

CHEVRON ENERGY LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The company's registered number is 5300877



**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their strategic report on the company for the year ended 31 December 2018.

Principal activities

Chevron Energy Limited (the company) is a private limited company, providing loan financing to other Chevron Group entities. The company is also a holding company for certain operating companies in the United Kingdom ('UK') of the Chevron Group of companies. The company is the main UK employing company and holds the share incentive plan as well as being the sponsor of the Chevron UK pension plan.

Business review

The results for the company show a profit before taxation of \$720.5m (2017: \$1.5m) for the year, this increase of \$719.0m was mainly due to increase in dividend income from subsidiaries of \$780.0m, decrease in pension income over pension cost of \$62.2, decrease in shares incentive plan fair value of \$0.8m and an increase in interest income from group entities of \$2.0m.

The company's total comprehensive income for the financial year is \$883.6m (2017: income of \$84.5m). A dividend of \$800.0m on ordinary shares was paid in 2018 (2017: \$nil). The total income after distributions of \$83.6m (2017: income of \$84.5m) was transferred to reserves, contributing to an increase in total shareholders' funds to \$1,376.8m (2017: increase to \$1,293.2m).

Principal risks and uncertainties

The key business risk and uncertainty affecting the management of the business and the execution of the company strategy is the risk that the performance of subsidiary companies will result in dividends not being received. The management mitigate this risk through having monthly business review meetings with its subsidiary companies.

Key performance indicators

The company's directors believe that analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance, or position of the business of the company.

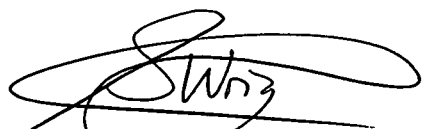
Future developments

It is the intention of the directors that the business will continue as a finance and holding company for the foreseeable future.

On behalf of the board

1 Westferry Circus
Canary Wharf
London E14 4HA

25 September 2019


S W Wright
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018. These financial statements have been prepared under FRS 102.

Future developments have been discussed in the Strategic Report.

Financial risk management

The company faces a number of financial risks which are managed as part of the Chevron Group's risk management objectives and policies. The company does not hedge any of these risks and therefore hedge accounting is not applied in these financial statements.

Credit Risk

The company is exposed to credit risk on loans made to other 100% owned Chevron entities. The risk is managed through ensuring that loans are advanced solely to companies within the Chevron Group.

Liquidity and cash-flow risk

Risks facing the company include liquidity and cash flow risk, and the company therefore maintains sufficient available funds for its daily operations. Chevron Group management in the UK actively monitors all funding requirements for UK group companies, and manages any finance arrangements needed to meet such requirements. This may result in loans between group companies being extended beyond original repayment dates, or repaid prior to original due dates.

Interest rate risk

The company has interest bearing assets which are held at both floating and fixed rate terms. These are monitored on a daily basis by a treasury management group and an appropriate structure of investments is maintained. The company does not hedge interest rate risks.

Foreign exchange risk

The company has assets and liabilities denominated in foreign currencies. The company does not use derivative financial instruments to manage the risk of fluctuating exchange rates and as such no hedge accounting is applied.

UK Restructuring

On 1 July 2012, the contracts of service for all employees with a UK service contract were transferred to the company from Chevron United Kingdom Limited. These included the associated employee benefits including the payroll, share incentive plan and the pension.

Results and dividends

The company's total comprehensive income for the financial year is \$883.6m (2017: income of \$84.5m). A dividend of \$800.0m on ordinary shares was paid in 2018 (2017: \$nil). The total income after distributions of \$83.6m (2017: income of \$84.5m) was transferred to reserves, contributing to an increase in total shareholders' funds to \$1,376.8m (2017: increase to \$1,293.2m).

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)****Employment policy and employee consultation**

It is the company's policy to ensure that all employees receive equal treatment and are judged solely on merit and capability. Company policy also aims to ensure that all job applications from disabled people receive full and fair consideration. Every effort is made to continue the employment of, and arrange appropriate training for, those employees who become disabled during their period of employment. In common with all other employees, disabled people are given equal opportunities and, where appropriate, special training to progress within the company.

The company remains committed to the principle of employee involvement and has continued its practice of providing employees with information on matters of concern to them. The company consults with employees and their representatives in order that their views can be taken into account on such matters as are appropriate.

