



CALTEX AUSTRALIA LIMITED
ACN 004 201 307

LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

18 March 2011

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED
2011 AGM AND 2010 ANNUAL REVIEW AND 2010 ANNUAL REPORT

The 2011 Annual General Meeting (AGM) for Caltex Australia Limited (Caltex) will be held at 10.00 am on Thursday, 21 April 2011 at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia.

The following documents, which are being mailed to shareholders, are attached:

- a letter from the Caltex Chairman (Ms Elizabeth Bryan)
- the Notice of Annual General Meeting and explanatory statement
- the proxy form for the AGM, and
- the *2010 Annual Review* and the *2010 Annual Report* (for shareholders who have elected to receive a printed copy of annual reports).

The *2010 Annual Review*, *2010 Annual Report* and AGM documents will be made available from our website (www.caltex.com.au).

Shareholders who are unable to attend the AGM will be able to watch and listen to the business of the meeting via a webcast. Viewing the webcast does not count as attendance at the meeting. For further information about the webcast, please visit the Caltex website (www.caltex.com.au) closer to the date of the meeting.

Helen Conway
Company Secretary

Contact number: (02) 9250 5281 / 0412 828 018

Attach.

CHAIRMAN'S LETTER TO SHAREHOLDERS

18 March 2011

Dear Shareholder,

On behalf of the Board, I am pleased to invite you to attend the 2011 Annual General Meeting (AGM) of Caltex Australia Limited (Caltex). In this mail pack for the AGM, you will receive:

- the Notice of Annual General Meeting and explanatory statement
- the 2010 Annual Review and the 2010 Annual Report (incorporating the 2010 Financial Report), if you have elected to receive a printed copy
- a proxy form, and
- a reply paid envelope for lodging your proxy form and/or sending any written questions to Caltex before the AGM.

Interactive, online versions of the 2010 Annual Review and the 2010 Annual Report (incorporating the 2010 Financial Report) are now available from our website (www.caltex.com.au).

AGM

The AGM will be held at 10.00am on Thursday, 21 April 2011 at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia. You are invited to join the Board for morning tea after the meeting.

BUSINESS OF THE AGM

The business of the AGM is set out in the Notice of Annual General Meeting. The Notice of Annual General Meeting and explanatory statement contain important information in relation to the matters to go before shareholders at the meeting.

ATTENDANCE

If you are attending the AGM, please bring this letter with you on the day to assist us in registering your attendance for the meeting. The registration desk will be open from 9.00am.

If you are not able to attend the AGM, you may wish to appoint a proxy to attend and vote at the meeting on your behalf. Please refer to the Notice of Annual General Meeting and proxy form in relation to appointing a proxy. You also have the option to appoint a proxy online (at www.investorvote.com.au).

You can watch and listen to the business of the meeting via a webcast. Please note that viewing the webcast does not count as attendance at the AGM and you will not be able to submit a vote or ask questions via the webcast. For further information about the webcast, please visit the Caltex website (www.caltex.com.au).

SHAREHOLDER QUESTIONS

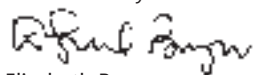
Shareholders attending the AGM will be able to ask questions at the meeting. If you have an issue or question that you would like discussed at the meeting, or you would like to submit a written question to KPMG (our external auditor) before the meeting, please send your issue or question to Caltex:

- in the reply paid envelope (which is included in the AGM material)
- by mail to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia
- by delivery to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
- by mail or delivery to:
The Company Secretary
Caltex Australia Limited
Level 24, 2 Market Street
Sydney NSW 2000 Australia
- by facsimile to:
within Australia: 1800 783 447 or (02) 9250 5018
outside Australia: +61 3 9473 2555 or +61 2 9250 5018
- by email to:
secretariat@caltex.com.au

Written shareholder issues and questions submitted before the AGM must be received by 5.00pm (Sydney time) on Thursday, 14 April 2011.

I look forward to your attendance at the AGM.

Yours sincerely



Elizabeth Bryan
Chairman



CALTEX

Caltex Australia

NOTICE OF ANNUAL GENERAL MEETING

CALTEX AUSTRALIA LIMITED
ACN 004 201 307



The 2011 Annual General Meeting (AGM) for Caltex Australia Limited (Caltex) will be held at 10.00am on Thursday, 21 April 2011 at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia.

BUSINESS OF THE AGM

1. OPERATIONAL EXCELLENCE MOMENT

The Chairman will present an operational excellence moment to the meeting.

2. ADDRESSES

The Chairman and the Managing Director & CEO will make presentations to shareholders.

3. SHAREHOLDER ISSUES

The Chairman will discuss key issues raised by shareholders prior to the meeting and will invite questions and comments from shareholders on these key issues and any other matters that shareholders would like to raise at the meeting.

4. FINANCIAL REPORTS

The financial report, the directors' report and the auditor's report for Caltex (and the Caltex Australia Group) for the year ended 31 December 2010 will be laid before the meeting.

5. REMUNERATION REPORT

Shareholders will be asked to consider and, if thought fit, pass an ordinary resolution adopting the remuneration report (which forms part of the directors' report) for Caltex (and the Caltex Australia Group) for the year ended 31 December 2010.

Note: The vote on this resolution is advisory only and does not bind the directors or Caltex.

6. ELECTION OF DIRECTORS

Shareholders will be asked to consider and, if thought fit, pass ordinary resolutions to:

- a. re-elect Mr Greig Gailey as a director
- b. elect Mr Walter (Walt) Szopiak as a director, and
- c. elect Mr Timothy (Tim) Leveille as a director,

in accordance with, and on the terms set out in, the company's Constitution.

Note: Each re-election or election will be open for discussion as a separate item of business and voted on as a separate ordinary resolution.

By order of the Board of Caltex Australia Limited

John Willey
Company Secretary

18 March 2011

IMPORTANT NOTES

2011 ANNUAL GENERAL MEETING (AGM) FOR CALTEX AUSTRALIA LIMITED (CALTEX)

Voting

Individual shareholders may vote in person or by proxy. A corporate shareholder may vote by proxy or through a body corporate representative.

If your shares are held jointly, please note that the holder appearing first in the share register is entitled to attend and vote the shares to the exclusion of the other holder(s).

The Board has determined that, for the purposes of the meeting, Caltex shares will be deemed to be held by those shareholders who held shares at 7.00pm (Sydney time) on Tuesday, 19 April 2011, as recorded in the company's share register.

Proxies

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on their behalf.

Shareholders should note that:

- all shareholders have the right to appoint a proxy
- a proxy does not have to be a Caltex shareholder
- a proxy may be an individual or a body corporate, and
- shareholders with two or more shares may appoint up to two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise.

A proxy form, as approved by the Board, is included with this notice of meeting.

Alternatively, you can appoint a proxy online and submit any voting instructions by visiting www.investorvote.com.au and following the instructions on the website. To use this online facility, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), your postcode and the six digit control number shown on your proxy form. If you lodge an online proxy appointment in accordance with the instructions, you will be taken to have signed and authorised the proxy.

Custodians and nominees with access to Intermediary Online can appoint a proxy online and submit any voting instructions by visiting www.intermediaryonline.com on Tuesday, 19 April 2011 and following the instructions on the website.

If you are appointing a body corporate as a proxy, then, in addition to lodging your proxy form, you or that body corporate will need to provide satisfactory evidence of the appointment of a representative of the body corporate to exercise the proxy at the meeting. Please refer to the section titled "Body corporate representatives" for further information.

If you are appointing a second proxy, you will need to complete a second proxy form. Please contact the share registry (Computershare) for an additional proxy form. If the two appointments do not specify the proportion or number of votes that each proxy may exercise, each proxy may exercise half of your votes (with fractions of votes to be disregarded).

If you wish to appoint a proxy, you should:

- complete a proxy form
- sign and date the proxy form, and
- return the proxy form to Caltex (including via Computershare)

or

- appoint a proxy online.

Please note that a proxy form or online proxy for the AGM must be received by no later than 10.00am (Sydney time) on Tuesday, 19 April 2011.

If your proxy form has been signed under power of attorney or other authority, the original or a certified copy of the power of attorney or authority must also be received by no later than 10.00am (Sydney time) on Tuesday, 19 April 2011, unless you have previously lodged the original or a certified copy.

If you have appointed a proxy for the AGM and you later decide to attend the meeting, please note that your attendance at the meeting will result in the proxy's authority to speak and vote for you being suspended while you are present at the meeting.

Body corporate representatives

A corporate shareholder entitled to attend and vote at the meeting may appoint a body corporate representative to attend and vote for the shareholder. Also, as noted previously, a body corporate may be appointed as a proxy.

Caltex will accept the original appointment, a certified copy of the appointment or a certificate from the company giving notice of the appointment as satisfactory evidence of the appointment.

You can lodge your body corporate representative appointment document before the AGM (in which case, the document should be received by 10.00am (Sydney time) on Tuesday, 19 April 2011) or present the document at the registration desk at the meeting.

Where to send proxy forms and appointment of body corporate representative documents (and related documents)

You can send your proxy form or appointment of body corporate representative document (and any related appointment documents or authorities) to Caltex:

- in the reply paid envelope (which is included in the AGM material)
- by mail to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia
- by delivery to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
- by mail or delivery to:
The Company Secretary
Caltex Australia Limited
Level 24, 2 Market Street
Sydney NSW 2000 Australia
- by facsimile to:
within Australia: 1800 783 447 or (02) 9250 5018
outside Australia: +61 3 9473 2555 or +61 2 9250 5018

Please note that a proxy form for the AGM (and any related appointment documents or authorities for a proxy) must be received by no later than 10.00am (Sydney time) on Tuesday, 19 April 2011.

EXPLANATORY STATEMENT

The 2011 Annual General Meeting (AGM) for Caltex Australia Limited (Caltex) will be held at 10.00am on Thursday, 21 April 2011 at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia.

Shareholders unable to attend the AGM will be able to watch and listen to the business of the meeting via a webcast. Viewing the webcast does not count as attendance at the AGM and you will not be able to submit a vote or ask questions via the webcast. For further information about the webcast, please visit the Caltex website (www.caltex.com.au).

1. OPERATIONAL EXCELLENCE MOMENT

Ms Elizabeth Bryan (Chairman) will present an operational excellence moment to the meeting.

2. ADDRESSES

Ms Bryan and Mr Julian Segal (Managing Director & CEO) will make presentations to shareholders.

3. SHAREHOLDER ISSUES

Ms Bryan will discuss key issues raised by shareholders prior to the meeting and will invite questions and comments from shareholders on these key issues and any other matters that shareholders would like to raise at the meeting.

Shareholders will also be able to ask questions of KPMG, Caltex's external auditor.

If you have an issue or question that you would like discussed at the meeting, or you would like to submit a written question to KPMG before the meeting, please send your issue or question to Caltex:

- in the reply paid envelope (which is included in the AGM material)
- by mail to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia
- by delivery to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
- by mail or delivery to:
The Company Secretary
Caltex Australia Limited
Level 24, 2 Market Street
Sydney NSW 2000 Australia
- by facsimile to:
within Australia: 1800 783 447 or (02) 9250 5018
outside Australia: +61 3 9473 2555 or +61 2 9250 5018
- by email to:
secretariat@caltex.com.au

Written shareholder issues and questions submitted before the AGM must be received by 5.00pm (Sydney time) on Thursday, 14 April 2011.

Issues and questions for Caltex

A document summarising issues and questions raised by shareholders before the AGM and Caltex's responses, including Ms Bryan's responses to key issues, will be available at the meeting. This document will be lodged with the Australian Securities Exchange (ASX) on the morning of the meeting and made available from the Caltex website (www.caltex.com.au).

Questions for KPMG

A list of written questions received for KPMG, as Caltex's external auditor, will be available at the meeting. KPMG may answer a question submitted in writing before the AGM by addressing the question at the meeting or by tabling a written response at the meeting. Any answers tabled at the meeting will be lodged with the ASX as soon as possible after the meeting and made available from the Caltex website (www.caltex.com.au).

4. FINANCIAL REPORTS

Under the *Corporations Act*, the directors of Caltex must lay the financial report, the directors' report and the auditor's report for Caltex (and the Caltex Australia Group) for the year ended 31 December 2010 before the meeting.

These reports are set out in the 2010 Annual Report. Shareholders who have elected to receive a printed copy of annual reports have been sent the 2010 Annual Report with this notice of meeting. The 2010 Annual Report is available from the Caltex website (www.caltex.com.au).

Ms Bryan will open the meeting to questions and comments on the financial report, the directors' report and the auditor's report.

5. REMUNERATION REPORT

Under the *Corporations Act*, Caltex is required to include, in the directors' report, a detailed remuneration report including prescribed information in relation to the remuneration of directors and executives of Caltex (and the Caltex Australia Group) and Caltex's remuneration practices.

The remuneration report for the year ended 31 December 2010 is incorporated in the 2010 Annual Report (as part of the directors' report). As noted previously, the 2010 Annual Report has been sent with this notice of meeting (to shareholders who have elected to receive a printed copy) and is available from the Caltex website (www.caltex.com.au).

Ms Bryan will open the meeting to questions and comments on the remuneration report.

The remuneration report is required to be submitted for adoption by a resolution of shareholders at the meeting. The vote on this resolution is advisory only and does not bind the directors or Caltex.

Board recommendation

The Board recommends the adoption of the remuneration report by shareholders. The Chairman of the meeting intends to vote open proxies in favour of this resolution.

6. ELECTION OF DIRECTORS

Under the ASX Listing Rules and Caltex's Constitution, the company must hold an election of directors each year.

Directors are elected for a period of three years or three annual general meetings since last being elected (whichever is longer). Additionally, any non-executive director who has been appointed 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.

The following directors will seek re-election or election at the AGM:

- Mr Greig Gailey, who was last elected by shareholders at the annual general meeting on 24 April 2008
- Mr Walt Szopiak, who was appointed as a director to fill a casual vacancy with effect from 1 September 2010, and
- Mr Tim Leveille, who was appointed as a director to fill a casual vacancy with effect from 1 December 2010.

Mr Gailey, Mr Szopiak and Mr Leveille will each address the meeting before the vote on their re-election or election. Board profiles for each director are included in this notice of meeting.

Each re-election or election will be open for discussion as a separate item of business and voted on as a separate ordinary resolution.

Board profiles

Mr Greig Gailey

Director (Non-executive/Independent)

Date of appointment:
11 December 2007

Board committees:
Human Resources Committee (Chairman), Audit Committee, Nomination Committee and OHS & Environmental Risk Committee

Greig brings extensive Australian and international oil industry experience, and a management background from industrial and capital intensive industries, to the Board. From 1964 to 1998, he worked at British Petroleum Company (BP) where he held various positions throughout Australia and offshore, including management of refining, supply and distribution in Australia and Europe.

Greig was subsequently appointed CEO of Fletcher Challenge Energy (New Zealand), a position he held from 1998 to 2001. In August 2001, he joined Pasminco Limited as CEO. Pasminco was transformed and relisted as Zinifex Limited on the ASX in April 2004, and Greig became Managing Director & CEO of Zinifex Limited from that date until standing down in June 2007. He is Chairman of the Board of Trustees of the Energy & Minerals Institute at the University of Western Australia and a director of the Australian Davos Connection Limited and the Victorian Opera Company Limited.

Greig holds a Bachelor of Economics from the University of Queensland.

Mr Walter (Walt) Szopiak

Director (Non-executive)

Date of appointment:
1 September 2010

Board committees:
Nomination Committee and OHS & Environmental Risk Committee

Walt brings considerable international oil industry and operations management knowledge and experience to the Board. He currently serves as the General Manager – Manufacturing & Supply for Chevron Oronite, Asia Pacific and is responsible for the manufacturing and supply activities for Chevron Oronite's additives business in the Asia Pacific region. He was previously the General Manager – Manufacturing Business Development for Chevron Global Manufacturing before being appointed to his current role in May 2010. Walt has worked for Chevron for over 25 years and has served in a range of technical and operations management and supply chain optimisation roles. He is based in Singapore.

Walt holds a Bachelor of Science (Chemical Engineering) from Virginia Polytechnic Institute (US).

Walt previously served as an alternate director of Caltex Australia Limited (April 2009 to August 2010).

Mr Timothy (Tim) Leveille

Director (Non-executive)

Date of appointment:
1 December 2010

Board committees:
Nomination Committee

Tim brings considerable oil industry and financial management experience to the Board. He is the Senior Director – International Finance in Chevron's Corporate Treasury and is responsible for treasury oversight and support for the finance activities of Chevron operating companies in the Americas, Asia Pacific and Global Businesses, and for global intercompany financing and cash repatriation activities. Since joining Chevron in 1987, his experience has encompassed a range of financial management roles across a number of Chevron companies in the US and internationally, before being appointed to his current role in July 2009. He is based in the US.

Tim is a licensed Certified Public Accountant (US) and holds a Bachelor of Science (Accounting and Computer Science) from Boston College (US) and a Master of Business Administration (Finance and International Markets) from Columbia University (US).

Board recommendations

The Board supports the re-election of Mr Gailey and the election of Mr Szopiak and Mr Leveille. The Chairman of the meeting intends to vote open proxies in favour of each resolution.

PROXY FORM

CALTEX AUSTRALIA LIMITED ACN 004 201 307
 2011 ANNUAL GENERAL MEETING

APPOINTMENT OF PROXY

I/We, being a shareholder(s) of Caltex Australia Limited and entitled to attend and vote at the 2011 Annual General Meeting (AGM) to be held at 10.00am on Thursday, 21 April 2011 at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia appoint:

☐ the Chairman of the meeting
 (please mark this box)

or

(please write the name or position/
 office of the person or the name
 of the body corporate that you are
 appointing as proxy)

to attend and vote in accordance with the following directions or, if the proxy is left open, to vote as the proxy chooses and to act generally at the AGM and, if the meeting is adjourned, when the meeting has been reconvened for business. If the appointed proxy is not in attendance at the AGM or I/we have not named a proxy, then I/we appoint the Chairman of the meeting to act as proxy in accordance with the following directions or, if the proxy is left open, to vote as the proxy chooses.

I/We acknowledge that the Chairman of the meeting intends to vote open proxies in favour of all items of business.

If you wish to direct your proxy how to vote, please mark your directions in the next section of this form.

VOTING DIRECTIONS TO PROXY

Item of business:

		For	Against	Abstain
Item 5	Remuneration report (advisory non-binding vote)	☐	☐	☐
Item 6(a)	Re-election of Mr Greig Gailey	☐	☐	☐
Item 6(b)	Election of Mr Walter Szopiak	☐	☐	☐
Item 6(c)	Election of Mr Timothy Leveille	☐	☐	☐

When completing this proxy form, please note that:

- you should indicate a mark in only one box for each item of business, unless you wish to indicate for each relevant box the percentage of your total shares or the number of your total shares that are to be allocated to "for", "against" or "abstain" for that item of business
- if you wish to appoint two proxies, you should indicate for each relevant box the percentage of your total shares or the number of your total shares that the proxy appointed in this form is to vote for each resolution
- if your proxy is left open for an item of business, your proxy is able to vote as they choose or to abstain from voting on that item
- if you mark the "abstain" box for an item of business, you are directing your proxy not to vote on that item, and
- abstentions will not be counted in calculating the required majority on a poll.

SIGNING OF PROXY FORM

Please refer to the instructions set out in "How to Complete Your Proxy Form"

Individual/Shareholder 1

Sole Director & Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date of proxy form



HOW TO COMPLETE YOUR PROXY FORM

APPOINTMENT OF PROXY

General information

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on their behalf.

Shareholders should note that:

- all shareholders have the right to appoint a proxy
- a proxy does not have to be a shareholder of Caltex Australia Limited
- a proxy may be an individual or a body corporate, and
- shareholders with two or more shares may appoint up to two proxies and may specify the proportion or number of votes that each proxy is appointed to exercise.

If you wish to appoint the Chairman of the meeting as your proxy, please mark the box to show this appointment. If you wish to appoint another individual as your proxy, please write the name of that person or the person's position or office. If you wish to appoint a body corporate as your proxy, please write the body corporate's name.

If the appointed proxy (other than the Chairman of the meeting) is not in attendance at the meeting, the Chairman of the meeting will act as your proxy.

If you have not nominated a proxy, the Chairman of the meeting will act as your proxy.

Appointment of a second proxy

If you wish to appoint a second proxy, you will need to complete a second proxy form. Please contact the share registry (Computershare) for an additional proxy form or make a photocopy of this form.

Appointment of a body corporate as proxy

If you have appointed a body corporate as a proxy, you or that body corporate will also need to provide satisfactory evidence of the appointment of a representative of that body corporate to exercise the proxy at the meeting. The original appointment, a certified copy of the appointment or a certificate from the company giving notice of the appointment will constitute satisfactory evidence of the appointment.

The document evidencing the appointment of a body corporate representative can be lodged in the same way as your proxy form or presented at the registration desk at the meeting.

VOTING DIRECTIONS TO PROXY

To direct your proxy how to vote, place a mark in one box for each item of business. Alternatively, you can allocate a percentage or number of your votes across one or more boxes by writing this on the form. If your proxy is left open for an item of business, your proxy is able to vote as they choose or to abstain from voting on that item.

If your proxy form specifies a percentage that is more than 100% or a number of shares that is more than your total holding, the voting rights attaching to your proxy will be reduced to 100% or your total holding (whichever is applicable).

If you have appointed two proxies and you do not specify the proportion or number of votes that each proxy may exercise, each proxy may exercise half of your votes (with fractions to be disregarded).

If you have appointed two proxies and your proxy forms specify a percentage that is more than 100% or a number of shares that is more than your total holding, the voting rights attaching to the first proxy will be reduced to bring your total percentage to 100% or your number of shares to equal your total shareholding (whichever is applicable).

The Chairman of the meeting intends to vote open proxies in favour of all items of business.

If you attend the meeting, your proxy's authority to vote for you is suspended while you are present at the meeting.

SIGNING OF PROXY FORM

A proxy appointment is only valid if the proxy form has been signed by the shareholder(s) making the appointment(s).

The following rules apply in relation to the signing of proxy forms for joint holdings, proxy forms signed under power of attorney, and proxy forms signed by corporate shareholders:

Joint holding

If you hold your shares jointly, all shareholders should sign the proxy form. A proxy form signed by the shareholder whose name appears first in the register, but not by the other joint holder(s), will also be accepted as valid.

Power of attorney

If a proxy form is signed under a power of attorney, you must lodge the original or a certified copy of the power of attorney with your proxy form, unless you have previously lodged one of these documents.

Corporate shareholders

Proxy forms for corporate shareholders should be signed in accordance with your company's Constitution or the *Corporations Act*.

LODGEMENT OF YOUR PROXY (AND RELATED DOCUMENTS)

A proxy appointment for the 2011 Annual General Meeting to be held at 10.00am on Thursday, 21 April 2011 is only effective if your proxy has been received by Caltex Australia Limited by no later than 10.00am (Sydney time) on Tuesday, 19 April 2011. If the proxy form is signed under a power of attorney or other authority, evidence of the attorney or authority must also be received by this time.

You can send your proxy form (and any related documents) to Caltex Australia Limited:

- in the reply paid envelope (which is included in the AGM material)
- by mail to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001 Australia
- by delivery to:
Caltex Australia Limited
c/- Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
- by mail or delivery to:
The Company Secretary
Caltex Australia Limited
Level 24, 2 Market Street
Sydney NSW 2000 Australia
- by facsimile to:
within Australia:
1800 783 447 or (02) 9250 5018
outside Australia:
+61 3 9473 2555 or +61 2 9250 5018

ONLINE PROXY APPOINTMENTS

You can appoint a proxy online and submit any voting instructions by visiting www.investorvote.com.au and following the instructions on the website.

To use this online facility, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), your postcode and the six digit control number shown on the front of this proxy form. If you lodge an online proxy appointment in accordance with the instructions, you will be taken to have signed and authorised the proxy.

Custodians and nominees with access to Intermediary Online can appoint a proxy online and submit any voting instructions by visiting www.intermediaryonline.com and following the instructions on the website.

ASSISTANCE

If you require assistance in completing your proxy form, please call:

- within Australia: 1300 850 505
- outside Australia: +61 3 9415 4000





2010

ANNUAL REVIEW



INTRODUCTION

WHO WE ARE

At Caltex, our energy fuels a brighter future.

We do this through our extensive supply capabilities, two fuels refineries, widespread distribution network and broad-reaching retail presence. We are committed to our own backyard and to keeping Australia moving – every hour of every day.

We are passionate about energy, and Caltex has a proud history of over 110 years of growth as an Australian downstream oil business.

Caltex is the largest refiner and marketer of petroleum products in Australia and we have operations in all states and territories. We are proud to supply over one third of the wholesale transport fuels in Australia and our two fuels refineries account for almost a third of Australia's total refining capacity.

Caltex is an independent company listed on the Australian Securities Exchange (ASX) and incorporated in Australia.



2010 ANNUAL REVIEW

This 2010 Annual Review for Caltex Australia Limited has been prepared as at 21 February 2011.

The 2010 Annual Review provides a summary of Caltex's main operating activities and performance for the year ended 31 December 2010.

For further information about Caltex's results and performance in 2010, please refer to the 2010 Annual Report (and the 2010 Financial Report, which forms part of the 2010 Annual Report). These and other reports are available from our website (www.caltex.com.au).

When we refer to the Caltex Australia Group in this 2010 Annual Review, we are referring to:

- Caltex Australia Limited (ACN 004 201 307), which is the parent company of the Caltex Australia Group and is listed on the ASX

- 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 Calstores Pty Ltd
- 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 2010 Annual Review as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2010 Annual Review and/or the 2010 Annual Report (and 2010 Financial Report), free of charge, by writing to the Company Secretary, Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000 Australia.

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“EVERY HOUR OF EVERY DAY, CALTEX IS DELIVERING SERVICE, VALUE AND ENERGY ACROSS EVERY STATE AND TERRITORY AROUND AUSTRALIA. IN 2010, CALTEX CONTINUED TO STRENGTHEN ITS INTEGRATED SUPPLY CHAIN AND OUR TEAM OF OVER 3,500 EMPLOYEES WORKED HARD TO KEEP AUSTRALIA MOVING.”



FINANCIAL CALENDAR FOR CALTEX AUSTRALIA LIMITED

Year ended 31 December 2010

21 April 2011
Annual General Meeting

Year ending 31 December 2011*

22 August 2011
Half year results and interim dividend announcement

6 September 2011
Record date for any interim dividend entitlement

27 September 2011
Interim dividend payable if declared

20 February 2012
Full year results and final dividend announcement

6 March 2012
Record date for any final dividend entitlement

27 March 2012
Final dividend payable if declared

*These dates are subject to change.

OUR RELATIONSHIP WITH CHEVRON

Chevron Corporation holds a 50% interest in Caltex Australia Limited. The remaining 50% is held by close to 30,000 shareholders – institutions, retail investors and employees. We operate independently of Chevron, with all decisions made in Australia by the Caltex Board and management. Through a number of

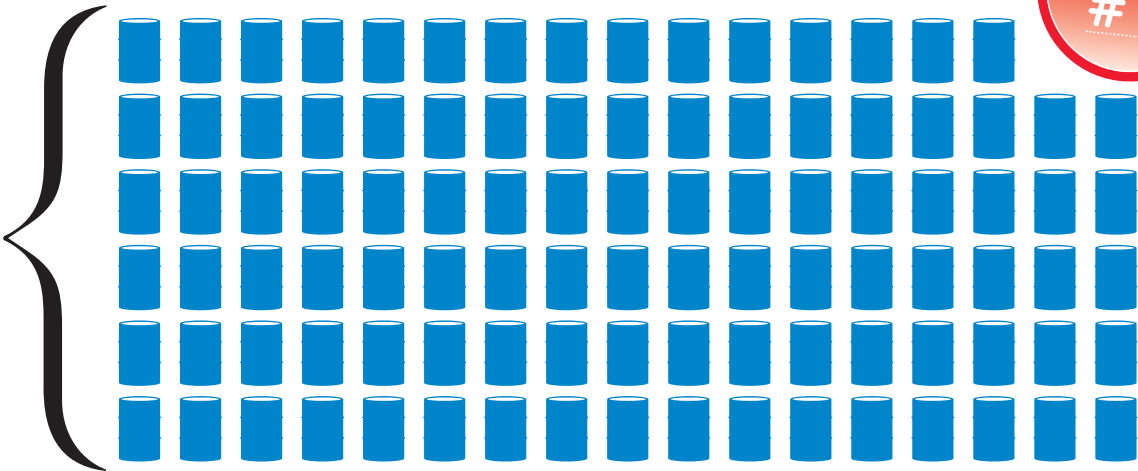
agreements, Caltex accesses significant technical and research capabilities which Chevron possesses due to its scale and its position as one of the world’s leading global energy companies. Caltex also licenses a number of trademarks from Chevron, including the Caltex brand, Vortex, Havoline and Delo.



39M
LITRES
PER DAY

Caltex has a total nameplate refining capacity of 244,000 barrels per day which is 39 million litres of fuel per day.

equal to 2,440 barrels



HIGHLIGHTS

35%

reduction in
lost time injury
frequency rate
– our best ever
safety result.

8%

increase in
finished
lubricants sales
year on year.

increase in jet
fuel sales year
on year.

13.8%

96%

average refinery
mechanical
availability
for 2010 –
compared with
95.5% in 2009.

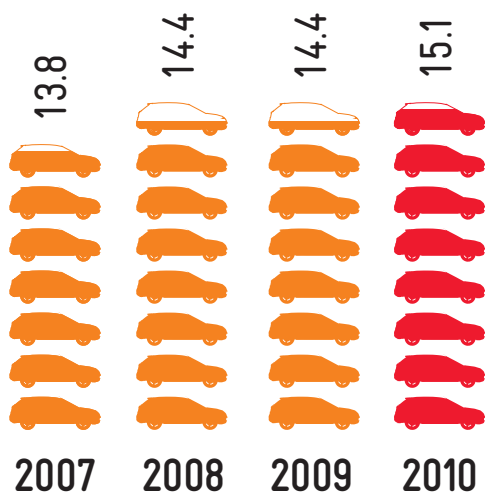
9% increase in commercial
diesel fuel sales year on year.

- 2010 saw strong operational performance across the business notwithstanding volatile financial conditions
- Record results were achieved for transport fuels, particularly premium fuels, and finished lubricants sales volumes
- Refinery production in the second half reached near record levels following the successful completion of planned maintenance in the first half
- Our lost time injury frequency rate decreased to 1.35 per million hours worked in 2010 from 2.12 per million hours worked in 2009



"AT CALTEX WE WANT TO BE KNOWN NOT ONLY FOR OUR STRONG RESULTS,
BUT ALSO FOR THE WAY WE ACHIEVE THESE RESULTS.
IN OTHER WORDS, HOW WE ACHIEVE IS JUST AS IMPORTANT
AS WHAT WE ACHIEVE."

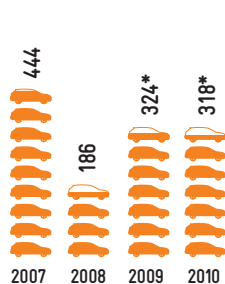
Transport fuels sales (billion litres)



2010

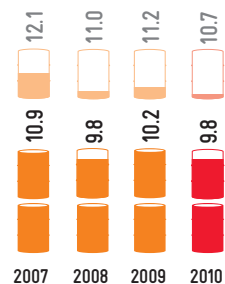
RECORD SALES VOLUMES WERE ACHIEVED FOR TRANSPORT FUELS, PARTICULARLY DIESEL, JET, PREMIUM FUELS, AND FINISHED LUBRICANTS.

