



THE CALTEX AUSTRALIA GROUP CONSISTS OF:

- Caltex Australia Limited (ACN 004 201 307), which is the parent company of the Caltex Australia Group
- our major operating companies including Caltex Australia Petroleum Pty Ltd, Caltex Refineries (NSW) Pty Ltd, Caltex Refineries (Qld) Pty Ltd, Caltex Petroleum Services Pty Ltd and Caltex Lubricating Oil Refinery Pty Ltd, and
- a number of wholly owned entities and other companies that are controlled by the Group.

Please note that terms such as Caltex and Caltex Australia have the same meaning in the 2007 Annual Report as the Caltex Australia Group unless the context requires otherwise.

ADVICE TO SHAREHOLDERS:

The 2007 Annual Report provides an overview of Caltex Australia's main operating activities for the year ended 31 December 2007.

The 2007 Financial Report, which is contained within the 2007 Annual Report, provides detailed financial information for the Caltex Australia Group for the year ended 31 December 2007.

Please note that the 2007 Annual Report can be found on our web site, www.caltex.com.au

FINANCIAL CALENDAR FOR CALTEX AUSTRALIA LIMITED:

YEAR ENDED 31 DECEMBER 2007

24 April 2008

Annual General Meeting

YEAR ENDED 31 DECEMBER 2008*

22 August 2008

Half year results and interim dividend announcement

5 September 2008

Record date for interim dividend entitlement

26 September 2008

Interim dividend payable

20 February 2009

Full year results and final dividend announcement

6 March 2009

Record date for final dividend entitlement

27 March 2009

Final dividend payable

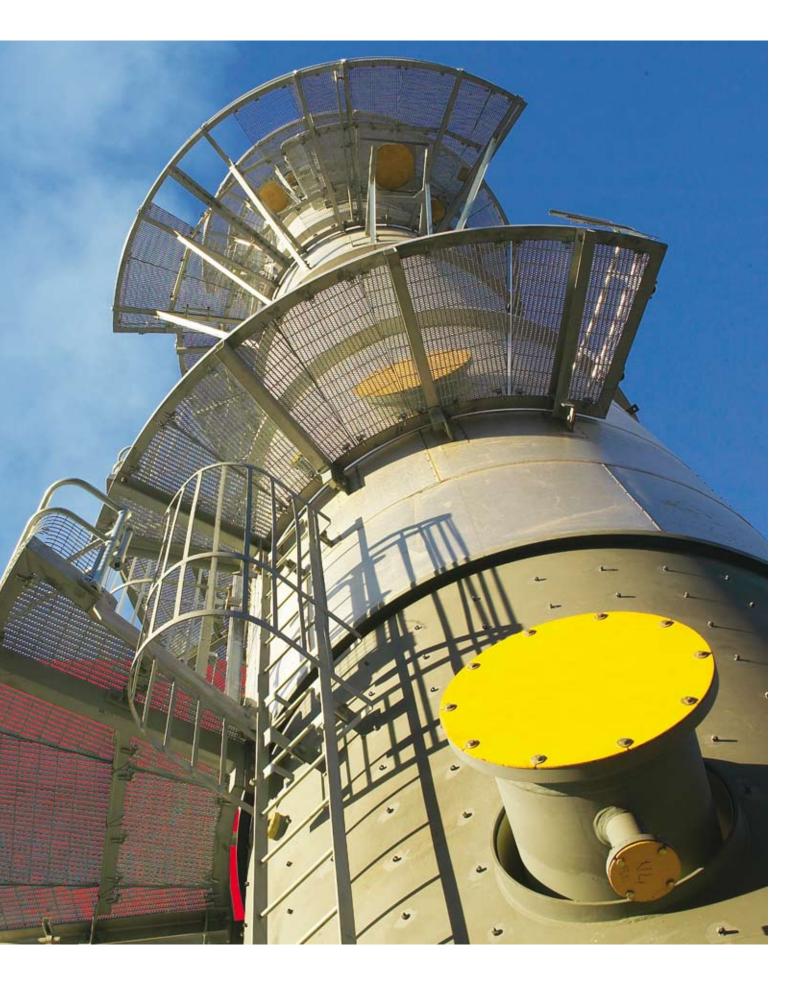
* These dates may be subject to change.

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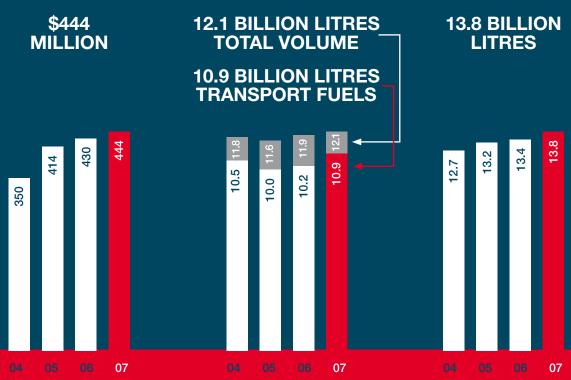
COVER: Caltex franchisee Danny Gevergizian operates three sites in regional Victoria where he is a keen sponsor of local community activities

BACK COVER: Caltex's Vision, Values and Strategic Intents



HIGHLIGHTS

A SOLID FINANCIAL **PERFORMANCE**



REPLACEMENT COST **OF SALES OPERATING** PROFIT (\$ MILLION)

The replacement cost results exclude individually material items in 2004, 2005, 2006 and 2007.

TRANSPORT FUELS **PRODUCTION VOLUMES** (BILLION LITRES)

Production of high value transport fuels (petrol, diesel and jet) increased to 10.9 billion litres, up from 10.2 billion litres in 2006. Production of all products in 2007 was a record 12.1 billion litres, up from 11.9 billion litres in 2006.

TRANSPORT FUELS SALES (BILLION LITRES)

Caltex sales of transport fuels (petrol, diesel and jet) increased to 13.8 billion litres in 2007, up from 13.4 billion litres in 2006.



HIGHER PROFIT

A sound financial performance with a solid profit supported by a strong balance sheet



HIGHER PRODUCTION

The refineries achieved record production and throughput rates



HIGHER SALES

Higher sales volumes of transport fuels and increased shop sales

Caltex recorded a solid financial performance despite a worsening external environment. Record refinery production helped offset declining refiner margins and there was a stronger contribution from the marketing business.

A STRONG BALANCE SHEET AND SOUND OPERATING PERFORMANCE



Chairman Elizabeth Bryan and Managing Director and Chief Executive Officer Desmond King.

altex recorded a solid financial performance with higher earnings in 2007 despite a worsening external environment. There was record production by the refineries and a stronger contribution by the marketing business.

Caltex's full year profit after tax increased to \$444 million on a replacement cost of sales operating profit (RCOP)1 basis for the year ended 31 December 2007, up from \$430 million in 2006.

Dividend

The Board declared a final dividend of \$89.1 million or 33 cents per share fully franked. This makes the total year dividend of 80 cents per share fully franked after 47 cents per share paid in September 2007 (2006 total dividends: 80 cents per share).

The company is facing increasing cash demands as a result of rising capital costs and higher working capital requirements due to the significant rise in the cost of crude oil. The level of dividend has been set taking into consideration future cash flow requirements and the need to maintain a prudent debt level in an environment of likely continuing lower refiner margins.

Delivering results

The sound operational performance and good cost control in 2007 helped offset the negative impact of a 17% drop in the Caltex refiner margin (CRM)² in Australian cents per litre terms compared with 2006. The CRM averaged A7.0 cents per litre (US\$9.26 a barrel) in 2007, compared with A8.44 cents per litre (US\$10.13 a barrel) in 2006. This margin excludes operating

The company managed to keep its unit operating expenses in line with inflation despite strong cost pressures for materials and skilled labour

The refineries achieved record production of all products of 12.1 billion litres (2006: 11.9 billion litres), including 10.9 billion litres of high value transport fuels (petrol, diesel and jet fuel). New throughput records were set during the year with average utilisation for the refineries increasing to 84% (2006: 78%) although production was slightly lower than anticipated due to unscheduled unit shutdowns for essential repair and maintenance work at both the Kurnell (Sydney) and Lytton (Brisbane) refineries in November and December.

The marketing business also performed well and maintained its market leadership in fuel sales and convenience store retailing. Caltex had record transport fuel sales of 13.8 billion litres in 2007 (2006: 13.4 billion litres). The highest growth was in diesel sales with Caltex diesel volumes up by over 11% which was well above market growth. There was also higher non-fuel income with a strong increase in convenience store sales and revenue from the card business.

Petrol prices

Australian petrol prices remain low relative to those in many other developed economies. We have the fourth lowest prices for petrol before tax in the OECD.

On a litre of petrol, Caltex's profit after tax averaged around 1.5 cents a litre in 2007 compared with the Australian Government's tax at the bowser of approximately 50 cents a litre3.

During the year, Caltex made substantial contributions to the Australian Competition and Consumer Commission's 2007 inquiry into unleaded petrol prices in Australia. Caltex welcomed the ACCC report issued in December which found no reason to regulate petrol pricing and no evidence of price fixing or collusion in the industry.

Biofuels expansion

Caltex more than met its commitment under the Australian Government's Biofuels Action Plan exceeding the 2007 target by 50%.

The company trebled the volume of ethanol and biodiesel sold in biofuel blends in 2007. The number of service stations selling Bio E10 Unleaded and/or New Generation Diesel with 2% biodiesel increased from 237 to 306.

Bio E10 Unleaded, which contains 10% ethanol blended with regular unleaded petrol is now offered at 207 sites in New South Wales, Queensland and the ACT. The network continues to expand and the proportion of Bio E10 Unleaded in petrol sales at these sites is growing.

Looking ahead

The company will continue to experience high cash demands as a result of rising capital costs and working capital requirements due to the significant rise in crude oil costs.

The strong balance sheet and sound operating performance in 2007 have positioned the company to weather the outlook for tightening economic conditions and declining refiner margins.

Caltex had an improved safety performance in 2007 achieving the lowest lost time injury frequency rate to date and a substantial decrease in the number of motor vehicle and tanker truck accidents.

Safety and reliability performance is a priority at Caltex and a number of projects were launched in 2007 which will bring ongoing improvements.

In 2007, the company invested \$319 million in programs to strengthen its supply chain network and improve performance in its refining and marketing operations. In addition, we plan to invest over \$1 billion over 2008 – 10 on strengthening our core operations across the business.

- The replacement cost of sales operating profit (RCOP) excludes the impact of the fall or rise in oil prices in Australian dollar terms (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.
- 2 The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.
- 3 This calculation is based on a bowser price of around \$1.35 a litre (excise 38.14 cpl + GST 12.27 cpl).



Refiner margins are expected to be lower in 2008, worsened by a strong Australian dollar. Planned shutdowns in 2008 will reduce refinery production in the first half of the year with full year production of high value transport fuels expected to be similar to that of 2007. 2008 earnings will also be impacted by supply issues resulting from the unplanned refinery shutdowns in late 2007 and early 2008.

Caltex will continue to grow earnings from its marketing business, where margins

are less volatile than in the refining sector. Strong marketing earnings help buffer Caltex against any cyclical weakening of refining margins. Profitable fuel sales volume growth is being targeted with a focus on diesel, and initiatives are continuing in convenience retailing, premium fuels and biofuels.

Transport fuels sales volumes have remained strong to date in 2008 and are expected to continue with further robust growth in diesel sales.

The company will continue to invest in strengthening its core operations but is mindful of the significant increase in capital costs and will constantly review its portfolio of capital projects to ensure a strong balance sheet is maintained and debt kept to sustainable levels.

Acknowledgments

The Board wishes to acknowledge the strong contribution of Mr Richard Warburton AO who retired as Chairman



The Lytton refinery in Queensland (pictured) and Kurnell refinery in NSW set new throughput records

of Caltex on 30 September 2007, a position he had held since April 2001. The Board expressed its appreciation for his leadership during a period which has seen a substantial improvement in Caltex's performance.

The Board welcomes the appointment of Mr Greig Gailey as a director in December.

Above all, the Board would like to express its thanks to employees, contractors, franchisees and resellers for their commitment and contribution to Caltex's success in 2007.

Eful Boyan Elizabeth Bryan

CHAIRMAN

Desmond King

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

RECORD PRODUCTION AND UTILISATION

Caltex's refineries at Lytton in Queensland and Kurnell in New South Wales refine crude oil into petrol, diesel, jet, base oil for lubricants and specialty products such as LPG and bitumen.

n 2007, Caltex's two refineries achieved record production and utilisation rates although constrained by technical problems at the end of the year.

Both refineries demonstrated that higher rates can be achieved and sustained.

Refiner margins were lower with the Caltex refiner margin averaging A7.0 cents per litre (US\$9.26 a barrel) in 2007, compared with A8.44 cents per litre (US\$10.13 a barrel) in 2006 as the higher Australian dollar in 2007 lowered earnings gains from the US dollar denominated refiner margin.

High priority was given to improving safety culture and there was a focus on risk management and reliability projects.

Production and utilisation

Production of all products for the year was a record 12.1 billion litres (2006: 11.9 billion litres). Production of high value transport fuels (petrol, diesel and jet fuel) was 10.9 billion litres, up from 10.2 billion litres in 2006. However, production was slightly lower than anticipated due to unscheduled unit shutdowns for essential repair and maintenance work at both the Kurnell (Sydney) and Lytton (Brisbane) refineries in November and December.

Both refineries operated at near record throughput rates during the year, together achieving record average utilisation of 84% (2006: 78%). New throughput records were set for the catalytic cracking units at both refineries and the crude distillation units at Kurnell.





REVIEW OF OPERATIONS - REFINING



Planned shutdowns in 2008 will have an impact on refinery production in the first half of the year, but the company is on track with refinery projects that will increase production capacity of high value transport fuels outside major maintenance periods to 1 billion litres a month by 2010.

Major projects

A second diesel hydrotreater unit (DHTU) is under construction and on track for completion in the first guarter of 2009. Globally, capital costs continue to rise due to the tight availability of skilled labour and materials cost increases. Independent data shows capital costs in the refining industry generally have risen by more than 60% over the last three years. Caltex is experiencing similar cost pressures for the Lytton DHTU with final costs currently anticipated to be around \$320 million. This compares with the initial estimate for the project of approximately \$250 million. When commissioned the unit will increase Caltex's capacity to produce extra low sulfur diesel (maximum 10 parts per million sulfur) by 40%.

A new 18 megalitre diesel storage tank was commissioned at Kurnell in January 2008 and is currently providing valuable intermediate diesel storage during a maintenance shutdown of the Kurnell DHTU and sulfur recovery unit. It has effectively increased diesel storage at the refinery by 26%.

An 88 megalitre capacity crude oil storage tank now under construction is scheduled for completion in May 2008. When completed it will be Caltex's largest tank and will add an additional 40% capacity to the Kurnell refinery's crude storage

facilities. The new crude tank will assist in maximising plant utilisation by enabling the refinery to better manage fluctuations in the timing of the delivery of crude oil affected by weather delays or shipping from more distant oil fields.

Risk and reliability

In 2007, there was substantial investment in projects to improve process safety risk management, reliability and environmental performance at both refineries. Improved risk criteria are being used in a consistent manner to support refinery decision making, including prioritisation of capital expenditure as well as refinery hazard studies and detailed risk studies.

In production operations, work was done on risk reduction projects identified by process hazard analysis. Additional work was done on improving mechanical integrity, contractor safety management and process safety information.

At the Lytton refinery, installation of a new 3 kilometre long crude oil pipeline from the wharf on the Brisbane River to the refinery was completed during the year and work started on a project to upgrade the refinery's product wharf, including a new fire fighting system. Further projects were carried out as part of a \$10 million program to upgrade the refinery's fire protection systems, including the purchase of a \$700,000 specially designed fire truck and the installation of sophisticated deluge systems at the LPG storage units.

At Kurnell, the most comprehensive maintenance shutdown in the 43-year history of the Caltex Lubricating Oil Refinery (CLOR) was successfully completed at the end of October. The 45-day shutdown

involved turnaround and inspection work on four process units. CLOR is the only lubricating oil refinery in Australia.

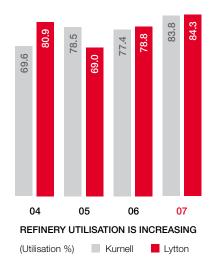
Environmental projects at Kurnell included flood mitigation and waste water treatment programs. A comprehensive waste management and recycling program was launched during the year which has cut by 65% the 55 tonnes of rubbish the refinery previously sent each month to landfill.

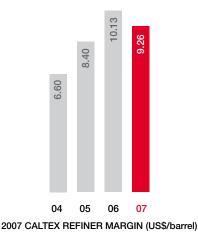
Improved safety culture

A program that focuses on safety behaviour was introduced in 2007 to the 1,600 employees and contractors who work at Caltex refineries. Known as the Incident and Injury Free (IIF) program, it is being implemented through orientation sessions, training workshops, supervisory skills courses and coaching for senior managers.

IIF focuses on establishing a culture of care and concern for fellow workmates. Employees are encouraged to explore what safety means to each of them, learning to approach workmates to speak about working safely and to be happy to be approached in turn. Taking personal initiative with regard to safety becomes a core value.

The system supports the existing safety assurance programs including the Loss Prevention System (LPS) and our safe work standards and procedures. In another safety initiative in late 2007 all employees were issued with a formal Authority to Stop Work card which they can invoke if they feel a situation is unsafe. This gives every individual on site the delegated authority to stop work if they believe the job can be performed more safely, regardless of their position.





◆ The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

SAFETY, RELIABILITY AND SECURITY OF SUPPLY



Supply & Distribution buys crude oil and is responsible for production planning at the company's Sydney and Brisbane refineries. It also buys and sells petroleum products, schedules product movements to meet marketing sales, distributes products to a network of terminals it operates around Australia and delivers products to customers.

n integrated Supply & Distribution department was formed in 2007 bringing together supply planning and operations (for both crude oil and petroleum products) with terminals and distribution activities.

Integrating the supply chain from crude oil to customer has enabled a stronger focus on improving the processes and infrastructure to better ensure safety, reliability and security of supply.

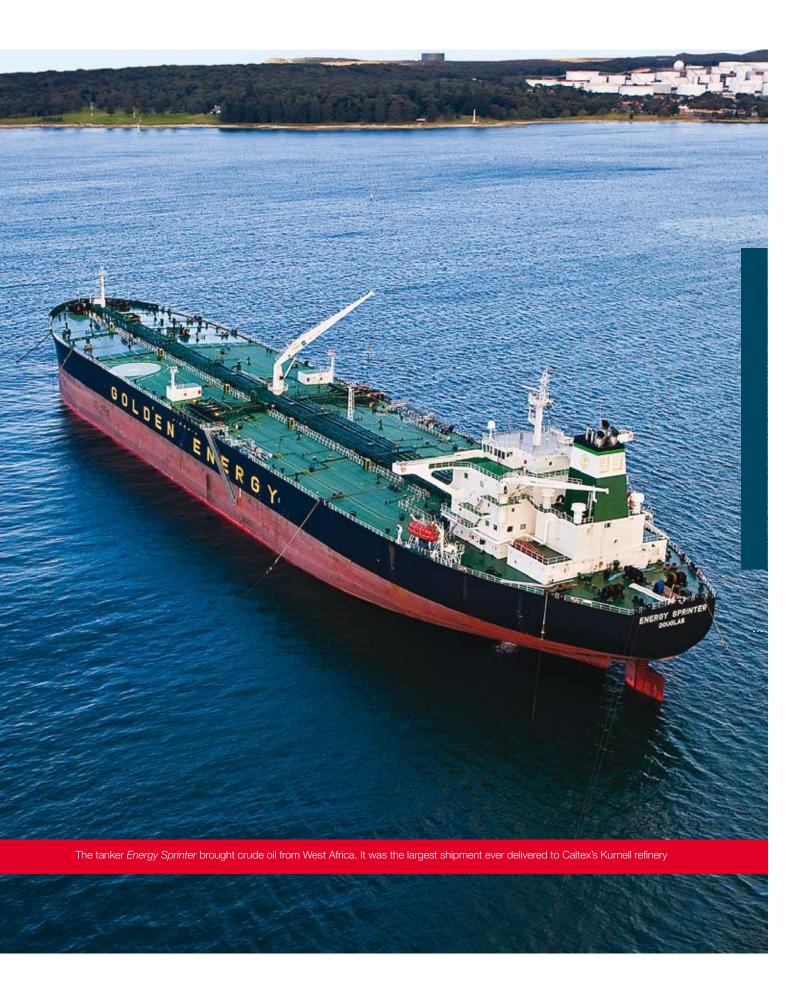
During the year progress was made in upgrading the terminals network and implementing improvements in data management and reporting, refinery scheduling and product supply planning.

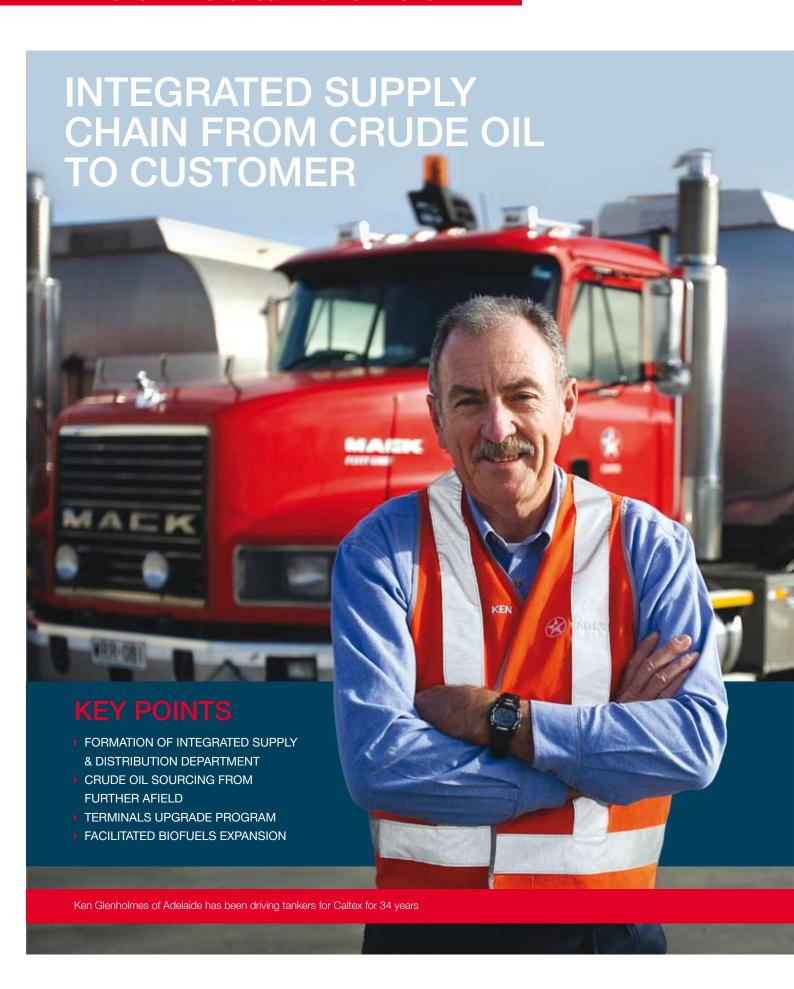
Caltex's trebling of biofuels sales during the year required expanded purchases of ethanol and biodiesel by the supply team and work was accelerated on building terminal facilities to blend biofuels with petrol and diesel.

Larger shipments from further afield

Caltex's crude oil supply sourcing is changing in response to declining regional oil fields and increased global competition for crude oil supplies. This requires going further afield to obtain light sweet crudes, oil with low sulfur content and low density well suited to Caltex refineries. The longer distance also requires larger cargoes to achieve economies of scale.







In June 2007, Caltex took delivery of an 875,000 barrel (140 million litres) cargo of crude oil from West Africa in the Suezmax tanker Energy Sprinter. This was the biggest shipment ever received by Caltex and came from 14,000 kilometres away in the Congo Republic.

Despite the distance, the cargo was landed in Australia at a lower cost than a regional cargo of equivalent quality. It marked Caltex's first purchase of cargo from a region that provides alternative good quality low sulfur crudes comparable to Australian and South-East Asian crudes.

Securing biofuels supply

The rapid growth of Caltex's biofuels business is reflected in the trebling of biofuels purchases in 2007. The current suppliers of ethanol to produce Caltex's Bio E10 Unleaded (10% ethanol) are Manildra which produces ethanol from wheat in NSW and CSR which produces ethanol from molasses in north Queensland.

In June 2007, Caltex announced a major new contract for supply of ethanol from a new bio-refinery under construction at Dalby in Queensland's Darling Downs by Dalby Bio-Refinery Limited (DBRL). Caltex is contracted to buy a minimum of 30 million litres of ethanol each year for three years, an undertaking that underpinned the plant's development.

The grain-to-ethanol plant is expected to be in production by the end of September 2008, producing 80 million litres a year using over 200,000 tonnes a year of sorghum purchased from local growers.

For biodiesel, Caltex's current main source is Biodiesel Industries Australia at Rutherford near Newcastle, NSW which supplies around 12 million litres a year of biodiesel for production of Caltex's New Generation Diesel (2% blended biodiesel).

High feedstock prices forced the closure of several Australian biodiesel suppliers in the fourth quarter of 2007. Caltex has not purchased imported palm oil based biodiesel and won't unless it can be shown to be sustainable to the satisfaction of key stakeholders in the countries in which it is produced. To this end, Caltex has been negotiating with other local producers to establish new supply arrangements for quality biodiesel that are economic and meet Caltex's stringent quality requirements.

Terminals upgraded to meet market changes

Work continued on a major program to upgrade and expand Caltex's fuel storage and distribution facilities to strengthen the reliability of Caltex's supply system. This is responding to changes in the Australian market that include rising fuel imports, expanding demand for diesel and fast growing regional Australian markets.

During 2007, the focus was on the \$10.9 million upgrade of Caltex's Mackay terminal in central Queensland situated

Focus on safety and compliance

Progress was made on a number of safety and compliance projects in 2007 and work commenced on implementing the Operational Excellence Management System for the newly-formed Supply & Distribution department.

The safety efforts of Caltex drivers were supported with the introduction of new tanker trucks with advanced safety features at a number of Caltex terminals around Australia. The new tankers have an overfill detection system, and best practice braking and suspension systems that deliver improved stability and control. The tankers also have six rather than five compartments to increase the fleet's flexibility in handling the growing number of fuel products Caltex delivers.

There was continued strong focus on carrier accreditation for transport of fuel by contractors. This ensures that Caltex transport contractors pass a stringent audit of their drivers, vehicles and equipment, safety processes, emergency response and other risk management features.

Caltex is responding to changes in the Australian market that include rising fuel imports, expanding demand for diesel and fast growing regional Australian markets

in one of the country's fastest growing markets for diesel. An advanced new integrated process control system will make the Mackay terminal one of the safest and most up-to-date fuels terminals in the country.

The rapid expansion of biofuels sales during the year led to priority being given to upgrading biofuels facilities at Caltex's Newcastle and Banksmeadow terminals in NSW and Lytton terminal in Queensland.

Outfitting these terminals to handle biofuels involves upgrading existing tanks, bunds, pipes and safety systems and installing new pumps and electrical systems to provide an automated blending process and the loading rack for E10 petrol and biodiesel.

The Banksmeadow and Lytton ethanol infrastructure projects will each cost around \$2 million and are scheduled for completion in 2008.

Further work was done in 2007 on rolling out a system to deliver best practice safety assurance at all Caltex terminals. The benchmark adopted by Caltex is the comprehensive safety case regime developed at Caltex's Newport terminal to comply with Victoria's licence to operate regulations. This system will be adopted at Caltex terminals around Australia.

Maintenance and reliability systems in Caltex's 12 terminals and the Sydney to Newcastle pipeline were boosted during the year with the introduction of a national computerised maintenance management system.

DIESEL DRIVES RECORD TRANSPORT **FUELS SALES**



Marketing promotes and sells Caltex fuels, lubricants, specialties, convenience store goods and a StarCard through a national network of around 1.850 service stations - most of which are Caltex branded - and 60 distributors. Marketing also sells directly to a large number of commercial customers. All these customers are supported by Caltex's extensive network of terminals and depots across the country.

altex Marketing had record earnings in 2007, increasing its contribution to total Caltex earnings and maintaining its market leadership in fuel sales and convenience store retailing.

It was a year of record fuel sales volumes and increased non-fuel earnings. This reflects strategies focused on strong growth in diesel sales, higher shop sales and earnings from card activities.

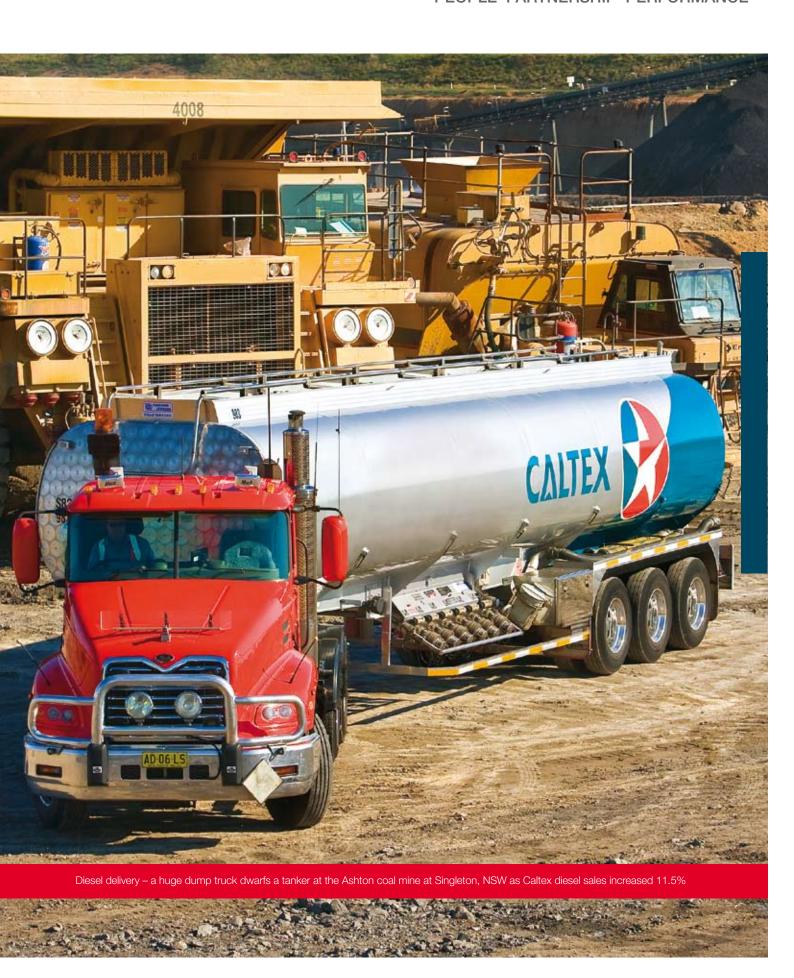
The business also achieved record safety performance in 2007 and strong improvement in cost management. There was increased investment in retail and depot infrastructure programs to meet new compliance and customer demands.

In new initiatives, biofuels sales continued to expand significantly and trials were launched for a new generation convenience store offering and a new premium diesel product.

Record driven by diesel growth

Sales volumes of transport fuels (petrol, diesel and jet fuel) increased to a record 13.8 billion litres (2006: 13.4 billion litres). This was driven by an 11.5% growth in diesel sales volumes, well above national diesel market growth of 6.4%. Higher diesel sales were achieved across all marketing channels with the strongest growth recorded in the direct sales channels with particularly strong growth in sales to the transport, mining and power generation sectors. Diesel sales in the retail channel also rose, reflecting the growing number of diesel passenger vehicles.







Retail petrol sales remained flat in a tough retail operating market with Caltex growth of 0.8% in line with national market growth. Caltex supplies a retail network of 1,850 sites and continues to be the leading supplier of fuels to the Australian consumer. The network of 516 jointly branded Caltex Woolworths sites (135 Caltex contributed) accounts for around 50% of Caltex's petrol sales.

Premium (higher octane) petrol sales volumes were up 11.5% compared with market growth of 9.9%. Sales expanded with the rollout of Vortex 98 petrol into the Western Australian market at the beginning of 2007 where there has been strong demand.

In 2007, Caltex continued to expand its product portfolio to reflect the growing demand for premium fuels and biofuels. A successful trial of a new product, Vortex Premium Diesel, was launched mid-year at a number of Sydney sites for sale to drivers of diesel passenger cars and light commercial vehicles.

Earnings from both jet fuel and finished lubricants were higher in 2007 as unprofitable business was rationalised. Returns from specialty products increased as a result of improved performance in the marine and bitumen market segments.

Growth in convenience store sales

Strong growth in convenience store sales in 2007 contributed to increased non-fuel income and helped Caltex keep its position as Australia's leading convenience store retailer.

Average weekly same store sales were up 7.2% in Caltex's network of 472 Star Mart convenience stores. Growth areas included beverage sales and the new fresh coffee and bakery offer.

A trial of a new generation store was launched in 2007 with four "twenty first century Caltex" (21CC) concept sites opening in metropolitan areas of Sydney and one at west Gosford on the NSW central coast. The 21CC stores have a new look and layout and feature a new product range.

Caltex continues to develop its retail network by investing in convenience store upgrades and divesting "tail sites" which do not meet our brand criteria. Focused investment and divestment will create a network of higher performing stores in attractive locations with higher facility standards.



Caltex Heathcote is one of five new concept stores trialling a new look, layout and product range

Contribution from card activities

Caltex StarCard strengthened its national market leadership in 2007 with a 9% increase in sales volumes over the previous year. New business in 2007 included a large contract with the Queensland Government.

StarCash gift card sales remained solid with strong sales to commercial customers. Retail sales are expected to rise with the launch of a new system at the end of 2007 which enables cards to be loaded and activated at the point of sale.

Major expansion in biofuel sales

Caltex trebled the volume of biofuels sold in 2007 and increased the number of service stations selling ethanol blended petrol and/or biodiesel from 237 to 306.

The company more than met its commitment under the Australian Government's Biofuels Action Plan, exceeding the 2007 target by 50%.

Bio E10 Unleaded, which contains 10% ethanol blended with regular unleaded petrol, is sold in many Caltex sites from Canberra to Cairns with the product offered at 207 sites in NSW, Queensland and the ACT.

The network continues to expand and the proportion of Bio E10 Unleaded in petrol sales at these sites is growing.

Caltex also sells New Generation Diesel containing 2% biodiesel at over 150 sites in NSW. In addition, Caltex sells B5 (a blend of 5% biodiesel) and B20 (a 20% blend) to commercial truck and bus fleet customers in South Australia and NSW.

During the year, Caltex converted infrastructure at a number of retail sites and conducted a biofuels marketing, education and promotional campaign with both activities supported with some assistance from government grants designed to encourage the growth of E10 petrol sales.

Improvements in safety and cost management

Employees' strong commitment to lifting safety performance resulted in a record low lost time injury frequency rate and a significantly improved accident frequency rate for tanker trucks and motor vehicles in 2007. Many areas in Caltex Marketing operated all year without any incidents.

