

CHEVRON UNITED KINGDOM LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010



The company's registered number is 4245760

CHEVRON UNITED KINGDOM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010

Principal activities and business review

The principal activities of the company are as a holding company for Chevron Corporation entities in the United Kingdom, and to provide management services to some of those operating companies. It is the intention of the directors that the company will continue these activities for the foreseeable future.

Business review

The results for the company show a pre-tax profit of \$1,741.4m (2009 \$1,726.9m) for the year, an increase of \$14.5m which was mainly due to a reduction in pension fund interest expense of \$15.9m.

The company's operating profit consists of employee-related costs and income, which is primarily comprised of pension service costs and pension contributions received from subsidiary entities. Contributions received during the year exceeded service costs by \$58.6m (2009 \$26.4m), an increase of \$32.2m.

The directors expect the current level of non-currency related activity to continue in the foreseeable future.

UK restructuring

On 24 May 2010, Chevron Limited's preference shares were sold by Texaco Panama Inc to Chevron Captain Company, a subsidiary of the company. On 12 July 2010, the UK group of companies was restructured and Chevron Limited's ordinary and preference shares were the consideration for a dividend in specie from its immediate parent, Chevron Captain Company to the company. These shares were the consideration for a further dividend in specie to the company's immediate parent, Chevron Global Energy Inc. Each dividend in specie amounted to \$1,372.2m.

Principal risks and uncertainties

The company's principal risk and uncertainty is the availability and timing of income from 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 Chevron United Kingdom Limited.

Future developments

With the agreement on 10 March 2011 by Chevron Corporation to sell Chevron Limited to Valero Holdco UK Limited, some restructuring of Chevron Group entities in the UK will be undertaken in 2011. This restructuring is not expected to materially impact the company.

Subsequent events

In April 2011, the company received a dividend in kind from its immediate subsidiary, Chevron Captain Company. This dividend formed the consideration for a further dividend in kind to the company's immediate parent, Chevron Global Energy Inc. Each dividend in kind amounted to \$1,281.4m.

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.

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 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 can have both interest bearing assets and liabilities which are generally held at floating rates. These are monitored on a daily basis by a treasury management group and an appropriate structure of investments and borrowings 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.

CHEVRON UNITED KINGDOM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Results and dividends

The company's profit after taxation for the financial year is \$1,730.6m (2009 \$1,725.7m). A dividend of \$1,370.84 per ordinary share, amounting to \$1,372.2m, was paid on 15 July 2010 (2009 \$1,023.0m). No further dividend is recommended for the year ended 31 December 2010. The retained profit of \$358.4m (2009 of \$702.7m) was transferred to reserves, contributing to an increase in shareholder funds to \$2,810.7m (2009 \$2,407.7m).

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 an in-house newspaper, videotape news reports and senior management reviews as further means of communicating items with their employees and their activities.

Chevron United Kingdom Limited is the sponsoring company of the Chevron United Kingdom Limited Share Incentive Plan. Further details of the plan are disclosed in note 5.

Directors

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

R B Brown	
R P Cohagan (USA)*	
M A Jones (USA)*	(resigned 1 July 2010)
R J Morris (USA)*	
N E V Roberts	(resigned 27 July 2011)
S O Udoma	(appointed 1 July 2010)
S W Wright	(appointed 27 July 2011)

*Resident in the United Kingdom

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.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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.

CHEVRON UNITED KINGDOM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Statement of directors' responsibilities (continued)

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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. They 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.

Disclosure of information to auditors

As at the date of this report, each director of the company confirms that

- as far as they are 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.

On behalf of the board

1 Westferry Circus
Canary Wharf
London E14 4HA

29 July 2011


R J Morris

Director

CHEVRON UNITED KINGDOM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHEVRON UNITED KINGDOM LIMITED

We have audited the financial statements of Chevron United Kingdom Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities on page 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Paul Kerr (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 July 2011

CHEVRON UNITED KINGDOM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

Continuing operations	Notes	2010 \$m	2009 \$m
Administrative expenses		47.9	10.7
Operating profit	3	47.9	10.7
Income from shares in group undertakings		1,699.3	1,744.5
Profit on ordinary activities before interest and taxation		1,747.2	1,755.2
Interest receivable and similar income	6	1.3	0.1
Interest payable and similar charges	7	(0.7)	(6.1)
Other finance expense	21	(6.4)	(22.3)
Profit on ordinary activities before taxation		1,741.4	1,726.9
Tax on profit on ordinary activities	8	(10.8)	(1.2)
Profit for the financial year		1,730.6	1,725.7