REPLACEMENT COST OF SALES OPERATING PROFIT (RCOP) (\$ MILLIONS)



*Excluding significant items.

PRODUCTION VOLUMES (BILLION LITRES)



■ Total refinery production volumes
■ Transport fuels production volumes

REPLACEMENT COST OF SALES OPERATING PROFIT (RCOP)

RCOP was \$318 million for 2010, excluding the impact of significant items of approximately \$16 million after tax. Including significant items, RCOP for 2010 was \$302 million. This compares with \$203 million for 2009, including the impact of significant items of approximately \$121 million after tax.

PRODUCTION VOLUMES

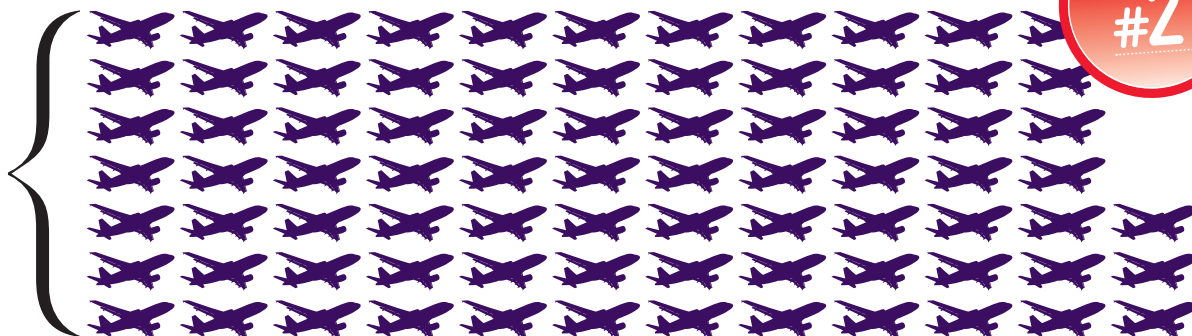
Production of transport fuels (petrol, diesel and jet fuel) was down to 9.8 billion litres from the 10.2 billion litres in 2009, due to planned refinery maintenance.



80,000 AIRCRAFT

Caltex refuelled more than 80,000 aircraft in 2010, from fighter aircraft, passenger planes, including the A380, to cargo planes.

equal to
1,000 aircraft



Fast fact
#2

INTEGRATED SUPPLY CHAIN

EVERY HOUR OF EVERY DAY

Caltex operations never sleep. As the largest refiner and marketer of petroleum products in Australia, Caltex keeps over a third of Australia moving. We produce petroleum products at our two fuels refineries and we market both locally-refined and imported petroleum products and convenience items throughout Australia. We have a wide range of commercial, government and private customers, who are supplied through a network of terminals, depots and service stations.

SUPPLY }



In 2010, Caltex sourced some 70 million barrels of crude oil on the international market from a range of countries.

REFINING }



Caltex is Australia's largest oil refiner with a total nameplate refining capacity of 244,000 barrels per day. Caltex refines crude oil into petrol, diesel, jet fuel, and base oil for lubricants and many specialty products such as liquid petroleum gas (LPG) and bitumen.

THE CALTEX PRODUCT SUITE

Transport fuels

Caltex's transport fuels portfolio continues to grow to meet customer demand. In addition to unleaded petrol and diesel, Caltex currently markets Vortex 95, Vortex 98 and Vortex diesel premium fuels, biofuel blends, including Bio E-Flex, and low aromatic blends for regional Australia. Caltex's jet fuel is also supplied to most major airports on the eastern seaboard of Australia.

Convenience retailing

Caltex is the industry leader and the number one convenience retailer in Australia with a network that spans every state and territory.

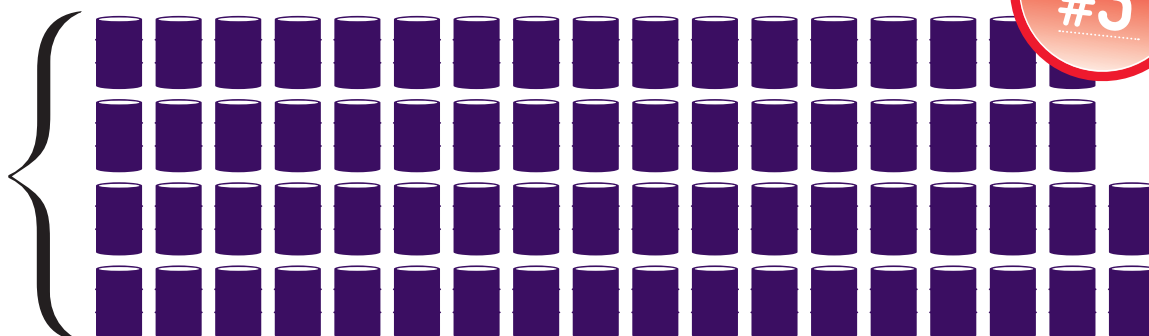
Specialty products

Caltex offers specialty products such as bitumen, liquid petroleum gas, wax, fuel oil and process oils.

70M BARRELS

In 2010, Caltex sourced over 70 million barrels of crude oil. That is equivalent to the capacity of almost 5,000 Olympic sized swimming pools per year.

equal to
1,000,000 barrels



"CALTEX'S BUSINESS STRENGTH IS FOUNDED IN ITS INTEGRATED SUPPLY CHAIN. SPANNING CRUDE SOURCING THROUGH TO MARKETING TO CUSTOMERS, EACH ELEMENT CONTRIBUTES SIGNIFICANTLY TO CALTEX'S SUCCESS."

DISTRIBUTION }



Caltex supplies Australia through a broad distribution network that includes pipelines, terminals, depots and both a company and a contracted transportation fleet.

MARKETING }



From company-owned and franchised retail service station operations and company-owned and independent branded resellers to direct sales to commercial customers, Caltex's marketing business comprises a range of activities. Caltex's leading sub-brands, Star Mart, StarCard, StarCash, Vortex Premium, Bio E10 Unleaded, Havoline and Delo each have a significant and growing market share in their respective product categories.

Cards

The Caltex card portfolio, encompassing StarCard, StarFleet and StarCash, is Australia's leading fuel card range.

Finished lubricants

Car and truck dealers and workshops, auto accessory shops and retailers across Australia stock Caltex supplied Havoline branded petrol engine oils and Delo branded diesel engine oils.

OUR VALUES



Our energy fuels a brighter future



We hold safety and integrity as core personal commitments



We boldly find new ways to succeed



We deliver superb outcomes for our customers



We think and act like business owners



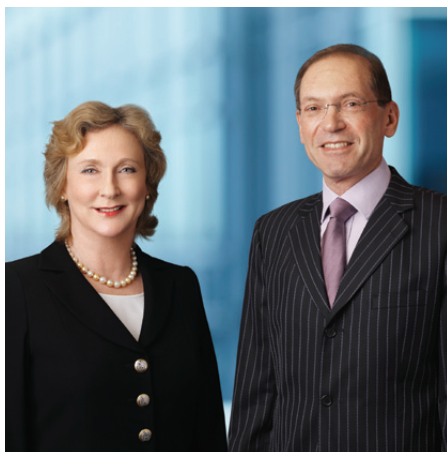
We deliver with energy, conviction and tenacity



We play to win



REPORT FROM OUR CHAIRMAN AND MANAGING DIRECTOR & CEO



2010 WAS A VERY SUCCESSFUL YEAR FOR CALTEX. ACHIEVEMENTS OF PARTICULAR NOTE INCLUDED THE CONTINUATION OF THE STRONG GROWTH TRAJECTORY OF THE MARKETING BUSINESS, RECORD SALES VOLUMES FOR TRANSPORT FUELS AND THE CONTINUED IMPROVEMENT OF OUR REFINING RELIABILITY.

Significantly, 2010 was the best year on record for safety performance as measured by injury frequency rates and the best year on record for refinery reliability as measured by mechanical availability.

The culmination of these achievements and other accomplishments across the Caltex business led to a full year profit after tax for 2010 of \$318 million on a replacement cost of sales operating profit (RCOP) basis, excluding significant items of approximately \$16 million after tax.

This result was achieved notwithstanding exchange rate volatility and a slightly depressed market post the global financial challenges of 2009.

The recovery in the refining environment saw the Caltex Refiner Margin improve from the cyclical lows experienced in 2009. Despite the strong Australian dollar, the Caltex Refiner Margin averaged US\$8.39 per barrel or 5.77 Australian cents per litre during 2010, compared with an average of US\$5.95 per barrel or 5.05 Australian cents per litre during 2009.

BUSINESS STRENGTH IN INTEGRATED SUPPLY CHAIN

Caltex's business strength is founded in its integrated supply chain. Spanning crude sourcing through to marketing to customers,

each element contributes significantly to Caltex's success.

In the marketing business, the growth in premium fuels was outstanding with 1,836 million litres sold in 2010, compared with 1,182 million litres in 2009. The growth in finished lubricants sales volumes was also excellent with Caltex achieving record sales of 68.1 million litres in 2010, compared with 63.1 million litres in 2009. This outstanding growth was driven by our marketing teams and enabled by infrastructure improvements undertaken across our supply chain in 2010.

Another vital element in the Caltex supply chain is our two fuels refineries. Pleasingly, refinery reliability has continued to improve since 2008 and in 2010 refinery mechanical availability was at a record 96%. Production volumes declined in the first half of 2010 due to higher planned maintenance in the refineries compared to 2009, but improved to near record levels in the second half. Petrol, diesel and jet fuel production reached 9.8 billion litres, which comprises 4.3 billion

"THE EXCEPTIONAL MILESTONES ACHIEVED IN 2010 WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE PEOPLE AT CALTEX. THE BOARD WOULD LIKE TO ACKNOWLEDGE THE CONTRIBUTION AND COMMITMENT OF ALL CALTEX EMPLOYEES, CONTRACTORS, FRANCHISEES AND RESELLERS DURING 2010."

litres in the first half and 5.5 billion litres in the second half. This compares with 5.1 billion litres in each half of 2009.

Product sourcing is also essential to Caltex's business success, and Caltex's supply business successfully sourced over 70 million barrels of crude in 2010 from both within Australia and around the world. This was reduced from 72 million barrels in 2009 due to the planned maintenance at both refineries.

SUPPLY CHAIN ENHANCEMENTS

To ensure our integrated supply chain remains competitive and efficient, a number of major supply and distribution projects were undertaken in 2010 to strengthen and enhance our infrastructure. Key projects included the construction of two additional diesel tanks in Mackay and Gladstone in Queensland, completed in early 2011 and the major expansion of the fuel terminal at Port Hedland in Western Australia, which is due to be completed by late 2011. These projects will add much-needed supply capability and will enable Caltex to service the demand for large quantities of diesel from the resources industry.

A number of terminal upgrades were also undertaken to enable the significant rollout of Vortex premium products around Australia.

COST AND CAPITAL EFFICIENCY INITIATIVES DELIVERING BENEFITS

In addition to an effective supply chain, Caltex has also been focused on cost and capital efficiency initiatives through the Catalyst program. In 2010 the Catalyst program delivered savings in the order of \$60 million across the business, including \$35 million in procurement benefits. This was delivered through restructures in the corporate and Marketing areas of the business and the Refining Improvement Initiative. This drive to ensure operational efficiency while maintaining and strengthening Caltex's base business will continue in 2011.

DIVIDEND

The solid results achieved in 2010 and the strength of our balance sheet led the Board to declare a final dividend of 30 cents per share (fully franked) for the second half of 2010. Combined with the interim dividend of 30 cents per share (fully franked) paid in September 2010, this equates to a total dividend of 60 cents per share (fully franked) for 2010. This compares with a total dividend payout of 25 cents per share (fully franked) for 2009.

OUR PEOPLE

The exceptional milestones achieved in 2010 would not have been possible without the people at Caltex.

"CALTEX REMAINS COMMITTED TO FURTHER
CEMENTING OUR POSITION AS A LEADING TRANSPORT
FUEL SUPPLIER AND CONVENIENCE RETAILER
IN AUSTRALIA, PROVIDING SHAREHOLDER VALUE
THROUGH EARNINGS GROWTH."

The Board would like to acknowledge the contribution and commitment of all Caltex employees, contractors, franchisees and resellers during 2010.

SAFETY

Pleasingly, 2010 saw Caltex's best ever safety performance. Our lost time injury frequency rate decreased from 2.1 per million hours worked in 2009 to 1.35 per million hours worked in 2010. This is an improvement of an exceptional 35%. Motor vehicle and tanker truck accidents continue to decrease with only one motor vehicle accident and no tanker truck accidents in 2010, compared with a combined total of 12 in 2009.

CULTURE

Company results and the calibre of its people are strongly linked. Attracting and retaining talented people is fundamental to Caltex's future success and creating a high performance culture was a focus of 2010. Caltex's new values of care, own, serve, move, win and trailblaze were rolled out in the first half of 2010 and work has continued in the second half to embed the values across the business. It has been very pleasing to see the values being embraced across all areas of the organisation. The culture of an organisation is a true competitive advantage and Caltex has been engaging its people at all levels to ensure Caltex's culture is one that attracts and retains talented people.

OUTLOOK

In 2011 Caltex will continue to focus on delivering through the Catalyst program and embedding a high performance culture. The strong growth trajectory for Marketing is expected to continue and this growth will be further enhanced as the infrastructure projects currently underway are completed in 2011.

Throughout 2011, Caltex will also continue to focus on optimising its integrated supply chain and strengthening the base business to enable future growth in earnings through operational and capital efficiency.

In the medium to long term the outlook for the company remains positive. The exposure Caltex has to the mining, agriculture and transport industries in Australia, and the anticipated long term growth in demand for diesel, jet fuel and premium fuels, also stands Caltex in good stead for further growth.

Caltex remains committed to further cementing our position as a leading transport fuel supplier and convenience retailer in Australia, providing shareholder value through earnings growth.



Elizabeth Bryan
Chairman

Julian Segal
Managing Director
& CEO

Fast fact

#4

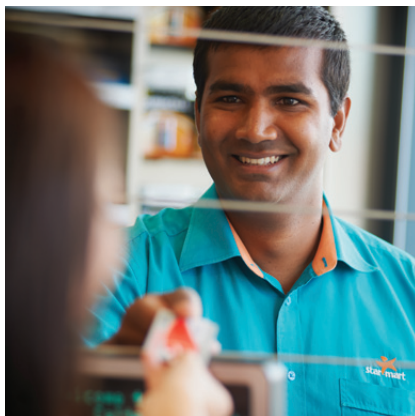
Caltex collects on average \$80.4 million each week in fuel excise on behalf of the Australian Government.

In 2010 this totalled \$4.3 billion. This makes Caltex Australia's number one tax collector and the 24th largest taxpayer as listed in the PricewaterhouseCoopers Australian tax survey in 2007/2008.



This page: Caltex Star Mart
at Hillside in Victoria

MARKETING



CALTEX'S MARKETING BUSINESS PERFORMED STRONGLY IN 2010, WITH SOLID GROWTH IN BOTH EARNINGS AND MARKET SHARE ACROSS A NUMBER OF PRODUCTS.

This growth in earnings once again underpinned Caltex's results. Record sales volumes were achieved for transport fuels, particularly in diesel, jet and premium fuels, and finished lubricants.

Caltex holds the position as the number one and growing petroleum and convenience marketer in Australia. The continued growth and success of the marketing business is due to Caltex's safe, reliable product supply and strong retailing network.

RETAIL

A strong network across Australia is fundamental to meeting the needs of our customers. Caltex retail has had an outstanding year in 2010, with several major initiatives contributing to a superior performance in terms of profitability and return on investment, while the network delivered its best ever employee safety results.

Targeted growth across our premium fuels range was one of the key highlights in 2010. Sales volumes of Vortex 95 and Vortex 98 grew by 20% collectively, while Vortex diesel grew from a low base to become 31% of retail diesel sales. The customer uptake of Vortex diesel has exceeded expectations since its launch in 2009 and investment in the rollout of all premium products will continue in 2011.

Significant network investment in 2010 saw a considerable number of sites closed during site upgrades, most notably the four F3 freeway sites in New South Wales which

reopened in the last quarter of 2010. Average weekly shop sales across the network still grew by 1.3%, albeit lower than the 3.4% growth experienced in 2009. However, this is consistent with the overall growth of the market.

Five new convenience/service stations and five new diesel stops were added to Caltex's footprint in 2010. An additional 32 stores were upgraded and redesigned in line with the twenty-first century Star Mart format. This rollout will continue in 2011 and beyond as we work through the balance of the network. In addition to store upgrades, Caltex also continued to invest in underground storage tank replacement to facilitate the new premium fuel product rollouts and to ensure environmental compliance.

Caltex retail successfully launched Star Mart branded milk and bread in all stores, which resulted in around 50% sales growth for both categories across the network. This is anticipated to continue into 2011 and beyond. This was complemented by an 18% annual cost saving in Caltex's centralised logistics dry goods supply chain, which serviced an additional 18 stores in 2010, taking the total number of participating stores to 379.

Caltex's Star Mart convenience retail network was once again acknowledged as an industry leader at the annual Australian Association of Convenience Stores Awards where Caltex Star Mart Hillside in Victoria secured the Major Retailer of the Year (Company Operated Network) award and Caltex Star Mart Baxter, also in Victoria, secured the Major Retailer of the Year (Franchise Operated Network) award. Caltex Star Mart Wyoming in New South Wales was also nominated as a finalist for this award. Tim Burdon, a Caltex retail graduate trainee, won the prestigious Global Convenience Industry Achievement Award in the retailer category at the North American Association of Convenience Stores (NACS) conference in Atlanta, USA, after securing the Australian Association of Convenience Stores Peter Jowett Industry Award.

Caltex's strong company-owned Calstores network, comprising 94 stores, continues to set the benchmark for ongoing development of world-class retail systems, tools and programs. This company-owned network underpins Caltex's success as a major convenience retailer and leading franchisor in Australia.

DIESEL FUEL SALES
(EXCLUDING PREMIUM)
(BILLION LITRES)



AVERAGE WEEKLY SHOP
SALES PER SITE
(\$'000/WEEK)



This page: Rawindra Nair at Caltex Star Mart, Heathcote, NSW



**"CALTEX'S MARKETING BUSINESS HAS
A STRONG FUTURE AND WILL CONTINUE
TO FOCUS ON ENSURING ITS RETAIL ASSETS
AND THE OVERALL SUPPLY CHAIN ARE
POSITIONED WELL FOR THE LONG TERM."**

COMMERCIAL

Caltex was once again a partner of choice for many commercial customers, across the automotive, industrial, specialties, transport, mining, aviation, farming and marine industries and small to medium enterprises in 2010, with direct sales to these customers continuing to grow.

There was significant growth in segments such as the coal, iron ore and resource extraction industries, in line with the current resource boom across Australia. Growth was also seen in sales directly to primary producers.

Direct sales to the aviation industry also increased with significant diversification in customers as new airlines entered the Australian market. This is in line with Caltex's investment in aviation infrastructure and the overall growth in the aviation industry in Australia.

Commercial customers are also serviced through Caltex resellers – both independent branded resellers and company-owned resellers. Resellers service the small to medium enterprise customers in the transport, agricultural, mining and commercial and industrial sectors.

PRODUCTS

Through its diverse channels, Caltex supplies over one third of the wholesale transport fuels in Australia. Record sales volumes of 15.1 billion litres were achieved for transport fuels. This compares with 14.4 billion litres in 2009.

Caltex has a comprehensive suite of fuel products including premium diesel, biofuel blends and low aromatic blends for regional Australia. To complement this range, during 2010 Caltex launched Bio E-Flex in conjunction with Holden Australia. Bio E-Flex is a high ethanol blend fuel consisting of up to 85% ethanol, blended with 15% petrol, which is commonly known overseas as E85. The fuel was designed for use in Holden's VE Series II Commodore flex-fuel vehicles. This new fuel is part of a strategy to provide transport fuels beyond the traditional fuel mix, reflecting Caltex's commitment to addressing the issue of climate change by helping reduce greenhouse gas emissions and improving energy security by reducing our reliance on traditional fossil fuels like petrol.

Caltex currently has over 400 Caltex branded sites selling one or more biofuel blends. This makes Caltex's biofuel network the largest in Australia. In 2010, sales of biofuel blends were close to 1.5 billion litres, compared with 1 billion litres in 2009.

Caltex diesel performed well again in 2010 and gained 8% growth on 2009. Over 851 Caltex branded sites across Australia now sell Vortex premium diesel, up from 230 in 2009. Rollout of Vortex premium diesel will continue throughout 2011.

Finished lubricants growth was outstanding with Caltex achieving a market share growth of 8% in 2010. Record sales of finished lubricants was achieved with sales of 68.1 million litres, compared with 63.1 million litres in 2009. Caltex is now the second largest supplier in the finished lubricants market in Australia.

Jet fuel volumes also increased significantly in 2010 to 2.2 billion litres from 1.9 billion litres in 2009.

The Caltex card portfolio retained its position as the leading fuel card portfolio with the largest network and market penetration in Australia.

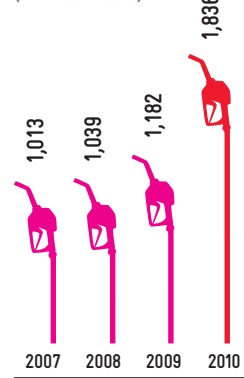
FUTURE FOCUS

Operational excellence, the safety of our employees, contractors and customers and the reliability of our products are always key priorities for Caltex, as is retaining the position as the number one and growing petroleum and convenience marketer in Australia.

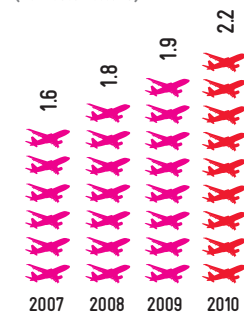
Caltex's marketing business has a strong future and will continue to focus on ensuring its retail assets and the overall supply chain are positioned well for the long term. Investment will continue in enhancing and improving retail assets, as well as expanding into new markets.

Caltex remains focused on improving its base business and driving growth in earnings through cost and capital efficiency, organic growth in marketing and leveraging our integrated supply chain.

PREMIUM FUEL SALES –
PETROL AND DIESEL
(MILLION LITRES)



JET FUEL SALES
(BILLION LITRES)



In 2010 Caltex sold over two million two litre full cream milk bottles and over 11 million original Coca Cola variant bottles.

SUPPLY CHAIN



CALTEX'S SUPPLY CHAIN STRENGTH IS DERIVED FROM THE EFFECTIVE INTEGRATION OF REFINING, SUPPLY AND DISTRIBUTION.

Our customers benefit from our robust systems and processes that encompass crude and product purchasing, refining and distribution to our terminals and outlets.

Caltex is committed to the Australian market in providing long term secure fuel supply and the right infrastructure to meet the growing needs of both our existing and our potential customers.

In addition, a cycle of continuous improvement is embedded in Caltex's supply chain to ensure it remains safe, reliable and efficient.

REFINING

Caltex's refineries at Kurnell in Sydney and Lytton in Brisbane refine crude oil into petrol, diesel and jet fuel and many specialty products, such as liquid petroleum gas and bitumen. Of the seven refineries in Australia, Caltex's two refineries account for almost a third of Australia's total refining capacity.

2010 saw improved safety and reliability across both refineries, and total production of petrol, diesel and jet fuel was 9.8 billion litres, compared with 10.2 billion litres in 2009. Production in the second half reached near record levels following the successful completion of planned maintenance outages in the first half of 2010.

In order to extract maximum value from our overall production capacity, high value transport fuel production became an increasing proportion of our total refining

production in 2010. This is part of the focus on capturing increased earnings across the business and this drive will continue in 2011.

The Caltex Refiner Margin averaged US\$8.39 per barrel in 2010, compared with US\$5.95 per barrel in 2009. This equates to 5.77 Australian cents per litre in 2010, compared with 5.05 Australian cents per litre in 2009. While the Caltex Refiner Margin was seasonally weaker in the second half of the year, this margin recovered from the bottom of the cycle where it was in the second half of 2009.

SUPPLY

As the leading Australian refiner and marketer of petroleum fuels and other products, Caltex has built a supply chain from crude to customer right across Australia. Caltex has made very significant investments in the right people, systems and facilities and is proud of its ability to supply fuel to customers, almost anywhere in Australia, in a safe, reliable and efficient manner.

Crude oil for Caltex's refineries is sourced from many Australian and international crude oil producers, including Chevron. Delivering this crude to our refineries requires Caltex to effectively and efficiently manage large shipments of crude oil from ports in Africa, Asia and more locally from Australia, Papua New Guinea and New Zealand.

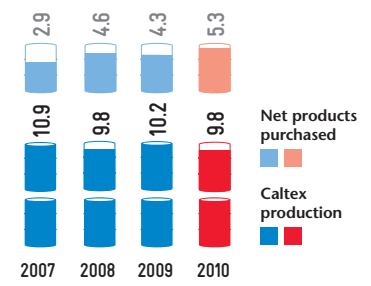
Over 70 million barrels of crude were sourced by Caltex in 2010, reduced from 72 million barrels in 2009 due to planned maintenance at both refineries in 2010.

The finished product produced by Caltex at Kurnell and Lytton supports approximately 60% of total Caltex sales. This is supplemented by finished petroleum products sourced both from other Australian refiners and from overseas.

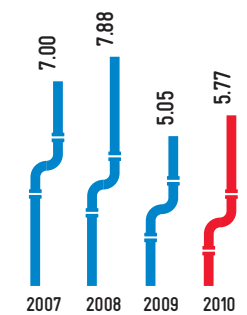
International sources are primarily refineries in Singapore and North Asia, although some cargoes have been sourced from refineries as far away as Europe. As Caltex's customer base expands, so will the need to increase the purchase of international product.

In addition to supplying its own marketing business, Caltex's diverse supply chain also provides efficient supply to other major oil companies in New South Wales and Queensland.

CALTEX PRODUCTION AND NET PRODUCT PURCHASES (TRANSPORT FUELS ONLY) (BILLION LITRES)



CALTEX REFINER MARGINS (AUSTRALIAN CENTS PER LITRE)



"CALTEX IS COMMITTED TO THE AUSTRALIAN MARKET IN PROVIDING LONG TERM SECURE FUEL SUPPLY AND THE RIGHT INFRASTRUCTURE TO MEET THE GROWING NEEDS OF BOTH OUR EXISTING AND OUR POTENTIAL CUSTOMERS."



DISTRIBUTION

Throughout Australia Caltex operates 12 storage terminals and this is complemented by access to product supply at a further 12 terminals. These 24 terminals are in key locations around Australia. Caltex delivers product to customers via its own truck fleet and the fleets of approved and accredited third party contractors.

Expanding and upgrading infrastructure capability has been a key strategy for Caltex in 2010 with significant work being undertaken to strengthen the Caltex supply chain in vital growth areas.

Projects such as the two additional diesel tanks in Mackay and Gladstone in Queensland and the major expansion of the fuel terminal at Port Hedland in Western Australia will allow Caltex to add much-needed supply capability to provide diesel fuel to the growing resource industry. Both the Mackay and Gladstone tanks were completed in early 2011 and the Port Hedland expansion is due to be completed by late 2011. These projects are part of Caltex's overall infrastructure improvement program and ongoing commitment to the Australian market.

In addition to these projects, Caltex also undertook a number of terminal upgrades to enable the significant rollout of Vortex premium products around Australia.

Caltex's supply capability was further enhanced in 2010 with the introduction

of the new product tanker, the *MV Hugli Spirit*. The *Hugli Spirit* replaced the 20 year old product tanker, the *Palmerston*, in August 2010. With two modern product tankers in our coastal fleet, the *Hugli Spirit*, and the *Alexander Spirit* which joined the fleet in 2009, Caltex has capacity to safely and efficiently deliver refinery product to ports between Cairns and Hobart, widening the markets available to the Caltex refineries and improving the reliability of supply to customers in those markets.

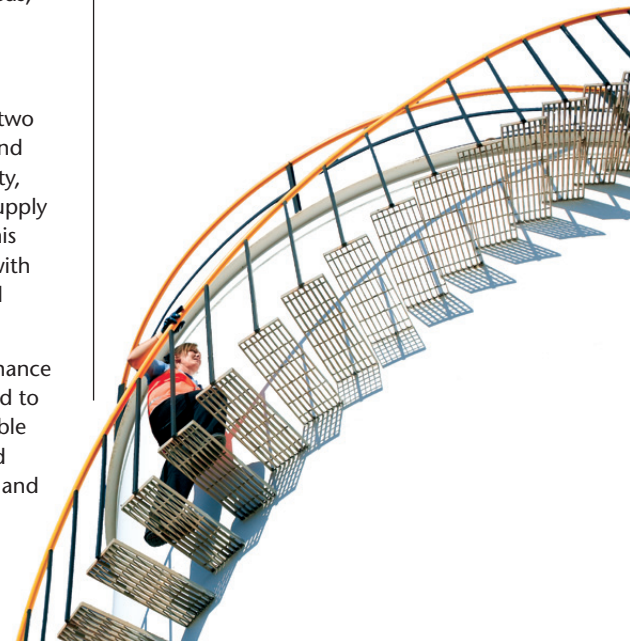
In 2010 the *Alexander Spirit* became the first ship from Caltex in two decades to regularly deliver product to Tasmania. The *Alexander Spirit*, operated for Caltex by Teekay Corporation, now supplies much of Tasmania's petrol, diesel and jet fuel needs, replacing Shell as the supplier.

FUTURE FOCUS

With two of Australia's seven refineries, two large capacity coastal product tankers and significant and growing terminal capacity, Caltex has a high quality and capable supply chain in Australia. It is the strength of this infrastructure that provides customers with convenient, safe and reliable supply and makes Caltex a supplier of choice.

Caltex will continue to build on and enhance the supply chain and remains committed to providing our customers with safe, reliable and environmentally sound product and services, and our employees with a safe and secure working environment.

"WITH TWO OF AUSTRALIA'S SEVEN REFINERIES, TWO LARGE CAPACITY COASTAL PRODUCT TANKERS AND SIGNIFICANT AND GROWING TERMINAL CAPACITY, CALTEX HAS A HIGH QUALITY AND CAPABLE SUPPLY CHAIN IN AUSTRALIA. IT IS THE STRENGTH OF THIS INFRASTRUCTURE THAT PROVIDES CUSTOMERS WITH CONVENIENT, SAFE AND RELIABLE SUPPLY AND MAKES CALTEX A SUPPLIER OF CHOICE."



SUSTAINABILITY

FUELLING A BRIGHTER FUTURE



AT CALTEX WE WANT TO BE KNOWN NOT ONLY FOR OUR STRONG RESULTS, BUT ALSO FOR THE EXEMPLARY WAY WE ACHIEVE THESE RESULTS. IN OTHER WORDS, HOW WE ACHIEVE IS JUST AS IMPORTANT AS WHAT WE ACHIEVE.

Caltex is focused on delivering sustainable growth and shareholder value, contributing to the communities in which we operate, minimising our impact on the environment and remaining an employer of choice.

We understand our social “licence to operate” is dependent on conducting our operations with care and integrity.

Maintaining safe and sustainable operations is at the core of Caltex’s culture. Our enterprise wide risk management framework and operational excellence management systems, combined with a culture of operational excellence, provide a foundation to ensure risks are identified, prioritised and appropriately managed in order to protect our employees, our community, our environment and our shareholders.

PEOPLE AND CULTURE

Culture

We recognise that our achievements come from the talent and dedication of our people, and that our culture is a key competitive differentiator. We are a fully integrated business, with a diverse workforce comprising a wide variety of occupations, dispersed throughout urban and regional Australia.