A new Caltex direction that tanker drivers should decline to supply sites considered unsafe is prompting important safety improvements to rural and regional customers' premises around the country.

There was also major effort and capital expenditure invested in 2007 in safety and compliance projects targeting Caltex's storage depots, service stations and pumps. This included the launch of a program to replace aged underground storage tanks and the installation of automatic tank gauging systems.

In a move designed to improve risk management and efficiency, in 2007 the decision was made to appoint a national single contractor to deliver maintenance services to service stations and depots. A strong focus on cost management resulted in Marketing's unit costs decreasing to 1.62 cents per litre in 2007 from 1.75 cents per litre in 2006.

These outcomes demonstrate the excellent job by the Marketing team of focusing on the priorities and managing the controllables in 2007 which firmed the platform for continued growth.

ENVIRONMENT, WORKPLACE AND SOCIETY

Caltex's business plans and operations reflect its commitment to achieving a sustainable future through actions to protect the environment, address the climate change challenge, introduce biofuels, and match developments in the marketplace as a preferred employer providing goods and services to the community with ever rising expectations.

n 2007, Caltex again achieved bronze ranking in the 2006 Australian Corporate Responsibility Index (CRI) in its second year of participation in the survey. The index helps businesses assess and report on their corporate responsibility performance, focusing on management of community, environment, marketplace and workplace issues.

Caltex rated above average in its strategy and integration of corporate responsibility concerns into the business, but needed to improve in management of environmental impact, especially waste minimisation.

ENVIRONMENT

Climate change policy and action plan

Caltex is working on climate change issues in conjunction with the Australian Institute of Petroleum. In July 2007, Caltex announced its company climate change policy and associated action plan. This accepts the findings of the UN Intergovernmental Panel on Climate Change and recognises that climate change presents a significant risk to economies, societies and the environment.

Caltex supports setting a national goal for Australia to reduce its greenhouse gas emissions and agrees with the concept of a national pricing mechanism for carbon by 2010. Caltex advocates use of markets





Cleaner air with fewer emissions from older trucks is the objective of a Caltex-funded program to retrofit filters to the exhaust systems of customers' trucks. Caltex Commercial Sales Business Manager Jeff Hickson (left) and Fleet Engineering Manager Merv Rowlands of Boral with one of the particulate filters installed in a Boral truck fleet in Western Sydney

REVIEW OF OPERATIONS - CALTEX AND SUSTAINABILITY



Dora Ambrosi-Wall found a way to recycle bitumen waste from Caltex's lubricants refinery into useful products

rather than regulation, with emission trading for industrial plants such as refineries and a carbon tax similar to an excise per litre on fuel for motorists and transport industries.

A number of measures to combat climate change are already being undertaken by Caltex, some of which are specified in the internal action plan announced with the company's climate change policy. These include producing cleaner and more energy efficient fuels, quantifying and reducing greenhouse emissions associated with Caltex refineries, terminals, service stations and related supply chain activities and identifying cost effective opportunities for improving energy efficiency.

Caltex has also incorporated climate change into the Caltex risk management framework in business planning and is committed to raising awareness and understanding of climate change issues with employees, business partners, customers and other stakeholders.

Cleaner fuels and biofuels

Caltex strongly supports government standards and incentives for cleaner fuels and vehicles. The company has invested \$500 million in upgrading its refineries to produce diesel with less sulfur and petrol with less benzene. These have helped greatly reduced air pollution since being introduced in 2006 and further reductions are coming.

Caltex is also expanding the supply of fuels which help improve the fuel efficiency of vehicles, including extra low sulfur diesel and high octane premium fuels.

From a small base four years ago Caltex's biofuels distribution business has grown rapidly into an enterprise selling 741 million litres of biofuels blends in Australia in 2007.

The Caltex network at the end of 2007 had 306 sites selling either or both Bio E10 Unleaded, a petrol containing 10% ethanol or a biodiesel blend of regular diesel and 2% biodiesel.

petrol, so consumers would choose ethanol blends instead. This can be achieved through a production bounty or grant for ethanol producers.

The company is monitoring the debate on food versus fuel relating to the issue of land and crops being diverted to the production of biofuels.

Site emissions

In November 2007, Caltex celebrated a decade of reporting greenhouse gas emissions under the federal government

Caltex is expanding the supply of fuels which help improve the fuel efficiency of vehicles

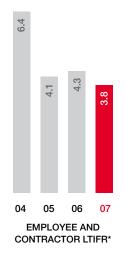
Caltex has significant supply contracts with local producers of ethanol and biodiesel and is investing millions of dollars in terminals and blending facilities to support projected future growth for the biofuels

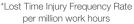
The company is working to comply with the mandate requiring ethanol to make up 2% of petrol sales in NSW from 1 October 2007. However, while Caltex strongly supports development of ethanol blended petrol it remains opposed to mandating the use of ethanol. Instead, governments could ensure that E10 petrol was priced by suppliers significantly below regular

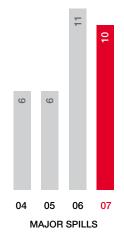
Greenhouse Challenge Program. Since joining the program Caltex has developed and implemented over 120 energy or greenhouse emissions saving actions ranging from improving efficiencies of fridges and freezers and reducing energy use of lighting at retail sites to improving energy efficiencies of pumps and heat exchangers at terminals and the refineries and optimising refinery steam systems.

Caltex has also publicly reported emissions of pollutants through the National Pollutant Inventory since the program's inception in 1998









Major spills are spills or releases posing an actual or likely significant risk to safety, human health or ecosystems

Volatile organic compounds (VOCs) are a key pollutant from Caltex facilities which affect regional air quality when combined with oxides of nitrogen in the atmosphere to produce smog. Different summer and winter fuel specifications help to reduce summer smog where fuel with lower volatility is sold in summer months (in cooler weather higher volatility fuel is required for engines to run properly).

Caltex is also addressing the issue of VOC emissions through changes to equipment at its facilities including vapour recovery units at Caltex's largest terminals to recover VOCs that escape during tanker loading. In 2007, a number of terminals had their vapour recovery units upgraded.

At the refineries, a leak detection and repair program is being conducted where all pipes, valves and other equipment are inspected to minimise the risk of escaping VOCs. Since the program began at the Kurnell refinery 20,000 components have been checked (out of approximately 65.000 on site) with 800 leaks found and stopped.

Waste management

Using findings of detailed waste audits there was a focus on waste management at Caltex refineries in 2007. Site-wide recycling and reuse programs were established and the Kurnell refinery built a worm farm to process on site food scraps and kitchen waste. These programs have significantly reduced the amount of waste sent to landfill.

There are also new initiatives to recycle industrial waste including a partnership with a waste management company which will process solidified waste bitumen to use in items such as car mats and roof weatherproofing.

Caltex Marketing signed the National Packaging Covenant in March 2007. Under this scheme Caltex will take a closer look at the way lubricants and other products are packaged, reducing the volume of packaging and where possible changing composition of materials to make them more recyclable. The covenant is a voluntary agreement between industry and government and commits signatories to a national recycling target of 65% for packaging and no further increases in packaging waste disposed to landfill by the end of 2010.

Water recycling

In 2007, preparations were made for Caltex's Lytton refinery in Queensland to switch to recycled water for around 85% of its total 5.5 million litres a day consumption by mid-2008. The project is in partnership with Brisbane City Council, Brisbane Water, and the Queensland Government and in 2007 an upgrade of the Wynnum water reclamation plant was completed and it is now installing a micro filtration reverse osmosis plant to supply recycled water to the neighbouring Lytton refinery.

Work commenced at the refinery with assistance from the Queensland Government on installing approximately \$5.5 million worth of infrastructure for the project. Because the recycled water is demineralised it will also enable the refinery to reduce its total water usage.

A similar project is also planned for Caltex's Kurnell refinery in Sydney to switch to using 4.5 million litres a day of recycled water from a proposed new plant to process and upgrade tertiary treated effluent from Sydney Water Corporation's Cronulla Sewage Treatment Plant.

WORKPLACE

Safety and risk management

Caltex had its best year on record for safety in 2007. The Lost Time Injury Frequency Rate (LTIFR) fell to 3.8 (per million hours), down from 4.3 in 2006. Motor vehicle and tanker truck accidents also decreased. with 40% fewer than in 2006.

Excellence in safety, risk management and ensuring reliable operations while meeting its commitments to the community and protecting the environment are key business objectives for Caltex.

REVIEW OF OPERATIONS – CALTEX AND SUSTAINABILITY



A job sharing arrangement at Caltex's Kurnell refinery enables Zoe Devos (left, with son Lawson) and Francis Nelson to spend more time with their children

The company employs three main systems to manage risk and ensure sustainable operations:

- 1. The enterprise-wide Caltex risk management framework was implemented in 2007 to regularly communicate risk and facilitate better risk management. It provides a common approach to identifying and assessing all significant risks and associated controls, and developing control improvements where necessary.
- 2. The Loss Prevention System (LPS) continued to underpin safe, reliable and effective operations throughout Caltex with tools to prevent incidents. In 2007, Caltex reassessed how maximum benefit could be derived from LPS and application of tools was shifted to focus more on key risk areas.
- 3. The rollout of the Operational Excellence Management System continued across Caltex in 2007. This system has a heavy focus on leadership accountability, with 13 elements that spell out requirements for the management of safety, health, environment, reliability and efficiency.

Attracting and developing talent

In response to increasing competitiveness in the external employment market and an ageing workforce, Caltex in 2007 redefined its approach and strengthened resources dedicated to talent sourcing. The focus is the strategic sourcing of talent using state of the art technology and supported by tailored attraction and retention strategies.

Developing the capability of Caltex people is an area of key strategic focus in its business plan. In 2007, a new talent management system was developed and implemented. This is designed to deliver a systematic and rigorous approach to identifying high potential employees against leadership potential factors and a core set of Caltex leadership competencies. All senior Caltex leaders have been evaluated against this framework and specific areas for tailored development identified. A comprehensive talent review was undertaken for all senior management positions, identifying possible successors for key roles.

Diversity strategy

A Caltex diversity policy was launched in 2007 that expands on the company's former Equal Employment Opportunities (EEO) Policy. The new policy reflects Caltex's commitment to providing a work environment which embraces and consistently practises diversity and inclusion in all employment areas and encourages a balance in its workforce which reflects the communities it serves.

Designed to encourage diversity and flexibility in Caltex's workforce, the diversity strategy includes significantly enhanced parental leave benefits, flexible working arrangements and the rollout of companywide training on EEO and diversity.

SOCIETY

Petrol pricing

Caltex made substantial contributions in 2007 to the Australian Competition and Consumer Commission's (ACCC) inquiry into the price of unleaded petrol in Australia, and the Queensland Fuel Subsidy Commission of Inquiry, providing comprehensive written submissions and appearing before both inquiries.

In response to the ACCC Inquiry's report on unleaded petrol prices issued in December. Caltex said the company welcomed the report, and noted that it supports many of the views expressed by Caltex about petrol prices. This included the finding that there was no evidence of price fixing or collusion

The new policy is designed to encourage diversity and flexibility in Caltex's workforce

Culture and values

In 2007, Caltex's performance management process was redesigned to include specific Caltex behaviours which clarify how employees can actively support the company's culture and values. The behaviour standards are in support of Caltex's Vision, Values and Strategic Intents (printed on the back page of this report) and are: commitment to safety and risk management, ethical commitment, commitment to others, personal accountability, financial responsibility, customer focus, and total enterprise perspective.

Workplace giving

January 2007 saw the implementation of Caltex's new Fuelling Change workplace giving program in which employee contributions to charities of their choice are automatically deducted from their pre-tax pay and matched by the company. The charities selected by Caltex employees for the program are the Cancer Council, the Heart Foundation, Oz GREEN (a water conservation organisation), the RSPCA, the Starlight Children's Foundation and The Smith Family. In the first year the combined Caltex contributions through Fuelling Change totalled over \$100,000.

in the industry, that there is significant price competition at the retail level and that there is little evidence that cyclical increases in petrol prices before public holidays are greater than cyclical increases at other times. The report also found that petrol retail and wholesale margins are relatively small, and that domestic petrol prices are strongly linked to Singapore refinery prices.

In its submission to the Queensland fuel subsidy inquiry Caltex showed that typically a small difference in prices between Queensland and other states is the result of differences in the intensity of competition, not absorption of part of the subsidy at the retail or wholesale levels. Caltex stated it is opposed to proposals for price regulation as it would be against the interests of both consumers and business. In its report issued in November the Inquiry recommended the 8.3 cents per litre state subsidy be either abolished or if it continues, incorporate provision for reference prices to be published.

REVIEW OF OPERATIONS - CALTEX AND SUSTAINABILITY



Publications

The six issues of Caltex's The Star magazine and insert Talkingpoint in 2007 carried lead stories and key information on issues currently affecting the oil refining and marketing industry. These included climate change, biofuels, petrol pricing, international competition and the growth in diesel usage. In addition to its readership of employees, resellers and franchisees, the magazine is also sent to politicians, the media and other external stakeholders.

Education awards

Caltex sponsors several educational awards programs. A country-wide program, the Caltex Best All Rounder Award is presented at approximately 97% of Australian secondary schools to Year 12 students who have demonstrated leadership, excellence in the classroom, on the sports field and in the community. Each winning student also has the opportunity to enter a national

At tertiary level, a new Caltex award that recognises outstanding achievements in the teaching of chemical engineers was introduced in 2007. The inaugural winner was Dr Sandra Kentish of the University of Melbourne who received \$5,000 and a certificate for the award which is conducted in conjunction with the Australia/NZ Federation of Chemical Engineering.

Community support

Caltex has a strong partnership with the Starlight Children's Foundation which is dedicated to brightening the lives of seriously ill children and their families. Every year Caltex employees, franchisees and resellers around Australia are involved in fundraising activities in addition to an annual corporate donation.

Major fundraising events during the year included Starlight Day in May where the efforts of Caltex employees and retailers around Australia raised over \$262,000.

Caltex refineries and other operations have a range of local community programs and sponsorships. For the Kurnell refinery in Sydney this includes local cultural festivals and sporting activities and the Lytton refinery in Brisbane supports a number of local schools and environmental and sporting programs.



Caltex sponsored the Starlight van's trip around Australia

The ACCC inquiry found no evidence of price fixing or collusion in the industry and that there is significant price competition at the retail level

writing competition where they recommend a charity or community organisation they would like to see receive a \$1,000 donation from Caltex. Five charities are chosen every year to receive the donation and students who write the winning submissions also receive \$500 for themselves and \$500 for their school.

For teachers, Caltex sponsors the Caltex and Rotary Club of Sydney Award for Innovation in Teaching. Three award winners each receive up to \$6,500 to be used to visit an overseas educational institution to learn more about their area of special interest in teaching. In 2007, awards went to teachers who had developed programs to boost students' employment prospects and confidence, to foster artistic talent in primary schools on a wide scale, and to increase students' use of student support services.

A highlight of 2007 was the completion in May of the 50 Towns in 50 Weeks program where a Starlight van and Captain Starlights toured Australia taking fun, games and laughter to ill children in 113 country towns and 106 hospitals around the country. The 12-month journey was sponsored by Caltex, which provided the van, fuel and accommodation for two Captain Starlights. Caltex people at locations along the way raised \$85,000 for Starlight.

In the arts, Caltex has supported the Australian Chamber Orchestra (ACO) since 1996. In 2007, Caltex sponsored a national tour, Enchanted, which featured traditional singer Danny Spooner and fiddler Mike Kerin along with ACO's Artistic Director Richard Tognetti and the orchestra.

BOARD OF DIRECTORS

Elizabeth Bryan

Chairman (Non-executive/Independent)

Bachelor of Arts (Australian National University, Australia) and Master of Economics (University of Hawaii, USA)



Ms Bryan was appointed a director of Caltex Australia Limited on 18 July 2002 and appointed Chairman of the Board on 1 October 2007.

In 2007, Ms Bryan was a member of the

Nomination Committee and the OHS & Environmental Risk Committee, becoming Chairman of each of those committees when she was appointed Chairman of the Board. Since becoming Chairman of the Board, Ms Bryan has also attended meetings of the Audit Committee in an ex-officio capacity. Throughout 2007 Ms Bryan also served as Chairman of the Human Resources Committee.

Ms Bryan is a professional director and brings management, strategic and financial expertise to Caltex. Ms Bryan has over 30 years' experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. Prior to becoming a professional director she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Ms Bryan is the Chairman of Unisuper and is also on the National Board of the Australian Institute of Company Directors.

Current directorships of listed companies

 Westpac Banking Corporation (appointed 6 November 2006)

Previous directorships of listed companies in the last three years

Ridley Corporation Limited (7 September 2001 – 31 October 2007)

Desmond King

Managing Director and Chief Executive Officer

Bachelor of Chemical Engineering (University of London, UK) and Doctor of Philosophy (University of Cambridge, UK)



Mr King was appointed the Managing Director and Chief Executive Officer of Caltex Australia Limited on 1 May 2006.

In 2007, he was a member of the OHS

& Environmental Risk Committee and the Nomination Committee and attended meetings of the Audit Committee and the Human Resources Committee in an exofficio capacity.

Before joining Caltex Australia, Mr King was responsible for the management of the 220,000 barrels a day Chevron Corporation Pembroke refinery in Wales, UK. He has previously held senior roles in Chevron including General Manager - Strategic Planning, responsible for developing the corporate strategy for oil and gas exploration and production, refining and marketing. Mr King joined Chevron in 1981, having previously been a Professor of Chemical Engineering at West Virginia University in Morgantown, West Virginia, USA.

Trevor Bourne

Director (Non-executive/Independent)

Bachelor of Mechanical Engineering (University of New South Wales, Australia) and Master of Business Administration (University of Newcastle, Australia)



Mr Bourne was appointed a director of Caltex Australia Limited on 2 March 2006 and in 2007 was a member of the Audit Committee, the Nomination Committee and the

OHS & Environmental Risk Committee.

Mr Bourne brings to the Board broad management experience acquired in industrial and capital intensive industries and engineering and supply chain skills and experience. From 1999 to 2003, Mr Bourne served as Chief Executive Officer of Tenix Industries Limited. Prior to Tenix Industries Limited, he spent 15 years at Brambles Industries Limited, six as Managing Director of Brambles Australasia. Before that he worked for Incitec Limited and BHP Limited.

The Board has determined that Mr Bourne is an independent director despite the level of transactions with Origin Energy Limited and its subsidiaries (Origin) in 2007 exceeding the thresholds in the Charter of Director Independence. Most of the expenditure with Origin in 2007 related to contracts for the supply of electricity and natural gas with a company which became a subsidiary of Origin after the execution of the contracts with Caltex.

Current directorships of listed companies

- Hastie Group Limited (Chairman) (appointed 14 February 2005)
- Origin Energy Limited (appointed 18 February 2000)

Previous directorships of listed companies in the last three years

- Coates Hire Limited (26 February 2004 – 9 January 2008)
- Lighting Corporation Limited (12 February 2004 - 18 January 2008)

Greig Gailey

Director (Non-executive/Independent)

Bachelor of Economics (University of Queensland, Australia)



Mr Gailey was appointed a director of Caltex Australia Limited on 11 December 2007.

Mr Gailey brings to the Board extensive Australian and

international oil industry experience and broad management expertise acquired in

industrial and capital intensive industries. From 1964 to 1998, Mr Gailey worked at British Petroleum Company where he held various positions throughout Australia and offshore including management of refining, supply and distribution in Australia and Europe. After 1998, Mr Gailey was the Chief Executive Officer of Fletcher Challenge Energy, New Zealand, the Chief Executive Officer of Pasminco Limited and the Chief Executive Officer and Managing Director of Zinifex Limited, a position from which he stepped down in June 2007.

Mr Gailey is currently president of the Business Council of Australia.

Previous directorships of listed companies in the last three years

 Zinifex Limited (5 May 2004 - 29 June 2007)

Brant Fish

Director (Non-executive)

Bachelor of Science (Mechanical Engineering) (University of Florida, USA)



Mr Fish was appointed a director of Caltex Australia Limited on 27 July 2006 and was a member of the Human Resources Committee, the Nomination Committee and the

OHS & Environmental Risk Committee in 2007.

Mr Fish brings significant downstream oil industry experience to Caltex Australia, particularly in the area of supply chain. Mr Fish currently serves as the Vice President Joint Ventures and Affiliates -Chevron Global Downstream. Prior to that, he was the General Manager of Supply and Optimisation, Asia-Pacific for Chevron U.S.A Inc., where he had accountability for overall refining and marketing earnings, commercial decision making and optimisation across the Asia-Pacific fuel supply chain – from refinery crude supply to consumer or export sale. Mr Fish is based in Singapore.

Mr Fish previously served as an alternate director for Peter Wissel and for the former directors. Bill Hauschildt and Mitch Rubinstein.

John Thorn

Director (Non-executive/Independent)



Mr Thorn was appointed a director of Caltex Australia Limited on 2 June 2004. In 2007. he was Chairman of the Audit Committee and a member of the Nomination

Committee and the OHS & Environmental Risk Committee.

Mr Thorn brings expertise to the Board in the areas of audit and accounting practice and standards, business advisory services and risk management. Mr Thorn had over 37 years' professional experience with PricewaterhouseCoopers, where he was a partner from 1982 to 2003, undertaking work for major international and local companies. During this period, he served as Managing Partner of PricewaterhouseCoopers' Assurance & Business Advisory Service practice (from 1998 to 2001) and as the National Managing Partner (from 2001 to 2003).

Current directorships of listed companies

- Salmat Limited (appointed 1 September 2003)
- National Australia Bank Limited (appointed 16 October 2003)
- Amcor Limited (appointed 8 December 2004)

Richard Warburton AO

Director (Non-executive/Independent)



Mr Warburton was appointed a director of Caltex Australia Limited on 29 July 1999 and served as Chairman of the Board from 26 April 2001 to 30 September 2007. Mr Warburton will retire

as a director with effect from the conclusion of the 2008 Annual General Meeting.

In 2007, until he retired as Chairman of the Board, Mr Warburton was Chairman of the Nomination Committee and the OHS & Environmental Risk Committee, a member of the Human Resources Committee and attended meetings of the Audit Committee in an ex-officio capacity. For the remainder of 2007, Mr Warburton was a member of the Nomination Committee, the OHS &

Environmental Risk Committee and the Human Resources Committee.

Mr Warburton brings considerable board and corporate governance experience to Caltex. Prior to becoming a professional director, Mr Warburton was the Chairman and Chief Executive Officer of DuPont Australia and New Zealand, where he was responsible for DuPont's petrochemical business operations in Australia and New Zealand.

Mr Warburton is Chairman of the Board of Taxation and is a Fellow (and a former National President) of the Australian Institute of Company Directors.

Current directorships of listed companies

- Magellan Flagship Fund Ltd (Chairman) (appointed 19 October 2006)
- Tandou Limited (Chairman) (appointed 6 April 2004)

Previous directorships of listed companies in the last three years

- Tabcorp Holdings Limited (28 June 2000 – 27 November 2006)
- Nufarm Limited (22 October 1993 – 5 December 2006)

Peter Wissel

Director (Non-executive)

Bachelor of Arts in Economics (Denison University, USA), and Master of Business Administration -Finance (New York University Graduate School of Business Administration, USA)



Mr Wissel was appointed a director of Caltex Australia Limited on 23 August 2005 and was a member of the Audit Committee, the Nomination Committee and the

OHS & Environmental Risk Committee in 2007.

Mr Wissel brings significant downstream oil industry experience to Caltex Australia, particularly in the area of finance and risk management. He is the Regional Finance Officer, Asia-Pacific for Chevron's downstream business. In this role, he is responsible for financial and management reporting, credit approval, local cash management, local tax matters and risk management in the 15 countries in the Asia-Pacific region where Chevron conducts refining and marketing operations. Mr Wissel is based in Singapore.

CORPORATE GOVERNANCE STATEMENT

The governance arrangements at Caltex Australia Limited are set by the Board having regard to the particular circumstances of Caltex and the best interests of shareholders. Caltex is committed to best practice in corporate governance where these practices are appropriate and add value to Caltex. The Board and management of Caltex maintain a constant interest in governance, including assessing the guidelines of regulatory and investor bodies and considering other national and international practices. This leads to the governance arrangements being reviewed regularly to ensure compliance with legal requirements, to meet the expectations of shareholders

and to best address the circumstances of Caltex. During 2007, all Board and Committee Charters, as well as the Caltex Charter of Director Independence, the Caltex Share Trading Policy, the Caltex Continuous Disclosure Policy, the Caltex Shareholder Communications Policy and the Code of Conduct were reviewed and revised by the Board.

The tabular information below and on the following pages shows compliance by Caltex Australia Limited against the recommendations of the ASX Corporate Governance Council in accordance with Listing Rule 4.10. This statement also provides information on other governance practices adopted by Caltex Australia Limited. This statement is current as at the date of the 2007 Directors' Report and, unless otherwise indicated, the information was true for the whole of the financial year commencing on 1 January 2007. The information provided below contains references to the Caltex web site (www.caltex.com.au/about gov.asp). If a shareholder does not have access to the internet, they may contact the Caltex Secretariat to obtain copies of any of the documents. This statement should be read in conjunction with the Directors' Report.

Recommendation Comply

1.1 Formalise and disclose the functions reserved to the Board and those delegated to management



The Board has adopted a Charter that details the functions and responsibilities of the Board, which is available on Caltex's web site. Management of Caltex's day-to-day operations is undertaken by the Managing Director and Chief Executive Officer, subject to specified delegations of authority approved by the Board.

The Board has also adopted the practice of formal letters of appointment for all new directors. The letter sets out the key terms and conditions of the director's appointment.

Recommendation Comply

2.1 A majority of the Board should be independent directors



A majority of the Board are independent directors. The matters and thresholds considered by the Board in assessing the independence of directors are set out in the Board's Charter of Director Independence, which is available on Caltev's web site. The definition of independent director does not depart materially from that recommended by the ASX Corporate Governance Council. Materiality thresholds have been determined by the Board which are reasonable and consider the materiality to both the service provider or supplier/customer and to Caltex.

The Board makes an assessment of the independence of each director upon appointment and in February of each year. Directors are required on an ongoing basis to disclose to the Board relevant personal interests and conflicts of interest. Upon any such disclosure, a director's independence is reassessed.

In 2007, non-executive directors met on four occasions in the absence of management. In addition, all directors (including the Managing Director and Chief Executive Officer) meet before other members of management join each Board meeting.

2.2 The Chairperson should be an independent director



2.3 The roles of the Chairperson and Chief Executive Officer should not be exercised by the same individual



2.4 The Board should establish a nomination committee

The Board has a Nomination Committee, the membership of which was changed in May 2007 to be all the members of the Board. The Chairman of the Nomination Committee is the Chairman of the Board. Prior to 1 May 2007, the Nomination Committee was combined with the Human Resources Committee, which consists of three members, the majority of whom are independent, and is chaired by an independent director.

The Board has adopted a Charter for the Nomination Committee which reflects the matters set out in the commentary and guidance to recommendation 2.4, a copy of which is available on Caltex's web site.

The Board has adopted a process and selection criteria for appointment to the Board of Caltex Australia Limited. The selection criteria include generic corporate attributes, industry-specific attributes and personal attributes (including time availability) required in directors. Further information on the selection process is outlined in the Policy & Process for the Appointment, Election and Re-election of Directors approved by the Nomination Committee in September 2007 and posted on Caltex's web site.

A non-executive director is elected for a period of up to three years or until the third Annual General Meeting after the director's election (whichever is longer). As the ASX Listing Rules require Caltex to hold an election of directors each year, directors may be subject to re-election before the expiration of this term. Any director (other than the Managing Director) who is appointed to the Board as a casual vacancy or as an addition to the Board during a year holds office until the end of the next Annual General Meeting, but is eligible for election by shareholders at that meeting.

2.5 Provide the information indicated in the Guide to reporting on Principle 2



Included in the Directors' Report is information on:

- the skills, experience and expertise of each director;
- an assessment of independence of each director;
- the term of office held by each director; and
- the names of members of the Nomination Committee and their attendance at meetings of the Committee.

Directors may obtain independent professional legal advice at Caltex's expense, subject to making a request to, and obtaining the prior authorisation of, the Chairman. Where the Chairman wishes to obtain independent professional legal advice, the Chairman is required to make a request to, and obtain the prior authorisation of, the Chairman of the Audit Committee.

CORPORATE GOVERNANCE STATEMENT continued

Recommendation Comply 3.1 Establish a code of conduct to guide the directors, the Chief Executive Officer, the Chief Financial Officer and any V other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices Caltex has adopted a Code of Conduct to guide the standards of ethical behaviour expected of Caltex directors and employees in the performance of work for Caltex. A copy of the Caltex Code of Conduct is available on Caltex's web site. V 3.2 Disclose the policy concerning trading in company securities by directors, officers and employees The Caltex Share Trading Policy is available on the Caltex web site. In particular, the Caltex Share Trading Policy prohibits directors and employees who hold unvested Caltex shares pursuant to any share scheme offered by Caltex to enter into any transaction that is designed or intended to hedge that person's exposure to those unvested shares. V 3.3 Provide any information indicated in the Guide to reporting on Principle 3 4.1 Require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the company's V financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards When the Board considers the half-year and full-year financial statements, the Chief Executive Officer and Chief Financial Officer provide the requisite written statement. The statement is considered by the Audit Committee prior to being provided to the Board. 4.2 The Board should establish an Audit Committee 4.3 Structure the Audit Committee so that it consists of: • only non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the Board • at least three members 4.4 The Audit Committee should have a formal charter V A copy of the Charter of the Audit Committee is available on the Caltex web site. The Charter reflects the matters set out in the commentary and guidance to recommendation 4.4. V 4.5 Provide the information indicated in the Guide to reporting on Principle 4 Information on the names and qualifications of the members of the Audit Committee, as well as the number of meetings of the Audit Committee in 2007 and who attended those meetings, is included in the Directors' Report. Information on the process for the appointment and monitoring of the external auditor and oversight of the rotation of external audit partners and the independence of the external auditor is set out in the External Auditor Policy available on Caltex's web site. 5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure V requirements and to ensure accountability at a senior management level for that compliance The Board has adopted the Caltex Continuous Disclosure Policy, which sets out the key obligations of the Board and senior management to ensure that Caltex complies with its disclosure obligations under the ASX Listing Rules and the Corporations Act 2001 (Cth). A copy of the Caltex Continuous Disclosure Policy is available on the Caltex web site. 5.2 Provide the information indicated in the Guide to reporting on Principle 5

Comply

V 6.1 Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings The Board has adopted a Caltex Shareholder Communications Policy, a copy of which is posted on the Caltex web site. V 6.2 Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. V 7.1 The Board or appropriate board committee should establish policies on risk oversight and management Caltex has adopted a risk management framework throughout its operations to proactively and systematically identify, assess and address events that could potentially impact upon business objectives. Under the Risk Management Policy, which supports the risk management framework, there is regular reporting to the Board and the OHS & Environmental Risk Committee on the key risks and controls at Caltex. The OHS & Environmental Risk Committee is a new committee of the Board established in 2007. This committee was established to enable the Board to focus on its oversight of OHS and environmental matters. A copy of the Charter of the OHS & Environmental Risk Committee is available on the Caltex web site. Caltex has an internal audit function which reports to both the Audit Committee and the Managing Director and Chief Executive Officer. The Audit Committee oversees the internal audit function and the appointment of the Internal Audit Manager. The Internal Audit Manager meets with both the Chairman of the Audit Committee and the Audit Committee as a whole in the absence of management. This function has full access to personnel and information and is independent of the external auditor. 7.2 The Chief Executive Officer and the Chief Financial Officer should state to the Board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board

7.3 Provide the information indicated in the Guide to reporting on Principle 7

The statement is considered by the Audit Committee prior to being provided to the Board.

effectively in all material respects

Recommendation

A description of Caltex's risk management policy and internal control systems is available on the Caltex web site.

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and

When the Board considers the half-year and full-year financial statements, the Chief Executive Officer and Chief Financial

8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors and key executives

Officer provide the requisite written statement in terms consistent with the guidance from the Group of 100.

The Caltex Performance Evaluation Process sets out the processes by which the performance of the Board and all Caltex employees is evaluated, and is available on Caltex's web site. Information on performance evaluation of key executives is also included in the Remuneration Report in the Directors' Report, as Caltex strongly believes in the link between performance and remuneration.

Directors are encouraged to attend director training and professional development courses, as required, at Caltex's expense. New directors also receive an information pack, meet with senior executives to gain further background on Caltex's business operations and visit facilities as appropriate. The Nomination Committee reviews this induction process on a regular basis to ensure that appropriate induction is provided for new directors.

Caltex management provides detailed papers for each Board and Committee meeting and attends meetings to answer any questions that directors may have. Directors are free to request any further information they may require. All directors have access to the Company Secretary and the Company Secretary is accountable to the Board, through the Chairman, on governance matters.

V

V

CORPORATE GOVERNANCE STATEMENT continued

Recommendation		Comply
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	V
A Re	emuneration Report can be found in the Directors' Report commencing at page 44.	
9.2	The Board should establish a remuneration committee	
dired and	Board has a Human Resources Committee that considers the remuneration arrangements for employees and ctors of Caltex. The Committee is composed of three members, the majority of whom are independent directors, the Chairman is an independent director. Prior to May 2007, the Committee operated as the Human Resources omination Committee.	
	Board has adopted a Charter for the Committee which reflects the matters set out in the commentary and guidance ecommendation 9.2, a copy of which is available on Caltex's web site.	
9.3	Clearly distinguish the structure of the non-executive directors' remuneration from that of executives	
direc direc	discussed in the Remuneration Report contained in the Directors' Report, 100% of the remuneration of non-executive extors is fixed and non-executive directors do not participate in any incentive plan. Also, fees paid to non-executive extors must be within the aggregate remuneration pool approved by shareholders. Remuneration paid to executives 2007 included fixed and variable components, as detailed in the Remuneration Report.	
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	
	or executives of Caltex may receive shares under long-term incentive plans. Where required, the terms and conditions e plan have been approved by shareholders. Grants have been made in accordance with the plan rules.	
9.5	Provide the information indicated in the Guide to reporting on Principle 9	
	mation on the members of the Human Resources Committee, as well as the number of meetings of the Human burces Committee in 2007 and who attended those meetings, is included in the Directors' Report.	
1 Ja	owing the decision to discontinue the Caltex retirement scheme for non-executive directors with effect from nuary 2004, non-executive directors residing in Australia are entitled only to statutory superannuation. ctors not residing in Australia are not entitled to any superannuation.	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	
Асс	ppy of the Code of Conduct is available on Caltex's web site.	

In addition to complying with all of the recommendations of the ASX Corporate Governance Council, the Board has adopted other governance practices which address particular circumstances relevant to Caltex Australia Limited. These include the management of the relationship with Chevron, the largest shareholder in Caltex Australia Limited and compliance with the Trade Practices Act 1974 (Cth). Also, during 2007, governance advisors queried the effectiveness of the Audit Committee, given that one of its members is not classified as independent.