The company communicates and consults with employees at the local level through regular formal meetings and as necessary by ad hoc consultation and negotiation with the employees and their representatives. A staff employee representation programme council system is also operated, election being made by ballot, with panels which provide a regular forum for the exchange and discussion of ideas. The company ensures by this channel of communication that elected employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of all employees.

In addition, the company uses various methods to communicate business related activities to employees. These include articles being posted on the company intranet site, videos, email and on-site meetings.

The company is the sponsoring company of the Chevron Energy Limited share incentive plan. From 1 July 2012 employees who work for the company were entitled to join the share incentive plan. Further details of the plan are disclosed in Note 6.

Directors

During the financial year and up until the date of this report the directors of the company were:

M A Knights	(resigned 31 July 2019)
M J Williams	
S W Wright	
M W Maurer	(resigned 9 July 2018)
G G Lydecker	
R A Lewis	(resigned 5 February 2018)
N Ali	(appointed 5 February 2018)
J G Cameron	(appointed 5 February 2018)

Qualifying third party indemnity provisions

The company maintains liability insurance for its directors and officers. The company also provides an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force throughout the last financial year and at the date of the approval of the financial statements.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)****Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

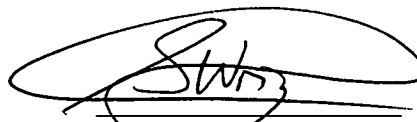
Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be re-appointed and pursuant to an elective resolution adopted by the company, have automatically been re-appointed as the company's auditors.

1 Westferry Circus
Canary Wharf
London E14 4HA

25 September 2019

On behalf of the board


S W Wright
Director

Independent auditors' report to the members of Chevron Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, Chevron Energy Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Chevron Energy Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Richard French (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 September 2019

CHEVRON ENERGY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

Continuing operations	Note	2018	2017
		\$m	\$m
Administrative expenses	2	(120.0)	(76.8)
Other operating income	2	34.5	54.3
Operating loss	2	(85.5)	(22.5)
Income from shares in group undertakings		800.0	20.0
Profit/(loss) before interest and taxation		714.5	(2.5)
Interest receivable and similar income	4	6.0	4.0
Profit before taxation		720.5	1.5
Tax on profit	7	10.5	4.2
Profit for the financial year		731.0	5.7
Other Comprehensive Income			
Actuarial gain on pension scheme	12	183.8	95.0
Deferred tax on actuarial gain on pension scheme	15	(31.2)	(16.2)
Other comprehensive income for the financial year		152.6	78.8
Total comprehensive income for the financial year		883.6	84.5

The notes on pages 11 to 23 form part of these financial statements.

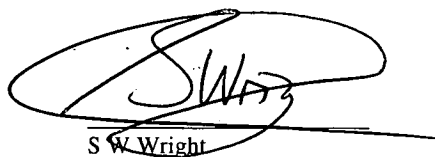
CHEVRON ENERGY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018 \$m	2017 \$m
Fixed assets			
Investments	8	861.7	862.5
Other Investments	9	11.9	15.7
		<u>873.6</u>	<u>878.2</u>
Current assets			
Debtors: Amounts falling due within one year	10	294.3	289.5
Debtors: Amounts falling due after more than one year	11	-	-
Pension surplus	12	261.1	162.7
Cash at bank and in hand		-	-
		<u>555.4</u>	<u>452.2</u>
Creditors: Amounts falling due within one year	13	(5.1)	(6.0)
Net current assets		<u>550.3</u>	<u>446.2</u>
Total assets less current liabilities		<u>1,423.9</u>	<u>1,324.4</u>
Creditors: Amounts falling due after more than one year	14	(2.5)	(3.5)
Deferred tax liability	15	(44.6)	(27.7)
Net assets		<u>1,376.8</u>	<u>1,293.2</u>
Capital and reserves			
Called up share capital	16	2.2	2.2
Share premium account	17	848.6	848.6
Profit and loss account	3	526.0	442.4
Total shareholders' funds	18	<u>1,376.8</u>	<u>1,293.2</u>

The notes on pages 11 to 23 form an integral part of these financial statements.