In late 2009 Caltex engaged with hundreds of employees across the organisation in order to identify core values to best support a high-performance culture. The Caltex purpose (our energy fuels a brighter future), along with six values (care, own, trailblaze, win, serve and move) were developed based on employee feedback, recommended by the employee steering team and adopted without change by both the executive team and the Board.

This acceptance and commitment provided the strongest possible evidence that the employees of Caltex are both architects and owners of the new organisational cultural blueprint.

Extensive work was completed throughout 2010 to embed the culture, and further initiatives continue in 2011. In addition to leaders role-modelling the values and conducting workshops for all employees, an important aspect of the culture rollout has been the alignment of business frameworks.

Caltex recognises the importance of ensuring that work systems and processes empower employees to operate in accordance with the organisation’s values. Some of the business processes adjusted include delegations of authority, the procurement system, capital stewardship procedures, performance management processes, recruitment and orientation, leadership development and reward and recognition programs.

Developing capability

Caltex believes that employee development and high quality leadership are strong drivers of employee engagement and organisational performance.

All of Caltex’s non-award, permanent employees participate in annual performance and development reviews. Development plans set a measurable agenda to support the short and long term professional development of each employee.

The current Caltex curriculum is entering its third year, and features a selection of short leadership and management courses and intensive development programs for employees across the business. Many of our current and emerging leaders have attended residential leadership programs, including 72% of the executive and senior management population who have participated in the flagship Caltex Leadership Development Program to date.

“CALTEX IS FOCUSED ON DELIVERING SUSTAINABLE GROWTH AND SHAREHOLDER VALUE, CONTRIBUTING TO THE COMMUNITIES IN WHICH WE OPERATE, MINIMISING OUR IMPACT ON THE ENVIRONMENT AND REMAINING AN EMPLOYER OF CHOICE. WE UNDERSTAND OUR SOCIAL “LICENCE TO OPERATE” IS DEPENDENT ON CONDUCTING OUR OPERATIONS WITH CARE AND INTEGRITY.”

"CALTEX EMBRACES A STRONG BELIEF IN THE ADVANTAGES OF AN INCLUSIVE WORKPLACE IN WHICH INDIVIDUALS OF VARIED BACKGROUNDS AND PERSPECTIVES ARE WELCOMED, ENCOURAGED AND GIVEN THE OPPORTUNITY TO CONTRIBUTE TO THEIR FULL POTENTIAL."



This investment alone underscores our commitment to leadership capability development over recent years and into the future.

Significant advancements were also made in technical, risk and compliance training management during 2010.

Diversity and equal opportunity

Caltex embraces a strong belief in the advantages of an inclusive workplace in which individuals of varied backgrounds and perspectives are welcomed, encouraged and given the opportunity to contribute to their full potential. We believe that diversity maximises opportunities to achieve our business goals by:

- attracting, retaining and developing the very best talent
- increasing employee engagement and productivity
- seizing opportunities for creative problem-solving and innovation, and

- growing our business through our informed understanding of the diverse markets in which we operate.

Caltex has developed a diversity policy which sets out the overall aims of our diversity strategies and the responsibilities of the Board, our leaders and individuals across the company in relation to diversity (available on our website). Caltex is committed to growing leadership capabilities that result in more consistent and active sponsorship and stewardship of gender diversity and during 2011 is implementing women's career success programs for at least 90% of its female middle and senior managers. Caltex has established a Diversity Council, chaired by the CEO, to proactively monitor diversity initiatives and outcomes.

Employees fuelling change

Fuelling Change is an employee giving program which allows our people to contribute to a range of nominated charitable organisations through salary sacrifice. All contributions are matched dollar for dollar by Caltex, doubling the donations.

1.8B
LITRES

Caltex's Banksmeadow to Newcastle pipeline alone delivers 1.8 billion litres of fuel per year, or the equivalent of 115 B-double truckloads per day.

 equal to one B-double truckload



This page: Kurnell refinery in the distance

SUSTAINABILITY (CONTINUED)

Safety

At Caltex our paramount concern is the safety of people and operations and, in particular, each employee's right to return home safely from work each day.

During 2010 we made significant progress in reducing injury rates and minimising harm to our people. Each of our key personal safety measures of lost time injury frequency rate (LTIFR) and total treated injury frequency rate (TTIFR) improved. There was a 35% reduction in the LTIFR in 2010 when compared with 2009. This included both contractors and employees. The LTIFR for employees only in 2010 was 1.19 per million hours worked.

Work also continues on reducing process safety risk, particularly in our refineries, with leading metrics being developed, monitored regularly and acted upon to ensure safety systems are operating effectively.

Caltex motor vehicle and tanker truck accident rates continued to decline with only one significant motor vehicle accident and no significant tanker truck accidents recorded in 2010. This outstanding result was achieved despite higher sales and a significantly greater number of deliveries and kilometres travelled.

Health and wellbeing

At Caltex we have long-established employee health and wellbeing programs.

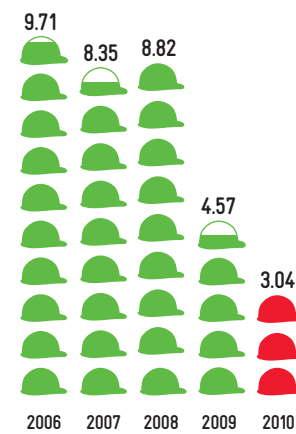
During 2010 our corporate offices in Sydney continued to implement employee health and wellbeing education programs, including several presentations promoting mental health, as well as a free employee health check looking at indicators such as blood pressure and blood sugar levels.

Throughout the year both refineries worked to increase the effectiveness of the employee health and wellbeing programs, to further ensure they provide a measurable benefit to our people.

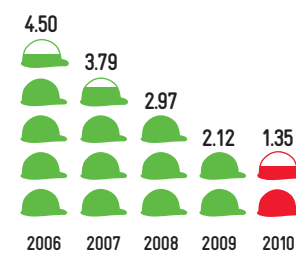
At the Lytton refinery several targeted programs were run to improve employee wellbeing. The topics included mental health, early injury management and fatigue management. The mental health program (which included face to face sessions and education bulletins) aimed to inform managers and other employees on dealing with mental health issues in the workplace.

At Kurnell we formalised the approach to promoting personal and occupational health through allocating a health theme for each month of 2010.

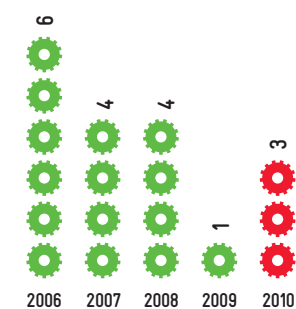
INJURY FREQUENCY RATE - TTIFR (PER MILLION HOURS WORKED)



INJURY FREQUENCY RATE - LTIFR (PER MILLION HOURS WORKED)



PROCESS SAFETY INCIDENTS



This page: The view of Caltex's Kurnell refinery from Sydney's North Cronulla Beach.

"CALTEX MOTOR VEHICLE AND TANKER TRUCK ACCIDENT RATES CONTINUED TO DECLINE WITH ONLY ONE SIGNIFICANT MOTOR VEHICLE AND NO SIGNIFICANT TANKER TRUCK ACCIDENTS RECORDED IN 2010."



The programs included an eye injury prevention program, a healthy heart challenge and skin cancer awareness and screening.

The targeted eye injury prevention program, in particular, resulted in some immediate outcomes. This program involved implementing mandatory wearing of safety glasses by all workers entering the refinery. The outcome was a significant reduction in eye injuries in 2010 compared with 2009, with no treated (serious) eye injuries. The program also involved giving workers access to improved close fitting prescription and non-prescription safety glasses.

Recognition of employees

Recognising Results is a key employee incentive program implemented during 2010 and designed to reinforce a sustainable, results-driven culture. The Recognising Results program acknowledges employees living the Caltex values. Awards range from on-the-spot cash rewards to the Caltex Stellar Awards, the pinnacle of our recognition program. The Caltex Stellar Awards are directly aligned to each of the six Caltex values and are awarded by the CEO to celebrate exceptional achievements within our organisation by individuals or teams.

CALTEX AND THE ENVIRONMENT

Minimising our environmental impact

Caltex continuously strives to prevent incidents within our facilities and ensure compliance with our environmental licences.

Caltex routinely records and investigates all spills and licence breaches. During 2010 there was no improvement in our environmental performance metrics. Both our refineries experienced incidents due to extreme rainfall events and localised flooding of site waste water systems.

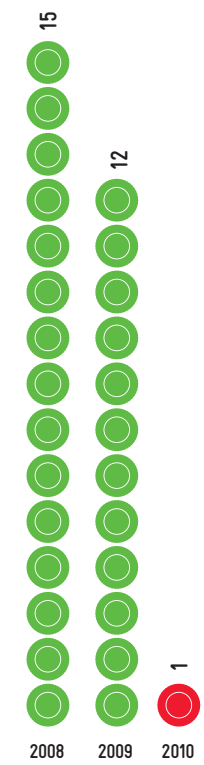
Kurnell Refinery Pollution Reduction program

Caltex has committed to a five year program with the NSW Department of Environment, Climate Change and Water. Through this program Caltex will implement a scope of works to reduce noise and odour emissions from the Kurnell site as well as undertake further studies to identify other sources of noise and odour and develop effective controls for them.

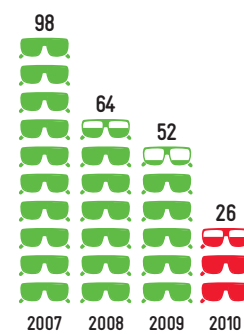
Following on from Caltex's implementation of a world class leak detection and repair program, emissions of volatile organic carbon (a precursor for ozone formation) will be further reduced through improvements to vapour control petroleum storage tanks on site over the duration of the pollution reduction program.

Commencing in 2011, Caltex will also implement a new fully integrated waste management strategy that focuses on waste minimisation as well as resource recovery wherever possible. Further work will be done on management and remediation of contaminated lands on the site and prevention of future spills.

MOTOR VEHICLE AND TANKER TRUCK ACCIDENTS (>20KM/HR)



HISTORY OF EYE INJURIES AT THE KURNELL REFINERY



SUSTAINABILITY (CONTINUED)

Energy efficiency

At Caltex we continuously work to reduce our impact on the environment and communities in which we operate as well as generate savings from a reduction in energy consumption.

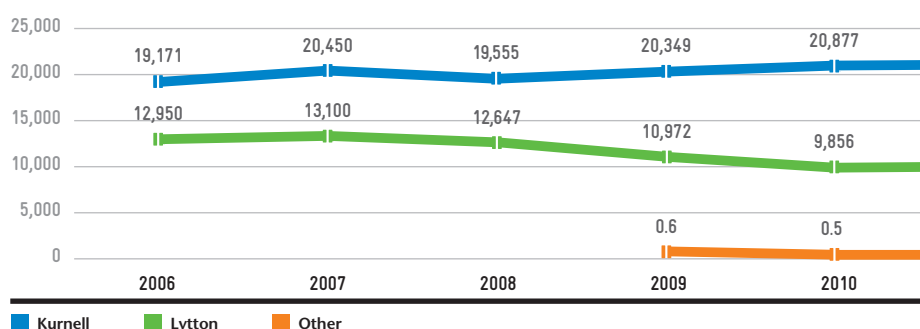
In 2010 work continued on energy efficiency across Caltex. We completed our third public report under the Commonwealth Government Energy Efficiency Opportunities program outlining progress on our work to improve energy efficiency.

In particular, Lytton refinery implemented or commenced implementation of opportunities that will save 231,805 GJ of energy per annum, which is enough energy to power over 8,000 average Brisbane homes.

One initiative involved the commissioning of a new natural gas pipeline to the refinery to allow cleaner burning natural gas to be used in the refinery rather than fuel oil.

In our retail facilities we have successfully trialled LED lighting at our Star Mart F3 NSW sites for cool room, store and under canopy lighting. This has the potential to reduce our energy consumption for lighting by 40 to 50% compared with our existing configuration, with added benefits of extended life and lower maintenance in comparison to the standard lighting currently used in our stores and on our forecourts. Supply arrangements and implementation plans for a cost effective rollout across additional stores are currently being finalised.

ENERGY USAGE (EEO REPORT) (GJ '000s)



Greenhouse gas emissions

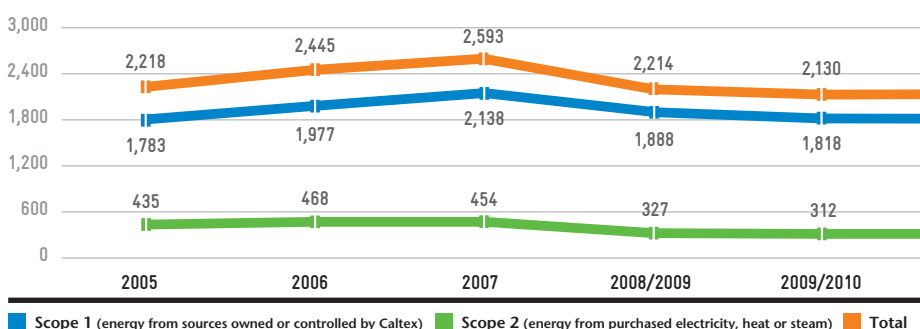
During 2010 Caltex completed its reporting under the National Greenhouse and Energy Reporting Scheme for the second time. Prior to this, Caltex had been reporting greenhouse gas emissions for over a decade under the voluntary Greenhouse Challenge program.

In addition, Caltex also reports to the Carbon Disclosure Project. The Carbon

Disclosure Project is an independent not-for-profit organisation holding the largest international database of corporate climate change information.

Overall, Caltex's emissions declined in 2010 principally due to planned maintenance and reduced production at the Lytton refinery.

CO₂ EQUIVALENT (TONNES '000s)

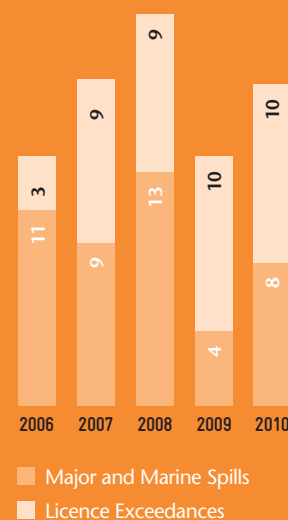


Major and marine spills

A spill is defined as an accidental or unplanned spill or release to land, air or water that is of a volume sufficient to cause actual or likely harm to human health and/or damage to the environment; or has caused community outrage; or a spill of hydrocarbon of a volume of 50 barrels/8,000 litres (1 barrel = 160 litres) or greater to land; or any spill of hydrocarbon to a body of water (e.g. river, lake, marine). A spill includes any accidental or unplanned release that:

- escapes from primary containment (intended container) onto a surface, or to air, water or land
- escapes from primary containment (intended container) into secondary containment not associated with routine operating practices, scheduled maintenance or authorised discharge, and
- results from company-owned and/or operated transport of oil products.

In 2010 both our refineries experienced incidents due to extreme rainfall events and localised flooding of site waste water systems.



"PETROL AND DIESEL WILL REMAIN IMPORTANT FUELS FOR VEHICLES FOR MANY YEARS. HOWEVER, BIOFUELS AND OTHER ALTERNATIVE FUELS CAN BE A SIGNIFICANT PART OF AUSTRALIA'S FUTURE FUEL MIX AND HELP TO TACKLE THE ISSUE OF CLIMATE CHANGE AND ENERGY SECURITY."

Recycled water use at our refineries

Given the volume of water required for refining oil, Caltex is committed to water recycling.

The Lytton refinery switched to recycled sewage water in 2008 for 85% of its water consumption (5.2 million litres per day).

At Kurnell, the target is to use 70% recycled water within the next two years.

The Kurnell refinery is actively committed to the 'Every Drop Counts' program run by Sydney Water.

Recycling Plastic Oil Containers program

Caltex participates (through committee representation, financial contribution and providing site access) in the voluntary Recycling Plastic Oil Containers program, implemented by the Australian Institute of Petroleum (AIP) in association with VIP Packaging. The program provides an ongoing sustainable collection and reuse program for plastic oil packaging.

Over the past six years, the program has made a significant contribution to diverting used plastic oil containers from landfill.

Biofuels at Caltex

Petrol and diesel will remain important fuels for vehicles for many years. However, biofuels and other alternative fuels can be a significant part of Australia's future fuel mix and help to tackle the issues of climate change and energy security.

Over 400 Caltex branded retail sites currently supply biofuel blends (including Bio E10 Unleaded petrol, and B2 biodiesel blends) in New South Wales and Queensland. Additionally, 30 sites supply Bio E-Flex (Caltex's new high ethanol blend fuel which contains up to 85% ethanol) across the eastern seaboard and in Adelaide. Commercial customers also purchase B5 and B20 biodiesel blends from our Newcastle and Adelaide terminals.

In 2010, Caltex sold 100 million litres of neat biofuels. These were contained in about 1,500 million litres of biofuels blends including about 800 million litres of E10. As at December 2010, more than half the regular grade petrol sold by Caltex in New South Wales is now E10. To date, Caltex has invested around \$16 million in ethanol terminal storage and blending facilities and service station conversions.

INFRASTRUCTURE INTEGRITY AND PRODUCT RESPONSIBILITY

Safety and risk management

We are committed to producing quality products and ensuring clean, safe and reliable operations.

The systematic management of safety, health, reliability and efficiency to achieve benchmark performance is defined as operational excellence. A culture of operational excellence is embedded throughout Caltex, which places the highest priority on the health and safety of our workforce and the protection of our assets and the environment.

Process safety

The production, distribution and transportation of petroleum products is potentially hazardous.

Safe distribution and transportation of Caltex products, and the safe operation of Caltex facilities, requires that we identify and control the potential for major accidents.

Process safety management is the management process applied to reduce the likelihood and consequences of a major accident.

In 2010 Caltex continued with the implementation of operational excellence processes which provide a framework for ensuring that process safety risk controls are well designed and effectively implemented.

The operating departments also maintained focus on implementing key lessons from major industry accidents which have occurred globally.

Internal governance processes have been established to provide the framework for assessment of process safety performance. This includes lagging process safety indicators such as major and minor spills and leading process safety indicators such as compliance to equipment inspection processes.

Key refining projects implemented in 2010 included the relocation of non-operating personnel away from process areas and the introduction of improved exclusion zones during unit start-ups.

Progress continues with the development of the Kurnell refinery safety case, which is required as part of the site's provisional registration as a major hazard facility in 2009. The submission of the Kurnell refinery safety case, to the New South Wales Government, is due in February 2012.

Biofuels

Biofuels can substantially reduce greenhouse gas emissions. Ethanol helps reduce greenhouse gas emissions compared with petrol as it generates fewer emissions over its full lifecycle from the growing of crops to its use in vehicles.

Pure ethanol is estimated by the Commonwealth Scientific and Industrial Research Organisation to result in 18 to 46% less greenhouse gas emissions than petrol on a full lifecycle basis. For pure biodiesel, the estimated reduction is 45 to 85% depending on the feedstock.

Caltex sources its ethanol from producers in New South Wales and Queensland. The ethanol is made from renewable sources such as waste starch from processing of wheat, molasses from sugar production and sorghum, which is grown for ethanol manufacture and stock feed. Biodiesel is made from used cooking oil, tallow and some crops such as canola and mustard seed.

Sustainability is a big issue globally and must be addressed for biofuels to play a significant long term role in Australia and overseas. Sustainability criteria apply under New South Wales biofuels mandate regulation. Caltex is supportive of policies to ensure more sustainable biofuels production, including the development of second generation biofuels that use waste and non-food feedstocks such as woody materials and algae.

Current biofuels production in Australia does not create any significant conflicts between food and fuel uses of crops, unlike some countries overseas. Caltex does not use biodiesel produced from imported palm oil feedstocks.

SUSTAINABILITY (CONTINUED)



The Lytton refinery (in Queensland) and the Newport terminal (in Victoria) continue to operate as major hazard facilities. In 2010, the Hobart terminal safety case was accepted by the Tasmanian Government.

Underground tank replacement and monitoring

Throughout 2010 Caltex continued its underground tank replacement and monitoring program. The program was implemented after a 2007 risk assessment prioritised tanks for replacement and monitoring (considering the age of the tanks, the location of the tanks in relation to water supply and the natural environment and throughput of the tanks).

In 2010 underground tanks at 15 sites were replaced as part of rebuilds and an ongoing risk management program.

Product stewardship

Product stewardship forms an integral part of our licence to operate. We recognise the need to manage products throughout their lifecycle, meeting legal and regulatory requirements and performance expectations, and effectively communicating the necessary information to customers.

Caltex engages in product stewardship across the organisation to ensure not only fuel quality, but also integrity of our fuel storage and delivery systems.

Caltex publishes material safety data sheets for all its finished products as well as intermediates and materials used during processing (such as catalysts and process chemicals) in an online database. These data sheets are periodically reviewed by Caltex technical experts and updated on the database. The complete information is publically available via the Caltex website.

Caltex is a signatory to the National Packaging Covenant and has recently recommitted and registered for the new Australian Packaging Covenant. This covenant is a voluntary initiative designed to minimise the environmental impacts arising from the disposal of used packaging, conserve resources through better design and production processes and facilitate the reuse and recycling of used packaging materials. Through the establishment of a framework, the covenant has a recycling target of 65% for packaging and no further increases in packaging waste disposed to landfill by the end of 2010.

CALTEX IN SOCIETY

Petrol pricing report

The Australian Competition and Consumer Commission released its latest report into the prices, costs and profits of unleaded petrol in Australia in December 2010. The report reaffirmed the outcomes from previous studies, stating that Australian retail petrol prices are in line with the underlying costs of supply and with international benchmarks, and are low compared with those in other countries in the Organisation for Economic Cooperation and Development. The report found that the "amount of the bowser price that motorists paid as profits to the petrol companies accounted for an average of 2.9 cents per litre".

The Australian Competition and Consumer Commission also tested the perception in the community that petrol prices increase by more than usual prior to public holidays by reviewing prices in the five largest cities around every public holiday. The price data demonstrated that price movements around public holidays are similar to price movements at other times.

Climate change policy

In 2010 the Australian Government's Carbon Pollution Reduction Scheme legislation to establish an emissions trading scheme was unsuccessful in gaining passage through the Parliament. Following the federal election, the Gillard Labor Government announced its intention to introduce a carbon price in Australia following consultation and negotiation with a Multi-Party Climate Change Committee and the support of legislation through Parliament.

Caltex supports some form of a price on carbon in Australia and has been actively engaged in the policy process. Caltex advocates a carbon price mechanism which maintains the international competitiveness of emissions-intensive trade-exposed industries such as oil refining and ensures that any carbon price mechanism, including any proposal impacting private motorists, should be proven to be effective at reducing emissions. In the case of the Carbon Pollution Reduction Scheme, oil refining was regarded as a highly-intensive industry for the purpose of emissions-intensive trade-exposed assistance and this level of assistance has been regulated for the Renewable Energy Target. The same level of assistance should be maintained under any future carbon pricing scheme.

In Caltex's view, including motorists and light commercial vehicles in an emissions trading scheme is not environmentally effective and could create problems for fuel suppliers in terms of increased debt to purchase permits. Even at a carbon price of \$30 a tonne, which could increase vehicle running costs by about \$150 a year, motorists would have little incentive to change their behaviour and reduce emissions. Caltex advocates more effective complementary measures, such as lower vehicle emission targets, consumer incentives and lower carbon fuels.

A price on carbon is likely to have an impact on Caltex, however, the impacts on Caltex's financial performance, particularly its refining operations, are unclear until a policy and detailed design are determined.

“OUR LYTTON AND KURNELL REFINERIES SUPPORT A RANGE OF EDUCATIONAL, ENVIRONMENTAL, SPORTING, CULTURAL, SURF LIFESAVING AND COMMUNITY INITIATIVES WITHIN THE LOCAL COMMUNITY. CALTEX EMPLOYEES ALSO CONTRIBUTED BOTH THEIR TIME AND THEIR RESOURCES TO COMPANY SUPPORTED INITIATIVES INCLUDING PROACTIVELY SUPPORTING THEIR LOCAL COMMUNITIES DURING 2010.”

Promoting integrity

Caltex has a Code of Conduct that articulates its commitment to successfully conduct business in accordance with all applicable laws while demonstrating and promoting the highest ethical standards. Adherence to the code ensures our business has a framework for decision-making and business behaviour which builds and sustains our corporate integrity, reputation and success.

Specific policies and programs work in parallel with the Code of Conduct, for example, the Fraud and Corruption Control Policy and the *Competition and Consumer Act* Compliance Policy. An externally managed hotline is also available for all employees, providing a confidential avenue for them to express concerns relating to the workplace.

Caltex and public policy development

Caltex plays its part in public policy development and corporate regulation, both directly and through the Australian Institute of Petroleum and other organisations. This role includes the development of positions through research and advocacy of those positions with politicians, government, media and other stakeholders. Major issues addressed in 2010 included carbon pricing, biofuels, petrol pricing, competition policy, fuel taxation, fuel quality regulation, and environmental licensing.

Corporate social investment

For the past 11 years Caltex has partnered with the Starlight Children's Foundation to help seriously ill children and their families. In addition to financial support over this time, dedicated Caltex employees, resellers and franchisees worked tirelessly to raise funds and awareness. During 2010, Caltex and its employees contributed over \$400,000 to the Starlight Children's Foundation.

During 2010 Caltex was the national tour partner for the Australian Chamber Orchestra. Caltex has supported the performing arts through sponsorship of the Australian Chamber Orchestra since 1996.

With the new Caltex culture being cemented across the business, a review was conducted during 2010 to ensure current and future corporate social investment commitments aligned with the Caltex purpose and values.

During 2011 Caltex will partner with the following four organisations; supporting their work through fundraising, financial contribution, employee participation and knowledge sharing:

- **Rising Generations** – a not-for-profit, dynamic youth leadership training organisation.
- **First Voice** – an Australian alliance of five organisations dedicated to teaching deaf and hearing-impaired children to listen and speak with clear natural spoken language like their hearing peers.
- **Conservation Volunteers Australia** – an organisation that partners with individuals, businesses and governments in the conservation of Australia's unique environment.
- **The Clontarf Foundation** – an organisation that exists to improve the education, discipline, self esteem, life skills and employment prospects of young Aboriginal men and, by doing so, equip them to participate more meaningfully in society.

Active in our communities

The Caltex Best All Rounder Award, one of the most prestigious secondary education awards in Australia, recognises students who excel across a number of areas, including academic, attitude, personal conduct, leadership, service and sporting. In 2010 it celebrated its 25th anniversary with over 1,300 schools participating nationally.

Caltex also participates in a range of local community activities in the areas where we operate.

Our Lytton and Kurnell refineries support a range of educational, environmental, sporting, cultural, surf lifesaving and community initiatives within their local communities. Caltex employees also contributed both their time and their resources to company supported initiatives, including proactively supporting their local communities during 2010.

Continuous improvement

Caltex continues to deliver a sustainable level of incident free performance in prevention of tanker truck accidents in its fleet, and has passed a significant milestone of over 600 days without a tanker truck accident.

Programs have included a continuous focus on best practice in bulk fuels transportation, equipment replacement initiatives, a review of key operational excellence management systems, close monitoring of vehicle and driver performance along with high levels of engagement with our logistics teams through driver forums and toolbox talks.

DIRECTORS



Elizabeth Bryan
Chairman
(Non-executive/Independent)

Elizabeth joined the Caltex Board in July 2002 and has served as Chairman since October 2007. She is the Chairman of the Board's Nomination Committee.

Elizabeth brings management, strategic and financial expertise to Caltex. She is the Chairman of UniSuper Limited and a director of Westpac Banking Corporation.



Julian Segal
Managing Director & CEO

Julian is responsible for overseeing the day-to-day operations of the Caltex Australia Group. He was appointed as Managing Director & CEO from 1 July 2009.

Julian brings extensive commercial and management experience to Caltex. Prior to joining Caltex, Julian served as the Managing Director & CEO of Incitec Pivot Limited, a leading global chemicals company, from June 2005 to May 2009.



Trevor Bourne
Director
(Non-executive/Independent)

Trevor joined the Caltex Board in March 2006. He is the Chairman of the Board's OHS & Environmental Risk Committee.

Trevor brings broad management experience in industrial and capital intensive industries, and a background in engineering and supply chain, to the Board. He is the Chairman of Hastie Group Limited and a director of Origin Energy Limited.



Brant Fish
Director
(Non-executive)

Brant joined the Caltex Board in July 2006.

Brant brings significant downstream oil industry experience to Caltex, particularly in the areas of supply chain, refining and marketing. He currently serves as the Global Vice President of Joint Ventures & Affiliates for Chevron International Products.

CALTEX LEADERSHIP TEAM



Julian Segal
Managing Director & CEO



Simon Hepworth
Chief Financial Officer



Andy Walz
General Manager – Marketing



Gary Smith
General Manager – Refining

"WE RECOGNISE THAT OUR ACHIEVEMENTS COME FROM THE TALENT AND DEDICATION OF OUR PEOPLE, AND THAT OUR CULTURE IS A KEY COMPETITIVE DIFFERENTIATOR. WE ARE A FULLY INTEGRATED BUSINESS WITH A DIVERSE WORKFORCE COMPRISING A WIDE VARIETY OF OCCUPATIONS, DISPERSED THROUGHOUT URBAN AND REGIONAL AUSTRALIA."



Greig Gailey
Director
(Non-executive/Independent)

Greig joined the Caltex Board in December 2007. He is the Chairman of the Board's Human Resources Committee.

Greig brings extensive Australian and international oil industry experience, and broad management expertise from industrial and capital intensive industries to the Board. He is Chairman of the Board of Trustees of the Energy & Minerals Institute at the University of Western Australia and a director of the Australian Davos Connection Limited and the Victorian Opera Company Limited.



Timothy (Tim) Leveille
Director
(Non-executive)

Tim joined the Caltex Board in December 2010.

Tim brings considerable oil industry and financial management experience to the Board. He is the Senior Director – International Finance in Chevron's Corporate Treasury and is responsible for treasury oversight and support for the finance activities of Chevron operating companies in the Americas, Asia Pacific and Global Businesses, and for global intercompany financing and cash repatriation activities.



Walter (Walt) Szopiak
Director
(Non-executive)

Walt joined the Caltex Board in September 2010.

Walt brings considerable international oil industry and operations management knowledge and experience to the Board. He currently serves as the General Manager – Manufacturing & Supply for Chevron Oronite, Asia Pacific and is responsible for the manufacturing and supply activities for Chevron Oronite's additives business in the Asia Pacific region.



John Thorn
Director
(Non-executive/Independent)

John joined the Caltex Board in June 2004. He is the Chairman of the Board's Audit Committee.

John brings expertise to the Board in the areas of accounting and financial services, business advisory, and risk and general management. He is a director of Amcor Limited, National Australia Bank Limited and Salmat Limited.