Relationship with Chevron

Chevron Corporation, through one of its subsidiaries, holds 50% of the issued shares in Caltex Australia Limited. Various Chevron subsidiaries also enter into commercial arrangements with Caltex from time to time. Caltex benefits greatly from its relationship with the Chevron Group (Chevron) by being able to access Chevron's global scale and extensive research and development activities. Without these benefits, Caltex might be at a competitive disadvantage to other oil refiners and marketers in the Australian market which are subsidiaries of international oil companies. Caltex is not a subsidiary of an international oil company and the Board recognises that this means that Caltex must be diligent in ensuring that Chevron is not favoured over other shareholders.

The Board has adopted a policy governing all transactions with Chevron. Under that policy, substantial transactions between Caltex and Chevron must be approved by the Board of Caltex prior to the transaction being entered into. A transaction will only be approved if the terms of the proposed transaction are arm's length terms or no less favourable to Caltex Australia than arm's length terms.

Of particular significance are agreements negotiated between Caltex and Chevron in relation to spot and term crude and product sales and purchases and the chartering of shipping for the transportation of crude and petroleum products purchased and sold by Caltex. Crudes purchased from all parties, including Chevron, are assessed using the same mathematical model and published market pricing data to determine the crude creating the greatest value for Caltex having regard to such factors as crude quality, purchase price, freight costs and processing suitability and value. If Chevron acts as an agent of Caltex in a crude transaction, it receives a commission fee which has been assessed to be less than the cost to Caltex of operating a Singapore trading office or of using an independent agent and Chevron only acts on instructions from Caltex. In relation to product purchases, a program is considered annually by the Board. As part of that consideration, the Board receives information on the current year's transactions showing that they occurred on an arm's length basis and approves the independent criteria to be used to assess that the following year's arrangements will

be on no worse terms than on an arm's length basis.

The Board of Caltex Australia Limited has three directors who are executives of Chevron, one of whom is currently seconded from Chevron to act as the Managing Director and Chief Executive Officer. The appointment of Chevron executives as directors allows Caltex to access industry experience that these directors have gained through involvement in the day-to-day operations of one of the world's leading global energy companies. They bring important knowledge and experience to bear on the Board's consideration of operational and business matters which is not available from directors without industry involvement and which is not generally available in Australia.

Once appointed to the Board of Caltex Australia Limited, these directors are required under corporate law to act in the best interests of Caltex. It is a term of the letter of appointment of the Managing Director and Chief Executive Officer (to which the Managing Director and Chief Executive Officer agrees) that the scope, nature and performance of his duties are subject to, and must be undertaken in accordance with, the lawful directions of the Board of Caltex Australia Limited. Directors who are employees of Chevron must participate in an education session conducted by external Australian legal counsel shortly after their appointment which emphasises their duties to Caltex and how to manage any conflicts of interest that might arise.

The performance of the Managing Director and Chief Executive Officer is assessed annually by the Chairman against Caltex performance benchmarks. The results of this assessment are reported to Chevron which takes these into account in the remuneration it pays to the secondee.

Further information on the relationship with Chevron is available on Caltex's web site.

Compliance with Trade **Practices Act**

Caltex is committed to complying with the Trade Practices Act 1974 (Cth) and, to this end, has a rigorous Trade Practices Compliance Program in place.

A key element of the program is the Caltex Trade Practices Compliance Policy approved by the Board. It is a condition of employment that all Caltex employees

comply with this policy. The policy requires all Caltex employees to comply with the Trade Practices Act 1974 (Cth) and not engage in any conduct or activity which is compromising from a Trade Practices point of view.

A further key element of the program is the provision of annual tailored education for relevant employees and contractors.

Composition of the **Audit Committee**

The composition of the Audit Committee complies with the recommendations of the ASX Corporate Governance Council, including that it be composed of a majority of independent directors and be chaired by an independent director. However, some governance bodies would prefer that the Audit Committee be composed of independent directors only. It is the Board's view that the current composition of the Audit Committee is appropriate, particularly bearing in mind Board size and membership.

Importantly, various measures are in place to ensure that the Audit Committee operates in the best interests of shareholders and financial markets. These measures include the attendance of the Chairman of the Board, who is an independent director, the external auditor and the internal audit manager at Audit Committee meetings. Further, the Chairman of the Audit Committee meets with the external auditor and the internal audit manager separately prior to each Audit Committee meeting. The Chairman of the Audit Committee also reports to the Board after each Audit Committee meeting on the matters considered by the Audit Committee and minutes of Audit Committee meetings are included in the next set of Board papers. Finally, any director who is not a member of the Audit Committee is able to attend any Audit Committee meeting and receives a copy of the agenda prior to each Audit Committee meeting.

Caltex believes that having a director who is an executive of Chevron as a member of the Audit Committee is advantageous in that this person is able to bring extensive knowledge of the petroleum industry to the Committee's deliberations. In the case of the current membership of the Audit Committee, that person also has significant financial expertise.

PROFIT AND LOSS

For the year ended 31 December 2007

M	llions of dollars	2007	2006
1	Total revenue ¹	19,342	18,665
2	Total expenses ²	(18,667)	(18,010)
3	Replacement cost earnings before interest and tax	675	655
4	Net finance costs	(39)	(46)
	Income tax expense	(192)	(179)
	Replacement cost profit (RCOP)	444	430
5	Inventory gain after tax	202	36
	Historical cost net profit after tax	646	466
	Interim dividend per share	47c	32c
6	Final dividend per share	33c	48c
	Basic earnings per share		
	- Replacement cost	164c	159c
	- Historical cost	239c	173c

DISCUSSION AND ANALYSIS

TOTAL REVENUE

Total revenue increased primarily due to:

- higher marketing transport fuels sales volumes; and
- higher product prices driven by crude oil prices.

TOTAL EXPENSES -REPLACEMENT COST BASIS

Total expenses increased primarily due to higher cost of sales, which reflected:

- higher crude prices;
- higher refinery production and sales volumes; and
- inflationary impact on operating costs.

¹ Excludes interest revenue.

² Excludes interest expense and inventory gains/(losses).

DISCUSSION AND ANALYSIS continued

3

REPLACEMENT COST EBIT 3%

Caltex's underlying performance continued to improve, driven by higher sales volumes and higher production offset by lower refiner margins, the impact of the stronger A\$ on refiner margins and higher operating costs.

RCOP EBIT BREAKDOWN1

CALTEX REFINER MARGIN (CRM) \$786m

CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

Despite higher production volumes (2007: 10.9 billion litres of petrol, diesel and jet; 2006: 10.2 billion litres), total CRM was A\$142 million lower in 2007 than in 2006. The US dollar CRM was 9% lower in 2007 than in 2006 at US\$9.26/bbl, compared with US\$10.13/bbl in 2006. In addition, the stronger Australian dollar resulted in the Australian dollar CRM being 17% lower at A\$11.12/bbl in 2007, compared with A\$13.42/bbl in 2006, and escalating product prices resulted in a higher pricing lag. Higher production volumes were not able to offset the effect of the US\$/bbl CRM decline and the stronger Australian dollar.

TRANSPORT FUELS MARKETING MARGIN \$354m

Transport fuels comprise petrol, diesel and jet. The transport fuels marketing margin is based on the average net margin over Import Parity Price in Australia.

The average transport fuels marketing margin was 6% higher than in 2006, driven by higher transport fuel sales of 13.8 billion litres in 2007, compared with 13.4 billion litres in the same period in 2006. The strongest growth was in diesel sales with Caltex volumes up by 11.5% from the prior year.

LUBRICANTS AND SPECIALTIES MARGIN \$115m

Lubricants and specialties products include finished lubricants, base oils, liquified petroleum gas, petrochemicals, bitumen, wax and marine fuels.

Lubes and specialty margins increased 7%, compared with 2006, as unprofitable business was rationalised.

NON-FUEL INCOME \$152m

Non-fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from non-controlled equity distributors.

Non-fuel income was higher in 2007 with a 7.2% growth in weekly same shop sales and a strong contribution from the card business through StarCard and StarCash.

OPERATING EXPENSES (\$750m)

Operating expenses represent refining and supply, marketing and corporate operating expenditure.

Higher refinery operating costs and increased service station remediation provisions contributed to the higher costs. On a cent per litre basis, operating costs rose 3.96%, in line with inflation.

OTHER \$18m

Other margin includes:

- refining margin other than CRM (export sales, clean fuels grant and favourable imports and local purchases); and
- exchange gain on payables.

TOTAL RCOP EBIT \$675m

1 The breakdown of RCOP shown here represents management reporting view of the breakdown and as such individual components may not reconcile to statutory accounts.

SIMPLIFIED FINANCIAL REPORT continued

DISCUSSION AND ANALYSIS continued



The decrease in net finance costs reflects a lower average net debt for 2007 (23% below 2006). The net debt at 31 December 2007 was \$582 million compared with \$539 million at 31 December 2006. Debt increased towards the end of the year as the company built inventory in preparation for major refinery maintenance in the first quarter of 2008.

5



Regional crude oil (Tapis) prices rose significantly throughout 2007 (US\$100.85/ bbl in December 2007, compared with US\$59.54/bbl in December 2006). This increase resulted in net inventory gains of \$290 million (\$202 million after tax), compared with net inventory gains of \$52 million (\$36 million after tax) in 2006.

FINAL DIVIDEND

The Board declared a final dividend of \$89.1 million or 33 cents per share fully franked. This makes the total dividend declared for 2007 80 cents per share fully franked after 47 cents per share paid on 28 September 2007 (2006 total dividends: 80 cents per share). The record date is 7 March 2008, with the dividend payable on 28 March 2008.

BALANCE SHEET

As at 31 December 2007

Millions of dollars	Dec 2007	Dec 2006	Change
1 Working capital	937	699	238
2 Property, plant and equipment (PP&E)	2,477	2,288	189
3 Net debt	(582)	(539)	(43)
Other non-current assets and liabilities	(3)	(5)	2
Total equity	2,829	2,443	386

DISCUSSION AND ANALYSIS



The increase in working capital is primarily due to:

- higher value of crude and finished product inventory due to the higher Tapis price (US\$100.85/bbl in December 2007, compared with US\$59.54/bbl in December 2006);
- higher crude inventory volumes due to unplanned refinery shutdowns in December 2007; and
- higher receivables due to increase in commercial sales (volume and prices). Partly offset by:
- higher crude payables due to increased Tapis price, and increased finished product purchases at the end of the year, driven by unplanned shutdowns.



The increase in property, plant and equipment is due to:

- capital expenditure and major cyclical maintenance of \$363 million. Partly offset by:
- · depreciation of \$160 million; and
- net disposals of \$14 million.



Net debt was \$582 million at 31 December 2007, an increase of \$43 million from 31 December 2006. Debt increased towards the end of the year as the company built inventory in preparation for major refinery maintenance in the first quarter of 2008.

CASH FLOWS

For the year ended 31 December 2007

Millions of dollars	2007	2006	Change
Receipts from customers	21,469	21,290	179
Payments to suppliers and employees	(16,041)	(16,046)	5
Payments for excise	(4,629)	(4,412)	(217)
1 Finance costs paid	(54)	(57)	3
2 Other net operating activities	(149)	(309)	160
Net operating cash flows	596	466	130
3 Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(351)	(387)	36
Other investing cash flows	(17)	(18)	1
Net investing cash outflows	(368)	(405)	37
4 Net financing cash inflows/(outflows)	(270)	(34)	(236)
Net (decrease)/increase in cash held	(42)	27	(69)

DISCUSSION AND ANALYSIS



Net debt increased to \$582 million at 31 December 2007, compared with \$539 million at 31 December 2006. However, average net debt for 2007 was 23% lower than for 2006, resulting in decreased borrowing costs.



Net cash outflows from other net operating activities were lower than 2006 due to income taxes paid of \$162 million in 2007, compared with \$315 million in 2006. In addition, interest received was \$6 million higher in 2007.



PURCHASES OF PP&E AND MAJOR CYCLICAL **MAINTENANCE**

Capital expenditure in 2007 was in line with the previous year.



Net financing cash outflows increased due to lower net borrowings in 2007 (i.e. higher repayments in 2007 relative to funds drawn down) and an increase in dividends paid. Total dividend payments in 2007 were \$257 million, compared to \$170 million in 2006.

FINANCIAL REPORT

THE 2007 FINANCIAL REPORT FOR CALTEX AUSTRALIA LIMITED INCLUDES:

- 42 DIRECTORS' REPORT
- 69 DIRECTORS' DECLARATION
- 71 INDEPENDENT AUDIT REPORT
- 72 INCOME STATEMENTS
- 73 BALANCE SHEETS
- 74 STATEMENTS OF RECOGNISED INCOME AND EXPENSE
- 75 CASH FLOW STATEMENTS
- 76 NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007.

CALTEX AUSTRALIA GROUP

For the purposes of this report, the Caltex Australia Group consists of:

- Caltex Australia Limited, which is the parent company of the Caltex Australia Group;
- major operating companies, including Caltex Australia Petroleum Pty Ltd, Caltex Refineries (NSW) Pty Ltd, Caltex Refineries (Qld) Pty Ltd, Caltex Petroleum Services Pty Ltd and Caltex Lubricating Oil Refinery Pty Ltd; and
- a number of wholly owned entities and other companies that are controlled by the Group.

Please note that terms such as Caltex and Caltex Australia have the same meaning in this report as the Caltex Australia Group, unless the context requires otherwise.

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

DIRECTORS' REPORT

For the financial year ended 31 December 2007

Introduction

The Board of Caltex Australia Limited presents this Directors' Report and the 2007 Financial Report for the Caltex Australia Group for the year ended 31 December 2007 to shareholders. An Independent Audit Report from KPMG, Caltex's external auditor, is also provided.

Board of directors

The Board of Caltex Australia Limited comprises Elizabeth Bryan (Chairman), Desmond King (Managing Director and Chief Executive Officer), Trevor Bourne, Brant Fish, Greig Gailey, John Thorn, Richard Warburton and Peter Wissel.

Directors' profiles

Details of directors, their qualifications, experience and any special responsibilities, including committee memberships, are set out on pages 28 to 29. Details of alternate directors who served during 2007 follow.

Alternate director

Colleen Jones-Cervantes Alternate Director

Bachelor of Mechanical Engineering (Michigan Technological University, USA)

Ms Jones-Cervantes was appointed as an alternate director for Brant Fish and Peter Wissel on 27 July 2006.

Ms Jones-Cervantes is the Vice-President -Global Marketing, Asia-Pacific with Chevron U.S.A Inc., based in Singapore. In this role, she is responsible for retail sales for the Caltex brand, commercial and industrial sales, asphalt and LPG sales, and company operated stores in 11 countries.

Review of results and operations

General overview

Caltex Australia Limited recorded an after tax profit of \$444 million on a replacement

cost of sales operating profit (RCOP) basis for the year to 31 December 2007. This compares with an RCOP result of \$430 million for the full year 2006.

Caltex operates in a highly competitive market and the \$444 million 2007 RCOP profit equates to an average of 2.2 cents per litre after tax for all petroleum products sold¹. (Full year 2006: 2.2 cents per litre.)

In the case of petrol alone, Caltex's profit after tax was around 1.5 cents a litre (cpl) compared to the Australian Government's tax at the bowser of approximately 50 cents a litre².

Caltex recorded a solid financial performance despite a worsening external environment. Record refinery production helped offset declining refiner margins and there was a stronger contribution from the marketing business with higher transport fuel sales, particularly diesel, along with increased non-fuel income. Marketing contributed approximately half of Caltex's earnings in 2007.

The company had its best safety performance to date in 2007 and also managed to keep its unit operating expenses in line with inflation despite strong cost pressures for materials and skilled labour.

By growing sales volumes, increasing production and good operating cost control the company has been able to offset the negative impact of external factors of currency movements and declining refiner margins.

There was a 17% drop in the Caltex refiner margin (CRM)3 in Australian cents per litre terms compared to 2006. The higher Australian dollar in 2007 had the net effect of lowering after tax profit by approximately \$40 million relative to the previous year.

The CRM averaged A7.0 cents per litre (US\$9.26 a barrel) in 2007 compared with

A8.44 cents per litre (US\$10.13 a barrel) in 2006. This margin excludes operating costs.

On a historical cost profit basis (including inventory gains), Caltex recorded an after tax profit of \$646 million for 2007 (2006: \$466 million). The profit includes crude oil inventory gains of \$202 million after tax, compared with \$36 million inventory gains in 2006.

Debt at 31 December 2007 was \$582 million (31 December 2006: \$539 million). Debt increased towards the end of the year as the company built inventory in preparation for major refinery maintenance in the first quarter of 2008.

Dividend

Caltex declared a final dividend of \$89.1 million or 33 cents per share fully franked. This makes the total dividend declared for 2007 80 cents per share fully franked after 47 cents per share paid in September 2007 (2006 total dividends: 80 cents per share).

The company is facing increasing cash demands as a result of rising capital costs and higher working capital requirements due to the significant rise in the cost of crude oil. The level of dividend has been set taking into consideration future cash flow requirements and the need to maintain a prudent debt level in an environment of declining refiner margins.

Record refinery production

There had been a strong operating performance in refining with a record 12.1 billion litres production of all products for the year (2006: 11.9 billion litres), including 10.9 billion litres of high value transport fuels (petrol, diesel and jet fuel), up from 10.2 billion litres in 2006.

New throughput records were set during the year with average utilisation for the fuels refineries increasing to 84% (2006: 78%)

- This calculation is based on RCOP NPAT (\$444 million) divided by the total Caltex sales of petrol, diesel and jet fuel including sales to domestic refiners (19.9 billion litres) and lubricants, specialty products and non-fuel income in the full year 2007.
- 2 This calculation is based on a bowser price of around \$1.35 a litre (excise 38.14 cpl + GST 12.27 cpl).
- 3 The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

although production was slightly lower than anticipated due to unscheduled unit shutdowns for essential repair and maintenance work at both the Kurnell (Sydney) and Lytton (Brisbane) refineries in November and December.

Significant progress was made during the year on major capital projects including a second diesel hydrotreater unit (DHTU) at the Lytton refinery and new crude oil and diesel storage tanks at the Kurnell refinery.

The DHTU construction is on track for completion in the first quarter of 2009 with the final construction contracts still to be awarded. Globally, capital costs continue to rise due to the tight availability of skilled labour and materials cost increases. Independent data shows capital costs in the downstream industry generally have risen by 70% or more over the last three years. Caltex is experiencing similar cost pressures for the Lytton DHTU with final costs currently anticipated to be around \$320 million. This compares with the initial estimate for the project of approximately \$250 million. When commissioned the unit will increase Caltex's overall capacity to produce extra low sulfur diesel (maximum 10 parts per million sulfur) by 40%.

Growing contribution from Marketing

There was an increased contribution from the Marketing business which maintained its market leadership in fuels sales and convenience store retailing. There were higher transport fuel sales of 13.8 billion litres in 2007, compared with 13.4 billion litres in the same period in 2006. The strongest growth was in diesel sales with Caltex volumes up by 11.5% from the prior year, compared with market growth of 6.4%. Diesel sales increased across all channels.

Retail petrol sales remained flat in an extremely competitive market with less than 1% growth in sales volume in line with market growth. Premium (higher octane) fuel sales volumes were up 11.5% which was higher than market growth of 9.9% with sales increased following the launch of Vortex 98 petrol in Western Australia.

Earnings from both jet fuel and finished lubricants were higher in 2007 as unprofitable business was rationalised.

Non-fuel income was higher in 2007 with an 8.3% growth in weekly same shop sales and a strong contribution from the card business through StarCard and StarCash.

Petrol prices

Consumers in 2007 benefited from the stronger Australian dollar which resulted in the price of petrol at times being approximately 14 cents per litre lower than if the A\$ had remained at 2006 levels.

During the year, Caltex made substantial contributions to the Australian Competition and Consumer Commission's 2007 inquiry into unleaded petrol prices in Australia. Caltex welcomed the ACCC report issued in December 2007 which found no reason to regulate petrol pricing and no evidence of price fixing or collusion in the industry.

Biofuels expansion

Caltex more than met its commitment under the Australian Government's Biofuels Action Plan, exceeding the 2007 target by 50%.

The company trebled the volume of ethanol and biodiesel sold in biofuel blends in 2007. The number of service stations selling Bio E10 Unleaded and/or New Generation Diesel with 2% biodiesel increased from 237 to 306.

Bio E10 Unleaded, which contains 10% ethanol blended with regular unleaded petrol is now offered at 207 sites in New South Wales, Queensland and the ACT. The network continues to expand and the proportion of Bio E10 Unleaded in petrol sales at these sites is growing.

Principal activities

The principal activities of Caltex during the year were the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores throughout Australia. There were no significant changes in the nature of Caltex's activities or in the state of affairs during the financial year.

Significant events after balance date

No items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group in subsequent financial years, have arisen in the period from 31 December 2007 to the date of this report.

Likely developments

Business operations

Caltex will continue to purchase, refine, distribute and market petroleum products and operate convenience stores throughout Australia.

Environmental regulations

Caltex is committed to compliance with Australian laws, regulations and standards as well as minimising our overall environmental impact. In 2007, the Caltex Board formed a new subcommittee, the Occupational Health, Safety ("OHS") and Environmental Risk Committee, to bring even greater focus to these issues. Caltex has a broad range of environment and risk management systems and processes to support our Environment Policy.

Environment, health and safety (EHS) performance indicators, targets and regular reports allow the directors of Caltex to gauge the Group's performance against these targets. In addition to the directors' review, the Managing Director and Chief Executive Officer, General Managers and Business Unit Managers meet regularly to critically review EHS and risk performance and ensure that issues are adequately addressed.

In 2006, Caltex implemented an enterprise-wide risk management framework, to provide a common approach to identifying and assessing all significant risks including environmental ones. This framework identifies the risks, the controls in place and any improvements necessary. In 2007, these risks were again reviewed with quarterly reports prepared for the Board for each significant risk.

Caltex increased its focus on waste management in 2007. Comprehensive recycling programs were introduced at the refineries, expanding on opportunities to reuse and recycle waste materials. Caltex Australia Petroleum Pty Ltd signed the National Packaging Covenant a voluntary agreement between industry and government to take shared responsibility for minimising the impact of consumer packaging.

In 2007, Caltex released its Climate Change policy and action plan. Caltex continues to participate in the Greenhouse Challenge Plus Program, which requires public reporting of emissions and progress against abatement plans; and also disclosed data

on its air emissions through the National Pollutant Inventory.

In 2007, Caltex participated in the Corporate Responsibility Index survey for the third time (reporting on the 2006 calendar year),

and was again awarded a bronze star for its overall performance in the 2005 calendar year.

Compliance with environmental obligations

A total of 12 environmental protection licences were held by companies in the Caltex Australia Group in 2006 for two refineries and 10 terminals.

21 non-compliances were recorded against these licence conditions in 2007 and there were four occasions where Caltex did not comply with environmental legislation, each of these were reported to government environmental authorities. These did not result in an infringement notice or fine. All non-compliances were investigated and corrective actions put in place.

No infringement notices for breaches of significant environmental regulation were received by Caltex in 2007.

Caltex was prosecuted for one breach of environmental regulation in 2007:

• Caltex Australia Petroleum Pty Ltd was fined \$12,000 for polluting waters and \$15,000 for failure to notify, in the NSW Land and Environment Court following the discovery of a diesel leak from pipework at the Caltex depot in Moree. The penalties were paid to Moree Plains Shire Council to be used for community projects.

Caltex Refineries NSW Pty Ltd pleaded guilty in February 2008 to a charge of failing to operate its plant in a proper and efficient manner, when operating conditions led to the release of odorous gases from the Kurnell refinery flare between 23 and 29 December 2006. A hearing to determine the penalty will be held in the NSW Land and Environmental Court in May 2008.

Caltex is committed to achieving 100% compliance and all breaches of environmental regulations have been investigated thoroughly and appropriate action taken to prevent recurrence.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 70 and forms part of

the Directors' Report for the financial year ended 31 December 2007.

Remuneration Report

Only certain information included in this Remuneration Report has been audited. Such information has been specifically identified within the relevant section headings and sub-headings. All other information has not been audited.

Introduction

To realise its vision to be the Australian oil refining and marketing company most admired for its people, partnership and performance, Caltex needs to attract, motivate and retain the right people for our business. Caltex rewards its people through transparent performance management and reward systems which closely link employee rewards to company performance and the interests of shareholders.

Our performance based reward system focuses on company, department and individual elements, with individual performance having a significant impact on employee remuneration. For all employees, including senior executives, individual performance is measured and assessed regularly, with assessment outcomes driving reward levels.

Caltex's Reward Policy

High performance at individual and team levels is required to deliver the relative Total Shareholder Return expectations established by the Caltex Business Plan. Our Reward Policy is structured to appropriately reward performance from motivated, highly skilled and resultsorientated people.

The key principles of the Reward Policy of Caltex (which includes senior executives)

- financial and non-financial performance criteria are applied to deliver longterm creation of value to shareholders, consistent with Caltex's strategic objectives and values;
- · company, department and individual performance determine reward outcomes;
- market competitive rewards are delivered commensurate with employee duties, responsibilities, accountabilities, competencies and behaviours; and

· reward programs are designed to attract, motivate and retain highly skilled people who are aligned to Caltex's vision and values.

The application of these principles focuses employee rewards on improving our relative Total Shareholder Return.

Governance of the Caltex Reward Policy and System

Governance of the Caltex Reward Policy and System is undertaken by the Board Human Resources Committee. It reviews Caltex's systems and approves outcomes including the satisfaction of performance conditions, ensuring the Reward Policy remains aligned and contributes to relative Total Shareholder Return expectations. It has this role because it is independent of management and it can use independent external advisors as necessary.

The committee has delegated authority from the Board to act on its behalf and approve:

- the annual Caltex employee reward program;
- remuneration of the members of the Caltex Leadership Team;
- grants under the annual Performance Incentive Plan and the Caltex Equity Incentive Plan: and
- the Caltex Australia Limited employee tax exempt and tax deferred share plans.

The committee also advises the Board on:

- the remuneration of non-executive directors, including remuneration for Board committee memberships;
- the remuneration contract for the Managing Director and Chief Executive Officer;
- major changes to rewards policies or practices by reviewing and commenting on changes proposed by management;
- general remuneration matters including superannuation.

The committee is comprised of two independent directors, Ms Bryan (Chairman) and Mr Warburton, and one non-executive director, Mr Fish. Mr Fish is not considered an independent director because he is a senior executive of Chevron, a 50% shareholder in Caltex Australia Limited. The committee meets a minimum of four times each year to undertake its governance functions and member attendance at committee meetings is set out on page 66.

Delivering Total Shareholder Return through performance and reward

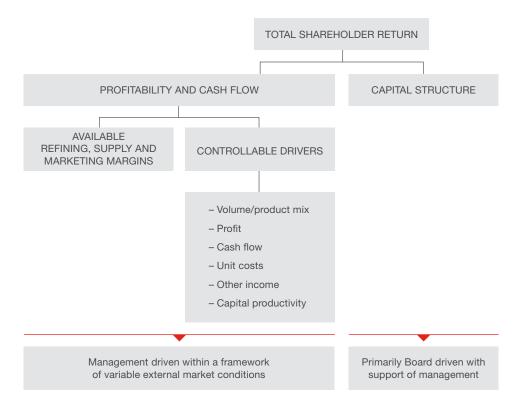
The Caltex Reward System applies to all salaried employees including senior executives but excludes employees covered by enterprise bargaining agreements, Australian Workplace Agreements and employees in Calstores Pty Ltd and Caltex Petroleum Services Pty Ltd.

The key drivers of Total Shareholder Return for Caltex are identified as profitability and capital structure. The major drivers that are within senior executive control and provide the inputs for managing and rewarding performance are:

- volume/product mix
- profit
- · cash flow
- unit costs
- other income
- · capital productivity.

In addition, there are a range of variable external market conditions that fluctuate with global market dynamics including margins in refining and marketing. As demonstrated in Figure 1 below, senior executives must deliver profitability and generate cash flow in the context of these conditions. The Reward System recognises performance that delivers superior results in our cyclical industry.

Figure 1: Key drivers of Total Shareholder Return



To ensure focus on Total Shareholder Return, each year the Board establishes a clear framework ("Corporate Direction") from which management develops the Caltex Business Plan. The Board approves the plan and regularly monitors and reviews progress.

The approved Caltex Business Plan is then translated into Department and Business Unit Plans and scorecards that incorporate the Total Shareholder Return drivers. Scorecards are approved by the Human Resources Committee prior to the commencement of each performance year.

Within departments, specific performance agreements are developed for individual employees thus completing the link between employees and delivery of Total Shareholder Return as shown in Figure 2. Performance agreements must be agreed between the employee and his or her manager. The manager once removed must then endorse the performance agreement. For executives directly reporting to the Managing Director and Chief Executive Officer, performance agreements are set jointly with the Managing Director and Chief Executive Officer.

Figure 2: Aligning individual performance agreements to Total Shareholder Return



Performance management

The efficacy of the Reward System is contingent on the integrity of the performance management process. The Caltex performance management process ensures employees know what is expected of them, how they are performing and how that will impact on their reward outcomes. As shown in Figure 3, this also provides employees with an understanding of how the performance expected of them is aligned with the Caltex Business Plan.

Figure 3: Relationship between Total Shareholder Return, performance and reward



The assessment of individual performance covers specific performance agreements, relevant department and individual scorecards, personal development plans and demonstration of Caltex values and appropriate behaviours, as well as overall performance against the individual job descriptions - that is, assessment is against the whole of job expectations. Regular whole of job assessment occurs during the course of the year resulting in a rating at year end. Ratings are then calibrated at the business unit and department level.

The performance of senior executives against their performance agreement is measured and tracked regularly by the Managing Director and Chief Executive Officer. Ratings recommended by the Managing Director and Chief Executive Officer for his direct reports must be approved by the Human Resources Committee, along with any resulting changes in fixed remuneration and payments of variable remuneration.

Figure 4 demonstrates how an employee's whole of job performance assessment ultimately impacts their base pay (fixed remuneration) movement over time and determines their variable remuneration through the Performance Incentive Plan for the current performance year.

- INDIVIDUAL PERFORMANCE

PERFORMANCE AGREEMENTS 5 **GENERATES** 4 BALANCED SCORECARD WHOLE OF JOB ONE PERFORMANCE 3 (if applicable) ASSESSMENT RATING USING THE 2 5 POINT RATING SCALE 1 PERSONAL DEVELOPMENT **PLANS** WHICH IMPACTS CORF JOB RESPONSIBILITIES COMPETENCE, VALUES TWO REMUNERATION OUTCOMES AND BEHAVIOURS **DETERMINES PERFORMANCE INCENTIVE PAYMENT** IMPACTS BASE PAY MOVEMENT (current performance year) TAKES INTO ACCOUNT TAKES INTO ACCOUNT TOTAL REWARD VALUE - SUSTAINED PERFORMANCE - COMPANY PERFORMANCE - DEPARTMENT PERFORMANCE - COMPETENCE AND BEHAVIOURS

Figure 4: Whole of job assessment and outcomes

Determining reward

- INTERNAL RELATIVITIES

- MARKET FACTORS

Total Reward Value

Caltex uses a Total Reward Value approach for employees covered under the Caltex Reward System. The core elements of the Total Reward Value are fixed remuneration including any allowances individuals are eligible to receive (base pay), variable remuneration and superannuation contributions. Variable remuneration comprises the cash based Performance Incentive Plan (short-term incentive plan) and the equity based Caltex Equity Incentive Plan (for eligible senior executives). The relative weighting of fixed and variable components for target performance varies with role level and complexity.

The Total Reward Value approach enables comparison and accurate monitoring of the market competitiveness of each employee's Total Reward Value package. Market comparisons of the Total Reward Value are undertaken regularly to inform if Caltex is in line with their remuneration target (market median). Adjustments are made as appropriate when the Total Reward Value is not in line with the market.

While annual reviews are conducted, there are no guaranteed increases in either fixed or variable remuneration and any increases are determined by individual performance, company performance, economic indicators, market data and the company's ability to pay.

Employees have some flexibility in packaging the delivery of their fixed and variable remuneration, i.e. they can salary sacrifice such things as novated car leases, personal computers, the purchase of company shares in Caltex's employee share scheme, superannuation contributions, etc.

Fixed remuneration (Audited)

Fixed remuneration is the component of Total Reward Value received for applying skills and competencies and demonstrating the appropriate behaviours to meet performance objectives as outlined in position descriptions.

Caltex aims to reward competitively with roles being benchmarked to the market median (refer to Figure 5). An individual's fixed remuneration, including senior executives, is targeted at 80 - 120% of the market median with their position in this range determined by assessment of sustained performance over time and internal relativities.

Figure 5: Benchmarking and fixed remuneration



The Human Resources Committee approved a change to the industry benchmark with effect from 1 October 2007. The new industry benchmark is the "Resources Group", defined as mining, oil and gas companies with greater than \$1 billion revenue and greater than 600 staff. The reasons for making this change include:

- The Resources Group includes all major oil, mining and gas companies, which represent our "true" competitors in the attraction and retention of top performers, particularly in the engineering and production job functions.
- The inclusion of major oil companies, who have a strong presence in the "Resources Group", has the potential to ease the pressure created by the pay level of our agreement based employees, as we have historically benchmarked against these companies in determining "award based" salary increases.
- . The transition to a new market comparator group will allow us to aggressively compete for future employees across all functions in a talent tight market.
- A smaller number of companies and their "brands" will be more easily related to by all managers and employees.

Variable remuneration (Audited)

Remuneration that is variable and directly dependent upon performance is delivered through the annual Performance Incentive Plan and the Caltex Equity Incentive Plan (CEIP). All employees covered by the Caltex Reward System participate in the annual Performance Incentive Plan. Senior executives may also be invited to participate in the CEIP.

Annual Performance Incentive Plan (Audited)

The annual Performance Incentive Plan is structured so that incentive payments reward employees based on individual, department and company performance (refer to Figure 6). Incentive opportunities increase as performance targets are exceeded at each level across the company. The greatest emphasis and weight is on individual performance, so that individuals have more control over their incentive outcome, with high performance resulting in higher incentives.

Figure 6: Performance Incentive Plan and total performance incentive



CALTEX SCORECARD AND LEVEL OF PERFORMANCE FUNDS THE PERFORMANCE INCENTIVE PLAN

The incentive potential within the Performance Incentive Plan ranges from 0% of base salary when performance expectations are not met, to a maximum of 41% of base salary for exceptional performance. The maximum is determined by the employee's level in the company, with senior executives qualifying for a maximum of 41% subject to achieving excellence against individual and department performance targets.

Overall performance against the total Caltex Scorecard determines the size of the funding pool for the Performance Incentive Plan. If the Caltex Scorecard does not meet the threshold then there is no funding to support the department performance incentive component of the plan. The threshold for payment under the Performance Incentive Plan is the simultaneous achievement of 80% of the RCOP NPAT target and a company scorecard result of greater than or equal to 50 points. Should the threshold not be met, a maximum budget of 6% of base pay is available to fund the individual performance incentive component as determined by annual performance review ratings.