The financial statements on pages 8 to 23 were approved by the board of directors on 25 September 2019 and were signed on its behalf by:



S W Wright
Director
Chevron Energy Limited
Registered number: 5300877

CHEVRON ENERGY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up Share Capital \$m	Share Premium Account \$m	Profit and Loss Account \$m	Total Shareholders' Funds \$m
Balance at 1 January 2018	2.2	848.6	442.4	1,293.2
Profit for the financial year	-	-	731.0	731.0
Other comprehensive income/(expense)				
Actuarial gain on pension scheme	-	-	183.8	183.8
Deferred tax on actuarial gain on pension scheme	-	-	(31.2)	(31.2)
Total comprehensive income for the year	-	-	883.6	883.6
Transactions with owners, recorded directly in equity				
Dividends	-	-	(800.0)	(800.0)
Total distributions to owners	-	-	(800.0)	(800.0)
Balance at 31 December 2018	2.2	848.6	526.0	1,376.8
Balance at 1 January 2017	2.2	848.6	357.9	1,208.7
Profit for the financial year	-	-	5.7	5.7
Other comprehensive (expense)/income				
Actuarial loss on pension scheme	-	-	95.0	95.0
Deferred tax on actuarial loss on pension scheme	-	-	(16.2)	(16.2)
Total comprehensive income for the year	-	-	84.5	84.5
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total distributions to owners	-	-	-	-
Balance at 31 December 2017	2.2	848.6	442.4	1,293.2

Retained earnings represents accumulated comprehensive income/expense for the year and prior years less dividends paid.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****1. Principal accounting policies****a) Reporting entity and statutory base**

Chevron Energy Limited (the “Company”) is a company incorporated and domiciled in the UK. The Company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’ (‘FRS 102’) and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The following exemptions have been taken in these financial statements:

- Separate financial instruments – carrying amount of the Company’s cost of investment in subsidiaries is its deemed cost at 1 January 2014.

The Company’s ultimate parent undertaking, Chevron Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Chevron Corporation are available to the public and may be obtained from www.chevron.com.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Chevron Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1i).

b) Measurement

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: liabilities for cash-settled share-based payments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)****1. Principal accounting policies (continued)****c) Foreign currency**

The currency of the primary economic environment in which the company operates is United States Dollars (USD) ('the functional currency'). The items included in the financial statements of the company are presented in United States Dollars (USD) ('the presentation currency').

For the purposes of these financial statements, transactions effected in currencies other than United States dollars (USD) have been translated into USD at average rates of exchange prevailing during the months in which the transactions took place. Monetary assets and liabilities expressed in other currencies have been translated into USD at the rate of exchange ruling at the balance sheet date.

Foreign exchange differences arising on translation are recognised in the profit and loss account.

d) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Financial Assets***Trade and other debtors***

Trade and other receivables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial Liabilities***Trade and other creditors***

Trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

e) Investments

Investments in subsidiaries are stated at cost less impairment. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with financial reporting standards. Impairments thus arising are recorded in the profit and loss account.

Other investments are equity securities held by the Company in relation to the Employee Stock Investment Plan ('ESIP') and are stated at fair value (refer Note 6). When these investments are derecognised, the cumulative gain or loss is recognised in Profit and Loss.

f) Taxation

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that will result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)****1. Accounting policies (continued)****f) Taxation (continued)**

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Current or deferred taxation assets and liabilities are not discounted.

g) Pension costs

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in Profit and Loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in Profit and Loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

h) Share-based payments

The company operates a cash-settled employee share incentive plan (which acquires shares in Chevron Corporation on the open market), under the terms of which matching shares are not vested to employees until three years of service have been completed. The Company grants rights to its parent's equity instruments to employees of its own subsidiaries. The Company accounts for these share-based payments as cash-settled. It recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries with the corresponding credit being recognised in liabilities.

The purchase of shares is recorded at fair value on the initial grant date (based on market price at grant date) and re-valued at fair value at each year end. The cost of the matched portion of share is charged to the profit and loss account of subsidiaries over the vesting period (all such costs are borne by subsidiary undertakings of the company). Share plan liabilities are re-valued at fair value as at the end of each financial year, and changes in value are recognised in the profit and loss account. Further information is provided in Note 6.

i) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See Note 12 for the disclosures of the defined benefit pension scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

1. Principal accounting policies (continued)

i) Critical accounting estimates and judgements (continued)

Current service costs, curtailment and settlement gains and losses, and financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recorded through other comprehensive income.

j) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

k) Dividend

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

l) Exceptional Items

Exceptional items are non-recurring material items which are outside the normal scope of the Company's ordinary activities such as the transfer of the pension scheme to the Company in 2012. Such items are disclosed separately within the financial statements.

