

Our way

*Chevron Lubricants Lanka PLC
Annual Report 2010*



Our Family of Brands

VISION

To be the Pre-eminent Marketeer of Lubricants in Sri Lanka, being the most admired customer-facing solutions provider differentiated by its people, partnerships and performance.

Our way

At Chevron, nothing is done lightly. Our actions are given a lot of thought and we believe in giving back in a meaningful manner. Whether it's through our efforts to enliven communities, support those who are differently-abled or promote a healthier Sri Lanka with our various sports sponsorships, we care about our impact on society, the environment and the country. At the end of the day, it comes down to a lot more than profits. Yes, we've had a good year but what made it great were the lives we impacted. From our valued employees to the suppliers, partners and various stakeholders, it has been our commitment to enrich lives, adding value and most importantly meaning to all those who are impacted by what we do. It's an important way to do business and we do it well.



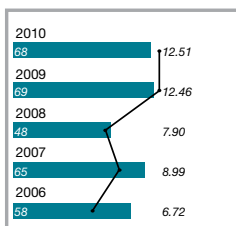
Our Family of Brands

“In an operating environment of peace and economic recovery, sales volume has grown in both the local and export markets. We are proud to report a Profit after Tax of Rs.1.5 billion.”

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“We believe in giving back to society in a way that solves a real and pressing need that becomes a part of our corporate culture; not just performing the act of simply handing out a donation.”

Sustainability report
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“The Core business activity of the company is manufacture and marketing of lubricants, greases, brake fluid and specialty products.”

Annual Report of the Directors
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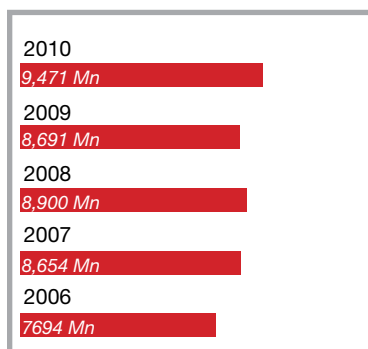
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Financial Highlights

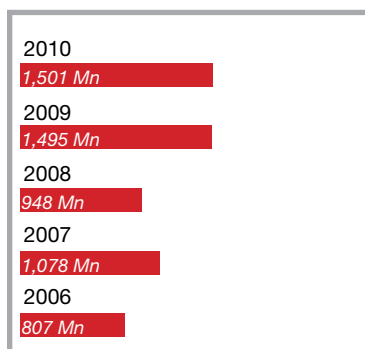
		2010 Rs. 000'	2009 Rs. 000'	%
Turnover		9,471,256	8,690,554	9%
Profit before tax		2,333,950	2,344,370	0%
Taxation		832,676	849,465	-2%
Profit after tax		1,501,274	1,494,905	0%
Shareholders funds		2,237,529	2,206,255	1%
Property, Plant & Equipment		220,338	260,080	-15%
Gross Dividends	Rs. 000'	1,470,000	1,440,000	2%
Dividend per Share	Rupees	12.25	12.00*	88%
Earnings per Share	Rupees	12.51	12.46	0%
Price Earnings Ratio	Times	12.75	11.38	12%
Market value per share as at 31st December	Rupees	159.50	141.75	13%
Return on Equity	%	68	69	-2%
Net Assets per share	Rupees	18.65	18.39	1%
Net Income to Turnover	%	16	17	-8%

* Total dividend paid divided by 120,000,000 shares

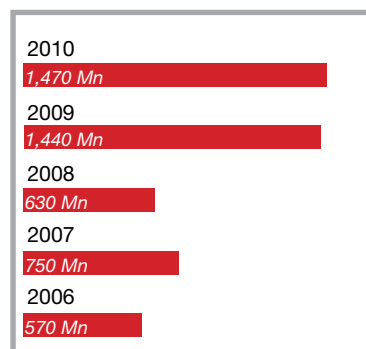
Revenue



Profit after tax



Gross Dividends



Chairman's Review

"In an operating environment of peace and economic recovery, sales volume has grown in both the local and export markets. We are proud to report a Profit after Tax of Rs. 1.5 billion."



EMERGING WINNERS WITH FOCUSED STRATEGY & CONSISTENT ACTION

It is with pleasure that I present the Annual Report and Audited Accounts of your Company for the year 2010. It has been a year where high oil prices and increased competition created new challenges for our business. We have not only overcome these challenges but emerged winners with a sound financial performance which thus far is the best we have achieved since our inception in Sri Lanka. Operationally we have excelled and demonstrated once again the ability to create value for our stakeholders across our business model amidst tough industry conditions.

In an operating environment of peace and economic recovery, sales volume has grown in both the local and export markets. We are proud to report a Profit after Tax of Rs. 1.5 billion with Revenue of Rs. 9.47 billion. Despite increased costs of production, we maintained profit margins through operational efficiencies, process re-engineering and cost management. We further penetrated our markets in the North and East to areas that have been accessible to us for the first time in decades. Our export markets in both Maldives and Bangladesh have seen considerable sales growth through new customer acquisition and cross industry focus.

Chevron Lubricants Lanka (PLC) stock price remains stable and continues to perform well on the Colombo Bourse. Four dividends were declared during the year amounting to 1.47 billion.

Safety and reliability of operations continue to be a key focus for us. We are happy to report eight consecutive years of incident-free operations. Chevron has always maintained the highest levels of safety standards. Safety is not limited to those in the manufacturing plant but rather to all stakeholders across the value chain. It encompasses the entire spectrum in the Chevron business model. The Loss Prevention System (LPS) that was introduced in 2008 to identify potential risks facing the business and formulate plans to mitigate and eliminate them, has contributed to a smooth and incident-free operation.



Corporate social responsibility has remained a core value for our Company and Chevron remains committed to community projects and continues to invest time and effort in rehabilitation, humanitarian aid, health, safety and conservation programmes.

The post war economic outlook of the country remains positive. Much has been done by the authorities with intentions to increase private sector expansion for economic development. The increased number of players in the lubricant market calls for the Government to ensure that the correct regulatory framework is in place for the health of the industry. In addition, we remain concerned by the considerable amount of product adulteration and counterfeiting in the market place. Here again, Government regulation and monitoring is imperative and Chevron stands committed to supporting all endeavours made by the Government and regulatory bodies to rectify this situation.

It is expected that Sri Lanka's economy will grow at a healthy level with the flow of foreign direct investments specially into the tourism sector. The exchange rate is expected to remain stable and if the inflation is contained at the single digit level, the macro economic environment would look very positive. Chevron will focus on implementing new strategic, tactical and operational plans to ensure we are the leading choice for customers locally. Further growth in our export markets are envisaged especially in the power sector of the Bangladesh economy.

Acknowledgements

I would like to take this opportunity to thank all stakeholders across our business for their continued support and loyalty to Chevron's growth. During 2010 as a result of the organisation restructuring, we bid farewell to some of our loyal and hardworking colleagues, I wish to thank them for their dedicated service to Chevron.

My heartfelt gratitude goes out to Mr. Ken Balendra who resigned from the Board in January 2011. On behalf of the Board of Directors and the Management I wish him good luck in all his future endeavours. Also my sincere thanks and appreciation to my Board of Directors and the Management Team, without whom Chevron Lubricants Lanka would not be what it is today.

Farrukh Saeed
 Chairman
 28th February 2011

Managing Director's Review of Operations

"The Company recorded a revenue of Rs. 9.5 billion which is a growth of 8.98% due in most part to our ability to respond swiftly to market demand."

CONSTANT CARE HAS ACHIEVED US NEW HEIGHTS.

The year in review was a positive year for the lubricant industry. Sri Lanka is on track to record an 8% growth in GDP, and the rupee appreciated against the dollar by 2.77%. With this economic backdrop, our performance this year has been satisfactory despite the challenges faced. This performance is due to a number of factors namely constant innovation and strategic alignment, post war opening up of new markets, an increase in vehicle population due to a fall in duties for vehicle imports and most importantly, our sheer resilience and drive to succeed which is seen across our business model.

Performance

The Company recorded a revenue of Rs. 9.5 billion which is a growth of 8.98 % due in most part to our ability to respond swiftly to market demand. The profit after tax of Rs. 1.5 billion is marginally above last year.

As far as lubricants consumption is concerned, the operating environment from the commencement of 2010 was positive and unrestricted access to the entire island for the first time since Chevron began operating in Sri Lanka gave us the opportunity to expand our coverage. As a result, a positive growth was seen in the industry whereas prior to 2010, the market declined for two consecutive years.



That said, I should also mention that base oil prices increased sharply and the average cost per ton increased by 16% compared to last year which impacted gross margins. The Company underwent a re-structuring to improve organisational efficiency. This resulted in severance costs of Rs. 33 million. Various initiatives embarked on paved the way for safe and reliable operational efficiencies and prudent cost management.

Distribution Channels expansion

From early 2010, access to new areas in the Northern and Eastern parts of the island became possible and this resulted in a more conducive operating environment for the Company. This access is a milestone for all players in the lubricant market and Chevron has been on the forefront of it by creating new retail distribution channels in these parts for early wins.

We further expanded our retail network through new distributor appointments and branded channels across the island to better reach these emerging markets. Our channel brand named ‘Oil Mart’ which is an exclusive oil selling outlet staffed by people with sound knowledge in lubrication was further expanded with increased number of outlets targeting the growing product and customer segments.

Export Volume growths

The Company’s export volumes to Maldives and Bangladesh have increased significantly (24% and 61% respectively) through greater penetration into new customer and product segments assisted by the global economic recovery. Your Company strategised and maximised this situation to the fullest. This growth in the Maldives is attributed mainly to the recovery of the tourism industry as well as growth in the fisheries, sea transportation and power generation on the resort islands. In Bangladesh, Chevron was successful in penetrating the power generation sector.

Regulatory environment

Whilst healthy competition benefits the consumer, a focused regulatory framework is necessary to ensure that this market is not further diluted with entrants who do not possess the technology capabilities to offer the right product performance. The power generating sector continues to be a major sector for the lubricant industry; private power generating companies enjoy duty rebates when purchasing imported finished lubricants. However the same does not apply when purchasing from local manufacturers. This creates a disadvantage for local manufacturers and discourages further investment in manufacturing plants in the country. We, as a local manufacturer, expect the Government to correct this policy so as to enable greater value addition to the country through local manufacturing. Here again arises a need for the current regulatory framework to be re-examined and Chevron remains committed to support the Government in all efforts to properly enforce law so that fair practices are maintained across the board. A realigned framework is crucial to counter product adulteration and counterfeit products. If the Government wishes to further liberalise the lubricant market, the need for a proper regulatory framework is imperative.



Managing Director's Review of Operations contd...

Serving our Community

Chevron's commitment to the community remains strong and during 2010 we participated in a number of projects. Our key projects were the Water Conservation programme and the Road Safety awareness campaign. The Water Conservation programme is dedicated to building awareness of the importance of preserving our natural water resources and the Road Safety awareness campaign was conducted with the Sri Lanka Traffic Police.

These two activities received good accolades across all segments of our society. These programmes and other community development projects are discussed in greater detail in the CSR section of this report.

'Chevron One' Team

Chevron continues to be committed, to a safe working environment for our people and provide the necessary training and development in order for them to excel in their roles. The performance management system we have in place and the rewards and recognition programmes were well managed to ensure that we have motivated staff to take on the growing challenges with confidence.