Ken James
General Manager – Supply and Distribution



Helen Conway
General Manager – Office of the CEO, Company Secretary and General Counsel



Mike McMenamin
General Manager – Strategy, Planning and Development



Simon Willshire
General Manager – Human Resources

FIVE YEAR SUMMARY

COMPARATIVE FINANCIAL INFORMATION

Caltex Australia Limited Consolidated Results	2010	2009	2008	2007	2006
Profit and loss (\$ million)					
Historical cost operating profit before significant items, interest and income tax expense	522	648	104	965	706
Interest income	2	2	4	7	3
Borrowing costs	(59)	(30)	(60)	(46)	(49)
Historical cost income tax expense before significant items	(131)	(185)	(13)	(280)	(195)
Historical cost operating profit after tax and before significant items	333	435	34	646	466
Significant items (net of tax)	(16) ⁽ⁱ⁾	(121) ⁽ⁱⁱ⁾	–	–	–
Historical cost operating profit/(loss) after income tax	317	314	34	646	466
Dividends					
Amount paid and payable (\$/share)	0.60	0.25	0.36	0.80	0.80
Times covered (excl. significant items)	2.06	6.45	0.35	2.99	2.16
Dividend payout ratio – replacement cost basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	51%	21%	52%	49%	50%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	18,931	17,984	23,891	19,342	18,665
Earnings per share – historical cost (cents per share)	117	116	13	239	173
Earnings per share – replacement cost (cents per share) (excl. significant items)	112	120	69	164	159
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	522	648	104	965	706
Earnings before interest and tax – replacement cost basis (\$m) (excl. significant items)	500	489	321	675	655
Operating cash flow per share (\$/share)	1.6	2.5	1.4	2.2	1.7
Interest cover – historical cost basis	8.7	17.0	1.8	24.7	15.5
Interest cover – replacement cost basis (excl. significant items)	8.7	17.4	6.7	18.3	15.4
Return on capital employed – historical cost basis (%) ^(iv)	9	9	1	19	16
Return on capital employed – replacement cost basis (excl. significant items) (%) ^(iv)	9	10	5	13	14
Equity attributable to members of the company (\$m)	3,071	2,915	2,592	2,817	2,432
Total equity (\$m)	3,083	2,925	2,602	2,829	2,443
Return on equity attributable to members of the parent entity after tax, (excluding significant items) (%)	11	15	1	23	19
Total assets (\$m)	5,291	4,952	4,922	5,330	4,417
Net tangible asset backing (\$/share)	11.08	10.48	9.29	10.14	8.80
Debt (\$m)	563	509	864	596	595
Net debt (\$m)	544	487	832	582	539
Net debt to net debt plus equity (%)	15	14	24	17	18

i. Includes significant items relating to the restructuring of Refining and Supply, Marketing and corporate of \$23 million (\$16 million after tax).

ii. Includes significant items relating to the planned closure of the Caltex Lubricating Oil Refinery (CLOR), remediation liabilities for Marketing sites to be divested and redundancies classified as significant items of \$173 million (\$121 million after tax).

iii. Dividend payout ratio – replacement cost basis calculated as follows:

Dividends paid and payable in respect of financial year
Replacement cost profit after income tax (excl. significant items)

iv. Return of capital employed is calculated as follows:

Net Profit After Tax
Net Debt + Equity

REPLACEMENT COST OF SALES OPERATING PROFIT 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 operating profit basis⁽ⁱ⁾, which excludes net inventory gains and losses.

- On a replacement cost of sales operating profit basis excluding significant items, the Group's net profit after income tax for the year was \$318 million, compared to a profit of \$324 million in 2009.
- 2010 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$500 million, an increase of \$11 million over 2009.

\$ million	Five years	2010	2009	2008	2007	2006
Historical cost net profit before interest, income tax and significant items	2,945	522	648	104	965	706
(Deduct)/add inventory (gains)/losses ⁽ⁱⁱ⁾	(304)	(21)	(158)	217	(290)	(52)
Replacement cost net profit before interest, income tax and significant items	2,640	500	489	321	675	655
Net borrowing costs	(226)	(57)	(28)	(56)	(39)	(46)
Historical cost tax expense	(804)	(131)	(185)	(13)	(280)	(195)
Add/(deduct) tax effect of inventory (losses)/gains	92	6	48	(66)	88	16
Replacement cost profit after income tax ⁽ⁱⁱⁱ⁾	1,702	318	324	186	444	430

- i. The replacement cost of sales operating profit basis (RCOP) removes the impact of inventory gains and losses, giving a truer reflection of underlying financial performance. Gains and losses in the value of inventory due to fluctuations in the USD price of crude oil and foreign exchange impacts constitute a major external influence on company profits. RCOP restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financials.

As a general rule, an increase in crude prices on an Australian dollar basis will create a gain for Caltex. Conversely, a drop in crude oil prices on an Australian dollar basis will create a loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence to accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45-60 days of inventory, revenues reflect current prices in Singapore, whereas FIFO costings reflect costs some 45-60 days earlier. The timing difference creates these inventory gains and losses.

To remove the impact of this inventory value factor on earnings and to better reflect the underlying performance of the business, the RCOP methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

- ii. Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2010, the historical cost result includes \$21 million inventory gain (2009: \$158 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:

2006: nil; 2007: nil; 2008: nil; 2009: \$173 million expenses before tax (\$121 million after tax); 2010: \$23 million expenses before tax (\$16 million after tax).

STATISTICAL INFORMATION

Year ended 31 December	2010	2009	2008	2007
People				
Employees ⁽ⁱ⁾	3,546	3,872	4,158	3,252
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery	1	1	1	1
Road tankers ⁽ⁱⁱ⁾	170	178	18	18
Rail cars (operational)	66	66	62	62
Storage terminals operated by Caltex ⁽ⁱⁱⁱ⁾	12	12	12	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	472	468	476	478
Service stations (owned or leased)	743	756	748	492
Depots	79	88	83	88
Operations				
Nameplate refining capacity (barrels per day)				
Caltex Refineries (NSW) Pty Ltd	135,000	135,000	135,000	135,000
Caltex Refineries (Qld) Pty Ltd	109,000	109,000	109,000	109,000
Caltex Lubricating Oil Refinery Pty Ltd	3,750	3,750	3,750	3,750
Fuel production (ML)	10,607	11,093	10,834	11,951
Lubricants production (ML)	78	107	137	129
Total sales volume (ML) ^(iv)	16,521	16,304	16,493	16,088
Lost time injury frequency rate (LTIFR) ^(v)	1.35	2.1	3.0	3.8

- i. Includes employees of Calstores Pty Ltd and Caltex 100% owned resellers.
 ii. From 2009 road tanker numbers includes Caltex 100% owned reseller fleet.
 iii. Caltex has access to product supply at a further 12 terminals.

- iv. 2007 sales volumes exclude sales made to domestic refiners.
 v. 2010 statistical basis changed to include marketing contractors. On previous basis the 2010 LTIFR is 1.23.

SHAREHOLDER INFORMATION

SHAREHOLDER ENQUIRIES

Shareholders with queries about their shares or dividend payments should contact the company's share registry on telephone 1300 850 505 or facsimile 03 9473 2500, or through its website (www.computershare.com.au) using their holder identification number (HIN) or shareholder reference number (SRN) to access their shareholder specific information, or write to:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Vic 3001
Australia

All enquiries should include an SRN or HIN, which is recorded on the holding statement.

CHANGE OF ADDRESS

Shareholders on the issuer sponsored sub-register 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 wish to receive a hard copy of the annual report or half year report should notify 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* 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 more than one of the joint shareholders registers to vote, only the vote of the shareholder named first in the register will be counted at a meeting.

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.

Caltex issues performance rights to senior executives under a long term incentive scheme, subject to vesting conditions. If performance rights vest, ordinary shares are purchased on market. Performance rights do not carry voting or dividend rights.

SECURITIES EXCHANGE LISTING

The company's shares are listed on the ASX (ticker: CTX)

GENERAL ENQUIRIES

Investor Relations

Ms Fran van Reyk 02 9250 5378

Company Secretaries

Ms Helen Conway, Mr John Willey

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

The postal address is:

GPO Box 3916
Sydney NSW 2001

website: www.caltex.com.au

The address at which the register of shares is kept is:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia

Tollfree: 1300 850 505
(enquiries within Australia)

Telephone: +61 3 9415 4000
(enquiries outside Australia)

Facsimile: 03 9473 2500

website: www.computershare.com.au

The postal address is:

GPO Box 2975
Melbourne Vic 3001 Australia

GENERAL INFORMATION

The following additional information is provided under ASX Listing Rule 4.10:

1. As at 28 February 2011

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 29,373

1.3 The shareholding is distributed as follows:

Category	Number of shareholders	Number of shares	%
A.			
1–1,000	20,956	9,724,787	3.60
1,001–5,000	7,351	16,665,964	6.17
5,001–10,000	663	5,013,614	1.86
10,001–100,000	371	9,240,141	3.42
100,001 and over	32	229,355,494	84.95
Rounding			0.00
Total	29,373	270,000,000	100.00
B.			
Holders of less than a marketable parcel	356		

1.4 The 20 largest shareholders held 84.39% 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	33,163,409	12.28
3. National Nominees Limited	23,017,084	8.52
4. J P Morgan Nominees Australia Limited	19,083,998	7.07
5. Citicorp Nominees Pty Limited	8,013,131	2.97
6. JP Morgan Nominees Australia Limited <Cash Income A/C>	2,215,796	0.82
7. Cogent Nominees Pty Limited	1,403,773	0.52
8. Queensland Investment Corporation	1,215,289	0.45
9. AMP Life Limited	772,158	0.29
10. CS Fourth Nominees Pty Ltd	631,034	0.23
11. Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	591,110	0.22
12. Citicorp Nominees Pty Limited <CFSIL CWLTH Aust SHS 23 A/C>	561,664	0.21
13. HSBC Custody Nominees (Australia) Limited – A/C 2	510,173	0.19
14. Share Direct Nominees Pty Ltd <10026 Account>	301,851	0.11
15. Merrill Lynch (Australia) Nominees Pty Limited <Pact A/C>	295,369	0.11
16. HSBC Custody Nominees (Australia) Limited – GSCO ECA	237,086	0.09
17. Caltex Equity Incentive Plan Trust	221,011	0.08
18. Mrs Frances Mary Karst	220,000	0.08
19. HSBC Custody Nominees (Australia) Limited – A/C 3	204,166	0.08
20. RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	183,793	0.07
Total	227,841,895	84.39

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
website: www.caltex.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne Vic 3001 Australia

Tollfree: 1300 850 505
(enquiries within Australia)

Telephone: +61 3 9415 4000
(enquiries outside Australia)

Facsimile: 03 9473 2500
website: www.computershare.com.au

REFINERIES

Caltex Refineries (NSW) Pty Ltd
ACN 000 108 725

2 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 7555
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/Tasmania

Caltex Newport terminal
411 Douglas Parade
Newport Vic 3015

Telephone: 03 9287 9555
Facsimile: 03 9287 9572

South Australia

Caltex Birkenhead terminal
2 Elder Road
Birkenhead SA 5015

Telephone: 08 8385 2311
Facsimile: 08 8242 8334

Western Australia

Caltex Fremantle terminal
85 Bracks Street
North Fremantle WA 6159

Telephone: 08 9430 2888
Facsimile: 08 9335 3062

CUSTOMER SUPPORT

Feedback Line

(complaints, compliments and suggestions)

Mon – Fri 8.30am to 5.00pm (EST)
Telephone: 1800 240 398

Card Support Centre

Card enquiries 24 hours/seven days
Telephone: 1300 365 096

Lubelink

Mon – Fri 8.00am to 6.00pm (EST)
Telephone: 1300 364 169



2010

ANNUAL REPORT



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FINANCIAL CALENDAR FOR CALTEX AUSTRALIA LIMITED

Year ended 31 December 2010

21 April 2011

Annual General Meeting

27 September 2011

Interim dividend payable if declared

Year ending 31 December 2011*

22 August 2011

Half year results and interim dividend announcement

20 February 2012

Full year results and final dividend announcement

6 September 2011

Record date for any interim dividend entitlement

6 March 2012

Record date for any final dividend entitlement

27 March 2012

Final dividend payable if declared

*These dates are subject to change.

2010 ANNUAL REPORT

This 2010 Annual Report for Caltex Australia Limited has been prepared as at 21 February 2011.

The 2010 Annual Report provides information about Caltex's main operating activities and performance for the year ended 31 December 2010. The 2010 Financial Report, which forms part of the 2010 Annual Report, provides detailed financial information for the Caltex Australia Group for the year ended 31 December 2010. These and other reports are available from our website (www.caltex.com.au).

When we refer to the Caltex Australia Group in this 2010 Annual Report, we are referring to:

- Caltex Australia Limited (ACN 004 201 307), which is the parent company of the Caltex Australia Group and is listed on the Australian Securities Exchange (ASX)

- 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 Calstores Pty Ltd
- 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 2010 Annual Report as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2010 Annual Report (and 2010 Financial Report) and/or the 2010 Annual Review, free of charge, by writing to the Company Secretary, Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000 Australia.

REPORT FROM OUR CHAIRMAN AND MANAGING DIRECTOR & CEO



"THE EXCEPTIONAL MILESTONES ACHIEVED IN 2010 WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE PEOPLE AT CALTEX. THE BOARD WOULD LIKE TO ACKNOWLEDGE THE CONTRIBUTION AND COMMITMENT OF ALL CALTEX EMPLOYEES, CONTRACTORS, FRANCHISEES AND RESELLERS DURING 2010."

2010 WAS A VERY SUCCESSFUL YEAR FOR CALTEX. ACHIEVEMENTS OF PARTICULAR NOTE INCLUDED THE CONTINUATION OF THE STRONG GROWTH TRAJECTORY OF THE MARKETING BUSINESS, RECORD SALES VOLUMES FOR TRANSPORT FUELS AND THE CONTINUED IMPROVEMENT OF OUR REFINING RELIABILITY.

Significantly, 2010 was the best year on record for safety performance as measured by injury frequency rates and the best year on record for refinery reliability as measured by mechanical availability.

The culmination of these achievements and other accomplishments across the Caltex business led to a full year profit after tax for 2010 of \$318 million on a replacement cost of sales operating profit (RCOP) basis, excluding significant items of approximately \$16 million after tax.

This result was achieved notwithstanding exchange rate volatility and a slightly depressed market post the global financial challenges of 2009.

The recovery in the refining environment saw the Caltex Refiner Margin improve from the cyclical lows experienced in 2009. Despite the strong Australian dollar, the Caltex Refiner Margin averaged US\$8.39 per barrel or 5.77 Australian cents per litre during 2010, compared with an average of US\$5.95 per barrel or 5.05 Australian cents per litre during 2009.

BUSINESS STRENGTH IN INTEGRATED SUPPLY CHAIN

Caltex's business strength is founded in its integrated supply chain. Spanning crude sourcing through to marketing to customers, each element contributes significantly to Caltex's success.

In the marketing business, the growth in premium fuels was outstanding with 1,836 million litres sold in 2010, compared with 1,182 million litres in 2009. The growth in finished lubricant sales volumes was also excellent with Caltex achieving record sales of 68.1 million litres in 2010, compared with 63.1 million litres in 2009. This outstanding growth was driven by our marketing teams and enabled by infrastructure improvements undertaken across our supply chain in 2010.

Another vital element in the Caltex supply chain is our two fuels refineries. Pleasingly, refinery reliability has continued to improve since 2008 and in 2010 refinery mechanical availability was at a record 96%. Production volumes declined in the first half of 2010 due to higher planned maintenance in the refineries compared to 2009, but improved to near record levels in the second half. Petrol, diesel and jet fuel production reached 9.8 billion litres, which comprises 4.3 billion litres in the first half and 5.5 billion litres in the second half. This compares with 5.1 billion litres in each half of 2009.

Product sourcing is also essential to Caltex's business success, and Caltex's supply business successfully sourced over 70 million barrels of crude in 2010 from both within Australia and around the world. This was reduced from 72 million barrels in 2009 due to the planned maintenance at both refineries.

SUPPLY CHAIN ENHANCEMENTS

To ensure our integrated supply chain remains competitive and efficient, a number of major supply and distribution projects were undertaken in 2010 to strengthen and enhance our infrastructure. Key projects included the construction of two additional diesel tanks in Mackay and Gladstone in Queensland, completed in early 2011 and the major expansion of the fuel terminal at Port Hedland in Western Australia, which is due to be completed by late 2011. These projects will add much-needed supply capability and will enable Caltex to service the demand for large quantities of diesel from the resources industry.

A number of terminal upgrades were also undertaken to enable the significant rollout of Vortex premium products around Australia.

COST AND CAPITAL EFFICIENCY INITIATIVES DELIVERING BENEFITS

In addition to an effective supply chain, Caltex has also been focused on cost and capital efficiency initiatives through the Catalyst program. In 2010 the Catalyst program delivered savings in the order of \$60 million across the business, including \$35 million in procurement benefits. This was delivered through restructures in the Corporate and Marketing areas of the business and the Refining Improvement Initiative. This drive to ensure operational efficiency while maintaining and strengthening Caltex's base business will continue in 2011.

REPORT FROM OUR CHAIRMAN AND MANAGING DIRECTOR & CEO (CONTINUED)

DIVIDEND

The solid results achieved in 2010 and the strength of our balance sheet led the Board to declare a final dividend of 30 cents per share (fully franked) for the second half of 2010. Combined with the interim dividend of 30 cents per share (fully franked) paid in September 2010, this equates to a total dividend of 60 cents per share (fully franked) for 2010. This compares with a total dividend payout of 25 cents per share (fully franked) for 2009.

OUR PEOPLE

The exceptional milestones achieved in 2010 would not have been possible without the people at Caltex.

The Board would like to acknowledge the contribution and commitment of all Caltex employees, contractors, franchisees and resellers during 2010.

SAFETY

Pleasingly, 2010 saw Caltex's best ever safety performance. Our lost time injury frequency rate decreased from 2.1 per million hours worked in 2009 to 1.35 per million hours worked in 2010. This is an improvement of an exceptional 35%. Motor vehicle and tanker truck accidents continue to decrease with only one motor vehicle accident and no tanker truck accidents in 2010, compared with a combined total of 12 in 2009.

**"CALTEX REMAINS COMMITTED TO FURTHER
CEMENTING OUR POSITION AS A LEADING
TRANSPORT FUEL SUPPLIER AND
CONVENIENCE RETAILER IN AUSTRALIA,
PROVIDING SHAREHOLDER VALUE
THROUGH EARNINGS GROWTH."**

CULTURE

Company results and the calibre of its people are strongly linked. Attracting and retaining talented people is fundamental to Caltex's future success and creating a high performance culture was a focus of 2010. Caltex's new values of care, own, serve, move, win and trailblaze were rolled out in the first half of 2010 and work has continued in the second half to embed the values across the business. It has been very pleasing to see the values being embraced across all areas of the organisation. The culture of an organisation is a true competitive advantage and Caltex has been engaging its people at all levels to ensure Caltex's culture is one that attracts and retains talented people.

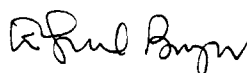
OUTLOOK

In 2011 Caltex will continue to focus on delivering through the Catalyst program and embedding a high performance culture. The strong growth trajectory for Marketing is expected to continue and this growth will be further enhanced as the infrastructure projects currently underway are completed in 2011.

Throughout 2011, Caltex will also continue to focus on optimising its integrated supply chain and strengthening the base business to enable future growth in earnings through operational and capital efficiency.

In the medium to long term the outlook for the company remains positive. The exposure Caltex has to the mining, agriculture and transport industries in Australia, and the anticipated long term growth in demand for diesel, jet fuel and premium fuels, also stands Caltex in good stead for further growth.

Caltex remains committed to further cementing our position as a leading transport fuel supplier and convenience retailer in Australia, providing shareholder value through earnings growth.



Elizabeth Bryan
Chairman



Julian Segal
Managing Director & CEO

CORPORATE GOVERNANCE STATEMENT

Our corporate governance arrangements are set by the Board of Caltex Australia Limited (Caltex) having regard to the particular circumstances of our business and operations and the best interests of our shareholders and other stakeholders.

We are committed to best practice in corporate governance where these practices are appropriate and add value to Caltex and our group of companies. We review our governance policies and practices each year to ensure that we comply with legal requirements, meet the expectations of our shareholders and other stakeholders, and best address the needs of our business.

This Corporate Governance Statement provides information about Caltex's corporate governance practices for 2010, including compliance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. References to individual principles and recommendations are to those in effect during 2010.

We have also included additional information about our practices to address new recommendations and other changes to the *Corporate Governance Principles and Recommendations* that will take effect for Caltex in 2011. Additional information in relation to diversity is provided in a separate section at the end of this Corporate Governance Statement.

You can access the governance documents referred to in this statement from the Caltex website (www.caltex.com.au). You will also find this Corporate Governance Statement on our website, as part of the online annual report and in a section of the site dedicated to corporate governance. This statement is current as at 21 February 2011 and should be read together with the Directors' Report at pages 22 to 48 of this 2010 Annual Report.

If you would like to request a hard copy of the 2010 Annual Report or the 2010 Annual Review (free of charge), you can write to the Company Secretary at Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000.

SUMMARY OF COMPLIANCE FOR 2010

PRINCIPLES AND RECOMMENDATIONS	COMPLY
1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	✓
1.2 Companies should disclose the process for evaluating the performance of senior executives	✓
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1	✓
2. STRUCTURE THE BOARD TO ADD VALUE	
2.1 A majority of the board should be independent directors	X
2.2 The chair should be an independent director	✓
2.3 The roles of chair and chief executive officer should not be exercised by the same individual	✓
2.4 The board should establish a nomination committee	✓
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	✓
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2	✓
3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	✓
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3	✓
4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING	
4.1 The board should establish an audit committee	✓
4.2 The audit committee should be structured so that it: - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the board - has at least three members	✓

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLES AND RECOMMENDATIONS (CONTINUED)		COMPLY
4.3	The audit committee should have a formal charter	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	✓
5.	MAKE TIMELY AND BALANCED DISCLOSURE	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	✓
6.	RESPECT THE RIGHTS OF SHAREHOLDERS	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	✓
7.	RECOGNISE AND MANAGE RISK	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	✓
8.	REMUNERATE FAIRLY AND RESPONSIBLY	
8.1	The board should establish a remuneration committee	✓
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	✓

OUR PRACTICES IN DETAIL

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

At Caltex, our business and corporate operations are managed under the direction of the Board on behalf of shareholders. The Board oversees the performance of Caltex management in seeking to deliver superior business and operational performance and long term growth in shareholder value.

The Caltex Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives. The Managing Director & CEO is accountable to the Board for Caltex's day-to-day business performance and operations.

In this section, we discuss some of the key aspects of Caltex's approach to laying the foundations for managing our business and operations and how the Board reviews the performance of the senior executive team.

1.1 Caltex has established the functions reserved to the board and those delegated to senior executives. We disclose the functions reserved to the board and committees in their charters, which are available from our website.

Functions reserved to the Board and delegations to management

The Caltex Board has a number of important responsibilities and accountabilities under the *Corporations Act*, the ASX Listing Rules and Caltex's Constitution. These matters are required to be addressed directly by the Board.

The responsibilities and accountabilities of the Caltex Board and management are identified in the following ways:

- **Board charter**

The Board's charter seeks to achieve a balance that gives Caltex's Managing Director & CEO authority to oversee our day-to-day operations, while reserving important strategic, business, operational and governance matters to the Board.

The charter also sets out important governance matters relating to the Caltex Board, such as its composition, the skills and competencies of directors and the Board, and other aspects of the Board's operations.

The Board's charter is available from our website (www.caltex.com.au).

• Committee charters

The Board's standing committees (Audit Committee, Human Resources Committee, Nomination Committee and OHS & Environmental Risk Committee) serve as advisory committees to the Board. Additionally, the committees undertake a number of functions delegated by the Board, which are set out in the committee charters.

• Delegations of authority

The Managing Director & CEO oversees Caltex's day-to-day business and operations. Specific authorities for the CEO in relation to Caltex's day-to-day business and operations are set out in delegations of authority approved by the Board. The Managing Director & CEO has, in turn, approved sub-delegations of authority for Caltex management. Matters that are outside of the delegations of authority must be brought to the Board for approval.

In 2010, management conducted a detailed review of Caltex's delegations of authority, which included new authorities being approved by the Board for the CEO. The Managing Director & CEO has, in turn, approved new delegations of authority for the business. These changes should result in more efficient business decision making and strengthen the link between authority and accountability.

Letter of appointment for new directors

When a new non-executive director is appointed, it is important that they clearly understand the Board's expectations of them. This includes the commitment expected of directors for Board matters, additional work that may be undertaken by Board committees, and other aspects of the role.

A new non-executive director is provided with a formal letter following their appointment, which covers the matters referred to in the guidance and commentary for Recommendation 1.1. The letter was reviewed by the Board's Nomination Committee in June 2010.

The Managing Director & CEO enters into an executive service agreement and receives a job description at the time of appointment.

1.2 Caltex discloses the process for evaluating the performance of senior executives. We publish the process on our website.

Managing Director & CEO

The Board sets goals and objectives for the Managing Director & CEO each year, which are recorded in a performance agreement.

The Board's review process includes the following aspects:

- The Chairman carries out an initial assessment of the Managing Director & CEO's performance.
- The Board's Human Resources Committee discusses the initial assessment with the Chairman and the Managing Director & CEO. The committee agrees an assessment to recommend to the Board.
- The Board discusses the Managing Director & CEO's performance in detail and approves an assessment.

This process was followed in February 2011 in relation to the Managing Director & CEO's performance for 2010.

Caltex Leadership Team

Performance objectives for members of the Caltex Leadership Team are agreed for the coming year with the Managing Director & CEO.

In addition, there is a job description for each member of the Caltex Leadership Team, which documents the core accountabilities and behavioural expectations for the role.

The performance objectives and job description form the basis for assessing the executive's performance. Performance against the objectives determines any short term incentive the executive will achieve, subject to overall company targets being met, while performance against the job description is used to assess base salary.

The Managing Director & CEO formally reviews the performance of Caltex Leadership Team members both mid-year and at the end of the year. The full year review is discussed with the Board's Human Resources Committee and then with the Board.

This process was followed in relation to performance in 2010.

1.3 Caltex provides the information indicated in the Guide to reporting on Principle 1.

Caltex complies with Recommendations 1.1, 1.2 and 1.3.

The following information is available from our website (www.caltex.com.au):

- *Board Charter*
- *Committee Charter* for each of the Audit Committee, Human Resources Committee, Nomination Committee and OHS & Environmental Risk Committee
- *Performance Evaluation Process* for the Board, the Managing Director & CEO and the Caltex Leadership Team
- *Board Composition, Appointment, Induction & Election*

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2. STRUCTURE THE BOARD TO ADD VALUE

The Caltex Board reviews its composition each year, including the number of independent directors and the mix of skills, experience, expertise and diversity of directors and the Board.

The Board recognises that it is in the best interests of shareholders to have a strong representation of independent directors. Caltex considers a director to be independent if they are free of any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the independent exercise of the director's judgement.

In this section, we discuss the composition of the Board, the criteria used to assess director independence, the separate roles of the Chairman and the Managing Director & CEO, the role of the Board's Nomination Committee, and the process followed by the Board to evaluate its own performance and that of its committees and individual non-executive directors.

2.1 Caltex's board does not comprise a majority of independent directors.

Caltex Board

Caltex is an Australian company listed on the ASX. We have a major shareholder, Chevron, which holds 50% of our ordinary shares. We operate independently of Chevron, with all decisions made in Australia by the Caltex Board and management.

There are currently eight directors on the Caltex Board. The Board's policy on composition is to have at least four independent, non-executive directors and up to three directors who are Chevron executives. Chevron does not have a right to appoint a nominee as a director. All decisions to appoint a new director are made by the Caltex Board. Additionally, the CEO serves as the Managing Director.

The Board, at the date of this report (21 February 2011), comprises:

- Ms Elizabeth Bryan (Chairman; Non-Executive Director/Independent)
Appointed: 18 July 2002/Appointed as Chairman: 1 October 2007
- Mr Julian Segal (Managing Director & CEO)
Appointed: 1 July 2009
- Mr Trevor Bourne (Non-Executive Director/Independent)
Appointed: 2 March 2006
- Mr Brant Fish (Non-Executive Director)
Appointed: 27 July 2006
- Mr Greig Gailey (Non-Executive Director/Independent)
Appointed: 11 December 2007
- Mr Timothy (Tim) Leveille (Non-Executive Director)
Appointed: 1 December 2010
- Mr Walter (Walt) Szopiak (Non-Executive Director)
Appointed: 1 September 2010 (previously an alternate director from 17 April 2009 to 31 August 2010)
- Mr John Thorn (Non-Executive Director/Independent)
Appointed: 2 June 2004

(Ms Colleen Jones-Cervantes serves as an alternate director for each of Mr Fish (from 1 September 2010), Mr Szopiak (from 1 September 2010) and Mr Leveille (from 1 December 2010))

Directors' profiles are provided at pages 22 to 24 of this 2010 Annual Report.

Process for assessing independence

The Caltex Board assesses the independence of its directors in February each year. An initial assessment is made at the time of appointment.

Directors are required to disclose relevant personal interests and conflicts of interest on an ongoing basis. A new interest or conflict of interest may trigger a review of the director's independent status. Each year, non-executive directors are required to provide a certificate to the Board in which they confirm their status as independent (or otherwise). Additionally, directors complete a questionnaire each year providing details of any transactions with Caltex.

The independence criteria approved by the Board take the following relationships with Caltex into account:

- service as an officer of a substantial shareholder
- previous service as a director or senior executive of Caltex in the last three years
- service as a partner, principal or director of a professional adviser or consultant that has had a material business relationship with Caltex in the last three years
- service as a director, officer or senior executive of, or employee significantly associated with the service provided by, a professional adviser or consultant that has had a material business relationship with Caltex in the last three years

- significant direct or indirect involvement in the external audit of Caltex in the last five years or service as a partner, principal or director of the external auditor in that period
- a relationship (substantial shareholder, director, officer or senior executive) with a supplier or customer that has had a material business relationship with Caltex, and
- a contractual relationship (directly or indirectly), interest or other relationship with Caltex that could, or could reasonably be perceived to, materially interfere with the director's ability to act in Caltex's best interests.

A professional adviser, consultant, supplier or customer will be considered to have a material business relationship with Caltex if:

- from the perspective of the Caltex director, the business relationship is significant (directly or indirectly) to their own circumstances, or
- from Caltex's perspective, the business relationship generates revenue or expenses (to Caltex) of 10% or more of Caltex's total revenues or expenses, as applicable.

Ms Elizabeth Bryan, Mr Trevor Bourne, Mr Greig Gailey and Mr John Thorn comply with Caltex's director independence criteria.

Mr Julian Segal (Managing Director & CEO) is not independent as he is an executive director.

Mr Brant Fish, Mr Tim Leveille and Mr Walt Szopiak, who are executives of Chevron, are not independent.

The Board believes, on balance, that the benefits to Caltex from having Chevron executives on the Board outweigh any disadvantages. The appointment of Chevron executives as non-executive directors of Caltex gives the Board direct access to current executives of a leading global energy company who have many years of industry experience.

In the case of the current directors, each of Brant, Tim and Walt bring important knowledge and experience to the Board's consideration of operational, strategic and business matters. This level and breadth of experience is generally not available from Australian-based directors unless they are, or have been, involved in the petroleum industry. The potential pool of directors with industry experience who would be available to Caltex is relatively small because many candidates have current or recent associations with our competitors.

Previous directors in 2010

Ms Colleen Jones-Cervantes

As noted previously, Ms Colleen Jones-Cervantes serves as an alternate director for each of Mr Fish, Mr Leveille and Mr Szopiak. Ms Jones-Cervantes also served as alternate director for Mr Rob Otteson from 1 September 2010 until his resignation with effect from 30 November 2010. In 2010, Ms Jones-Cervantes also served as a non-executive director until 31 August 2010 (she was appointed from 1 June 2008). Ms Jones-Cervantes was not considered to be an independent director because of her executive position with Chevron.

Mr Robert (Rob) Otteson

Mr Rob Otteson served as a non-executive director until 30 November 2010 (he was appointed on 17 July 2009). Mr Otteson was not considered to be an independent director because of his executive position with Chevron.