2. Operating loss

Operating loss is stated after (charging)/crediting:	2018	2017
	\$m	\$m
Services provided by the company's auditors:		
Fee payable for the audit	(0.1)	(0.1)
Administrative expenses consist of:		
Administrative expenses	(0.1)	(0.1)
Pension service cost (Note 12)	(117.4)	(74.9)
Administrative expenses ESIP fair valuation effect	(2.4)	(1.7)
	(120.0)	(76.8)
Other operating income consists of:		
Pension income from subsidiary undertakings (Note 12)	41.8	40.4
Pension income from subsidiary undertakings for benefits paid directly by the company	5.3	4.8
Currency exchange gain/(loss) on operating items	(12.6)	9.1
	34.5	54.3
	(85.5)	(22.5)

No fees were paid to the auditors for non-audit services (2017: £nil).

3. Profit and loss account

	2018	2017
	\$m	\$m
At 1 January	442.4	357.9
Total comprehensive income for the financial year	883.6	84.5
Dividends	(800.0)	-
At 31 December	526.0	442.4

CHEVRON ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

4. Interest receivable and similar income

	2018	2017
	\$m	\$m
Interest received from other Chevron Corporation entities	6.0	4.0
	6.0	4.0

5. Directors' emoluments

In relation to their services as directors or otherwise in connection with the management of the company, no emoluments were paid to or are receivable by directors from the company during the year. In relation to their services as directors or otherwise in connection with the management of a subsidiary of the company, emoluments and amounts (excluding shares) receivable under long-term incentive schemes of \$nil (2017: \$nil) were paid to or receivable by directors during the year.

6. Employee information

a) Some employees for subsidiary companies in the UK have contracts of service with the Company. All employee (including directors) costs, including pension costs, are borne by the subsidiary for which the employee provides services and the costs are shown and disclosed in the financial statements of those companies, as if they were employed by those companies. There is one exception to this in relation to the Employee Share Incentive Plan, as discussed below.

b) The average monthly number of employees engaged in operations of Chevron companies in the UK was:	2018 Number	2017 Number
Upstream	625	662
Downstream	352	358
	977	1,020

c) Employee Share Incentive Plan (ESIP)

The company is the sponsoring company of the Chevron Energy Limited (formerly Chevron Europe Finance Limited) Share Incentive Plan. This is administered by Link Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Under the rules of the plan the company will match every Chevron Corporation share bought by an employee with two matching shares (up to a defined limit). These matching shares, which are settled in cash, will be held in a UK registered trust on behalf of the employee, and are not vested to the employee until 3 years of service has been completed from the date of acquisition. As these shares are in the ultimate parent company there is no reduction to shareholders' funds.

	2018	2017
Employee share incentive plan (ESIP):		
Shares granted during the year	35,994	38,778
Weighted average share price	\$115.81	\$117.42
Total expense recognised by subsidiary companies at fair value (based on market value as at date of acquisition)	\$4.1m	\$4.6m
Total shares in plan as at 31 December	110,461	131,206
Assets of plan at historical cost as at 31 December	\$11.6m	\$12.9m
Market value of shares held in trust at 31 December	\$11.9m	\$15.7m
Share-based payment liabilities to employees at 31 December	(\$6.4m)	(\$8.5m)
Share-based payment in subsidiary undertakings – capital contribution at 31 December	(\$5.2m)	(\$4.4m)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**

7. Tax on profit

	2018 \$m	2017 \$m
a) Tax (expense)/income included in profit or loss		
Current tax:		
UK corporation tax on profits of the year	(1.1)	(0.8)
Total current tax	(1.1)	(0.8)
Deferred tax:		
Origination and reversal of timing differences - Current year	11.6	5.0
Total deferred tax	11.6	5.0
Tax on profit	10.5	4.2

	2018 \$m	2017 \$m
b) Tax expense included in other comprehensive income		
Deferred tax:		
Origination and reversal of timing differences	(31.2)	(16.2)
Total tax expense included in other comprehensive income	(31.2)	(16.2)

c) Reconciliation of tax charge

The tax assessed for the year is lower (2017: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2018 of 19.0% (2017: 19.25%). The differences are explained below:

	2018 \$m	2017 \$m
Profit before taxation	(720.5)	(1.5)
Profit before taxation multiplied by standard rate of corporation tax in the UK 19.0% (2017: 19.25%)	(136.9)	(0.3)
Effects of:		
Origination and reversal of timing differences - Current year	11.6	5.0
Non-taxable items	135.8	(0.5)
Total tax credit for the year	10.5	4.2

Factors affecting current and future tax rate change

The main rate of UK corporation tax was reduced from 20% to 19% effective from 1 April 2017, and this change has been reflected in the financial statements.

UK Corporation tax rate change

Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were announced in the Summer Budget 2015 and were substantively enacted on 26 October 2015. A further change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and it was enacted on 15 September 2016. The change is to reduce the main rate to 17% from 1 April 2020 and it is reflected in the deferred tax balance.

CHEVRON ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

8. Investments

The following are included in fixed asset investments:

	2018	2017
	\$m	\$m
Investment in Subsidiary undertakings	866.9	866.9
Share based payment in Subsidiary undertakings – capital contribution (ESIP)	(5.2)	(4.4)
	861.7	862.5

a) Investment in Subsidiary undertakings

The company holds interest in excess of 10% in the following subsidiary undertakings, which are not listed in the UK or any overseas Stock Exchange:

Subsidiary undertakings	Country of incorporation	Registered Office	Principal activity	Share Class	%
Chevron Products UK Limited	England	1 WFC, Canary Wharf, London, E14 4HA	Trading & supply	Ordinary	100
Chevron UK Pension Trustee Limited	England	9 Cavendish Square, London W1G 9DF	Pension Trustee	Ordinary	100
Chevron United Kingdom Limited*	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Regent Oil Company Limited*	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Chevron North Sea Limited*	England	9 Cavendish Square, London W1G 9DF	Exploration & production	Ordinary	100
Chevron Europe Limited *	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Chevron Limited*	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Texaco (Ireland) Limited*	Ireland	39/40 Upper Mount Street, Dublin 2	Non-trading	Ordinary	100
Texaco Britain Limited*	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Texaco Limited*	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Chevron Europe Finance Limited*	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Star Service Stations Limited*	England	1 WFC, Canary Wharf, London, E14 4HA	Non-trading	Ordinary	100
Other related undertakings	Country of incorporation	Registered Office	Principal activity	Share Class	%
Joint Inspection Group Limited *	England	9 Caxton House Broad Street, Great Cambourne, Cambridge, CB23 6JN	Managing – aviation fuel	Guarantee**	12.5

* Owned through a subsidiary undertaking

** Company is limited by guarantee and has no share capital

The movement on the net book value of investments in Subsidiary undertakings in the year was as follows:

	2018	2017
	\$m	\$m
Balance at beginning and end of year	866.9	866.9

The directors believe that the carrying value of the investments is supported by their underlying net assets.

CHEVRON ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

8. Investments (continued)

b) Share-based payment in Subsidiary undertakings – capital contribution (ESIP) consist of

	2018	2017
	\$m	\$m
Accumulated share based payment charge (increase in capital contribution)	6.4	8.5
Accumulated intercompany recharge (return of capital contribution)	(11.6)	(12.9)
	<u>(5.2)</u>	<u>(4.4)</u>

Refer to note 6 for details relating to share based payment liabilities to employees.

9. Other investments

Other investments relate to shares held in Chevron Corporation as part of the ESIP (Note 6).

	2018	2017
	\$m	\$m
The following are included in the fair value of other investments:		
Shares in Chevron Corporation	<u>11.9</u>	<u>15.7</u>

The movement in the net book value of other investments was as follows:

	Shares in Chevron Corporation
	\$m
Balance at 1 January 2018	15.7
Shares purchased (Note 6)	4.1
Shares vested	(4.7)
Fair value loss to profit and loss account	(2.5)
Currency exchange gain	(0.7)
Balance at 31 December 2018	<u>11.9</u>

10. Debtors: Amounts falling due within one year

	2018	2017
	\$m	\$m
Amounts owed by group undertakings	-	-
Other debtors	<u>294.3</u>	<u>289.5</u>
	<u>294.3</u>	<u>289.5</u>

Amounts owed by group undertakings are unsecured, non-interest bearing and have no specific repayment dates.