CHEVRON UNITED KINGDOM LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 \$m	2009 \$m
Profit for the financial year	20	1,730.6	1,725.7
Actuarial gain/(loss) on pension scheme	21	69.7	(27.5)
Movement on deferred tax relating to pension scheme	16	(18.8)	7.7
Impact of change in tax rate	16	(6.3)	-
Total recognised gains and losses relating to the year		1,775.2	1,705.9

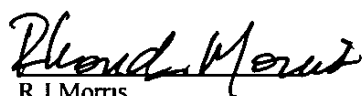
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

CHEVRON UNITED KINGDOM LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2010

	Notes	2010 \$m	2009 \$m
Fixed assets			
Investment in subsidiary undertakings	10	2,765.3	2,765.3
Other investments	11	76.7	65.4
		<u>2,842.0</u>	<u>2,830.7</u>
Current assets			
Debtors – amounts falling due within one year	12	115.1	26.7
Debtors – amounts falling due after more than one year	13	-	172.5
Cash at bank and in hand		87.3	1.1
		<u>202.4</u>	<u>200.3</u>
Creditors - amounts falling due within one year	14	<u>(92.5)</u>	<u>(67.3)</u>
Net current assets		<u>109.9</u>	<u>133.0</u>
Total assets less current liabilities		<u>2,951.9</u>	<u>2,963.7</u>
Creditors - amounts falling due after more than one year	15	<u>(20.4)</u>	<u>(343.7)</u>
Net assets excluding pension deficit		<u>2,931.5</u>	<u>2,620.0</u>
Pension deficit	21	<u>(120.8)</u>	<u>(212.3)</u>
Net assets including pension deficit		<u>2,810.7</u>	<u>2,407.7</u>
Capital and reserves			
Called up share capital	17	2.0	2.0
Share premium account	18	1,468.7	1,468.7
Profit and loss account	19	1,340.0	937.0
Total shareholders' funds	20	<u>2,810.7</u>	<u>2,407.7</u>

The financial statements on pages 5 to 17 were approved by the board of directors on 29 July 2011 and signed on its behalf by



R J Morris
Director
Chevron United Kingdom Limited
Registered Number 4245760

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. Accounting policies

The financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice. The principal accounting policies are set out below.

a) Group accounts

Group accounts of the company, its subsidiary undertakings and its participating undertakings have not been prepared. The company is exempt from the requirement to prepare consolidated accounts under the provisions of Section 401 of the Companies Act 2006. The accounts present information about the company as an individual undertaking and not about its group.

b) 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.

In accordance with FRS 20, the purchase of shares is recorded at fair value on the initial grant date (based on market price at date of grant). The cost of the matched portion of shares 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 5.

c) Taxation

Corporation tax payable is provided on taxable profits at the current rate of 28%.

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 periods different from those in which they are recognised in the financial statements.

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.

Deferred tax is measured on a non-discounted basis.

d) Fixed asset investment

This comprises the investment in the shares of the company's principal subsidiary. The investment is stated at cost less any provision for impairment. A review of the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 11, 'Impairment of fixed assets'. Impairments thus arising are recorded in the profit and loss account.

e) Foreign currency

Certain transactions of the company are effected in currencies other than dollars. For the purposes of these financial statements, such transactions have been translated into dollars at the rate of exchange prevailing when the transactions occurred.

Monetary assets and liabilities expressed in other currencies have been translated into dollars at the rate of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

1. Accounting policies (continued)

f) Pension costs

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with fund managers, insurance companies and independent trusts. In accordance with FRS 17 'Retirement Benefits', the company includes in its financial statements the pension assets at fair value, and the pension liabilities on an actuarial basis using the projected unit method.

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 the statement of total recognised gains and losses.

2. Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Chevron Corporation and is included in the consolidated financial statements of Chevron Corporation, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Chevron Corporation group or investees of the Chevron Corporation group.

3. Operating profit

	2010	2009
	\$m	\$m
Operating profit is stated after charging/(crediting)		
Wages and salaries	16.3	(3.5)
Pension service costs (note 21)	61.8	52.9
Staff costs	78.1	49.4
Administrative expenses	0.2	0.2
Currency exchange loss on operating items	(5.8)	19.0
Pension income from subsidiary undertakings (note 21)	(120.4)	(79.3)

Wages and salaries credit relates to the fair value adjustment of the Employee Share Incentive Plan (see note 5).

Audit fees of \$24,127 (2009: \$39,740) for the company were borne by a Chevron group entity (Chevron Limited). Fees were paid to the auditors for non-audit services of \$nil (2009: \$nil).