Conflicts of interest

If the Board considers a matter that involves a conflict of interest for any director, the Board's practice is for the affected director to leave the meeting and not participate in the discussion or any decision on the matter.

Preliminary meetings of directors

In 2010, the Board held preliminary meetings in the absence of Caltex management at scheduled Board meetings throughout the year.

Access to independent professional advice

Caltex directors have access to independent professional advice at the company's expense. Where a director seeks professional advice (at our expense), our process requires prior approval by the Board Chairman. If the Board Chairman seeks advice, prior approval by the Audit Committee Chairman is required.

Process for the selection and appointment of new non-executive directors

When the Board has decided to appoint a new non-executive director, the selection and appointment process begins with the development of selection criteria by the Nomination Committee. The selection criteria will reflect the desired capabilities of the Board (including general corporate attributes, industry-specific attributes, diversity and personal attributes), the current and likely circumstances of the company, and whether the new director is being appointed to replace an outgoing director or as an addition to the Board.

The selection and appointment process for a new independent, non-executive director involves the following additional steps:

- The Nomination Committee engages an external executive firm to conduct the search. The committee provides a brief on the selection criteria and requests the firm to provide a list of candidates for consideration. This process may include directors referring possible candidates.
- Members of the Nomination Committee interview one or more of the candidates. The Board is updated on the selection process at appropriate times.
- The Nomination Committee agrees on a preferred candidate or candidates.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

When the Board is appointing a non-executive director who is a Chevron executive, the Chairman and Managing Director & CEO (typically with assistance from existing directors from Chevron) contact Chevron to discuss potential candidates who would best meet the selection criteria. This also includes consideration of:

- flexibility in the work schedule of a Chevron executive to meet the time commitments of being a Caltex director, and
- the networks of an executive within Chevron and their access to senior Chevron executives.

In all cases, the appointment of a new director is made by the Board.

In 2010, this process was followed when Mr Walt Szopiak and Mr Tim Leveille were appointed as non-executive directors (to fill casual vacancies on the Board).

Election/re-election of directors

A newly appointed non-executive director holds office until the end of the next Annual General Meeting and is eligible for election by shareholders at the meeting. The Managing Director & CEO is appointed by the Board and is not subject to election.

Following election by shareholders, a director holds office for three years or until the third Annual General Meeting following the director's last election (whichever is longer).

Before each Annual General Meeting, the Board decides whether to support a director standing for election or re-election. This is not automatic, and is determined having regard to advice provided by the Nomination Committee.

The Board's recommendation is included in the notice of meeting sent to shareholders, together with biographical information on the director standing for election or re-election.

The matters considered by the Nomination Committee in forming its recommendation to the Board about the election or re-election of a director include:

- the director's performance
- the desired composition of the Board, including its size and desired capabilities
- the length of time the director has served on the Board, and
- the director's external commitments.

2.2 Caltex's chairman is an independent director.

Under the Board's charter, the Chairman must be an independent, non-executive director. The Chairman is elected by the directors on the basis of relevant experience, skills and leadership abilities. Ms Elizabeth Bryan, who is an independent director, has served as the Caltex Chairman since 1 October 2007.

Some of the special responsibilities of the Board Chairman at Caltex include:

- facilitating the work of the Board
- overseeing the provision of appropriate information to the Board
- approving the agenda for each meeting in consultation with the Managing Director & CEO and the Company Secretary
- managing Board activities to assist their efficient and effective conduct, and
- fostering a culture which encourages directors to contribute in an open and constructive manner.

2.3 At Caltex, the roles of chairman and chief executive officer are not exercised by the same person.

As noted previously, Ms Elizabeth Bryan is the Chairman of the Caltex Board and Mr Julian Segal is the Managing Director & CEO.

2.4 The board has established a nomination committee.

The Nomination Committee is a standing committee of the Caltex Board. The committee assists the Caltex Board with matters relating to Board composition, appointment and induction of new non-executive directors, director election and re-election, Board performance and Board succession planning.

All of the Caltex non-executive directors are members of the Nomination Committee. The Board Chairman, Ms Elizabeth Bryan, serves as the Chairman of the Nomination Committee. The committee comprises a majority of independent directors.

The responsibilities and composition of the Nomination Committee are set out in a charter. The charter was reviewed by the Board in June 2010 and reflects the matters set out in the commentary and guidance for Recommendation 2.4.

The Nomination Committee held three meetings in 2010. The number of meetings attended by each committee member is shown at page 45 of this 2010 Annual Report.

2.5 Caltex discloses the process for evaluating the performance of the board, its committees and individual directors. This information is disclosed on our website.

The review of the performance of the Board, its committees and individual directors typically occurs every two to three years and is facilitated by an external consultant. The consultant conducts one-on-one interviews with directors and key executives. Directors provide feedback on other Board members as part of the review.

The external consultant prepares a report relating to Board and committee performance, which is discussed by the Nomination Committee and then by the Board. Any actions to further enhance Board and committee performance are documented, so that progress against their implementation can be monitored. The external consultant also meets with the Chairman to discuss a peer assessment for each director.

In February 2011, the Board completed a performance review facilitated by an external consultant, which followed this process.

2.6 Caltex provides the information indicated in the Guide to reporting on Principle 2.

Caltex complies with Recommendations 2.2, 2.3, 2.4, 2.5 and 2.6. We do not currently comply with Recommendation 2.1 (as the Board does not have a majority of independent directors).

The following information is available from our website (www.caltex.com.au):

- *Board Charter*
- *Charter of Director Independence*
- *Board Composition, Appointment, Induction & Election*
- *Committee Charter* for the Nomination Committee
- *Performance Evaluation Process* for the Board, the Managing Director & CEO and the Caltex Leadership Team

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Caltex is committed to conducting business in accordance with all applicable laws and meeting and promoting the highest ethical standards.

We have a code of conduct that provides a framework for decision making and guides business behaviour.

Our share trading policy reinforces our commitment to ethical behaviour. We expect that directors, senior executives and staff will not trade in Caltex securities in a way that breaches insider trading laws or compromises confidence in our investor practices.

In this section, we discuss aspects of our code of conduct and the share trading policy.

3.1 Caltex has a code of conduct in place. We make the code available from our website.

Caltex's code of conduct provides a framework for decision making and business behaviour, which builds and sustains our corporate integrity, reputation and success. The code of conduct identifies responsibilities for investigating breaches of the code and the reporting of breaches to the Board or senior management.

The Board reviewed the code of conduct in February 2011 and received a report from the General Manager – Human Resources in relation to the administration of, and compliance with, the code during 2010. The code of conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1 and applies to Caltex directors, senior executives and staff.

3.2 Caltex has a share trading policy in place, which deals with trading in our securities by directors, senior executives and employees. We make the policy available from our website.

Caltex's share trading policy is designed to ensure that directors, senior executives and staff do not trade in our securities in a way that breaches the insider trading laws or compromises confidence in our investor practices.

The policy specifically prohibits trading in Caltex securities by directors and senior executives in the following "black-out" periods:

- for Caltex's half year results (in August): from 1 July to (and including) the day of the announcement
- for Caltex's full year results (in February): from 1 January to (and including) the day of the announcement, and
- any other periods designated and advised by the Board.

A director or senior executive may trade in Caltex securities outside these black-out periods only if they do not have inside information. All other Caltex staff may trade in Caltex securities at any time if they do not have inside information.

Under the policy, senior executives (including the Managing Director & CEO) must not hedge an exposure to unvested or vested Caltex securities held through any of our executive incentive plans. Additionally, the policy requires directors and senior executives to give prior notice to the Company Secretary of any proposed margin loan arrangements. If a demand for payment is made under a margin loan arrangement, the director or senior executive must immediately advise the Company Secretary.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Each year, directors and senior executives are required to provide a certificate to the Company Secretary in which they confirm compliance with the policy.

Caltex's share trading policy was reviewed by the Board in October 2010. The policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

The policy was updated in 2010 to address amendments to the ASX Listing Rules, which came into operation on 1 January 2011. We have updated the policy to identify categories of exceptional circumstances when a director or senior executive may be permitted to trade during a black-out period and specify trading that is not subject to the policy (such as trading resulting from corporate actions or where there is no change in the underlying beneficial interest).

3.3 Caltex provides the information indicated in the Guide to reporting on Principle 3.

Caltex complies with Recommendations 3.1, 3.2 and 3.3.

The following information is available from our website (www.caltex.com.au):

- *Caltex Code of Conduct*
- *Caltex Share Trading Policy*

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Caltex has structures in place to independently verify and safeguard the integrity of our financial reports. The ultimate responsibility for the integrity of financial reporting rests with the Board.

The Board's Audit Committee plays a significant role in Caltex's governance arrangements in relation to financial reporting matters. The committee receives reports from the external auditor (KPMG), from Caltex's Internal Audit Manager, and from Caltex management.

In this section, we discuss the role of the Audit Committee, including its structure and composition, and the responsibilities of the committee, as set out in its charter.

4.1 Caltex has established an audit committee.

The Audit Committee is a standing committee of the Caltex Board. The committee addresses the appropriateness of Caltex's accounting policies and our practices to manage material financial risks and the integrity of our financial reporting so that financial reports present a true and fair view of Caltex's financial performance and position.

4.2 Caltex's audit committee:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board, and
- has three members.

The Audit Committee comprises only independent directors, which is a requirement of its charter. The committee members are Mr John Thorn (Committee Chairman), Mr Trevor Bourne and Mr Greig Gailey. As noted previously, Mr Thorn, Mr Bourne and Mr Gailey are all independent, non-executive directors.

Details of the skills, experience and expertise of each member of the Audit Committee are provided at pages 22 to 24 of this 2010 Annual Report.

The Audit Committee held four meetings in 2010. The number of meetings attended by each committee member is shown at page 45 of this 2010 Annual Report.

4.3 Caltex's audit committee has a formal charter.

The role and responsibilities of the Audit Committee are set out in its charter.

In its advisory role, the Audit Committee assists the Board to fulfil its responsibilities in relation to the integrity of our reporting to shareholders and the market on the financial performance and position of the Caltex Australia Group. Additionally, the committee oversees matters relating to the independence of Caltex's external auditor (KPMG).

The Audit Committee undertakes a number of functions delegated by the Board, including approving the scope of the external audit and the terms of engagement for the external auditor for the half year and the full year.

The charter was reviewed by the Board in December 2010 and reflects the matters set out in the commentary and guidance for Recommendation 4.3.

One of the Audit Committee's key roles is to assess the performance of the external auditor and, as appropriate, make recommendations to the Board on the appointment, re-appointment or replacement of the external auditor. The Audit Committee reviewed KPMG's performance as external auditor prior to KPMG being engaged for the 2010 full year audit and half year review.

The Board has approved a policy dealing with the provision of services by the external auditor, including non-audit services. The Audit Committee monitors services provided by KPMG during the year to confirm that KPMG continues to be independent and to confirm compliance with the policy. The committee also monitors the rotation requirements for the external auditor under the *Corporations Act* with KPMG each year.

4.4 Caltex provides the information indicated in the Guide to reporting on Principle 4.

Caltex complies with Recommendations 4.1, 4.2, 4.3 and 4.4.

The following information is available from our website (www.caltex.com.au):

- *Committee Charter* of the Audit Committee
- *Relationship with the External Auditor*

5. MAKE TIMELY AND BALANCED DISCLOSURE

Caltex is committed to promoting investor confidence by ensuring that trading in its securities takes place in an informed market.

Caltex has mechanisms in place to meet its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act*. We recognise that investors need equal and timely access to material information about Caltex and that company announcements should be factual, clear and balanced.

In this section, we discuss Caltex's disclosure practices, including some of the key aspects of our policy for continuous disclosure.

5.1 Caltex has a continuous disclosure policy in place, which is designed to ensure compliance with the ASX Listing Rules and to ensure accountability at a senior executive level for that compliance. We make the policy available from our website.

Caltex's continuous disclosure policy sets out the key obligations of the Board, senior executives and staff to ensure that we comply with our continuous disclosure obligations.

At Caltex, the Board has ultimate responsibility for continuous disclosure. Under the policy, the Board is specifically responsible for disclosures in relation to the following matters:

- financial results
- interim and final dividends
- profit outlooks
- resignations and appointments of directors, and
- key strategic decisions.

The Board may, as required, delegate authority in relation to any of these matters to a committee or to nominated disclosure officers (the Managing Director & CEO, the Chief Financial Officer and the Company Secretary). The disclosure officers have specific authority to approve disclosures to the ASX in relation to all other matters.

Caltex's continuous disclosure policy was reviewed by the Board in December 2010. The policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

5.2 Caltex provides the information indicated in the Guide to reporting on Principle 5.

Caltex complies with Recommendations 5.1 and 5.2.

The *Caltex Continuous Disclosure Policy* is available from our website (www.caltex.com.au).

6. RESPECT THE RIGHTS OF SHAREHOLDERS

The Caltex Board recognises the special responsibilities of directors on behalf of our shareholders.

Caltex supports governance practices designed to promote effective engagement with both our retail and our institutional shareholders. We actively look at ways of making it easier for shareholders to participate at general meetings.

In the course of our day-to-day business, we have transactions with Chevron. The Board has a policy governing transactions with Chevron which requires transactions to be at arm's length, which means Chevron is not favoured over our other shareholders.

In this section, we discuss the steps Caltex takes to empower shareholders through online and other, more traditional ways of communication, our commitment to giving shareholders balanced and understandable information about Caltex, and how the Annual General Meeting enables shareholders to interact with the Board. We also discuss the Board's policy for transactions with Chevron.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

6.1 Caltex has a communications policy in place for promoting effective communication with our shareholders and encouraging participation at general meetings. We make the policy available from our website.

Shareholder communications policy

Caltex's shareholder communications policy is designed to promote effective communication with shareholders and encourage participation at general meetings.

We support the use of electronic communications and other ways of communicating with investors. Our website (www.caltex.com.au) enables shareholders to access Board and committee charters, corporate governance policies, ASX announcements, annual and half year reports, information for shareholder meetings, investor presentations and other corporate information. The following web address will take you directly to the corporate governance section of the website:

www.caltex.com.au/AboutUs/Pages/CorporateGovernance.aspx

In 2010, Caltex launched an updated company website, which aims to make it easier for users to locate and access information. Caltex webcasts our shareholder meeting and briefings following the release of our financial results for the half year and full year. We provide advance notice of the date and time of these webcasts.

Shareholders can write to the Caltex Secretariat (at Level 24, 2 Market Street, Sydney NSW 2000) to request a copy of corporate governance documents.

Caltex's shareholder communications policy was reviewed by the Board in December 2010. The policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

Information release practices

At Caltex, we seek to ensure that all investors have equal and timely access to price sensitive information. We are committed to ensuring that information released to the ASX is factual, objective and clear.

When we make a presentation to investors or analysts, we lodge the presentation material with the ASX before the briefing, so that all shareholders can access the information. We will not expressly or implicitly provide investors, analysts or the media with forecast profit guidance before that information has been disclosed to the ASX.

Shareholder participation at Annual General Meetings

Caltex's Annual General Meeting is an important forum for our shareholders.

We recognise that some shareholders may want to raise issues for discussion by the Chairman at the meeting, so we invite shareholders to send questions to us before the meeting. The Chairman responds to the key issues raised before the meeting in her formal address and opens the meeting to questions from shareholders on these and any other matters.

We structure our meeting so that any director seeking election by shareholders speaks to the meeting about why they should be elected. Shareholders may question any director seeking election at the meeting.

All directors and members of the Caltex Leadership Team attend the Annual General Meeting. Representatives of KPMG, our external auditor, also attend and are available to respond to questions from shareholders.

Shareholders who are unable to attend the Annual General Meeting may watch and listen to the business of the meeting via a webcast that can be accessed from our website (www.caltex.com.au).

Policy for transactions with Chevron

As noted previously, Chevron holds 50% of the ordinary shares in Caltex. During the course of a year, Caltex companies enter into a number of business and commercial arrangements with Chevron companies.

Caltex benefits greatly from the relationship with Chevron. At the same time, the Board is mindful of ensuring that Chevron is not favoured over other shareholders and that all arrangements with Chevron are at arm's length.

The Caltex Board has adopted a policy for transactions with Chevron. The policy was reviewed by the Board in February 2011. Details of the policy, and other information concerning the relationship with Chevron, are available from our website (www.caltex.com.au).

6.2 Caltex provides the information indicated in the Guide to reporting on Principle 6.

Caltex complies with Recommendations 6.1 and 6.2.

The following information is available from our website (www.caltex.com.au):

- *Caltex Shareholder Communications Policy*
- *Relationship with Chevron*

7. RECOGNISE AND MANAGE RISK

At Caltex, recognising and managing risk are critical to our business and operations.

The Board and its standing committees have an important role in overseeing the management of material business risks. The Managing Director & CEO and the Caltex Leadership Team are responsible for the design and implementation of risk management systems and managing our material business risks.

Our risk management practices are aimed at protecting the health and wellbeing of our people, ensuring that we comply with our responsibilities at law and to the community, and protecting shareholder value. We recognise that risk management can also include identifying opportunities that create value for our business and shareholders.

In this section, we discuss our risk management policy and practices, the roles and responsibilities of the Board and management, our internal reporting on material business risks, and the statutory certification to the Board on the financial reports.

7.1 Caltex has established policies for the oversight and management of material business risks. We make a summary of our risk management practices available from our website.

Caltex's risk management policy provides details of the proactive and systematic approach that we take to managing risks. The policy identifies the roles and responsibilities of the Board (including Board committees), senior executives and staff across the organisation in the oversight and management of our risks. The Managing Director & CEO is responsible for implementing the policy across the Caltex Australia Group.

We have risk management policies in place in relation to the following key business risks:

- crude, product and freight hedging
- interest rate management
- liquidity risk management
- foreign exchange risk management
- counterparty risk management
- treasury controls
- credit risk management
- occupational health and safety and the environment, and
- trade practices.

Caltex's risk management policy was reviewed by the Board in December 2010.

We recognise that climate change and measures to deal with its impact present risks to Caltex's business and management has undertaken work to assess and determine how we manage these impacts. The Board receives updates from management in relation to Caltex's approach to climate change.

7.2 Caltex's board has required management to design and implement a risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board receives reports from management in relation to the effectiveness of Caltex's management of its material business risks.

Risk management and internal control systems

Caltex has adopted a risk management framework to proactively and systematically identify, assess and address events that could potentially impact our business objectives. This framework integrates the consideration of risk into our activities so that:

- risks in relation to the efficient and effective delivery of our business strategy are identified
- control measures are evaluated, and
- where potential improvements in controls are identified, improvement plans are scheduled and implemented.

As part of the annual business planning process at Caltex, risks are identified and documented, together with the controls in relation to those risks. Additionally, a consistent project development and implementation process is utilised to manage risks for all of our major initiatives and projects.

The Board and its committees receive regular reports on material business risks, including the status and effectiveness of control measures regarding each of those risks, as part of our standing program for reporting. The material business risks described in the reports are those identified as having a potential material impact on business objectives, including safety of personnel, protection of the environment, business reputation and financial loss. For 2010, risk status reports addressing Caltex's material risks were provided to the Board and to the OHS & Environmental Risk Committee for the 2010 half year (in August) and full year (in February), including statements from management about the extent to which risks were being managed effectively.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The OHS & Environmental Risk Committee is a standing committee of the Caltex Board. The committee seeks to address the appropriateness of Caltex's practices to manage material occupational health, safety and environmental risks, so that these risks are managed in the best interests of Caltex and its stakeholders.

Internal audit reports were provided to the Audit Committee and the OHS & Environmental Risk Committee during the year. The Human Resources Committee received reports on succession planning and risk mitigation strategies in relation to talent management. The Audit Committee receives reports on financial risk areas and related internal controls.

Risks involving progressively lower impacts are reported to the Caltex Leadership Team and departmental leadership teams.

Internal audit

Caltex has a dedicated internal audit function, which provides an independent and objective assessment to directors and management regarding the adequacy and effectiveness of Caltex's risk management, internal compliance and control systems.

Internal audit performs audits across our business in accordance with internal audit plans approved by the Audit Committee (for financial risk areas) and the OHS & Environmental Risk Committee (for occupational health, safety and environmental risk areas). Internal audit provides regular reports to the Audit Committee, the OHS & Environmental Risk Committee and senior management.

7.3 Caltex's board has received assurances from the chief executive officer and the chief financial officer that the declaration provided under section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

In February 2011, the Board received a statement in relation to the 2010 full year report and results from the Managing Director & CEO and the Chief Financial Officer covering the matters set out in section 295A of the *Corporations Act* and in accordance with Recommendation 7.3.

The Board received a similar statement from the Managing Director & CEO and the Chief Financial Officer in August 2010 for the 2010 half year results.

7.4 Caltex provides the information indicated in the Guide to reporting on Principle 7.

Caltex complies with Recommendations 7.1, 7.2, 7.3 and 7.4. The Board and its standing committees have received reports from management in accordance with Recommendations 7.2 and 7.3.

The *Summary of Risk Oversight & Management Practices* is available from our website (www.caltex.com.au).

8. REMUNERATE FAIRLY AND RESPONSIBLY

The Board recognises that executive remuneration is a key area of focus for shareholders.

At Caltex, we seek to put in place remuneration arrangements and practices that are appropriate, clear and understandable, are in the best interests of Caltex, and support superior performance and long term growth in shareholder value.

In this section, we discuss the role and responsibilities of the Board's Human Resources Committee, the remuneration of non-executive directors, and our remuneration practices for senior executives, including the Managing Director & CEO.

8.1 Caltex's board has established a remuneration committee.

The Human Resources Committee is a standing committee of the Caltex Board. The committee assists the Board in relation to remuneration arrangements and practices at Caltex.

In its advisory role, the Human Resources Committee assists the Board in relation to Caltex's remuneration framework, the performance and remuneration of the Managing Director & CEO, the remuneration of members of the Caltex Leadership Team, and the remuneration disclosures to be made in the annual report to shareholders.

The Human Resources Committee also undertakes functions delegated by the Board, including the approval of Caltex's annual remuneration program and aspects of our incentive schemes.

The Human Resources Committee has a majority of independent directors, which is a requirement of its charter. The Committee members are Mr Greig Gailey (Committee Chairman), Mr Brant Fish and Mr John Thorn. As noted previously, Mr Gailey and Mr Thorn are independent directors. An executive director cannot be appointed as a member of the Committee.

The responsibilities and composition of the Human Resources Committee are set out in its charter. The charter was reviewed by the Board in June and December 2010 and reflects the matters set out in the commentary and guidance for Recommendation 8.1.

The Human Resources Committee held five meetings in 2010. The number of meetings attended by each committee member is shown at page 45 of this 2010 Annual Report. Members of management, including the Managing Director & CEO, are not present during discussions or decisions in relation to their own remuneration.

8.2 Caltex clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Non-executive directors

Remuneration for non-executive directors is fixed. Board and committee fee rates are reviewed by the Human Resources Committee and approved by the Board (subject to the remuneration pool) for each coming year. Remuneration does not include any performance-based components and non-executive directors do not participate in any incentive plans or bonus schemes. Our non-executive directors receive statutory superannuation (and may salary sacrifice fees to superannuation). We do not have a retirement benefits scheme for non-executive directors.

Shareholders approved a maximum annual Board remuneration pool of \$2 million, including statutory entitlements, at the Annual General Meeting on 22 April 2010, with effect from 1 May 2010. The maximum Board remuneration pool was previously set at \$1.6 million, including statutory entitlements (as approved by shareholders in 2008).

For further information about Caltex's remuneration practices for non-executive directors, including fee rates, please refer to the remuneration report at pages 27 to 44 of this 2010 Annual Report.

Managing Director & CEO

Mr Julian Segal joined Caltex on 1 June 2009 and was appointed as Managing Director & CEO with effect from 1 July 2009.

Mr Segal's remuneration has the following components:

- base salary
- statutory entitlements (including superannuation)
- a short term incentive, and
- a long term incentive.

For information about Caltex's remuneration arrangements for Mr Segal, please refer to the remuneration report at pages 27 to 44 of this 2010 Annual Report.

Caltex Leadership Team

Members of the Caltex Leadership Team have the following remuneration components:

- base salary
- statutory entitlements (including superannuation and long service leave, where applicable)
- a short term incentive, and
- a long term incentive.

Mr Andy Walz (General Manager – Marketing) is seconded to Caltex from Chevron. Caltex does not pay a salary to Mr Walz, but pays a secondment fee to Chevron for his services.

For information about Caltex's remuneration arrangements for members of the Caltex Leadership Team, please refer to the remuneration report at pages 27 to 44 of this 2010 Annual Report.

Hedging of securities under Caltex share plans by senior executives

As noted previously in relation to Recommendation 3.2, Caltex's share trading policy prohibits senior executives from hedging an exposure to unvested or vested Caltex securities held through any of our executive incentive plans.

8.3 Caltex provides the information indicated in the Guide to reporting on Principle 8.

Caltex complies with Recommendations 8.1, 8.2 and 8.3.

The following information is available from our website (www.caltex.com.au):

- *Committee Charter* of the Human Resources Committee
- *Caltex Share Trading Policy*

CHANGES TO CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS FOR 2011

Caltex has taken steps to make an early transition to the 2010 amendments to the *Corporate Governance Principles and Recommendations*, in relation to diversity, which take effect for our disclosures in relation to 2011.

Caltex is committed to achieving diversity across all levels of our organisation. We believe that a diverse workplace maximises opportunities to achieve our business goals by attracting, retaining and developing the best talent, seizing opportunities for creative problem solving and growing our business through an informed understanding of the diverse markets in which we operate.

In this section, we discuss our progress towards implementing the corporate governance amendments in relation to diversity.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

3.2 Caltex has a diversity policy in place. We make the policy available from our website. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and our progress in achieving them.

Caltex has developed a policy on diversity which sets out the overall aims of our diversity strategies and the responsibilities of the Board, its committees and individuals across the company in relation to diversity. Caltex is committed to growing leadership capabilities that result in more consistent and active sponsorship and stewardship of gender diversity.

The Board is responsible for approving measurable gender objectives set in accordance with the diversity policy and, with the assistance of the Human Resources Committee, for annually assessing those objectives and the progress against them, and monitoring the proportion of women across the group.

The Board approved the diversity policy in December 2010. The Board will receive a report from the General Manager – Human Resources in relation to Caltex's performance under the policy each year. The diversity policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

The diversity policy is available from our website (www.caltex.com.au).

3.3 The Caltex board has set measurable objectives for achieving gender diversity in accordance with the diversity policy and will be monitoring progress towards achieving them.

In conjunction with the development of Caltex's diversity policy, a set of measurable objectives to achieve gender diversity has been approved by the Board. The Human Resources Committee, in its advisory role, reviewed the objectives proposed by management and the Board approved Caltex's gender diversity objectives in December 2010.

The following objectives have been set by the Board for 2011:

- Caltex will establish a Diversity Council, chaired by the Managing Director & CEO, to meet quarterly to proactively monitor gender diversity initiatives and outcomes.
- Caltex will provide high potential women senior managers with developmental experiences to prepare them for promotion to critical leadership roles.
- Caltex will ensure that 90% of women senior managers (grades 58 and above) have completed a women's career success program, including a coaching component.
- Caltex will ensure that 90% of women middle managers (grades 56 and 57) have completed women's career success programs.
- Caltex will introduce networking programs targeted at women managers.
- Caltex will increase sponsorship and connection to external women's networks, including sponsorship of a significant national event.

Progress towards achieving our gender diversity objectives will be reviewed by the Board during 2011 and disclosed in the Corporate Governance Statement included in Caltex's 2011 Annual Report.

3.4 Caltex has, in this statement, set out the proportion of women employees across the whole organisation, women in senior executive positions and women on the board.

The following information is provided about the proportion of women across the Caltex Australia Group at 31 December 2010:

- **Board**
One of the eight directors (12.5%): Ms Elizabeth Bryan, who is the Chairman of the Caltex Board.
In addition, Ms Colleen Jones-Cervantes serves as an alternate director.
- **Senior executives**
One member of the Caltex Leadership Team (11%): Ms Helen Conway, who is the General Manager – Office of the CEO, General Counsel and Company Secretary.
- **Senior managers**
Women comprise 18% of Caltex's senior managers (salary grades 58 and above, not including members of the Caltex Leadership Team).
- **Middle managers**
Women comprise 17% of Caltex's middle managers (salary grades 56 and 57).
- **Across the Caltex group**
Women comprise 31% of all Caltex employees.

SIMPLIFIED FINANCIAL REPORT

for the year ended 31 December 2010

Caltex reports its results for statutory purposes on a historical cost basis. We also provide information on our financial results on a replacement cost of sales operating profit (RCOP) basis. The RCOP result removes the impact of fluctuations in the US\$ price of crude and foreign exchange on cost of sales. Such impacts constitute a major external influence on company profits.

RCOP restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the basis of reporting used by other refining and marketing groups.

As a general rule, an increase in crude prices on an Australian dollar basis will create a gain for Caltex. Conversely, a drop in crude prices on an Australian dollar basis will create a loss. This is a direct consequence of the first in first out costing process used by Caltex in adherence to accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45–60 days of inventory, revenues reflect current prices in Singapore whereas first in first out costings reflect costs some 45–60 days earlier. The timing difference creates these impacts on cost of sales, referred to as “inventory gains and losses”. To remove the impact of this on earnings and to better reflect the underlying performance of the business, the RCOP methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

The RCOP result is used by the Board and management for internal review of the company’s performance. It is used by the Board for its consideration of dividend (as set out in the dividend policy) and our short term incentive (bonus) scheme.

INCOME STATEMENT

for the year ended 31 December 2010

Millions of dollars	2010	2009
1. Total revenue ¹	18,931	17,984
2. Total expenses ²	(18,454)	(17,667)
3. Replacement cost earnings before interest and tax	477	317
Finance income	2	2
Finance expenses	(59)	(30)
4. Net finance costs	(57)	(28)
Income tax expense	(118)	(86)
Replacement cost profit (RCOP)	302	203
5. Inventory gain after tax	15	111
Historical cost net profit after tax	317	314
Interim dividend per share	30c	nil
6. Final dividend per share	30c	25c
Basic earnings per share		
– Replacement cost	112c	75c
– Historical cost	117c	116c

1. Excludes interest revenue.

2. Excludes interest expense, inventory gains.

DISCUSSION AND ANALYSIS

1. TOTAL REVENUE

▲ 5%

Total revenue increased primarily due to:

- the impact of the higher average crude prices (increasing from US\$64.38/bbl in 2009 to US\$75.67/bbl in 2010), and
- higher transport fuels sales volumes than prior year (2010: 15.1 billion litres, vs. 2009: 14.4 billion litres).

2. TOTAL EXPENSES

– REPLACEMENT
COST BASIS

▲ 4%

Total expenses increased as a result of higher cost of sales, reflecting the higher costs of purchasing and shipping crude during 2010.

3. REPLACEMENT COST EBIT INCLUDING SIGNIFICANT ITEMS

▲ 50%

The increase in replacement cost earnings including significant items reflects the robust underlying business performance and the non-recurrence of a number of significant restructuring expenses incurred in 2009. Upfront investment in the establishment of the Project Management Office in 2010 has created a platform to strengthen the performance of the base business.

Excluding significant items of \$23 million (2009: \$173 million), Caltex’s underlying performance was underpinned by Marketing’s strong result. Record sales volumes for transport fuels, particularly premium fuels, and finished lubricants were achieved.

Refining earnings were impacted by planned maintenance and the impact of the Australian dollar on CRM earnings, resulting in underlying EBIT being in line with prior year.