Other debtors refer to loans to other Chevron Corporation entities at 31 December 2018 and represents a \$294.3m (2017: \$289.5m) loan to Chevron Treasury BV which attracts interest payable at the daily effective federal funds rate minus 25 basis points, is unsecured and repayable on demand.

CHEVRON ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)****11. Debtors: Amounts falling due after more than one year**

	2018 \$m	2017 \$m
Other debtors	-	-
	-	-

12. Pension commitments

The Chevron Pension Plan (the 'Plan') was formed on the last day of the 2002 reporting year, through the merger of the Texaco Pension Plan and Chevron Group UK Pension Plan and contracts of service of all UK employees were transferred to Chevron United Kingdom Limited, the sponsoring company, on 1 January 2003. Responsibility for the governance of the plan – including investment decisions and contribution schedules – lies jointly with the company and the board of directors of the fund.

On 1 July 2012, the company by way of a written resolution accepted the transfer of the employment function from Chevron United Kingdom Limited.

The Plan is a funded Plan and Trustee's funding objective is to hold assets which are at least equal to the technical provisions, i.e. to meet the statutory funding objective. The contributions paid to the Plan are agreed by the Trustee and Company every three years, after obtaining actuarial advice of the Scheme Actuary. Principal factors in determining the level of contributions include the covenant offered by the sponsor, the level of risk in the Plan, the expected return on the Plan's assets and the discontinuance funding level.

The most recent comprehensive actuarial valuation was carried out by the Trustee of the Plan as at 31 December 2016 for funding purposes. The Company has employed an independent actuary to approximately update the actuarial valuation for differences between the actuarial assumptions used by the Plan for funding purposes and those adopted by the Company to measure the Defined Benefit Obligation, as well as adjusting for benefit accrual and benefits paid from Plan.

The company is the sponsor of a defined benefit pension plan with assets held in a separately administered fund. The plan provides retirement benefits on the basis of members' final salary.

The group operates a registered defined benefit pension scheme in the UK (the Chevron UK Pension Plan) and a non-registered Unfunded Retirement Benefits plan (the URB). Assets are held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. Plan assets held in the fund are governed by local regulations and practice in the United Kingdom.

The URB was introduced during 2012. An actuarial valuation of the Chevron UK Pension Plan and the URB, using the projected unit method, was carried out at 31 December 2016 by Willis Towers Watson Limited, a qualified independent actuary.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)**
12. Pension commitments (continued)
Actuarial Assumptions
The major assumptions used by the actuary were:

	2018	2017
Discount rate	2.90%	2.50%
Salary increases	3.60%	3.60%
Retail price inflation	3.20%	3.20%
Consumer price inflation	2.20%	2.20%

Pension increases:

Pre-April 1997 benefit	0.00%	0.00%
April 1997 to April 2005 benefit	2.20%	2.20%
Post April 2005 benefits	1.70%	1.70%

Post-retirement mortality rates are assumed to be in line with the SAPS S2 and SAPS S2 light tables, as appropriate for each individual's year of birth. With effect from 31 December 2015 the Company agreed to adopt the Continuous Mortality Investigation (CMI) 2015 model for mortality improvements from 2015 onwards, with a long-term trend of 1.5% pa for both males and females.

Weighted average life expectancy (for a male at age 65) implied under the mortality tables used to determine benefit obligations are:

	2018	2017
Male aged 45 now	24.0 years	24.3 years
Male aged 65 now	22.4 years	22.6 years

Plan Asset Information (Allocation Percentage)

	2018	2017
Equity securities	33%	38%
Debt securities	54%	50%
Real estate/property	10%	10%
Other	3%	2%
Total	100%	100%

The actual return on Plan assets was a loss of \$(23.8)m (2017: gain of \$238.2m).