Future Prospects

We welcome the reduction of corporate and personal income tax rates as announced in the 2011 budget. The Government also took the initiative to reduce a number of other taxes such as Debit Tax. These reductions in personal taxes will increase disposal income of our consumers.

The operating environment for 2011 is expected to be positive, with further expansion of the industry, a strengthened rupee and moderate inflation. GDP is also expected to grow by 8% and the phenomenal growth in new vehicle registration will lead to increased lubricants consumption. The increased momentum in the tourist industry and other accelerated development projects will also contribute to positive growth. Chevron will focus on improving margin share rather than market share by promoting high margin products both locally and in our export markets.

Although we anticipate new and incremental challenges in 2011, we also believe that we have what it takes to win in terms of organization capability, required resources and technology capabilities to further strengthen our market position to deliver results on a continuous basis.

Acknowledgements and recognitions

My sincere thanks and appreciation to the Board of Directors for their constant commitment, direction and foresight. I would like to extend my heartfelt gratitude to Mr. Ken Balendra who resigned from the Board of Directors in January 2011 having served for more than 10 years. His contribution to the business as a Board Director was invaluable and we will miss his unique great leadership, experience and insights.

To the Chevron One Team, once again we have come out winners thanks to your tireless efforts, enthusiasm and passion; I extend my sincere gratitude to you all.

Chevron would not be where it is today without the unwavering support of our channel partners, business partners and distributors and most importantly our loyal customers; I extend my appreciation to them all.



Deshamanya Dr. Kishu Gomes
Managing Director/CEO
28th February 2011

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 the support role as advisor for Asia and Africa markets. He counts over 27 years experience across variety of business disciplines at Chevron. Mr. Saeed has a Bachelor of Science degree in Chemical Engineering and Masters in Business Administration.



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.

He counts over 20 years of experience working for US multinationals having started his career at Coke in 1984.

Board of Directors Contd...



Deshamanya Devasiri Rodrigo

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

He is presently a Director of John Keels Holdings PLC and Ceylon Tobacco Co. PLC, and serves as the Chairman of their Audit Committees.

He had a long and distinguished career of 32 years with the accounting firm, PwC in the East African, London and Colombo offices during which time he excelled in his professional work. He has served as a member of the Auditing Standards Committee and the Accounting Standards Committee of the Institute of Chartered Accountants for over 15 years and as the co chairman of those for two three year terms. He was also a founder member of the Urgent Issues Task Force and the founder chairman of the Audit Faculty of the Institute. He has held many other appointments in Institute committees, as an examiner in auditing and as a visiting lecturer for final year students.

His public sector appointments include, member of the Monetary Board of the Central Bank of Sri Lanka, member of the Administrative Reforms Committee, National Council for Administration, Telecom Regulatory Commission and Director of Peoples Bank.

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



Daham Wimalasena

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

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

Held office in several National Sports Bodies for several years including Vice President of the Board of Control for Cricket in Sri Lanka, President of the Cycling Federation of Sri Lanka and President of the Nationalized Services Cricket Association. Presently he is the Chairman of the Board of Trustees of the Sri Lanka Cricket Foundation.

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



Robert L Otteson

Robert L Otteson is the Regional Finance Officer- Asia Pacific for Chevron Corporation based in Singapore. He is a graduate of The University of Utah (B.A. in Accounting -1981) and is a licensed certified Public Accountant. He currently serves as a Director for Caltex Australia Ltd.

Rob began his career as an international internal auditor with Cargill Corp. in Minneapolis, Minnesota in 1981. Since joining Chevron in 1982, Rob has served in various Chevron Finance Department capacities with increasing responsibilities.

Before assuming his current role in 2009, Rob served as Controller for Stillwater Mining Company (A Chevron operated partnership), Chief Financial Officer for Chevron's Global Lubricants Division, Vice – President - Finance for Chevron's Mining Company, Chief Financial Officer for Chevron Pipeline, and Chevron's Risk control Officer.

Rob also has extensive experience with Chevron's global downstream operations in the Finance function managing a comprehensive advanced trading systems development project, and in a Sr. Compliance role as the Chief Risk Officer for Chevron's Global Trading operations.



Anura Perera

Appointed to the Board in 2002, Mr. Perera holds an Honours Degree in Commerce from the University of Kelaniya and a Post Graduate Certificate in Human Resources Management and is a Fellow member of the Institute of Chartered Accountants of 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 20 years experience in Accounting and Finance. He also functions as the Director/ Company Secretary of Chevron Ceylon Limited.

Management Team



1. Kishu Gomes – Managing Director / Chief Executive Officer
2. Anura Perera – Chief Financial Officer / Director
3. Gamini Bandaranayake – Supply Chain Manager
4. Bertram Paul – Head of Sales
5. Maheshni Hamangoda – Human Resources Manager
6. Sampath De Zoysa – Manager Finance & Planning
7. Shehan Perera – Marketing Manager
8. Hilary Fernando – Lead Technical Manager





Management reports



- 9. Sumith Hewavitharana – Indirect Sales Manager
- 10. Thusitha De Silva – Direct Sales Manager
- 11. Wijitha Akmeemana – Production Manager
- 12. Upali Wijesinghe – Logistics Manager
- 13. Ranjith Jayawardena – Channel & Market Development Manager
- 14. Thushari Weragoda – Laboratory & Quality Assurance Lead

Management Discussion & Analysis

Our strong financial performance was delivered through the adoption of aggressive sales & marketing strategies leveraging the strength of our brands, technological expertise & commitment to our customers.

SALES AND MARKETING

Performance overview

The company's good sales performance this past year can be credited to a combination of aggressive and strategic marketing and sales initiatives, post war opportunities in new markets, increase in vehicle population as a result of the decrease in duties for vehicle imports and most importantly the tireless efforts on the part of our Chevron team.

We saw growth on several levels and across a number of markets for Chevron. Most prominent was the lucrative year we experienced for the lubricant market in 2010, following two years of continuous decline. This growth was enhanced by the post war market access gained into the North which gave us the opportunity to expand and establish our business in areas that were previously inaccessible to us. The opportunity for growth is immense and despite this growth being slow, it is more importantly steady and full of hope.

Competitive marketplace

Competitive activity in the petroleum market was intense and grew rapidly with the improving macro economic conditions. Some of the obvious trends seen across our competition were aggressive price cutting at the mass market level and offers such as extended credit terms and trade incentives to gain further market share.

Despite the increased competitive activity, we were able to maintain our dominant leadership position in the marketplace with strong growth evidenced particularly in our premium brand – Caltex.

Our strong financial performance was delivered through the adoption of aggressive sales & marketing strategies leveraging the strength of our brands, technological expertise & commitment to our customers.

Oil sales

Improvements in economic activity and (specifically the, reduction in import duties which led to a growth in the vehicle population) contributed to robust oil sales. Strong growth was evident in the sales of our higher end diesel engine oil as well as motor cycle oil.

Commercial and Industrial sector

The commercial and industrial sector saw significant growth during the year. With the reduction in duties, Original Equipment Manufacturers (OEM) saw a steady increase in their sales which in turn resulted in higher volumes for us.

Export industries previously affected by the economic downturn also recovered well and this boosted the performance of the commercial and industrial sector. The boom in the construction segment also further aided the growth in this sector.

Exports:

Export sales performed remarkably well during the year as we effectively exploited the opportunity to tap into new industrial sectors within the export markets.

With the recovery of economic situation in Maldives and Bangladesh we have recorded growths in excess of 24% and 61% respectively in these markets. The growth in the Maldives is attributed mainly to the recovery of the tourism industry, fisheries, sea transportation and power generation in the resort islands. Along with our new initiatives and strategies to enter new and untapped markets, we also continued the strategies that worked well in 2009 and this further enhanced our ability to face the competition.

Expanding distribution and increasing customer convenience

While continuing to open alternate channels for selling our products, this year we continued our efforts to open and operate our very own dedicated oil marts which sell a full range of our products directly to our customers. These dedicated oil marts are operated by specially trained staff equipped with detailed knowledge of all the products to advise customers accurately and provide an enhanced level of customer service. These oil marts play an important role in expanding sales and guaranteeing the authenticity and quality of our products to consumers.

Promotion and customer awareness

Extensive and varied marketing campaigns were carried out throughout the year to promote these exclusive lubricant selling oil marts and attract customers to these channels. We invested significantly in aggressive promotions which were carried out at trade level and consumer awareness which was carried out for the purpose of shifting consumers from the traditional channels to the new channels we created.

Creating and encouraging self-employment and entrepreneurship

This oil mart concept not only directly benefits our customers but they also introduce a whole new opportunity for new entrepreneurs. The Company has supported hundreds of these oil marts which are solely owned by individual entrepreneurs. Our support is extended through funding and providing training and branding resources after which these individual entrepreneurs are identified as official franchises of our Company.



Kishu Gomes receiving an award for top corporate performance at the 'Business Today Top 20' Awards, from Hon. Minister Basil Rajapaksa, Minister of Economic Development.

Management Discussion & Analysis contd...

Oil marts play an even more important role in expanding our product distribution and availability through our own channels thereby reducing dependency on traditional channels such as fuel stations.

This form of channel partner support continued this year where we recognised and rewarded those who maintained our service standards.

Continued involvement in Rugby and Motor Racing

Chevron continues to maintain its strong support of local sports with ongoing sponsorship of the Caltex League inter club rugby tournament and Caltex Clifford Cup knock out tournament. The sponsorships continue to serve as an effective vehicle to increase awareness and product visibility amongst our core target audience.



Kandy Sports Club skipper receiving the 'Caltex Clifford Cup Champions trophy' from His Excellency the President Mahinda Rajapaksa who was the Chief Guest at the Caltex Inter-club Knockout Tournament.

Our involvement with motor racing also continued this year through our partnership with champion racer, Aravinda Premadasa who was named the SLARDAR (Sri Lanka Association of Racing Drivers and Riders) champion for the year 2010. We continue to actively support and laude him for his consistent victorious performance throughout the year.

Outlook for 2011

We are expecting the growth we have experienced in 2010 to continue in 2011 and we plan to aggressively capture a fair share of the expanding market. We expect that with vehicle imports increasing and with economic changes still unfolding, the growth we look forward to will be significant and we are confident that the year ahead will prove to be even more successful than the last.

SUPPLY CHAIN REVIEW

Sustainable and reliable service

In 2010, we continued our focus on maintaining a zero incidents and losses record which we achieved successfully through strict compliance with our Operational Excellence (OE) processes. Within Chevron, OE is considered a fundamental building block of an efficient and reliable operational process and our OE performance this year is at its peak. OE at Chevron is demonstrated through the two key areas of Health, Environment and Safety (HES) and Reliability and Efficiency (R&E).

We continued the practices implemented in 2009 including the ten key OE processes that enabled the streamlining of operations and closing of existing gaps. These included Safe Work Practices such as Lock Out and Tag Out, General Work Permit, Work at Height processes and material transfers. The OE processes implemented targeted Fork Lift Safety and Road Transport Safety, which were extended to our third party contractors and CHESM or Contractor HES Management. The OE systems introduced over the last two years have created a pervasive health and safety culture with high efficiency and reliability so as to serve customers On Time In Full (OTIF) all the time. During 2010, we archived an OTIF of over 97%.

