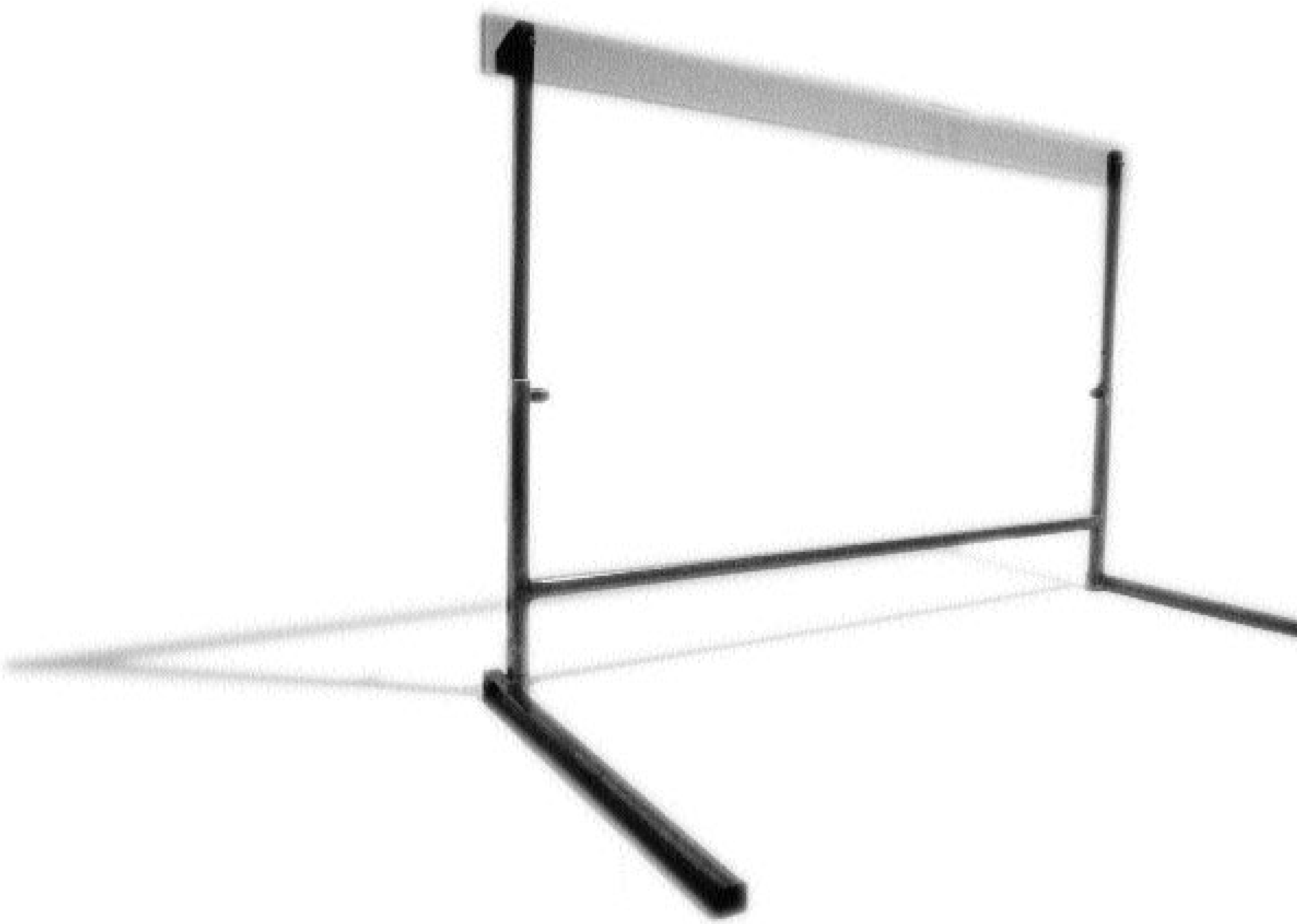
CALTEX
Caltex Australia Limited

Full Financial Report 1999



ANNUAL GENERAL MEETING
The 2000 Annual General Meeting of Caltex Australia Limited will be held on Thursday, 27 April 2000 at 10.00am in the Ballroom, Sydney Hilton Hotel, 259 Pitt Street, Sydney.

CALTEX AUSTRALIA LIMITED
ACN 004 201 307
Registered Office
Level 12, MLC Centre
19-29 Martin Place
Sydney NSW 2000
Australia
Telephone 02 9250 5000
Facsimile 02 9250 5742
Web site www.caltex.com.au

FULL FINANCIAL REPORT
This publication includes Caltex Australia Limited's Directors' Report, the Full Financial Report, Auditors' Report and financial information on Caltex Australia Petroleum Pty Ltd for the year ended 31 December 1999.

It should be read in conjunction with the Caltex Australia Limited Annual Review which provides an overview of our key activities for the year ended 31 December 1999. The Annual Review includes Message from the Chairman, Managing Director's Review, Marketing Review, Manufacturing and Supply Review, Corporate Review, Directors, Directors' Report and Concise Financial Report, Shareholder Information and Comparative Statistical Information.

The Full Financial Report together with the Caltex Australia Limited Annual Review comprise the full Annual Report of Caltex Australia Limited for the year ended 31 December 1999, in accordance with the corporations law.

The Annual Review is available from Caltex Australia Limited's Investor Relations function on request on Telephone 02 9250 5732. Both the Annual Review and this report can be accessed on the company's web site at www.caltex.com.au

Contents

FOR THE YEAR ENDED 31 DECEMBER 1999

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their report together with the financial report of the consolidated entity being Caltex Australia Limited (the company) and its controlled entities, for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were the purchase, refining, distribution, and marketing of petroleum products and the operation of convenience stores. There were no significant changes in the nature of the consolidated entity's activities during the year.

CONSOLIDATED RESULTS

The consolidated operating profit after income tax attributable to members of the company for the financial year amounted to $102,628,000 (1998: $79,318,000).

DIVIDENDS PAID AND RECOMMENDED

The following dividends have been paid or declared by the company since the end of the previous financial year:

As proposed and provided for in last year's annual report:	
Final dividend (fully franked) of 12 cents per share paid on 17 March 1999	$32,400,000
In respect of the current financial year:	
Interim dividend (fully franked) of 8 cents per share paid on 17 September 1999	$21,600,000
Final dividend (fully franked) of 14 cents per share declared on 25 February 2000 to be paid on 22 March 2000	$37,800,000

REVIEW OF OPERATIONS

For a detailed review of operations during the year, members are referred to the Message from the Chairman (pages 2 to 3), the Managing Director's Review (pages 4 to 7), Marketing Review (pages 10 to 13), Manufacturing and Supply Review (pages 14 to 15), Corporate Review (pages 16 to 17), and Corporate Governance (pages 24 to 25), which form part of the Annual Review.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in subsequent financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to purchase, refine, distribute, and market petroleum products and operate convenience stores throughout Australia. The Directors make no further reference to other likely developments in the operations of the consolidated entity (or expected results of those operations) other than disclosed elsewhere in the Annual Review as such inclusions would, in the opinion of the Directors, unreasonably prejudice the interests of the consolidated entity.

FOR THE YEAR ENDED 31 DECEMBER 1999

ENVIRONMENTAL REGULATIONS

EHS and risk management

The consolidated entity has site and business focused environment, health, safety (EHS) and risk management systems. These have been developed to be compatible with Australian Standards. The consolidated entity has not sought certification of the environmental management systems.

Each month, management reports to the Board on the consolidated entity's performance against the EHS targets. The Managing Director also meets monthly with all General Managers to critically review the consolidated entity's EHS and risk performance.

In 1999, the consolidated entity's refineries, service stations and other facilities were subject to EHS audits as were the EHS management systems of the consolidated entity's distributor, retail and lubricant oil businesses. The audits found only minor issues of EHS non-compliance and identified areas for improvement. Management has responded with action plans to address all audit findings which were followed up quarterly and reported to the Audit and Risk Committee of the Board.

Compliance

During 1999, the consolidated entity held a total of 14 pollution control licences covering two refineries, eight terminals and three depots. On 15 occasions, licence conditions required specific exceedances to be reported to the regulator, with no financial impact on the consolidated entity. Management's target is to achieve 100% compliance (zero environmental exceedances). As required, performance against all licence conditions was reported to state regulators.

Infringements and prosecutions

In 1999, no Environmental Protection Authority penalty notices were received by the consolidated entity in any state.

Further information regarding the consolidated entity's EHS systems and performance can be found in the Corporate Review on pages 16 to 17 of the Annual Review.

DIRECTORS

The Directors of the company at any time during or since the financial year are:

MG Irving
JL Banner (appointed 29 July 1999)
JW Bernitt (appointed 29 July 1999)
ID Blackburne
RJ Bothwell
GJ Camarata (resigned 24 February 2000)
BA Chafitz (resigned 29 July 1999)
LG Lonergan (resigned 29 July 1999)
DC Mackney
DJ Mansour (resigned 20 August 1999)
RFE Warburton (appointed 29 July 1999)
KT Watson
SS Yosufzai (appointed 24 February 2000)

Particulars of Directors' qualifications and experience are detailed on pages 22 and 23 of the Annual Review.

On 3 February 2000 the Chairman announced that Mr Tony Blevins, currently Chief Executive Officer of Texaco Brazil SA, would succeed Dr Ian Blackburne who is intending to retire as Managing Director and Chief Executive Officer of Caltex Australia Limited at the end of March 2000. He indicated that Dr Blackburne had agreed to act in advisory capacity with Caltex after his departure.