4. Directors' emoluments

This note should be read in conjunction with note 5 a) below. In relation to their services as directors or otherwise in connection with the management of the company, no emoluments were paid to or receivable by directors from the company during the year. In relation to their services as directors or otherwise in connection with the management of subsidiaries of the company, emoluments and amounts (excluding shares) receivable under long-term incentive schemes of \$6,716,612 (2009: \$5,068,061) were paid to or receivable by directors during the year.

5. Employees

a) Some employees for subsidiary companies in the UK have contracts of service with Chevron United Kingdom Limited. 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 accounts 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.

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

5. Employees (continued)

	2010	2009
	Number	Number
b) The average monthly number of employees engaged in operations of Chevron companies in the UK was		
Upstream	636	630
Downstream	1,296	1,324
	1,932	1,954

c) Employee Share Incentive Plan (ESIP)

The company is the sponsoring company of the Chevron United Kingdom Limited Share Incentive Plan. This is administered by Capita Share Plan 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 certain 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 have been completed from the date of acquisition. As these shares are in the ultimate parent company there is no reduction to shareholders' funds.

	2010	2009
Employee Share Incentive Plan (ESIP)		
Shares granted during the year	102,004	111,283
Weighted average share price	\$78.22	\$69.47
Total expense recognised by subsidiary companies at fair value (based on market value as at date of acquisition)	\$8.0m	\$7.7m
Total shares in plan as at 31 December	1,215,197	1,089,549
Assets of plan at historical cost as at 31 December	\$76.7m	\$65.4m
Total shares held in trust for employees as at 31 December	1,215,197	1,089,549
Liabilities of plan at fair value (market value of shares held in trust) at 31 December	\$109.5m	\$82.4m
Charge/(credit) due to fair value revaluation of the plan liabilities (see note 3)	\$16.3m	(\$3.5m)
Total shares held in trust, and not yet vested at 31 December	284,787	283,164
Market value of shares held in trust and not yet vested at 31 December	\$25.7m	\$21.4m

6. Interest receivable and similar income

	2010	2009
	\$m	\$m
Interest receivable from other Chevron Corporation entities	1.3	0.1

7. Interest payable and similar charges

	2010	2009
	\$m	\$m
Interest payable to other Chevron Corporation entities	0.7	6.1

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

8. Tax on profit on ordinary activities

	2010 \$m	2009 \$m
Current tax		
UK corporation tax on profits of the period	0.1	(1.1)
Losses surrendered to Chevron Corporation entities for no consideration	-	1.1
Total current tax	0.1	-
Deferred tax		
Origination and reversal of timing differences	14.1	1.2
Impact of change in tax rate	(3.4)	-
Total deferred tax	10.7	1.2
Tax on profit on ordinary activities	10.8	1.2

	2010 \$m	2009 \$m
The current tax charge for the year is lower (2009 lower) than the standard rate of corporation tax in the UK. The difference is explained as follows		
Profit on ordinary activities before tax	1,741.4	1,726.9
Profit on ordinary activities multiplied by standard rate in the UK 28%	487.6	483.5
Effects of		
Originating timing difference in respect of pension scheme provisions	(14.1)	(1.2)
Remeasurement of deferred tax – change in UK tax rate	(0.5)	-
Non-taxable items	(472.9)	(483.4)
Losses surrendered to Chevron Corporation entities for no consideration	-	1.1
Current tax charge for the year	0.1	-

9. Dividends

	2010 \$m	2009 \$m
The dividend payment on ordinary shares was as follows:		
\$1,370.83 per share (2009 \$1,021.98 per share)	1,372.2	1,023.0

10. Investment in subsidiary undertakings

	2010 \$m	2009 \$m
a) The following are included in the net book value of investment in subsidiary undertakings		
Investment in subsidiary undertakings	2,765.3	2,765.3

b) The company holds interests in excess of 10% in the following subsidiary undertakings, which are not listed on the UK or any overseas Stock Exchange

Subsidiary undertaking	Country of Incorporation	Principal Activity	Proportion of ownership and voting rights
Chevron Captain Company LLC	United States of America	Exploration & producing	100%
Texaco Limited	England	Non-trading	100%

	\$m
c) The movement in the net book value of investment in subsidiary undertakings was as follows	
Cost	
Balance at beginning and end of year	2,765.3

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

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

11. Other investments

	2010	2009
	\$m	\$m
a) The following are included in the net book value of other investments		
Shares in Chevron Corporation	76.7	65.4

b) Other investments relate to shares held in Chevron Corporation as part of the ESIP (note 5)

	Shares in Chevron Corporation
	\$m
c) The movement in the net book value of other investments was as follows	
Cost	\$m
Balance at beginning of year	65.4
Additions	12.9
Currency exchange loss	(1.6)
Balance at end of year	76.7

12. Debtors – amounts falling due within one year

	2010	2009
	\$m	\$m
Amounts owed by parent	3.3	1.6
Amounts owed by other Chevron Corporation entities	0.3	0.1
Loans to other Chevron Corporation entities	111.5	25.0
	115.1	26.7

Amounts owed by parent and by other Chevron Corporation entities are unsecured, non-interest bearing and have no specific repayment date. Loans to other Chevron Corporation entities includes two fixed term loans amounting to \$111,500,000 in total which are unsecured, attract interest payable quarterly chargeable at LIBOR plus 0.30 per cent, and are repayable in full by 31 December 2011.

