)	(420,536)	(4,563,477)
Interest income (Note 9)	(235,689,860)	(159,653,056)
Interest expense (Note 9)	116,698	308,887
Provision for impairment of trade receivables (Note 6)	11,101,896	Nil
Changes in working capital		
- trade and other receivables	(292,869,788)	160,863,212
- inventories	203,414,019	(262,085,423)
- payables	162,305,528	596,057,138
Defined benefit obligations (Note 20)	19,813,257	16,600,430
Cash generated from operations	3,398,175,975	3,535,565,541

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

	2013 Rs.	2012 Rs.
Chevron Ceylon Limited	16,516,575	6,388,212
PT Chevron Oil Products Indonesia	13,665,267	12,178,283
Chevron International (Private) Limited	Nil	213,976
	30,181,842	18,780,471

(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

	2013 Rs.	2012 Rs.
Sales of goods:		
Fuel and Marine Marketing Limited	78,136,726	27,040,509
Chevron Thailand Limited	Nil	2,241,682
Chevron Malaysia Limited	Nil	2,047,551
	78,136,726	31,329,742

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

	2013 Rs.	2012 Rs.
Purchases of goods:		
Chevron Singapore (Private) Limited	2,980,375,359	3,945,914,723
Chevron Alkhalij	22,511,336	27,798,609
Chevron Thailand Limited	124,257,912	170,257,746
Chevron Oronite (Private) Limited	484,860,813	593,944,242
Chevron (Tianjin) Lubricants Company Limited	3,432,877	10,473,879
CUSA Global Lubricants Asia Pacific	11,684,890	3,029,892
Chevron Brazil Lubricants Limited	3,311,233	8,132,733
Chevron Belgium N.V	6,545,127	9,219,535
Chevron Oil Products Indonesia	4,812,811	Nil
Chevron Lubricants Vietnam Ltd	7,630,057	Nil
	3,649,422,415	4,768,771,359

	2013 Rs.	2012 Rs.
Purchases of services:		
Chevron International (Private) Limited	305,927,610	1,424,083
Chevron Holding Inc. Philippines	7,539,607	10,451,826
Chevron Texaco Information Technology Company	69,670,611	67,238,865
Chevron Asia Pacific Regional Services	Nil	271,750,046
CUSA Project Olympic Branch	41,071,603	39,487,673
Chevron Belgium N.V	465,194	492,204
Chevron Thailand Limited	Nil	91,956
Chevron Service Company	Nil	583,150
Chevron Corporation	10,883	Nil
	424,685,508	391,519,803

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 service level agreements with relevant Chevron affiliates , setting out the methodology, terms and conditions for the service charges among Group Companies. Services are bought from the related companies on a cost-plus basis, allowing a margin ranging from 0% to 6% (2012 - 0% to 6%).

Purchases of goods and services during the year from related parties amounts to 84% (2012 - 125%) of net assets and 58% (2012 - 87%) of total assets at the end of the financial year.

(c) Key management compensation

Key management includes the Leadership Team (inclusive of Executive Directors) and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	2013 Rs.	2012 Rs.
Salaries and other short-term employee benefits	40,849,987	38,538,176

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

(i) Receivable from related parties:

	2013 Rs.	2012 Rs.
Chevron Ceylon Limited	1,774,096	1,435,511
Chevron International (Private) Limited	8,452,144	Nil
Chevron Product Company	384,890	194,803
Chevron Marine Products LLC	5,020,202	5,342,922
Chevron Singapore (Private) Limited	454,588	Nil
Chevron Asia Pacific Regional Services	1,812,221	Nil
Chevron (Tianjin) Lubricants Company Limited	Nil	644
PT Chevron Oil Products Indonesia	5,373,070	11,480,178
	23,271,211	18,454,058

(ii) Payable to related parties:

	2013 Rs.	2012 Rs.
Chevron International (Private) Limited	60,340,269	34,199
Chevron Holdings Incorporation Philippines	1,032,818	857,119
Chevron Singapore (Private) Limited	382,431,711	414,847,585
Chevron Oronite (Private) Limited	31,258,689	44,711,357
Chevron Information Technology Company	15,395,713	11,980,819
Chevron (Thailand) Limited	8,332,779	7,595,227
CUSA Global Lubricants Asia Pacific	532,643	709,662
Chevron Asia Pacific Regional Services	Nil	8,198,911
CUSA Project Olympic Branch	6,938,522	3,253,867
Chevron Belgium N.V	2,290,353	2,048,058
Chevron Lubricants Vietnam Limited	6,079,117	Nil
Chevron Brazil Lubricants Ltd.	1,735,931	5,145,663
Chevron Service Company	Nil	583,150
	516,368,545	499,965,617

(iii) Dividend payable to related party:

	2013 Rs.	2012 Rs.
Chevron Ceylon Limited	247,860,000	165,240,000

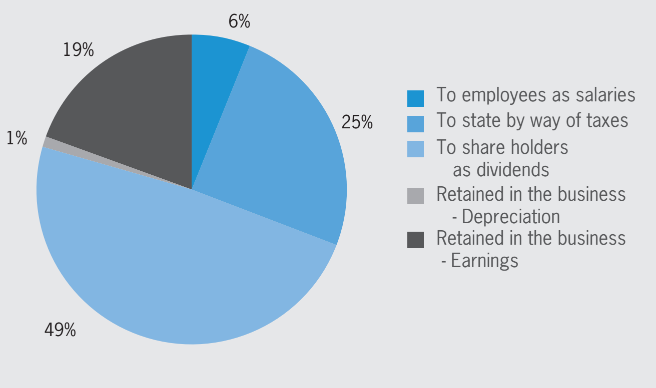
26 EVENTS AFTER THE END OF REPORTING PERIOD

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

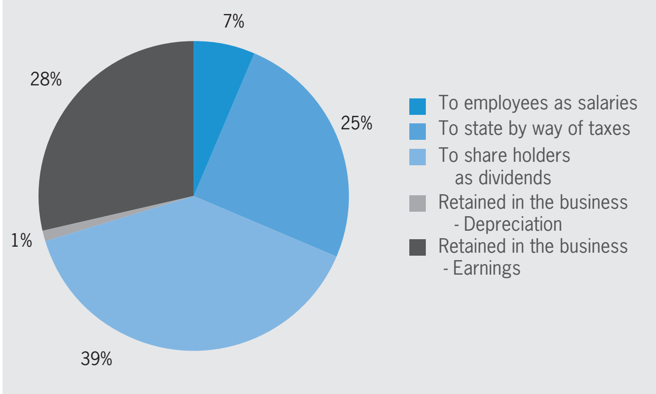
Statement of Value Added

	2013 Rs. Mn	2012 Rs. Mn
Value addition		
Turnover	11,202	11,754
Finance Income (Net)	279	194
Less: Materials and services purchased	7,774	8,540
value created	3,707	3,408
Distribution of Value addition		
To employees as salaries	232	222
To state by way of taxes	915	854
To share holders as dividends	1,800	1,320
Retained in the business - Depreciation	46	44
- Earnings	714	968
	3,707	3,408

Statement of Value added -2013



Statement of Value added -2012



Ten Year Summary

		2013 Rs. 000'	2012 Rs. 000'	2011 Rs. 000'	2010 Rs. 000'	2009 Rs. 000'	2008 Rs. 000'	2007 Rs. 000'	2006 Rs. 000'	2005 Rs. 000'	2004 Rs. 000'
Trading Results											
Turnover		11,202,053	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
Profit Before Tax		3,453,598	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
Taxation		921,697	845,630	767,164	832,676	849,465	535,240	579,893	439,191	293,508	245,274
Profit After Tax		2,531,900	2,265,827	2,000,616	1,501,274	1,494,905	947,722	1,078,359	806,733	700,496	646,797
Balance Sheet											
Share Capital		600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Reserves		4,240,021	3,525,818	2,558,145	1,637,529	1,606,255	1,551,350	1,233,627	905,269	668,535	616,123
Shareholders funds		4,840,021	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
Property, Plant & Equipment		1,296,651	215,813	193,113	220,338	260,080	325,608	387,869	420,828	426,424	468,377
Current & Non Current Assets excluding PPE		5,755,821	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
Current Liabilities		2,090,392	1,734,361	1,094,004	1,028,591	1,706,313	927,828	938,389	932,817	1,101,357	777,179
Non Current Liabilities		122,060	87,328	101,769	108,945	118,978	92,688	99,032	108,445	138,849	144,521
Net Assets		4,840,021	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
Key Indicators											
Gross Dividends	Rs. 000'	1,800,000	1,320,000	1,080,000	1,470,000	1,440,000	630,000	750,000	570,000	585,000	2,040,000
Dividend per Share	Rupees	15.00	11.00	9.00	12.25	12.00	10.50	12.50	9.50	9.75	34.00
Price Earnings Ratio	Times	12.69	10.70	10.20	12.75	11.38	11.65	9.49	12.64	9.94	11.83
Market value per share as at 31st December	Rupees	267.80	202.00	170.00	159.50	141.75	92.00	85.25	85.00	58.00	63.75
Return on Equity	%	56	62	74	68	69	48	65	58	56	106
Net Assets per share	Rupees	40.33	34.38	26.32	18.65	18.39	17.93	15.28	12.54	10.57	10.13
Net Income to Turnover	%	23	19	18	16	17	11	12	10	13	14
Earnings per Share	Rupees	21.10	18.88	16.67	12.51	12.46	7.90	8.99	6.72	5.84	5.39