MEETINGS OF DIRECTORS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the company during the financial year are as follows:

DIRECTOR	Board Meetings		Audit and Risk Committee Meetings		Committee of Directors Meetings		Human Resources Committee Meetings	
	A	B	A	B	A	B	A	B
MG Irving	10	10	3	3	1	1	4	4
JL Banner	6	5	–	–	–	–	1	1
JW Bernitt	6	5	–	–	–	–	–	–
ID Blackburne	10	10	–	–	1	1	–	–
RJ Bothwell	10	10	–	–	–	–	–	–
GJ Camarata	10	9	–	–	–	–	4	3
BA Chafitz	5	3	1	1	–	–	–	–
LG Lonergan	5	5	–	–	–	–	–	–
DC Mackney	10	9	3	3	–	–	–	–
DJ Mansour	5	5	–	–	1	–	–	–
RFE Warburton	6	6	2	2	–	–	1	1
KT Watson	10	10	3	3	1	1	–	–

A – Number of meetings held during the time the Director held office during the year.
B – Number of meetings attended.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the Australian Stock Exchange in accordance with S235(1) of the Corporations Law, at the date of this report, is as follows:

DIRECTOR	Caltex Australia Limited Ordinary Shares
MG Irving	15,000
JL Banner	40,000
JW Bernitt	10,000
ID Blackburne	–
RJ Bothwell	–
DC Mackney	5,000
RFE Warburton	–
KT Watson	5,000
SS Yosufzai	–

FOR THE YEAR ENDED 31 DECEMBER 1999

INDEMNITY AND INSURANCE OF OFFICERS

During the financial year, the company indemnified JL Banner, JW Bernitt, ID Blackburne, RJ Bothwell, GJ Camarata, BA Chafitz, MG Irving, LG Lonergan, DC Mackney, DJ Mansour, RFE Warburton, KT Watson and JH Hunter, Directors and officers of the company, against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as Directors or officers of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. Such indemnification is limited to the net asset value of the company.

Since the end of the previous financial year, the company paid insurance premiums of $357,000 in respect of Directors' and Officers' Liability insurance, for all current officers, including executive officers of the company and Directors, executive officers and secretaries of its controlled entities. The insurance relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The Human Resources Committee is responsible for decisions on remuneration policies and packages applicable to the Board members and senior executives of the company. The broad remuneration policy is to ensure the remuneration package properly reflects the relevant person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.
To assist in achieving the objectives of this policy, the Human Resources Committee links the nature and amount of executive Directors' and officers' emoluments to the consolidated entity's financial and operational performance. All executive Directors and officers may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flows).

Non-executive Directors' fees are determined by the Board within the aggregate annual amount of $650,000 which was approved by shareholders at the 1998 Annual General Meeting. From 1 April 1998, the Chairman is paid at the annual rate of $135,000, plus superannuation guarantee charge, irrespective of the number of Board meetings, committees or sub-committees. Non-executive Directors each are paid at the annual rate of $45,000, plus superannuation guarantee charge, where applicable, with $5,000 for each committee membership, increased to $10,000 for the chairman of each committee.

In addition, Australian resident non-executive Directors are entitled to a maximum of the last three years' emoluments on retirement after nine years service. The benefit accrues on a pro-rata basis between years three and nine.

FOR THE YEAR ENDED 31 DECEMBER 1999

Details of the nature and amount of each major element of the emoluments of each Director of the company and each of the five most highly paid executive officers of the company and the consolidated entity receiving the highest emoluments are:

DIRECTOR	Directors' Fees $	Salary $	Bonus $	Super Contributions $	Non-Cash Benefits $	Termination and Similar Payments $	Total $
MG Irving	135,000	–	–	9,450	–	–	144,450
JL Banner	19,479	–	–	–	–	–	19,479
JW Bernitt	19,076	–	–	–	–	–	19,076
ID Blackburne	–	633,811	32,500	40,506	2,819	–	709,636
RJ Bothwell	45,000	–	–	3,150	–	–	48,150
GJ Camarata	50,000	–	–	–	–	–	50,000
BA Chafitz	28,804	–	–	–	–	–	28,804
LG Lonergan	25,924	–	–	–	–	–	25,924
DC Mackney	50,000	–	–	3,500	–	–	53,500
DJ Mansour	–	275,292	18,950	15,219	2,678	543,079	855,218
RFE Warburton	21,214	–	–	1,336	–	–	22,550
KT Watson	50,000	–	–	–	–	–	50,000
OFFICER							
K Bania	–	338,900	16,480	20,921	–	–	376,301
W Klahs	–	242,054	–	–	125,446	–	367,500
RE Shepherd	–	197,260	12,500	12,172	7,359	66,685	295,976
AD Strang	–	292,500	16,200	17,808	2,371	–	328,879
BM Woods	–	332,500	15,500	23,285	6,672	–	377,957

In addition to the emoluments disclosed above, certain Directors and officers are eligible to receive a discount on private fuel purchases in line with that available to all employees of the consolidated entity.

ROUNDING OF ACCOUNTS

The parent entity is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Board of Directors:

MG IRVING Director

ID BLACKBURNE Director
Sydney
25 February 2000

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALTEX AUSTRALIA LIMITED

SCOPE

We have audited the financial report of Caltex Australia Limited for the financial year ended 31 December 1999, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes 1 to 31, and the Directors' declaration set out on pages 7 to 44. The financial reports include the consolidated financial statements of the consolidated entity, comprising the company and the entities it controlled at the end of the year or from time to time during the financial year. The company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Caltex Australia Limited is in accordance with:

(a) the Corporations Law, including

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 1999 and of their performance for the financial year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

KPMG

KPMG

LJ GULSON Partner
Sydney
25 February 2000

Audit Report

The Directors of Caltex Australia Limited (the company), having so resolved, state that in their opinion:

1. (a) the accompanying financial statements and notes set out on pages 8 to 44 are in accordance with the Corporations Law, including:

    (i) giving a true and fair view of the financial position of the company and consolidated entity as at 31 December 1999 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

    (ii) complying with Accounting Standards and the Corporations Regulations; and

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the company and the subsidiaries identified in Note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject, by virtue of the Deed of Cross Guarantee between the company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the Board of Directors:

MG IRVING Director

ID BLACKBURNE Director
Sydney
25 February 2000

Directors' Declaration

	Note	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
FOR THE YEAR ENDED 31 DECEMBER 1999					
Gross sales revenue		**6,591,405**	6,312,636	**–**	–
Product duties and taxes		**(3,601,344)**	(3,586,638)	**–**	–
Net sales revenue		**2,990,061**	2,725,998	**–**	–
Other revenue from operating activities	2	**109,738**	112,795	**73,704**	45,640
Other revenue from outside operating activities	2	**53,137**	51,853	**–**	–
Net revenue		**3,152,936**	2,890,646	**73,704**	45,640
Costs and expenses		**(3,006,876)**	(2,760,896)	**(27,174)**	(13,431)
Operating profit before abnormal items and income tax		**146,060**	129,750	**46,530**	32,209
Abnormal items before income tax	3	**(21,543)**	–	**–**	–
Operating profit after abnormal items before income tax		**124,517**	129,750	**46,530**	32,209
Income tax (expense)/benefit attributable to operating profit before abnormal items	4	**(59,019)**	(49,545)	**1,755**	(406)
Abnormal items income tax (expense)/benefit	4	**37,892**	–	**(18)**	–
Income tax (expense)/benefit attributable to operating profit after abnormal items	4	**(21,127)**	(49,545)	**1,737**	(406)
Operating profit after income tax and abnormal items		**103,390**	80,205	**48,267**	31,803
Outside equity interests in operating profit		**(762)**	(887)	**–**	–
Operating profit after income tax attributable to members of the Company		**102,628**	79,318	**48,267**	31,803
Retained earnings at the beginning of the financial year		**97,383**	78,156	**52,650**	80,247
Adjustment to retained earnings at the beginning of the financial year on adoption of Urgent Issues Abstract No 26 – “Major Cyclical Maintenance”	1q	**2,848**	–	**–**	–
Adjustment to retained earnings at the beginning of the financial year on initial adoption of revised AASB 1016 – “Accounting for Investments in Associates”	27	**–**	(691)	**–**	–
Dividends provided for or paid	5	**(59,400)**	(59,400)	**(59,400)**	(59,400)
Retained earnings at the end of the financial year		**143,459**	97,383	**41,517**	52,650

The profit and loss statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets

AS AT 31 DECEMBER 1999

	Note	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Current assets					
Cash		**11,628**	15,609	**–**	–
Receivables	7	**549,745**	432,893	**207,716**	127,562
Inventories	8	**462,851**	267,442	**–**	–
Other	9	**48,768**	45,209	**3,264**	2,285
Total current assets		**1,072,992**	761,153	**210,980**	129,847
Non–current assets					
Receivables	7	**9,959**	15,454	**250,000**	250,000
Investments	10	**10,688**	9,985	**928,734**	928,735
Property, plant and equipment	12	**1,703,633**	1,748,271	**12**	18
Intangibles	11	**168,916**	179,916	**–**	–
Other	9	**7,960**	7,000	**–**	–
Total non-current assets		**1,901,156**	1,960,626	**1,178,746**	1,178,753
Total assets		**2,974,148**	2,721,779	**1,389,726**	1,308,600
Current liabilities					
Accounts payable	13	**530,049**	295,624	**922**	1,364
Borrowings	14	**371,040**	324,520	**407,905**	317,449
Provisions	15	**126,844**	99,067	**37,800**	33,049
Total current liabilities		**1,027,933**	719,211	**446,627**	351,862
Non-current liabilities					
Borrowings	14	**747,529**	843,523	**38,000**	40,297
Provisions	15	**182,461**	189,658	**302**	511
Total non-current liabilities		**929,990**	1,033,181	**38,302**	40,808
Total liabilities		**1,957,923**	1,752,392	**484,929**	392,670
Net assets		**1,016,225**	969,387	**904,797**	915,930
Shareholders' equity					
Share capital	16	**543,415**	543,415	**543,415**	543,415
Reserves	17	**319,865**	319,865	**319,865**	319,865
Retained earnings		**143,459**	97,383	**41,517**	52,650
Shareholders' equity attributable to members of the Company		**1,006,739**	960,663	**904,797**	915,930
Outside equity interests in controlled entities	18	**9,486**	8,724	**–**	–
Total shareholders' equity		**1,016,225**	969,387	**904,797**	915,930

The balance sheets are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Cash flows related to operating activities					
Receipts from customers		6,612,453	6,423,912	–	–
Payments to suppliers, employees and governments		(6,388,013)	(6,126,830)	(2,581)	(3,417)
Dividends received		1,585	1,142	36,758	38,412
Interest received		1,362	849	27,918	16,146
Interest and other borrowing costs paid		(86,868)	(93,771)	(26,398)	(15,767)
Income taxes refunded/(paid)		5,765	(29,149)	(746)	–
Net cash provided by operating activities	28(ii)	146,284	176,153	34,951	35,374
Cash flows related to investing activities					
Purchase of controlled entities, net of cash acquired	28(iii)	(615)	(285,000)	–	–
Purchases of property, plant and equipment		(97,290)	(117,248)	–	–
Proceeds from sale of property, plant and equipment	2	53,137	51,853	–	–
Loans to controlled entities		–	–	(69,110)	(150,033)
Loans to associated company		–	5,000	–	–
Net cash (used in) investing activities		(44,768)	(345,395)	(69,110)	(150,033)
Cash flows related to financing activities					
Proceeds from borrowings		3,770,000	2,702,453	2,851,000	1,047,246
Repayments of borrowings		(3,819,062)	(2,505,951)	(2,766,297)	(916,834)
Finance Lease payments		(2,435)	(3,077)	–	–
Dividends paid		(54,000)	(52,200)	(54,000)	(52,200)
Net cash provided by/(used in) financing activities		(105,497)	141,225	30,703	78,212
Net (decrease)/increase in cash held		(3,981)	(28,017)	(3,456)	(36,447)
Cash at the beginning of the financial year		15,609	43,626	(34,449)	1,998
Cash at the end of the financial year	28(i)	11,628	15,609	(37,905)	(34,449)

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 1999

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues consolidated entity Consensus Views and the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial report of the consolidated entity includes the financial report of the company, being the parent entity, and its controlled entities.