The Company operated eight years without a single loss time injury and also over the last three years carried out operations without a recordable incident. This achievement is particularly noteworthy as the production process in Sri Lanka is semi automated and therefore involves a significant ratio of manual labour.

During the year, we strengthened our Loss Prevention System. Significant in this process is the Near Loss Investigation (NLI) factor where potential gaps are identified and root causes analysed. Chevron's solid OE platform which is monitored by LPS, enabled the Company to improve its manufacturing reliability with conformity rates of 99.9%. Substantial operating expenses have, as a result, been saved. These savings helped us to mitigate to some extent the impact of raw material price increases.

We were also able to realise substantial savings from reduction of inventory days due to improved forecasting accuracy.

During the year we outsourced our bulk lubricant transportation activity and this to improve the reliability and reduced cost. GPRS systems were installed in tank trucks to track shipments in transit and to ensure safe and reliable deliveries of bulk finished products to major C&I customers in timely manner.

Our OE processes along with the Quality Assurance system enabled us to operate with optimal reliability and efficiency. It is important to note that any organisation can have world class processes in place but the key to their efficacy is the manner in which they are implemented and followed.



Outlook

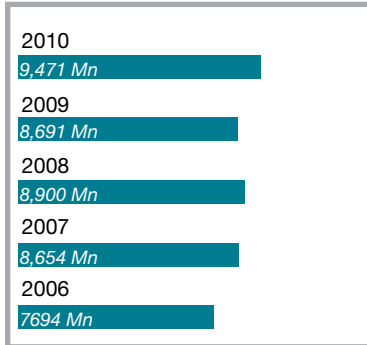
This past year we have worked hard to improve our market competitiveness. We have a world class processes, products and the right people to continue the optimum OE culture and behaviour we aim to achieve. We focused on continuous improvement, elevating and enhancing the efficiency and reliability of our products and services which are the basic criteria for which a customer chooses us over the competition.

We will continue with our efficient and reliable process driven Supply Chain operation this year with added efforts to continue to monitor gaps. We are committed to aggressively identify and address any foreseeable opportunities to improve the business in order to maintain our #1 position in the market.

Financial Review

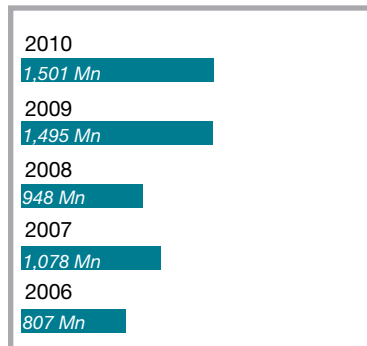
Overview

"The lubricants industry grew by an estimated 7% during the year due to the growth in export related industries, tourism sector, agriculture, fishing and the increase in vehicle population subsequent to the reduction of duties."



Revenue

Revenue increased by 9% to Rs. 9.5 billion compared to Rs. 8.7 billion in 2009. Growth in volumes both in domestic and export markets and price increase effected in May 2010 contributed to the increased revenue.



Profit after tax

The net profit for the period was Rs 1501million compared to Rs. 1495 million in 2009. Despite the growth in top line the net profit grew marginally due to the sharp increase in Base Oil prices which led to the erosion of gross profit margins from 36% to 32% compared to last year. Operating profit increased from 2245 million to Rs. 2267 million but the profit before tax decreased marginally to Rs. 2334 from 2344 million Year on Year due to the reduction of interest income by 33%.

Distribution and Administrative Expenses.

Subsequent to the Supreme Court ruling the arrears of Gratuity payable for the ex-employees who were transferred to the Company at the time of privatization was determined at Rs. 33 million and settlements made. The ruling allowed the deduction of gratuity paid by the Petroleum Corporation at the time of transfer of these employees and also substantially reduced the surcharge imposed by the Commissioner of labour. The excess provision amounting to Rs. 33.5 million was reversed during the year. When the effect of the above accruals and adjustments are eliminated the distribution expenses decreased by 9% year on year.

During the year Rs. 33 million was charged to earnings being the severance costs resulting from a reorganization of all functions within the Company. The severance costs are included under the administrative expenses.

Income tax

Income tax expense for the year was Rs. 833 million, a decrease of 2% compared to last year. Corporate tax rate applicable to the Company is 35%. The social responsibility levy of 1.5% is payable on income tax liability. Export profits are liable to tax at the lower rate of 15%. From 2011 Corporate tax rate will be 28%.

Property Plant and Equipment

Investments made during the year amounted to Rs. 24.5million compared to Rs. 24.4 million during 2009. Main Investments were in renovating the storage tanks and replacement of computers.

Working Capital

Raw material inventory values increased by Rs. 144 million compared to last year as a result of higher acquisition costs. Finished goods inventory values decreased by Rs. 99 million due to aggressive reduction of inventory cover. Receivables balance increased in line with the increased selling prices but the days sales outstanding remained at 31 days due to tight credit control. The sharp reduction of cash and cash equivalents is due to the timing of the dividend payments and the increase in income tax payments both as a result of increased tax incidence and timing.

The current assets ratio improved to 2.99 (2009 : 2.11), and quick assets ratio was 1.56 compared to 1.33 last year. The Company continued to be debt free as at the balance Sheet date.

Cash flow

Cash generated from operating activities during the year amounted to Rs 2.2 billion compared to Rs. 2.7 billion last year.

Four interim dividends totaling Rs. 1470 million were declared during the year. However the last dividend of Rs. 3.00 per share was paid on 05th January 2011. Actual outflow of Rs. 1890 million consist of Rs. 1110 million paid out of current year's profits and the final dividend of Rs. 780 million for 2009.

Shareholder value

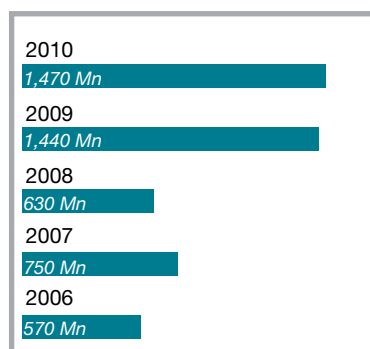
Earnings per share for the year was Rs. 12.51 compared to Rs. 12.46 last year, while the dividend per share amounted to Rs. 12.25, which translated to a dividend yield of 7.68 based on the share price as at 31st December.

Total shareholder return amounted to 21% .

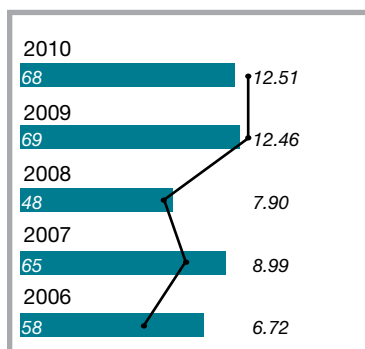
	2010 1Q	2010 2Q	2010 3Q	2010 4Q	2009 1Q	2009 2Q	2009 3Q	2009 4Q
Turnover	2,291	2,291	2,510	2,379	2,278	2,124	2,197	2,092
Gross Profit	755	768	815	707	542	880	910	763
Operating Profit	565	605	608	489	361	622	728	534
Profit Before Tax	586	624	625	499	370	647	757	570
Profit After Tax	375	413	395	318	233	399	487	376

Quarterly financial Statements submitted to the Colombo Stock Exchange (All amounts in Rs. Millions)

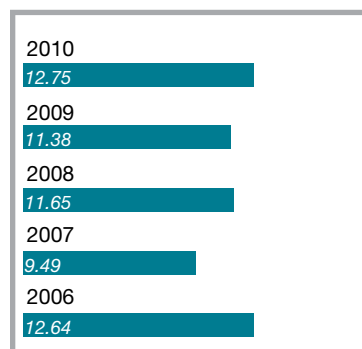
Gross Dividends



EPS & ROE



Price Earnings Ratio



Sustainability Report

Sustaining our community

“We believe in giving back to society in a way that solves a real and pressing need that becomes a part of our corporate culture; not just performing the act of simply handing out a donation.”

Corporate responsibility at Chevron means demonstrating and delivering on a holistic vision of improving the lives of those in our communities through our work both within and outside of the workplace. Our partnerships touch thousands of lives by addressing basic human needs, education, environment, safety and economic development. For Chevron, corporate responsibility is more than just an objective. It means being socially responsible which is essential to the longevity and broader success of the business as they assist in ways that help stimulate economic growth and enable communities to prosper. We are committed to our community projects and continue to enhance and grow each of them every year as we have this past year and add to our community goals when the opportunity arises.

BUILDING UPON OUR COMMITMENT TO CARE

‘Water & Life’ – national conservation programme

The first of its kind, ‘Water & Life’ is an awareness building campaign aimed at educating communities on the necessity for preserving Sri Lanka’s National hydro - cultural heritage. Chevron tirelessly continues its efforts to take this message island wide through education and a series of well planned exhibitions. The first phase of the exhibition series is fully sponsored by Chevron and conducted by Mihindu Cultural Foundation covering 10 locations were concluded during the year. Chevron also fully sponsored the publishing of a book on water and life authored by Kalasoori Sathischandra Edirisinghe , Chairman of the Mihindu Cultural Foundation. This book was distributed among school libraries numbering over 2000.

The book provides colourful images that paints an impressive picture of Sri Lanka’s extraordinary aquatic ecosystem, along with essential educational content related to ‘Water & Life’.

Alongside the ‘Water & Life’ exhibition series that was launched in September last year, Chevron rolled out the second phase of the Water Conservation Project to thousands of farming communities and school children living in Anuradhapura, Kebithigollewa, Galgamuwa, Kurunegala, Pollonnaruwa, Hambantota and the Monaragala District.

The Temple Trees book donation programme

The Company donated books worth Rs. 1 million to the presidential secretariat to be distributed among the school libraries. This project was conceptualised by His Excellency the President who saw a need to gift something of value to school children who visit Temple Trees. We make every effort to support educational projects whenever possible and are honoured to be able to support the President on this important initiative.

Instilling self confidence in those with hearing impairments

Chevron partners with schools for the hearing impaired and has been actively involved in encouraging sportsmanship and skills for activities such as cricket, volleyball and netball for the past nine years. Having worked very closely with differently-abled students since 2002, Chevron together with the Deaf Schools' Past Pupils' Association has been effective in promoting the right attitude and mindset amongst all the players; instilling the confidence required to believe in one's self, interact and team up with others and strive to achieve success.

Promoting Safe Driving - "Caltex Road Star"

We continue to promote and grow our Chevron Road Star road safety project. This endeavour is endorsed by the Sri Lanka Motor Traffic Authority, who partnered with us to help roll out this one of a kind project across major cities.

The overwhelming statistics related to traffic and motor vehicle accidents in Sri Lanka showed the pressing need for an innovative approach to promote safe driving throughout the island and Chevron initiated a response by launching the "Caltex Road Star" project. Conducted in association and with the cooperation of the Traffic Police, the project guidelines



Presentation of the book titled 'Water & Life' to His Excellency the President Mahinda Rajapaksa at Temple Trees, by Kishu Gomes, MD/CEO – Chevron Lubricants Lanka PLC and Kalasoori Sathischandra Edirisinghe, Chairman of the Mihindu Cultural Foundation.