As indicated above, the company scorecard result establishes the overall funding pool or total bonus opportunity. The actual portion of the pool that an individual receives is based on their department scorecard results, their level of responsibility (role) and individual performance. Performance against the department scorecards will determine the department performance incentive component. Employee role and performance review rating determine the quantum of the individual performance incentive component.

The total incentive opportunity increases or decreases relative to company and department scorecard results and individual performance outcomes.

The key Caltex Scorecard measures for 2007 approved by the Human Resources Committee at the start of 2007 are shown below. These measures were selected because they were identified as critical financial and operational drivers for the success of Caltex in 2007.

Sustained and strong profitability (40% weighting)

- Replacement Cost Net Profit After Tax (RCOP NPAT) annual performance
- Free cash flow (after investment and before dividends) annual performance

Operational excellence (30% weighting)

- Lost Time Injury Frequency Rate (per million work hours) score based on annual rate
- Motor vehicle and tanker truck accidents (# at >20km/hr)

Cost management (20% weighting)

• Unit operating expenditure cost per litre (total operating expenditure divided by total sales volume)

Capital stewardship (10% weighting)

 Percentage of leaders who have been trained in best practices for managing capital expenditures (includes decision quality and project planning and execution practices)

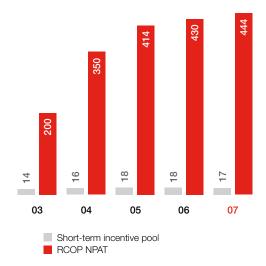
Targets are set as part of the Business Planning process and approved prior to the start of the year. Each year the Human Resources Committee reviews the ongoing appropriateness of the Performance Incentive Plan including the scorecards and their measures and weightings, performance assessment and reward outcomes. Actual scorecard performance is measured against the targets set and any payouts available under the Performance Incentive Plan are approved by the Human Resources Committee. Caltex's financial results are confirmed by the Board Audit Committee and approved by the Board at the end of the assessment period before incentive payments are awarded.

The Human Resources Committee has the overriding discretion to review and adjust the Performance Incentive Plan outcomes where there are unforeseen impacts on the scorecard elements. This discretion can be exercised through review of the scorecards and the adjustment of the scorecards as appropriate from time to time.

Graph 1 below shows the relationship between RCOP NPAT for the last five years to the total variable remuneration pool for all Caltex employees. While RCOP NPAT has grown in excess of 122% over the period, the total variable remuneration pool has only increased 36%. This has resulted in the pool reducing as a percent of RCOP NPAT over the same period, ranging from 7% of RCOP NPAT in 2003 to 4% in 2007. This is a reflection of our conservative administration of the Performance Incentive Plan and management's attempt to moderate the plan's outcomes to exclude any excessive gains that may have been driven by external market conditions.

Graph 1: Total variable remuneration pool and RCOP NPAT





Caltex Equity Incentive Plan (CEIP) (Audited)

In late 2006, the Board commissioned a detailed review of the Caltex Long-Term Incentive Plan with the help of an external consultant. The intent of the review was to ensure that the plan met the current and future needs of the Caltex business and the expectations of shareholders. A new plan, the Caltex Equity Incentive Plan, was implemented with effect from 1 January 2007.

Information on the previous plan, the Long-Term Incentive Plan (LTIP), follows (page 53) as the awards under this plan will continue to vest through to 1 January 2010. Grants were made under both the CEIP and LTIP in 2007. Grants under the CEIP are on a prospective basis (Performance Rights grant was for the 2007 performance year and have a performance and vesting period from 2007 – 2009). As a backward looking plan, the 2007 LTIP restricted share grant was for 2006 performance. In the future grants will only be made under the provisions of the CEIP.

The primary objectives of the CEIP are to:

- reward senior executives for the performance of the company arising from them delivering against objectives designed to enhance shareholder value;
- align senior executives' reward with longer term shareholder gain; and
- · facilitate retention of senior executive talent.

The CEIP has two distinct tiers:

- A long-term tier whereby performance rights are granted to participants which vest after three years, subject to relative market based performance criteria over those three years being satisfied. Upon vesting, the rights are automatically exercised to acquire ordinary shares in Caltex Australia Limited.
- · A medium-term tier whereby restricted shares are granted subject to performance against more controllable performance criteria over the one year prior to the grant of shares. The shares granted vest progressively over two years from date of grant (three years from start of performance period). The performance criteria are the same as those in the short-term cash incentive plan and are approved by the Human Resources Committee before the start of the performance year.

The relative market based performance criteria used in the long-term tier is a three year relative Total Shareholder Return performance measured against two comparator groups with half of the rights measured against the companies in the ASX 100 Accumulation Index and half against the performance of an international comparator group of refining and marketing companies. Specifically, the international comparator group consists of Frontier Oil (USA), Motor Oil (Greece), Neste (Finland), Singapore Petroleum Company (Singapore), S-Oil

(Korea), Sunoco (USA), Tesoro (USA), Valero (USA) and Western Refining (USA). These companies were selected because they represent competitors for investor capital in the global refining and marketing sector.

When measuring against these two peer groups, 50% of the rights will vest if TSR performance just exceeds median performance and 100% of the rights will vest if TSR performance meets or exceeds the 75% percentile. Payout will be based on company ranking for performance between these two levels. If performance conditions are not met, rights will lapse.

In relation to the medium-term tier, the more controllable performance criteria are the same metrics as the short-term cash performance incentive plan which uses a balanced scorecard comprised of both financial and non-financial measures. The scorecard is approved at the start of the year by the Human Resources Committee. As such, a quantum of restricted shares equivalent in value to the size of the annual Performance Incentive Plan award is granted under the medium-term tier.

Participants in the CEIP are approved annually by the Human Resources Committee and include direct reports to the Managing Director and Chief Executive Officer, as well as other key management roles with significant profitability, strategic and operational impact. In 2007, 19 senior executives participated in the CEIP.

Participation in the CEIP is at two levels, with four Level 1 and 15 Level 2 participants in 2007. In relation to the long-term tier, the target for Level 1 participants is 22% of base pay, with a 44% of base pay maximum. In relation to the medium-term tier, Level 1 target is 23% of base pay with a 41% of base pay maximum. Level 2 participants are eligible for quantums at approximately 75% of Level 1 participants. All grants are approved by the Human Resources Committee.

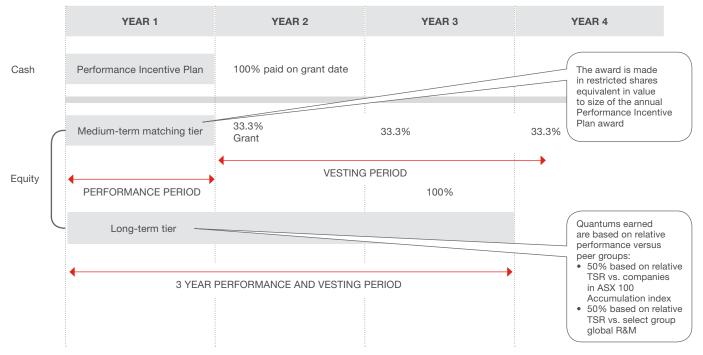
To encourage participants to continue to hold the shares after vesting, both tiers of the CEIP include voluntary restrictions on sale of shares after vesting to enable tax deferral of up to 10 years from the grant date. Participants must submit a request for release in order to sell shares after vesting.

In relation to the cessation of employment, the default provision for both tiers of the CEIP is that unvested grants will lapse upon termination. However, for redundancy, death or total and permanent disability, unvested shares will vest in full. Further:

- in relation to the medium-term tier, if a participant ceases employment due to retirement on "good terms" after a grant is made, unvested shares will vest (10 years continuous service will result in full vesting, vesting will be pro-rated based on time since grant for continuous service of more than five and less than 10 years), If a participant ceases employment for any reason or with less than five years of continuous services, subject to Board discretion, the unvested shares will be forfeited; and
- in relation to the long-term tier, if a participant ceases employment due to retirement on "good terms" and more than 12 months of the performance period has passed, unvested performance rights will vest (10 years' continuous service will result in full vesting, vesting will be pro-rata based on time since grant for continuous service of more than five and less than 10 years). If a participant ceases employment for any other reason or in the first 12 months of the performance period, subject to Board discretion, the unvested performance rights will lapse. This provision has been clarified for 2008 and beyond grants, in that the performance criteria will be assessed prior to determination of vesting.

Figure 7 below shows the current variable remuneration structure.

Figure 7: 2007 Caltex variable remuneration structure



Key business and competitive drivers (unaudited) which influenced the design of the CEIP included the following:

- 1. Our business is cyclical in nature as can be seen by recent and historical crude oil and refined product price movement. This impacts the length with which we can reliably predict business outcomes and our planning cycle. The three year performance period established in the long-term tier of the CEIP corresponds with our typical planning cycle and is very consistent with other long-term incentive plans in major companies.
- 2. In order to increase shareholder value, senior management must continuously deliver against all of the key business drivers. These drivers include safety, volume/product mix, profit, cash flow, unit costs, and capital productivity. The medium-term tier of the plan uses metrics which touch all of these key controllable areas.
- 3. Our external remuneration consultants have advised us that the typical variable remuneration mix for this level of executives is 50% short-term and 50% long-term. CEIP maintains the heavy emphasis on equity awards, but balances the amounts related to long and medium-term tiers of the plan. The medium-term tier has more controllable measures, similar to typical short-term incentive plans.
- 4. The market for senior executive talent is tightening across Australia. As such, it is important for us to have a plan design that will continue to attract and retain key leaders. The design strikes a balance between when the awards are granted, vest and are delivered to the executive. The three tier approach to our variable pay structure (short-term, medium-term and long-term) provides the right mix of rewards to attract potential executives in the marketplace while retaining those that are already here through the variety of vesting periods in the medium-term and long-term tiers of the plan.

The CEIP plan:

- aligns the executive's rewards with those of the shareholder:
 - 66% of the executive's variable reward is equity based and thus is subject to the same market forces as that of the shareholder;
 - uses industry specific (International Refining & Marketing companies) and broader market (ASX 100) peer groups to measure relative Total Shareholder Return performance. Having multiple peer groups is aligned with the different choices - and the returns our investors have in the marketplace; and
 - the final quantum of shares that the executive receives under the long-term tier of the plan is subject to Caltex outperforming the peer groups;
- provides market based reward levels;
- provides for attraction and retention of critical executives; and
- · has a balance of controllable and market based elements that are used in determining the overall executive's reward.

It has been our past practice and is our future expectation that shares awarded under this plan will be purchased on market.

Valuation of grant of performance rights (Audited)

For accounting purposes, the fair value of performance rights for the CEIP plan was calculated at grant date by an independent valuer. The Monte Carlo simulation technique has been used based on the following assumptions:

Peer group	ASX 100	International Refining & Marketing companies
Exercise price	Nil	Nil
Volatility	30%	30%
Risk free interest rate	6.00%	6.00%
Dividend yield	3.6%	3.6%
Expected life	3.0 years	3.0 years
Share price at grant date	\$23.00	\$23.00
Valuation per right	\$12.49	\$12.91

Long-Term Incentive Plan for 2006 and prior years (Audited)

The terms of this plan are being included for completeness. No new awards are being granted under the terms of this plan. However, awards previously granted under this plan will continue to vest through to 1 January 2010.

The Long-Term Incentive Plan was approved by shareholders in 1999 and was only available to nominated senior executives as determined by the Human Resources Committee. Like the CEIP, participation was limited to senior executives, being direct reports to the Managing Director and Chief Executive Officer and other key managerial roles with a significant strategic impact. Also like the CEIP, participation was at two levels, with Level 2 participants qualifying for an allocation of shares equivalent to 75% of the scale that applies to Level 1 participants.

The Long-Term Incentive Plan delivered incentives via a restricted share plan, where any bonus received is paid to a trustee to purchase Caltex Australia Limited shares on the market. The award was determined on Caltex's performance against two measures, namely:

- Return on Capital Employed (ROCE) a target approved by the Board for the relevant financial year equating to the ratio of total earnings before interest and tax to the total of borrowings and shareholders' equity of Caltex; and
- a one year Total Shareholder Return measure calculated as at 31 December of each year relative to the Total Shareholder Return of the members of a peer group of companies for the same period.

Accordingly, the performance criteria for the LTIP was backward-looking such that at the end of the financial year, actual performance was measured against the preliminary targets set at the beginning of the year. Payouts, if any, were determined by the Human Resources Committee. The rate of award for each of those measures is shown in the table below:

Table 1: Long-Term Incentive Plan schedules (Audited)

TSR			ROCE			
The TSR schedule reflects m is made for below 51st perce be earned for ranking at the Maximum TSR represents 50	entile and the fu 75th percentile	ll award can or above.	Maximum ROCE represents 50% of total reward available.			
	Grant as %	of base pay		Grant as %	of base pay	
TSR ranking	Level 1	Level 2	ROCE v target	Level 1	Level 2	
Below 51st percentile	0%	0%	80% and below	0%	0%	
At 51st percentile	18%	14%	80 – 90%	7 – 14%	5.25 – 10.5%	
Between 51st percentile and 75th percentile	18 – 45%	14 – 34%	90 – 100%	14 – 22%	10.5 – 16.5%	
Above 75th percentile	45%	34%	100%	22%	16.5%	
			100 – 110%	22 - 45%	16.5 – 34%	
			>110%	45%	34%	

The shares awarded vested to participants in three equal tranches:

- one third on 1 January in the year following the date the Trustee acquires the shares;
- one third on 1 January in the second year following the date the Trustee acquires the shares; and
- one third on 1 January in the third year following the date the Trustee acquires the shares.

Grants awarded in relation to performance years prior to 2007 accordingly will vest up to 2010 subject to the participant still being employed by Caltex, unless the participant ceases employment due to retirement, redundancy, total and permanent disability, or death.

Shares acquired pursuant to the LTIP are subject to a voluntary restriction on sale (post vesting) to allow the executives to defer tax.

Further information on the LTIP is available in the 2006 Annual Report.

Beyond total remuneration value

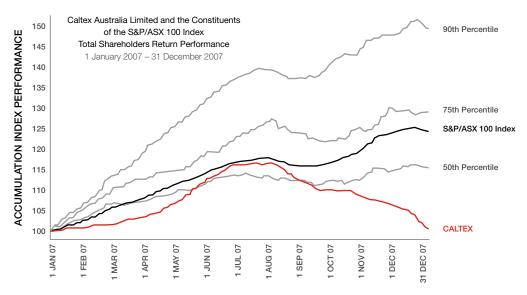
Caltex also offers employees the opportunity to participate in the company's business success through the Caltex Employee Share Plans (CALESP). CALESP provides eligible employees with a simple and tax-effective means of sharing in the future of Caltex Australia. Under these share plans, employees sacrifice part of their salary to purchase Caltex Australia Limited shares on the market. Shares may be purchased under a Tax Exempt Plan (up to \$1,000 annually) or under a Tax Deferred Plan (up to 10% of base pay). Approximately 79% of our employees are shareholders in the company through CALESP.

Caltex performance

The Caltex Reward Policy links remuneration to performance which should, in turn, link to the returns available to Caltex's shareholders, including share price growth and dividends.

During the last five years, Caltex's share price has risen significantly, reflecting improved performance and outlook. Graphs 2 and 3 show the relative Total Shareholder Return against the peer groups in the CEIP for 2007. On the back of strong TSR performance in 2005 and 2006, TSR performance levelled off in 2007 despite Caltex's profitability and dividends remaining at record levels.

Graph 2: 2007 Total Shareholder Return versus Long-Term Incentive Plan peer group - ASX 100



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Indices based on a value of 100 at 1 January 2007. 60-trading day smoothing applied

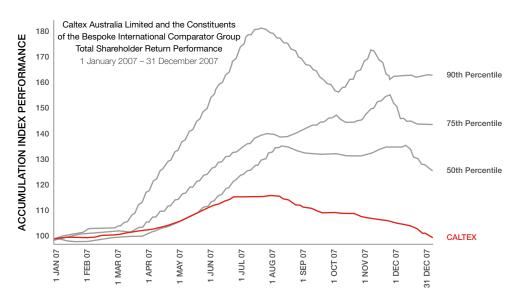
(1) Constituents based on the S&P/ASX 100 index as at grant date (i.e. 1 January 2007). Caltex is included in the S&P/ASX 100 Index.

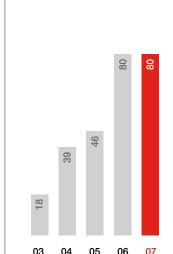
Source: Thomson Financial Datastream

The list below contains the peer group companies for the long-term tier of the Caltex Equity Incentive Plan in 2007:

The ASX 100 peer group for the 2007 performance year is ABC Learning Centres, AGI Energy, Allco Finance Group, Alumina, Amcor, AMP, Ansell, Aristocrat Leisure, ASX, ANZ. Banking Group, AXA Asia Pacific Hdg., Babcock & Brown, Babcock & Brown Infr. Gp., Bendigo Bank, BHP Billiton, Billabong International, Bluescope Steel, Boral, Brambles, Centro Props. Group, CFS Retail Property Trust, Challenger Financial. Services. Group, Coca-Cola Amatil, Cochlear, Commonwealth Bank Of Aus., Commonwealth Pr.Offe.Fd., Computershare, CSL, CSR, DB Rreef Trust, Downer EDI, Dyno Nobel, Fairfax Media, Foster's Group, Futuris, Goodman Fielder, Goodman Group, GPT Group, Harvey Norman Holdings, Iluka Resources, ING Indl. Fund, ING Office Fund, Insurance Aus. Group, James Hardie Inds. Cdi., Leighton Holdings, Lend Lease, Lihir Gold, Lion Nathan, Macquarie Airports, Macquarie Comms.Infr.Gp., Macquarie Country.Trust, Macquarie Group, Macquarie Infr.Group, Macquarie Office Trust, Metcash, Mirvac Group, Multiplex Group, National Aus. Bank, Newcrest Mining, Oil Search, Onesteel, Orica, Origin Energy (Ex Boral), Oxiana, Paladin Energy, Paperlinx, Perpetual, Publishing And Bcast., Qantas Airways, QBE Insurance Group, Resmed Cdi, Rio Tinto, Santos, Sigma Pharms., Sims Group, Sonic Healthcare, St George Bank, Stockland, Suncorp-Metway, Symbion Health, Tabcorp Holdings, Tatts Group, Telecom Corp.NZ. (ASX), Telstra, Telstra Corp.Inl.Recpt., Toll Holdings, Transurban Group, Wesfarmers, West Aust. Nwsp. Hdg., Westfield Group, Westpac Banking, Woodside Petroleum, Woolworths, Worleyparsons, Zinifex.

Graph 3: 2007 Total Shareholder Return versus Long-Term Incentive Plan peer group
– International Refining & Marketing





DIVIDENDS PER SHARE cents

Graph 4: Dividends per share

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Indices based on a value of 100 at 1 January 2007. 60-trading day smoothing applied.

(1) The International Comparator Group include Caltex, Frontier Oil, Motor Oil, Neste, Singapore Petroleum Company,

S-Oil, Sunoco, Tesoro, Valero, Western Refining.

Source: Thomson Financial Datastream

The Refining & Marketing peer group for the 2007 performance year is Frontier Oil (USA), Motor Oil (Greece), Neste (Finland), Singapore Petroleum Company (Singapore), S-Oil (Korea), Sunoco (USA), Tesoro (USA), Valero (USA), Western Refining (USA).

Dividends paid to shareholders have also increased in the last five years. The Board has adopted a policy which recommends a dividend payout ratio in the range of 40% to 60% of the RCOP after tax excluding significant items.

However, the declaration and amount of dividends are at the sole discretion of the Board and are dependent on Caltex's earnings and cash flow requirements and financial conditions at that time.

Further information on the dividends declared or paid for the last five years are highlighted in Graph 4 above right.

Conclusion

The Caltex Reward Policy and System are designed to align rewards with shareholder interests while appropriately recognising the importance of the contributions of our people to the company's success.

Our Reward Policy and Systems are supported by a rigorous, transparent performance management process and are key elements in an integrated people management approach to delivering a high performing, motivated and engaged workforce.

Senior executive reward is aligned to the achievement of strategic objectives, the creation of shareholder value and delivery of the Vision, Values and Strategic Intents.

Remuneration details for senior executives and directors (Audited)

The following sections of the Remuneration Report provide detailed information on the remuneration paid to senior executives and directors at Caltex, being the key management personnel which includes the five highest remunerated executives, and how that remuneration was calculated.

Table 2 details the unvested senior executive share benefits for 2007.

Table 2: Unvested shareholdings of senior executives during 2007 (Audited)

Senior executives	Position	Shares unvested at 1 Jan 2007 for 2004 and 2005 performance years	Restricted shares granted in 2007 for the 2006 and 2007 performance year [®]	Shares vested from the 2004, 2005, 2006 and 2007 performance years	Other	Unvested shares at 31 Dec 2007 from the 2005, 2006 and 2007 performance years ⁽ⁱⁱ⁾
Richard Beattie	Group Manager – Policy, Public and Government Affairs	9,560	8,669	7,506	-	10,723
Andrew Brewer ⁽ⁱⁱⁱ⁾	Acting Group Manager – Strategy and Planning	8,425	8,211	6,520	-	10,116
Mark Burrowes ^(iv)	General Manager – Marketing	21,842	9,793	14,987	16,648	_
Helen Conway	Company Secretary and General Counsel	16,066	15,813	12,598	-	19,281
Simon Hepworth	Chief Financial Officer	19,731	19,759	15,399	-	24,091
Mike McMenamin	Acting General Manager – Marketing	4,481	9,332	2,872	-	10,941
Alex Strang	General Manager – Supply & Distribution	18,682	20,725	15,330	-	24,077
Brian Waywell ^(v)	General Manager – Refining	-	-	-	-	_
Peter Wilkinson	Group Manager – Operational Excellence and Risk	2,027	7,111	1,357	-	7,781
Simon Willshire ^(vi)	Group Manager – Human Resources	-	6,130	137	-	5,993

⁽i) Grant date for 2006 LTIP award was 2 March 2007 and the grant date for the 2007 CEIP award was 27 April 2007.

⁽ii) If the executive meets the service conditions, amounts will vest in 2008, 2009 and 2010 in accordance with the vesting conditions of the Long-Term Incentive Plan and the Caltex Equity Incentive Plan.

⁽iii) Mr Brewer commenced his role on 20 April 2007.

⁽iv) Mr Burrowes resigned on 13 April 2007 and forfeited 16,648 unvested shares.

⁽v) Mr Waywell is not eligible to participate for any of the grant periods under the secondment arrangement with Chevron.

⁽vi) Mr Willshire commenced employment on 13 November 2006.

Euturo cost

In relation to the Long-Term Incentive Plan and Caltex Equity Incentive Plan for each senior executive, Table 3 below shows the percentage paid and forfeited in relation to each grant, the years in which the grant is still to vest and the total value of the grant for each financial year after 2007. It shows the future cost to Caltex that will be incurred as a result of the shares awarded in 2005, 2006 and 2007. The cost to Caltex of the shares is recorded as at 31 December of each year, however, the shares vest in the senior executive in January/March of the following year.

Table 3: Long-term incentive/Caltex equity incentive grants of shares to senior executives (Audited)

Senior executives®	CEIP year	LTI year	Vested (% of shares vested)	Forfeited	Future years when shares will vest	Future cost to Caltex of unvested shares* (\$)
Richard Beattie		2005	66%	_	2008	-
	2007 ⁽ⁱⁱ⁾	2006	0% 33%	_	2008, 2009, 2010 2008, 2009	25,219 21,009
	2007 ⁽ⁱⁱⁱ⁾		0%		2008, 2009, 2010	18,278
	Total					64,506
Andrew Brewer ^(iv)		2005	66%	_	2008	-
	2007 ⁽ⁱⁱ⁾	2006	0% 33%	_	2008, 2009, 2010 2008, 2009	25,219
	2007 ⁽ⁱⁱⁱ⁾		0%	-	2008, 2009, 2010	19,063 19,445
	Total					63,727
Mark Burrowes(v)		2005 2006	66% 0%	6,855 9,793	_	-
	Total			-,,,,,,		
Helen Conway		2005	66%	_	2008	
•		2006	0%	_	2008, 2009, 2010	43,832
	2007 ⁽ⁱⁱ⁾		33%	_	2008, 2009	36,567
	2007(iii)		0%	_	2008, 2009, 2010	37,334
	Total					117,733
Simon Hepworth		2005	66%	_	2008	- -
	2007 ⁽ⁱⁱ⁾	2006	0% 33%	_	2008, 2009, 2010 2008, 2009	57,208 47,846
	2007(iii)		0%	_	2008, 2009, 2010	42,001
	Total					147,055
Mike McMenamin		2005	66%	_	2008	_
	2007 ⁽ⁱⁱ⁾	2006	0%	_	2008, 2009, 2010	23,991
	2007 ⁽ⁱⁱ⁾		33% 0%	_	2008, 2009 2008, 2009, 2010	17,891 27,223
	Total		070		2000, 2000, 2010	69,105
Alex Strang	Total	2005	66%		2008	
Alex Girang		2006	0%	_	2008, 2009, 2010	53,379
	2007 ⁽ⁱⁱ⁾		33%	_	2008, 2009	60,296
	2007 ⁽ⁱⁱⁱ⁾		0%	_	2008, 2009, 2010	43,946
	Total					157,621
Peter Wilkinson ^(vi)	0007/2	2006	0%	_	2008, 2009, 2010	24,227
	2007 ⁽ⁱⁱ⁾ 2007 ⁽ⁱⁱⁱ⁾		33% 0%	_	2008, 2009 2008, 2009, 2010	9,730 16,723
	Total					50,680
Simon Willshire(vii)		2006	0%	_	2008, 2009, 2010	5,750
	2007 ⁽ⁱⁱ⁾		33%	_	2008, 2009	3,892
	2007(iii)		0%	_	2008, 2009, 2010	36,168
	Total					45,810

^{*} The maximum and minimum total value of the grants is the same for the financial years after 2007 because such amounts are subject only to service conditions.

Table 3: Long-term incentive/Caltex equity incentive grants of shares to senior executives (Audited) (continued)

Notes continued:

- (i) Mr Waywell is not eligible to participate for any of the grant periods under the secondment arrangement with Chevron.
- (ii) Medium-term grant relating to 2006 performance year.
- (iii) Medium-term grant relating to 2007 performance year.
- (iv) Mr Brewer commenced his role on 20 April 2007.
- (v) Mr Burrowes resigned on 13 April 2007 and forfeited 16,648 unvested shares.
- (vi) Mr Wilkinson was not eligible to participate in 2005 grant period.
- (vii) Mr Willshire commenced employment on 13 November 2006.

Table 4: Details of senior executive performance rights for 2007 (Audited)

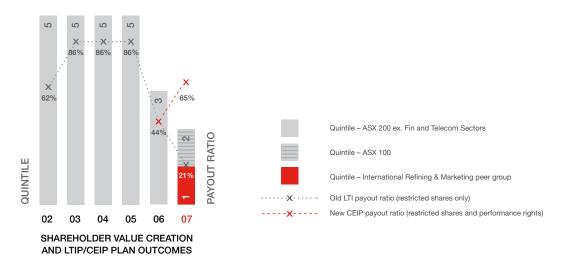
Senior executives®	Position	Performance rights at 1 Jan 2007	Performance rights granted in 2007	Performance rights vested in 2007	Other	Unvested performance rights at 31 Dec 2007
Richard Beattie	Group Manager – Policy, Public and Government Affairs	-	3,400	-	_	3,400
Andrew Brewer ⁽ⁱⁱ⁾	Acting Group Manager – Strategy and Planning	-	3,070	-	-	3,070
Helen Conway	Company Secretary and General Counsel	-	6,220	-	-	6,220
Simon Hepworth	Chief Financial Officer	-	8,210	-	_	8,210
Mike McMenamin	Acting General Manager – Marketing	-	3,300	-	-	3,300
Alex Strang	General Manager – Supply & Distribution	-	7,630	-	_	7,630
Brian Waywell(iii)	General Manager – Refining	-	-	-	_	_
Peter Wilkinson	Group Manager – Operational Excellence and Risk	_	3,300		_	3,300
Simon Willshire	Group Manager – Human Resources	-	5,980	-	_	5,980

- (ii) Mr Brewer commenced his role on 20 April 2007.
- (iii) Mr Waywell is not eligible to participate for any of the grant periods under the secondment arrangement with Chevron.

⁽i) Mr Burrowes resigned on 13 April 2007 and had been granted no performance rights.

Graph 5 below shows the relationship between the Long-Term Incentive (LTI) payout ratio paid to senior executives during the year, compared to the relative Total Shareholder Return performance quintile achieved over the past six years. It clearly demonstrates that the Long-Term Incentive Plan awards have been strongly correlated with relative Total Shareholder Return, our proxy for shareholder value creation.

Graph 5: Shareholder value creation and LTIP/CEIP plan outcomes



Note: The payout ratio represents the total Long-Term Incentive Plan payout (restricted shares only 2002 - 2006 and performance rights and restricted shares for 2007). Performance rights with a three year forward-looking vesting period (2007 – 2009) were granted effective 1 January 2007. In the above graph, the performance rights carry a value between zero and 44% of pay. The performance criteria require at least median TSR performance before any of the rights vest. As at 31 December 2007, our TSR performance was below median for both peer groups and thus the current value of the rights would be nil.

Summary of total remuneration value of senior executives in 2007 (Audited)

The proportion of each senior executive's remuneration for 2007 that was fixed, and the proportion that was subject to a performance condition, is shown in Table 5 below.

Table 5: Distribution of fixed and variable elements of senior executive remuneration for 2007 (Audited)

Position	Fixed	(including short and long-term incentive payments, calculated as cost to Caltex)
FUSILIUIT	Fixeu	as cost to cartex)
Group Manager - Policy, Public and Government Affairs	66%	34%
Acting Group Manager – Strategy and Planning®	69%	31%
General Manager – Marketing ⁽ⁱⁱ⁾	100%	0%
Company Secretary and General Counsel	59%	41%
Chief Financial Officer	60%	40%
Acting General Manager – Marketing	65%	35%
General Manager – Supply and Distribution	61%	39%
Group Manager – Operational Excellence and Risk	69%	31%
Group Manager – Human Resources	69%	31%
	Acting Group Manager – Strategy and Planning General Manager – Marketing Company Secretary and General Counsel Chief Financial Officer Acting General Manager – Marketing General Manager – Supply and Distribution Group Manager – Operational Excellence and Risk	Group Manager – Policy, Public and Government Affairs 66% Acting Group Manager – Strategy and Planning® 69% General Manager – Marketing® 100% Company Secretary and General Counsel 59% Chief Financial Officer 60% Acting General Manager – Marketing 65% General Manager – Supply and Distribution 61% Group Manager – Operational Excellence and Risk 69%

Notes:

- (i) Mr Waywell is not eligible to participate in any of Caltex's variable incentive programs.
- (ii) Mr Brewer commenced his role on 20 April 2007.
- (iii) Mr Burrowes resigned on 13 April 2007.

Variable

Details of the classification and amount of each element of the remuneration of senior executives (excluding the Managing Director and Chief Executive Officer) who received the highest total remuneration for 2007 are set out below (on the basis of the cost to Caltex) in Table 6. The 12 senior executives below, all of whom are members of the Caltex Leadership Team, or who were prior to their resignation, along with the directors of Caltex Australia Limited are considered the key management personnel for whom details of their remuneration must be disclosed in accordance with accounting standards.

Table 6: Total remuneration for senior executives for 2007 (in dollars) (Audited)⁽ⁱ⁾

		Primary		Post employment	Other long- term	Fo	uity	Total
		1 Til Tidi y		еттрюуттетт	tenn		uity	Total
						Share	Rights	
		Bonus	Non-		Long	benefits	benefits	
	Salary and	(short-term	monetary	Super-	service	(long-term	(long-term	
	fees ⁽ⁱⁱ⁾	incentive)	benefits	annuation	leave	incentive)(iii)	incentive)(iii)	
Richard Bea	ttie (Group Mana	ager – Policy. Pu	blic & Governm	ent Affairs)				
2007	291,369	47,000	_	30,780	19,554	111,038	14,389	514,130
2006	266,562	54,000	_	29,626	11,613	92,979	_	454,780
Androw Pro	wer (Acting Grou	n Managar - St	ratagy and Plan	nina)(iv)				
2007	274,372	50,000	66,204	28,007	15,978	108,534	12,993	556,088
2006	-	-	-	20,007	13,976	-	-	-
	ves (General Mar	nager – Marketir						
2007	521,851	-	8,442	20,190	-	-	_	550,483
2006	488,800	57,000	20,197	58,403	14,034	219,876	_	858,310
Helen Conw	ay (Company Se	cretary and Ger	neral Counsel)					
2007	385,877	96,000	12,276	43,403	22,672	201,224	26,324	787,776
2006	357,602	94,000	14,225	41,348	16,769	158,455	_	682,399
Simon Henv	vorth (Chief Finar	ncial Officer)						
2007	491,562	108,000	12,669	56,902	35,140	251,129	34,747	990,149
2006	462,471	123,000	15,238	53,687	32,898	199,925	-	887,219
						,		
Lisbeth Long 2007	g (Group Manage	er – Human Res	ources)					
200 <i>1</i> 2006	90,643	_	_	16,854	_	63,543	_	171,040
				10,004		00,040		171,040
	namin (Acting Gr							
2007	330,613	70,000	4,227	33,311	8,371	115,317	13,966	575,805
2006	254,346	46,000		25,594	6,956	64,331		397,227
Alex Strang	(General Manage	er – Supply and	Distribution)					
2007	487,340	113,000	11,082	84,870	57,214	265,576	32,291	1,051,373
2006	431,382	155,000	14,287	55,672	58,196	187,102	_	901,639
Eion Turnbul	l (General Manaç	ger – Refining)						
2007	_	-	-	_	-	_	-	_
2006	257,089	_	36,240	31,075	6,856	104,950	_	436,210
	ell (General Mana	ager – Refining) ⁽	i)					000 000
2007 2006	800,000	_	_	_	_	_	_	800,000
2000	333,333							333,333
	son (Group Mana	0 1	nal Excellence a	,				
2007	264,935	43,000	-	26,168	5,558	79,047	13,966	432,674
2006	262,969	25,000	89,501	24,989	5,491	46,487	_	454,437
	nire (Group Mana							
2007	370,344	93,000	12,669	33,570	6,435	70,414	25,308	611,740
2006	175,615	10,000	1,122	4,234	_	7,475		198,446
Total remune	eration: senior ex	ecutives						
2007	4,218,263	620,000	127,569	357,201	170,922	1,202,279	173,984	6,870,218
2006	3,380,812	564,000	190,810	341,482	152,813	1,145,123	•	5,775,040

Notes:

- (i) All of the senior executives have been in the position stated above for the whole year of 2007, with the exception of those noted.
- (ii) Salary and fees includes base pay, annual leave and termination benefits.
- (iii) Long-term incentive benefits increased between 2006 and 2007 due to the vesting of only two tranches of shares in 2006 rather than the normal three.
- (iv) Mr Brewer was appointed Group Manager Strategy and Planning on 20 April 2007.
- (v) Mr Burrowes resigned on 13 April 2007.
- (vi) Mr Waywell was appointed General Manager Refining on 1 August 2006.
- (vii) Mr Willshire was appointed 13 November 2006 and received a recruitment incentive of \$125,000 to offset lost benefits with previous employer.