Where an entity began or ceased to be controlled during the year the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions between controlled entities included in the consolidated financial report have been eliminated. Outside interests in the equity and results of the entities that are controlled by the consolidated entity are shown as a separate item in the consolidated financial report.

(c) GOODWILL

Goodwill, being the excess of the purchase consideration plus incidental costs over the fair value of identifiable net assets acquired on the acquisition of a controlled entity, is amortised on a straight line basis over the period during which benefits are expected to arise, but not exceeding 20 years.

The unamortised balance of goodwill is reviewed annually and where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement.

(d) REVENUE RECOGNITION

Sales revenue

Net sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products and ancillary services to entities outside the consolidated entity. Gross sales revenue includes excise and taxes collected on behalf of State and Federal governments. Sales revenue is recognised when the goods are provided, or when the fee in respect of ancillary services provided is receivable.

Other Revenue

Dividend revenue is recognised at the date the dividend is declared. Rental, interest, royalties and franchise revenues are recognised as they accrue. The revenue and profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Notes

FOR THE YEAR ENDED 31 DECEMBER 1999

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) FOREIGN CURRENCY

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Except as outlined in Note 1(n) below, exchange gains and losses are brought to account in determining the profit and loss for the year.

Hedges

All non-specific hedge transactions are initially recorded at the spot rate at the date of the transaction. Hedges outstanding at balance date are translated at the rates of exchange ruling on that date and any exchange differences are brought to account in the profit and loss statement. Costs or gains at the time of entering into the hedge are deferred and amortised over the life of the hedge.

Where hedge transactions are designed to hedge the purchase or sale of goods or services, exchange differences arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase or sale. Except as outlined under Note 1(n) below, any exchange differences on the hedge transaction after that date are included in the profit or loss statement.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale value when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the foreign currency hedge prior to its termination are included in the profit and loss statement for the period.

(f) INCOME TAX

The consolidated entity adopts the liability method of tax effect accounting.

The income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(g) RECEIVABLES

Trade debtors are carried at amounts due. The collectibility of debts is assessed at balance date and provision is made for doubtful accounts.

(h) INVESTMENTS

Controlled entities

Investments in controlled entities are carried at cost or valuation. Dividends are brought to account in the profit and loss statement when they are declared by the controlled entities.

The Directors' valuation of the shares in controlled entities is based on the Directors' assessment of the fair value of the controlled entities' net assets at 31 December 1997.

Associated companies

An associated company is one in which the consolidated entity exercises significant influence but not control and the investment in that entity has not been acquired with a view to disposal in the near future.

In the consolidated financial report investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount. The consolidated entity's share of the associates' net profit or loss after tax is recognised in the consolidated profit and loss statement after adjustments for revisions in depreciation of depreciable assets and amortisation of goodwill arising from adjustments made as at the date of acquisition, dissimilar accounting policies and the elimination of unrealised profits and losses on transactions between the associate and any entity in the consolidated entity or another associate of the consolidated entity.

Partnership

The consolidated entity's interest in the partnership is accounted for using equity accounting principles, as described above for associated companies.

(i) INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost is based on the weighted average costing principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

(j) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Revaluations

Land and buildings are independently valued at least every three years on an existing use or other appropriate basis of valuation.

Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight line method over their expected useful lives. Leasehold improvements are amortised over the shorter of the lease term or useful life.

The depreciation rates used for each class of asset are as follows:

Freehold buildings	2%
Leasehold property	2%
Plant and equipment	3% - 20%
Leased plant and equipment	3% - 20%
Hire purchase plant and equipment	4% - 7%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

FOR THE YEAR ENDED 31 DECEMBER 1999

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) PROPERTY, PLANT AND EQUIPMENT (continued)

Leased assets

Leases of property, plant and equipment under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Assets of the consolidated entity acquired under finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of lease payments are charged against operating profit.

Payments made under operating leases are charged against operating profit in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the benefits to be derived from the leased property.

(k) DEFERRED EXPENDITURE

Material items of expenditure are deferred to the extent that it is probable that future economic benefits embodied in the expenditure will eventuate and can be measured reliably.

Deferred expenditure is amortised over the period in which the related benefits are expected to be realised. Non-current deferred expenditure is reviewed in accordance with the policy set out in Note 1(p).

(l) ACCOUNTS PAYABLE

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company or the consolidated entity. Trade accounts payable are normally settled within 60 days.

(m) BORROWINGS

Bank loans

Bank loans are carried on the balance sheet at their principal amount. Interest expense is accrued at the contracted rate and included in “Other creditors and accrued expenses”.

Promissory notes

Promissory notes are recognised when issued at the face value, with the premium or discount on issuance amortised over the period to maturity.

(n) DERIVATIVES

The consolidated entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The consolidated entity uses interest rate swaps, forward foreign exchange contracts and crude oil swap contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

Interest rate swaps
Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis as an adjustment to interest expense during the period.

Forward foreign exchange contracts
The accounting for forward foreign exchange contracts is set out in Note 1(e).

Crude oil swap contracts
Crude oil swap contracts are used to hedge against adverse movements in the cost of term and spot purchase commitments of crude oil. There is no exchange of principal amounts involved with these contracts. These contracts are accounted for as specific hedges, consistent with Note 1(e).

(o) EMPLOYEE ENTITLEMENTS

Wages, salaries, annual leave and sick leave
The provision for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long service leave and retirement benefits
The liability for employee entitlements to long service leave and for retirement benefits represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increase in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation
The consolidated entity contributes to several defined benefit and defined contribution superannuation plans. Contributions are charged against income as they are made. Further information relating to the consolidated entity's superannuation funds is included in Note 21.

(p) VALUATIONS OF NON-CURRENT ASSETS

Non-current assets are carried at cost or valuation.

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted.

FOR THE YEAR ENDED 31 DECEMBER 1999

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) MAJOR CYCLICAL MAINTENANCE (CHANGE IN ACCOUNTING POLICY)

The consolidated entity has adopted Urgent Issues Abstract No 26 – "Major Cyclical Maintenance" from 1 January 1999. This abstract prohibits the recognition of provisions for future maintenance as a liability, or as accumulated depreciation, or as the reduction in the carrying amount of an asset. It requires that major maintenance expenditure is expensed as incurred, or where it will increase the service potential of a particular asset, is capitalised and depreciated.

In line with the requirements of the abstract, $4,449,000 of provisions for future maintenance that existed on the balance sheet of the consolidated entity at 31 December 1998, net of related tax balances of $1,601,000, have been adjusted against retained earnings as at 1 January 1999. The profit and loss statement has been charged with a pre-tax depreciation expense of $1,504,000 for major cyclical maintenance for the year. Had the new accounting policy been implemented in 1998, the profit after tax would have increased by $5,888,000. Under the old accounting policy, the charge for turnaround and inspection expenditure would have been $13,733,000 (1998: $11,524,000). Under the new accounting policy, earnings per share for the year is 38.0cps (1998: 31.6cps). Under the old accounting policy, earnings per share for the year would have been 35.1cps (1998: 29.4cps).

(r) ENVIRONMENTAL COSTS

Environmental costs related to known environmental obligations under existing law are accrued when they can be reasonably estimated. Accruals are based on best available information and are adjusted as further information develops or circumstances change. Costs of future expenditures are not discounted to their present value.

Costs incurred to prevent future contamination or costs that are otherwise of a capital nature are capitalised. Costs to prepare a property for resale are capitalised where they can be recovered from expected sales proceeds. All other costs, including costs of compliance with environmental regulations and ongoing maintenance and monitoring are expensed as incurred. Recoveries from third parties are recorded as assets when their realisation is virtually certain.