A 'Caltex Road Star' winner receiving his reward for safe driving.



Chevron presenting the MoU to Mr. Lalith Ramanayake, Chairman of the Lanka Business Coalition on HIV & AIDS (Lanka BCHA)

Sustainability reports

Sustainability Report contd...

continuously strive to reinforce safe driving behaviours and those drivers who were successful were rewarded. Rewards include spot certificates and branded Caltex Road Star gift packs and an opportunity to win insurance policies in a grand draw. The awareness campaign continues to grow with the continuation of road shows and educational programmes held in areas where road accident fatality is high. Chevron Lubricants Lanka also supported the technology needs of the Sri Lanka Traffic Police Headquarters for continuous improvement to its current nation-wide traffic operations.

Mobile Health Camps – “Caring for life”

We continued and improved upon our health and awareness project this year with mobile health camps for the general public in our quest to improve public health. Our investment in this project not only encompasses treatment and preventative measures, but awareness on the growing trend of certain diseases associated with diabetes and kidney related complications.

Ambassadors against the spread of HIV/ AIDS in Sri Lanka

Chevron and the Lanka Business Coalition continue to fight the HIV and AIDS epidemic by providing training facilities and resources for private sector employees to act as ambassadors to fight the spread of virus.

The HIV and AIDs virus is a fast spreading illness in Sri Lanka, especially with a growing number of youth being the victims. Statistics reveal that approximately 40% of the new infections that occur take place among youth aged between 15 and 24 years. A majority of those infected only learn of their infection, in most cases, when it is too late to begin treatment.

Caltex has not looked back since the launch of its major awareness campaign for over 1000 private sector employees in the country. The series, which consists of awareness building seminars is designed to train AIDs ambassadors on ‘Safety, Protection and Awareness,’ and to spread that word and this critical message through campaigning to the public. Caltex, together with the Lanka Business Coalition will continue to strive to help eradicate the virus and the pain it brings its victims.

“Uthuru Mithuru” Rail Track Reconstruction Project - reconnecting our communities

The Company recently contributed Rs.10 Million towards the “Uthuru Mithuru” Yal Devi Friendship Rail Track Reconstruction Project which will reconnect the Northern Province with the rest of the railway grid. This reconstruction will not only bring communities together and help rebuild social structure but will also help reinstate and grow our identity in the Northern Province of Sri Lanka.

The Yal Devi train to Jaffna was shut down in 1990 due to the escalation of the ethnic conflict. The Sri Lankan government launched project “Uthuru Mithuru” as part the post-war recovery initiatives with the intention of reconnecting the people of Jaffna with the rest of the country.

Chevron hopes to see, and help to be a part of, sustainable development in the North with these initial steps to connect the communities and reintroduce the freedom they once had. This project is one positive and tangible step towards creating physical connectivity between the North and the rest of the country and one that will help bridge the gap of separation that existed for so long.

Human Resources (HR)

The past year was a challenging one for HR considering the organizational changes that took place across the organization. Despite these changes, the Company still achieved impressive results which attest to the commitment and resilience of the Chevron team to perform under times of pressure with limited resources. We continued to rely on the strength of our people. Our team diligently worked towards strengthening the business and responding to the challenges of the environment during a tough business year.

Our HR team continued to focus their energy on job related training and development in 2010 for employees. Our efforts in the past year were focused on field sales staff for whom specific and unique customized training was provided. In 2010 a general program on 'Sales Excellence' was conducted for the field sales employees and distributor sales representatives with total man hours equalling 560 for the year. We also held a 'Knowledge Sharing Session' during the year which enables our management to share best practices with other industries.

Employees were recognized and rewarded for their work and performance through the Star Awards program which is designed specifically for field sales staff. Management's contributions were recognized at the Star Awards through the 'Management Team Member of the Year Award' and the 'Top Intellect Award' for innovative and new ideas introduced for the Company growth.

The HR team continued to administer employee benefits, corporate policies, the Performance Management System and the Performance Assessment and Salary Administration (PASA) process over the year. The group conducted a benchmark on market and industry salaries and continues to ensure that Chevron employees' remuneration packages are competitive. This coming year HR will continue to focus on strengthening its team and working on achieving business goals and growth.



One of the key invitees Hon. Minister Nimal Siripala De Silva participating in the 'Water & Life' exhibition held at the Sri Lanka Foundation Institute.

Corporate Governance

Board of Directors

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

All the Non-Executive Directors except Farrukh Saeed and Robert Otteson are considered independent in terms of the guidelines issued by the Securities and Exchange Commission of Sri Lanka.

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

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

The Board met 4 times during 2010 and the details of attendance are given below;

		Attended
Farrukh Saeed*	NED	-
Kevin Kelly **	NED	3/4
Kishu Gomes	ED	4/4
Anura Perera	ED	4/4
Ken Balendra***	NED/IND	3/4
Daham Wimalasena	NED/IND	4/4
Robert Otteson	NED	3/4
Deva Rodrigo	NED/IND	4/4

*Chairman to the Board of Directors-appointed with effect from 31.12.2010

**Chairman to the Board of Directors- resigned with effect from 31.12.2010

***Ken Balendra- resigned with effect from 12.01.2011

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 consisted of three Non-Executive Directors namely Deva Rodrigo, (Chairman), Ken Balendra and Daham Wimalasena. Ken Balendra resigned from the Audit Committee effective 12th January 2011. Managing Director and Finance Director attend the meeting by invitation.

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

The Board Audit Committee met 5 times during 2010 and the attendance is given below

	Attended
Ken Balendra	4/5
Daham Wimalasena	5/5
Deva Rodrigo*	5/5

*Chairman of Audit Committee
Audit committee report is given in page 37

Remuneration Committee

Remuneration committee consisted of three Non Executive Directors and Managing Director. Daham Wimalasena was appointed Acting Chairman of the Remuneration Committee in order to fill the vacancy created with the resignation of Ken Balendra. This Committee reviews the salary program of executive employees, including the executive Directors.

	Attended
Kishu Gomes	1/1
Ken Balendra*	1/1
Daham Wimalasena**	1/1
DevaRodrigo	1/1

*Chairman of Committee – resigned with effect from 12.01.2011
** Daham Wimalasena was appointed acting chairman with effect from 12.01.2011 to fill in the vacancy created due to the resignation of Ken Balendra

Directors Remuneration

Total remuneration paid to executive and non-executive Directors are given in page 48 and the report of the Remuneration Committee is given in page 38

Management Structure

Clearly defined limits of authority have been delegated to the Managing Director and the Functional Heads. The Leadership Team consists of the Managing Director and the Heads of Functions of Finance, Supply Chain, Sales and Marketing. Under the Functionalized structure of the Chevron Corporation local Heads of Functions, in addition to their reporting line to the Managing Director report to their functional heads in the Asia Pacific region. Leadership Team meets every month to review implementation of strategies and operations.

Chevron Business Conduct and Ethics Code

The above code describes our policies both on the way we conduct ourselves and the way we do business. As a subsidiary of Chevron Corporation all the employees of the Company are required to adhere to the code which covers the areas of internal controls, conflicts of interest, improper payments and gifts, Government relations, multinational operations, protecting people and the environment,

Antitrust laws, privacy of personal information, information protection and management of intellectual property assets. Training is provided to employees and a well defined process in place to monitor compliance. Group Internal Audit separately reviews compliance apart from the review of internal controls and financial records.

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

Investor Relations

Annual Report of the Company, quarterly reports and the Annual General Meetings 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.

Corporate Governance contd...

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

Rule No	Subject	Criteria	Compliance Status	Details
7.10.1.(a)	Non-Executive Directors	At least one third of the total number of Directors should be Non-Executive Directors	Complied	As at the conclusion of the last AGM and throughout the financial year, there were 5 Non-Executive Directors.
7.10.2 (a)	Independent Directors	Two or one third of the Non- Executive Directors , whichever is higher should be independent	Complied	As at the conclusion of the last AGM and throughout the financial year there were 3 independent Directors. This exceeds the stipulated minimum.
7.10.2.(b)	Independent Directors	Non Executive Directors should submit an annual declaration of his/her independence/Non independence against specified criteria	Complied	
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.	Complied	The Board made a determination against the criteria given in rule 7.10.4
7.10.3 (b)	Disclosure relating to Directors	In the event a Director does not qualify as 'independent' but if the Board is of the opinion that the Director is independent the Board shall specify the criteria not met and the basis for its determination	Not Applicable	No such determination was required as all three independent Directors met the criteria .
7.10.3.(c)	Disclosure relating to Directors	Company shall publish a brief resume of each Director	Complied	Please refer to pages 9
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	Brief resume of Mr. Farrukh Saeed was submitted to the CSE.

Rule No	Subject	Criteria	Compliance Status	Details
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee	Complied	Please refer to the Remuneration Committee report on page 38
7.10.5 (a)	Composition of Remuneration Committee	Remuneration Committee (RC) shall comprise a minimum of two independent Non executive Directors or majority of independent Non executive Directors.	Complied	Out of the four members of the remuneration committee three are independent non-executive Directors.
7.10.5 (b)	Functions of the Remuneration Committee	The RC shall recommend the remuneration payable to the executive Directors and Chief Executive officer to the Board which will make the final determination.	Complied	Please refer to the report of the Remuneration Committee appearing on page 38
7.10.5 .(C)	Disclosure relating to Remuneration Committee	Annual report shall set out the names of Directors in the RC, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non executive Directors	Complied	Please refer to the report of the Remuneration Committee appearing on page 38
7.10.6	Audit Committee	The Company shall have a Audit Committee	Complied	Please refer to the Audit Committee Report given in page 37
7.10.6 (a)	Composition of the Audit Committee	Composition of the Audit Committee	Complied	Audit Committee comprised of three non-executive independent Directors and headed by an Independent Director.

Corporate Governance contd...

Rule No	Subject	Criteria	Compliance Status	Details
		CEO or CFO shall attend all Audit Committee Meetings	Complied	Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation.
		Chairman or one member of the Audit Committee shall be a member of a recognised professional body.	Complied	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.	Complied	Please refer to the Audit Committee report given on page No. 37 and the corporate governance report on page No.24
7.10.6.(c)	Disclosures in the Annual Report relating to Audit Committee.	a. Names of the Directors comprising the Audit Committee	Complied	Please refer to the Audit Committee report on page No.37
		b. The audit Committee shall make determination of the independence of the Auditors and disclose the basis for such determination	Complied	Please refer to the Audit Committee report on page No. 37
		c. The Annual Report shall contain a report of the Audit Committee setting out the manner of compliance of the functions	Complied	Please refer to the Audit Committee report on page No. 37

Other Directorships held by Directors

Name of the Director	Name of the Company	Position held
Deva Rodrigo	1. John Keells Holdings PLC	Non Executive Director
	2. Ceylon Tobacco Company PLC	Non Executive Director
	3. Stanley & Davidson Property Holdings (Private) Limited	Principal Shareholder Director / Chairman
Daham Wimalasena	SLUS Solar (Private) Limited	Director
Kishu Gomes	Chevron Ceylon Limited	Managing Director
Anura Perera	Chevron Ceylon Limited	Director / Company Secretary

Risk Management

Company faces varied risks which affect value creation and preservation. Risk management process involves the identification of internal and external risks, assessment of their severity, risk response and monitoring.