SIMPLIFIED FINANCIAL REPORT (CONTINUED)

RCOP EBIT BREAKDOWN ¹	
CALTEX REFINER MARGIN (CRM) \$572m	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. US dollar CRM was higher in 2010 at US\$8.39/bbl, compared with US\$5.95/bbl for 2009. However, in AUD terms the CRM was 5.77 Australian cents per litre in 2010, compared with 5.05 Australian cents per litre in 2009, due to the higher average Australian dollar. Total refinery production of all products was lower in 2010 (2010: 10.7 billion litres, vs. 2009: 11.2 billion litres) as a result of planned refinery shutdown activity in the first half of 2010. This led to lower sales from production of CRM products (primarily petrol, diesel and jet) compared to 2009 (2010: 9.9 billion litres, vs. 2009: 10.2 billion litres).
TRANSPORT FUELS MARKETING MARGIN \$524m	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. Transportation fuel sales volumes and margins have increased, driven by an increase in premium fuel sales and jet sales. Premium fuel sales were 1,836 million litres in 2010, compared with 1,182 million litres in 2009. Caltex's overall transportation fuel sales volumes grew by 4.5% during 2010. Retail diesel sales have grown strongly following the introduction of the premium diesel product, Vortex Diesel, and as a result of growth in the diesel vehicle market. Jet fuel volumes increased approximately 14%, underpinned by a strong and growing customer base. Overall petrol volumes decreased approximately 1%. However, premium petrol and E10 sales volumes continue to grow.
LUBRICANTS AND SPECIALTIES MARGIN \$121m	Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, bitumen, wax and marine fuels. Lubricants and specialties margins increased from 2009 primarily due to the strong growth of finished lubricant sales in the mining and automotive sectors.
NON-FUEL INCOME \$165m	Non-fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from distributor businesses. Non-fuel income increased by 8% compared with the same period last year. Total average weekly sales from convenience stores have increased 1.3% on the same period last year despite being impacted by the increase in site upgrade activity, including the upgrade of flagship sites.
OPERATING EXPENSES (\$917m)	Overall operating expenses increased 6% compared with 2009. This largely reflects increased depreciation and manning expenses for the new Diesel Hydrotreater Unit at Lytton and upfront investment in the establishment of the Project Management Office to create a platform to strengthen the performance of the base business. Otherwise, inflationary pressures and the substantial pressure on salaries for refining employees in high demand given the resources boom have essentially been absorbed.
OTHER \$35m	Other includes foreign exchange impacts, loss on disposal of assets and pipeline and charter revenue. Other includes net exchange gains on crude and product payables of \$27 million in 2010, compared with net exchange gains of \$92 million in 2009. The volatile movements in the Australian dollar in the first half of 2010 resulted in exchange rate losses of \$36 million. To reduce this ongoing volatility, i.e. both future gains and losses, Caltex implemented a hedging policy in the second half of 2010. Whilst this reduced the full year exchange gain in 2010 by \$39.5 million (before tax), the policy performed as expected in its impact.
RCOP EBIT EXCLUDING SIGNIFICANT ITEMS \$500m	
SIGNIFICANT ITEMS (\$23m)	Significant one-off items of \$23 million (\$16 million after tax) have been recognised in relation to Refining and Supply, Marketing and corporate restructuring and redundancy expenses.
TOTAL RCOP EBIT \$477m	

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

4. NET FINANCE COSTS**▲ 104%**

Net finance costs increased \$29 million compared with 2009.

In accordance with accounting standards, Caltex capitalises interest associated with large capital projects. During 2009, approximately \$15 million was capitalised to projects such as the second Lytton Diesel Hydrotreater Unit. With no similar construction underway in 2010, there has been no interest capitalised.

Included in 2009 finance costs is a favourable impact of \$8 million relating to discounting of long term payables and provisions as a result of rising interest rates during 2009. As interest rates have not risen as steeply during the period, there is no such favourable impact in 2010.

The remaining increase in net finance costs of approximately \$6 million reflects an increase in the cost of funding compared with 2009, due to increased interest rates and credit margins.

**5. INVENTORY GAIN
AFTER TAX****▼ 86%**

Regional crude oil prices continued to be volatile during 2010 (averaging US\$75.67/bbl in 2010, compared with US\$64.38/bbl in 2009). This resulted in net inventory gains of \$21 million (\$15 million after tax) and compares with the significant increase in regional crude oil prices throughout 2009 which resulted in net inventory gains of \$158 million (\$111 million after tax).

6. FINAL DIVIDEND

The Board is pleased to announce it has declared a final dividend of 30 cents per share (fully franked) for 2010 (a total of \$81 million). This makes the total 2010 dividends declared 60 cents per share (fully franked) after the interim dividend of 30 cents per share paid on 28 September 2010 (2009 total dividends: 25 cents per share). The record date in relation to the final 2010 dividend is 8 March 2011, with the dividend payable on 29 March 2011.

BALANCE SHEET**as at 31 December 2010**

Millions of dollars	Dec 2010	Dec 2009	Change
1. Working capital	769	669	100
2. Property, plant and equipment (PP&E)	2,896	2,780	116
3. Net debt	(544)	(487)	(57)
Other non-current assets and liabilities	(38)	(37)	(1)
Total equity	3,083	2,925	158

DISCUSSION AND ANALYSIS**1. WORKING CAPITAL****▲ \$100m**

The increase in working capital is primarily due to:

- higher inventory volumes due to the change in supply to larger cargoes of West African crude, and
- higher crude and product prices impacting receivables.

Partly offset by:

- higher payables due to the timing of local and international product purchases.

2. PP&E**▲ \$116m**

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

- capital expenditure and accruals, including major cyclical maintenance, of \$358 million.

Partly offset by:

- depreciation of \$200 million, and
- net disposals of \$42 million.

3. NET DEBT**▲ \$57m**

Net debt increased to \$544 million at 31 December 2010, an increase of \$57 million from 31 December 2009, due to increased working capital, capital expenditure and dividend payments. These were partly offset by lower net borrowing repayments (refer to the cash flows analysis for further discussion).

As a result, Caltex's gearing at that date (net debt to net debt plus equity) was 15.0%, increasing from 14.3% at 31 December 2009. On a lease-adjusted basis, gearing at 31 December 2010 was 21.3%, compared with 18.2% at 31 December 2009.

SIMPLIFIED FINANCIAL REPORT (CONTINUED)

CASH FLOWS

for the year ended 31 December 2010

Millions of dollars	Dec 2010	Dec 2009	Change
1. Receipts from customers	21,681	20,695	986
2. Payments to suppliers and employees	(16,245)	(15,219)	(1,026)
3. Payments for excise	(4,891)	(4,739)	(152)
Finance costs paid	(60)	(58)	(2)
4. Tax and other activities	(57)	(3)	(54)
Net operating cash inflows	428	676	(248)
Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(351)	(314)	(37)
Other investing cash flows	16	3	13
Net investing cash outflows	(335)	(311)	(24)
Dividends paid	(149)	–	(149)
Other financing cash inflows/(outflows)	52	(374)	426
5. Net financing cash outflows	(97)	(374)	277
Net decrease in cash held	(4)	(9)	5

DISCUSSION AND ANALYSIS

1. RECEIPTS FROM CUSTOMERS ▲ \$986m	Receipts from customers increased primarily due to: - the impact of higher crude prices, and - higher transport fuels sales volumes than prior year.
2. PAYMENTS TO SUPPLIERS AND EMPLOYEES ▲ \$1,026m	Payments to suppliers increased as a result of higher cost of sales, reflecting primarily higher crude oil prices, and working capital movements.
3. PAYMENTS FOR EXCISE ▲ \$152m	Increased excise payments are a result of increased sales volumes in 2010 compared with 2009. The 3.2% increase in excise payments is in line with the percentage increase in transport fuels sales volumes.
4. TAX AND OTHER ACTIVITIES ▲ \$54m	Net cash outflows from tax and other operating activities were higher than 2009 mainly due to income taxes paid of \$60 million in 2010, compared with \$7 million paid in 2009. 2009 includes a tax refund of \$133 million in relation to 2008 income tax.
5. NET FINANCING CASH OUTFLOWS ▼ \$277m	Net financing cash outflows decreased due to net borrowings (excluding finance leases) in 2010 of \$55 million, compared with \$371 million net repayments in 2009, reflecting the repayment of long term debt in 2009. The borrowings inflow was offset by dividend payments in 2010 of \$149 million (no dividend payments were made in 2009).

2010 FINANCIAL REPORT FOR CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2010 Financial Report for Caltex Australia Limited includes:

- Directors' Report
- Lead Auditor's Independence Declaration
- Directors' Declaration
- Independent Audit Report
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Balance Sheet
- Consolidated Statement of Changes in Equity
- Consolidated Cash Flow Statement
- Notes to the Financial Statements

for the year ended 31 December 2010.

CALTEX AUSTRALIA GROUP

For the purposes of this report, the Caltex Australia Group refers to:

- Caltex Australia Limited, which is the parent company of the Caltex Australia Group and is listed on the Australian Securities Exchange (ASX)
- 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 Calstores Pty Ltd
- 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.

DIRECTORS' REPORT

INTRODUCTION

The Board of Caltex Australia Limited presents the 2010 Directors' Report (including the Remuneration Report) and the 2010 Financial Report for Caltex Australia Limited and its controlled entities (the Caltex Australia Group), and the Group's interest in associates and jointly controlled entities, for the year ended 31 December 2010 to shareholders. An Independent Audit Report from KPMG, as external auditor, is also provided.

BOARD OF DIRECTORS

The Board of Caltex Australia Limited comprises Ms Elizabeth Bryan (Chairman), Mr Julian Segal (Managing Director & CEO), Mr Trevor Bourne, Mr Brant Fish, Mr Greig Gailey, Mr Timothy (Tim) Leveille, Mr Walter (Walt) Szopiak and Mr John Thorn.

Ms Colleen Jones-Cervantes serves as alternate director for each of Mr Fish, Mr Leveille and Mr Szopiak.

The following changes to the composition of the Board have occurred since 1 January 2010:

Directors

- Ms Jones-Cervantes resigned as a director from 31 August 2010.
- Mr Szopiak was appointed as a director from 1 September 2010.
- Mr Robert (Rob) Otteson resigned as a director from 30 November 2010.
- Mr Leveille was appointed as a director from 1 December 2010.

Alternate directors

- Mr Szopiak's appointment as alternate director for Mr Fish, Ms Jones-Cervantes and Mr Otteson ended on 31 August 2010.
- Ms Jones-Cervantes was appointed as alternate director for each of Mr Fish, Mr Otteson and Mr Szopiak from 1 September 2010. Her appointment as alternate director for Mr Otteson ended on 30 November 2010. Ms Jones-Cervantes was appointed as alternate director for Mr Leveille from 1 December 2010.

BOARD PROFILES

Ms Elizabeth Bryan

Chairman (Non-executive/Independent)

Date of appointment – director: 18 July 2002

Date of appointment – Chairman: 1 October 2007

Board committees:

Nomination Committee (Chairman) and attends meetings of the Audit Committee, Human Resources Committee and OHS & Environmental Risk Committee in an ex-officio capacity

Elizabeth brings management, strategic and financial expertise to the Caltex Board. She has over 30 years of 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.

Elizabeth is Chairman of UniSuper Limited and a director of Westpac Banking Corporation (appointed November 2006). She was previously a director of Ridley Corporation Limited (September 2001 to October 2007).

Elizabeth holds a Bachelor of Arts (Economics) from the Australian National University and a Master of Arts (Economics) from the University of Hawaii (US).

Mr Julian Segal

Managing Director & CEO

Date of appointment: 1 July 2009

Julian is responsible for overseeing the day-to-day operations of the Caltex Australia Group and brings extensive commercial and management experience to Caltex.

Julian joined Caltex from Incitec Pivot Limited, a leading global chemicals company, where he served as the Managing Director & CEO from June 2005 to May 2009. Prior to Incitec Pivot, Julian spent six years at Orica in a number of senior management positions, including Manager of Strategic Market Planning, General Manager – Australia/Asia Mining Services, and Senior Vice President – Marketing for Orica Mining Services.

Julian holds a Bachelor of Science (Chemical Engineering) from the Israel Institute of Technology and a Master of Business Administration from the Macquarie Graduate School of Management.

Julian is a director of the Australian Institute of Petroleum Limited (appointed 1 July 2009).

Mr Trevor Bourne

Director (Non-executive/Independent)

Date of appointment: 2 March 2006

Board committees:

OHS & Environmental Risk Committee (Chairman),
Audit Committee and Nomination Committee

Trevor brings broad management experience in industrial and capital intensive industries, and a background in engineering and supply chain, to the Board. From 1999 to 2003, he served as CEO of Tenix Investments. Prior to Tenix, Trevor spent 15 years at Brambles Industries, including six years as Managing Director of Brambles Australasia. He has also previously worked for Incitec Pivot and BHP.

Trevor is the Chairman of Hastie Group Limited (where he has served as a director since February 2005) and a director of Origin Energy Limited (appointed February 2000). He was previously a director of Coates Hire Limited (February 2004 to January 2008) and Lighting Corporation Limited (February 2004 to January 2008).

Trevor holds a Bachelor of Mechanical Engineering from the University of New South Wales and a Master of Business Administration from the University of Newcastle.

Mr Brant Fish

Director (Non-executive)

Date of appointment: 27 July 2006

Board committees:

Human Resources Committee and Nomination Committee

Brant brings significant downstream oil industry experience to Caltex, particularly in the areas of supply chain, refining and marketing. He currently serves as the Global Vice President of Joint Ventures & Affiliates for Chevron International Products. Brant is based in Singapore. He was previously the General Manager of Supply Chain Optimization – Asia Pacific for Chevron U.S.A. Inc., with accountability for overall Chevron Downstream earnings in Asia Pacific – from refinery crude supply to a consumer or export sale.

Brant holds a Bachelor of Science (Mechanical Engineering) from the University of Florida (US).

Brant previously served as an alternate director of Caltex Australia Limited (April 2005 to July 2006).

Mr Greig Gailey

Director (Non-executive/Independent)

Date of appointment: 11 December 2007

Board committees:

Human Resources Committee (Chairman), Audit Committee,
Nomination Committee and OHS & Environmental Risk
Committee

Greig brings extensive Australian and international oil industry experience, and a management background from industrial and capital intensive industries, to the Board. From 1964 to 1998, he worked at British Petroleum Company (BP) where he held various positions throughout Australia and offshore, including management of refining, supply and distribution in Australia and Europe.

Greig was subsequently appointed CEO of Fletcher Challenge Energy (New Zealand), a position he held from 1998 to 2001. In August 2001, he joined Pasminco Limited as CEO. Pasminco was transformed and relisted as Zinifex Limited on the ASX in April 2004, and Greig became Managing Director & CEO of Zinifex Limited from that date until standing down in June 2007. He is Chairman of the Board of Trustees of the Energy & Minerals Institute at the University of Western Australia and a director of the Australian Davos Connection Limited and the Victorian Opera Company Limited.

Greig holds a Bachelor of Economics from the University of Queensland.

Mr Timothy (Tim) Leveille

Director (Non-executive)

Date of appointment: 1 December 2010

Board committees:

Nomination Committee

Tim brings considerable oil industry and financial management experience to the Board. He is the Senior Director – International Finance in Chevron's Corporate Treasury and is responsible for treasury oversight and support for the finance activities of Chevron operating companies in the Americas, Asia Pacific and Global Businesses, and for global intercompany financing and cash repatriation activities. Since joining Chevron in 1987, his experience has encompassed a range of financial management roles across a number of Chevron companies in the US and internationally, before being appointed to his current role in July 2009. He is based in the US.

Tim is a licensed Certified Public Accountant (US) and holds a Bachelor of Science (Accounting and Computer Science) from Boston College (US) and a Master of Business Administration (Finance and International Markets) from Columbia University (US).

DIRECTORS' REPORT (CONTINUED)

BOARD PROFILES (CONTINUED)

Mr Walter (Walt) Szopiak

Director (Non-executive)

Date of appointment: 1 September 2010

Board committees:

Nomination Committee and OHS & Environmental Risk Committee

Walt brings considerable international oil industry and operations management knowledge and experience to the Board. He currently serves as the General Manager – Manufacturing & Supply for Chevron Oronite, Asia Pacific and is responsible for the manufacturing and supply activities for Chevron Oronite's additives business in the Asia Pacific region. He was previously the General Manager – Manufacturing Business Development for Chevron Global Manufacturing before being appointed to his current role in May 2010. Walt has worked for Chevron for over 25 years and has served in a range of technical and operations management and supply chain optimisation roles. He is based in Singapore.

Walt holds a Bachelor of Science (Chemical Engineering) from Virginia Polytechnic Institute (US).

Walt previously served as an alternate director of Caltex Australia Limited (April 2009 to August 2010).

Mr John Thorn

Director (Non-executive/Independent)

Date of appointment: 2 June 2004

Board committees:

Audit Committee (Chairman), Human Resources Committee and Nomination Committee

John brings expertise to the Board in accounting and financial services, business advisory, risk and general management. He has over 37 years of professional experience with PricewaterhouseCoopers, where he was a partner from 1982 to 2003 and was responsible for major international and local clients. During this period he served as the Managing Partner of PricewaterhouseCoopers' Assurance and Business Advisory Service practice from 1998 to 2001. He was the National Managing Partner of PricewaterhouseCoopers until 2003.

John is a director of Amcor Limited (appointed December 2004), National Australia Bank Limited (appointed October 2003) and Salmat Limited (appointed September 2003).

John is a Fellow of the Institute of Chartered Accountants in Australia.

Ms Colleen Jones-Cervantes

Alternate director

Date of appointment: 1 September 2010 for Mr Brant Fish and Mr Walt Szopiak and 1 December 2010 for Mr Tim Leveille

Colleen currently serves as Chevron's Vice President – Product Supply & Trading and has global responsibility for the supply of non-crude oil feedstocks to Chevron's refining system, refined products supply and trading, marine fuels marketing and biofuels supply and trading. Her organisation operates from four trading hubs in London, Singapore, the US gulf coast and the US west coast and provides coverage to all of Chevron's downstream geography. Colleen is based in the US. She was previously the Vice President of Global Marketing for the Asia Pacific region and was based in Singapore.

Colleen holds a Bachelor of Science (Mechanical Engineering) from Michigan Technological University (US).

Colleen previously served as a non-executive director of Caltex Australia Limited (June 2008 to August 2010) and as an alternate director of Caltex Australia Limited (July 2006 to May 2008).

Former director

Mr Robert (Rob) Otteson

Former director (Non-executive)

Rob served as a director of Caltex from 17 July 2009 to 30 November 2010. He was also a member of the Nomination Committee

Rob is Chevron's Regional Finance Officer for the Asia Pacific region and is responsible for financial and management reporting, credit approval, local cash management, local tax matters and risk management for Chevron's operations in the region. Since joining Chevron in 1982, he has served in various finance roles before being appointed to his current role in June 2009. He is based in Singapore.

Rob is a director of Chevron Lubricants Lanka PLC, a Sri Lankan company (appointed October 2009).

Rob is a licensed Certified Public Accountant (US) and holds a Bachelor of Arts (Accounting) from the University of Utah (US).

REVIEW OF RESULTS AND OPERATIONS

General overview

Caltex recorded a profit after tax on a historical cost basis of \$317 million for the full year 2010 (including significant items), compared with \$314 million for the full year 2009. The 2010 historical cost result included inventory gains of \$15 million after tax, compared with inventory gains of \$111 million after tax in the full year 2009.

Caltex recorded an after tax profit of \$302 million on a replacement cost of sales operating profit (RCOP)¹ basis for 2010, including the impact of significant items of \$23 million (\$16 million after tax). This full year result compares with \$203 million for 2009, including the impact of significant items of \$173 million (\$121 million after tax).

Net debt at 31 December 2010 was \$544 million (31 December 2009: \$487 million). Caltex remains committed to a conservative balance sheet and will continue to focus on good cash management.

Record sales volumes for transport fuels, particularly premium fuels, and finished lubricants

Marketing's strong growth trajectory has continued. Record sales volumes for transport fuels, particularly premium fuels, and finished lubricants were achieved. Premium fuel sales grew by 55% from 1,182 million litres in 2009 to 1,836 million litres in 2010.

Strong refinery reliability with near record second half production

Refinery reliability continued to improve in 2010 with best on record mechanical availability. Improvement in mechanical availability allows Caltex to leverage strong margins when they occur. Production volumes declined in the first half of 2010 due to higher planned maintenance across Refining compared to 2009, but production improved to near record levels of 5.5 billion litres in the second half with refinery utilisation in excess of 78%. Production of petrol, diesel and jet fuel for the full year was 9.8 billion litres, in comparison to 10.2 billion litres in 2009.

USD Singapore refiner margins have been stronger than expected due to the weakness in the Tapis benchmark crude price relative to other crudes (particularly during the first half of 2010). While the Caltex Refiner Margin² was seasonally weaker in the second half of the year, this margin has recovered from the bottom of the cycle in the second half of 2009.

The Caltex Refiner Margin averaged US\$8.39 per barrel or 5.77 Australian cents per litre during 2010, compared with an average of US\$5.95 per barrel or 5.05 Australian cents per litre during 2009.

Best ever safety result

Caltex also achieved its best ever safety result in 2010 with the lost time injury frequency rate decreasing to 1.23 per million hours worked from 2.12 per million hours worked in 2009.

Higher AUD impacts refining profitability

On average, the Australian dollar was higher during the period (91.96 cents), compared with the same period in 2009 (79.14 cents). This had the effect of eroding the Australian dollar Caltex Refiner Margin by \$94 million before tax when compared with 2009.

From 1 July 2010, Caltex introduced a foreign exchange hedging program to dampen volatility in the gains and losses experienced on the crude and product payables. After taking into account the impact of the foreign exchange hedging, the rising Australian dollar in the second half of 2010 has more than offset the realised losses on US dollar payables from the first half of 2010.

The cost and efficiency program, Catalyst, is delivering

The Catalyst program has continued to deliver significant cost and efficiency benefits to the base business. The corporate and Marketing restructures have been completed, delivering the targeted savings for 2010. Initiatives covering approximately 50% of the Refining Improvement Initiative target of \$100 million EBIT improvement have been identified and commenced. The upfront investment in the establishment of the Project Management Office has created a platform to strengthen the performance of the base business.

Dividend

The Board is pleased to announce it has declared a final dividend of 30 cents per share (fully franked) for 2010 (a total of \$81 million), bringing the total dividend payout for 2010 to 60 cents per share (fully franked) after the interim dividend of 30 cents per share, paid on 28 September 2010. The record date in relation to the final 2010 dividend is 8 March 2011, with the dividend payable on 29 March 2011.

This compares with a total dividend payout for 2009 of 25 cents per share (fully franked). The final 2009 dividend of 25 cents per share (a total of \$67.5 million) was paid on 29 March 2010.

Outlook

The growth trajectory for Marketing is expected to continue in 2011. This growth will be further enhanced as infrastructure projects currently underway are completed in 2011. Caltex will continue to focus on delivering through its Catalyst program.

The recent floods in Queensland and New South Wales have had a minimal impact on Caltex's retail and direct sales business. Production has returned to normal post the unplanned shutdown at Lytton Refinery as a result of the heavy rains in early January. As previously advised to the market, the financial impact of the unplanned shutdown of the refinery is expected to be in the order of \$5 – \$10 million (after tax) in 2011.

It is anticipated that the excess supply in the Asia Pacific region should slowly decline as the growth in demand for product in non-OECD countries is likely to offset the decline in demand expected in OECD countries. Caltex therefore remains optimistic in the medium term for a slow recovery in US dollar refiner margins. The relative strength of the Australian dollar to the US dollar will reduce the translated Australian dollar Caltex Refiner Margin.

In the medium to long term, the outlook for the company remains positive due to the exposure Caltex has to the mining, agriculture and transport industries in Australia.

1. The replacement cost of sales operating profit (RCOP) excludes the impact of the fall or rise in oil prices (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.

DIRECTORS' REPORT (CONTINUED)

CLIMATE CHANGE REGULATION

In April 2010, the Rudd Labor government deferred its Carbon Pollution Reduction Scheme (CPRS) until at least 2013. Following the August 2010 federal election, the Gillard Labor government is committed to introducing a carbon price in Australia following consultation and negotiation with a Multi-Party Climate Change Committee and the passing of legislation.

Caltex supports some form of a price on carbon in Australia and remains actively engaged in the policy development process. Caltex would support a carbon price mechanism that fully maintains Australia's international competitiveness, especially for emissions-intensive, trade-exposed (EITE) industries such as oil refining. The CPRS would have achieved that outcome for oil refining if, as seems likely, the industry would have been regulated as "highly emissions-intensive" and received the highest level of EITE assistance. This assistance level has been regulated for oil refining under the Renewable Energy Target.

However, Caltex does not support the inclusion of emissions from private and light commercial vehicles in an emission trading scheme as this would be environmentally ineffective and could have substantial negative impacts on fuel suppliers. Instead, Caltex advocates more effective complementary measures, such as vehicle emission targets, consumer incentives and lower carbon fuels.

The 2009 Directors' Report contained a detailed discussion of the potential impact of the CPRS on Caltex and this analysis would remain substantially correct if the CPRS were revived. However, the high degree of uncertainty associated with the new process to determine a carbon pricing mechanism means it is not possible to provide a similar discussion in this year's report. Factors that will have a significant impact on the outcome include the form of carbon price (which could include emission trading permits, carbon taxes or regulation) that applies to oil refining and to emissions from refined fuels, the amount of the carbon price, the level of EITE assistance, timing of introduction and any phase-in arrangements.

PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS

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 principal 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 2010 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 the impact of our operations on the environment. The Board's OHS & Environmental Risk Committee seeks to address the appropriateness of Caltex's OHS and environmental practices to manage material health, safety and environmental risks, so that these risks are managed in the best interests of Caltex and its stakeholders.

Caltex sets key performance indicators to measure environmental, health and safety performance and drive improvements against targets. In addition to review by the Board, progress against these performance measures is monitored regularly by the Managing Director & CEO with General Managers and Business Unit Managers.

Risks are examined and communicated through the Caltex Risk Management Framework, an enterprise-wide risk management system which provides a consistent approach to identifying and assessing all risks, including environmental risks. Under the framework, risks and controls are assessed, improvements identified, and regular reports are made to management and the Board.

The Caltex Operational Excellence Management System is designed to ensure operations are carried out in an environmentally sound, safe, secure, reliable and efficient manner. Its operating standards and procedures support the Caltex Environment Policy, and Caltex Health and Safety Policy.

In 2010, Caltex made its second submission under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations. Caltex also published its third annual public report under the Federal Energy Efficiency Opportunities program, communicating energy savings achieved in 2010. Caltex also continued to disclose information on pollution emissions under the National Pollutant Inventory.

Compliance with environmental regulations

A total of 13 environmental protection licences were held by companies in the Caltex Australia Group in 2010 for two refinery sites, 10 terminals and one aviation refuelling facility.

Ten instances of non-compliance against these licences and eight significant spills were recorded and reported as required to government environmental authorities in 2010.

Caltex received one penalty infringement notice for \$1,500 in 2010 due to a loss of product from a tank into its containment bund at Kurnell Refinery.

Regular internal audits are carried out to assess the efficacy of management systems to prevent environmental incidents, as well as control other operational risks. Improvement actions determined through the audit process are reviewed by the Board's OHS & Environmental Risk Committee and senior management. Caltex is committed to achieving 100% compliance with environmental regulations and all breaches have been investigated thoroughly and corrective actions taken to prevent recurrence.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 48 and forms part of the Directors' Report for the financial year ended 31 December 2010.

REMUNERATION REPORT

The directors of Caltex Australia Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act* for the Caltex Australia Group for the year ended 31 December 2010.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act*, apart from where it is indicated that the information is unaudited. This Remuneration Report forms part of the Directors' Report.

1. Remuneration snapshot

a. Executive Director and Senior Executives¹

Julian Segal	Managing Director & CEO
Helen Conway	General Manager – Office of the CEO, Company Secretary and General Counsel
Simon Hepworth	Chief Financial Officer
Ken James	General Manager – Supply and Distribution
Mike McMenamin	General Manager – Strategy, Planning and Development
Gary Smith	General Manager – Refining
Andy Walz	General Manager – Marketing
Simon Willshire	General Manager – Human Resources

1. Throughout this Remuneration Report, Senior Executives of Caltex refers to:

- the five most highly remunerated company executives, and
- all other executives who fall within the definition of key management personnel of Caltex (being those persons with authority and responsibility for planning, directing and controlling the activities of Caltex) including the Managing Director & CEO. This group is also referred to as the Caltex Leadership Team (CLT) in this report.

Element of remuneration	Summary	Sections
Fixed remuneration	Fixed remuneration is set at the market median by reference to benchmark information for comparable roles. For the 2010 fixed remuneration review for Senior Executives, Caltex has approved an overall increase of 4.5% (as applied to all employees) with actual increases depending on individual performance and level of salary relative to the range for the grade. An additional increase has been provided for a promotion.	3a
Short Term Incentive (STI)	2010 has seen the introduction of the revised Caltex Short Term Incentive system – the Caltex Rewarding Results (R²) Plan. Participation in the Rewarding Results (R²) Plan gives executives the opportunity to earn a short term incentive if they achieve Caltex, departmental and individual performance targets which are linked to the achievement of the annual business plan. Short term incentive arrangements were changed for the 2010 year. From 2010, no short term incentives will be paid if less than 80% of Plan RCOP NPAT is delivered. Individual performance scorecards have replaced the Caltex and departmental scorecards. Individual performance scorecards focus primarily on the delivery of Caltex financial objectives and critical business initiatives to emphasise the shared accountability for Caltex performance. The aim of the Rewarding Results (R²) Plan is to incentivise significant over-plan performance, while removing the previous safety net of a minimum level payout. As part of the above changes, the maximum amounts payable for Senior Executives when stretching performance targets have been achieved has increased from 82% of base salary to between 92% and 100% depending on role. The amount payable at Target will range from 46% (unchanged) to 50% depending on role. A mandatory deferral of short term incentives was reintroduced in 2010, applicable to the Managing Director & CEO, the Caltex Leadership Team as well as other senior managers.	3d

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Element of remuneration	Summary	Sections
Short Term Incentive (STI) (continued)	Under the deferral, 33.33% of the short term incentive (as long as the incentive is greater than \$105,000) will be delivered in Caltex shares which have a six month forfeiture risk and are restricted from sale for 24 months. Average 2010 STI outcomes, including the Managing Director & CEO, were 85.0% of base salary (53.4% in 2009). Actual short term incentives paid for 2010 were higher than in 2009, predominantly reflecting better Caltex performance against our key strategic financial and non-financial objectives for 2010 in a challenging and often volatile market environment.	3d
Long Term Incentive (LTI)	Participation in the Caltex Equity Incentive Plan (CEIP) gives executives the opportunity to receive Caltex shares in the future subject to achieving challenging performance targets which have been revised for 2010 onwards. The level of performance required for 100% vesting is the 90th percentile (compared to typical market practice being the 75th percentile) and the level of performance for 50% vesting is the 62.5th percentile (compared to typical market practice being the 50th percentile). At the 50th percentile level of performance only 33.33% of rights would vest. The measure of performance is Total Shareholder Return (TSR) over a three year period relative to two comparator groups (being the members of the ASX 100 Accumulation Index and, separately, nine international refining and marketing companies). Grants made under the CEIP in 2008 (which had different performance hurdles) vested at 31 December 2010 for only one of the two comparator groups. Caltex performance for the 2008 – 2010 performance period was slightly below the median against the S&P/ASX 100 group and above the median of the selected group of international refining and marketing companies. As a result, only 50% of the 2008 grant vested at 31 December 2010 and the remaining 50% will lapse.	3e
Post employment	Executives may be entitled to post-employment benefits, depending on the circumstances in which their employment is terminated.	3g
Appointments	No new key management personnel appointments.	

b. Non-executive directors

Current directors

Ms Elizabeth Bryan (Chairman)

Mr Trevor Bourne

Mr Brant Fish*

Mr Greig Gailey

Mr Tim Leveille* – from 1 December 2010

Mr Walt Szopiak* – from 1 September 2010

Mr John Thorn

Former directors

Ms Colleen Jones-Cervantes served as a director until 31 August 2010

Mr Rob Otteson served as a director until 30 November 2010

* Ms Colleen Jones-Cervantes – serves as alternate director for Mr Fish, Mr Leveille and Mr Szopiak.