	Consolidated		The Company	
	1999 $000	1998 $000	1999 $000	1998 $000
2. OTHER REVENUE				
From operating activities				
Dividends:				
Controlled entities	**–**	–	**45,717**	31,093
Share of associates' net profit (Note 27)	**1,673**	1,619	**–**	–
Interest received or due and receivable from:				
Controlled entities	**–**	–	**27,924**	13,790
Other corporations	**1,362**	849	**42**	35
Rental income	**53,167**	71,047	**–**	–
Royalties and franchise income	**39,642**	18,395	**–**	–
Other income	**13,894**	20,885	**21**	722
	109,738	112,795	**73,704**	45,640
From outside operating activities				
Proceeds from the sale of non-current assets	**53,137**	51,853	**–**	–

FOR THE YEAR ENDED 31 DECEMBER 1999

3. COSTS AND EXPENSES

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Interest paid or due and payable to:				
Other corporations and persons	**70,774**	68,188	**25,956**	11,855
Controlled entities	**–**	–	**–**	27
Finance charges on capitalised leases	**2,023**	2,041	**–**	–
	72,797	70,229	**25,956**	11,882
Depreciation of:				
Freehold buildings	**8,651**	8,451	**–**	–
Plant and equipment	**96,047**	88,546	**6**	6
Hire purchase plant and equipment	**2,027**	1,827	**–**	–
	106,725	98,824	**6**	6
Amortisation of:				
Leasehold property	**175**	251	**–**	–
Leased plant and equipment	**771**	788	**–**	–
Intangibles	**11,336**	11,418	**–**	–
Operating leases rental expense	**79,016**	88,080	**–**	46
Finance lease contingent rentals	**216**	212	**–**	–
Amounts set aside to provisions for:				
Doubtful trade receivables	**1,298**	987	**–**	–
Employee entitlements	**5,394**	6,400	**(234)**	–
Plant maintenance	**–**	11,122	**–**	–
Loans to associated companies	**3,356**	–	**–**	–
Loss on disposal of non-current assets, net of gains	**4,004**	1,301	**–**	–
Net foreign exchange (gains)/losses	**(4,991)**	4,898	**–**	18
Abnormal item in relation to the consolidated entity's restructuring program (Project Nova)[a]	**21,543**	–	**–**	–

[a] During the year the consolidated entity committed to undertake a significant restructuring initiative, known as Project Nova. This project involves redundancies, regional office closures, asset write-offs and office and personnel relocations. The total charge for this project is $21,543,000 (after tax $13,788,000), of which $15,450,000 remains in current provisions as at 31 December 1999 (refer Note 15).

Notes

	Consolidated		The Company	
	1999 $000	1998 $000	1999 $000	1998 $000

4. INCOME TAX

(i) INCOME TAX EXPENSE

	1999 $000	1998 $000	1999 $000	1998 $000
Prima facie income tax on operating profit before abnormal items at 36% (1998: 36%)	**52,582**	46,710	**16,751**	11,595
Increase/(decrease) in income tax due to:				
Rebate on dividend income	**–**	–	**(16,458)**	(11,193)
Non-allowable depreciation and amortisation	**1,775**	1,449	**–**	–
Non-allowable losses on disposal of non-current assets	**1,441**	468	**–**	–
Amortisation of goodwill	**4,081**	4,110	**–**	–
Share of associates' net profit	**(602)**	(583)	**–**	–
Research and development allowances	**(45)**	(45)	**–**	–
Provision for loan to associated entity	**1,208**	–	**–**	–
Other non allowable items	**1,190**	905	**–**	4
	61,630	53,014	**293**	406
Income tax over provided in prior years	**(2,611)**	(3,469)	**(2,048)**	–
Income tax expense/(benefit) attributable to operating profit before abnormal items	**59,019**	49,545	**(1,755)**	406
Abnormal item: tax effect of Project Nova (refer Note 3)	**(7,755)**	–	**–**	–
Abnormal item: effect of future tax rate changes (34%/30% in 2000/2001, respectively) on deferred tax balances	**(30,137)**	–	**18**	–
Abnormal items income tax expense/(benefit)	**(37,892)**	–	**18**	–
Income tax expense/(benefit) attributable to operating profit	**21,127**	49,545	**(1,737)**	406
Income tax is made up of:				
Current income tax expense	**29,727**	11,489	**311**	406
Deferred income tax expense/(benefit)	**(5,989)**	41,525	**–**	–
Income tax over provided in prior years	**(2,611)**	(3,469)	**(2,048)**	–
Total income tax expense/(benefit)	**21,127**	49,545	**(1,737)**	406

(ii) FUTURE INCOME TAX BENEFIT NOT TAKEN TO ACCOUNT

	1999 $000	1998 $000	1999 $000	1998 $000
The potential future income tax benefit in a controlled entity, arising from tax losses has not been recognised as an asset because recovery is not virtually certain:	**1,709**	1,448	**–**	–

FOR THE YEAR ENDED 31 DECEMBER 1999

4. INCOME TAX (continued)

The potential future income tax benefit will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

5. DIVIDENDS

(i) Dividends paid and proposed

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Dividends provided for or paid by the company are:				
A final dividend declared (fully franked) of 14 cents per share (1998: 12 cents per share)	**37,800**	32,400	**37,800**	32,400
An interim dividend paid (fully franked) of 8 cents per share (1998: 10 cents per share)	**21,600**	27,000	**21,600**	27,000
	59,400	59,400	**59,400**	59,400

(ii) Dividend franking account

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Balance of franking account at year end adjusted for franking credits arising from payment of income tax provided for in the financial statements and payment of the above declared dividends				
Class C (36%) franking credits	**36,125**	65,141	**151**	4,752

The ability to utilise franking credits is dependent upon there being sufficient available profits to declare dividends.

6. EARNINGS PER SHARE

	Consolidated 1999	Consolidated 1998
Basic earnings per share	**38.0cps**	29.4cps

Ordinary shares used in the calculation of earnings per share were 270 million (1998: 270 million).

Basic earnings per share based on operating profit after income tax attributable to members of the company is 38.0 cents per share (1998: 29.4 cents per share). Earnings per share before the effect of abnormal items, would be 32.0 cents per share (1998: 29.4 cents per share). The diluted earnings per share has not been disclosed as in both this financial year and the previous financial year it is the same as basic earnings per share.

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000

FOR THE YEAR ENDED 31 DECEMBER 1999

7. RECEIVABLES

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Current				
Trade debtors	**452,977**	337,812	**–**	–
Provision for doubtful debts	**(4,902)**	(5,580)	**–**	–
	448,075	332,232	**–**	–
Controlled entities	**–**	–	**183,530**	114,419
Other related entities	**14,239**	2,828	**–**	–
Associated companies	**40,977**	43,132	**–**	–
Dividends receivable from controlled entity	**–**	–	**22,062**	13,103
Interest receivable from controlled entity	**–**	–	**46**	40
Income tax recoverable	**–**	4,216	**2,078**	–
Other debtors	**46,454**	50,485	**–**	–
	549,745	432,893	**207,716**	127,562
Non-current				
Loans to controlled entities	**–**	–	**250,000**	250,000
Loans to associated company	**3,356**	3,356	**–**	–
Provision for non-recovery	**(3,356)**	–	**–**	–
	–	3,356	**250,000**	250,000
Other loans	**9,959**	12,098	**–**	–
	9,959	15,454	**250,000**	250,000

8. INVENTORIES – AT COST

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Crude oil and raw materials	**145,448**	53,952	**–**	–
Inventory in process	**53,432**	30,011	**–**	–
Finished goods	**230,155**	150,824	**–**	–
Materials and supplies	**33,816**	32,351	**–**	–
	462,851	267,138	**–**	–
Land held for resale				
Acquisition costs	**–**	463	–	–
Other costs capitalised	**–**	21	–	–
Provision for diminution in value	**–**	(180)	**–**	–
	–	304	**–**	–
	462,851	267,442	**–**	–

FOR THE YEAR ENDED 31 DECEMBER 1999

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
9. OTHER ASSETS				
Current				
Prepaid and deferred expenditure	**48,768**	45,209	**3,264**	2,285
Non–current				
Deferred expenditure	**7,960**	7,000	**–**	–
10. INVESTMENTS				
Shares in controlled entities:				
Unquoted at Directors' valuation 1997	**–**	–	**928,734**	928,734
Shares in associated companies:				
Equity accounted (Note 27)	**10,553**	9,849	**–**	–
Shares in other corporations, at cost	**135**	136	**–**	1
	10,688	9,985	**928,734**	928,735
11. INTANGIBLES				
Goodwill, at cost	**187,709**	190,211	**–**	–
Accumulated amortisation	**(18,793)**	(10,295)	**–**	–
	168,916	179,916	**–**	–

Notes

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
12. PROPERTY, PLANT AND EQUIPMENT				
Freehold land and buildings				
At cost	**706,894**	698,970	**–**	–
Accumulated depreciation	**(57,870)**	(20,643)	**–**	–
	649,024	678,327	**–**	–
Leasehold property				
At cost	**80,797**	82,906	**–**	–
Accumulated amortisation	**(42,323)**	(41,075)	**–**	–
	38,474	41,831	**–**	–
Plant and equipment				
At cost	**1,755,871**	1,673,717	**32**	32
Accumulated depreciation	**(837,432)**	(770,029)	**(20)**	(14)
	918,439	903,688	**12**	18
Leased plant and equipment				
At capitalised cost	**14,588**	14,738	**–**	–
Accumulated amortisation	**(5,145)**	(4,524)	**–**	–
	9,443	10,214	**–**	–
Hire-purchase plant and equipment				
At cost	**41,693**	41,693	**–**	–
Accumulated depreciation	**(15,138)**	(13,311)	**–**	–
	26,555	28,382	**–**	–
Capital projects in progress				
At cost	**61,698**	85,829	**–**	–
	1,703,633	1,748,271	**12**	18
13. ACCOUNTS PAYABLE				
Current				
Trade creditors				
Related entities	**169,871**	44,034	**–**	**–**
Other corporations and persons	**185,275**	93,333	**–**	–
Other creditors and accrued expenses	**174,903**	158,257	**922**	1,364
	530,049	295,624	**922**	1,364

FOR THE YEAR ENDED 31 DECEMBER 1999

14. BORROWINGS

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Current – unsecured				
Bank overdraft	**–**	–	**37,905**	34,449
Promissory notes (a&b)	**370,000**	283,000	**370,000**	283,000
Bank loans (a)	**–**	28,000	**–**	–
Other loans	**600**	13,065	**–**	–
	370,600	324,065	**407,905**	317,449
Current – secured				
Lease liabilities (c)	**440**	455	**–**	–
	371,040	324,520	**407,905**	317,449
Non-current – unsecured				
Promissory notes (a&b)	**199,000**	161,000	**38,000**	–
Bank loans (a)	**536,700**	670,297	**–**	40,297
	735,700	831,297	**38,000**	40,297
Non-current – secured				
Lease liabilities (c)	**11,829**	12,226	**–**	–
	747,529	843,523	**38,000**	40,297

(a) The bank loans and promissory notes are provided by a syndicate of banks and the interest rates on these loans are on a floating rate basis. Repayment dates of the loans vary from September 2000 to December 2003. All bank loans are denominated in Australian dollars.