At Chevron we use a number of tools in risk assessment the latest being Impact ERM ® to monitor operations risks. All the functional managers are responsible for identification, assessing and managing risks in their respective areas.

A risk grid is maintained to identify and assess identifiable risks which are reviewed quarterly by the Board Audit Committee.

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

Entry of new players and lack of a regulatory mechanism

Company faces the risk of erosion of market share with increased competition if more licenses are issued for new entrants, given the scale of the market. The delay in empowering the Industry Regulator has affected the rights of the licensed players as there is no expedient process to respond to illegal manufacture, re-branding and sale of lubricants.

Company manages these risks through customer and channel partner education, creating awareness among the relevant stakeholders, building Brand equity and offer of constructive suggestions and follow up with the Authorities.

Operational risk

These are risks that could arise due to systems and procedure failures, human error, fraud, lack of internal control and corporate governance practices. This would have adverse impact on profitability, competitiveness, reputation and in conducting overall business operations.

Company has deployed policies, processes and procedures to ensure integrity of transactions. Any deviations or gaps identified are reported, investigated and corrective action taken. Further, these processes, controls and systems are subjected to periodic review of internal auditors and as well as ISO auditors. The report of the chairman of the Audit Committee and report on Corporate Governance provide further support that Company abides by strict control and best practices to mitigate such operational risks.

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.

Protecting people and the environment is one of the core components of 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 the safety and incident free operations, advocacy, compliance assurance, Conservation, product stewardship, pollution prevention, and emergency management. Chevron OE provides for the overarching systematic management of safety, health and environment, reliability and efficiency to achieve world class performance. Loss Prevention System (LPS) has been a very effective tool in managing risk within the organization.

Financial risk

As most of the raw materials are imported, the depreciation of the rupee affects the product acquisitions costs. Company also grants unsecured credit for some of the customers which could lead to bad debts. However the bulk of the credit is fully secured.

Strict credit controls are in place to limit the exposures on unsecured debt.

Information risk

Information protection and data privacy is a very important aspect of the Company. Risk faced by the Company would consist scenarios such as unauthorized access to any information relating to Company and its operations inability to function in an event of system failure or natural disasters.

This would impact availability, integrity, and confidentiality of Company information.

Company has a comprehensive Information Protection Policy and Business Continuity Plan. Employees have to undergo compulsory training programme on the Information Protection Policy. Further there are stringent access control systems to safe guard Company information from unauthorized access.

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Financial Calendar 2010

Dividends

First Interim.....	26th April 2010
Second Interim	20th August 2010
Third Interim.....	08th November 2010
Fourth Interim.....	05th January 2011

Interim Financials

First quarter ended 31st March 2010.....	06th May 2010
Second quarter ended 30th June 2010.....	26th July 2010
Third quarter ended 30th September 2010	15th October 2010
Fourth quarter ended 31st December 2010	28th February 2011

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 2010

Nature of the Business and Likely Future Developments

The Core business activity of the company is manufacture and marketing of lubricants, greases, brake fluid and specialty products. The review of business activities for the year 2010 and the likely future developments are covered in detail under the Managing Director's review and Financial Review.

Financial Statements

The financial statements which include the Income Statement , Balance Sheet, statement of changes in equity and notes to the financial statements are given on pages 40 to 59

Dividends

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

First interim Dividend	-	Rs. 3.00 per share paid on 26-04-2010
Second Interim Dividend	-	Rs. 3.25 per share paid on 20-08-2010
Third Interim Dividend	-	Rs. 3.00 per share paid on 08-11-2010
Fourth Interim Dividend	-	Rs. 3.00 per share paid on 05-01-2011

Directors do not propose a final dividend.

Property, Plant & Equipment

Capital expenditure incurred during 2010 including work-in-progress amounted Rs. 24,583,935 (2009: Rs. 24,447,447). The movements in Property, Plant & Equipment are given in Note 10 to the Accounts.

Donations

A sum of Rs. 7,674,572 (20,059,204 - 2009) was charged to earnings during the year for Social Responsibility Programs including charitable donations which amounted to Rs. 1,291,215/-

Directorate

The following served as Directors of the Company during the year 2010:

Kevin M. Kelly - resigned from the Board on 31st December 2010
Farrukh Saeed – appointed to the Board on 31st December 2010
Kishu Gomes
Ken Balendra- resigned from the Board on 12th January 2011
Daham Wimalasena
A.M.Anura Perera
Deva Rodrigo
Robert L Otteson

In terms of clause 91 of the articles of association of the Company, Mr. Farrukh Saeed ceases to be a Director and being eligible, offers himself for re-election.

In terms of Clause 84 of the Articles of Association of the company, Deva Rodrigo retires by rotation and being eligible, offers himself for re-election.

Notice has been given pursuant to section 211 of the Companies Act, No. 07 of 2007 of the intention to propose an ordinary resolution for re-election of Daham Wimalasena notwithstanding the age limit of 70 years.

Director's Shareholdings

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

A. M. Anura Perera 400 (31.12.2009 – 400). None of the other Directors hold shares in the Company.

Directors Independence

Daham Wimalasena and Devasiri Rodrigo function as independent Directors of the Company.

Mr. K. Balendra who functioned as an independent Director resigned with effect from 12th January 2011

Annual Report of the Directors contd...

Based on the written declarations made as per the rules on corporate governance (section 7.10) stipulated by the Colombo Stock Exchange Mr.Daham Wimalasena and Mr. Deva Rodrigo meet all the criteria of independence.

Information on Company's compliance with other rules on corporate governance are given in corporate governance report in page 24

Remuneration and other benefits of Directors

The remuneration and value of other benefits of Directors are given in page 48

Directors Interests in Contracts

Directors' interests in contracts are disclosed in Note 22 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 24 These have been entered in the Interest Register.

Major Shareholders

The twenty largest shareholders and the percentages held by them are disclosed in page 62

Reserves

Retained earnings of the Company as at 31.12.2010, amount to Rs.1,637 million (31.12.2009 – Rs. 1,606 million). Movements are shown in the statement of changes in equity in the financial statements.

Post Balance Sheet Events

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

Stated Capital and information on shares as at 31 December

	2010	2009
Earnings Per Share	12.51	12.46
Net Assets Per Share	18.65	18.39
Market Price Per Share	159.50	141.75
Highest Price during the Year	193.75	233.00
Lowest Price During the Year	141.00	93.00
Price Earnings Ratio	12.75	11.38
Dividend Per Share	12.25	12.00

Internal Controls

Directors are responsible for devising proper internal controls to ensure that the proper books of accounts are maintained, the integrity of financial statements, assets are safeguarded, transactions are executed by those who have appropriate authority and there is proper segregation of duties. The heads of each function are responsible for primary controls identified in the respective areas. Board Audit committee reviews the internal audit reports to ensure established controls are adhered and any deviations reported and remediated. A whistle blowing mechanism is in place to report any violations of internal controls and Business conduct and ethics code. Based on the internal control frame work as described above the Board is satisfied with the effectiveness of the internal controls for the period under review.

Statutory Payments

The Board of Directors confirm that to the best of their knowledge the all statutory payments for the financial year have been paid or where relevant provided for

Going Concern

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

Auditors

The financial statements for the year have been audited by Messrs PricewaterhouseCoopers (chartered accountants). A resolution proposing their re-appointment as Auditors of the Company will be tabled at the Annual General Meeting.

The fees paid to the auditors are given on page 48 No fees were paid to the auditors during the year except for the performance of statutory audit and issue of solvency certificates.

As per the assessment done by the Audit Committee and the confirmation received from the auditors have no relationship other than that of the auditor. Please also refer to Audit Committee report given in page 37

By order of the Board



Kishu Gomes
Managing Director / CEO



A.M. Anura Perera
Director/ Secretary
28th February 2011

Statement of Directors Responsibility

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

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

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

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

The company's financial statements have been audited by PricewaterhouseCoopers, independent auditors approved by the shareholders. Management has made available to PricewaterhouseCoopers all the Company' 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.

For and behalf of the Board



A.M. Anura Perera
Company Secretary
28th February 2011

Audit Committee Report

Composition

The Audit Committee comprising Desamanya Ken Balendra, Desamanya Deva Rodrigo (chair) and Mr. Daham Wimalasena complied with SEC rules relating to independence, having at least one member with financial expertise and not having any Directors with executive responsibilities. Together they possessed relevant experience in the industry and in business.

Every one of them held office for the whole of the year under review.

Terms of Reference

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

Ensuring financial statement integrity, effectiveness of internal controls over financial reporting, compliance with laws and regulations and the independence of the external auditors PricewaterhouseCoopers, was the core responsibility of the Committee. TOR also included evaluating the performance of the internal audit function and of the external auditors and oversight of the business risk identification, assessment, management and reporting function.

Meeting the Goals

In fulfilling the TOR, the Committee held [four meetings] including two after the financial year end.

The Committee had two meetings with the external auditors including one without the presence of any executive Directors. The Committee also discussed the work and findings of the two public accounting firms performing internal audit duties.

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

The Audit Committee presented to the Board a new Audit Committee Charter which was duly adopted during the year.

A comprehensive checklist has been developed to evaluate the performance of the Audit Committee. The first evaluation will be done in respect of the year 2010.

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
28th February 2011

Report of the Remuneration Committee

Remuneration Policy

Chevron Lubricants Lanka PLC provides a remuneration package to its employees in conformity with Chevron's worldwide remuneration policy. The framework to determine the compensation and benefits package which links the remuneration to enterprise and individual performance is provided by Chevron Global TR (Total Remuneration) Group. The local HR Team assists the process by providing salary survey information and market data to the Chevron regional TR group to determine the annual salary structures. Business unit leaders and supervisors are responsible for evaluating performance of each individual employee and the performance evaluations of CLLPLC's functional leaders and the CEO are done by Chevron's global and regional functional leaders and are ranked accordingly. Based on this policy, the regional TR group proposes annual salary increases to each employee which in turn is presented to the remuneration committee by the local HR team.

The Remuneration Committee makes its comments and recommendations to the chairman and the regional office in Singapore for consideration.

The aggregate remuneration paid to executive and non-executive Directors is given on page 48

Sgd.

Dhaham . Wimalasena

Acting Chairman, Remuneration Committee

28th February 2011

Independent Auditor's Report



To the members of Chevron Lubricants Lanka PLC

Report on the financial statements

- 1 We have audited the accompanying financial statements of Chevron Lubricants Lanka PLC, which comprise the balance sheet as at 31st December 2010, and the income statement, statement of changes in equity and cash flow statement 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 40 to 59

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. 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.
- 4 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.
- 5 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

- 6 In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st December 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31st December 2010 and of its results and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

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

28th February 2011
COLOMBO


CHARTERED ACCOUNTANTS

Financial reports

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**Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan ACA, N.R. Gunasekera FCA,
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA**

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

Income Statement

(All amounts in Sri Lanka Rupees)

For the year ended 31st December	Notes	2010	2009
Sales	3	9,471,256,226	8,690,553,720
Cost of sales		(6,426,102,922)	(5,595,052,018)
Gross profit		3,045,153,304	3,095,501,702
Other operating income		1,552,499	1,531,411
Distribution expenses		(405,517,363)	(547,508,032)
Administrative expenses		(373,759,003)	(304,560,593)
Operating profit	4	2,267,429,437	2,244,964,488
Finance income-net	6	66,520,994	99,405,854
Profit before tax		2,333,950,431	2,344,370,342
Tax	7	(832,676,236)	(849,465,006)
Net profit		1,501,274,195	1,494,905,336
Basic earnings per share	8	12.51	12.46

Notes on pages 44 to 59 form an integral part of these Financial Statements.