Brian Waywell assumed the role General Manager - Refining on 1 August 2006. He is seconded from Chevron Corporation to Caltex. Under the terms of the secondment arrangements, Caltex pays a maximum of \$800,000 per annum to Chevron. Caltex has no obligation to pay any individual amounts to Chevron or Mr Waywell beyond \$800,000 per annum. The terms of these arrangements were considered to be no less favourable to Caltex than arm's length terms at the time of commencement.

In 2007, Chevron paid Mr Waywell an additional \$255,314 in remuneration above that amount. The components of this remuneration are detailed below and described later in this report as they are the same remuneration arrangements as are applicable to Mr King, Managing Director and Chief Executive Officer.

	Salary and fees (A\$)	Bonus (Short term incentive – MIP) (A\$)	Expatriate and other allowances (A\$)	Non monetary benefits (A\$)	Total (A\$)
Brian Waywell	306,315	164,309	355,667	229,023	1,055,314

Mr Waywell also received Chevron performance shares and Chevron stock options that may pay out in future years based on Chevron's TSR performance and stock performance. The combined target value of this Chevron Long-Term Incentive Plan is 95% of Mr Waywell's 2007 base salary.

Other information required by the Corporations Act 2001

Options

Options do not form a part of the remuneration package of directors or senior executives. However, performance rights, subject to a forward-looking three year performance period, were issued to senior executives under the 2007 Caltex Equity Incentive Plan. Subject to meeting performance hurdles, the rights will vest 31 December 2009. Mr King and Mr Waywell, who are secondees, are eligible for options (delivered in Chevron shares) under the Chevron remuneration package.

Contracts of employment

The senior executives of Caltex other than Mr King, the Managing Director and Chief Executive Officer commencing 1 May 2006, and Mr Waywell, General Manager - Refining commencing on 1 August 2006, are appointed as permanent Caltex employees. Their employment contracts require both the company and the senior executive to give a notice period within a range of one to nine months as stipulated by their individual contracts should they resign or have their service terminated by Caltex. The terms and conditions of the executives reflect market conditions at the time of their contract negotiation and appointment. Our intention is to reset the termination notice for all key senior executives to at least three months.

If a senior executive were to resign, entitlement to unvested shares payable through the Long-Term Incentive Plan and Caltex Equity Incentive Plan would be forfeited and if resignation was on or before 31 December of the year, payment from the Performance Incentive Plan would also be forfeited.

The details of the contracts of the senior executives of Caltex (other than Mr King and Mr Waywell, which are provided later in this report) are set out below:

Table 7: Summary of contracts of employment for senior executives

Senior executives	Position	Appointed to current role	Contract	Termination notice
Richard Beattie	Group Manager – Policy, Public and Government Affairs	8 August 1995	Open ended	1 month
Andrew Brewer	Acting Group Manager – Strategy and Planning	20 April 2007	Open ended	1 month
Helen Conway	Company Secretary and General Counsel	13 September 1999	Open ended	3 months
Simon Hepworth	Chief Financial Officer	1 January 2001	Open ended	3 months
Alex Strang	General Manager – Supply & Distribution	1 August 2002	Open ended	Reasonable notice – likely 9 months
Mike McMenamin	Acting General Manager – Marketing	14 April 2007	Open ended	1 month
Peter Wilkinson	Group Manager – Operational Excellence and Risk	11 July 2005	Open ended	1 month
Simon Willshire	Group Manager – Human Resources	13 November 2006	Open ended	6 months

Other than prescribed notice periods, there are no special termination benefits payable under the contracts of employment. However, a benefit may be required to be paid in accordance with the legislative requirements at the time of the senior executive's termination.

Mr Burrowes (General Manager - Marketing) was remunerated \$317,833 upon termination in 2007.

Mr Waywell's secondment is for a period of two years ending on 1 August 2008 and Caltex and Chevron may agree to vary the contract term by early termination or extension. The secondment arrangement may also be terminated by Caltex if Mr Waywell:

- · commits a wilful breach or wilfully neglects to perform or observe any of his statutory or contractual duties; or
- fails to perform or observe any of his statutory or contractual duties and does not correct or rectify the failure within seven days of being requested to do so.

On termination, Mr Waywell has no rights against Caltex for payment of any amounts or claims.

The terms of these arrangements are considered by Caltex to be no less favourable to Caltex than arm's length terms.

Policy for determining non-executive directors' fees (Audited)

The constitution of Caltex Australia Limited provides that the remuneration pool for non-executive directors approved by shareholders is to be divided among the non-executive directors in such proportion and manner as the directors agree and, in default of agreement, equally. Consistent with the constitution, the Board, after taking advice from the Human Resources Committee, reviews on an annual basis the remuneration of non-executive directors and approves new fees, where appropriate.

Fees for non-executive directors are set at a level appropriate to attract and retain directors with the necessary skills and experience to:

- · allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for Caltex's business and
- effectively review and challenge the performance of management.

Accordingly, in setting fees the Board has regard to external data on fees and to the size and complexity of Caltex's operations.

Non-executive directors do not receive any bonus payment or participate in any incentive plan. Accordingly, 100% of the remuneration of non-executive directors is fixed.

Caltex does not have a directors' retirement scheme but non-executive directors resident in Australia are entitled to statutory superannuation. Prior to 1 January 2004, Mr Richard Warburton participated in a directors' retirement scheme which was in place at that time and amounts accrued under the scheme for him have been frozen and paid into a separate interest bearing account pending his retirement.

Non-executive directors' fees (Audited)

In 2007, fees paid to non-executive directors were subject to a maximum Board remuneration pool of \$1,400,000 per annum, inclusive of statutory entitlements. The remuneration pool for non-executive directors applicable to 2007 was approved by shareholders of Caltex Australia Limited at the Annual General Meeting held in April 2006.

Subject to the resolution of the Board in September 2007, details of which are set out below, the fees paid in 2007, and, following the review in December 2007, the fees proposed to be paid in 2008 are shown in the table below:

	2007	1/1/2008 onwards
	2001	Oriwalus
Chairman's fee (inclusive of all committee fees)	\$358,000	\$378,500
Non-executive directors' fees	\$130,000	\$137,000
Audit Committee fees		
Chairman	\$30,000	\$30,000
Member	\$15,000	\$15,000
Human Resources Committee fees		
Chairman	\$20,000	\$20,000
• Member	\$10,000	\$10,000
OHS & Environmental Risk Committee fees		
Chairman	Nil	\$20,000
• Member	Nil	\$10,000

The statutory superannuation guarantee charge (where applicable) is paid as an additional amount.

In September 2007, when Mr Warburton retired as Chairman, the Board resolved to continue to pay Mr Warburton at the rate applicable to the Chairman until his retirement as a director at the conclusion of the 2008 Annual General Meeting. This decision recognises the assistance Mr Warburton will provide to the new Chairman during transition.

Non-executive directors can elect to forgo part of their fees to acquire shares, on market, of Caltex Australia Limited via a non-executive director share plan. Participation in the share plan is not open to directors who are employed by Chevron. The acquisition of shares under this plan is not subject to any performance conditions as they are acquired on a fee sacrifice basis.

Remuneration for Managing Director and Chief Executive Officer (Audited)

Mr Desmond King, the Managing Director and Chief Executive Officer, is seconded from Chevron to Caltex. Chevron Global Energy Inc. holds 50% of the shares in Caltex Australia Limited. The appointment of a Chevron executive as Managing Director and Chief Executive Officer allows Caltex to access industry experience that Chevron executives have gained through involvement in the day to day operations of one of the world's leading global energy companies.

Under the terms of the secondment arrangements, Caltex pays \$1.4 million per annum to Chevron, representing a reimbursement of the salary and other benefits incurred by Chevron in relation to Mr King's services to Caltex. During 2007, Chevron paid remuneration over and above the secondment fee of \$98,715 (2006: \$2,365) to Mr King. In addition to housing, expatriate and other allowances, Mr King's remuneration consisted of base salary and a cash bonus under the Chevron Management Incentive Plan (MIP) as detailed below.

	Salary and fees (A\$)	Bonus (Short-term incentive – MIP) (A\$)	Expatriate and other allowances (A\$)	Non-monetary benefits (A\$)	Total (A\$)
Desmond King	365,476	251,027	608,956	273,256	1,498,715

Mr King's remuneration was distributed on the basis of 83% fixed and 17% variable. Mr King also received Chevron performance shares and Chevron stock options that may pay out in future years based on Chevron's TSR performance and stock performance. The combined target value of this Chevron Long-Term Incentive Plan is 135% of Mr King's 2007 base salary.

Although Caltex has no obligation to pay any amount to Mr King and he does not participate in the incentive schemes for Caltex senior management, Caltex has input into the amount Mr King receives under the MIP.

Mr King's secondment to Caltex is for a period of three years ending on 1 May 2009 and Caltex and Chevron may agree to vary the contract term by extension or by early termination.

The secondment agreement may be also be terminated by Caltex if Mr King:

- · commits a wilful breach or wilfully neglects to perform or observe any of his statutory or contractual duties as an officer of Caltex;
- fails to perform or observe any of the statutory or contractual duties or obligations imposed on him as an officer of Caltex and does not correct or rectify the failure within seven days of being requested to do so; or
- · ceases to hold the office of director of Caltex Australia Limited.

On termination, Mr King has no rights against Caltex for payment of any amounts or claims.

Under the secondment agreement, Chevron agrees that the scope, nature and performance of Mr King's duties are subject to, and are to be undertaken in accordance with, the lawful directions of the Board of Caltex. In his letter of appointment, Mr King also agrees that the scope, nature and performance of his duties are subject to, and must be undertaken in accordance with, the lawful directions of the Board of Caltex Australia Limited.

The terms of the secondment arrangements are considered by Caltex to be significantly more favourable to Caltex than arm's length terms.

Chevron Management Incentive Plan (MIP)

The MIP awards an annual cash bonus to participants which are based on three components, with each component weighted equally. The components are the performance of Chevron, the performance of the participant's Reporting Unit (which in Mr King's case is Chevron Global Refining) and the participant's performance, all in the prior year. At target, the MIP award would be an amount equal to 50% of Mr King's base salary. The performance conditions in the MIP were chosen to give employees a direct line of sight with performance and to tie accountability with actual performance.

All awards under the MIP are approved by the Management Compensation Committee of the Board of Directors of Chevron. That committee assesses the performance of Chevron by comparing corporate results against business plan targets. The Reporting Unit performance assessment of Chevron Global Refining is made by senior management at Chevron based on the achievement of financial objectives (e.g. ROCE, cash flow and operating expense) and operational objectives (e.g. safety, diversity and reliability). Mr King's individual performance is assessed by his Reporting Unit head at Chevron based on the assessment of Mr King made annually by the Chairman of Caltex against Caltex performance benchmarks agreed between the Chairman of Caltex and Mr King.

The methods of assessing individual performance under the MIP are the same as those used in Chevron's general performance and salary administration process. These methods have been chosen because they assess the full range of individual performance and leadership behaviours. Assessing corporate and Reporting Unit performance against business plan targets, which include financial and operational measures, ensures that management is being evaluated on the full range of metrics that ultimately leads to increased shareholder value.

The assessment made by the Chairman of Mr King's performance as part of the MIP is also relevant to determining any changes to the base salary Chevron pays to Mr King.

The Board has been working with Chevron over the course of 2007 to make changes to how Mr King's remuneration is determined, with the intent of making a more transparent link between Caltex Australia's performance and Mr King's remuneration. As a result, for the 2008 performance year, Chevron will establish a new Reporting Unit for purposes of determining Mr King's MIP award that is singularly related to the performance of Caltex Australia. The Chairman will work with Chevron to determine the Reporting Unit result at year end. This result will then be built into the Chevron MIP formula.

The Board's overall involvement in the determination of Mr King's remuneration for 2008 and beyond can be summarised as follows:

Base Salary: The Chairman will make an initial assessment of Mr King's performance rating versus the set of pre-established goals and objectives for the year using Chevron's Performance Management rating process. This initial rating will then be discussed with Chevron to ensure that it is appropriately translated into the Chevron processes. Chevron uses the rating to determine an appropriate base salary increase. The established rating directly influences the size of the increase and resulting salary.

MIP Award:

- Chevron Corporate performance factor: Determined by the Chevron Board based on Chevron results.
- · Reporting Unit factor: Caltex Board makes assessment of Caltex Australia Reporting Unit performance versus pre-established goals for the year. Chairman works with Chevron to translate results into a final Reporting Unit factor.
- Personal Performance factor: This factor is directly correlated to Mr King's performance rating which is set by the Caltex Board and discussed with Chevron.

As can be seen, there is an alignment between Mr King's remuneration and his performance at Caltex. The Caltex Board assesses both Mr King's personal performance as well as the performance of the Reporting Unit. The assessment will be based on his achievement versus a set of pre-established goals and objectives which are aligned with increasing shareholder wealth for Caltex's shareholders. These factors are then used by Chevron to establish base salary increases and his short-term incentive award (MIP).

Remuneration of directors in 2007 (Audited)

Details of the remuneration of directors of Caltex Australia Limited for 2007 are set out below (on the basis of total cost to the Caltex Australia Group):

Australia Group).			Primary		Post employment	Equity	Total
Directors		Salary and fees	Bonus	Non- monetary benefits	Super- annuation	Share benefits	
Executive							
Desmond King (Managing Dire	ctor						
and Chief Executive Officer)	2007	1,400,000	_	_	_	_	1,400,000
	2006	933,333	_	_	_	_	933,333
Non-executives							
Elizabeth Bryan (Chairman)	2007	127,000	_	_	93,180	_	220,180
, , ,	2006	147,150	_	_	_	_	147,150
Trevor Bourne	2007	145,107	_	_	13,050	_	158,157
	2006	105,417	_	_	9,525	_	114,942
Brant Fish	2007	140,000	_	_	_	_	140,000
2.6.1.1.1.0.1	2006	53,629	_	_	_	_	53,629
Greig Gailey	2007	_	_	_	7,999		7,999
Groig Galloy	2006	_	_	_	_	_	- ,,,,,,
John Thorn	2007	80,000	_	_	94,400	_	174,400
	2006	128,750	_	_	23,850	_	152,600
Richard Warburton	2007	293,200			97,020	_	390,220
Thoraca variourton	2006	251,667	_	_	86,233	_	337,900
Peter Wissel	2007	145,000	_	_	_	_	145,000
	2006	130,000	_	_	_	_	130,000
Former executive		,					,
Dave Reeves	2007	_	_	_	_	_	_
Dave Neeves	2006	400,000	_	_	_	_	400,000
Former non-executives		,					
William Hauschildt	2007	_	_	_	_	_	_
vimari i iddooriiidt	2006	59,722	_	_	_	_	59,722
Ken Watson	2007	_	_	_	_	_	
	2006	48,333	_	_	4,350	193,946	246,629
Total remuneration: directors	2007	2,330,307			305,649	_	2,635,956
	2006	2,258,001	_	_	123,958	193,946	2,575,905
	2000	۵,200,001			120,000	100,040	2,010,000

- Richard Warburton served as Chairman until 30 September 2007. It was resolved to continue to pay Mr Warburton at the Chairman's rate until his retirement as a director at the conclusion of the 2008 Annual General Meeting.
- Elizabeth Bryan was appointed Chairman of the Board with effect from 1 October 2007.
- Greig Gailey was appointed a director on 11 December 2007.
- Dave Reeves, William Hauschildt and Ken Watson retired as directors during 2006.
- Colleen Jones-Cervantes served as an alternate director throughout 2007 and did not receive any remuneration from Caltex in 2007.

Directors' interests

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2007:

Director	Number of shares	Nature of interest
Current directors		
Elizabeth Bryan	5,000	Direct
Desmond King	1,000	Direct
Trevor Bourne	4,407	4,407 shares held directly (of which
		1,407 shares were acquired via
		the Non-Executive Directors' Share
		Acquisition Plan)
Brant Fish	-	_
Greig Gailey	_	_
John Thorn	1,510	1,000 shares held indirectly (beneficial
		interest through Revikta Pty Ltd) and
		510 shares held directly (acquired via
		the Non-Executive Directors' Share
		Acquisition Plan)
Richard Warburton	13,519	10,000 shares held indirectly (beneficial
		interest through Teampass Pty Ltd) and
		3,519 shares held directly (acquired via
		the Non-Executive Directors' Share
		Acquisition Plan)
Peter Wissel	1,000	Direct (held jointly with Susan Philbrick)

Notes:

- (a) The directors have not disposed of any shares or acquired any shares since 31 December 2007.
- (b) Colleen Jones-Cervantes serves as an alternate director for Brant Fish and Peter Wissel. She does not hold any shares in Caltex Australia Limited.

Meetings of directors

The Board of Caltex Australia Limited formally met on 11 occasions during the year ended 31 December 2007. Board papers were circulated to the directors on one other occasion and a separate strategy session was held over two days during the year. The strategy session was attended by the directors appointed at that time and by Colleen Jones-Cervantes.

In 2007, the Board established an Environmental Risk Committee, which met on one occasion, and which then became the OHS & Environmental Risk Committee, which met on three occasions. During the year, the Board also established the Human Resources Committee and the Nomination Committee in substitution for the existing Human Resources & Nomination Committee. The Human Resources & Nomination Committee met on one occasion, the Human Resources Committee met on four occasions and the Nomination Committee met on two occasions during 2007. The Audit Committee met on four occasions during 2007 and special purpose committees were convened on eight occasions during the year.

The number of Board and committee meetings attended by each director during the year are set out in the following table:

Director	Board of Directors	Audit Committee	Human Resources Committee	OHS & Environmental Risk Committee	Nomination Committee	Special purpose	Total
Elizabeth Bryan	11(11)	2	5(5)	4(4)	2(2)	5(5)	29(27)
Desmond King	11(11)	4	5	3(3)	2(2)	7(8)	32(24)
Trevor Bourne	11(11)	4(4)	2	4(4)	2(2)		23(21)
Greig Gailey	1(1)	1	1	1			4(1)
Brant Fish	11(11)		5(5)	3(3)	2(2)	3(3)	24(24)
John Thorn	11(11)	4(4)		3(3)	2(2)	2(2)	22(22)
Richard Warburton	10(11)	4	5(5)	3(3)	2(2)	3(3)	27(24)
Peter Wissel	11(11)	4(4)		3(3)	2(2)		20(20)

Notes:

- (i) The table shows the number of Board and committee meetings attended by each director during the year ended 31 December 2007, with the number of meetings held during the time in office as a Board or committee member shown in brackets. Where no brackets appear after a number, the director was attending in an ex-officio capacity or, in the case of Mr Gailey, as a visitor.
- (ii) The information on attendance in relation to the Human Resources Committee also includes attendance at its predecessor committee, the Human Resources & Nomination Committee, which met once in 2007 before it became two committees. The membership of the Human Resources Committee was the same membership as the Human Resources & Nomination Committee, while the membership of the Nomination Committee comprised all of the members of the Board.
- (iii) The information on attendance at the OHS & Environmental Risk Committee also includes attendance at its predecessor committee, the Environmental Risk Committee, which met once in 2007 before it became a standing committee consisting of all the members of the Board. Prior to that time, the only directors who were members of the committee were Ms Bryan and Mr Bourne.
- (iv) Colleen Jones-Cervantes, an alternate director, attended one meeting in 2007 as a visitor.

Non-audit services

During the year, KPMG, the company auditor, has performed certain other services in addition to its statutory duties. In 2007, a total of \$885,000 was paid to, or billed by, KPMG in relation to audit services to the Caltex Australia Group. An amount of \$121,000 was paid to, or billed by, KPMG for non-audit services, which included transaction services, other assurance services and taxation services.

The provision of these services was consistent with Caltex Australia's Board approved policy on the provision of non-audit services by the external auditor, and the nature of non-audit services and the amount of fees are reviewed on a regular basis by the Audit Committee.

The directors are satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise the auditor independence requirements of the *Corporations Act 2001 (Cth)*, for the following reasons:

- services provided during the year are not considered to be materially in conflict with the role of the auditor:
- the ratio of audit fees to non-audit service fees is 7:1; and
- after enquiring, the directors are unaware of any matter relating to the provision of non-audit services which would impair the impartial and objective judgement of the external auditor.

The directors' statements in relation to the independence of the auditor are made in accordance with written advice provided by the Audit Committee and signed by the Chairman of the Audit Committee pursuant to a resolution of that Committee.

Company secretaries

Helen Conway is Company Secretary and General Counsel of Caltex and was appointed a company secretary of Caltex Australia Limited on 13 September 1999. Prior to joining Caltex, Ms Conway was the General Counsel for Airservices Australia and, prior to that, Group Secretary and General Counsel and General Manager, Corporate Advisory Division at NRMA. Before joining corporate life, Ms Conway worked as a lawyer in private practice.

Ms Conway is a director of the Caltex Australia Superannuation Plan and the Sydney Ferries Corporation.

Ms Conway has a Bachelor of Arts and a Bachelor of Laws from the University of Sydney, Australia. She is a Fellow of Chartered Secretaries Australia.

Diane Brown also served as a company secretary of Caltex Australia Limited during 2007, being employed as the Assistant Company Secretary of Caltex. Prior to joining Caltex, Ms Brown was an Associate Director in the Company Secretarial Division of Macquarie Bank Limited. Before joining the company secretarial profession, Ms Brown worked in politics, as a lawyer in private practice and as a senior analyst at the Reserve Bank of Australia.

Ms Brown has a Bachelor of Economics (Honours) and a Bachelor of Laws (Honours) from the University of Sydney, Australia and a Master of Commerce (Honours in Economics) from the University of New South Wales, Australia. Ms Brown also has a Graduate Diploma in Company Secretarial Practices from Chartered Secretaries Australia.

Indemnity insurance

Deeds of indemnity and insurance

The constitution of Caltex Australia Limited provides that, to the extent permitted by law and subject to the restrictions in section 199A and 199B of the *Corporations Act 2001 (Cth)*, Caltex Australia Limited indemnifies every person who is or has been a director or secretary of Caltex Australia Limited or who is or has been appointed a director or secretary of a subsidiary of Caltex Australia Limited at the request of the directors of Caltex Australia Limited against:

- any liability (other than a liability for legal costs) incurred by that person as a director or secretary of Caltex Australia Limited or a subsidiary of Caltex Australia Limited; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability incurred by that person as a director or secretary of Caltex Australia Limited or a subsidiary of Caltex Australia Limited.

During the year ended 31 December 2007, Caltex Australia Limited resolved to enter into a deed of access, indemnity and insurance with Greig Gailey. Deeds of access, indemnity and insurance have previously been entered into by Caltex Australia Limited with other current directors and secretaries, and with former directors and secretaries, under which similar indemnity provisions and insurance obligations apply.

Under the deeds, Caltex Australia Limited has agreed to indemnify the officers (to the extent permitted by law and subject to the prohibitions in section 199A of the Corporations Act 2001 (Cth)) against:

- liabilities incurred as an officer of Caltex Australia Limited or a company in the Caltex Australia Group, except for those incurred in relation to legal costs of a kind referred to in the next paragraph; and
- legal costs reasonably incurred in defending an action for a liability incurred or alleged incurred, and preparing for, attending or appearing in administrative proceedings or an investigation or inquiry by an regulatory authority or external administrator in relation to any act, as an officer of Caltex Australia Limited or a company in the Caltex Australia Group.

Caltex Australia Limited also effects, maintains and pays the premium on an insurance policy covering directors and officers of Caltex Australia Limited and other companies in the Caltex Australia Group. This policy must not seek to insure against liabilities (other than for legal costs) arising out of:

- conduct involving a wilful breach of duty in relation to Caltex Australia Limited or a company in the Caltex Australia Group; or
- a contravention of sections 182 or 183 of the Corporations Act 2001 (Cth).

Under the terms of the deed of indemnity and insurance, Caltex Australia has an obligation to effect and maintain and pay the premium on a policy for a period of seven years after the officer leaves office.

Contract of insurance

Caltex Australia Limited has paid a premium in respect of a contract insuring the directors and officers of Caltex Australia Limited against liabilities.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance, as such disclosure is prohibited under the terms of the contract.

Rounding of amounts

Caltex Australia Limited is an entity to which Australian Securities & Investments Commission (ASIC) Class Order CO 98/100 applies and, in accordance with the relief afforded by the class order, amounts have been rounded off to the nearest thousand dollars (unless otherwise stated).

The Directors' Report is made in accordance with a resolution of the Board of Caltex Australia Limited:

Elizabeth Bryan

CHAIRMAN

Desmond King

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Sydney, 22 February 2008

DIRECTORS' DECLARATION

The Board of Caltex Australia Limited has declared that:

- the directors have received the declarations required by section 295A of the Corporations Act 2001 (Cth) from the Managing Director and Chief Executive Officer and the Chief Financial Officer for the year ended 31 December 2007;
- the financial statements for the year ended 31 December 2007, the notes and the remuneration disclosures set out in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001 (Cth), including:
 - complying with the Australian Accounting Standards (including interpretations) and the Corporations Regulations 2001; and
 - giving a true and fair view of the financial position of the Caltex Australia Group at 31 December 2007 and its performance for the year;
- in the directors' opinion, there are reasonable grounds to believe that Caltex Australia Limited will be able to pay its debts as and when they become due and payable; and
- as at the date of this declaration, there are reasonable grounds to believe that all companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee with Caltex Australia Limited 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.

The directors' declaration is made in accordance with a resolution of the Board of Caltex Australia Limited.

Elizabeth Bryan

CHAIRMAN

Desmond King

MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

Fiful Buyan

Sydney, 22 February 2008

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under section 307C of the Corporations Act 2001 (Cth)

To the directors of Caltex Australia Limited

- I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007 there have been:
- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPM

Steven Gatt

Partner

Sydney, 22 February 2008

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CALTEX AUSTRALIA LIMITED

We have audited the accompanying financial report of Caltex Australia Limited (the "company"), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration report" in the Directors' report and not in the financial report. We have audited certain sections of the "Remuneration report" where identified as "Audited". All other sections and information with the "Remuneration report" that have not been identified as "Audited" were not subject to our audit.

Directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion:

- (a) the financial report of Caltex Australia Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the remuneration disclosures that are contained in those sections specifically identified as "Audited" within the "Remuneration report" comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG

Steven Gatt, Partner

Sydney, 22 February 2008

INCOME STATEMENTS

For the year ended 31 December 2007 Consolidated Parent entity 2007 2006 2007 2006 Note \$'000 \$'000 \$'000 \$'000 Revenue from sale of goods 19,078,481 18,441,437 Replacement cost of goods sold (excluding product duties and taxes and inventory gains) (13,344,223)(12,997,732)Product duties and taxes (4,628,750)(4,411,846)Inventory gains 289,767 51,683 Cost of goods sold - historical cost (17,683,206) (17,357,895)1,395,275 Gross profit 1,083,542 2 270,246 Other income 226,360 286,128 190,176 Refining and supply expenses (20,996)(18,731)(609, 171)Marketing expenses (542, 138)3 Finance costs (45,956)(48,513)(48, 345)(56,595)(64,256)Other expenses (43,773)(3,511)(4,164)Share of net profit of entities accounted for using the equity method 24(c) 3,313 5,118 928,455 661,865 234,272 129,417 Profit before income tax expense (3,387)Income tax expense (279,639)(194,668)(3,826)Net profit 648,816 467,197 230,885 125,591 Net profit attributable to minority interest 2,466 1,221 Net profit attributable to members of the parent entity 646,350 465,976 230,885 125,591 Basic and diluted earnings per share: Historical cost - cents per share(i) 6 239.4 172.6

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

⁽i) Replacement cost earnings per share is also disclosed in note 6.

BALANCE SHEETS

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As at 31 December 2007		Consolidated		Par	ent entity
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current assets					
Cash and cash equivalents		14,019	55,599	244	244
Receivables	7	1,146,974	809,449	_	-
Inventories	8	1,551,605	1,100,034	_	_
Current tax assets		_	39,742	_	39,859
Other	9	23,155	24,293	489	766
Total current assets		2,735,753	2,029,117	733	40,869
Non-current assets					
Receivables	7	282	3,916	556,042	456,188
Investments accounted for using the equity method		25,008	26,718	_	-
Other investments	10	15	15	1,226,375	941,375
Intangibles	11	79,485	54,633	_	-
Property, plant and equipment	12	2,476,963	2,288,442	_	_
Deferred tax assets	4	_	_	331	418
Other	9	12,430	14,585	_	
Total non-current assets		2,594,183	2,388,309	1,782,748	1,397,981
Total assets		5,329,936	4,417,426	1,783,481	1,438,850
Current liabilities					
Payables	13	1,621,499	1,194,221	372,560	78,277
Interest bearing liabilities	14	31,871	130,833	30,000	129,382
Current tax liabilities		76,829	_	76,883	_
Provisions	15	86,487	80,355	_	_
Total current liabilities		1,816,686	1,405,409	479,443	207,659
Non-current liabilities					
Payables	13	8,478	5,378	-	_
Interest bearing liabilities	14	564,158	463,752	556,042	456,188
Deferred tax liabilities	4	31,410	30,662	_	-
Provisions	15	80,582	69,715	243	243
Total non-current liabilities		684,628	569,507	556,285	456,431
Total liabilities		2,501,314	1,974,916	1,035,728	664,090
Net assets		2,828,622	2,442,510	747,753	774,760
Equity					
Issued capital	16	543,415	543,415	543,415	543,415
Treasury stock	17	(2,919)	(2,092)	(2,919)	(2,092
Reserves	17	3,092	3,346	2,459	3,024
Retained earnings	17	2,273,880	1,887,156	204,798	230,413
Total parent entity interest		2,817,468	2,431,825	747,753	774,760
Minority interest	17	11,154	10,685		
Total equity		2,828,622	2,442,510	747,753	774,760

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

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

	Consolidated		Pare	ent entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net profit	648,816	467,197	230,885	125,591
Actuarial (loss)/gain on defined benefit plans	(3,126)	7,445	_	_
Cash flow hedge fair value gains	311	406	_	_
Total recognised income and expense for the year	646,001	475,048	230,885	125,591
Attributable to:				
Equity holders of the parent entity	643,535	473,827	230,885	125,591
Minority interest	2,466	1,221	_	_
Total recognised income and expense for the year	646,001	475,048	230,885	125,591
Total equity at the beginning of the year	2,442,510	2,138,455	774,760	819,962
Total recognised income and expense for the year	646,001	475,048	230,885	125,591
Own shares acquired	(2,851)	(2,843)	(2,851)	(2,843)
Expense on equity settled transactions	1,459	2,150	1,459	2,150
Dividends to minority interest	(1,997)	(200)	-	_
Dividends to shareholders	(256,500)	(170,100)	(256,500)	(170,100)
Total equity at the end of the year	2,828,622	2,442,510	747,753	774,760

The statements of recognised income and expense are to be read in conjunction with the notes to the financial statements.

CASH FLOW STATEMENTS

For the year ended 31 December 2007

		Co	nsolidated	Par	ent entity
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities					
Receipts from customers		21,468,811	21,290,363	_	_
Receipts from subsidiaries		_	_	181,464	351,150
Payments to suppliers, employees and governments		(20,670,462)	(20,458,455)	-	_
Dividends and disbursements received		3,915	3,685	222,983	117,734
Interest received		8,969	2,555	64,046	70,653
Interest and other finance costs paid		(54,232)	(57,229)	(51,980)	(55,547)
Income taxes paid		(161,605)	(315,361)	(160,013)	(314,083)
Net operating cash inflows	26	595,396	465,558	256,500	169,907
Cash flows from investing activities					
Purchases of businesses, net of cash acquired		_	(14,388)	_	-
Purchase of controlled entity, net of cash acquired		(11,747)	(6,952)	_	_
Purchases of property, plant and equipment		(293,310)	(357,285)	_	_
Major cyclical maintenance		(57,874)	(29,530)	_	_
Purchases of intangibles		(22,211)	(2,189)	_	_
Net proceeds from sale of property, plant and equipment		17,718	5,176	_	_
Loans to controlled entities		_	_	(182)	(136,376)
Loans repaid from associated entities		_	956	_	_
Net investing cash (outflows)		(367,424)	(404,212)	(182)	(136,376)
Cash flows from financing activities					
Proceeds from borrowings		9,463,518	9,595,161	9,455,000	9,593,296
Repayments of borrowings		(9,472,701)	(9,458,785)	(9,454,818)	(9,456,920)
Repayment of finance lease principal		(1,872)	(307)	_	_
Dividends paid to minority interest		(1,997)	(200)	-	_
Dividends paid		(256,500)	(170,100)	(256,500)	(170,100)
Net financing cash outflows		(269,552)	(34,231)	(256,318)	(33,724)
Net (decrease)/increase in cash and cash equivalents		(41,580)	27,115	_	(193)
Cash at the beginning of the year		55,599	28,484	244	437
Cash at the end of the year		14,019	55,599	244	244

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. Significant accounting policies

Caltex Australia Limited (the "company") is a company domiciled in Australia. The financial statements for the year ended 31 December 2007 comprise the company and its controlled entities (together referred to as the Group) and the Group's interest in associates and jointly controlled entities. The financial statements were authorised for issue by the directors on 22 February 2008.

Caltex Australia Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

(a) Statement of compliance and basis of preparation

The financial report has been prepared as a general purpose financial report and complies with the requirements of the Corporations Act 2001 (Cth), and Australian Accounting Standards (AASBs) including Australian Interpretations adopted by the Australian Accounting Standards Board (AASB).

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

The financial report is presented in Australian dollars, which is the Group's functional currency.

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

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable

under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(c).

The following standards and amendments were made available for early adoption by the AASB but have not been applied by the Group in this financial report:

- Revised AASB 101 Presentation of Financial Statements (September 2007).
- AASB 8 Operating Segments.
- Revised AASB 123 Borrowing Costs.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 Operating Segments, amending AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts.
- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 Borrowing Costs, amending AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 101

Presentation of Financial Statements. AASB 107 Cash Flow Statements, AASB 111 Construction Contracts, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, Al 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation, Al 12 Service Concession Arrangements.

- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 Presentation of Financial Statements.
- Al 12 Service Concession Arrangements.
- Al 13 Customer Loyalty Programmes.
- Al 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- Al 129 Service Concession Arrangements: Disclosures.
- Al 1003 Australian Petroleum Resource Rent Tax

These statements will be effective for the Group as of 1 January 2008. The Group is currently in the process of assessing the impact of the adoption of these standards.

The accounting policies set out below have been applied consistently to all periods presented in the financial report by the company and the Group.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at the cost of acquisition in the company's financial statements.