Under the loan agreements, the consolidated entity is required to comply with certain financial covenants which place a limitation on its borrowing level and require the consolidated entity to maintain its tangible net worth above a minimum level.

(b) Promissory notes which are supported by long term committed standby facilities are classified as non-current liabilities.

(c) The implicit rate of interest on finance leases is 13.96% (1998: 13.96%). Refer to Note 22 for details on the timing and amount of future lease payments.

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000

15. PROVISIONS

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Current				
Income tax	**28,665**	–	**–**	405
Employee and Director entitlements[a]	**46,650**	32,862	**–**	244
Dividends declared	**37,800**	32,400	**37,800**	32,400
Other[b]	**13,729**	33,805	**–**	–
	126,844	99,067	**37,800**	33,049
Non-current				
Employee and Director entitlements	**31,022**	32,230	**302**	511
Deferred income tax	**151,439**	157,428	**–**	–
	182,461	189,658	**302**	511

[a] This balance includes $9,951,000 (1998 Nil) of Project Nova redundancy provisions (refer Note 3).

[b] This balance includes $5,499,000 (1998 Nil) of Project Nova restructuring provisions (refer Note 3).

16. SHARE CAPITAL

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Issued capital				
270 million (1998: 270 million) ordinary shares, fully paid	**543,415**	543,415	**543,415**	543,415
Issued capital				
Balance at the beginning of the year	**543,415**	270,000	**543,415**	270,000
Balance of share premium reserve aggregated with share capital on 1 July 1998 resulting from amendments to the Corporations Law	**–**	273,415	**–**	273,415
Balance at the end of the year	**543,415**	543,415	**543,415**	543,415

In 1998 the balance of the share premium reserve and capital profits reserve were transferred to the share capital balance resulting from the amendments to the Corporations Law. The capital profits reserve was incorrectly transferred. The 1998 comparatives have been restated.

FOR THE YEAR ENDED 31 DECEMBER 1999

17. RESERVES

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Share premium reserve	–	–	–	–
Capital profits reserve	**319,865**	319,865	**319,865**	319,865
	319,865	319,865	**319,865**	319,865
Movements during the year				
Share premium reserve				
Balance at the beginning of the year	–	273,415	–	273,415
Balance of share premium reserve aggregated with share capital on 1 July 1998 resulting from amendments to the Corporations Law	–	(273,415)	–	(273,415)
Balance at the end of the year	–	–	–	–

18. OUTSIDE EQUITY INTERESTS

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Outside equity interests in controlled entities comprises:				
Interest in share capital	**1,872**	1,872	–	–
Interest in reserves	**3,167**	3,167	–	–
Interest in retained profits	**4,447**	3,685	–	–
	9,486	8,724	–	–

19. FINANCIAL INSTRUMENTS

(a) INTEREST RATE RISK

Interest rate swaps

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between one and three years.

Each contract involves half yearly payment or receipt of the net amount of interest. At 31 December 1999 the fixed rates varied from 6.1% to 8.3% (1998: 7.5% to 10.2%), a weighted average rate of 7.6% (1998: 7.9%). The floating rates were at bank bill rates plus the consolidated entity's credit margin.

As outlined in Note 19(e), a number of interest rate swaps were revalued to their net market value in the financial statements of the consolidated entity at 31 December 1997, as a result of the Company's acquisition of the remaining 50% interest in Caltex Australia Petroleum Pty Ltd.

Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out on the following page:

	Note	Fixed Interest Maturing in: Floating Interest Rate	1 Year or Less	Over 1 to 5 years	More than 5 years	Non-Interest Bearing	Total	Weighted Average Interest Rate
1999								
Financial assets								
Cash		**11,628**	**–**	**–**	**–**	**–**	**11,628**	**5.20%**
Receivables	7	**–**	**–**	**–**	**–**	**559,704**	**559,704**	**–**
		11,628	**–**	**–**	**–**	**559,704**	**571,332**	
Financial liabilities								
Accounts payable	13	**–**	**–**	**–**	**–**	**530,049**	**530,049**	**–**
Dividends payable	15	**–**	**–**	**–**	**–**	**37,800**	**37,800**	**–**
Employee entitlements	15	**31,022**	**–**	**–**	**–**	**46,650**	**77,672**	**7.20%**[a]
Bank loans	14	**536,700**	**–**	**–**	**–**	**–**	**536,700**	**5.59%**
Other loans	14	**–**	**–**	**–**	**–**	**600**	**600**	**–**
Promissory notes	14	**508,000**	**–**	**61,000**	**–**	**–**	**569,000**	**5.80%**
Lease liabilities	14	**–**	**440**	**4,424**	**7,405**	**–**	**12,269**	**13.96%**
		1,075,722	**440**	**65,424**	**7,405**	**615,099**	**1,764,090**	
Interest rate swaps notional amount		**(350,000)**	**150,000**	**200,000**	**–**	**–**	**–**	

[a] This represents the discount rate.

	Note	Floating Interest Rate	1 Year or Less	Over 1 to 5 years	More than 5 years	Non-Interest Bearing	Total	Weighted Average Interest Rate
1998								
Financial assets								
Cash		15,609	–	–	–	–	15,609	4.46%
Receivables	7	–	–	–	–	448,347	448,347	–
		15,609	–	–	–	448,347	463,956	
Financial liabilities								
Accounts payable	13	–	–	–	–	295,624	295,624	–
Dividends payable	15	–	–	–	–	32,400	32,400	–
Employee entitlements	15	32,230	–	–	–	32,862	65,092	6.50%[a]
Bank loans	14	698,297	–	–	–	–	698,297	5.04%
Other loans	14	–	–	–	–	13,065	13,065	–
Promissory notes	14	383,000	–	61,000	–	–	444,000	5.37%
Lease liabilities	14	–	458	2,090	10,133	–	12,681	13.96%
		1,113,527	458	63,090	10,133	373,951	1,561,159	
Interest rate swaps notional amount		(670,000)	220,000	450,000	–	–	–	

[a] This represents the discount rate.

FOR THE YEAR ENDED 31 DECEMBER 1999

19. FINANCIAL INSTRUMENTS (continued)

(b) FOREIGN EXCHANGE RISK

The consolidated entity is exposed to the effect of changes in exchange rates on the margin derived by the entity. In particular, at least in the short term, the petroleum refiner's margin is determined in US dollars. The consolidated entity does not currently use financial instruments to hedge this exposure. All trade transactions which require the sale or purchase of US dollars are covered on a spot basis. As at 31 December 1999, the total of all outstanding spot contracts amounted to $61,338,000 Australian dollars (1998: $10,759,000).

In addition the consolidated entity, in the normal course of business enters into transactions denominated in other currencies. To manage its foreign currency exchange exposure the consolidated entity may enter into forward foreign exchange contracts to purchase or sell foreign currency at an exchange rate specified at the contract date, with delivery and settlement in the future.

(c) COMMODITY PRICE RISK

The consolidated entity uses crude oil swap contracts and refiners' margin hedges from time to time as a hedge against adverse movements in the cost of term and spot crude purchases and deterioration in refiners' margin. During 1999 the consolidated entity hedged approximately 0.6% of its total crude purchases. The terms of these contracts are rarely more than 12 months. The total of outstanding crude oil swap contracts at 31 December 1999 is 3,000,000 bbls (1998: nil).

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the measurement of the underlying purchase commitment.

(d) CREDIT RISK EXPOSURES

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of provisions for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.

Off-balance sheet financial instruments

Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the consolidated entity. The full amount of the exposure is disclosed at Note 19(b) above.

The credit risk on swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the consolidated entity. As at 31 December 1999 there is no expected credit risk on any off-balance sheet contract.

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000

(e) NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Net fair value of on-balance sheet financial assets and liabilities is approximated by the carrying value on the balance sheet.

Except for interest rate swaps, the valuation of off-balance sheet financial instruments detailed below reflects the estimated amounts which the consolidated entity would expect to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The net market value differences on interest rate swaps at 31 December 1997 was recognised as an adjustment to the fair value of the net assets of Caltex Australia Petroleum Pty Ltd and its controlled entities, acquired on 31 December 1997. Consequently the net fair value of interest rate swaps after interest accruals at 31 December 1999 is $1,149,000 (1998: $25,998,000) offset by the remaining fair value provision of $4,407,000 (1998: $19,610,000). As a consequence, interest expense for the year has been partially offset by the utilisation of this fair value provision.

The net fair value of off-balance sheet financial instruments held at the reporting date are:

	Asset/Liabilty	
Interest rate swaps	**3,251**	(6,388)
Forward foreign exchange contracts	**(352)**	272
Crude oil swaps	**967**	(27)
	3,866	(6,143)

20. AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCIES

The Australian dollar equivalents of amounts payable or receivable in foreign currencies, not specifically hedged through the use of foreign exchange contracts, and calculated at the period-end exchange rates, are as follows:

United States dollars				
Amounts payable – current	**192,252**	50,851	**–**	–
Amounts receivable – current	**42,683**	14,342	**–**	–

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000

FOR THE YEAR ENDED 31 DECEMBER 1999

21. EMPLOYEE AND DIRECTOR ENTITLEMENTS

(a) PROVISION FOR EMPLOYEE AND DIRECTOR ENTITLEMENTS

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
– Current (Note 15)	**46,650**	32,862	**–**	244
– Non-current (Note 15)	**31,022**	32,230	**302**	511
	77,672	65,092	**302**	755

(b) SUPERANNUATION COMMITMENTS

The consolidated entity contributes to superannuation plans to provide benefits to employees and Directors and their dependents upon retirement, disability or death. Employer contributions (where applicable) are based on a percentage of salary. The employer is obliged to contribute to the plans as prescribed by the relevant trust deeds and relevant legislation. Details of the plans are outlined below.

Caltex Australian Superannuation Plan – CSP Division

The Caltex Australia Superannuation Plan – CSP Division, is predominantly a defined benefits plan but it also includes the Retirement Account which is a defined contribution payable by the consolidated entity.

The last actuarial review was made as at 1 January 1998 by Mr P. Hughes, FIAA, Actuary, William Mercer Pty Ltd. The review concluded that the assets of the plan were sufficient to meet all benefits payable in the event of termination of the plan or the voluntary or compulsory termination of employment of each employee in the plan. The consolidated entity is currently taking a contributions holiday in respect of pay-linked benefits. To provide for the funding of the benefits of the former non-contributory retirement plan members for service up to 31 March 1991, the financial report of the consolidated entity includes a provision at 31 December 1999 of $9,977,000 (1998: $13,335,000).