Shareholder Information

Shareholders categorised summary report as at 31st December 2013

No of shares held	No of shareholders	No of shareholders %	Total Holdings	Total Holdings %
1 - 1000	2,064	62.24	687,085	0.57
1001 - 10,000	972	29.31	3,642,137	3.04
10,001 - 100,000	228	6.88	7,498,977	6.25
100,001 - 1,000,000	40	1.21	13,613,089	11.34
1,000,001 & over	12	0.36	94,558,712	78.80
Total	3,316	100.00	120,000,000	100.00

Analysis report of shareholders as at 31st December 2013

	No of shareholders	No of shareholders %	Total holdings	Total holdings %
Individual	3,104	93.61	13,316,512	11.10
Institutional	212	6.39	106,683,488	88.90
Total	3,316	100.00	120,000,000	100.00
Resident	3,203	96.59	83,188,382	69.32
Non- Resident	113	3.41	36,811,618	30.68
Total	3,316	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 2006	85.00	90.50	56.00
Market value of share in 2007	85.25	97.50	76.00
Market value of share in 2008	92.00	118.25	81.75
Market value of share in 2009	141.75	233.00	93.00
Market value of share in 2010	159.50	193.75	141.00
Market value of share in 2011	170.00	183.50	152.00
Market value of share in 2012	202.00	205.20	160.00
Market value of share in 2013	267.80	375.00	202.00

as at 31st December 2013

Name of Shareholders	Number of Shares	%
Chevron Ceylon Limited	61,200,000	51.00
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global	9,518,264	7.93
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global- EME	5,109,918	4.26
HSBC INTL NOM LTD-SSBT WASATCH FRONTIER EMERGING SMALL	4,648,287	3.87
Caceis Bank Luxembourg S/A BARCA GLOBAL MASTER FUND LPOGIER	2,716,306	2.26
HSBC INTL NOM LTD- BP2S LONDON-ABERDEEN ASIA SMALL COMP INV TRUST	2,690,800	2.24
Employees Provident Fund	2,554,566	2.13
HSBC INTL NOM LTD-BP2S LUXEMBOURG-ABERDEEN GLOBAL FRONTIER	1,830,800	1.53
Renuka Hotels Limited	1,400,000	1.17
Cargo Boat Development Company Limited	1,400,000	1.17
Mellon Bank N.A.- Florida Retirement system	1,300,000	1.08
HSBC INTL NOM LTD-JPMCB-INVESTERINGS FORENINGEN BANKINVEST	1,175,344	0.98
Crescent Launderers & Dry Cleaners (Pvt) Ltd	1,000,000	0.83
HSBC INTERNATIONAL NOMINEES LTD-SSBT-ABERDEEN INSTITUTIONAL COM	890,000	0.74
RBC Investor Services Bank- J O Hambro Capital Management Umbrella Fund PLC	877,045	0.73
RBC Investor Services Bank- Danske Invest- Global Emerging Markets	817,000	0.68
Danske Bank A/S	650,000	0.54
RBC Investor Services Bank- BI SICAV- New Emerging Markets Equities	588,725	0.49
DFCC Bank- Account No 1	588,000	0.49
HSBC INTL NOM LTD- BBH- Pioneer Multi- Asset Income Fund	551,197	0.46
	101,506,252	84.58

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 (Pvt) Ltd	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

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty first Annual General Meeting of Chevron Lubricants Lanka PLC will be held on Tuesday, 8th April 2014 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 31.12.2013 and the Report of the Auditors thereon.
- To re-elect Mr. Harsha Amarasekera who was appointed by the Board since the last Annual General Meeting, a Director.
- To re-elect Mr. Richard Brown, who retires by rotation in terms of Clause 84 of the Articles of the Company, a Director.
- To re-appoint Messrs. PricewaterhouseCoopers as Auditors and to authorize 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
3 March 2014

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/her.
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 Bridgmore Brown	whom failing
Parakrama Devasiri Rodrigo	whom failing
Shiran Harsha Amarasekera	whom failing
Adikarige Mervin Anura Perera	whom failing

....

of ... .

as my / our proxy to represent me / us and to vote as indicated hereunder for me / us and on my / our behalf at the Twenty first Annual General Meeting of Chevron Lubricants Lanka PLC to be held on Tuesday, 8th April 2014 at 3.30p.m. at the Sri Lanka Institute of Tourism & Hotel Management auditorium, 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 2013 with the Report of Auditors thereon.		
2.	To re-elect Mr. Harsha Amarasekera who was appointed by the Board since the last Annual General Meeting, a Director.		
3.	To re-elect Mr. Richard Brown who retires by rotation, a Director		
4.	To authorize the Directors to determine & make donations.		
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorize the Directors to determine their remuneration.		

Signed this ....day of...........2014 Signature ....

NOTES:

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

INSTRUCTIONS AS TO COMPLETION

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

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

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

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

Corporate Information

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