Element of remuneration	Summary	Sections
Fees	Remuneration for non-executive directors is fixed, and does not have any variable components.	5a
	The non-executive directors do not participate in any Caltex incentive or bonus schemes.	5a
	Fees for non-executive directors are reviewed by the Human Resources Committee, which engages an independent expert to provide advice and recommendations. Fees are then set by the Board.	5a
Superannuation and retirement benefits	Superannuation contributions are generally made at a rate of 9% where required. No additional retirement benefits are paid.	5b
Total remuneration pool	Fees paid to non-executive directors are subject to a maximum annual Board remuneration pool of \$2,000,000 (including superannuation). This pool was approved by shareholders at the Annual General Meeting held on 22 April 2010, with effect from 1 May 2010. Prior to this date, the maximum annual Board remuneration pool in 2010 was \$1,600,000.	5b

2. Board oversight

The Board takes an active role in the governance and oversight of Caltex's remuneration policies and practices. The Human Resources Committee (Committee) assists the Board in relation to Caltex's remuneration framework and seeks to ensure that appropriate remuneration arrangements are in place and that practices are clear and understandable. The Committee undertakes functions delegated by the Board, including approving Caltex's annual remuneration program and aspects of its incentive schemes. The Committee's charter is available from our website (www.caltex.com.au).

The Committee is independent of management and obtains advice from independent experts as necessary. The use of external specialists to provide advice and recommendations in relation to non-executive director remuneration and remuneration for the Managing Director & CEO is either initiated directly or approved by the Committee, and these specialists are directly engaged by the Committee Chairman. During 2010, the Committee and/or the Board received independent advice from the following organisations:

Organisation	Purpose	Role
Godfrey Remuneration Group	Remuneration benchmarking information for non-executive directors	Advice and recommendations
Godfrey Remuneration Group	Remuneration arrangements for the Managing Director & CEO	Independent review of proposed arrangements
Hewitt CSI – Now Aon Hewitt	Review of incentive plans and remuneration benchmarking data for Senior Executives	Independent review
Ernst & Young	Taxation and benchmarking information to assist the review of the long term incentive program. Valuation of performance rights. Review of short term incentive plan outcomes.	Advice, information and independent review
Hay Group	Remuneration benchmarking data for Senior Executives	Information
Guerdon Associates	Remuneration benchmarking data for Senior Executives	Independent review
Egan Associates	Assessment of Caltex TSR performance relative to vesting of performance rights	Advice

3. Executive Director and executive remuneration

a. Remuneration philosophy and structure

The overarching goal of the Caltex remuneration philosophy and structure is the delivery of superior shareholder returns. The guiding philosophy for how Caltex rewards Senior Executives and all other employees is:

- **Alignment with shareholders' interests** – the payment of variable incentives is dependent upon achieving financial and non-financial performance hurdles that are aligned with shareholders' interests.
- **Performance focused and differentiated** – Caltex's reward and performance planning and review systems are closely integrated to maintain a strong emphasis and accountability for performance at the company, department and individual levels. Rewards are differentiated to incentivise and reward superior performance and appropriate employee behaviours.
- **Market competitive** – all elements of remuneration are set at competitive levels for comparable roles in Australia and allow Caltex to attract and retain quality candidates in the talent market.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Caltex uses a Total Reward Value approach consisting of three main elements:

1. **Fixed remuneration** – comprising base salary and allowances, and
2. **Variable, at risk remuneration** – comprising a mix of cash and equity based incentives payable upon the achievement of financial and non-financial performance hurdles, and
3. **Superannuation** – generally payable at a rate of 9% of base salary plus any cash incentive payments and is included in the calculation of Total Reward Value for comparison purposes.

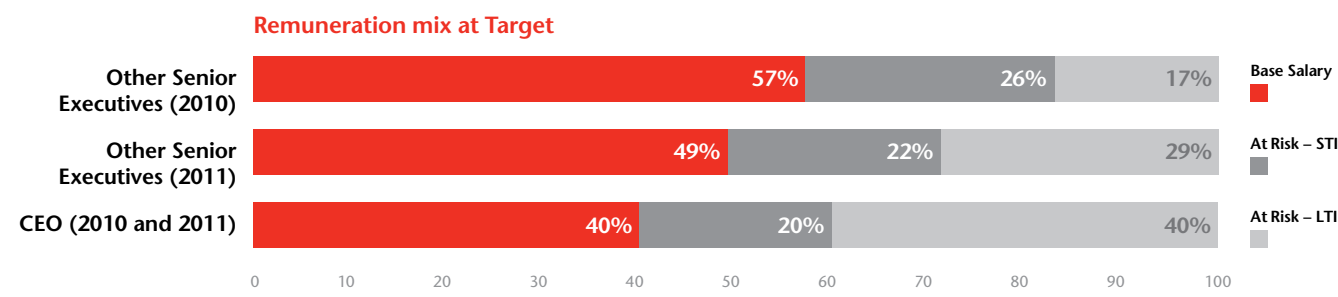
The Total Reward Value approach enables comparison and accurate monitoring of the market competitiveness of each executive's remuneration.

Cash incentives reward the delivery of stretching but attainable annual financial and non-financial performance measures and long term equity based incentives reward the delivery of superior total shareholder returns relative to the company's peers over the longer term. The performance measures set are in many cases relative and not absolute and are designed to provide rewards when Caltex exceeds the performance of peers and competitors or delivers upon strategically important outcomes. At Caltex, incentives are not designed as "profit sharing arrangements" and as such performance measures may factor in externalities over which management can have no control (such as global refining margins) and there will be occasions when incentives are paid when externalities such as the refiner margins and exchange rate fluctuations and their implications may have reduced overall shareholder returns. Equally, incentives may not be paid when externalities are favourable to shareholders but the company's relative performance is poor.

b. Pay mix and pay market competitiveness

Fixed remuneration is reviewed annually and set relative to the skills and accountabilities of the executive and is aligned to the market median of Australian industry benchmarks. Total Reward Value is set at the market median of the benchmarks for at Target performance with the opportunity to earn Total Reward Value above the market median for above Target stretch performance.

Performance based, at risk, remuneration targets are set annually as a proportion of base salary. Short term incentives (involving both cash and equity) are managed via the Rewarding Results (R²) Plan and long term equity based incentives via the Caltex Equity Incentive Plan (CEIP). Further information on these reward plans is set out below. The at Target pay mix for the Managing Director & CEO and Senior Executive group is detailed in the following diagram. The diagram also details the change in the 2011 pay mix for Senior Executives which will occur as a result of the review of incentive pay practice as described in 3d and 3e. The 2011 pay mix targets reflect more stretching performance requirements for at Target performance than in prior years and are aimed at rewarding the delivery of superior shareholder returns. By way of comparison, Caltex has a larger than average LTI component than current market practice.



Notes:

1. STI comprises the incentive provided through the Rewarding Results (R²) Plan, including any amounts deferred into shares.
2. LTI comprises performance rights granted under the CEIP.
3. Note that initial grants of performance rights under CEIP are made at the maximum or stretch level being 150% of base salary for the CEO and at 90% of base salary for Other Senior Executives. Executives will only receive 100% of the initial grant if the performance measure (relative TSR) is at or above the 90th percentile.

The Total Reward Value and pay mix for the current Managing Director & CEO is set out in his service agreement and his base salary is reviewed annually by the Committee and approved by the Board.

The Total Reward Value and pay mix for other Senior Executive members is reviewed regularly as deemed necessary by the Committee and approved by the Board, as appropriate on the basis of recommendations from the Managing Director & CEO, utilising remuneration information provided by independent consultants for Australian roles with similar skills, accountabilities and performance expectations.

c. Setting and evaluating the performance of executives in 2010

Performance measures for 2010 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2010 business plan and has regularly monitored and reviewed progress against plan milestones and targets.

The approved Caltex business plan was then translated into departmental objectives. The company objectives were approved by the Committee prior to the commencement of the performance year.

Within each business unit, specific performance agreements were then developed for individual employees, thus completing the link between employees and delivery of the business plan. Performance agreements must be agreed between the employee and his or her manager. Senior Executives set their performance agreements jointly with the Managing Director & CEO.

Examples of the key Caltex success measures for 2010, as approved by the Committee, are set out below. These measures were selected because they were identified as important financial and operational drivers which would determine the success of Caltex in 2010. These measures are supplemented by departmental objectives and individual performance agreements.

2010 Caltex success measures

Individual scorecards are set for each member of the executive team and the objectives will typically include the following types of measures:

- RCOP/NPAT
- Free Cash Flow
- Earnings before Interest and Tax – (EBIT) – Marketing
- EBIT Refining, Supply and Distribution
- Cost Efficiency
- Sales Volumes
- Net Available Margin (NAM)
- Total Treatable Injury Frequency Rate – (TTIFR) – (Safety)
- Project Delivery
- Culture Change Leadership.

RCOP NPAT (explanation of the relevance of this measure to the Caltex business)

The Board has selected RCOP NPAT as the primary measure for the short term incentive for Caltex management because RCOP NPAT removes the impact of inventory gains and losses, giving a truer reflection of underlying financial performance.

Gains and losses in the value of inventory due to fluctuations in the AUD price of crude (which is impacted by both the USD price of crude and the foreign exchange rate) constitute a major external influence on company profits. RCOP NPAT restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financials.

As a general rule, an increase in crude prices on an Australian dollar basis will create a gain for Caltex. Conversely, a drop in crude prices on an Australian dollar basis will create a loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence to accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45 to 60 days of inventory, revenues reflect current prices in Singapore whereas FIFO costings reflect costs some 45 to 60 days earlier. The timing difference creates these inventory gains and losses.

To remove the impact of this inventory value factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

d. Performance-based “at risk” remuneration – 2010 Rewarding Results (R²) Plan

2010 has seen the revision of components of the Caltex reward system. In particular, the revised Short Term Incentive Plan (Rewarding Results (R²)) is part of our cultural reshaping and the Board believes it has simplified our previous arrangements whilst further strengthening and reinforcing the alignment of reward with the creation of shareholder value and market competitiveness.

The Committee and the Board believe that the reward system changes are in the interests of shareholders because they:

- support superior relative TSR performance,
- establish the primacy of financial performance and emphasise the overall integrated performance of the company, and
- focus the company on executing the most critical initiatives and delivering critical outcomes at all stages of the economic and business cycle.

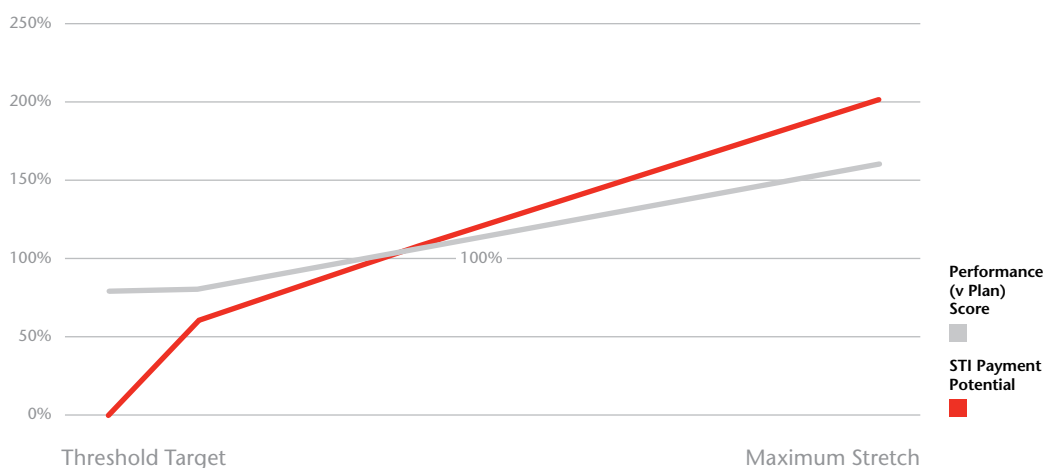
The changes incentivise Senior Executives for the delivery of above target financial performance through market competitive reward. Higher reward outcomes are possible as a result of the changes although such outcomes will arise only where the Board considers exceptional outcomes are delivered. The revisions introduced with the Rewarding Results (R²) Plan also remove any opportunity to earn cash incentives where financial performance falls below acceptable performance levels. Caltex has also introduced deferral of 33.33% of STI payments to Senior Executives, where such payments exceed \$105,000. The deferred component in the form of Caltex shares is subject to a six month forfeiture risk and a trading restriction for two years.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Performance period	Annual payment based on assessed performance during 12 month period ended 31 December 2010, but paid in April 2011	
2010 Target and maximum opportunity levels	Managing Director & CEO – between 50% at Target and 100% at Maximum Stretch of base salary Other Senior Executives – between 46% at Target and 92% at Maximum Stretch of base salary	
Performance measures and outcome	Rewarding Results (R ²) Plan and STI payment	
	Performance measure	Performance outcome
	RCOP/NPAT	Above Business Plan
	Free Cash Flow	Above Business Plan
	EBIT Marketing	Above Business Plan
	EBIT RS&D	Above Business Plan
	Cost Efficiency	Above Business Plan
	TTIFR Marketing	Above Business Plan
	TTIFR Refining	Below Business Plan
	TTIFR S&D	Above Business Plan
	NAM (\$'000s)	Above Business Plan
	Sales (ML)	Below Business Plan
	Project Delivery	Above Business Plan
Cultural Change Leadership	Above Business Plan	
How reward outcomes are funded	Caltex and department performance in terms of the above measures determines the funding of the incentive pool. The Threshold level of performance for the Plan is that RCOP/NPAT must be 80% of the Business Plan before any incentive opportunity is payable. Objectives that are relevant to each executive are set with a Threshold, Target and Maximum Stretch level of performance expected, with at least 50% of scorecard items weighted for RCOP/NPAT and Free Cash Flow. Funding of the reward outcomes is modelled and monitored regularly. The following chart reflects the STI payment potential outcomes with the performance levels required to be achieved, with zero STI payment if performance is below 80% of Plan and a potential 200% of at Target bonus if Maximum Stretch performance is achieved.	

How reward outcomes are funded



Use of discretion	The Committee, in its advisory role, reviews proposed adjustments to Rewarding Results (R ²) outcomes where there are unforeseen and uncontrollable impacts on the scorecard elements and makes recommendations for any scorecard changes which may only be approved by the Board.
Payment vehicle	For the Managing Director & CEO, the Senior Executives and other Senior Managers, 33.3% of the award is deferred into equity if the cash value exceeds \$105,000. These shares are subject to a six month forfeiture risk and a two year dealing restriction. In 2006, 2007 and 2008, Senior Executives also received half of their short term incentive as restricted Caltex shares. Under the arrangements in place at that time, one third vested immediately, one third was deferred and held in trust for one year and the remainder was deferred and held in trust for two years. This practice was abandoned in 2009 as a result of Australian Government changes in the tax treatment of equity awards.

e. Performance-based “at risk” remuneration – Caltex Equity Incentive Plan (CEIP)

Changes have also been introduced in relation to the long term incentive plan, which the Board believes further emphasises the linkage with superior shareholder returns. LTI granted from 2010 onwards will be subject to more difficult performance conditions. The level of performance required for 100% vesting is the 90th percentile (compared to typical market practice being the 75th percentile) and the level of performance for 50% vesting is the 62.5th percentile (compared to typical market practice being the 50th percentile). At the 50th percentile level of performance only 33.33% of rights would vest. The measure of performance is Total Shareholder Return (TSR) over a three year period relative to two comparator groups (being the members of the ASX 100 Accumulation Index and, separately, nine international refining and marketing companies).

Performance period	Three years commencing 1 January 2010														
2010 Target and maximum opportunity levels	The Managing Director & CEO will receive an initial grant of performance rights based on an LTI value of 150% maximum of base salary, with other Senior Executives based on an LTI value of 90% maximum of base salary. The executives will only receive all of these rights if the performance measure as described below is achieved. That means for all of the initial grant (i.e. maximum) to vest, the relative TSR performance will need to be at the 90th percentile (note that typical market practice is the 75th percentile). If the relative TSR performance is at the Target (75th percentile), then 66.67% of the initial grant will vest and the remaining 33.33% will lapse. If the relative TSR performance is at the 50th percentile (where typical market practice grants 50% vesting) only 33.33% of the initial grant will vest and the remaining 66.67% will lapse.														
Performance measures	Relative TSR is assessed against two comparator groups: 50% of the rights are tied to relative performance against members of the S&P/ASX 100 Accumulation Index and 50% against a selection of international refining and marketing companies. The extent to which the awards vest is determined by Caltex percentile ranking against the following scale: <table> <tr> <th>Percentile ranking</th><th>% of award vesting – for 2010 award</th></tr> <tr> <td>1. Less than 50th</td><td>0%</td></tr> <tr> <td>2. 50th</td><td>33.33%</td></tr> <tr> <td>3. Between 51st and 75th</td><td>Pro-rate between 2 and 4</td></tr> <tr> <td>4. Target 75th</td><td>66.67%</td></tr> <tr> <td>5. Between 75th and 90th</td><td>Pro-rate between 4 and 6</td></tr> <tr> <td>6. Maximum 90th or higher</td><td>100%</td></tr> </table> Any performance rights that do not vest upon testing of the performance hurdle automatically lapse. The international refining and marketing companies for the 2010 performance year comprised Frontier Oil Corporation (USA), Motor Oil Hellas Corinth Refineries SA (Greece), Neste Oil OY J (Finland), S-Oil Corporation (Korea), Sunoco Incorporated (USA), Tesoro Corporation (USA), Valero Energy Corporation (USA) and Western Refining Incorporated (USA).	Percentile ranking	% of award vesting – for 2010 award	1. Less than 50th	0%	2. 50th	33.33%	3. Between 51st and 75th	Pro-rate between 2 and 4	4. Target 75th	66.67%	5. Between 75th and 90th	Pro-rate between 4 and 6	6. Maximum 90th or higher	100%
Percentile ranking	% of award vesting – for 2010 award														
1. Less than 50th	0%														
2. 50th	33.33%														
3. Between 51st and 75th	Pro-rate between 2 and 4														
4. Target 75th	66.67%														
5. Between 75th and 90th	Pro-rate between 4 and 6														
6. Maximum 90th or higher	100%														
Payment vehicle	Performance rights are granted by the company for nil consideration. Each performance right is a right to receive a fully-paid ordinary share at no cost if the vesting conditions are satisfied. Performance rights do not carry voting or dividend rights; however, shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares. The number of awards to be initially granted is determined by dividing the maximum opportunity level by the market price of the shares at the date of grant discounted by the value of the annual dividend to which the rights are not entitled. Shares to satisfy vested performance rights are purchased on market at the time of vesting if the performance criteria is met and the rights vest.														

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Why has the TSR hurdle been chosen?	The Board has selected a relative TSR measure because it provides direct alignment with shareholder outcomes. It provides a direct comparison of relative performance in a range of market conditions and only rewards executives when returns are at or above the median of peer companies against which Caltex competes for capital, customers or talent. Absolute TSR has not been selected because it does not distinctly separate the company's performance from overall market movements over which executives may have no control.
What if a participant ceases employment?	If a participant ceases to be an employee due to resignation, all unvested equity awards held by the participant will lapse, except in exceptional circumstances as approved by the Board. The Board has the discretion to determine the extent to which equity awards granted under the Plan to the participant vest where a participant ceases to be an employee of a Group company due to death, total and permanent disablement, bona fide redundancy or other reason with the approval of the Board. If no determination is made by the Board, all equity awards held by the participant will lapse.
What happens in the event of a change in control?	Any unvested performance rights may vest at the Board's discretion, having regard to pro-rated performance. Performance rights that vest following a change of control will not generally be subject to the restrictions on dealing outlined above.

f. Managing Director & CEO remuneration and Service Agreement

The terms of Mr Segal's appointment were announced to the market on 22 April 2009. The Board sought external expert advice from Godfrey Remuneration Group to establish a remuneration package that was competitive and which was of the level necessary and reasonable to secure the services of a Managing Director & CEO of a top Australian publicly listed company. A significant proportion of the total potential remuneration is "at risk" and subject to the performance of Caltex and the delivery of TSR relative to the separate members of the ASX 100 Accumulation Index and nine selected international refining and marketing companies.

The Managing Director & CEO's total remuneration is split into fixed and "at risk" components as follows:

Fixed remuneration incl. superannuation	% of Total Target Remuneration (annualised)	
	STI*	LTI
	"At Target"	"At Target" – when TSR is at the 75th percentile of peer companies
\$1,868,000	\$884,000 (50% of base salary)	\$1,768,000 (100% of base salary)
	"Stretch"	"Stretch" – when TSR is at the 90th percentile of peer companies
	\$1,768,000 (100% of base salary)	\$2,652,000 (150% of base salary)

*There is a mandatory deferral into equity of 33.3% of short term incentives above \$105,000.

Table 1. Summary of Managing Director & CEO's Service Agreement

Term	Conditions
Duration	Ongoing until notice is given by either party
Termination by Senior Executive	Six months notice Company may elect to make payment in lieu of notice
Termination by company for cause	No notice requirement or termination benefits (other than accrued entitlements)
Termination by company (other)	12 months notice Termination payment of 12 months base salary (reduced by any payment in lieu of notice) Treatment of unvested STI and LTI in accordance with Plan terms
Post-employment restraints	Restraint applies for 12 months if employed in the same industry within Australia

g. Senior Executive Service Agreements

The remuneration and other terms of employment for Senior Executives are formalised in Service Agreements (contracts of employment). The material terms of the Service Agreements are set out below.

The Senior Executives of Caltex other than the Chevron secondee, Mr Walz, are appointed as permanent Caltex employees. Their employment contracts require both Caltex and the Senior Executive to give a notice period within a range between one and six 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 going forward is to reset the termination notice for all newly appointed Senior Executives to at least three months.

The details of the contracts of the current Senior Executives of Caltex (other than Mr Walz) are set out below:

Table 2. Summary of Service Agreements for other Senior Executives

Senior Executives	Contract	Termination notice
Helen Conway	Open ended	3 months
Simon Hepworth	Open ended	3 months
Ken James	Open ended	6 months
Mike McMenamin	Open ended	1 month
Gary Smith	Open ended	6 months
Simon Willshire	Open ended	6 months

If a Senior Executive were to resign, their entitlement to unvested shares payable through the Long Term Incentive Plan and Caltex Equity Incentive Plan would generally be forfeited and, if resignation was on or before 31 December of the year, generally their payment from the Rewarding Results (R²) Plan would also be forfeited, subject to the discretion of the Board.

Other than prescribed notice periods, there is no special termination benefit payable under the contracts of employment. Statutory benefits (such as long service leave) are paid in accordance with the legislative requirements at the time of the Senior Executive's termination.

Mr Walz's secondment is for a period of three years and Caltex and Chevron have agreed to extend the contract term, with the end date and notice period subject to final confirmation.

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

h. Hedging and margin lending policies

The Caltex Share Trading Policy prohibits the Managing Director & CEO and other Senior Executives from hedging an exposure to unvested or vested Caltex securities held through any of our executive incentive plans. The policy also requires directors and Senior Executives to give prior notice to the Company Secretary of any proposed margin loan arrangements. If a demand for payment is made under a margin loan arrangement, the director or Senior Executive must immediately advise the Company Secretary.

Caltex takes compliance with this policy seriously, and takes appropriate measures to ensure adherence to the policy. Each year, directors and Senior Executives are required to provide a certificate to the Company Secretary in which they confirm compliance with the policy. Any breach of this policy must be immediately advised to the Company Secretary, who, in turn, will report the breach to the Board. A breach of this policy may lead to disciplinary action, which may include termination of employment in serious cases.

4. Link between company performance and executive remuneration

The table below demonstrates Caltex TSR, dividend, share price, earnings per share and RCOP NPAT performance each year from 2006 to 2010:

	2010	2009	2008	2007	2006
12 month TSR % ⁽ⁱ⁾	61.0	32.8	(60.9)	(12.6)	22.8
Dividends (cents per share)	60c	25c	36c	80c	80c
Share price ⁽ⁱⁱ⁾	\$14.37	\$9.30	\$7.19	\$19.31	\$23.00
Earnings per share (dollars per share)	\$1.18	\$1.13	\$0.69	\$1.64	\$1.59
RCOP NPAT (million) ⁽ⁱⁱⁱ⁾	\$318	\$305	\$186	\$444	\$430
Caltex Safety – TTIFR ^(iv)	2.95	4.57	8.82	8.35	9.71
Caltex Safety – LTIFR ^(v)	1.23	2.12	2.97	3.79	4.50

- i. Total Shareholder Return (TSR) is calculated as the change in share price for the year, plus dividends announced for the year, divided by the opening share price. TSR is a measure of the return to shareholders in respect to each financial year.
- ii. The price quoted is the trading price for the last day of trading (31 December) in each calendar year.
- iii. Measured using the replacement cost of sales operating profit (RCOP) method which excludes the impact of the fall or rise in oil prices (a key external factor) and excludes significant items as determined by the Board.
- iv. TTIFR – Total Treatable Injury Frequency Rate.
- v. LTIFR – Lost Time Injury Frequency Rate.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

The following table shows where information on the components of executive remuneration, including applicable performance hurdles, is included in this report.

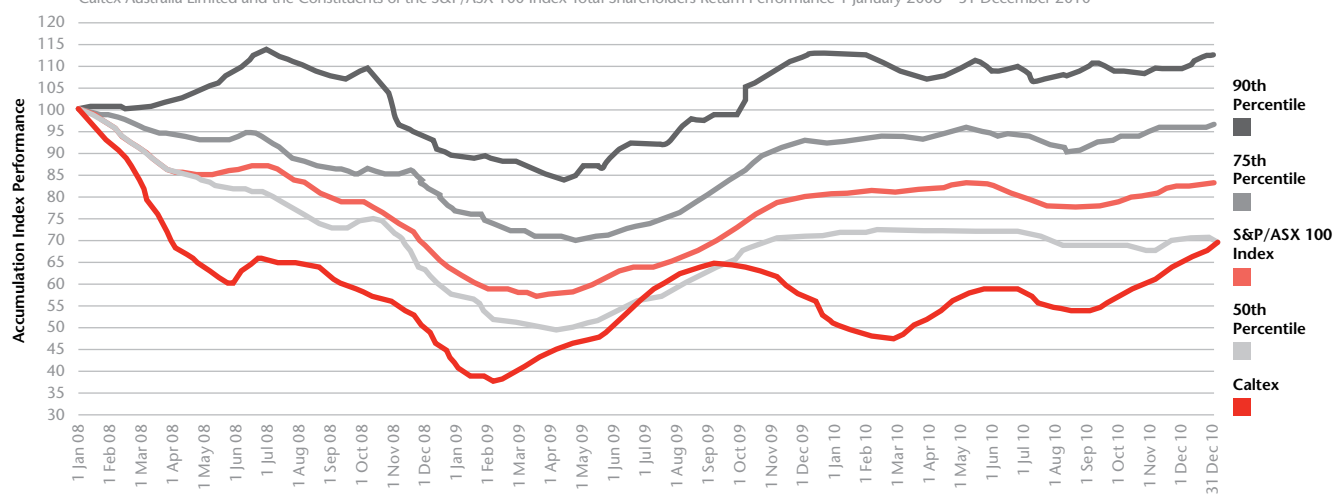
Section	Content
3a	Discusses Caltex's remuneration philosophy and structure for executive directors and senior executives, including alignment of the reward system with shareholders' interests. This section also provides an overview of the performance measures used to assess eligibility for incentives.
3b	Provides information on how Fixed Remuneration is set.
3c	Explains the Caltex business performance measures applied to executive directors and senior executives, including why they have been chosen and how they relate to the performance of the business. This section also provides an explanation of RCOP NPAT and its relevance to the Caltex business.
3d	The table at section 3d illustrates Caltex's performance against the measures used to determine short term incentive payments in 2010.
3e	Provides details of the performance measures applied in relation to Caltex's long term incentive plan. As indicated in that section, effective from the 2010 grant, the level of performance required for 100% of the initial grant to vest and convert into shares is the 90th percentile compared to both the comparator groups. If the level of performance is at the 50th percentile of the market (i.e. the median) then only 33.33% of the initial grant will vest and convert into shares.

The actual executive remuneration outcomes for 2010 are detailed in the appropriate tables which provide both unaudited non-statutory disclosures (a view of the remuneration either received in cash or in the form of equity granted in prior years which has vested in 2010 in table 3a) as well as the audited statutory disclosures in table 3b.

The charts on the following pages provide a comparison of the Caltex TSR performance to the domestic comparator group (companies in the ASX 100 Accumulation Index) and the change in the level of performance over three years to 31 December 2010 and a one year period to 31 December 2010.

3 Year TSR performance 1 January 2008 – 31 December 2010

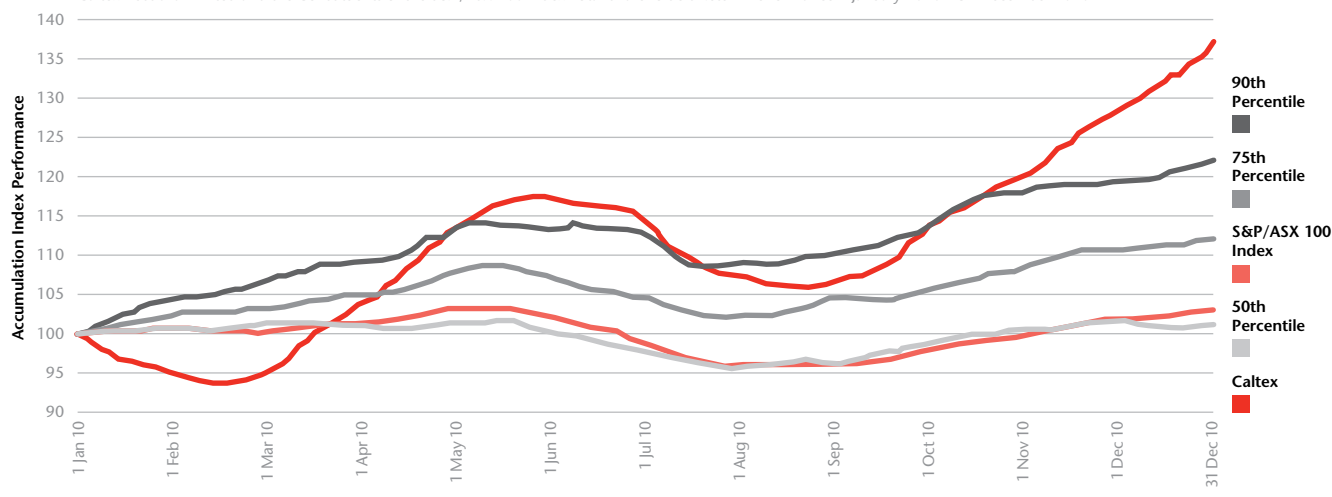
Caltex Australia Limited and the Constituents of the S&P/ASX 100 Index Total Shareholders Return Performance 1 January 2008 – 31 December 2010



2010 Copyright. All Rights Reserved. Egan Associates. Indices based on a value of 100 at 1 January 2008. 60-trading day smoothing applied.
Constituents based on the S&P/ASX 100 Index as a grant date (i.e. 1 January 2008). Caltex included the S&P/ASX 100 Index. Source: Thomson Reuters Datastream

1 Year TSR performance 1 January 2010 – 31 December 2010

Caltex Australia Limited and the Constituents of the S&P/ASX 100 Index Total Shareholders Return Performance 1 January 2010 – 31 December 2010



2010 Copyright. All Rights Reserved. Egan Associates. Indices based on a value of 100 at 1 January 2010. 60-trading day smoothing applied. Constituents based on the S&P/ASX 100 Index as a grant date (i.e. 1 January 2010). Caltex included the S&P/ASX 100 Index. Source: Thomson Reuters Datastream

a. Remuneration tables

Table 3a. Total remuneration for Executive Director and Senior Executives for 2010 (in dollars)
– unaudited non-statutory disclosures

The following table sets out the cash value the Executive Director and Senior Executives derived from the various components of their remuneration in 2010, from an individual perspective. The value of remuneration includes the equity grants where the executive received control of the shares in 2010.