Caltex Australia Superannuation Plan – APF Division

This is a defined contribution plan. As such there have not been any actuarial reviews of the plan. The plan benefits to members are as laid down in the trust deed. Funds are available to satisfy all vested benefits in the event of termination of the fund or the voluntary or compulsory termination of employment of each employee of the participating employers.

	Consolidated			
	Net market value of plan assets $000	Accrued benefits $000	Excess of plan assets over accrued benefits $000	Vested benefits $000
1999				
Defined benefit superannuation plans				
Caltex Australia Superannuation Plan – CSP Division				
– Per Superannuation Plan's last actuarial review	**147,787**	**134,287**	**13,500**	**125,025**
– Liability recognised by the consolidated entity	**9,977**	**–**	**9,977**	**–**
	157,764	**134,287**	**23,477**	**125,025**
1998				
Defined benefit superannuation plans				
Caltex Australia Superannuation Plan – CSP Division				
– Per Superannuation Plan's last actuarial review	147,787	134,287	13,500	125,025
– Liability recognised by the consolidated entity	13,335	–	13,335	–
	161,122	134,287	26,835	125,025

Notes

	Consolidated		The Company	
	1999 $000	1998 $000	1999 $000	1998 $000

22. COMMITMENTS

Capital expenditure

Capital expenditure contracted but not provided for in the financial report and payable within one year	**4,490**	10,159	**–**	–

Millennium issue rectification commitments

Contracted with software suppliers, not provided for, and payable within one year	**–**	261	**–**	–

Lease commitments

Finance leases

Finance lease rentals payable are as follows:				
Within 1 year	**2,129**	2,209	**–**	–
Between 1-5 years	**8,350**	8,395	**–**	–
After 5 years	**15,955**	17,992	**–**	–
	26,434	28,596	**–**	–
Less future finance charges	**(14,165)**	(15,915)	**–**	–
	12,269	12,681	**–**	–
Classified as:				
Current (Note 14)	**440**	455	**–**	–
Non-current (Note 14)	**11,829**	12,226	**–**	–
	12,269	12,681	**–**	–

The consolidated entity leases production plant under finance leases expiring from one to 13 years. At the end of the lease term the consolidated entity has the option to purchase the equipment at a price deemed to be a bargain purchase option. Some leases involve lease payments comprising a base amount plus an incremental rental. Contingent rentals are based on operating performance criteria. The amount of contingent rentals paid during the year is disclosed in Note 3.

Operating leases and other financial commitments

Future gross payments, prior to sub–lease receipts, not provided for in the financial reports and payable:				
Within 1 year	**88,843**	92,728	**–**	–
Between 1-5 years	**281,106**	305,495	**–**	–
After 5 years	**274,379**	451,278	**–**	–
	644,328	849,501	**–**	–

The consolidated entity leases property under operating leases expiring from one to 36 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Leases payments comprise mainly of a base amount, however in a few cases, include a base amount and incremental contingent rental. Contingent rentals are based on operating performance criteria. No contingent rentals were paid during the year (1998:nil).

FOR THE YEAR ENDED 31 DECEMBER 1999

23. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities (for which no provisions are included in the financial report) are set out below. The Directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
(i) Legal and other claims	**2,000**	2,000	**–**	–

(ii) The company has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of $3,397,000 (1998: $3,387,000). At 31 December 1999, the total outstanding was $2,806,695 (1998: $3,331,000).

(iii) Pursuant to ASIC Class Order 98/1418, relief has been granted to certain of the company's wholly owned controlled entities as listed in Note 26 from specific accounting and financial reporting requirements.

(iv) ENVIRONMENTAL MATTERS

In addition to the environmental exposures already provided for in the financial report in accordance with the consolidated entity's accounting policy, the consolidated entity may be subject to contingent liabilities as a result of environmental laws that at some time in the future may require the consolidated entity to take action to correct the environmental effect of past disposal or release of petroleum substances by the consolidated entity or by others. The amount of future cost is indeterminable due to such factors as the unknown nature of new laws, the unknown magnitude of possible contamination, the unknown timing and extent of corrective factors that may be required, the determination of the consolidated entity's possible liability in proportion to other possible responsible parties and to the extent to which such costs are recoverable from insurers.

(v) MERGER WARRANTIES

In connection with the merger of its former petroleum and marketing business with that of Ampol Limited in 1995, the company gave certain warranties regarding the financial position of its refining and marketing subsidiaries and entered into a tax indemnity deed and an environmental indemnity deed. The Tax Indemnity Deed between Pioneer International Limited (Pioneer), the company and Caltex Australia Petroleum Pty Ltd entered into at the time of the merger continues in force and other merger agreements have been either terminated or varied as appropriate.

There are no existing claims under these warranties and the Directors are not aware of any potential claims likely to emerge in the future.

Pioneer entered into a deed with the company on 31 December 1997 under which Pioneer undertakes to be liable for one-half of any tax, environmental and third party liability of any company in the Caltex Australia Petroleum Pty Ltd consolidated entity arising out of the conduct of its business in the period from 1 January 1995 to the date of completion (31 December 1997) which has not been paid or adequately provided for in the Caltex Australia Petroleum Pty Ltd consolidated entity accounts to the extent that the amount of such liabilities (after recoveries) exceeds $2.5 million. Pioneer's obligation will apply for seven years for tax liabilities, eight years for environmental liabilities and two years for third party liabilities as from 31 December 1997. Pioneer's maximum potential liability under this deed is one–half of the net assets of the Caltex Australia Petroleum Pty Ltd consolidated entity as at 31 December 1997.

	Consolidated 1999 $	Consolidated 1998 $	The Company 1999 $	The Company 1998 $

23. CONTINGENT LIABILITIES (continued)

(vi) CONTINGENT CONSIDERATION AMOUNTS

Part of the consideration for the acquisition by the company of the remaining 50% interest in Caltex Australia Petroleum Pty Ltd at 31 December 1997 comprised a contingent consideration amount in respect of each of the five years ending 31 December 1998 to 2002. This amount is calculated on the following basis:

- a maximum payment in each of the five years of $12 million will be payable if the Caltex Australia Petroleum Pty Ltd consolidated earnings before interest and tax after certain adjustments (EBIT) equals or exceeds the high benchmark set for that relevant year;
- no payment will be made in any year if EBIT equals or is below the relevant low benchmark in that year;
- if the EBIT in any of the five years is between the relevant high and low benchmarks, the contingent consideration amount will be calculated on a straight line pro-rata basis.

No amount has been provided for future years in respect of this contingent consideration in this financial report.

24. AUDITORS' REMUNERATION

	Consolidated 1999 $	Consolidated 1998 $	The Company 1999 $	The Company 1998 $
Audit services:				
Auditors of the company	**388,101**	438,240	**25,000**	25,000
Other services:				
Auditors of the company	**19,775**	33,123	**–**	–

25. REMUNERATION AND RETIREMENT BENEFITS

(i) Directors' remuneration

The number of Directors of the company whose remuneration from the company or any related party falls within the following bands is:

	The Company 1999 Number	The Company 1998 Number
$0 – $9,999	**–**	1
$10,000 – $19,999	**2**	2
$20,000 – $29,999	**3**	–
$30,000 – $39,999	**–**	1
$40,000 – $49,999	**1**	3
$50,000 – $59,999	**3**	1
$130,000 – $139,999	**–**	1
$140,000 – $149,999	**1**	–
$450,000 – $459,999	**–**	1
$660,000 – $669,999	**–**	1
$700,000 – $709,999	**1**	–
$850,000 – $859,999	**1**	–
	$	$
Total income paid or payable, or otherwise made available, to Directors in the consolidated entity from the company or any related party	**2,026,785**	1,511,234

FOR THE YEAR ENDED 31 DECEMBER 1999

25. REMUNERATION AND RETIREMENT BENEFITS (continued)

	Consolidated		The Company	
	1999 $	1998 $	1999 $	1998 $
Total income paid or payable, or otherwise made available, to all Directors of each entity in the consolidated entity from the company or any related party	**2,026,785**	1,511,234		
(ii) Loans to Directors				
ID Blackburne	**106,000**	112,000	**–**	–

During the year Dr ID Blackburne repaid $6,000 (1998: $3,000) of the principal balance outstanding on his loan. Interest charged and received by the company on the loan totalled $5,500 (1998: $5,500). Interest is payable at 6.5% pa.

(iii) Directors
The names of the Directors who have held office during the past financial year are as follows:

MG Irving
JL Banner (appointed 29 July 1999)
JW Bernitt (appointed 29 July 1999)
ID Blackburne
RJ Bothwell
GJ Camarata (resigned 24 February 2000)
BA Chafitz (resigned 29 July 1999)
LG Lonergan (resigned 29 July 1999)
DC Mackney
DJ Mansour (resigned 20 August 1999)
RFE Warburton (appointed 29 July 1999)
KT Watson

Notes

	Consolidated		The Company	
	1999 Number	1998 Number	1999 Number	1998 Number
(iv) Executive's remuneration The number of executive officers whose remuneration from the company or any related party falls within the following bands:				
$110,000 – $119,999	**–**	1	**–**	1
$120,000 – $129,999	**1**	2	**1**	2
$130,000 – $139,999	**2**	3	**2**	3
$140,000 – $149,999	**5**	2	**5**	2
$150,000 – $159,999	**3**	3	**3**	3
$160,000 – $169,999	**2**	2	**2**	2
$170,000 – $179,999	**8**	9	**8**	9
$180,000 – $189,999	**–**	2	**–**	2
$190,000 – $199,999	**3**	3	**3**	3
$200,000 – $209,999	**–**	4	**–**	4
$210,000 – $219,999	**2**	–	**2**	–
$220,000 – $229,999	**1**	–	**1**	–
$230,000 – $239,999	**1**	3	**1**	3
$240,000 – $249,999	**1**	–	**1**	–
$260,000 – $269,999	**1**	1	**1**	1
$270,000 – $279,999	**1**	1	**1**	1
$280,000 – $289,999	**–**	1	**–**	1
$290,000 – $299,999	**1**	–	**1**	–
$320,000 – $329,999	**1**	–	**1**	–
$340,000 – $349,999	**–**	2	**–**	2
$360,000 – $369,999	**1**	–	**1**	–
$370,000 – $379,999	**2**	–	**2**	–
$450,000 – $459,999	**–**	1	**–**	1
$660,000 – $669,999	**–**	1	**–**	1
$700,000 – $709,999	**1**	–	**1**	–
$850,000 – $859,999	**1**	–	**1**	–

	$	$	$	$
Total remuneration received, or due and receivable, from the company or any related party by executive officers of the consolidated entity whose income is $100,000 pa or more	**7,330,443**	8,524,323	**7,330,443**	8,524,323

Executives' remuneration includes amounts paid by the company during the year to indemnify executives, but does not include insurance premiums paid by the company or related parties in respect of Directors' and Officers' Liabilities and Legal Expense insurance contracts, as the insurance policies do not specify premiums paid in respect of individual executives. Details of the insurance premiums paid are set out in the Directors' Report.