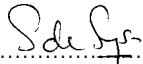
Report of the auditors on page 39

Balance Sheet

(All amounts in Sri Lanka Rupees)

For the year ended 31st December	Notes	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	10	220,338,258	260,080,415
Non-current receivables	11	55,690,710	33,526,411
Deferred tax assets	12	15,245,034	46,708,105
		291,274,002	340,314,931
Current assets			
Inventories	13	1,472,985,907	1,428,521,063
Receivables and prepayments	14	954,655,448	868,474,387
Cash and cash equivalents	15	656,149,934	1,394,235,445
		3,083,791,289	3,691,230,895
Total assets		3,375,065,291	4,031,545,826
Equity and liabilities			
Capital and reserves			
Stated capital	20	600,000,000	600,000,000
Retained earnings		1,637,529,316	1,606,255,121
		2,237,529,316	2,206,255,121
Non-current liabilities			
Defined benefit obligations	17	108,944,304	118,978,477
		108,944,304	118,978,477
Current liabilities			
Trade and other payables	16	659,381,161	1,099,145,251
Current tax liabilities		369,210,510	607,166,977
		1,028,591,671	1,706,312,228
Total liabilities		1,137,535,975	1,825,290,705
Total equity and liabilities		3,375,065,291	4,031,545,826


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




 Sampath De Zoysa
 Manager - Finance and Planning

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorised for issue by Board of Directors on 28th February 2011.

Signed for and on behalf of the Board,



 Kishu Gomes
 Managing Director / Chief Executive Officer



 A.M Anura Perera
 Director / Chief Financial Officer

Notes on pages 44 to 59 form an integral part of these financial statements

Report of the auditors on page 39

Statement of changes in equity

(All amounts in Sri Lanka Rupees)

	Notes	Stated capital	Retained earnings	Total
Balance at 1st January 2009		600,000,000	1,551,349,785	2,151,349,785
Dividends	9	Nil	(1,440,000,000)	(1,440,000,000)
Net profit		Nil	1,494,905,336	1,494,905,336
Balance at 31st December 2009		600,000,000	1,606,255,121	2,206,255,121
Balance at 1st January 2010		600,000,000	1,606,255,121	2,206,255,121
Dividends	9	Nil	(1,470,000,000)	(1,470,000,000)
Net profit		Nil	1,501,274,195	1,501,274,195
Balance at 31st December 2010		600,000,000	1,637,529,316	2,237,529,316

Notes on pages 44 to 59 form an integral part of these Financial Statements.

Report of the auditors on page 39

Cash flow statement

(All amounts in Sri Lanka Rupees)

For the year ended 31st December	Notes	2010	2009
<i>Operating activities</i>			
Cash generated from operations	21	2,167,727,448	2,702,065,764
Interest received		79,788,977	117,811,388
Interest paid		(206,661)	(2,136,097)
Defined benefit obligation paid	17	(32,083,905)	(13,220,032)
Tax paid		(1,039,169,634)	(556,290,805)
Net cash generated from operating activities		1,176,056,225	2,248,230,218
<i>Investing activities</i>			
Purchase of property, plant and equipment	10	(24,583,935)	(24,447,447)
Proceeds from disposal of property, plant and equipment		442,199	Nil
Net cash used in investing activities		(24,141,736)	(24,447,447)
<i>Financing activities</i>			
Repayment of short term loans		Nil	(200,000,000)
Dividends paid		(1,890,000,000)	(720,000,000)
Net cash used in financing activities		(1,890,000,000)	(920,000,000)
(Decrease) / increase in cash and cash equivalents		(738,085,511)	1,303,782,771
<i>Movement in cash and cash equivalents</i>			
At start of year		1,394,235,445	90,452,674
(Decrease) / increase		(738,085,511)	1,303,782,771
At end of year	15	656,149,934	1,394,235,445

Notes on pages 44 to 59 form an integral part of these financial statements
Report of the auditors on page 39

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 blending, importing, distributing and marketing of lubricant oils and greases. The Company is a 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.

These financial statements have been approved for issue by the Board of Directors on 28th February 2011

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 Sri Lanka Accounting Standards on the historical basis of accounting. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report of amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.2 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at the rate prevailing on the balance sheet date.

2.3 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

Self constructed assets

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.

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

2 Summary of significant accounting policies (Contd)

2.3 Property, plant and equipment (Contd)

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as 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 write off the cost of each asset, to their residual values over their estimated useful life commencing from the month following the month of acquisition or commencement of use. On disposal of assets depreciation is calculated inclusive of the month in which disposal takes place.

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
Plant and machinery	6.25 - 18
Office furniture and equipment	10
Motor vehicles	10 - 20
Computers and software	16.67 - 33.33

Freehold land is not depreciated as it is deemed to have an indefinite life.

Service station equipment is depreciated over the agreement period.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

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

Notes to the financial statements contd...

2 Summary of significant accounting policies (Contd)

2.4 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 income statement 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.

2.5 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis. The cost of finished goods comprises of 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.

2.6 Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

2.7 Cash and cash equivalents

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

2.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.9 Defined benefit obligations

Typically, a defined benefit plan defines an amount of benefit that an employee will receive on retirement, which is usually dependent on one or more factors such as period of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of defined benefit obligation at the balance sheet date together with adjustments for unrecognised gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using estimated long term interest rates.

2 Summary of significant accounting policies (Contd)

2.9 Defined benefit obligations (contd)

The actuarial gains and losses are deferred over a period of 10 years.

The assumptions, based on which the results of the actuarial valuation were determined, are included in Note 17 to the financial statements.

2.10 Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

The Company contributes 15% to the Employees' Provident Fund and 3% to the Employees' Trust Fund.

2.11 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 provision of the Inland Revenue Act.

Deferred income tax is provided, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

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

2.12 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of turnover taxes, Value Added Taxes and discounts.

Other revenue earned by the Company is recognised on the following basis:

Interest income - as it accrues unless collectability is in doubt.

2.13 Financial risk management

The Company's activities expose it to variety of financial risks including credit risk, currency risk and interest rate risk. The Company's overall risk management programmes focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Management manage risks under policies approved by the board of Directors.

Notes to the financial statements contd...

3 Sales

Sales are arrived at as follows:

	2010	2009
Gross sales	10,567,693,358	9,705,799,005
Taxes	(1,096,437,132)	(1,015,245,285)
Net sales	9,471,256,226	8,690,553,720

Taxes consist of Value Added Tax Rs 1,092,973,521 (2009 - Rs 1,012,285,205) and Turnover Tax Rs 3,463,611 (2009 - Rs 2,960,080).

4 Operating profit

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

	2010	2009
Directors' emoluments		
- executive	28,986,854	27,815,299
- non executive	2,823,272	2,549,750
Auditor's remuneration		
- audit	1,250,000	1,250,000
- non audit	90,000	90,000
Depreciation on property, plant and equipment [Note 10(a)]	63,046,919	83,229,163
Provision for bad and doubtful debts	5,449,334	7,601,346
Property, plant and equipment written off [Note 10(a)]	818,007	6,745,614
Loss on disposal of property, plant and equipment	18,969	Nil
Repair and maintenance expenditure	21,857,715	4,205,017
Operating lease rentals		
- property	40,047,478	36,126,152
Voluntary retirement costs	33,238,061	Nil
Staff costs (Note 5)	202,999,538	234,929,126

5 Staff costs

	2010	2009
Salaries and wages	159,524,402	174,685,435
Contribution to defined contribution plans	21,425,404	20,732,727
Contribution to defined benefit obligations (Note 17)	22,049,732	39,510,964
	202,999,538	234,929,126
Number of persons employed by the Company at year end		
Permanent employees	87	107
Contract employees	1	8
	88	115

6 Finance income - net

	2010	2009
Interest income	79,788,977	117,811,388
Net foreign exchange loss	(13,061,322)	(16,269,437)
Interest expense		
- bank overdraft	(206,661)	(777,191)
- short term loan interest	Nil	(1,358,906)
	66,520,994	99,405,854

7 Tax

	2010	2009
Current tax	802,015,940	875,235,414
Deferred tax (Note 12)	31,463,071	(43,361,046)
(Over) / under provision for income tax in respect of previous years	(802,775)	17,590,638
	832,676,236	849,465,006

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:

	2010	2009
Profit before tax	2,333,950,431	2,344,370,342
Tax calculated at a tax rate of 35% (2009 - 35%)	816,882,651	820,529,620
Effect of different tax rates	(16,979,928)	(13,326,355)
Social responsibility levy of 1.5% (2009 - 1.5%)	12,253,240	12,223,670
Income not subject to tax	(2,957,730)	(1,202,814)
Expenses not deductible for tax purpose	24,280,778	13,650,248
(Over) / under provision for income tax in respect of previous years	(802,775)	17,590,637
Tax charge	832,676,236	849,465,006

8 Basic 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.

	2010	2009
Net profit attributable to shareholders	1,501,274,195	1,494,905,336
Number of ordinary shares in issue 31 December	120,000,000	120,000,000
Basic earnings per share	12.51	12.46

Notes to the financial statements contd..

9 Dividends

	2010	2009
Interim dividend of Rs 12.25 per share for 2010 (2009 - Rs 11 and Rs 6.50 per share prior to sub division and after sub division respectively)	1,470,000,000	1,440,000,000
	1,470,000,000	1,440,000,000

10 (a) Property, plant and equipment

	Land improvement	Leasehold buildings	Storage tanks	Plant and machinery	Office and furniture and equipment	Motor vehicles	Computers	Capital work in progress	Total
At 31st December 2009									
Cost	8,613,637	65,189,358	73,952,751	228,685,098	202,502,319	57,449,289	41,209,449	10,931,467	688,533,368
Accumulated depreciation	(3,681,493)	(44,036,887)	(29,910,146)	(121,433,351)	(141,254,032)	(51,261,512)	(36,875,532)	Nil	(428,452,953)
Net book amount	4,932,144	21,152,471	44,042,605	107,251,747	61,248,287	6,187,777	4,333,917	10,931,467	260,080,415
Year ended 31st December 2010									
Opening net book amount	4,932,144	21,152,471	44,042,605	107,251,747	61,248,287	6,187,777	4,333,917	10,931,467	260,080,415
Additions	Nil	Nil	9,693,814	379,714	430,580	Nil	7,062,062	7,017,765	24,583,935
Transfers	Nil	Nil	3,431,179	6,813,488	Nil	Nil	686,800	(10,931,467)	Nil
Write offs at cost	Nil	(1,738,032)	(966,611)	(2,720,088)	(47,951,260)	(1,765,143)	(7,369,130)	Nil	(62,510,264)
Accumulated depreciation on Write - offs	Nil	1,532,062	804,801	2,661,220	47,563,132	1,765,143	7,365,899	Nil	61,692,257
Disposals at cost	Nil	Nil	Nil	Nil	(1,092,423)	Nil	(922,855)	Nil	(2,015,278)
Accumulated depreciation on disposal	Nil	Nil	Nil	Nil	682,925	Nil	871,187	Nil	1,554,112
Depreciation charge (Note 4)	(619,922)	(4,927,084)	(5,401,821)	(15,383,942)	(31,023,307)	(3,156,868)	(2,533,975)	Nil	(63,046,919)
Closing net book amount	4,312,222	16,019,417	51,603,967	99,002,139	29,857,934	3,030,909	9,493,905	7,017,765	220,338,258
At 31st December 2010									
Cost	8,613,637	63,451,326	86,111,133	233,158,212	153,889,216	55,684,146	40,666,326	7,017,765	648,591,761
Accumulated depreciation	(4,301,415)	(47,431,909)	(34,507,166)	(134,156,073)	(124,031,282)	(52,653,237)	(31,172,421)	Nil	(428,253,503)
Net book amount	4,312,222	16,019,417	51,603,967	99,002,139	29,857,934	3,030,909	9,493,905	7,017,765	220,338,258

(b) Property, plant and equipment include fully depreciated assets, the cost of which at 31st December 2010 amounted to Rs 139,138,439 (2009 - Rs1 14,525,684).