Associates

Associates are those entities over which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Joint ventures

Joint ventures are those entities or operations over whose activities the Group has joint control, established by contractual agreement.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in jointly controlled entities are carried at the lower of the equity accounted amount and recoverable amount.

The Group's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Jointly controlled operations and assets

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates and jointly controlled entities are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Accounting estimates and judgements

Notes 1(n) and 11 contain information about the assumptions and their risk factors relating to impairment.

In note 1(i), explanation is given of the foreign exchange exposure, interest rate exposure and commodity price exposure of the Group and risks in relation to foreign exchange movements, interest rate movements and commodity price movements.

Note 19(b) contains information about the principal actuarial assumptions used in determining pension obligations for the Group's defined benefit plan.

Note 1(w) provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions.

(d) Revenue

Sales revenue

Sales revenue comprises revenue earned (net of rebates, discounts and allowances) from the provision of products to entities outside the Group.

Gross sales revenue excludes amounts collected on behalf of third parties such as goods and services tax. Sales revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, or when the services have been completely provided.

Exchanges of goods or services of the same nature and value are not recognised as revenues regardless of whether the transaction involves cash consideration.

Other income

Dividend income is recognised at the date the right to receive payment is established. Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial asset.

Rental income from leased sites is recognised in the income statement on a straight-line basis over the term of the lease. Franchise fee income is recognised in accordance with the substance of the agreement. Royalties are recognised as they accrue in accordance with the substance of the agreement.

Profit/loss on disposal of property assets

The revenue and profit on disposal of property assets is brought to account at the date a contract of sale is settled, because it is at this time that:

- the costs incurred or to be incurred in respect of the sale can be measured reliably; and
- the significant risks and rewards of ownership of the property have been transferred to the buyer.

Assets that are held for sale are carried at the lower of the net book value and fair value less cost to sell.

(e) Cost of goods sold measured on a replacement cost basis

Cost of goods sold measured on a replacement cost basis excludes the effect of inventory gains and losses, including the impact of exchange rate movements. Inventory gains or losses arise due to movements in the landed price of crude oil, and represent the difference between the actual historic cost of sales and the current replacement value of that inventory.

The net inventory gain or loss is adjusted to reflect the impact of revenue lags.

(f) Product duties and taxes

Product duties and taxes are included in cost of goods sold.

Product duties and taxes include fuel excise, which is a cents per litre impost on products used as fuels, and the product stewardship levy, which is a cents per litre impost on all lubricant products sold. Excise is recognised as part of the cost of inventory, and therefore forms part of cost of goods sold.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

1. Significant accounting policies (continued)

(g) Goods and services tax (continued)

In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and pavables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Finance costs

Finance costs include interest payable on borrowings calculated using the effective interest rate method, finance charges in respect of finance leases, net foreign exchange losses, losses on hedging instruments that are recognised in profit or loss, exchange differences arising from foreign currency borrowing to the extent that they are regarded as an adjustment to interest costs, and differences relating to the unwinding of the discount of assets and liabilities measured at amortised cost.

Finance costs are recognised as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amounts of finance costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, finance costs are capitalised using a weighted average capitalisation rate.

(i) Foreign currencies

Foreign currency transactions are recorded, on initial recognition, in Australian dollars by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at

that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(i) Derivative financial instruments

The Group is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Group may use interest rate instruments, forward foreign exchange contracts, cross currency swaps, crude swap contracts and finished product swap contracts to hedge these risks.

The Group does not enter into derivative financial instrument transactions for trading or speculative purposes. However, financial instruments entered into to hedge an underlying exposure which does not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. The gain or loss on subsequent remeasurement is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Interest rate instruments

The fair value of interest rate swap contracts is the estimated amount that the Group would receive or pay to terminate the swap at balance date taking into account current interest rates.

Foreign exchange contracts

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date.

Spot foreign exchange contracts are recorded at fair value, being the quoted market price at balance date.

Crude and finished product swap contracts

Tapis crude and product swap contracts may be used to reduce exposure to changes in absolute crude and finished product prices and their fair values are calculated by reference to market prices. There are no exchanges of principal amounts involved in these contracts.

The carrying amount of all derivatives, other than those meeting the normal purchases and sales exception, are measured using market prices. Those derivatives qualifying and designated as hedges are either fair value or cash flow hedges.

Hedging

Cash flow hedges

Interest rate instruments, forward exchange contracts and crude and finished product swap contracts are cash flow hedges. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the anticipated transaction results in the recognition of a non-financial asset or non-financial liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the non-financial asset or non-financial liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss in the carrying amount of a cash flow hedge is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Fair value hedges

Cross currency swaps are fair value hedges.

A change in the carrying amount of a fair value hedge is recognised in the income statement, together with the change to the carrying amount of the hedged item.

The Group formally documents all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedge transactions. When effectiveness ceases, hedge accounting is discontinued.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The company and its wholly owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Caltex Australia Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "group allocation" approach.

Current tax expense/income is allocated based on the net profit/loss before tax of each separate member of the tax-consolidated group adjusted for permanent differences and intra-group dividends, tax-effected using tax rates enacted or substantially enacted at the balance sheet date.

Any current tax liabilities and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable to/receivable from other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts.

The company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with the other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the taxconsolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any

tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payables (receivables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with the other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(I) Receivables

Receivables are measured at amortised cost less impairment losses.

Impairment testing is performed at reporting date. A provision for impairment losses is raised if there is a specific indicator that an impairment loss on receivables has been incurred.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the weighted average cost principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure incurred in acquiring the inventories and bringing them into the existing location and condition.

The amount of any write-down or loss of inventory is recognised as an expense in the period it is incurred.

Inventory write-downs may be reversed when net realisable value increases subsequent to initial write-down. The reversal is limited to the original write-down amount.

1. Significant accounting policies (continued)

(n) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Group's investments in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cashgenerating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of property, plant and equipment at 1 January 2004 is included on the basis of deemed cost. The cost of selfconstructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost of property, plant and equipment includes the cost of decommissioning and restoration costs at the end of their economic lives if a present legal or constructive obligation exists. More details of how this cost is estimated and recognised is contained in note 1(w).

Assessment of impairment is made in accordance with the impairment policy in note 1(n).

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

Leased assets

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

Finance leases

Assets of the Group acquired under finance leases are capitalised and included in property, plant and equipment at the lesser of fair value or present value of the minimum lease payments. Contingent rentals are written off as an expense of the period in which they are incurred. Capitalised lease assets are depreciated over the shorter of the lease term and its useful life.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The interest components of lease payments are charged to the income statement to reflect a constant rate of interest on the remaining balance of the liability for each accounting period.

Operating leases

Payments made under operating leases are charged against net profit or loss in equal installments 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. Contingent rentals are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised in the income statement as an integral part of the total lease expense on a straight-line basis over the lease term.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including cyclical maintenance, is capitalised. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be reliably measured. All other expenditure is recognised in the income statement as an expense as incurred.

Major cyclical maintenance

Major cyclical maintenance expenditure is separately capitalised as an asset component to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance, will eventuate. All other such costs are expensed as incurred. Capitalised cyclical maintenance expenditure is depreciated over the lesser of the additional useful life of the asset or the period until the next major cyclical maintenance is scheduled to occur.

Depreciation

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, in the current and prior year, for each class of asset are as follows:

Freehold buildings	2%
Leasehold property	2 – 10%
Plant and equipment	3 – 20%
Leased plant and equipment	3 – 20%

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.

(p) Intangible assets

Goodwill

Business combinations prior to 1 January 2004

As part of the transition to A-IFRS, the Group elected to restate only those business combinations that occurred on or after 1 January 2004. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the Group's previous accounting framework.

Business combinations since 1 January 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(n)). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see note 1(n)).

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see note 1(n)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it related. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are reflected by the following amortisation percentages:

Software development 5 - 20%Software not integrated with hardware 5 - 20% Licences 6 - 10%

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

(r) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days.

Payables related to statutory obligations are measured at cost with other payables measured at amortised cost.

(s) Interest bearing liabilities

Interest bearing bank loans

Interest bearing bank loans are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the income statement over the period of the interest bearing liability on an effective interest basis

Short-term notes

Short-term notes are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the income statement over the period of the interest bearing liability on an effective interest basis.

Medium-term notes

Medium-term notes are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the income statement over the period of the interest bearing liability on an effective interest basis.

1. Significant accounting policies (continued)

(s) Interest bearing liabilities (continued)

US notes

US notes hedged by cross currency swaps are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, these US notes are accounted for using fair value hedge accounting to the extent that an effective hedge exists (see note 1(j)).

US notes issued in Australian dollars are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the income statement over the period of the interest bearing liability on an effective interest basis.

(t) Employee benefits

Wages and salaries

The provision for employee benefits to wages and salaries represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the balance date.

Annual leave, long service leave and retirement benefits

The provisions for employee benefits to annual leave, long service leave and retirement benefits which are expected to be settled within 12 months represent the undiscounted amount of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Provisions for employee benefits which are not expected to be settled within 12 months are calculated using expected future increases in wage and salary rates, including related oncosts, and expected settlement dates based on turnover history and 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.

Superannuation

The Group contributes to several defined benefit and defined contribution superannuation plans.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as

an expense in the income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan are recognised directly in retained earnings. When the calculation results in plan assets exceeding liabilities to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

(u) Share based payments

The Group provides benefits to senior executives in the form of share based payment transactions, whereby senior executives render services in exchange for shares or rights over shares (equity settled transactions).

The cost of the equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the specified service period and ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired.

In the company's financial statements the transactions of the company sponsored employee share plan trust are treated as being executed directly by the company

(as the trust acts as the company's agent). Accordingly, shares held by the trust are recognised as treasury stock and deducted from equity.

(v) 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. Environmental provisions are accounted for in accordance with the provisions accounting policy.

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.

(w) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a finance cost.

Estimate of the amount of an obligation is based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future. The carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take account of such change.

In general, the further in the future that a cash outflow for a liability is expected

to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow.

Examples of cash outflows that are expected to occur a number of years in the future and, as a result, about which there is uncertainty of the amounts involved, include asset decommissioning and restoration obligations and employee pension obligations.

A change in the estimate of a recognised provision or liability would impact the income statement, with the exception of decommissioning and certain restoration costs that relate to the initial construction of an asset, which would be accounted for on a prospective basis.

Restoration and remediation

Provisions relating to current and future restoration and remediation activities are recognised as liabilities when a legal or constructive obligation arises.

The provision is the best estimate of the present value of the expenditure to settle the obligation at the reporting date. These costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period through the income statement.

The ultimate cost of restoration and remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal and environmental requirements, the emergence of new techniques or experience at other sites and uncertainty as to the remaining life of existing sites.

Asset retirements

Costs for the future dismantling and removal of assets, and restoration of the site on which the assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a finance cost. A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the income statement immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount.

Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits have either commenced or been publicly announced, or when firm contracts related to the restructuring or termination benefits have been entered into. The liabilities for termination benefits have been included in the provision for employee and director benefits.

		Consolidated		Parent entity		
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	
	Other income					
	Dividends received from controlled entities	_	_	222,983	117,702	
	Rental income	32,331	30,084	_	_	
	Royalties and franchise income	106,225	99,227	_	_	
	Net foreign exchange gains	56,162	23,677	_	_	
(Other	68,668	70,466	1,155	2,146	
		263,386	223,454	224,138	119,848	
	Finance income					
	Interest from controlled entities	-	_	61,801	70,173	
	Interest from other corporations	6,860	2,906	189	155	
		6,860	2,906	61,990	70,328	
		270,246	226,360	286,128	190,176	
. (Costs and expenses					
	Finance costs					
	Interest expense	48,208	56,356	48,635	56,907	
	Finance charges on capitalised leases	1,722	1,892	_	-	
	(Gain)/loss on fair value derivative	(290)	(312)	(290)	(312)	
	Less: Capitalised finance costs	(3,684)	(9,423)	_	-	
	Finance costs	45,956	48,513	48,345	56,595	
	Depreciation and amortisation					
	Depreciation of:					
	Buildings	8,278	7,981	_	_	
	Plant and equipment	144,232	132,355	_	-	
		152,510	140,336	_	-	
,	Amortisation of:					
	Leasehold property	6,273	6,273	_	_	
	Leased plant and equipment	1,380	703	_	_	
	Intangibles	6,568	5,005	_	_	
		14,221	11,981	_	_	
	Total depreciation and amortisation	166,731	152,317	-	-	
,	Selected expenses					
-	Total personnel expenses	234,298	206,686	_	_	
	Impairment on goodwill	-	225	_	_	
(Operating leases rental expense	85,559	73,340	_	_	
	Finance lease contingent rentals	796	43	808	43	
	Loss on disposal of non-current assets	16,999	8,397	_	_	

		Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
4.	Income tax expense				
(a)	Recognised in the income statements				
	Current tax expense:				
	Current year	274,439	179,759	3,300	4,113
	Adjustments for prior years	3,245	(2,341)	_	_
		277,684	177,418	3,300	4,113
	Deferred tax expense:				
	Origination and reversal of temporary differences	1,955	17,250	87	(287)
	Total income tax expense in the income statements	279,639	194,668	3,387	3,826
(b)	Numerical reconciliation between income tax expense				
	and profit before income tax expense				
	Profit before income tax expense	928,455	661,865	234,272	129,417
	Income tax using the domestic corporate tax rate				
	of 30% (2006: 30%)	278,537	198,559	70,282	38,825
	Increase in income tax expense due to:				
	Imputation gross-up on dividends received	1,090	1,106	_	_
	Impairment of goodwill	_	68	_	_
	Net tangible capital gains tax	962	610	_	_
	Other	_	_	_	312
	Decrease in income tax expense due to:				
	Share of net profit of associated entities	(910)	(1,535)	-	-
	Research and development allowances	(1,125)	(375)	_	_
	Dividends received from subsidiaries	-	_	(66,895)	(35,311)
	Other	(1,075)	(1,079)	_	_
	Franking credits on dividends received	(1,085)	(345)	_	_
	Income tax expense on the profit before income tax expense	276,394	197,009	3,387	3,826
	Income tax under/(over) provided in prior years	3,245	(2,341)	_	_
	Total income tax expense in the income statements	279,639	194,668	3,387	3,826
(c)	Deferred tax recognised directly in equity				
	Related to actuarial gains	1,340	(3,195)	_	_
	Related to financial instruments	(133)	(175)	_	_
		1,207	(3,370)	_	_

4. Income tax expense (continued)

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Receivables	3,686	3,327	_	_	3,686	3,327
Inventories	_	_	(3,020)	(2,229)	(3,020)	(2,229)
Property, plant and equipment and intangibles	-	_	(86,448)	(82,231)	(86,448)	(82,231)
Payables	5,537	6,793	_	_	5,537	6,793
Interest bearing liabilities	2,072	2,689	_	_	2,072	2,689
Provisions	50,121	45,021	_	_	50,121	45,021
Other	-	_	(3,358)	(4,032)	(3,358)	(4,032)
Net tax assets/(liabilities)	61,416	57,830	(92,826)	(88,492)	(31,410)	(30,662)

	Ass	sets	Liabi	ilities	N	et
Parent entity	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Provisions	73	73	_	-	73	73
Interest bearing liabilities	258	345	_	_	258	345
Net tax assets	331	418	-	-	331	418

(e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items.

	2007	2006
	\$'000	\$'000
Capital tax losses	198,949	197,704

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which these benefits can be utilised by the Group.

(f) Movement in temporary differences during the year

Consolidated	Balance at 1 Jan 07 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance at 31 Dec 07 \$'000
Receivables	3,327	359	_	3,686
Inventories	(2,229)	(791)	_	(3,020)
Property, plant and equipment	(82,231)	(4,217)	_	(86,448)
Payables	6,793	(1,256)	_	5,537
Interest bearing liabilities	2,689	(484)	(133)	2,072
Provisions	45,021	5,124	(24)	50,121
Other	(4,032)	(690)	1,364	(3,358)
	(30,662)	(1,955)	1,207	(31,410)

4. Income tax expense (continued)

(f) Movement in temporary differences during the year (continued)

Consolidated	Balance at 1 Jan 06 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance at 31 Dec 06 \$'000
Receivables	1,668	1,659	_	3,327
Inventories	(914)	(1,315)	_	(2,229)
Property, plant and equipment	(77,390)	(4,841)	_	(82,231)
Payables	23,313	(16,520)	_	6,793
Interest bearing liabilities	2,876	(12)	(175)	2,689
Provisions	41,349	3,958	(286)	45,021
Other	(944)	(179)	(2,909)	(4,032)
	(10,042)	(17,250)	(3,370)	(30,662)
Parent entity	Balance at 1 Jan 07 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance at 31 Dec 07 \$'000
Interest bearing liabilities	345	(87)	_	258
Provisions	73	_	_	73
	418	(87)	-	331
Parent entity	Balance at 1 Jan 06 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance at 31 Dec 06 \$'000
Interest bearing liabilities	_	345	_	345
Provisions	131	(58)	_	73
	131	287	_	418

5. Dividends

(a) Dividends declared or paid

Dividends recognised in the current year by the company are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount \$'000
2007				
Interim 2007	28 September 2007	Franked	47	126,900
Final 2006	30 March 2007	Franked	48	129,600
Total amount				256,500
2006				
Interim 2006	29 September 2006	Franked	32	86,400
Final 2005	31 March 2006	Franked	31	83,700
Total amount				170,100

Franked dividends paid during the year were franked at the tax rate of 30%.

Subsequent events

Since 31 December 2007, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group.

Final 2007	28 March 2008	Franked	33	89.100

The financial effect of this final dividend has not been reflected in the financial statements for the year ended 31 December 2007 and will be recognised in subsequent financial reports.

Parent entity

2007 \$'000

2006 \$'000

5. Dividends (continued)

(b) Dividend franking account

30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years

737,016 684,734

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability, is to reduce the balance by \$38,186,000 (2006: \$55,543,000).

In accordance with the tax consolidation legislation, the company as the head entity in the tax consolidated group has also assumed the benefit of \$737,016,000 (2006: \$683,960,000) in franking credits.

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
6. Basic and diluted earnings per share				
Historical cost – cents per share	239.4	172.6	-	_
Replacement cost – cents per share	164.3	159.2	_	_

The calculation of historical cost basic earnings per share for the period ended 31 December 2007 was based on the net profit attributable to ordinary shareholders of the parent entity of \$646,350,000 (2006: \$465,976,000) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2007 of 270 million shares (2006: 270 million shares).

The calculation of replacement cost basic earnings per share for the year ended 31 December 2007 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity of \$443,513,000 (2006: \$429,798,000) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2007 of 270 million shares (2006: 270 million shares).

There are no dilutive potential ordinary shares, and therefore diluted earnings per share equals basic earnings per share.

		Cor	nsolidated	Pare	nt entity
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
7. Receivables					
Current					
Trade debtors		1,015,982	685,593	_	_
Allowance for impair	ment	(10,202)	(8,090)	_	_
		1,005,780	677,503	_	_
Associated entities		24,004	63,625	_	_
Other related entities	3	74,113	17,099	_	_
Other debtors		43,077	51,222	_	_
		1,146,974	809,449	-	-
Loans to controlled	entities	-	-	556,042	456,188
Other loans		282	3,916	_	_
		282	3,916	556,042	456,188

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

7. Receivables (continued)

(a) Impaired receivables

As at 31 December 2007 current trade receivables of the Group with a nominal value of \$10,202,000 (2006: \$8,090,000) were impaired. The individually impaired receivables relate to a variety of customers who are in unexpectedly difficult economic situations and are either in liquidation or administration.

No financial return is expected from these customers. Approximately \$6 million of the provision relates to a dispute with a major retailer. As at 31 December 2007 and 31 December 2006, this amount remains outstanding.

No collateral is held over these impaired receivables.

As of 31 December 2007, trade receivables of \$30,145,000 (2006: \$33,398,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of receivables past due but not impaired is as

2007 \$'000 26,145 2,960	2006 \$'000 29,127	2007 \$'000	2006 \$'000
,	29,127	_	
2 960			_
2,500	2,724	_	_
1,310	1,548	_	_
30,415	33,399	-	-
follows:			
8,090	1,994	_	_
2,112	7,271	_	_
_	(1,067)	_	_
-	(108)	_	_
10,202	8,090	_	_
	30,415 follows: 8,090 2,112 –	1,310 1,548 30,415 33,399 follows: 8,090 1,994 2,112 7,271 - (1,067) - (108)	1,310 1,548 – 30,415 33,399 – follows: 8,090 1,994 – 2,112 7,271 – — (1,067) – — (108) –

The creation and release of the provision for impaired receivables has been included in "other expenses" in the income statement.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. There are no receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

(b) Foreign exchange and interest rate risk

Refer to note 18 for exposures to foreign exchange and interest rate risk relating to trade and other receivables.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

Maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group holds collateral and other credit enhancements with a fair value of \$318,914,000 (2006: \$200,000,000) in respect of these assets.

Refer to note 18 for further details.

	Consolidated		Parent entity		
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	
3. Inventories					
Crude oil and raw materials	681,634	406,817	_	_	
Inventory in process	203,244	116,865	-	_	
Finished goods	630,862	541,663	_	_	
Materials and supplies	35,865	34,689	_	_	
	1,551,605	1,100,034	_	_	
. Other assets					
Current					
Prepayments	23,155	24,293	489	766	
Non-current					
Other	12,430	14,585	_	_	
0. Other investments					
Investment in other entities	15	15	_	_	
Investment in controlled entities	-	_	1,226,375	941,375	
	15	15	1,226,375	941,375	
1. Intangibles		Consc	olidated		
	Goodwill \$'000	Rights \$'000	Software \$'000	Total \$'000	
Cost					
Balance at 1 January 2006	33,130	4,778	44,255	82,163	
Acquisitions through business combinations	17,345	_	_	17,345	
Additions	_	_	2,188	2,188	
Disposals	_	(1,326)		(1,326)	
Balance at 31 December 2006	50,475	3,452	46,443	100,370	
Cost					
Balance at 1 January 2007	50,475	3,452	46,443	100,370	
Acquisitions through business combinations	9,209	-	_	9,209	
Additions	_	534	20,503	21,037	
Goodwill adjustments	1,174	_	_	1,174	
Balance at 31 December 2007	60,858	3,986	66,946	131,790	
Amortisation and impairment losses					
Balance at 1 January 2006	(11,166)	_	(29,341)	(40,507)	
Amortisation for the year	-	(660)	(4,345)	(5,005)	
Impairment losses for the year	(225)	_	_	(225)	
Balance at 31 December 2006	(11,391)	(660)	(33,686)	(45,737)	
Amortisation and impairment losses					
Balance at 1 January 2007	(11,391)	(660)	(33,686)	(45,737)	
Amortisation for the year	_	(1,693)	(4,875)	(6,568)	
Balance at 31 December 2007	(11,391)	(2,353)	(38,561)	(52,305)	

11. Intangibles (continued)

Conso	lic	lai	tad	
001130	IIC	ıa	lou	

	Goodwill \$'000	Rights \$'000	Software \$'000	Total \$'000
Carrying amount				
At 1 January 2006	21,964	4,778	14,914	41,656
At 31 December 2006	39,084	2,792	12,757	54,633
At 1 January 2007	39,084	2,792	12,757	54,633
At 31 December 2007	49,467	1,633	28,385	79,485

Amortisation and impairment losses

The amortisation and impairment charge of \$6,568,000 (2006: \$5,230,000) is recognised in refining and supply expenses, marketing expenses, and other expenses on the income statement.

Impairment tests for cash-generating units containing goodwill

Goodwill acquired through business combinations has been tested for impairment as follows.

	Conse	olidated	Parer	nt entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Distributor businesses	49,467	39,084	-	-

Distributor businesses

The recoverable amount of goodwill with Distributor businesses has been determined based on a "value in use" calculation. This calculation uses cash flow projections based on an extrapolation of the year end cash flows and available budget information, over 10 years. The cash flows have been discounted using the pre-tax discount rate of 14.6% p.a. No growth rate has been factored in. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill recorded to exceed its recoverable amount.

Key assumptions used in "value in use" calculations

Key assumption	Basis for determining value in use assigned to key assumption
Gross profit	Earnings before interest, tax, depreciation and amortisation (EBITDA)
Estimated long-term average growth rate	No forecasted growth

Discount period Represents expected payback period of acquisitions

Discount rate The risk specific to the asset

	Cor	nsolidated	Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Property, plant and equipment				
Freehold land				
At cost	377,990	385,394	_	_
Net carrying amount	377,990	385,394	-	_
Buildings				
At cost	301,147	281,196	_	-
Accumulated depreciation	(124,484)	(118,176)	_	_
Net carrying amount	176,663	163,020	_	_
Leasehold property				
At cost	93,919	83,777	_	-
Accumulated amortisation	(62,076)	(57,148)	_	_
Net carrying amount	31,843	26,629	_	-
Plant and equipment				
At cost	2,956,422	2,776,914	_	_
Accumulated depreciation	(1,489,574)	(1,356,899)	_	_
Net carrying amount	1,466,848	1,420,015	-	-
Leased plant and equipment				
At capitalised cost	14,168	14,170	_	_
Accumulated amortisation	(10,596)	(9,903)	_	_
Net carrying amount	3,572	4,267	-	_
Capital projects in progress				
At cost	420,047	289,117	_	_
Total net carrying amount	2,476,963	2,288,442	_	_
Reconciliations				
Reconciliations of the carrying amounts for each class o	f property, plant and equ	ipment are set out be	elow:	
Freehold land	005.004	005.007		
Carrying amount at the beginning of the year Additions	385,394 2,390	395,997	_	_
Disposals	2,390 (9,794)	(10,603)	_	_
Carrying amount at the end of the year	377,990	385,394	_	
	377,390	303,034		
Buildings Carrying amount at the beginning of the year	163,020	165,872	_	_
Additions	297	-	_	_
Acquisition through entity acquired	8,772	_	_	_
Disposals	(2,548)	(5,114)	_	_
Transfers from capital projects in progress	15,400	10,243	_	_
Depreciation	(8,278)	(7,981)	_	_
Carrying amount at the end of the year	176,663	163,020		

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
2. Property, plant and equipment (continued)				
Leasehold property				
Carrying amount at the beginning of the year	26,629	30,426	-	-
Additions	308	532	-	-
Disposals	(190)	(166)	_	_
Transfers from capital projects in progress	11,369	2,110	_	-
Amortisation	(6,273)	(6,273)	_	_
Carrying amount at the end of the year	31,843	26,629	-	-
Plant and equipment				
Carrying amount at the beginning of the year	1,420,015	877,170	_	_
Additions	62,542	29,692	_	-
Acquisition through entity acquired	5,180	2,443	_	-
Disposals	(1,805)	(6,312)	_	-
Transfers from capital projects in progress	125,148	649,377	_	-
Depreciation	(144,232)	(132,355)	_	
Carrying amount at the end of the year	1,466,848	1,420,015	_	_
Leased plant and equipment				
Carrying amount at the beginning of the year	4,267	4,970	_	-
Additions	685	_	_	_
Amortisation	(1,380)	(703)	_	_
Carrying amount at the end of the year	3,572	4,267	-	_
Capital projects in progress				
Carrying amount at the beginning of the year	289,117	601,844	_	-
Additions	279,163	339,580	_	-
Borrowing costs capitalised	3,684	9,423	_	-
Transfers to property, plant and equipment	(151,917)	(661,730)	_	_
Carrying amount at the end of the year	420,047	289,117	-	_
3. Payables				
Current				
Trade creditors – unsecured (a)				
Related entities	433,282	438,734	-	_
Other corporations and persons	668,234	330,389	_	_
Controlled entities	_	_	361,784	64,554
Other creditors and accrued expenses	519,983	425,098	10,776	13,723
	1,621,499	1,194,221	372,560	78,277
Non-current				
Other creditors and accrued expenses	8,478	5,378	_	-

⁽a) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

	Con	Consolidated		ent entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
4. Interest bearing liabilities				
Current – unsecured				
US notes®	-	70,276	-	70,276
Bank loans®	30,000	30,000	30,000	30,000
Hedge payable ⁽ⁱⁱ⁾	-	29,106	_	29,106
Lease liabilities (iii)	1,871	1,451	-	_
	31,871	130,833	30,000	129,382
Non-current – unsecured				
US notes®	205,315	212,731	205,315	212,731
Bank loans ⁽ⁱ⁾	300,000	200,000	300,000	200,000
Hedge payable ⁽ⁱⁱ⁾	50,727	43,457	50,727	43,457
Lease liabilities(iii)	8,116	7,564	_	_
	564,158	463,752	556,042	456,188

This note provides information about the contractual terms of Caltex's interest bearing loans and other liabilities. For more information about Caltex's exposure to interest rate and foreign currency risk, see note 18.

- (i) The bank loans and the US notes are provided by a number of banks and the capital markets. The majority of interest rates on these loans and notes are on a floating rate basis. The hedge payable and a portion of the US notes, totalling \$142,627,000, mature in July 2009. The remainder of the US notes mature in July 2012. Under the loan and note agreements, the Caltex Australia Group is required to comply with certain financial covenants. There is no security or demand placed on the bank loans and US notes. The bank loans are denominated in Australian dollars, and US notes are denominated in Australian and US dollars.
- (ii) The hedge payable is disclosed within interest bearing liabilities as the hedge was entered into solely as a result of the US dollar borrowings and is inextricably linked to the debt. The amount mainly represents the impact of the movement in the exchange rate from the date of inception (30 July 2002, USD exchange rate 0.5643) to 31 December 2007 (USD exchange rate 0.8764), on the amount hedged (USD80 million).
- (iii) The implicit rate of interest on finance leases is 14.0% p.a. (2006: 14.0% p.a.). Refer to note 20 for details on the timing and amount of future lease payments.

	Employee and director benefits \$'000	Site remediation \$'000	OIL insurance \$'000	Other \$'000	Total \$'000
15. Provisions					
2007					
Consolidated					
Balance at 1 January 2007	85,194	40,294	10,741	13,841	150,070
Provisions made during the year	42,653	24,700	8,160	7,636	83,149
Provisions used during the year	(35,219)	(6,559)	(7,073)	(14,261)	(63,112)
Discounting	(102)	(2,936)	_	_	(3,038)
Balance at 31 December 2007	92,526	55,499	11,828	7,216	167,069
Current	41,526	25,917	11,828	7,216	86,487
Non-current	51,000	29,582	_	_	80,582
	92,526	55,499	11,828	7,216	167,069
Parent entity					
Balance at 1 January 2007	243	_	_	-	243
Balance at 31 December 2007	243	_	_	_	243
Non-current	243	-	_	_	243
	243	_	_	_	243

15. Provisions (continued)

Employee and director benefits

The current provisions for employee and director benefits, which includes annual leave, long service leave, employee bonus and retirement benefits, represent the present value of the estimated future cash outflows to be made by the Group resulting from employees' and directors' services provided up to the balance date.

Provisions for employee and director benefits which are not expected to be settled within 12 months are calculated using future expected increases in salary rates, including related oncosts, turnover rates, and expected settlement dates based on turnover history and are discounted using the rates attaching to the national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

Restoration and remediation

Provision is made for the remediation of oil refining, distribution and marketing sites. The estimation of the cost of future remediation activities is subject to potentially significant uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination, and the timing and extent of remediation activities required.

OIL insurance

The Group is a shareholder of Oil Insurance Limited (OIL). OIL is a Bermuda company that was formed to insure catastrophic risk such as oil and gas fires and pollution control. Contributing members of OIL include large companies such as Chevron, Shell and BHP. The premium charged utilises loss information from the entire shareholder base as the pricing mechanism to determine a rate per \$1,000 of insured assets.

If the shareholder was to leave OIL, they would be required to pay for their unpaid portion of their allocated five year incurred loss. This amount is advised annually by OIL and is provided for in the accounts.

Other includes the legal provision and other provisions.

	Con	Consolidated		ent entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
16. Issued capital				
Ordinary shares				
Issued capital 270 million				
ordinary shares, fully paid	543,415	543,415	543,415	543,415

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

Ordinary shares are issued at par value.

In the event of the winding up of Caltex Australia Limited, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

17. Reconciliation of equity

Consolidated	Issued capital \$'000	Treasury stock \$'000	Hedging reserve \$'000	Equity compensation reserve \$'000	Retained earnings \$'000	Total \$'000	Minority interest \$'000	Total equity \$'000
Balance at 1 January 2006	543,415	(2,664)	(84)	4,289	1,583,835	2,128,791	9,664	2,138,455
Total recognised income for the y	rear –	_	406	_	473,421	473,827	1,221	475,048
Own shares acquired	_	(2,843)	_	_	_	(2,843)	_	(2,843)
Shares vested to employees	_	2,706	-	(2,706)	_	_	-	-
Disposal of unvested shares	_	709	-	(677)	_	32	_	32
Expense on equity settled transact	ctions -	_	_	2,118	-	2,118	-	2,118
Dividends to shareholders	-	-	_	_	(170,100)	(170,100)	(200)	(170,300)
Balance at 31 December 2006	543,415	(2,092)	322	3,024	1,887,156	2,431,825	10,685	2,442,510
Balance at 1 January 2007	543,415	(2,092)	322	3,024	1,887,156	2,431,825	10,685	2,442,510
Total recognised income for the y	rear -	_	311	_	643,224	643,535	2,466	646,001
Own shares acquired	_	(2,851)	_	_	_	(2,851)	_	(2,851)
Shares vested to employees	_	2,024	_	(2,024)	_	_	_	_
Expense on equity settled transact	ctions -	-	-	1,459	_	1,459	-	1,459
Dividends to shareholders	_	-	-	_	(256,500)	(256,500)	(1,997)	(258,497)
Balance at 31 December 2007	543,415	(2,919)	633	2,459	2,273,880	2,817,468	11,154	2,828,622
Parent entity		(0,004)		4.000	074.000	010.000		040,000
Balance at 1 January 2006	543,415	(2,664)	_	4,289	274,922	819,962	_	819,962
Total recognised income for the y		(0.040)	_	_	125,591	125,591	_	125,591
Own shares acquired	_	(2,843)	_	(0.700)	_	(2,843)	_	(2,843)
Shares vested to employees	_	2,706	_	(2,706)	_	-	_	-
Disposal of unvested shares	-	709	_	(677)	_	32	_	32
Expense on equity settled transactions	ctions –	_	_	2,118	(170 100)	2,118	_	2,118
Dividends to shareholders				_	(170,100)	(170,100)		(170,100)
Balance at 31 December 2006	543,415	(2,092)		3,024	230,413	774,760		774,760
Balance at 1 January 2007	543,415	(2,092)	-	3,024	230,413	774,760	_	774,760
Total recognised income for the y	rear -	-	-	_	230,885	230,885	-	230,885
Own shares acquired	-	(2,851)	-	_	-	(2,851)	-	(2,851)
Shares vested to employees	-	2,024	-	(2,024)	-	-	-	-
Expense on equity settled transact	ctions -	_	-	1,459	_	1,459	-	1,459
Dividends to shareholders	_	_	_	_	(256,500)	(256,500)		(256,500)
Balance at 31 December 2007	543,415	(2,919)		2,459	204,798	747,753		747,753

Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Equity compensation reserve

The equity compensation reserve represents the fair value of services received relating to share based payment plans for which shares have not yet vested.

18. Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses a range of derivative financial instruments to hedge these risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and ageing analysis for credit risk.

Risk management is carried out by Group Treasury for interest rate risk, foreign exchange exposures, liquidity risk and capital management.

Risk management activities in respect of credit risk are carried out by the Group's Credit Risk department. Both Group Treasury and Credit Risk operate under policies approved by the Board of directors. Group Treasury and Credit Risk identify, evaluate and monitor the financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk (including hedging activities) interest rate risk, liquidity risk, and credit risk and they are summarised further below.

The Group's principal financial instruments, other than derivatives, comprise bank loans, US notes, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group enters into derivative transactions, principally interest rate swaps, forward currency contracts, and commodity pricing swaps. The purpose is to manage the interest rate, currency risks, refiner margin risks and commodity pricing risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's accounting policies in relation to derivatives are set out in note 1.

The magnitude of each type of financial risk that has arisen over the year is discussed below.

(a) Interest rate risk

Interest rate instruments

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

Each contract involves periodic payment or receipt of the net amount of interest. At 31 December 2007, the fixed rates varied from 5.8% p.a. to 6.3% p.a. (2006: 5.8% p.a. to 6.3% p.a.), a weighted average rate of 6.0% p.a. (2006: 6.0% p.a.). The floating rates were at bank bill rates.

The net fair value of interest rate swap contracts at 31 December 2007 was \$1,892,000 (2006: \$1,001,000). The Group classifies qualifying interest rate swap contracts as cash flow hedges.

The Caltex Australia Group has entered into cross currency swap contracts maturing in two years to manage interest rate and currency risks on the US dollar denominated borrowings.

The net fair value of cross currency swap contracts at 31 December 2007 was \$50,727,000 (2006: \$72,563,000). The Group classifies cross currency swap contracts as fair value hedges.

At 31 December 2007, if interest rates had changed by -/+1% from the year end rates, with all other variables held constant, net profit for the year for the Group would have been \$1,925,000 higher/\$1,937,000 lower (2006: \$1,208,000 higher/\$1,236,000 lower).

Equity would have been \$1,538,000 higher/\$1,559,000 lower (2006: \$543,000 higher/\$530,000 lower).

For the parent entity, if interest rates had changed by -/+1% from the year end rates, with all other variables held constant, both net profit for the year and equity would have been \$3,180,000 higher/\$3,181,000 lower (2006: \$3,060,000 higher/\$3,064,000 lower).

18. Financial instruments (continued)

(a) Interest rate risk (continued)

Interest rates sensitivity analysis

	2007		2	2006			2006	
	Net profit \$'000	Equity \$'000	Net profit \$'000	Equity \$'000	Net profit \$'000	Equity \$'000	Net profit \$'000	Equity \$'000
Interest rates increase 1%	(1,937,000)	(1,559,000)	(1,236,000)	(530,000)	(3,181,000)	(3,181,000)	(3,064,000)	(3,064,000)
Interest rates decrease 1%	1,925,000	1,538,000	1,208,000	543,000	3,180,000	3,180,000	3,060,000	3,060,000
Interest rate risk exposure								
The Group's exposure to interset out as follows:	rest rate risk and	d the effective	e weighted av	erage intere	st rate for clas	sses of financi	al assets and	l liabilities are
			Fixed in	nterest matu	ring in:			
	Note	Floating interest rate \$'000	Less than one year \$'000	Between o and five year	ars yea	ive interest ars bearing	Total	Effective interest rate p.a.
31 December 2007								
Consolidated								
Financial assets								
Cash at bank and on hand		14,019	_		_		14,019	6.9%
		14,019	_		_		14,019	
Financial liabilities								
Bank loans	14	330,000	_		-		330,000	7.5%
US notes	14	-	-	205,3	15		205,315	8.7%
Hedge payable	14	-	-	50,7	27		50,727	8.7%
Lease liabilities	14	-	1,871	7,5	87 5	29 -	9,987	14.0%
		330,000	1,871	263,6	29 5	29 –	- 596,029	
31 December 2006								
Consolidated								
Financial assets								
Cash at bank and on hand		55,599	_		_		55,599	5.9%
Financial liabilities								
Bank and other loans	14	230,000	_		_		230,000	6.7%
US notes	14	_	70,276	99,3	16 113,4	15 -	283,007	8.4%
Hedge payable	14	_	29,106	43,4	57		72,563	8.4%
Lease liabilities	14	_	1,451	5,3	71 2,1	93 -	9,015	14.0%
		230,000	100,833	148,1	44 115,6	08 -	- 594,585	

Consolidated

Parent entity

18. Financial instruments (continued)

(a) Interest rate risk (continued)

Fixed interest maturing in:

	Note	Floating interest rate \$'000	Less than one year \$'000	Between one and five years \$'000	Greater than five years \$'000	Non- interest bearing \$'000	Total \$'000	Effective interest rate p.a.
31 December 2007								
Parent entity								
Financial assets								
Cash at bank and on hand		-	_	-	-	244	244	_
		-	-	_	_	244	244	
Financial liabilities								
Bank and other loans	14	330,000	_	_	-	_	330,000	7.5%
US notes	14	_	_	205,315	-	_	205,315	8.7%
Hedge payable	14	-	-	50,727	-	_	50,727	8.7%
		330,000	_	256,042	_	_	586,042	
31 December 2006								
Parent entity								
Financial assets								
Cash at bank and on hand		_	_	_	_	244	244	_
		_	_	_	-	244	244	
Financial liabilities								
Bank and other loans	14	230,000	_	_	_	_	230,000	6.7%
US notes	14	_	70,276	99,316	113,415	_	283,007	8.4%
Hedge payable	14	_	29,106	43,457		_	72,563	8.4%
		230,000	99,382	142,773	113,415		585,570	

Interest on financial instruments classified as floating rate is repriced at intervals of less than six months. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

18. Financial instruments (continued)

(b) Foreign exchange risk

The Caltex Australia Group is exposed to the effect of changes in exchange rates on the operations of the Group.

In particular, at least in the short term, the refiner margin is determined principally with reference to the US dollar Singapore spot product price. The Caltex Australia Group does not use financial instruments to hedge the foreign exchange exposure, except for forward foreign exchange contracts to cover major capital expenditure.

The hedges mature in two months to one year.

All trade transactions which require the sale or purchase of foreign currencies are covered on a spot basis. As at 31 December 2007, the total fair value of all outstanding forward contracts amounted to \$716,000 (2006: \$221,000).

US dollar denominated borrowings are swapped into Australian dollar exposure; as a result, there were no net foreign currency gains or losses arising from translation of these borrowings.

At 31 December 2007, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, post tax profit for the year for the Group would have been \$41,270,000 higher/\$45,616,000 lower (2006: \$27,011,000 higher/\$29,189,000 lower).

Equity would have been \$41,270,000 higher/\$45,616,000 lower (2006: \$26,360,000 higher/\$28,391,000 lower) had the Australian dollar strengthened/weakened by 10% against the US dollar.

For the parent entity, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, both post tax profit for the year and equity would have been \$196,000 lower/\$240,000 higher (2006: \$391,000 lower/\$479,000 higher).

Foreign exchange rate sensitivit	ty analysis		Consolidate	d		Parent	entity	
		2007		2006	20	007	20	006
	Net profit \$'000	Equity \$'000						
AUD strengthens against USD 10% AUD weakens	11,207,000	41,207,000	27,011,000	26,360,000	(196,000)	(196,000)	(391,000)	(391,000)
	, , ,	(45,616,000)	(29,189,000)	(28,391,000)	240,000	240,000	479,000	479,000

Exposure to foreign exchange risk

The carrying amounts of the Group's and parent entity's financial instruments are denominated in the following currencies (Australian dollar equivalent amounts):

Consolidated		2	007			2	006	
	US dollar	Euro	Australian dollar	Total	US dollar	Euro	Australian dollar	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	5,500	_	8,519	14,019	(2,566)	-	58,165	55,599
Trade receivables	144,390	_	1,002,866	1,147,256	52,355	_	761,010	813,365
Trade payables	(888,661)	_	(741,316)	(1,629,977)	(455,809)	_	(744,569)	(1,200,378)
US notes	(91,900)	_	(113,415)	(205,315)	(169,592)	_	(113,415)	(283,007)
Forward exchange contracts	(657)	(59)	_	(716)	(109)	(112)	-	(221)
Parent entity								
Cash	_	_	244	244	-	_	244	244
Trade payables	_	_	(372,560)	(372,560)	_	_	78,277	78,277
US notes	(91,900)	_	(113,415)	(205,315)	(169,592)	_	(113,415)	(283,007)

(c) Commodity price risk

The Group utilises both crude and finished product swap contracts from time to time, on specific cargoes to manage the risk of price movements (Basis & Timing). The Board approved hedging policy precludes the use of refiner margin hedging.

The Board policy seeks to neutralise adverse basis and timing risk brought about by purchase and sales transactions that are materially outside the normal operating conditions of the Group. During the year, the Group did not employ any hedge instruments (Basis & Timing) in respect of any crude or finished product cargoes (2006: Nil).

18. Financial instruments (continued)

(d) Credit risk

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

The credit risk on financial assets of the Group which have been recognised on the balance sheet, is the carrying amount of trade debtors, net of allowances for impairment.

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

Caltex has a Board approved Credit Policy and manual which provides the guidelines for the management and diversification of the credit risk to Caltex. The guidelines provide for the manner in which the credit risk of customers is assessed and the use of credit rating and other information in order to set appropriate limits of trade with customers. The credit quality of customers is consistently monitored in order to identify any potential adverse changes in the credit risk of the customers. Sales to retail customers are settled in cash or using major credit cards, mitigating risk.

Caltex also minimises concentrations of credit risk by undertaking transactions with a large number of customers, across a variety of industries and networks. Accordingly, there are not any significant concentrations of credit risk.

Security is required to be supplied by certain groups of Caltex customers to minimise risk. The security is predominantly in the form of fixed and floating charges over the customer's business and mortgages over the business property. However, mortgages are also held over directors' property such as residential houses or rural properties. Bank guarantees or insurance bonds are also provided in some cases.

The estimated realisable value of the security takes into consideration that the sale of the assets under the security may be in a distressed situation. The fair value of the security provided is approximately \$318million.

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

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. Credit risk on refiner margin hedges is minimised as counterparties are principally Chevron or large banks.

The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Caltex Australia Group pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The full amount of the exposure is disclosed at note 18(b).

The credit risk on interest rate 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 Caltex Australia Group. As at 31 December 2007, there is no expected credit risk on any financial instruments (2006: Nil).

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Management aims at maintaining flexibility in funding by keeping committed credit lines available.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

18. Financial instruments (continued)

(e) Liquidity risk (continued)

	Weighted avg effective interest rate %	Carrying amount \$'000	Contractual cash flows \$'000	Less than one year \$'000	Between one and five years \$'000	Greater than five years \$'000
31 December 2007						
Consolidated						
Interest bearing liabilities						
Bank loans	7.5%	330,000	385,248	52,308	332,940	_
US notes	8.7%	205,315	265,857	15,814	250,043	_
Hedge payable	8.7%	50,727	64,793	6,816	57,977	-
Lease liabilities	14.0%	9,987	13,152	2,773	9,840	539
Payables						
Interest rate swaps	7.5%	(1,892)	(2,199)	(1,278)	(921)	_
Forward FX contracts - inflow	_	_	(10,758)	(10,758)	-	_
- outflow	_	716	11,747	11,747	_	_
Payables	_	1,631,153	1,631,153	1,621,499	8,478	_
31 December 2006						
Consolidated						
Interest bearing liabilities						
Bank loans	6.7%	230,000	257,274	43,065	214,209	_
US notes	8.4%	283,007	368,777	91,674	153,844	123,259
Hedge payable	8.4%	72,563	89,004	37,559	51,445	_
Lease liabilities	14.0%	9,015	12,955	2,519	8,095	2,341
Payables		-,-	,	,-	-,	,-
Interest rate swaps	6.7%	(1,001)	(1,152)	(376)	(776)	_
Forward FX contracts – inflow	_	_	(9,872)	(7,209)	(2,663)	_
- outflow	_	221	10,275	7,437	2,838	_
Payables	_	1,200,379	1,200,379	1,200,379	_	_
31 December 2007						
Parent entity						
Interest bearing liabilities						
Bank loans	7.5%	330,000	385,248	52,308	332,940	_
US notes	8.7%	205,315	265,857	15,814	250,043	_
Hedge payable	8.7%	50,727	64,793	6,816	57,977	_
Payables						
Payables	_	372,560	372,560	372,560	_	_
31 December 2006						
Parent entity						
Interest bearing liabilities						
Bank loans	6.7%	230,000	257,274	43,065	214,209	_
US notes	8.4%	283,007	368,777	91,674	153,844	123,259
Hedge payable	8.4%	72,563	89,004	37,559	51,445	
Payables	0.470	12,000	09,004	01,000	01,440	
1 ayanto						

18. Financial instruments (continued)

(f) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing liabilities less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

During 2007, the Group's strategy was to maintain the gearing ratio within 20% to 30%, in order to secure access to finance at a reasonable cost by maintaining a minimum long-term credit rating of BBB+. The gearing ratios at 31 December 2007 and 31 December 2006 were as follows:

	Consolidated		Par	ent entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total interest bearing liabilities	596,029	594,585	586,042	585,570
Less: cash and cash equivalents	(14,019)	(55,599)	(244)	(244)
Net debt	582,010	538,986	585,798	585,326
Total equity	2,828,622	2,442,510	747,753	774,760
Total capital	3,410,632	2,981,496	1,333,551	1,360,086
Gearing ratio	17.1%	18.1%	43.9%	43.0%

The gearing ratio in 2007 is in line with that of 2006 for both the consolidated and parent company.

(g) Net fair values of financial assets and liabilities

Net fair values of recognised financial assets and liabilities with their carrying amounts shown in the balance sheet are as follows:

	A	Asset/(liability)		set/(liability)
	Carrying amount 2007 \$'000	Fair value 2007 \$'000	Carrying amount 2006 \$'000	Fair value 2006 \$'000
Consolidated				
Receivables	1,147,256	1,147,256	813,365	813,365
Cash and cash equivalents	14,019	14,019	55,599	55,599
Other investments	15	15	15	15
Interest bearing liabilities				
Bank loans	(330,000)	(330,000)	(230,000)	(230,000)
US notes	(205,315)	(203,903)	(283,007)	(281,379)
Cross currency swaps	(50,727)	(50,727)	(72,563)	(72,563)
Lease liabilities	(9,987)	(10,199)	(9,015)	(9,732)
Payables				
Interest rate swaps	1,892	1,892	1,001	1,001
Forward foreign exchange contracts	(716)	(716)	(221)	(221)
Payables	(1,631,153)	(1,631,153)	(1,200,379)	(1,200,379)
	(1,064,716)	(1,063,516)	(925,205)	(924,294)

18. Financial instruments (continued)

(g) Net fair values of financial assets and liabilities (continued)

	A	Asset/(liability)	Asse	et/(liability)
	Carrying amount 2007 \$'000	Fair value 2007 \$'000	Carrying amount 2006 \$'000	Fair value 2006 \$'000
Parent entity				
Receivables	556,042	556,042	456,188	456,188
Cash and cash equivalents	244	244	244	244
Other investments	1,226,375	1,226,375	941,375	941,375
Interest bearing liabilities				
Bank loans	(330,000)	(330,000)	(230,000)	(230,000)
US notes	(205,315)	(203,903)	(283,007)	(281,379)
Cross currency swaps	(50,727)	(50,727)	(72,563)	(72,563)
Payables	(372,560)	(372,560)	(78,277)	(78,277)
	824,059	825,471	733,960	735,588

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

Forward exchange contracts are marked to market using listed market prices.

Interest rate swaps use the discounted cash flow technique.

Estimated future cash flows used in the discounted cash flow technique are based on management's best estimates, and the discount rate is a market related rate for a similar instrument at the balance sheet date.

Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at the rate implicit in the lease agreement.

Receivables/payables

For receivables/payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value, if the effect of discounting is material.

Interest rates used for determining fair value

Caltex used the government bond rate as of 31 December 2007 plus an adequate constant credit spread to discount financial instruments. The annual interest rates used are as follows:

	2007	2006
Bank loans	9%	9%
Lease liabilities	9%	9%
Receivables	7–8%	7–8%
Payables	7–8%	3–7%

19. Employee and director benefits

(a) Liability for employee and director benefits

, ,	Cons		solidated	Parent en	t entity
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current					
Liability for annual leave		20,959	19,028	-	-
Liability for long service leave		1,150	1,150	-	_
Bonus accrued		18,531	18,457	-	_
Other		886	936	_	_
		41,526	39,571	-	_
Non-current					
Liability for long service leave		50,542	45,235	-	_
Other		458	388	243	243
		51,000	45,623	243	243
Total liability for employee and director benefits	15	92,526	85,194	243	243

(b) Superannuation commitments

The Group contributes to superannuation plans to provide benefits to employees and their dependants upon retirement, disability or death and directors. Employer contributions (where applicable) are based on a percentage of salary or directors' fees. The employer is committed to contribute to the plans as prescribed by the relevant trust deeds and relevant legislation.

Caltex Australia Superannuation Plan - Defined Benefit Division

The Caltex Australia Superannuation Plan - Defined Benefit Division is predominantly a defined benefit plan, but it also includes the retirement account, which is a defined contribution payable by the Group.

The last actuarial review of the defined benefit plan was made as at 1 January 2006 by Peter R Hughes FIA, FIAA, Actuary, Mercer Human Resources Consulting 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.

19. Employee and director benefits (continued)

(b) Superannuation commitments (continued)

Information from the most recent actuarial valuation for the defined benefit plan at 31 December 2007 follows:

	Con	solidated
	2007 \$'000	2006 \$'000
Movements in the net (asset)/liability for defined benefit obligation		
recognised in the balance sheet		
Net liability for defined benefit obligation at the beginning of the year	(10,461)	920
Expense recognised in the income statement	2,378	2,324
Actuarial gains recognised in retained earnings	4,548	(9,697)
Employer contributions	(5,171)	(4,008)
Net asset for defined benefit obligation at the end of the year	(8,706)	(10,461)
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	179,287	177,900
Current service cost	6,514	6,760
Interest cost	8,325	7,291
Contributions by plan participants	2,338	2,281
Actuarial (gains)/losses	6,129	(1,115)
Benefits paid	(16,077)	(13,830)
Present value of defined benefit obligation at the end of the year	186,516	179,287
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the year	189,748	176,980
Expected return on plan assets	12,461	11,727
Actuarial gains	1,581	8,582
Employer contributions	5,171	4,008
Contributions by plan participants	2,338	2,281
Benefits paid	(16,077)	(13,830)
Fair value of plan assets at the end of the year	195,222	189,748
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	186,516	179,287
Fair value of plan assets	(195,222)	(189,748)
Net asset	(8,706)	(10,461)
Expense recognised in the income statement The expense is recognised in refining and supply expenses, marketing expenses, and o	ther expenses in the income s	tatement.
Service cost	6,514	6,760
Interest cost	8,325	7,291
Expected return on assets	(12,461)	(11,727)
Superannuation expense	2,378	2,324

19. Employee and director benefits (continued)

(b) Superannuation commitments (continued)

Conso	lidated
2007 \$'000	2006 \$'000
(4,548)	9,697
31,692	36,240
33%	33%
30%	30%
25%	24%
8%	9%
5%	4%
	2007 \$'000 (4,548) 31,692 33% 30% 25% 8%

The fair value of plan assets includes no amounts relating to any of the company's own financial instruments, and any property occupied by, or other assets used by, the company.

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

Actual return on plan assets			
Actual return on plan assets		14,042	20,309
Principal actuarial assumptions at the balance sheet date (% p.a.)			
Discount rate (active members)		5%	5%
Discount rate (pensioners)		6%	6%
Expected rate of return on plan assets (active members)		7%	7%
Expected rate of return on plan assets (pensioners)		8%	8%
Expected salary increase rate		4%	4%
Expected pension increase rate		0%	0%
	2007	2006	2005
Historical information	\$'000	\$'000	\$'000
Present value of defined benefit obligation	186,516	179,287	177,900
Fair value of plan assets	195,222	189,748	176,980
(Surplus)/deficit in plan	(8,706)	(10,461)	920
Experience adjustments on plan assets – gain	1,581	8,582	19,754
Experience adjustments on plan liabilities – gain/(loss)	(5,376)	(4,205)	(10,537)

Expected employer contributions for the reporting year to 31 December 2008 is \$4,095,000.

Information from last actuarial review on the plan as at 1 January 2006

Accrued benefits	194,084
Net market value of plan assets	203,381
Net surplus	9,297

The contribution recommendation was 10.7% of superable salaries. The Group is currently contributing at these rates. The method used to determine the employer contribution recommendations at the last actuarial review was the projected unit cost method. The method adopted affects the timing of the cost to the Group.

The long-term economic assumptions adopted for the last actuarial review of the plan as at 1 January 2006 were (% p.a.):

Expected rate of return on assets (discount rate)	7%
Expected salary increase rate	4%

19. Employee and director benefits (continued)

(b) Superannuation commitments (continued)	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

Caltex Australia Superannuation Plan - Accumulation Division

As this is a defined contribution plan, no actuarial review has been performed on this plan. The plan benefits to members are as described 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.

Employer contributions to the plan during the year 9,821 8,877 - -

(c) Other benefits

The Caltex Australia Limited employee share plan is open to all full-time and permanent part-time employees of the Caltex Australia Group. The plan takes advantage of the concessions available under the income tax provisions and uses a salary sacrifice arrangement to acquire the shares on behalf of the employees. The incidental costs of the purchases met by Caltex Australia during the year were \$2,000 (2006: \$2,000).

All employees of the Group are entitled to receive a discount on private fuel purchases.

20. Commitments

(a) Capital expenditure

Capital expenditure contracted but not provided for in the financial report and payable:

Within one year	38,906	75,930	-	_
	38,906	75,930	_	_

(b) Leases						
Finance leases	31	December 20	007	31	December 2006	
	Minimum lease payments \$'000	Interest \$'000	Principal \$'000	Minimum lease payments \$'000	Interest \$'000	Principal \$'000
Consolidated						
Within one year	2,773	902	1,871	2,519	1,068	1,451
Between one and five years	9,839	2,252	7,587	8,095	2,724	5,371
After five years	539	10	529	2,341	148	2,193
	13,151	3,164	9,987	12,955	3,940	9,015

The Caltex Australia Group leases production plant and equipment under finance leases expiring from one to eight years. At the end of the lease term, the Group has the option of extending the leases for a further five year period. 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.

Parent entity

The company has no finance leases.

Operating leases	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-cancellable operating leases				
- Group as lessee				
Future minimum rentals payable:				
Within one year	78,571	97,012	-	_
Between one and five years	203,671	238,129	-	_
After five years	58,619	66,778	_	_
	340,861	401,919	_	_

20. Commitments (continued)

(b) Leases (continued)

Operating leases (continued)

The Group leases property under operating leases expiring from one to 45 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise mainly of a base amount; however, in a few cases, they include a base amount and incremental contingent rental. Contingent rentals are based on operating performance criteria. No contingent rentals were paid during the year (2006: Nil).

Note 3 shows the expense recognised in the income statement in respect of operating leases.

There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease.

Parent entity

The company has no operating leases as lessee.

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-cancellable operating leases				
- Group as lessor				
Future minimum rentals receivable:				
Within one year	18,492	18,100	_	_
Between one and five years	59,465	63,650	_	_
After five years	41,403	53,002	_	_
	119,360	134,752	-	_

The Group leases property under operating leases expiring from one to 17 years.

Some of the leased properties have been sublet by the Group. The lease and sublease expire between 2007 and 2022.

Note 2 shows the rental income recognised in the income statement in respect of operating leases.

Parent entity

The company has no operating leases as lessor.

21. Contingent assets and liabilities

The details and estimated maximum amounts of contingent assets and 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 assets and liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

(a) Contingent assets - legal and other claims

In the ordinary course of business, the Group is involved as a plaintiff in legal proceedings. Where appropriate, Caltex takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

(b) Contingent liabilities - legal and other claims

In the ordinary course of business, the Group is involved as a defendant in legal proceedings. Where appropriate, Caltex takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

1.000

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

Taxation

In 2006, the ATO served a statutory demand on Caltex to pay an amount of \$48.7 million in excise duty.

This sum would be tax deductible to Caltex. The ATO has formed the view that the excise duty should be paid in relation to certain liquid fuel by-products used in the refining process and that Caltex should have paid the excise duty on such fuel usage over the previous four years. Caltex is of the strong view that the excise duty legislation does not apply to the refineries' own use of such fuels in the refining process and has instituted legal proceedings in the Federal Court against the ATO in this regard. No liability has been recognised as at 31 December 2007, as Caltex remains of the view that this legislation is not applicable to this type of fuel usage. Due to a change in the excise legislation any future purported excise duty on this type of fuel usage ceased from 1 July 2006.

21. Contingent assets and liabilities (continued)

(c) Bank guarantees

Caltex Australia Limited has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of \$1,816,000 (2006: \$1,679,000).

(d) Deed of Cross Guarantee and Class Order relief

Note 23(a) lists the companies in the Caltex Australia Group that are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited and each other.

As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies are relieved from complying with certain requirements of the *Corporations Act 2001 (Cth)*. Under the Deed of Cross Guarantee, each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed in accordance with the terms set out in the deed.

A Deed of Revocation removing the following companies from the Deed of Cross Guarantee was lodged with ASIC on 14 November 2007.

Caltex Australia Finance Pty Ltd

Caltex Australia Investments Pty Ltd

Travelmate.com.au Pty Ltd

Subject to the conditions being met, the Deed of Revocation becomes operative on 14 May 2008.

22. Auditor's remuneration

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Payment for audit services to KPMG	885	789	_	_
Payment for other services to KPMG:				
Transaction services	67	94	-	_
Other assurance services	19	44	_	_
Taxation services	35	33	_	_
	121	171	_	_

23. Particulars in relation to controlled entities

		% interest		
ame	Note	2007	2006	
Companies				
Caltex Australia Finance Pty Ltd	(v), (iii)	100	100	
Caltex Australia Investments Pty Ltd	(∨), (iii)	100	100	
Caltex Fuel Services Pty Ltd	(iii)	100	100	
Caltex Australia Custodians Pty Ltd		100	100	
Caltex Australia Petroleum Pty Ltd	(iii), (viii)	100	100	
Ampol Metro Fuels Pty Ltd	(vi), (iv)	0	100	
Ampol Property (Holdings) Pty Ltd	(iii)	100	100	
Ampol Bendigo Pty Ltd	(iii)	100	100	
Ampol Refineries (Matraville) Pty Ltd	(iv)	100	100	
Ampol Road Pantry Pty Ltd	(iv)	100	100	
Ampol Workshops Pty Ltd	(vi), (iv)	0	100	
B&S Distributors Pty Ltd	(ii)	50	50	

23. Particulars in relation to controlled entities (continued)

		% interest	
Name	Note	2007	2006
Companies			
Brisbane Airport Fuel Services Pty Ltd	(viii)	100	100
Calstores Pty Ltd	(iii), (viii)	100	100
Caltex Australia Management Pty Ltd		100	100
Caltex Australia Nominees Pty Ltd		100	100
Caltex Lubricating Oil Refinery Pty Ltd	(iii), (viii)	100	100
Caltex Petroleum Pty Ltd	(iii)	100	100
Australian Petroleum Marine Pty Ltd	(iii)	100	100
Sydney Metropolitan Pipeline Pty Ltd	(ii)	60	60
Caltex Petroleum Services Pty Ltd	(iii), (viii)	100	100
Bowen Petroleum Services Pty Ltd		100	100
South East Queensland Fuels Pty Ltd	(viii), (ix)	100	100
Caltex Petroleum (Qld) Pty Ltd	(iii)	100	100
Caltex Petroleum (Victoria) Pty Ltd	(iii)	100	100
R&T Lubricants Pty Ltd	(iii)	100	100
Caltex Refineries (NSW) Pty Ltd	(iii), (viii)	100	100
Caltex Refineries (Qld) Pty Ltd	(iii), (viii)	100	100
Circle Petroleum (Q'land) Pty Ltd	(iv)	100	100
Cooper & Dysart Pty Ltd	(viii)	100	100
Hayport Pty Ltd	(vii), (iv)	0	100
Hunter Pipe Line Company Pty Ltd	(iii)	100	100
Jayvee Petroleum Pty Ltd		100	100
Jet Fuels Petroleum Distributors Pty Ltd	(iii)	100	100
Northern Marketing Management Pty Ltd	(xii), (viii)	100	37.5
Northern Marketing Pty Ltd	(iii)	100	100
Hanietee Pty Ltd	(iii)	100	100
Newcastle Pipe Line Company Pty Ltd	(iii)	100	100
Solo Oil Investments Pty Ltd	(iii)	100	100
Manworth Pty Ltd	(iv)	100	100
Solo Oil Pty Ltd	(iii)	100	100
Kanegood Pty Ltd	(i∨)	100	100
Ruzack Nominees Pty Ltd	(iv)	100	100
Solo Oil Australia Pty Ltd	(iv)	100	100
Solo Oil Corporation Pty Ltd	(iv)	100	100
Wildbank Pty Ltd	(iv)	100	100
South Coast Oils Pty Ltd	(iv)	100	100
Teraco Pty Ltd	(ii)	50	50
Travelmate.com.au Pty Ltd	(v), (iii)	100	100
Tulloch Petroleum Services Pty Ltd	(iii)	100	100
Western Fuel Distributors Pty Ltd	(ii)	50	50

23. Particulars in relation to controlled entities (continued)

		% int	erest
(a) Name (continued)	Note	2007	2006
Unit trusts			
Petroleum Leasing Unit Trust	(x)	100	100
Petroleum Property Unit Trust	(x)	100	100
South East Queensland Fuels Unit Trust	(ix), (xi)	100	100

- (i) All companies were incorporated in Australia. The unit trusts were formed in Australia.
- (ii) These entities have been included as controlled entities in accordance with AASB 127 Consolidated and Separate Financial Statements. Control exists because a company within the Caltex Australia Group 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.
- (iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited and each other. As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies are relieved from complying with certain requirements of the Corporations Act 2001 (Cth).

 Under the Deed of Cross Guarantee, each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed in accordance with the terms set out in the deed. No companies have been added to the Deed of Cross Guarantee during the year ended 31 December 2007, or since 1 January 2008.
- (iv) These companies entered into a Deed of Revocation dated 9 December 2005 and were released from the Deed of Cross Guarantee with effect from 19 June 2006.
- (v) These companies entered into a Deed of Revocation lodged with the ASIC on 14 November 2007 and subject to all the relevant conditions being satisfied will be released for the Deed of Cross Guarantee on 14 May 2008.
- (vi) These dormant entities were deregistered on 21 November 2007.
- (vii) This dormant entity was deregistered on 28 November 2007.
- (viii) Employees of these companies may be eligible to participate in the Caltex Australia Limited employee share plan (refer note 19(c)).
- (ix) 100% of these entities were acquired on 1 December 2006.
- (x) Solo Oil Limited is the sole unitholder of these trusts.
- (xi) Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.
- (xii) Northern Marketing Management Pty Ltd became a controlled entity on 1 July 2007.

(b) Income statement for entities covered by the Deed of Cross Guarantee

	2007 \$'000	2006 \$'000
Profit before income tax expense	902,628	640,022
Income tax expense	(276,841)	(193,557)
Net profit	625,787	446,465
Retained earnings at the beginning of the year	1,898,849	1,596,194
Movement in reserves	(3,126)	7,445
Dividends provided for or paid	(256,500)	(170,100)
Retained earnings at the end of the year	2,265,010	1,880,204

23. Particulars in relation to controlled entities (continued)

Balance sheet for entities covered by the Deed of Cross Guarantee	2007 \$'000	2006 \$'000
Current assets		
Cash and cash equivalents	5,976	47,822
Receivables	1,006,046	678,094
Inventories	1,540,244	1,094,867
Current tax asset	_	39,856
Other	22,396	24,038
Total current assets	2,574,662	1,884,677
Non-current assets		
Receivables	17,512	19,349
Investments accounted for using the equity method	25,008	26,718
Other investments	15	15
Property, plant and equipment	2,437,093	2,261,468
Intangibles	70,301	37,866
Deferred tax assets	_	_
Other	104,575	100,549
Total non-current assets	2,654,504	2,445,965
Total assets	5,229,166	4,330,642
Current liabilities		
Payables	1,553,056	1,127,175
Interest bearing liabilities	31,871	130,574
Current tax liabilities	75,757	_
Provisions	85,585	80,128
Total current liabilities	1,746,269	1,337,877
Non-current liabilities		
Payables	_	5,378
Interest bearing liabilities	564,158	463,752
Deferred tax liabilities	30,104	29,287
Provisions	80,037	69,475
Total non-current liabilities	674,299	567,892
Total liabilities	2,420,568	1,905,769
Net assets	2,808,598	2,424,873
Equity		
Issued capital	543,415	543,415
Treasury stock	(2,919)	(2,092)
Reserves	3,092	3,346
Retained earnings	2,265,010	1,880,204
Total equity	2,808,598	2,424,873

24. Investments accounted for using the equity method

•	% int	erest	
(a) Investments in associates and joint ventures	2007	2006	Balance date
Airport Fuel Services Pty Ltd	40	40	31 December
Australasian Lubricants Manufacturing			
Company Pty Ltd	50	50	31 December
Cairns Airport Refuelling Services Pty Ltd	25	25	31 December
Geraldton Fuel Company Pty Ltd	50	50	31 December
Link Energy Pty Ltd	50	50	31 December
Jenessa Holdings Pty Ltd	50	50	31 December
Northern Marketing Management Pty Ltd	-	37.5	30 June
Northern Marketing Partnership	-	37.5	30 June
South Coast Fuels Pty Ltd	50	50	31 December
Vitalgas Pty Ltd	50	50	31 December

All above companies are incorporated in Australia.

These entities are principally concerned with the sale, marketing and/or distribution of fuel products. Northern Marketing Management Pty Ltd became a fully owned entity on 1 July 2007. Northern Marketing Partnership was terminated on 30 June 2007, with the assets of the partnership now jointly owned by Northern Marketing Pty Ltd and Caltex Petroleum Services Pty Ltd.