13. Debtors – amounts falling due after more than one year

	2010	2009
	\$m	\$m
Loans to other Chevron Corporation entities	-	172.5

14. Creditors – amounts falling due within one year

	2010	2009
	\$m	\$m
Amount owed to subsidiary	3.3	1.6
Amounts owed to other Chevron Corporation entities	9.8	7.9
Amounts owed to employees – ESIP (note 5)	79.3	57.8
Corporation tax	0.1	-
	92.5	67.3

Amounts owed to subsidiary and other Chevron Corporation entities are unsecured, non-interest bearing and have no specific repayment dates.

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

15. Creditors – amounts falling due after more than one year

	2010	2009
	\$m	\$m
Amounts owed to other Chevron Corporation entities	20.4	16.7
Loans due to other Chevron Corporation entities	-	327.0
	<u>20.4</u>	<u>343.7</u>

Due to changes in financing requirements between Chevron Group entities, \$327.0m owed to Chevron Limited was repaid during the year

16. Provision for deferred tax

	2010	2009
	\$m	\$m
Deferred tax asset relating to pension deficit	82.6	69.3
Balance at beginning of year	(14.1)	(1.2)
Deferred tax charged to profit and loss account	3.4	-
Impact of change in tax rate credited to profit and loss account	(18.8)	7.7
Deferred tax (charged)/credited to the statement of total recognised gains and losses	(6.3)	-
Impact of change in tax rate charged to the statement of total recognised gains and losses	(2.1)	6.8
Currency exchange (loss)/gain	<u>44.7</u>	<u>82.6</u>
Balance at end of year		

The deferred tax asset of \$44.7m (2009 \$82.6m) has been added in arriving at the net pension deficit on the balance sheet

17. Called up share capital

	2010	2009
	\$m	\$m
Authorised		
2,001,000 ordinary £1 shares	<u>3.9</u>	<u>3.9</u>
Allotted, called up and fully paid		
1,001,000 ordinary £1 shares	<u>2.0</u>	<u>2.0</u>

18. Share premium account

	2010	2009
	\$m	\$m
Balance at beginning and end of year	<u>1,468.7</u>	<u>1,468.7</u>

19. Profit and loss account

	2010	2009
	\$m	\$m
Balance at beginning of year	937.0	254.1
Retained profit for the financial year (note 20)	358.4	702.7
Actuarial gain/(loss) on pension scheme	69.7	(27.5)
Movement on deferred tax relating to pension scheme	(25.1)	7.7
Balance at end of year	<u>1,340.0</u>	<u>937.0</u>

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

20. Reconciliation of movement in total shareholder's funds

	2010	2009
	\$m	\$m
Profit for the financial year	1,730.6	1,725.7
Dividends (note 9)	(1,372.2)	(1,023.0)
Retained profit for the financial year	358.4	702.7
Pension scheme credit/(debit) to reserves	44.6	(19.8)
Net increase in shareholder's funds	403.0	682.9
Shareholder's funds at beginning of year	2,407.7	1,724.8
Shareholder's funds at end of year	2,810.7	2,407.7

21. Pension commitments

Chevron UK Pension Plan

This pension 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

The group operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary.

Defined benefit scheme

An actuarial valuation of the Chevron UK Pension Plan, using the projected unit method, was carried out at 31 December 2010 by Towers Watson Limited, a qualified independent actuary.

The major assumptions used by the actuary were	31/12/2010	31/12/2009
Discount rate	5.50%	5.75%
Salary increases	4.00%	4.00%
Retail price inflation	3.25%	3.25%
Consumer price inflation	2.50%	n/a
Pension increases		
Pre-April 1997 benefit	0.00%	0.00%
April 1997 to April 2005 benefit	2.50%	3.25%
Post April 2005 benefits	2.00%	2.25%

Post-retirement mortality rates are assumed to be in line with the standard tables PA92, as appropriate for each individual's year of birth, with allowance for "long cohort" improvements.