FOR THE YEAR ENDED 31 DECEMBER 1999

26. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Note	% of shares held 1999	% of shares held 1998
Controlled entities			
Caltex Australia Finance Pty Limited	(iii)	**100**	100
Caltex Australia Investments Pty Limited	(iii)	**100**	100
Caltex Coal Pty Limited	(iii)	**100**	100
Caltex Australia Custodians Pty Ltd		**100**	100
Caltex Australia Petroleum Pty Limited (formerly Australian Petroleum Pty Limited)		**100**	100
Ampol Lending Pty Limited		**100**	100
Ampol Metro Fuels Pty Limited		**100**	100
Ampol Petroleum Distributors Pty Ltd		**100**	100
Ampol Property (Holdings) Limited		**100**	100
Ampol Bendigo Pty Ltd		**100**	100
Australian Petroleum (Holdings) Pty Limited		**100**	100
Ampol Realty Pty Limited		**100**	100
Ampol Refineries (Matraville) Limited		**100**	100
Ampol Road Pantry Pty Limited		**100**	100
Ampol Workshops Pty Limited		**100**	100
B & S Distributors Pty Limited		**100**	100
Big Country Oils Pty Limited		**100**	100
Calstores Pty Limited (formerly Caltex Stores Pty Limited)		**100**	100
Caltex Australia Management Pty Limited (formerly Ampol Provident Fund Management Pty Limited)		**100**	100
Caltex Australia Nominees Pty Limited (formerly Australian Petroleum Nominee Pty Limited)		**100**	100
Caltex Lubricating Oil Refinery Pty Ltd (formerly Ampol Lubricating Oil Refinery Pty Ltd)		**100**	100
Caltex Petroleum Limited (formerly Ampol Petroleum Pty Ltd)		**100**	100
Sydney Metropolitan Pipeline Pty Limited		**60**	60
Caltex Petroleum (Qld) Pty Limited (formerly Ampol Petroleum (Qld) Pty Ltd)		**100**	100
Caltex Petroleum (Victoria) Pty Limited (formerly Ampol Petroleum (Victoria) Pty Limited)		**100**	100
R&T Lubricants Limited		**100**	100
Caltex Refineries (NSW) Pty Limited (formerly Ampol Refineries (NSW) Pty Limited)		**100**	100
Caltex Refineries (Qld) Limited (formerly Ampol Refineries (Qld) Limited)		**100**	100
Circle Petroleum (Qld) Pty Limited		**100**	100
Hayport Pty Limited		**100**	100
Hunter Pipe Line Company Pty Limited		**100**	100
Hyworth Pty Limited		**100**	100
Jet Fuels Petroleum Distributors Pty Limited		**100**	100
Mopal Pty Limited		**100**	100
Northern Marketing Pty Limited	28(iii)	**100**	30
Hanietee Pty Limited		**100**	30
Newcastle Pipe Line Company Pty Limited		**100**	100

Name	Note	% of shares held 1999	1998
Security Computer Services Pty Limited		**100**	100
Solo Oil Investments Pty Limited		**100**	100
Devorant Pty Limited		**100**	100
Manworth Pty Limited		**100**	100
Metdale Pty Limited		**100**	100
Solo Oil Leasing Pty Limited		**100**	100
Southern Cross Petroleum Pty Limited		**100**	100
Solo Oil Limited		**100**	100
Brooklyn Bagel (Systems) Pty Limited		**100**	100
Carmonott Constructions Pty Limited		**100**	100
Chapmore Pty Limited		**100**	100
Ditta (Service Station) Pty Limited		**100**	100
First Bildarama Pty Limited		**100**	100
Grosvenor Constructions Pty Ltd		**100**	100
Kanegood Pty Limited		**100**	100
Leberg Holdings Pty Limited		**100**	100
Liglen Pty Limited		**100**	100
Matland Holdings Pty Limited		**100**	100
Pagold Holdings Pty Limited		**100**	100
Petroleum Leasing Unit Trust		**100**	100
Petroleum Properties Unit Trust		**100**	100
Pruland Holdings Pty Limited		**100**	100
Ruzack Nominees Pty Limited		**100**	100
Solo Oil Australia Pty Limited		**100**	100
Solo Oil Corporation Pty Limited		**100**	100
Solo Petroleum Pty Limited		**100**	100
Solo Rent A Car Pty Limited		**100**	100
Sunrise Transport Pty Limited		**100**	100
Wildbank Pty Limited		**100**	100
South Coast Oils Pty Limited		**100**	100
Southern Cross Services Pty Limited		**100**	100
Talcor Pty Limited		**57**	57
Teraco Pty Limited	(ii)	**50**	50
Travelmate.com.au Pty Limited (formerly WJ & Dunlop Pty Limited)		**100**	100
Tulloch Petroleum Services Pty Limited		**100**	100
Western Fuels Distributors Pty Limited	(ii)	**50**	50

(i) All entities are incorporated in Australia and all shares held are ordinary shares.

(ii) These entities have been included as controlled entities in accordance with Australian Accounting Standard AASB 1024. Control exists because the company has the ability to dominate the composition of their Boards of Directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of these entities.

FOR THE YEAR ENDED 31 DECEMBER 1999

26. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)

(iii) These controlled entities have entered into a Deed of Cross Guarantee with the company in respect of relief granted from specific accounting and financial reporting requirements in accordance with an ASIC Class Order. It is a condition of the class order that the company and each of the subsidiaries entered into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of the winding up of any subsidiaries under certain provisions of Corporations Law. The subsidiaries have also given similar guarantees in the event that the company is wound up. A consolidated profit and loss account and consolidated balance sheet, comprising the company and consolidated entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out below:

	1999 $000
Profit and loss statement	
Operating profit before income tax	**43,039**
Income tax benefit attributable to operating profit	**1,151**
Operating profit after income tax	**44,190**
Retained earnings at the beginning of the financial year	**50,705**
Dividends provided for or paid	**(59,400)**
Retained earnings at the end of the financial year	**35,495**
Balance sheet	
Current assets	
Receivables	**199,673**
Other	**3,677**
	203,350
Non-current assets	
Receivables	**250,000**
Investments	**1,213,735**
Property, plant and equipment	**18**
	1,463,753
Total assets	**1,667,103**
Current liabilities	
Accounts payable	**4,050**
Borrowings	**445,905**
Provisions	**32,071**
	482,026

	1999 $000
Non-current liabilities	
Borrowings	**286,000**
Provisions	**302**
	286,302
Total liabilities	**768,328**
Net assets	**898,775**
Shareholders' equity	
Share capital	**543,415**
Reserves	**319,865**
Retained earnings	**35,495**
Total shareholders' equity	**898,775**

27. INVESTMENTS IN ASSOCIATED COMPANIES

	Ownership Interest %		Balance Date	Investment Carrying Amount	
	1999 $000	1998 $000		1999 $000	1998 $000
Australian International Manufacturing Company Pty Limited	**25**	25	30 June	**5**	5
Australian Lubricants Manufacturing Co. Pty Limited	**50**	–	31 December	**–**	–
Airport Fuel Services Pty Limited	**40**	40	31 December	**769**	769
Brisbane Airport Fuel Services Pty Limited	**40**	40	31 December	**–**	4
Bowen Petroleum Services Pty Limited	**50**	50	31 December	**3,120**	3,224
Cairns Airport Refuelling Services Pty Limited	**25**	25	31 December	**–**	–
Cooper & Dysart Pty Ltd	**50**	50	31 December	**2,101**	2,171
Jayvee Petroleum Pty Limited	**50**	50	31 December	**664**	–
Northern Marketing Pty Limited	**100**	30	30 June	**–**	2,009
Northern Marketing Partnership	**37.5**	–	30 June	**2,203**	–
Northern Marketing Management Pty Limited	**37.5**	–	30 June	**–**	–
R&JK Petroleum Pty Limited	**50**	50	31 December	**802**	788
South Coast Fuels Pty Limited	**50**	50	31 December	**689**	707
South East Queensland Fuels Pty Ltd	**50**	50	30 June	**200**	172
Vitalgas Pty Limited (formerly LPG Distributors Pty Limited)	**50**	50	31 December	**–**	–
				10,553	9,849

The principal activity of all the associated companies is the sale, marketing or distribution of petroleum products.