11 Non-current receivables

	2010	2009
Staff loans [refer (a) below]	11,822,113	15,903,879
Marketing support fee paid to service centre operators [refer (b) below]	43,868,597	17,622,532
	55,690,710	33,526,411

11 Non-current receivables (contd)

- (a) Staff loans due at the balance sheet date represent loans given to staff at an interest rate of 4.2% (2009 - 4.2%) on fixed repayment terms and are unsecured. All staff loans are repayable within 5 years from the balance sheet date. The current portion of the staff loan balance is included under other receivables.
- (b) 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. The service station operator should guarantee a minimum volume over the contract period to meet their obligations under the contract. If the terms are not met service station operator is required to refund to the Company a proportionate amount of the fee.

12 Deferred tax assets

Deferred tax assets are calculated on all temporary differences under the balance sheet liability method using an effective tax rate of 28% (2009 - 35%).

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

	2010	2009
At beginning of year	46,708,105	3,347,059
Income statement (charge) / credit	(31,463,071) (Note 7)	43,361,046
At end of year	15,245,034	46,708,105

The temporary differences mainly arise from accelerated depreciation and defined benefit obligations.

13 Inventories

	2010	2009
Raw materials and consumables	1,080,814,827	937,055,694
Finished goods	392,171,080	491,465,369
	1,472,985,907	1,428,521,063

Raw material and consumables include goods in transit amounting to Rs 31,493,059 (2009 - Rs 23,204,038) and finished goods include goods in transit amounting to Rs 8,629,816 (2009 - Rs 12,074,107).

The cost of inventories recognised as expense and included in cost of sales amounted to Rs 6,283,010,390 (2009 - Rs. 5,589,676,578)

Notes to the financial statements contd...

14 Receivables and prepayments

	2010	2009
Trade receivables [refer (a) below]	848,763,547	761,022,989
Prepayments	3,477,887	10,753,561
Receivable from related companies [Note 22 (iv) (c)]	18,919,778	10,592,172
Other receivables [refer (b) below]	83,494,236	86,105,665
	954,655,448	868,474,387

(a) Trade receivables are stated after deducting a provision for doubtful debts of Rs 15,468,834 (2009 - Rs 10,024,437).

(b) Other receivables mainly consist of Value Added Tax recoverable on raw material purchased of Rs 37,651,169 (2009 - Rs 57,283,517).

15 Cash and cash equivalents

	2010	2009
Cash at bank and in hand	234,444,316	169,933,194
Short term deposits	421,705,618	1,224,302,251
	656,149,934	1,394,235,445

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

The weighted average effective interest rate on short term deposits was 6.49% (2009 - 8.22%).

16 Trade and other payables

	2010	2009
Trade payables	47,967,330	60,021,671
Payable to related companies [Note 22 (iv) (c)]	93,449,374	79,395,495
Accrued expenses [refer (a) below]	74,201,165	123,247,749
Other payables [refer (b) below]	83,763,292	56,480,336
Dividend payable	360,000,000	780,000,000
	659,381,161	1,099,145,251

(a) Accrued expenses include Rs 19,270,682 (2009 - Rs Nil) as gratuity payable for employees who opted to retire under the Voluntary Retirement Scheme by 31st December 2010 and provision of Rs Nil (2009 - Rs 66,924,099) for additional gratuity provision on account of claim made by exemployees who were assigned to the Company from the Ceylon Petroleum Corporation (CPC) at the time of privatisation.

(b) Other payable mainly consist of employee benefit expenses of Rs 30,216,974 (2009 - Rs 39,642,830) and WHT payable Rs 41,676,841 (2009 - Rs 1,301,926).

17 Defined benefit obligations

	2010	2009
Present value of unfunded obligation	108,944,304	118,978,477
Liability in the balance sheet	108,944,304	118,978,477

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

	2010	2009
At 1st January	118,978,477	92,687,545
Current service cost	10,370,812	9,385,114
Interest cost	11,678,920	18,241,274
Actuarial loss	Nil	11,884,576
Benefits paid	(32,083,905)	(13,220,032)
At 31st December	108,944,304	118,978,477

The amounts recognised in the income statement are as follows:

	2010	2009
Current service cost	10,370,812	9,385,114
Interest cost	11,678,920	18,241,274
Actuarial loss	Nil	11,884,576
Total included in the staff cost (Note 5)	22,049,732	39,510,964

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

	2010	2009
Discount rate	9% compounded annually	10% compounded annually
Estimated salary increment	9% per year	10% per year
Mortality rate	Age related	Age related

Financial reports

Notes to the financial statements contd...

18 Contingent liabilities

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

19 Commitments

Capital commitments

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

Financial commitments

The Company has entered into Service Level Agreement (SLA) with Chevron USA inc. which governs the services offered by the Group companies and reimbursement cost incurred by the Group.

Operating lease commitments - where the Company is the lessee

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

	2010	2009
Cancellable		
Not later than one year	8,400,000	8,400,000
Later than 1 year and not later than 5 years	23,772,150	30,783,000
	32,172,150	39,183,000
Non cancellable		
Not later than one year	16,578,864	16,261,339
Later than 1 year and not later than 5 years	41,447,160	4,065,335
	58,026,024	20,326,674

The lease agreement covering the land on which the blending plant is located expires on 14th July 2014 with no provision for renewal thereafter

20 Stated capital

	Ordinary shares	
	Number of shares	Value of shares
At 31st December 2009	120,000,000	600,000,000
At 31st December 2010	120,000,000	600,000,000

All issued shares are fully paid.

21 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2010	2009
Profit before tax	2,333,950,431	2,344,370,342
Adjustments for:		
Depreciation [Note 10(a)]	63,046,919	83,229,163
Property, plant and equipment written off	818,007	6,745,614
Loss on disposal of property, plant and equipment (Note 4)	18,969	Nil
Interest income (Note 6)	(79,788,977)	(117,811,388)
Interest expense (Note 6)	206,661	2,136,097
Provision for bad and doubtful debts (Note 4)	5,449,334	7,601,346
Changes in working capital		
- trade and other receivables	(113,794,694)	146,674,634
- inventories	(44,464,844)	267,659,945
- payables	(19,764,090)	(78,050,952)
Defined benefit obligations (Note 17)	22,049,732	39,510,964
Cash generated from operations	2,167,727,448	2,702,065,764

Notes to the financial statements contd...

22 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 and Mr Kishu Gomes, Directors of the Company, are also Directors of Chevron Ceylon Limited, which is the immediate holding company.

Mr Kandiah Balendra, a Director of the Company is also a Director of Phoenix Industries Limited which supplies packing materials and cans to the Company.

The following transactions were carried out with the related companies.

(i) Reimbursable expenses incurred by Chevron Lubricants Lanka PLC

	2010	2009
Chevron Ceylon Limited	1,457,805	1,610,924

(ii) Interest paid on short term borrowings

	2010	2009
Chevron Ceylon Limited	Nil	1,358,906

(iii) Purchase of goods

	2010	2009
Phoenix Industries Limited	245,373,017	195,974,920

22 Directors' interest in contracts and related party transactions with the Company (contd)

(iv) 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 Ramone - 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

<i>Sales of goods:</i>	2010	2009
Fuel and Marine Marketing	30,311,968	30,734,107
Chevron Lubricants India (Private) Limited	Nil	326,346
	30,311,968	31,060,453

(b) Purchases of goods and services

<i>Purchase of goods:</i>	2010	2009
Chevron Singapore (Private) Limited	3,242,453,034	1,134,388,952
Chevron Espana SA	2,291,641	2,234,967
Chevron Alkhalij	9,630,000	7,012,155
Chevron Thailand Limited	112,039,589	46,116,533
Chevron Oronite (Private) Limited	417,694,644	514,875,964
Chevron South Africa (Private) Limited	6,051,807	7,143,723
Chevron (Tianjin) Lubricants Company Limited	16,639,397	5,627,483
CUSA Global Lubricants Asia Pacific	1,614,191	806,667
Chevron Lubricants India (Private) Limited	Nil	4,489,300
	3,808,414,303	1,722,695,744

<i>Purchases of services:</i>	2010	2009
Chevron International (Private) Limited	721,359	729,932
Chevron Holding Inc. Philippines	7,039,353	6,357,132
Chevron Texaco Information Technology Company	49,725,074	15,212,369
Chevron International Tech Centre (Private) Limited	577,075	Nil
Chevron Texaco Global Downstream Services	72,942,791	77,916,053
Chevron Business and Real Estate Services	814,015	776,114
Chevron Asia Pacific Regional Services	126,230,638	104,227,936
CUSA Project Olympic Branch	33,510,809	11,740,102
Chevron Belgium N.V	785,343	659,833
Chevron Pakistan Limited	672,538	Nil
Chevron Global Down Stream Services	98,626	Nil
	293,117,621	217,619,471

Notes to the financial statements contd...

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

Company receives services from Chevron Group Companies (CGCs) for which payments are made by Chevron Lubricants Lanka PLC. 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. Company has entered into a service level agreement with Chevron USA Inc which governs the framework and terms and conditions for the service charges among Group Companies.

Purchases of goods and services during the year from related parties amounts to 183% of net assets and 122% of total assets at the end of the financial year.