Weighted average life expectancy (for a male at age 65) implied under the mortality tables used to determine benefit obligations are	31/12/2010	31/12/2009
Non-retired members' mortality	24.7 years	24.7 years
Retired members' mortality	23.4 years	23.4 years

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

21. Pensions (continued)

The assets in the scheme and the expected rate of return were	Long-term rate of return expected 31 December 2010	Value at 31/12/2010	Long-term rate of return expected 31 December 2010	Value at 31/12/2009
	%	\$m	%	\$m
Equities	7.90	1,219.9	7.00	1,136.6
Bonds	5.50	516.7	5.00	428.4
Other/other	3.50	25.1	4.50	20.8
Total market value of assets		1,761.7		1,585.8
Actuarial value of liability		(1,927.2)		(1,880.7)
Recoverable deficit in the plan		(165.5)		(294.9)
Related deferred tax asset		44.7		82.6
Net pension deficit		(120.8)		(212.3)

Reconciliation of present value of scheme liabilities	2010 \$m	2009 \$m
1 January	1,880.7	1,517.7
Current service cost	61.8	52.9
Interest cost	103.2	103.4
Plan participants' contributions	-	1.1
Benefits paid	(77.6)	(76.4)
Expenses paid	(3.2)	(2.5)
Net transfer out	(1.9)	-
Actuarial loss	11.3	137.3
Foreign exchange (gain)/loss on plan obligations	(47.1)	147.2
31 December	1,927.2	1,880.7

Reconciliation of fair value of scheme assets	2010 \$m	2009 \$m
1 January	1,585.8	1,270.2
Expected return on plan assets	96.8	81.1
Employer contributions	120.4	79.3
Plan participants' contributions	-	1.1
Benefits paid	(77.6)	(76.4)
Expenses paid	(3.2)	(2.5)
Net transfer out	(1.9)	-
Actuarial gain	81.0	109.8
Foreign exchange (loss)/gain on plan assets	(39.6)	123.2
31 December	1,761.7	1,585.8

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was \$138.2m (2009: \$314.1m)

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

21. Pensions (continued)

	2010	2009
	\$m	\$m
Analysis of the amount charged to profit and loss		
Current service cost	61.8	52.9
Expected return on pension scheme assets	(96.8)	(81.1)
Interest on pension scheme liabilities	103.2	103.4
Total	68.2	75.2

Current service cost is included within administrative expenses (note 3)

Actuarial gains and losses

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is \$372.2m

Actuarial valuation

The full actuarial valuation at 30 September 2010 and updated to 31 December 2010 showed a decrease in the deficit from \$294.9m to \$165.5m. Employer contributions to the scheme are made by those entities within the Chevron Group for whom the employees provide services. The contributions to the scheme are expected to be \$72.7m in respect of each calendar year from 1 January 2008 to 31 December 2012. The contribution may be varied from time to time depending on the financial position of the scheme, in accordance with the schemes Trust Deed and Rules and on the advice of the actuary. The total contributions expected to be made to the scheme in the year ended 31 December 2011 is \$157.3m, which includes a supplemental contribution of \$84.6m.

	2010	2009	2008	2007	2006
	\$m	\$m	\$m	\$m	\$m
Amounts for current and previous four years					
Defined benefit obligation	(1,927.2)	(1,880.7)	(1,517.7)	(2,128.1)	(2,127.6)
Plan assets	1,761.7	1,585.8	1,270.2	2,247.6	2,116.1
(Deficit)/surplus	(165.5)	(294.9)	(247.5)	119.5	(11.5)
Experience adjustments on plan assets					
amount	81.0	109.8	(499.4)	(18.0)	52.6
Experience adjustments on plan liabilities					
amount	(6.8)	9.7	12.8	(75.4)	(3.8)
Total amount recognised in statement of total recognised gains and losses					
amount	69.7	(27.5)	(368.6)	95.5	46.8

22. Ultimate parent undertaking

The company's immediate parent company is Chevron Global Energy Inc, incorporated in the United States of America and whose principal place of business is at 6001 Bollinger Canyon Road, San Ramon, CA 94583-2324, USA. The ultimate parent company is Chevron Corporation, incorporated in the United States of America.

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.

CHEVRON UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

23. Post balance sheet events

UK Corporation Tax rate change

The Finance Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The impact of this is included in note 16 Deferred tax.

March 2011 budget provisions substantively enacted on 29 March 2011 reduced the main rate of corporation tax from 27% to 26% from 1 April 2011. Further reductions to the main rate are expected to reduce the rate to 23% by 1 April 2014. As these changes had not been substantively enacted at the balance sheet date there is no impact on these financial statements.