FOR THE YEAR ENDED 31 DECEMBER 1999

27. INVESTMENTS IN ASSOCIATED COMPANIES (continued)

	Consolidated 1999 $000	Consolidated 1998 $000
Results of associates		
Share of associates' operating profit before income tax	**2,804**	2,803
Share of associates' income tax expense	**(986)**	(1,039)
Share of associates' net profit	**1,818**	1,764
Amortisation of goodwill	**(145)**	(145)
Share of associates' net profit – equity accounted	**1,673**	1,619
Share of post acquisition retained profits attributable to associates		
Share of associates' retained profits at the beginning of the financial year due to initial application of AASB 1016 – "Accounting for Investments in Associates"	**371**	(106)
Share of associates' net profit	**1,673**	1,619
Dividends from associates	**(1,584)**	(1,142)
Share of associates retained profits at the end of the financial year	**460**	371
Movement in the carrying amount of investments		
Investments in associates at the beginning of the financial year	**9,849**	10,063
Adjustment on initial adoption of equity accounting	**–**	(691)
	9,849	9,372
Share of associates' net profits	**1,673**	1,619
Dividends from associates	**(1,583)**	(1,142)
Investment in Northern Marketing Partnership	**2,203**	
Transfer of investment in Northern Marketing Pty Limited to controlled entities (Note 26)	**(1,589)**	–
Investments in associates at the end of the financial year	**10,553**	9,849

Notes

	Consolidated		The Company	
	1999 $000	1998 $000	1999 $000	1998 $000

28. NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes:

Cash at bank and on hand	**11,628**	15,609	**–**	–
Bank overdraft	**–**	–	**(37,905)**	(34,449)
	11,628	15,609	**(37,905)**	(34,449)

(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit after income tax	**103,390**	80,205	**48,267**	31,803
Add/(less) items classified as investing/financing activities				
Loss on sale of non-current assets	**4,004**	1,301	**–**	–
Finance charges on capitalised leases	**2,023**	2,041	**–**	–
Add/(less) non-cash items				
Depreciation and amortisation	**119,007**	111,281	**6**	6
Amounts set aside to provisions	**10,048**	13,495	**–**	–
Share of associates' net profit	**(1,673)**	(1,619)	**–**	–
Increase/(decrease) in income tax payable	**32,881**	(20,743)	**(2,483)**	405
Increase/(decrease) in deferred tax payable	**(5,989)**	41,525	**–**	–
Net cash provided by operating activities before changes in assets and liabilities	**263,691**	227,486	**45,790**	32,214
Changes in assets and liabilities net of the effects of the purchase of subsidiaries:				
(Increase)/decrease in inventories	**(195,409)**	93,828	**–**	–
(Increase)/decrease in trade and other debtors	**(117,135)**	(3,325)	**(6)**	2,321
Decrease/(increase) in prepaid and deferred expenditure	**(4,519)**	9,826	**(979)**	(2,285)
(Decrease)/increase in trade and other creditors	**234,425**	(83,915)	**(442)**	(4,406)
(Increase)/decrease in dividends receivable	**–**	–	**(8,959)**	7,319
(Decrease)/increase in provisions	**(34,769)**	(67,747)	**(453)**	211
Net cash provided by operating activities	**146,284**	176,153	**34,951**	35,374

(iii) Acquisitions of controlled entities

On 1 September 1999 the consolidated entity purchased 70% of the ordinary shares of Northern Marketing Pty Limited taking it's ownership interest from 30% to 100%. Details of the acquisition are as follows:

Consideration	**5,740**	–	**–**	–
Intercompany loan	**(5,125)**	–	**–**	–
Cash outflow	**615**	–	**–**	–

FOR THE YEAR ENDED 31 DECEMBER 1999	Consolidated 1999 $000	Consolidated 1998 $000	The Company 1999 $000	The Company 1998 $000
Fair value of net assets acquired				
Trade debtors	**3,588**	–	**–**	–
Investment in Northern Marketing Partnership	**2,152**	–	**–**	–
Fair value of net assets acquired	**5,740**	–	**–**	–
Intercompany loan	**(5,125)**	–	**–**	–
Total cash consideration	**615**	–	**–**	–

During 1998, $285,000,000 was paid to Pioneer International Limited as part of the consideration for the acquisition by the company of the remaining 50% interest in Caltex Australia Petroleum Pty Ltd at 31 December 1997.

29. FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit:

	Consolidated 1999 $000	Consolidated 1998 $000
Total facilities available:		
Bank overdrafts	**30,000**	30,000
Bank loans	**1,359,000**	1,461,297
	1,389,000	1,491,297
Facilities utilised at balance date:		
Bank overdrafts	**–**	153
Bank loans	**1,106,000**	1,114,297
	1,106,000	1,114,450
Facilities not utilised at balance date:		
Bank overdrafts	**30,000**	29,847
Bank loans	**253,000**	347,000
	283,000	376,847

These facilities are unsecured and have an average maturity of 1.9 years (1998: 2.7 years).

Notes

30. RELATED PARTY INFORMATION

(a) DIRECTORS

The names of persons who were Directors of the company are set out in Note 25, together with information on their remuneration and loans.

No Director has entered into a material contract or loan with the company or consolidated entity during the financial year and there were no material contracts or loans involving Directors' interests existing at the end of the financial year other than those disclosed in Notes 25 and 30(c).

(b) DIRECTORS' HOLDINGS OF SHARES

The interests of Directors' of the company and their Director-related entities in shares of entities within the consolidated entity at year end are set out below:

	Number held	
	1999	1998
Caltex Australia Limited		
Ordinary shares	**75,000**	53,750

During the year Directors purchased 27,500 shares on market. Departing Directors held 6,250 shares.

(c) OTHER DIRECTOR TRANSACTIONS

KT Watson was a partner of Middletons Moore and Bevins, Solicitors, until 18 November 1999 and was subsequently made a partner of Minter Ellison, effective 6 December 1999. These firms provided legal advice and services to the company and its related entities under arms length commercial terms and conditions. During 1999, Middletons Moore and Bevins received, or were due to receive, fees totalling $720,000 (1998: $669,000) from the consolidated entity, and Minter Ellison received, or were due to receive, fees totalling $70,000 (1998: Nil).

Purchases were made by Caltex Australia Petroleum Pty Ltd from Sandra Blackburne Designs, a director related entity of ID Blackburne, under arms length commercial terms and conditions, aggregating $80,000 (1998: Nil).

(d) ULTIMATE PARENT ENTITY

Caltex Corporation holds a 50% interest in Caltex Australia Limited and is the ultimate parent entity. Transactions with Caltex Corporation are summarised at Note 30(f).

(e) CONTROLLED ENTITIES

Details of dividends, interest received or receivable and service fees from controlled entities are set out in Note 2.

During the year ended 31 December 1999 the company loaned funds to Caltex Australia Petroleum Pty Ltd. Interest earned was $27,924,000 (1998: $13,790,000). The amounts receivable and payable to or by Caltex Australia Petroleum Pty Ltd and its controlled entities are included in Notes 7 and 13.

(f) OTHER RELATED ENTITIES

The consolidated entity paid $1,306,000 (1998: $714,000) to Caltex Corporation and its related entities for technical service fees and insurance coverage. These fees are in the ordinary course of business and on normal commercial terms and conditions.

FOR THE YEAR ENDED 31 DECEMBER 1999

30. RELATED PARTY INFORMATION (continued)

(g) ASSOCIATED COMPANIES

During the year the consolidated entity provided $3,356,000 against a receivable from Vitalgas Pty Limited. Transactions with Caltex Australia Limited are in the ordinary course of business and on normal commercial terms and conditions.

(h) CONTROLLED ENTITIES, ASSOCIATED COMPANIES AND OTHER RELATED ENTITIES

Details of controlled entities and associated entities are set out in Notes 26 and 27 respectively.

Amounts receivable from controlled, associated and other related entities are set out in Note 7.
Amounts payable to other related entities are set out in Note 13.

The consolidated entity purchased or sold crude oil, other refinery feedstocks and petroleum products and paid fees for insurance and technical services provided by Caltex Corporation and its shareholders Texaco Overseas Holdings Inc. and Transocean Chevron Company and related entities of those corporations.

These purchases, sales, services and premiums are in the ordinary course of business and on arms length commercial terms and conditions.

31. SEGMENT REPORT

The consolidated entity operates within one geographic region – Australia. The consolidated entity's activity is in the oil industry through the purchase, refining, distribution and sale of petroleum products and the operation of convenience stores.

REGISTERED AND CORPORATE OFFICES
Caltex Australia Limited
ACN 004 201 307
Level 12, MLC Centre
19–29 Martin Place
Sydney NSW 2000
Australia
Mail GPO Box 3916
Sydney NSW 2001
Australia
Telephone 02 9250 5000
Facsimile 02 9250 5742
Web site www.caltex.com.au

REFINERIES
Caltex Refineries (Qld) Pty Ltd
South Street
Lytton Qld 4178
Telephone 07 3362 7555
(environmental hotline)
1800 675 487
Facsimile 07 3362 7111

Caltex Refineries (NSW) Pty Ltd
Solander Street
Kurnell NSW 2231
Telephone 02 9668 1111
(community hotline)
02 9668 1244
Facsimile 02 9668 1188

Caltex Lubricating Oil Refinery Pty Ltd
Sir Joseph Banks Drive
Kurnell NSW 2231
Telephone 02 9668 1111
Facsimile 02 9668 1188

MARKETING OFFICES
New South Wales
Caltex Banksmeadow Terminal
Penrhyn Road
Banksmeadow NSW 2019
Telephone 02 9695 3612
Facsimile 02 9666 5737

Queensland/Northern Territory
Caltex Lytton Terminal
Tanker Street, off Port Drive
Lytton Qld 4178
Telephone 07 3362 7666
Facsimile 07 3362 7682

Victoria/South Australia/Tasmania
Caltex Newport Terminal
Douglas Parade
Newport Vic 3015
Telephone 03 9287 9604
Facsimile 03 9287 9605

Western Australia
Caltex Fremantle Terminal
85 Bracks Street
North Freemantle WA 6159
Telephone 08 9430 2839
Facsimile 08 9335 3062

Customer Support
Feedback Line (complaints, compliments and suggestions)
1800 240 398
Card Support Centre
1800 226 021
Lubelink
1800 815 823
Mon-Fri 8.00 am to 6.00 pm (EST)

Corporate Ownership

Public Shareholders
(around 29,000)

Caltex Corporation
(jointly owned by Texaco Inc and Chevron Corporation)

50% 50%

Caltex Australia Limited

100%

Caltex Australia Petroleum Pty Ltd

Principal Operating Subsidiaries:
Caltex Petroleum Pty Ltd
Caltex Refineries (NSW) Pty Ltd
Caltex Refineries (Qld) Ltd
Caltex Lubricating Oil Refinery Pty Ltd
Caltex Petroleum (Qld) Pty Ltd
Caltex Petroleum (Victoria) Pty Ltd

DESIGN Ross Barr & Associates **PRODUCTION** Caltex Corporate Affairs

CALTEX