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

<i>Receivable from related parties:</i>	2010	2009
Chevron Ceylon Limited	2,437,455	360,605
Chevron International (Private) Limited	149,521	Nil
Chevron Africa - Pakistan Services	Nil	499,618
Chevron Philippines Inc	Nil	216,709
Chevron Limited Lubricant Branch	Nil	916,077
Chevron Product Company	484,341	498,299
Chevron Marine Products LLC	14,545,784	8,100,864
Chevron Pipeline Company	1,302,677	Nil
	18,919,778	10,592,172

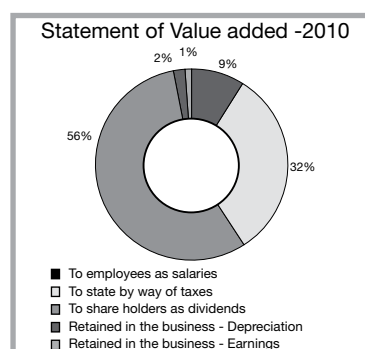
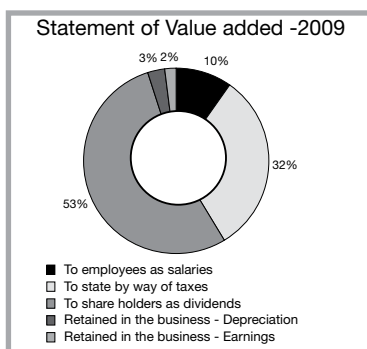
<i>Payable to related parties:</i>	2010	2009
Chevron Ceylon Limited	Nil	58,122
Chevron Holdings Incorporation Philippines	1,024,614	1,437,476
Chevron Corporation	1,384,468	Nil
Chevron International (Private) Limited	Nil	16,786
Chevron Singapore (Private) Limited	58,971	2,401,076
Chevron Oronite (Private) Limited	30,957,335	32,247,426
Chevron Information Technology Company	12,991,888	3,538,017
Chevron Africa-Pakistan Services	103,143	Nil
Chevron (Thailand) Limited	Nil	599,770
CUSA Global Lubricants Asia Pacific	5,488,684	807,727
Chevron South Africa (Private) Limited	3,932,175	3,777,298
Chevron Asia Pacific Regional Services	23,052,923	13,701,263
Chevron Business Real Estate Services	115,700	194,424
Chevron - Aikhalij	Nil	218,799
Chevron Texaco Global Downstream	15,301	Nil
Chevron Global Downstream Services	14,044,392	15,737,403
CUSA Project Olympic Branch	Nil	4,556,791
Chevron Belgium N.V	279,780	103,117
	93,449,374	79,395,495

23 Post balance sheet events

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

Statement of Value added

	2009	2010
Value addition		
Turn Over	8,691	9,471
Finance Income	99	67
Less: Materials and services purchased	6,096	6,906
value created	2,694	2,632
Distribution of Value addition		
To employees as salaries	263	231
To state by way of taxes	853	837
To share holders as dividends	1,440	1,470
Retained in the business - Depreciation	83	63
- Earnings	55	31
	2,694	2,632



Ten years Summary

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Trading Results										
Turnover	9,471,256	8,690,554	8,900,298	8,654,342	7,694,289	5,560,298	4,545,588	4,214,126	3,931,910	3,493,076
Profit before tax	2,333,950	2,344,370	1,482,962	1,658,252	1,245,924	994,004	892,071	1,185,809	1,217,788	796,336
Taxation	832,676	849,465	535,240	579,893	439,191	293,508	245,274	352,079	406,118	314,622
Profit after tax	1,501,274	1,494,905	947,722	1,078,359	806,733	700,496	646,797	833,730	811,670	481,714
Balance Sheet										
Stated / Share Capital	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	300,000	300,000
Reserves	1,637,530	1,606,255	1,551,350	1,233,627	905,269	668,535	616,123	2,009,326	2,165,596	1,572,926
Shareholders funds	2,237,530	2,206,255	2,151,350	1,833,627	1,505,269	1,268,535	1,216,123	2,609,326	2,465,596	1,872,926
Property, Plant & Equipment	220,338	260,080	325,608	387,869	420,828	426,424	468,377	449,985	483,442	495,553
Current and Non Current Assets	3,154,727	3,771,466	2,846,258	2,483,180	2,125,702	2,082,317	1,669,446	3,401,436	3,035,793	2,370,912
Current Liabilities	1,028,591	1,706,313	927,828	938,389	932,817	1,101,357	777,179	1,100,999	913,242	896,520
Non Current Liabilities	108,944	118,978	92,688	99,032	108,445	138,849	144,521	141,096	140,397	97,018
Net Assets	2,237,530	2,206,255	2,151,350	1,833,627	1,505,269	1,268,535	1,216,123	2,609,326	2,465,596	1,872,926
Key Indicators										
Gross Dividends	1,470,000	1,440,000	630,000	750,000	570,000	585,000	2,040,000	690,000	369,000	228,000
Dividend per Share	12.25	12.00	10.50	12.50	9.50	9.75	34.00	11.50	6.15	3.80
Price Earnings Ratio	12.75	11.38	11.65	9.49	12.64	9.94	11.83	10.29	4.45	4.67
Market value per share										
as at 31st December	159.50	141.75	92.00	85.25	85.00	58.00	63.75	71.50	120.50	75.00
Return on Equity	68	69	48	65	58	56	34	33	37	28
Net Assets per share	18.65	18.39	17.93	15.28	12.54	10.57	10.13	21.74	20.55	15.61
Net Income to Turnover	16	17	11	12	10	13	14	20	21	14
Earnings per Share	12.51	12.46	7.90	8.99	6.72	5.84	5.39	6.95	6.76	4.01

Financial reports

Shareholder information

20 largest shareholders As at 31st December 2010

Name of Shareholder	Number of Shares	%
Chevron Ceylon Limited	61,200,200	51.00
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global	11,869,200	9.89
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	3,414,600	2.85
Employees Provident Fund	3,091,200	2.58
HSBC International Nominees Ltd-BPSS Lux Aberdeen Global- EME	2,300,000	1.92
Cargo Boat Development Company Limited	2,000,000	1.67
Renuka Hotels Limited	1,400,000	1.17
National Savings Bank	1,276,200	1.06
Employees Trust Fund Board	1,179,200	0.98
Crescent Launderers & Dry Cleaners (Pvt) Ltd	1,000,000	0.83
Mellon Bank N.A.- Florida Retirement system	770,000	0.64
Bank of Ceylon No 1 Account	768,200	0.64
AVIVA NDB Insurance PLC A/C No 07	692,500	0.58
DFCC Bank- Account No 1	609,400	0.51
Freudenberg Shipping Agencies Limited	525,000	0.44
Northern Trust CO S/A the Royal Bank of Scotland as Trustee	500,000	0.42
Danske Bank A/S	500,000	0.42
Bartlee Financial Services Limited	500,000	0.42
Mr. Mahipala Udabage	476,500	0.40
	97,653,000	81.40

as at 31st December 2009

Name of Shareholder	Number of Shares	%
Chevron Ceylon Limited	61,200,000	51.00
Sri Lanka Insurance Corporation Ltd - Life Fund	11,559,000	9.63
HSBC International Nominees Ltd- Lux Aberdeen Global	7,219,200	6.02
HSBC Intl Nominees Ltd-SSBTL-ABERDEEN ASIA SMALL COM.	3,580,800	2.98
Caceis Bank Luxembourg S/A BARCA GLOBAL	3,551,800	2.96
Employees Provident Fund	2,000,000	1.67
Cargo Boat Development Company Limited	2,000,000	1.67
Mr.Kenneth Rudy Kamon	1,463,000	1.22
Renuka Hotels Limited	1,400,000	1.17
Mr.Robert Alexander Stone	1,100,000	0.92
The Gilpin Fund Limited	1,060,000	0.88
Crescent Launderers & Dry Cleaners (Pvt) Ltd	1,000,000	0.83
Pershing LLC S/A Averbach Grauson & Co	649,400	0.54
DFCC Bank A/c 1	609,400	0.51
Bank of Ceylon - No 2 a/c	518,300	0.43
Bartleet Finance Services Limited	500,000	0.42
MAS Capital (Private) Limited	492,200	0.41
Mr.Mahipala Udabage	463,800	0.39
Mr. Addara Pathirana Somasiri	387,600	0.32
Freudenberg Shipping Agencies Limited	385,600	0.32
	101,140,100	84.28

Analysis report of shareholders as at 31st December 2010

	No of Shareholders	No of shareholders %	Total holdings	Total holdings %
Individual	3,617	94.00	16,403,134	13.67
Institutional	231	6.00	103,596,866	86.33
Grand Total	3,848	100.00	120,000,000	100.00
Resident	3,742	97.25	93,545,340	77.95
Non- Resident	106	2.75	26,454,660	22.05
Total	3,848	100.00	120,000,000	100.00

Shareholders categorised summary report as at 31st December 2010

No of shares held	No of share holders	No of shareholders %	Total Holdings	Total Holdings %
1-1000	2,245	58.34	946,652	0.79
1001-10,000	1,247	32.41	4,575,680	3.81
10,001-100,000	294	7.64	8,608,668	7.17
100,001-1,000,000	52	1.35	14,557,800	12.13
1,000,001 & over	10	0.26	91,311,200	76.10
Total	3,848	100.00	120,000,000	100.00

Public Holding			58,799,600	48.99
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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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Chevron Lubricants Lanka PLC will be held at the Ballroom B, Galadari Hotel, Colombo on Thursday, 31st March 2011 at 3.30p.m. for the following purposes.

- To receive and consider the Report of the Directors with the statement of accounts for the year ended 31.12.2010 and the Report of the Auditors thereon.
- To re- elect Mr. Farrukh Saeed, who ceases to be a Director in terms of Clause 91 of the Articles of the Company.
- To re-elect Mr. Deva Rodrigo, a Director who retires by rotation in terms of Clause 84 of the Articles of the Company.
- To re-appoint Mr. Daham Wimalasena, who retires in terms of Article 83(viii) of the Articles of Association of the Company, as a Director. As Mr. Wimalasena is over 70 years, Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his re-appointment. (see Note No: 5 below).
- To reappoint Messrs. Pricewaterhouse Coopers as Auditors and to authorise the Directors to determine their remuneration.
- To authorize the Directors to determine & make donations.
- To consider any other business of which due notice has been given.

By Order of the Board



A.M. Anura Perera
Secretary

Colombo
7th March 2011

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company. The form of proxy is attached herewith.
3. The Completed form of proxy should be deposited at the Registered Office of the Company at Chevron House 490, Galle Road, Colombo 3 not less than 48 hours before the time appointed for the holding of the meeting.
4. For security reasons it is necessary that you bring with your National Identity Card when attending the meeting.
5. Special Notice was received by the Company from a shareholder giving notice of his intention to move the following Resolution at the Annual General Meeting:
"Resolved that Mr. Daham Wimalasena, a Director of the Company, who is 73 years, be and is hereby re-appointed a Director of the Company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No: 7 of 2007 shall not apply to the said Director, Mr. Daham Wimalasena."

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 in the Colombo Stock Exchange)
Directors	:	Farrukh Saeed - Chairman Kishu Gomes - Managing Director & CEO Daham Wimalasena Robert L Otteson Anura Perera Deva Rodrigo
Secretary	:	Anura Perera
Registered Office	:	Chevron House 490, Galle Road, Colombo 03 Tel: 011 4524524
Company Registration Number	:	PQ 54
Registrars to the Company	:	Secretaries & Registrars Limited 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03
Auditors	:	PricewaterhouseCoopers Chartered Accountants P.O. Box 918 100, Braybrooke Place, Colombo 02
Lawyers to the Company	:	Julius & Creasy Attorneys-at - Law and Notaries Public No 41, Janadhipathi Mawatha, Colombo 01
Principle Bankers	:	Citibank NA Deutsche Bank Standard Chartered Bank Commercial Bank of Ceylon PLC

Chevron Lubricants Lanka PLC
Chevron House, 490, Galle Road, Colombo 03

www.chevron.lk