(b) Investments in asso	Revenue (100%) \$'000	Profit (100%) (\$'000	Share of associates' net profit recognised \$'000	Total assets (100%) \$'000	Total liabilities (100%) \$'000	Net assets as reported by associates (100%) \$'000	Share of associates' net assets equity accounted \$'000
2007	337,201	7,418	2,938	43,556	27,812	15,744	7,636
2006	485,026	9,299	4,195	75,053	50,016	25,037	8,499
				Consolidated	k	Parent	entity
			200 \$'00		2006 3'000	2007 \$'000	2006 \$'000
Results of associat	es						
Share of associates	' profit before income ta	x expense	4,2	12 5	5,518	_	-
Share of associates	' income tax expense		(1,24	17) (1	,267)	-	_
Share of associates	' net profit		2,96	65 [∠]	1,251	_	_
Unrealised profit in i	nventories		(2	27)	(56)	-	_
Share of associates	net profit – equity acco	ounted	2,93	38	1,195	_	_
but not provided for Within one year	' capital expenditure cor in the financial report a	nd payable:		-	-	-	-
	' operating lease comm he financial report and p						
Within one year			-	11	13	-	-
Between one and fir	ve years			57	63	-	_
			6	68	76	_	_

24. Investments accounted for using the equity method (continued)

524,280

(b) Investments in associates (continue

	Consolidated		Paren	nt entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Share of associates' finance lease commitments not provided for in the financial report and payable:				
Within one year	541	1,393	-	_
Between one and five years	5,895	6,089	_	_
	6,436	7,482	_	_
Future finance charges	(818)	(870)	_	_
	5,618	6,612	_	_

c) Investments in joint ventures

2006

2007	554,379	1,102	375	685,899	610,629	34,812	17,372
	\$'000	(\$'000	\$'000	`\$'00Ó	`\$'000	`\$'000	\$'000
	Revenue (100%)	(100%)	net profit/(loss) recognised	assets (100%)	liabilities (100%)	venture (100%)	equity accounted
	Devenue	Drofit //loop)	joint ventures'	Total	Total	by joint	net assets
			Share of				Share of joint ventures

923

467,324

433,164

34,160

18,219

2,635

	Consolidated		Paren	t entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Results of joint ventures				
Share of joint ventures' profit before income tax expense	932	1,732	_	_
Share of joint ventures' income tax expense	(73)	(401)	_	-
Share of joint ventures' net profit	859	1,331	_	_
Unrealised profit in inventories	(484)	(408)	_	_
Share of joint ventures' net profit – equity accounted	375	923	-	_
Commitments				
Share of joint ventures' capital expenditure contracted but not provided for in the financial report and payable:				
Within one year	_	3,624	_	_
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:				
Within one year	1,353	673	_	-
Between one and five years	1,888	1,451	_	_
	3,241	2,124		
Share of net profit of entities (associates and joint ventures)				
accounted for using the equity method	3,313	5,118	_	_

25. Interest in joint venture operations

		Con	solidated	Pare	Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	
1	The Group has joint interests in multiple Joint User Hydrant In The principal activity of the JUHIs is refuelling aircraft at the air the JUHIs to the operating profit of the Group was Nil (2006: land liabilities of the Group are the Group's interests in the ass	rports. For the year e Nil), and of the paren	ended 31 Decembe t entity was Nil (20	er 2007, the contri 106: Nil). Included i	bution of	
ı	Non-current assets					
1	Plant and equipment expenditure	30,157	29,430	_	_	
I	Less: accumulated amortisation	(21,150)	(19,891)	_	_	
-	Total non-current assets	9,007	9,539	_	_	
-	Total assets	9,007	9,539	_	_	
 6. I	Notes to the cash flow statement	·				
ı) l	Reconciliation of cash and cash equivalents					
	or the purposes of the cash flow statements, cash and cash	equivalents includes	3.			
	Cash at bank	14,019	55,599	244	244	
	Total cash and cash equivalents	14,019	55,599	244	244	
	Reconciliation of net profit to net operating cash flows	,				
	Net profit	648,816	467,197	230,885	125,591	
	Adjustments for:	0.10,0.10	101,101	200,000	120,001	
	Loss on sale of non-current assets and intangibles	16,999	8,397	_	_	
	Finance charges on finance leases	796	43	_	_	
	Interest paid capitalised	(3,684)	(9,423)	_	_	
	Loan repaid from associate	_	(956)	_	_	
	Fair value adjustment on financial instruments	290	(312)	290	(312)	
	Depreciation of property, plant and equipment	160,163	147,312	_	-	
	Amortisation of intangibles	6,568	5,005	_	-	
	Write-down in value of land and buildings and					
	related plant and equipment to recoverable amount	-	225	_	_	
	Treasury stock movements net of expense	(1,392)	(693)	(1,392)	(693)	
	Share of associates' and joint ventures' net profit	(3,313)	(5,118)	_	_	
1	Movements in assets and liabilities:					
	(Increase)/decrease in receivables	(320,025)	47,584	(90,971)	179,771	
	(Increase)/decrease in inventories	(447,182)	(51,064)	_	-	
	(Increase)/decrease in other current assets	3,567	2,054	278	(46)	
	Increase/(decrease) in payables	398,452	(36,270)	581	3,972	
	Increase/(decrease) in current tax liabilities	116,350	(138,122)	116,742	(137,895)	
	(Decrease)/increase in deferred tax liability/asset	2,088	17,429	87	(287)	
	(Decrease)/increase in provisions	16,903	12,270	_	(194)	
-	Net operating cash inflows	595,396	465,558	256,500	169,907	

27. Acquisitions

2007

(a) Northern Marketing Management Pty Ltd and Northern Marketing Partnership

On 1 July 2007, the Group acquired the remaining 62.5% of Northern Marketing Management Pty Ltd and Northern Marketing Partnership for \$14,773,000 satisfied in cash. The company distributes petroleum. In the six months to 31 December 2007, the subsidiary contributed net profit of \$1.3 million to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2007, the Group estimates that gross sales revenue would have been \$220 million greater and net profit would have been \$2.4 million greater.

27. Acquisitions (continued)

(a) Northern Marketing Management Pty Ltd and Northern Marketing Partnership (continued)

The acquisition had the following effect on the Group's assets and liabilities:

The acquisition had the following effect on the Group's assets and liabilities:

	Original values \$'000	Fair value adjustments \$'000	Recognised values \$'000
Cash and cash equivalents	3,026	_	3,026
Receivables	8,842	_	8,842
Inventories	4,389	_	4,389
Other current assets	262	_	262
Property, plant and equipment	8,984	4,968	13,952
Other non-current assets	5,035	_	5,035
Goodwill	8,281	(8,281)	_
Payables	(28,535)	_	(28,535)
Net identifiable assets and liabilities	10,284	(3,313)	6,971
Net assets acquired – remaining interest			5,564
Goodwill on acquisition			9,209
Consideration paid, satisfied in cash			14,773
Cash acquired			3,026
Net cash outflow			(11,747)

Goodwill within Northern Marketing Pty Ltd was unable to be recognised as a separate intangible asset under AASB 137.

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value recorded on acquisition.

Goodwill has arisen on acquisition of the business of Northern Marketing Management Pty Ltd because of future business synergies that did not meet the criteria for recognition as a separately identifiable intangible asset at the date of acquisition.

2006

(b) South East Queensland Fuels Pty Ltd

On 1 December 2006, the Group acquired the remaining 50% of South East Queensland Fuels Pty Ltd and South East Queensland Fuels Unit Trust for \$8,008,000, satisfied in cash. The company distributes petroleum. In the month to 31 December 2006, the subsidiary contributed net loss of \$200,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2006, the Group estimates that gross sales revenue would have been \$18,612,778,000 and net profit would have been \$466,022,000.

The acquisition had the following effect on the Group's assets and liabilities:	values \$'000
Cash and cash equivalents	2,111
Receivables	24,901
Inventories	1,386
Other current assets	61
Property, plant and equipment	2,443
Payables	(30,053)
Net identifiable assets and liabilities	849
Net assets acquired – 50%	425
Goodwill on acquisition	7,583
Consideration paid, satisfied in cash	(8,008)
Cash acquired	1,056
Net cash outflow	6,952

Recognised

27. Acquisitions (continued)

(b) South East Queensland Fuels Pty Ltd (continued)

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value recorded on acquisition. Goodwill has arisen on acquisition of the business of South East Queensland Fuels because of future business synergies that did not meet the criteria for recognition as a separately identifiable intangible asset at the date of acquisition.

(c) Independent Fuel Supplies

On 1 December 2006, the Group acquired the business of Independent Fuel Supplies for \$14,388,000, satisfied in cash. The business of Independent Fuel Supplies is to distribute petroleum. In the one month to 31 December 2006, the business contributed net profit of \$200,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2006, the Group estimates that gross sales revenue would have been \$18,652,366,000 and net profit would have been \$470,147,000.

Decembered

The acquisition had the following effect on the Group's assets and liabilities:

	kecognised values \$'000
Property, plant and equipment	1,847
Inventories	2,779
Net identifiable assets and liabilities	4,626
Goodwill on acquisition	9,762
Consideration paid in cash	(14,388)
Cash acquired	_
Net cash outflow	14,388

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value recorded on acquisition. Goodwill has arisen on acquisition of the business of Independent Fuel Supplies because of future business synergies that did not meet the criteria for recognition as a separately identifiable intangible asset at the date of acquisition.

	Co	Consolidated		ent entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
28. Financing arrangements				
The Caltex Australia Group has access to the follo	wing lines of credit:			
Total facilities available:				
Bank overdrafts	30,000	30,000	-	_
Bank loans and capital markets	1,156,042	1,255,570	1,156,042	1,255,570
	1,186,042	1,285,570	1,156,042	1,255,570
Facilities utilised at balance date:				
Bank overdrafts	43,000	6,602	_	_
Bank loans and capital markets	556,042	555,570	556,042	555,570
	599,042	562,172	556,042	555,570
Facilities not utilised at balance date:				
Bank overdrafts	(13,000)	23,398	_	_
Bank loans and capital markets	600,000	700,000	600,000	700,000
	587,000	723,398	600,000	700,000

These facilities are unsecured and have an average maturity of 2.1 years (2006: 2.9 years). Three debt facilities totalling \$250 million maturing in January 2008 have been replaced by debt facilities totalling \$350 million maturing in January 2013. This will increase the average maturity to 3.4 years.

29. Related party information

(a) Key management personnel

The key management personnel (KMP) of the Caltex Australia Group during 2007 and 2006 were:

Elizabeth Bryan, Chairman

Desmond King, Managing Director and Chief Executive Officer (appointed 1 May 2006)

David Reeves, Managing Director and Chief Executive Officer (resigned 30 April 2006)

Trevor Bourne, Non-executive Director (appointed 2 March 2006)

Brant Fish, Non-executive Director (appointed 27 July 2006)

Greig Gailey, Non-executive Director (appointed 11 December 2007)

Bill Hauschildt, Non-executive Director (resigned 22 June 2006)

John Thorn, Non-executive Director

Richard Warburton, Non-executive Director

Ken Watson, Non-executive Director (resigned 27 April 2006)

Peter Wissel, Non-executive Director

Richard Beattie, Group Manager - Policy, Public and Government Affairs

Andrew Brewer, Acting Group Manager - Strategy and Planning (appointed 20 April 2007)

Mark Burrowes, General Manager - Marketing (resigned 13 April 2007)

Helen Conway, Company Secretary and General Counsel

Simon Hepworth, Chief Financial Officer

Lisbeth Long, Group Manager - Human Resources (resigned 1 May 2006)

Mike McMenamin, Acting General Manager - Marketing (appointed 14 April 2007), formerly Group Manager - Strategy and Planning

Alex Strang, General Manager – Supply and Distribution

Eion Turnbull, General Manager - Refining (resigned 15 August 2006)

Brian Waywell, General Manager - Refining (appointed 1 August 2006)

Peter Wilkinson, Group Manager - Operational Excellence and Risk

Simon Willshire, Group Manager - Human Resources (appointed 13 November 2006).

(b) Key management personnel compensation

	Co	Consolidated		ent entity
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Short-term benefits	6,978,306	6,393,623	6,978,306	6,393,623
Other long-term benefits	170,922	152,813	170,922	152,813
Post-employment benefits	662,850	465,440	662,850	465,440
Termination benefits	317,833	193,946	317,833	193,946
Share based payments	1,376,263	1,145,123	1,376,263	1,145,123
	9,506,174	8,350,945	9,506,174	8,350,945

Information regarding individuals' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 55 to 65.

29. Related party information (continued)

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of shares of Caltex Australia Limited held, directly, indirectly or beneficially, by each key management personnel, including their personally related entities, is as follows:

	Held at	Held at			
	1 January 2007	Purchased	Vested	Sold	31 December 2007
Current directors					
Elizabeth Bryan	5,000	_	_	_	5,000
Richard Warburton	12,225	1,294	_	_	13,519
Desmond King	1,000	_	_	_	1,000
John Thorn	1,510	_	_	_	1,510
Peter Wissel	1,000	_	_	_	1,000
Trevor Bourne	3,462	945	_	_	4,407
Brant Fish	_	_	_	_	_
Greig Gailey	_	_	_	_	_
Senior executives					
Richard Beattie	20,083	_	7,506	(18,148)	9,441
Andrew Brewer	2,463	_	6,520	_	8,983
Mark Burrowes	13,103	_	14,987	(10,290)	17,800
Helen Conway	62,578	_	12,598	(35,000)	40,176
Simon Hepworth	14,219	_	15,399	(20,000)	9,618
Mike McMenamin	2,349	_	2,872	_	5,221
Alex Strang	75,469	_	15,330	(10,000)	80,799
Peter Wilkinson	1,014	_	1,357	_	2,371
Simon Willshire	_	777	137	_	914

(d) Other key management personnel transactions

No key management personnel had entered into a material contract, loan or other transaction with any entity in the Caltex Australia Group during the year ended 31 December 2007 (2006: Nil).

During 2007 Mr Warburton was a director of Caltex Australia Limited and Citibank Pty Ltd. The banking relationship with Citibank Pty Ltd has been in place for many years and facilities are on normal commercial terms.

During 2007 Mr Thorn was a director of Caltex Australia Limited and National Australia Bank Limited. The banking relationship with National Australia Bank Limited has been in place for many years and facilities are on normal commercial terms.

During 2007 Elizabeth Bryan was a director of Caltex Australia Limited and was a director of Westpac Banking Corporation and Ridley Corporation Limited. The banking relationship with Westpac Banking Corporation has been in place for many years and facilities are on normal commercial terms. Transactions with Ridley Corporation Limited and its subsidiaries were on normal commercial terms.

During 2007 Mr Bourne was a director of Caltex Australia Limited and a director of Hastie Group Limited, Origin Energy Limited and Coates Hire Limited. Transactions with these companies and their subsidiaries were on normal commercial terms.

All services have been provided on arm's length terms.

(e) Controlled entities

Details of dividends, interest received or receivable from controlled entities are set out in note 2.

The amounts receivable by and payable to Caltex Australia Limited and its controlled entities are included in note 7. Details of controlled entities are set out in note 23.

29. Related party information (continued)

(f) Other related entities

Chevron Global Energy Inc. holds a 50% interest in Caltex Australia Limited. Transactions with the Chevron Group are summarised below.

The Caltex Australia Group paid \$2,561,044 (2006: \$4,544,000) to the Chevron Group for technical service fees. The Caltex Australia Group received \$5,315,214 (2006: \$6,360,000) for technical service fees from the Chevron Group. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group paid \$2,463,000 (2006: \$2,050,000) to the Chevron Group, including Heddington Insurance Limited, for insurance coverage. Dealings with Heddington Insurance Limited are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group purchased crude, other refinery feedstocks and petroleum products from the Chevron Group of \$5,371,060,806 (2006: \$5,843,833,000). The Caltex Australia Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of \$670,302,170 (2006: \$258,534,000). These purchases and sales are in the ordinary course of business and on normal commercial terms and conditions.

Certain payments are made to the Chevron Group in respect of the secondment of Desmond King, Dave Reeves and Brian Waywell. Details of these payments are shown in the Directors' Report.

In addition to the above, the Chevron Group seconded one executive (2006: one executive) primarily to provide specialist expertise in refineries. The cost borne by Caltex Australia was \$400,000 (2006: \$333,000). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex Australia seconded five executives to various roles within the Chevron Group during 2007. The Chevron Group paid the salary and bonuses, allowances including relocation, and indirect payroll related expenses of these Caltex employees.

Amounts receivable from and payable to other related entities are set out in notes 7 and 13 respectively.

(g) Associates

The Caltex Australia Group sold petroleum products to associates totalling \$310,114,327 (2006: \$664,176,000). The Caltex Australia Group received income from associates for rental income of \$863,847 (2006: \$1,603,000).

Details of associates are set out in note 24. Amounts receivable from associates are set out in note 7. Dividend and disbursement income from associates is \$3,915,000 (2006: \$3,685,000).

Caltex has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interest are in note 24.

(h) Joint ventures

The Caltex Australia Group sold petroleum products to joint ventures totalling \$53,466,522 (2006: \$57,889,000). The Caltex Australia Group received income from joint ventures for service fees, site fees, operating leases and licence fees of \$7,824,144 (2006: \$12,409,000).

The Caltex Australia Group purchased petroleum products from joint ventures of \$122,490,196 (2006: \$122,259,000). The Caltex Australia Group paid service fee income to joint ventures of \$130,000 (2006: \$130,000).

Caltex has interests in joint ventures primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interest are in note 24.

(i) Executive share plan

Up to 1 January 2007, senior executives may receive shares under Caltex Australia Limited's Long-Term Incentive Plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group (including return on capital employed and total shareholder return). The terms and conditions of this plan were approved by shareholders at the Annual General Meeting held in April 1999.

Executives in the Long-Term Incentive Plan for 2006 are entitled to receive shares in three equal installments as their shares vest, although dividend and voting entitlements vest immediately. Shares are included as part of bonuses upon vesting. Details of the Long-Term Incentive Plan are included in the Remuneration Report on page 53.

The fair value of services received in return for shares granted are measured by reference to the market price of shares on the grant date.

29. Related party information (continued)

(i) Executive share plan (continued)

Summary of share movements in the plan:

Opening balance	Issued to plan Distribution during the year			ear	Closing balance			
			Weighted			Weighted		Weighted
			average			average		average
			fair value			fair value		fair value
Number of	Grant	Number	per share	Distribution	Number	per share	Number	aggregate
shares	date	of shares	(\$)	date	of shares	(\$)	of shares	(\$)
2007								
239,590	26 February –	79,138	22.57	2 January 2007	(149,566)	23.02	154,566	2,993,943
	2 March 2006			26 February 2007	(2,263)			
				17 April 2007	(5,479)			
	_			23 April 2007	(6,854)			
239,590	_	79,138			(164,162)		154,566	2,993,943
2006								
291,983	27 February –	159,742	17.75	4 January 2006	(158,887)	19.34	239,590	5,510,570
	3 March 2006			24 March 2006	(53,248)	19.50		
291,983	-	159,742			(212,135)		239,590	5,510,570
2005	-							
484,262	28 February –	190,107	14.29	5 January 2005	(319,133)	10.80	291,983	5,658,631
	4 March 2005			8 March 2005	(63,253)	14.19		
484,262	-	190,107			(382,386)		291,983	5,658,631
2004	-						-	
516,718	1 March –	353,973	7.23	2 January 2004	(268,392)	4.67	484,262	5,259,085
	17 March 2004	,-		17 March 2004	(118,037)	6.95	, -	-,,
516,718	-	353,973			(386,429)		484,262	5,259,085
2003	-						,	-,,
86,913	3 March –	750,313	2.04	3 January 2003	(49,632)	2.16	516,718	2,387,237
30,010	13 March 2003	. 00,0.0	2.0 .	28 March 2003	(270,876)	2.31	0.0,7.10	_,00.,_0.
86,913	-	750,313		20 17101011 2000	(320,508)	2.01	516,718	2,387,237
2002	-	700,010			(020,000)		310,770	2,001,201
66.749	25 February –	92,291	1.63	4 January 2002	(33,376)	1.38	86,913	185,994
00,749	1 March 2002	32,231	1.03	11 April 2002	(25,698)	1.72	00,913	100,554
	1 IVIdICI1 2002			'	, , ,			
00.740	-	00.001		26 September 2002	(13,053)	1.65	00.010	105.004
66,749		92,291			(72,127)		86,913	185,994

Since 1 January 2007, senior executives may receive shares under Caltex Australia Limited's Equity Incentive Plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group (including return on capital employed and total shareholder return).

Executives in the Caltex Equity Incentive Plan for 2007 are entitled to receive shares in three equal installments as their shares vest, although dividend and voting entitlements vest immediately. Shares are included as part of bonuses upon vesting. Details of the Caltex Equity Incentive Plan are included in the Remuneration Report on pages 50 to 52.

The fair value of services received in return for shares granted are measured by reference to the market price of shares on the grant date.

29. Related party information (continued)

(i) Executive share plan (continued)

Summary of share movements in the plan:

Opening balance	Issued to plan		Issued to plan Distribution during the year			Closing balance		
Number of shares	Grant date	Number of shares	Weighted average fair value per share (\$)	Distribution date	Number of shares	Weighted average fair value per share (\$)	Number of shares	Weighted average fair value aggregate (\$)
2007								
0	27 April 2007	42,645	24.29	27 April 2007	(14,214)	24.29	28,431	550,708
0		42,645			(14,214)		28,431	550,708

Consolidated

	2007 \$'000	2006 \$'000
Executive share plan expense	1,459	2,118

30. Segment reporting

The Group operates as a vertically integrated refiner and marketer of petroleum products in Australia.

COMPARATIVE FINANCIAL INFORMATION

Caltex Australia Limited consolidated results	2007	2006	2005	2004	2003
Profit and loss (\$ million)					
Historical cost operating profit before significant items,					
interest and income tax expense	965	707	811	687	353
Interest income	7	3	4	1	1
Borrowing costs	(46)	(49)	(27)	(41)	(63)
Historical cost income tax expense before significant items	(280)	(195)	(214) ⁽ⁱ⁾	(190)()	(83)
Historical cost operating profit after tax and					
before significant items	646	466	574	457	209
Significant items (net of tax)	-	_	21(i)	113 ⁽ⁱ⁾	(11)
Historical cost operating profit/(loss) after income tax	646	466	595	570	197
Dividends					
Amount paid and payable (\$/share)	0.80	0.80	0.46	0.39	0.18
Times covered (excl. significant items)	2.99	2.16	4.62	4.34	4.30
Other data					
Equity attributable to members of the company (\$m)	2,817	2,432	2,129	1,635	1,215
Total equity (\$m)	2,829	2,443	2,138	1,645	1,224
Return on equity attributable to members of the parent entity after tax, excluding significant items (%)	23	19	27	28	17
Total assets (\$m)	5,330	4,417	4,079	3,245	2,774
Net tangible asset backing (\$/share)	10.14	8.80	7.73	5.98	4.46
Debt (\$m)	596	595	458	461	661
Net debt (\$m)	582	539	429	447	624
Net debt to net debt plus equity (%)	17	18	17	21	34

⁽i) Includes a significant item of \$21 million in 2005 (\$113 million in 2004) are relating to an income tax benefit upon entry into the tax consolidation regime.

REPLACEMENT COST OF SALES BASIS OF ACCOUNTING

- To assist in understanding the Group's operating performance, the directors have provided additional disclosure of the Group's results for the year on a replacement cost of sales basis[®], which excludes net inventory gains and losses.
- On a replacement cost of sales basis, the Group's net profit after income tax for the year was \$444 million, compared to a profit of \$430 million in 2006.
- 2007 net profit before interest, income tax and significant items on a replacement cost of sales basis was \$675 million, an increase of \$20 million over 2006.

\$ million	Five years	2007	2006	2005	2004	2003
Historical cost net profit before interest, income tax and significant items	3,523	965	707	811	687	353
(Deduct)/add inventory (gains)/losses(ii)	(734)	(290)	(52)	(228)	(151)	(13)
Replacement cost net profit before interest, income tax and significant items	2,789	675	655	583	536	340
Net borrowing costs	(209)	(39)	(46)	(23)	(40)	(61)
Historical cost tax expense	(962)	(280)	(195)	(214)	(190)	(83)
Add/(deduct) tax effect of inventory (losses)/gains	220	88	16	68	44	4
Replacement cost profit after income tax ⁽ⁱⁱ⁾	1,838	444	430	414	350	200

- (i) Caltex Australia's results are significantly impacted by external factors such as crude oil price movements that are outside the company's control. With historical cost basis accounting, rising crude prices will generally result in increased profits for Caltex, while falling crude prices will generally result in decreased profits. The replacement cost of sales basis excludes gains or losses from inventories and is calculated by restating cost of sales using the replacement cost of goods sold rather than historical cost.
- (ii) Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2007, the historical cost result includes \$290 million inventory gain (2006: \$52 million inventory gain). Net inventory gain/(loss) is adjusted to reflect impact of revenue lags.
- (iii) Replacement cost profit after income tax is calculated before taking into account any significant items over the five years. The total effect of these significant items in each year was:

2003: \$13 million loss before tax (\$11 million loss after tax)

2004: \$113 million gain before and after tax2005: \$21 million gain before and after tax

2006: Nil 2007: Nil

SHAREHOLDER INFORMATION

Shareholder enquiries

Shareholders with queries about their shares or dividend payments should contact the company's share registry on telephone 1300 855 080 or facsimile 02 8234 5050, or through its web site (www.computershare.com) using their holder identification number or shareholder reference number to access their shareholder specific information, or write to:

Computershare Investor Services Pty Limited

GPO Box 7045 Sydney NSW 1115

All enquiries should include a shareholder reference number, which is recorded on the holding statement.

Change of address

Shareholders on the issuer sponsored subregister who have changed their address should notify the company's share registry in writing. CHESS holders should notify their controlling sponsor.

Caltex Australia publications

The company's Annual Report published in March each year is the main source of information for shareholders. Shareholders who do not wish to receive an Annual Report or Half Yearly Report should notify the company's share registry in writing.

Alternatively, shareholders who have previously requested not to receive an Annual Report or Half Yearly Report may change their election and receive these by notifying the company's share registry.

Voting rights

The share capital of Caltex Australia Limited is comprised of 270 million fully paid ordinary shares.

Shareholders in Caltex Australia Limited have a right to attend and vote at all general meetings, in accordance with the company's Constitution, the *Corporations Act 2001 (Cth)* and the ASX Listing Rules.

At a general meeting, individual shareholders may vote their shares in person or by proxy. A corporate shareholder may vote by proxy or through an individual who has been appointed as the company's body corporate representative. Shareholders with at least two shares may appoint up to two proxies to attend and vote at a general meeting.

If shares are held jointly and two or more of the joint shareholders purport to vote, the vote of the shareholder named first in the register will be counted, to the exclusion of the other joint shareholder or shareholders.

Shareholders who are entitled to vote at the meeting should note that:

- on a poll, each shareholder has one vote for each share they hold; and
- on a show of hands, each shareholder has one vote.

If the shareholder has appointed a proxy, the proxy may vote but, if two proxies are appointed, neither proxy may vote on a show of hands.

For a complete analysis of shareholders' voting rights, it is recommended that shareholders seek independent legal advice.

Securities exchange listing

The company's shares are listed on the Australian Securities Exchange.

General enquiries

Manager Investor Relations
Mr Frank Boys 02 9250 5166

Company Secretaries

Ms Helen Conway, Ms Diane Brown

The address and telephone of the registered office is:

Level 24 2 Market Street Sydney NSW 2000

Telephone: 02 9250 5000 Facsimile: 02 9250 5742

with the postal address being

GPO Box 3916 Sydney NSW 2001

Web site: www.caltex.com.au

The address at which the register of shares (being the only securities on issue) is kept is:

Computershare Investor Services
Pty Limited

Level 3 60 Carrington Street Sydney NSW 2000

Telephone: 02 8234 5000 Facsimile: 02 8234 5050

with the postal address being

GPO Box 7045 Sydney NSW 1115

Web site: www.computershare.com.au

General information

The following additional information is furnished as required by Listing Rule 4.10 of the Australian Securities Exchange:

- 1. As at 31 January 2008
- 1.1 Substantial shareholders: Chevron Global Energy Inc holding 135,000,000 ordinary shares.
- 1.2 There is only one class of equity securities (namely ordinary shares) and the number of holders is 28,078.
- 1.3 The shareholding is distributed as follows:

Category	Number of holders	Number of shares	%
A.			
0 – 1,000	20,216	9,470,377	3.51
1,001 – 5,000	6,790	15,691,071	5.81
5,001 - 10,000	654	4,976,846	1.84
10,001 – 100,000	375	9,458,443	3.50
100,001 and over	43	230,403,263	85.33
Rounding			0.01
	28,078	270,000,000	100.00
P.			

В.	
Holders of less than a marketable parcel	272

^{1.4} The 20 largest shareholders held 84.15% of the ordinary shares in the company.

^{1.5} The 20 largest holders of ordinary shares and the number of ordinary shares and the percentage of capital held by each are as follows:

Category	Number of shares	%
1 Chevron Global Energy Inc	135,000,000	50.00
2 HSBC Custody Nominees (Australia) Limited	26,731,293	9.90
3 National Nominees Limited	21,472,329	7.95
4 J P Morgan Nominees Australia Limited	20,521,302	7.60
5 Citicorp Nominees Pty Limited	4,798,875	1.78
6 ANZ Nominees Limited	4,575,793	1.69
7 Cogent Nominees Pty Limited	3,896,355	1.44
8 UBS Nominees Pty Ltd	2,501,566	0.93
9 HSBC Custody Nominees (Australia) Limited - A/C 2	1,385,518	0.51
10 AMP Life Limited	1,167,352	0.43
11 Citicorp Nominees Pty Limited	1,088,525	0.40
12 Queensland Investment Corporation	775,168	0.29
13 Australian Reward Investment Alliance	679,910	0.25
14 UBS Wealth Management Australia Nominees Pty Ltd	562,740	0.21
15 IAG Nominees Pty Limited	513,760	0.19
16 Suncorp Custodian Services Pty Limited	379,334	0.14
17 The Australian National University	375,000	0.14
18 HSBC Custody Nominees (Australia) Limited	312,694	0.12
19 RBC Dexia Investor Services Australia Nominees Pty Limited	246,514	0.09
20 Citicorp Nominees Pty Limited	240,218	0.09
Total	227,224,246	84.15

STATISTICAL INFORMATION

Statistical information

Year ended 31 December	2007	2006	2005	2004
People				
Employees ⁽¹⁾	3,252	3,164	3,046	2,989
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery	1	1	1	1
Road tankers	18	18	18	18
Rail cars (operational)	62	62	62	62
Storage terminals operated by Caltex ⁽ⁱⁱ⁾	12	12	12	12
Star convenience stores (Star Mart)	478	488	496	476
Service stations (owned or leased)	492	511	546	577
Depots	88	99	108	108
Operations				
Nameplate refining capacity (barrels per day)				
Caltex Refineries (NSW) Pty Ltd	135,000	124,500	124,500	124,500
Caltex Refineries (Qld) Ltd	109,000	105,500	105,500	105,500
Caltex Lubricating Oil Refinery Pty Ltd	3,750	3,750	3,750	3,750
Fuel production (ML)	11,951	11,703	11,436	11,608
Lubes production (ML)	129	166	158	170
Total sales volume (ML) ⁽ⁱⁱⁱ⁾	16,088	15,492	15,249	14,329
Lost time injury frequency rate (LTIFR)(iv)	3.8	4.3	4.1	6.4

⁽i) Includes employees of Calstores Pty Ltd and Caltex 100% owned resellers.

⁽ii) Caltex has access to product supply at a further 10 terminals.

⁽iii) 2007, 2006 and 2005 sales volumes exclude sales made to domestic refiners.

⁽iv) Employee and contractor lost time injury frequency rate per million work hours.

DIRECTORY

Corporate offices

Caltex Australia Limited ACN 004 201 307

Caltex Australia Petroleum Pty Ltd ACN 000 032 128

Level 24 2 Market Street 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

Share registry

Computershare Investor Services Pty Limited

GPO Box 7045 Sydney NSW 1115 Australia

Tollfree: 1300 855 080 (enquiries within Australia)

Telephone: 61 2 8234 5000 (enquiries outside Australia)

Facsimile: 02 8234 5050

Web site: www.computershare.com.au

Refineries

Caltex Refineries (NSW) Pty Ltd ACN 000 108 725

Solander Street Kurnell NSW 2231

Telephone: 02 9668 1111 Facsimile: 02 9668 1188

Community hotline: 1800 802 385

Caltex Lubricating Oil Refinery Pty Ltd ACN 000 352 205

Sir Joseph Banks Drive Kurnell NSW 2231

Telephone: 02 9668 1111 Facsimile: 02 9668 1188

Caltex Refineries (Qld) Pty Ltd

ACN 008 425 581

South Street Lytton QLD 4178

Telephone: 07 3362 7333 Facsimile: 07 3362 7111

Environmental hotline: 1800 675 487

Marketing offices

New South Wales

Caltex Banksmeadow terminal Penhryn Road Banksmeadow NSW 2019

Telephone: 02 9695 3600 Facsimile: 02 9666 5737

Queensland/Northern Territory

Caltex Lytton terminal Tanker Street, off Port Drive Lytton QLD 4178

Telephone: 07 3877 7333 Facsimile: 07 3877 7464

Victoria/South Australia/Tasmania

Caltex Newport terminal Douglas Parade Newport VIC 3015

Telephone: 03 9287 9555 Facsimile: 03 9287 9572

Western Australia

Caltex Fremantle terminal 85 Bracks Street North Fremantle WA 6159 Telephone: 08 9430 2877

Facsimile: 08 9335 3062

Customer support

Feedback Line

(complaints, compliments and suggestions)

Mon – Fri 8.30 am to 5.00 pm (EST) 1800 240 398

Card Support Centre

Card enquiries 24 hours/seven days 1300 365 096

Lubelink

Mon – Fri 8.00 am to 6.00 pm (EST) 1300 364 169



OUR VISION

Our vision is to be the Australian oil refining and marketing company most admired for its people, partnership and performance.

OUR VALUES

We treat all people with fairness, respect and dignity.

We meet the highest ethical standards and operate in a socially responsible manner.

We respect and comply with the law.

We conduct our business in a manner that respects the environment and benefits the communities where we work.

We are committed to incident-free operations and are passionate about achieving results that exceed expectations.

We are focused on providing products and services that meet or exceed the needs of our customers.

OUR STRATEGIC INTENTS

- operational excellence through safe, secure, reliable, efficient, incident-free and environmentally sound operations
- · cost management by lowering unit-costs through innovation, technology and work-process improvements
- capital stewardship by investing in the best project opportunities and executing them better than our strongest competitors
- strong and sustained profitability through leadership in brand, supply chain and asset management, in developing new
 opportunities, and favourably shaping the business environment
- partnering with employees and other stakeholders by engaging the hearts and minds of our employees through empowerment, respect and dignity, and by building mutually beneficial relationships.

OUR SUCCESS

We earn "most admired" status when we are:

- the Australian industry leader in incident-free operations (safety, security, reliability, efficiency and environmental stewardship)
- maintaining a competitive cost structure
- generating above-industry returns through prudent investments and pace-setter project implementation (safer, faster and at lower cost)
- using our brand, supply chain and assets to achieve industry leading profitability
- preferred as a place to work, the business partner of choice, and valued contributors to the quality of life in the communities where we do business
- the industry leader in shareholder returns.

We will measure our progress toward these goals by use of appropriate metrics.

We will build world-class organisational capability combining people, process and culture to achieve and sustain industry leading performance.