CHEVRON ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

12. Pension commitments (continued)

Changes in Defined Benefit Obligation (DBO) and Assets

	Defined benefit obligation		Fair value of plan assets		Net defined (asset)	
	2018	2017	2018	2017	2018	2017
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 January	3,156.5	2,770.6	3,319.2	2,857.2	(162.7)	(86.6)
<i>Included in Profit and Loss</i>						
Effect of employee service in current year	76.5	76.8	-	-	76.5	76.8
Interest cost on the DBO	78.0	77.5	-	-	78.0	77.5
Interest income on Plan assets	-	-	81.6	80.1	(81.6)	(80.1)
Employer contributions	-	-	41.8	40.4	(41.8)	(40.4)
Benefits paid directly by the Company	(5.3)	(4.8)	-	-	(5.3)	(4.8)
Administrative cost paid	-	-	(0.9)	(0.8)	0.9	0.8
Benefits paid from Plan assets	(101.3)	(96.8)	(101.3)	(96.8)	-	-
<i>Included in OCI</i>						
Remeasurement of the DBO	(289.2)	63.1	-	-	(289.2)	63.1
Return on Plan assets greater/(less) than discount rate	-	-	(105.4)	158.1	105.4	(158.1)
<i>Other</i>						
Plan introduction, changes, curtailments and settlements	43.5	-	-	-	43.5	-
Effect of movement in exchange rates	(166.8)	270.1	(182.1)	281.0	15.3	10.9
Balance at 31 December	2,791.9	3,156.5	3,052.9	3,319.2	(261.1)	(162.7)

Scheme assets do not include any of the company's own financial instruments or any property occupied by the company.

13. Creditors: Amounts falling due within one year

	2018	2017
	\$m	\$m
Amounts owed to group undertakings	-	0.1
Share based payment liabilities to employees (ESIP)	3.8	5.0
Accruals and deferred income	1.3	0.9
	5.1	6.0

Amounts owed to group undertakings are unsecured, non-interest bearing and have no specific repayment dates.

14. Creditors: Amounts falling due after more than one year

	2018	2017
	\$m	\$m
Loan from other Chevron Corporation entity – (ESIP)	2.5	3.5
	2.5	3.5

Refer to note 6 for details relating to share based payment liabilities to employees.

CHEVRON ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

15. Deferred tax liability

	2018	2017
	\$m	\$m
Deferred tax liability relating to pension surplus:		
Balance at beginning of year	(27.7)	(14.7)
Deferred tax charged to profit and loss account	11.6	5.0
Deferred tax on actuarial gain on pension scheme	(31.2)	(16.2)
Impact of change in tax rate charged	-	-
Currency exchange loss/(gain)	2.7	(1.8)
Balance at end of year	(44.6)	(27.7)

16. Called up share capital

	2018	2017
	\$m	\$m
Authorised, allotted, called-up and fully paid:		
1,144,000 (2017: 1,144,000) ordinary shares of £1 each	2.2	2.2

17. Share premium account

	2018	2017
	\$m	\$m
Share Premium Account	848.6	848.6

18. Reconciliation of movements in shareholders' funds

	2018	2017
	\$m	\$m
Profit for the financial year	731.0	5.7
Dividends	(800.0)	-
Retained (loss)/profit for the financial year	(69.0)	5.7
Actuarial gain on pension plan, net of tax	152.6	78.8
Net increase in shareholders' funds	83.6	84.5
Opening shareholders' funds	1,293.2	1,208.7
Closing shareholders' funds	1,376.8	1,293.2

CHEVRON ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)****19. Financial instruments**

The Company has the following financial instruments:

	2018	2017
	\$m	\$m
Financial assets at fair value – note 9	11.9	15.7
	2018	2017
	\$m	\$m
Change in fair value of financial assets through profit and loss	(2.5)	(1.7)

Under *Section 11 FRS102*, the financial assets in relation to the ESIP are valued at fair value with gains/losses recorded through the Profit and Loss. The basis for determining fair value is the quoted market price on the date of the balance sheet.

20. Ultimate parent company

The company's immediate parent undertakings are:

- 80.07% Chevron Captain Company LLC incorporated in the United States of America, and whose principal place of business is at 9 Cavendish Square, London W1G 9DF, United Kingdom, and
- 19.93% Chevron Netherlands BV incorporated in the Netherlands, and whose principal place of business is at Hofplein 33, 3011 AJ, Rotterdam, the Netherlands.

The ultimate parent undertaking and controlling party is Chevron Corporation (incorporated in the State of Delaware, USA) which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The consolidated financial statements of Chevron Corporation are available to the public and may be obtained from 6001 Bollinger Canyon Road, San Ramon, CA 94583-2324, USA.