The purpose of this table is to provide a summary of the “past” and “present” remuneration outcomes received in either cash or in the form of equity granted in prior years which has vested in 2010. As a result, the values in this table will not reconcile with those provided in the statutory table.

	Salary	Fixed other remuneration ⁽ⁱ⁾	Bonus (short term incentive) ⁽ⁱⁱ⁾	Deferred STI vested in the year ⁽ⁱⁱⁱ⁾	Equity vested during the year ^(iv)	Remuneration “earned” for 2010 ^(v)
Executive Director						
Julian Segal (Managing Director & CEO)						
2010	1,810,167	83,906	1,007,990	–	161,244	3,063,307
Senior Executives						
Helen Conway (General Manager – Office of the CEO, Company Secretary and General Counsel)						
2010	474,575	68,826	238,349	–	91,184	872,934
Simon Hepworth (Chief Financial Officer)						
2010	566,992	122,852	333,506	–	101,148	1,124,498
Ken James (General Manager – Supply and Distribution)						
2010	426,856	234,531	282,758	–	36,062	980,207
Mike McMenamin (General Manager – Strategy, Planning and Development)						
2010	415,500	91,780	222,384	–	58,099	787,763
Gary Smith (General Manager – Refining)						
2010	665,000	124,975	403,139	–	–	1,193,114
Andy Walz (General Manager – Marketing) ^(vi)						
2010	624,008	893,783	121,202	–	–	1,638,993
Simon Willshire (General Manager – Human Resources)						
2010	432,775	62,392	229,028	–	70,349	794,544

i. Fixed other remuneration includes cash value of non-monetary benefits, superannuation and annual leave and long service leave entitlements.

ii. The cash component (66.6%) of the STI to be received for the 2010 year, but to be paid in April 2011. 33.3% of the STI has been deferred and restricted for two years.

iii. The deferred unrestricted component of any prior year STI.

iv. Equity based programs from prior years that have vested in 2010. The value is calculated using the closing share price of Caltex shares on the vesting date.

v. Total value of remuneration received during 2010. This is the total of the previous columns and includes 2010 STI payable in April 2011.

vi. Fixed other remuneration includes expatriate and equity benefits to Chevron secondees under their Chevron employment contracts.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Table 3b. Total remuneration for Senior Executives for 2010 (in dollars) – statutory disclosures

	Primary		Post employment	Other long term	Equity		Total	
	Salary and fees ⁽ⁱ⁾	Bonus (short term incentive) ⁽ⁱⁱ⁾	Non-monetary benefits ⁽ⁱⁱⁱ⁾	Super-annuation	Other ^(iv)	Share benefits (long term incentive)	Rights benefits (long term incentive) ^(v)	
Helen Conway (General Manager – Office of the CEO, Company Secretary and General Counsel)								
2010	476,258	238,349	11,766	39,887	15,490	71,418	163,470	1,016,638
2009	434,308	260,000	10,892	43,425	18,230	34,954	93,450	895,259
Simon Hepworth (Chief Financial Officer)								
2010	571,721	333,506	14,958	81,890	21,276	96,157	210,794	1,330,302
2009	564,881	292,000	12,753	68,874	16,152	35,305	123,710	1,113,675
Ken James (General Manager – Supply and Distribution)								
2010	423,999	282,758	43,501	89,709	104,178	81,675	132,811	1,158,631
2009	313,169	202,000	55,490	60,481	145,502	14,425	39,783	830,850
Mike McMenamin (General Manager – Strategy, Planning and Development)								
2010	424,654	222,384	14,591	47,295	20,740	65,822	137,735	933,221
2009	369,646	220,000	12,603	34,808	21,848	23,325	61,987	744,217
Gary Smith (General Manager – Refining) ^(vi)								
2010	698,849	403,139	13,853	67,617	9,656	113,279	138,822	1,445,215
2009	490,331	172,600	38,058	33,143	3,317	–	–	737,449
Andy Walz (General Manager – Marketing)								
2010	624,008	121,202	645,301	56,308	192,174	–	–	1,638,993
2009	663,797	185,107	630,183	68,859	180,354	–	–	1,728,300
Peter Wilkinson (Former Group Manager – Operational Excellence and Risk) ^(vii)								
2010	–	–	–	–	–	–	–	–
2009	392,008	42,600	980	23,654	–	–	–	459,242
Simon Willshire (General Manager – Human Resources)								
2010	433,623	229,028	12,474	37,007	12,063	68,799	151,188	944,182
2009	400,373	236,000	11,139	40,275	8,076	23,186	88,438	807,487
Total remuneration: Senior Executives								
2010	3,653,112	1,830,366	756,444	419,713	375,577	497,150	934,820	8,467,182
2009	3,628,513	1,610,307	772,098	373,519	393,479	131,195	407,368	7,316,479

i. Salary and fees include base pay, annual leave and termination benefits.

ii. The cash component (66.6%) of the STI to be received for the 2010 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2010 deferred STI is reflected in the Equity – Share benefits (long term incentive).

iii. Non-monetary benefits include expatriate benefits to Chevron secondees under their Chevron employment contracts.

iv. Other long term remuneration represents the Chevron Long Term Incentive Plan for Mr Walz and long service leave for all other executives.

v. These values have been calculated under Accounting Standards and as such the values may not represent the future value that may (or may not) be received by the executive as the vesting of the rights is subject to Caltex achieving performance conditions.

vi. Mr Smith commenced employment on 4 August 2009 and the amounts shown for 2009 are pro-rated to reflect this.

vii. 2009 departed executives have been included for year on year comparison purposes. Mr Wilkinson resigned effective 23 October and was paid \$150,000 on resignation.

Table 4. Unvested shareholdings of Executive Director and Senior Executives during 2010

Executive Director and Senior Executives	Unvested shares at 1 Jan 2010 from the 2006, 2007, 2008 and 2009 performance years	Restricted shares granted ⁽ⁱ⁾	Shares vested from the 2006, 2007 and 2008 performance years	Forfeited	Unvested shares at 31 Dec 2010 from the 2008, 2009 and 2010 performance years ⁽ⁱⁱ⁾
Julian Segal ⁽ⁱⁱⁱ⁾	73,979	36,136	–	–	110,115
Helen Conway	7,575	8,545	(6,112)	–	10,008
Simon Hepworth	7,260	11,956	(6,456)	–	12,760
Ken James	3,185	10,137	(2,449)	–	10,873
Mike McMenamin	5,161	7,972	(4,063)	–	9,070
Gary Smith	–	14,452	–	–	14,452
Andy Walz ^(iv)	–	–	–	–	–
Simon Willshire	5,479	8,210	(4,016)	–	9,673

i. Restricted shares granted represents the 2010 STI deferred into equity (33.3%). The shares will be bought in 2011 and so this disclosure represents the estimated number of shares to be acquired at that time.

ii. If the executive meets the service conditions, the amounts will vest in 2011 and 2012.

iii. Mr Segal received a grant of \$900,000 of Caltex shares (73,979) restricted for three years as a joining incentive in 2009.

iv. Mr Walz is not eligible to participate for any of the grant periods under the terms of his secondment arrangement with Chevron.

From 2006 until 2008, 50% of the STI payment for Senior Executives was awarded as restricted shares allocated under the Caltex Equity Incentive Plan. Additionally, until 2006, restricted shares were granted as a long term incentive under a previous plan called the Long Term Incentive Plan. The Managing Director & CEO received a joining incentive in 2009 and had 50% of his 2009 STI paid as Caltex shares (50% of which were restricted). Table 5 shows the percentage of the shares vested, the years to which the grant is still to vest and the future cost to Caltex. The cost to Caltex of the shares is recorded in line with the service received from the Senior Executive; however, the shares typically vest to the Senior Executive in subsequent years.

Table 5. Restricted share grants to Executive Director and Senior Executives in 2010

The following table is for accounting value purposes and provides an estimate of the future cost to Caltex of unvested shares based on the progressive vesting of the restricted shares. For example, of the 2008 CEIP shares, 34% remain to vest in 2011; however, there is no estimated future cost as their cost has already been accounted for by Caltex. Of the 2010 deferred STI no shares have vested and the estimated future cost has been provided.

Executive Director and Senior Executives ⁽ⁱ⁾	CEIP year	Deferred STI year	Vested (% of shares vested)	Future years when shares will vest	Future cost to Caltex of unvested shares (\$)
Julian Segal	2009 ⁽ⁱⁱ⁾		0%	2012	425,000
		2010	0%	2011	236,031
	Total				661,031
Helen Conway	2008		66%	2011	–
		2010	0%	2011	55,812
	Total				55,812
Simon Hepworth	2008		66%	2011	–
		2010	0%	2011	78,094
	Total				78,094
Ken James	2008		66%	2011	–
		2010	0%	2011	66,210
	Total				66,210

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Table 5. Restricted share grants to Executive Director and Senior Executives in 2010 (continued)

Executive Director and Senior Executives ⁽ⁱ⁾	CEIP year	Deferred STI year	Vested (% of shares vested)	Future years when shares will vest	Future cost to Caltex of unvested shares (\$)
Mike McMenamin	2008		66%	2011	–
		2010	0%	2011	52,073
	Total				52,073
Gary Smith		2010	0%	2011	94,399
	Total				94,399
Simon Willshire	2008		66%	2011	–
		2010	0%	2011	53,629
	Total				53,629

i. Mr Walz is not eligible to participate for any of the grant periods under the secondment arrangement with Chevron.

ii. This relates to Mr Segal's 2009 joining incentive.

Table 6. 2010 Executive Director and Senior Executive performance rights

Since 2007, long term incentives for Senior Executives have been awarded as performance rights under the CEIP as explained in section 3e. Table 6 sets out details of movements in performance rights held by Senior Executives during the year, including details of the performance rights that vested.

Executive Director and Senior Executives ⁽ⁱ⁾	Performance rights at 1 Jan 2010 ⁽ⁱⁱ⁾	Granted in 2010 ⁽ⁱⁱⁱ⁾	Vested in 2010 ^(iv)	Lapsed in 2010 ^(iv)	Balance at 31 Dec 2010
Julian Segal	–	332,746	–	–	332,746
Helen Conway	40,990	52,508	(2,333)	(3,887)	87,278
Simon Hepworth	54,530	66,398	(3,079)	(5,131)	112,718
Ken James	18,910	56,144	(885)	(1,475)	72,694
Mike McMenamin	29,770	48,894	(1,238)	(2,062)	75,364
Gary Smith	–	75,658	–	–	75,658
Simon Willshire	38,870	47,992	(2,243)	(3,737)	80,882

i. Mr Walz is not eligible to participate for any of the grant periods under the terms of his secondment arrangement with Chevron.

ii. For 2008 and 2009 performance rights, if all future performance conditions are met these performance rights will be payable in 2011 and 2012.

iii. If all future performance conditions are met these performance rights will be payable in 2013.

iv. Relates to 2007 performance rights of which 62.5% lapsed in the year and 37.5% vested.

Table 7. Valuation assumptions of performance rights granted

The fair value of performance rights granted under the CEIP is determined independently by Ernst & Young using an appropriate numerical pricing model. The model takes into account a range of assumptions and the fair values for each year of grant have been calculated incorporating the assumptions below.

Comparator group	2010 grant		2009 grant		2008 grant	
	ASX 100	International refining and marketing companies	ASX 100	International refining and marketing companies	ASX 100	International refining and marketing companies
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	35%	35%	40%	40%	30%	30%
Risk free interest rate	5.24%	5.24%	3.28%	3.28%	6.76%	6.76%
Dividend yield	4.0%	4.0%	6.0%	6.0%	4.4%	4.4%
Expected life (years)	2.9	2.9	3.0	3.0	3.0	3.0
Share price at grant date	\$11.87	\$11.87	\$7.19	\$7.19	\$19.37	\$19.37
Valuation per right	\$7.89	\$7.75	\$4.03	\$4.17	\$10.41	\$10.76

Table 8. Distribution of 2010 fixed and variable remuneration elements of remuneration

The proportion of each Senior Executive's remuneration for 2010 that was fixed, and the proportion that was subject to a performance condition, is shown in the following table. The percentages are based on the statutory remuneration received which includes valuations of non-cash components and equity payments as calculated under Australian Accounting Standards and as such do not correspond to the target remuneration percentages disclosed earlier in this report in section 3b. The target remuneration percentages are calculated on base salary plus incentives, whereas the fixed remuneration below includes value of non-cash components such as accruals for annual leave and long service leave where applicable. The long term incentive values in the statutory tables include the value of grants made in prior years, whereas the target remuneration reflects the value of the grant to be made in the current year.

Executive Director and Senior Executives	Fixed	Variable (including short and long term incentive payments)
Julian Segal	46%	54%
Helen Conway	53%	47%
Simon Hepworth	52%	48%
Ken James	57%	43%
Mike McMenamin	54%	46%
Gary Smith	55%	45%
Andy Walz	81%	19%
Simon Willshire	52%	48%

5. Non-executive director remuneration

a. Our approach to non-executive director remuneration

At Caltex, our business and corporate operations are managed under the direction of the Board on behalf of shareholders. The Board oversees the performance of Caltex management in seeking to deliver superior business and operational performance and long term growth in shareholder value. The Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Under the Caltex Constitution and the ASX Listing Rules, the total remuneration pool for non-executive directors is determined by shareholders. Within this overall pool amount, remuneration for non-executive directors is reviewed by the Committee, taking into account recommendations from an external expert, and set by the Board.

Fees for non-executive directors are set at a level 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. The Board seeks to attract directors with different skills, experience and abilities to enable it to effectively oversee and challenge the performance of management. Additionally, when setting fee rates, the Board takes into account factors such as external market data on fees and the size and complexity of Caltex's operations.

The remuneration of non-executive directors is fixed. The non-executive directors do not participate in any Caltex incentive or bonus schemes. Caltex does not have a retirement scheme for non-executive directors.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

b. Board and committee fee rates for 2010

Shareholders approved a maximum annual Board remuneration pool of \$2,000,000, including statutory entitlements, at the Annual General Meeting on 22 April 2010, with effect from 1 May 2010. The maximum Board remuneration pool in 2010 prior to this approval was \$1,600,000, including statutory entitlements (approved by shareholders in 2008).

Table 9. 2010 and 2011 non-executive directors' fees

In 2010, the Committee engaged the Godfrey Remuneration Group (Godfrey) to carry out a review of non-executive director fees. In its report, Godfrey outlined the results of benchmarking Caltex's remuneration practices for non-executive directors to a comparator group of companies listed on the ASX. The report was considered by the Committee in November 2010 and by the Board in December 2010. In considering fee rates for 2011, the Committee and the Board took into account the prevailing market rates paid to similar companies. The Board approved an increase of \$6,000 (4%) in the base fee for non-executive directors and an increase of \$62,500 (16%) for the Chairman's fee, to achieve comparability with the fees paid by similar organisations and in accordance with independent advice. It was determined that all committee fees would remain unchanged in 2011. The following table shows the fee rates for 2010 and 2011.

Role	2011 (effective 1 January 2011)	2010
Board		
Chairman	\$460,000 (inclusive of all committee fees)	\$397,500 (inclusive of all committee fees)
Director	\$150,000	\$144,000
Board Committee Chairman		
Audit Committee	\$35,000	\$35,000
Human Resources Committee	\$30,000	\$30,000
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$25,000	\$25,000
Board Committee Member		
Audit Committee	\$17,500	\$17,500
Human Resources Committee	\$15,000	\$15,000
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$12,500	\$12,500

Superannuation is paid in addition to these fee rates. Caltex pays superannuation at 9% for non-executive directors. Superannuation is not paid for overseas directors. An alternate director does not receive Board or Board committee fees.

Table 10. Total remuneration for directors for 2010 (in dollars) – statutory disclosures (notes on the following page)

	Primary		Post employ- ment	Other long term		Equity		Total
	Salary and fees	Bonus (short term incentive) ⁽ⁱ⁾	Non- monetary benefits	Super- annuation (ii) (iii)	Other	Share benefits (long term incentive)	Rights benefits (long term incentive)	Non- executive Director Share Plan ^(iv)
Executive Directors								
Julian Segal (Managing Director & CEO)								
2010	1,812,864	1,007,990	14,280	40,833	26,096	583,237	610,542	– 4,095,842
2009	1,068,333	322,500	10,618	38,333	12,401	497,500	–	– 1,949,685
Desmond King (former Managing Director & CEO)								
2010	–	–	–	–	–	–	–	–
2009	297,978	136,657	917,927	53,328	210,412	–	–	– 1,616,302
Total: Executive Directors								
2010	1,812,864	1,007,990	14,280	40,833	26,096	583,237	610,542	– 4,095,842
2009	1,366,311	459,157	928,545	91,661	222,813	497,500	–	– 3,565,987
Non-executive Directors								
Elizabeth Bryan (Chairman)								
2010	418,133	–	297	15,142	–	–	–	– 433,572
2009	336,407	–	284	26,156	–	–	–	50,002 412,849
Trevor Bourne								
2010	186,500	–	607	16,785	–	–	–	– 203,892
2009	172,000	–	670	15,480	–	–	–	– 188,150
Brant Fish								
2010	159,000	–	–	–	–	–	–	– 159,000
2009	147,000	–	–	–	–	–	–	– 147,000
Greig Gailey								
2010	182,760	–	596	39,600	–	–	–	– 222,956
2009	125,084	–	762	73,296	–	–	–	– 199,142
Colleen Jones-Cervantes ^(v)								
2010	104,190	–	–	–	–	–	–	– 104,190
2009	147,000	–	–	–	–	–	–	– 147,000
Tim Leveille								
2010	12,230	–	–	–	–	–	–	– 12,230
2009	–	–	–	–	–	–	–	–
Rob Otteson								
2010	131,770	–	–	–	–	–	–	– 131,770
2009	63,058	–	–	–	–	–	–	– 63,058
Walt Szopiak								
2010	52,310	–	–	–	–	–	–	– 52,310
2009	–	–	–	–	–	–	–	–
John Thorn								
2010	196,696	–	1,187	14,764	–	–	–	– 212,647
2009	177,801	–	1,130	15,129	–	–	–	– 194,060
Total: Non-executive Directors								
2010	1,443,589	–	2,687	86,291	–	–	–	– 1,532,567
2009	1,168,350	–	2,846	130,061	–	–	–	50,002 1,351,259
Total remuneration: Directors								
2010	3,256,453	1,007,990	16,967	127,124	26,096	583,237	610,542	– 5,628,409
2009	2,534,661	459,157	931,391	221,722	222,813	497,500	–	50,002 4,917,246

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Table 10. Total remuneration for directors for 2010 (in dollars) – statutory disclosures (continued)

- The cash component (66.6%) of the STI to be received for the 2010 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2010 deferred STI is reflected in the Equity – Share benefits (long term incentive).
- Superannuation contributions are made on behalf of non-executive directors to satisfy Caltex's obligations under Superannuation Guarantee legislation.
- Fees paid to Australian based non-executive directors may be subject to fee sacrifice arrangements for superannuation. Also, directors may direct Caltex to pay superannuation contributions referable to fees in excess of the maximum earnings base as cash.
- In 2009, fees paid to Australian based non-executive directors may be subject to participation in the NED Share Plan. For the 2009 year, Ms Elizabeth Bryan elected to participate in the NED Share Plan. She acquired 5,708 shares on-market on 9 March 2009 (at a cost of \$8.76 per share). The NED Share Plan was placed on hold in 2009 following changes in taxation legislation and formally terminated in early 2011.
- Fees paid to Ms Jones-Cervantes relate to her service as a former director of Caltex until her resignation on 31 August 2010. Ms Jones-Cervantes was appointed as an alternate director from 1 September 2010. Caltex does not pay any remuneration to alternate directors.

DIRECTORS' INTERESTS

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2010:

Director	Shareholding	Nature of Interest
Ms Elizabeth Bryan	14,946	Direct interest
Mr Julian Segal	105,316	Direct interest in 15,668 shares; indirect interest in 89,648 shares. Mr Segal also has a direct interest in 332,746 performance rights
Mr Trevor Bourne	5,395	Direct interest in 2,395 shares; indirect interest in 3,000 shares
Mr Brant Fish	–	–
Mr Greig Gailey	5,000	Indirect interest
Mr Tim Leveille	–	–
Mr Walt Szopiak	–	–
Mr John Thorn	1,510	Indirect interest

Notes:

- The directors have not acquired or disposed of any relevant interests in the company's shares in the period from 1 January 2011 to the date of this report.
- Ms Colleen Jones-Cervantes (alternate director) did not have a relevant interest in the company's shares at 31 December 2010 or at the date of this report.
- Mr Rob Otteson (former director) did not have a relevant interest in the company's shares at 30 November 2010 (when he resigned as a director).

BOARD AND COMMITTEE MEETINGS

The Board of Caltex Australia Limited met nine times during the year ended 31 December 2010. In addition, the Board's strategy session was held over two days during the year.

In 2010, the Board operated the following standing committees:

- Audit Committee, which met four times
- Human Resources Committee, which met five times
- Nomination Committee, which met three times
- OHS & Environmental Risk Committee, which met five times.

Special purpose committees were convened on four occasions in 2010.

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

Director	Board		Audit Committee		Human Resources Committee		Nomination Committee		OHS & Environmental Risk Committee		Other	
Current directors												
Ms Elizabeth Bryan	9	(9)	4		4		3		5		5	(5)
Mr Julian Segal	9	(9)	4		5		3		5		5	(5)
Mr Trevor Bourne	9	(9)	4	(4)			3	(3)	5	(5)	1	(1)
Mr Brant Fish	8	(8)			5	(5)	3	(3)			1	(1)
Mr Greig Gailey	9	(9)	4	(4)	5	(5)	3	(3)	5	(5)	3	(3)
Mr Tim Leveille	1	(1)										
Mr Walt Szopiak	4	(5)					1	(2)	2	(3)		
Mr John Thorn	8	(9)	4	(4)	5	(5)	3	(3)			4	(4)
Alternate director												
Ms Colleen Jones-Cervantes	4	(7)					2	(3)	3	(4)	1	(1)
Former director												
Mr Rob Otteson	6	(7)					2	(3)			1	(1)

Notes:

- The table shows the number of Board and committee meetings attended by each director during the year ended 31 December 2010, with the number of meetings held during the director's time in office, and which the director was eligible to attend, shown in brackets. The reference to "other" includes the Board's two day strategy session (which was attended by all current directors and Mr Szopiak, who was an alternate director at the time of the session) and special purpose committees that were convened during the year.
- The Chairman, Ms Bryan, attended meetings of the Audit Committee, the Human Resources Committee, and the OHS & Environmental Risk Committee in an ex-officio capacity on a standing basis in 2010.
- The Managing Director & CEO, Mr Segal, attended meetings of the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee as a member of management in 2010.
- Mr Thorn was unable to attend one Board meeting in 2010, which had been convened as a special meeting (in addition to the Board's scheduled meetings). Mr Szopiak was unable to attend one Board meeting, one Nomination Committee meeting and one OHS & Environmental Risk Committee meeting in 2010 following his appointment as a director; Ms Jones-Cervantes attended each of these meetings as alternate director. Ms Jones-Cervantes, in her former capacity as a director, was unable to attend three Board meetings, one Nomination Committee meeting and one OHS & Environmental Risk Committee meeting; Mr Szopiak attended each of these meetings in his former capacity as alternate director. Mr Otteson was unable to attend one Board meeting and one Nomination Committee meeting; Ms Jones-Cervantes attended both of these meetings as alternate director.
- In addition to the meetings attended, as recorded in the table, directors attended the following additional meetings (as a visitor in each case): Mr Bourne attended one Human Resources Committee meeting; Mr Leveille attended one Board meeting, one Audit Committee meeting and one Human Resources Committee meeting prior to his appointment as a director; Mr Szopiak attended one Board meeting and the Board strategy session; Ms Jones-Cervantes attended one Human Resources Committee meeting; and Mr Otteson attended three Audit Committee meetings.

DIRECTORS' REPORT (CONTINUED)

SHARES AND INTERESTS

The total number of ordinary shares on issue at the date of this report and during 2010 is 270 million shares (2009: 270 million shares). The total number of performance rights on issue at the date of this report is 1,667,434 (2009: 402,600). 1,326,714 performance rights were issued during 2010 (2009: 270,470). 61,880 performance rights were distributed or lapsed during the year (2009: 20,630). On vesting, Caltex is required to allocate one ordinary share for each performance right. For each right that vests, Caltex will purchase a share on-market following vesting.

NON-AUDIT SERVICES

KPMG is the external auditor of Caltex Australia Limited and the Caltex Australia Group.

In 2010, KPMG performed non-audit services for the Caltex Australia Group in addition to its statutory audit and review engagements for the full year and half year.

KPMG received or was due to receive the following amounts for services performed for the Caltex Australia Group during the year ended 31 December 2010:

- for non-audit services – total fees of \$160,000 (2009: \$413,000); these services included transaction services (\$88,000), taxation services (\$20,000) and other assurance services (\$52,000), and
- for audit services – total fees of \$811,000 (2009: \$740,000).

The Board has received a written advice from Mr John Thorn (Audit Committee Chairman) for and on behalf of the Audit Committee in relation to the independence of KPMG, as external auditor, for 2010. The advice was made in accordance with a resolution of the Audit Committee.

The directors are satisfied that:

- the provision of non-audit services to the Caltex Australia Group during the year ended 31 December 2010 by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act*, and
- the provision of non-audit services during the year ended 31 December 2010 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
 - the provision of non-audit services in 2010 was consistent with the Board's policy on the provision of services by the external auditor
 - the non-audit services provided in 2010 are not considered to be in conflict with the role of external auditor, and
 - the directors are not aware of any matter relating to the provision of the non-audit services in 2010 that would impair the impartial and objective judgement of KPMG as external auditor.

COMPANY SECRETARIES

Ms Helen Conway

Ms Helen Conway serves as Company Secretary, General Counsel and General Manager – Office of the CEO. In this role, she serves as Company Secretary to the Board, as Committee Secretary for the Nomination Committee, and as a company secretary for various companies in the Caltex Australia Group.

Ms Conway was appointed as Company Secretary of Caltex Australia Limited with effect from 13 September 1999. Prior to joining Caltex, she was General Counsel for Air Services Australia and, before that, Group Secretary, General Counsel and General Manager – Corporate Advisory Division at NRMA. Ms Conway has also worked as a lawyer in private practice.

Ms Conway is a director of Caltex Australia Nominees Pty Ltd, the former trustee of the Caltex Australia Superannuation Plan.

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

Mr John Willey

Mr John Willey, Assistant Company Secretary, serves as a company secretary of Caltex Australia Limited. He also serves as Committee Secretary for the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee, and as a company secretary for various companies in the Caltex Australia Group.

Mr Willey was appointed as a company secretary of Caltex Australia Limited with effect from 1 June 2008 and has previously served as a company secretary from 30 August 2001 to 2 December 2004.

Mr Willey holds a Bachelor of Laws and a Bachelor of Business from the University of Technology, Sydney. He is a member of Chartered Secretaries Australia.

INDEMNITY AND INSURANCE

Constitution

The Constitution of Caltex Australia Limited provides that, to the extent permitted by law and subject to the restrictions in sections 199A and 199B of the *Corporations Act*, Caltex Australia Limited indemnifies every person who is or has been a director or secretary of the company or of a subsidiary at the request of the Board of Caltex Australia Limited. The indemnities cover 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, 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.

Deeds of indemnity and insurance

During the year ended 31 December 2010, Caltex Australia Limited entered into a deed of access, insurance and indemnity with Mr Tim Leveille (director). Deeds of access, insurance and indemnity have previously been entered into by Caltex Australia Limited with other current directors and secretaries and with former directors and secretaries.

Under the deeds, Caltex Australia Limited has agreed, in broad terms, to indemnify its directors and company secretaries (to the extent permitted by law and subject to the prohibitions in section 199A of the *Corporations Act* and the terms of the deed) against any and all:

- liabilities incurred as an officer of Caltex Australia Limited or a group company (but not including liabilities for legal costs covered by the legal costs indemnity), and
- legal costs reasonably incurred in defending an action for a liability incurred or allegedly incurred as an officer of Caltex Australia Limited or a group company and preparing for, attending or appearing in administrative proceedings or an investigation or inquiry by any regulatory authority or external administrator in respect of or arising out of or connected with any act.

Under the deeds entered into with directors and company secretaries, Caltex Australia Limited (either itself or through a group company) is required to maintain and pay the premium on an insurance policy covering each director and company secretary (to the extent permitted by law and subject to the prohibitions in sections 199B and 199C of the *Corporations Act*). In each case, the obligation continues for a period of seven years after the director or secretary (as the case may be) ceases to be an officer or, if a proceeding or an inquiry has commenced or arises within this seven year period and this has been notified to the company, a further period up to the outcome of the proceedings or inquiry or when the company is satisfied that the proceedings or inquiry will not proceed.

Contract of insurance

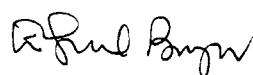
Caltex Australia Limited has paid a premium in respect of a contract insuring the directors and officers of Caltex Australia Limited against liabilities.

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 Class Order 98/100 (as issued by the Australian Securities & Investments Commission (ASIC)) applies. Amounts in the 2010 Directors' Report and the 2010 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with this class order.

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



EB Bryan
Chairman



J Segal
Managing Director & CEO

Sydney, 21 February 2011

DIRECTORS' REPORT (CONTINUED)

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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 2010 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



Anthony Jones
Partner

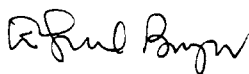
Sydney, 21 February 2011

DIRECTORS' DECLARATION

The Board of Caltex Australia Limited has declared that:

- a. the directors have received the declarations required by section 295A of the *Corporations Act* from the Managing Director & CEO and the Chief Financial Officer for the year ended 31 December 2010,
- b. in the directors' opinion, the financial statements for the year ended 31 December 2010, and the notes to the financial statements, are in accordance with the *Corporations Act*, including:
 - i. section 296 (compliance with Accounting Standards), and
 - ii. section 297 (true and fair view),
- c. 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,
- d. a statement of compliance with International Financial Reporting Standards has been included in note 1(a) to the financial statements, and
- e. at the date of this declaration, there are reasonable grounds to believe that the companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited (including companies added by Assumption Deed), as identified in note 22 of the 2010 Financial Report, 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.



EB Bryan
Chairman



J Segal
Managing Director & CEO

Sydney, 21 February 2011

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CALTEX AUSTRALIA LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Caltex Australia Limited (the company), which comprises the consolidated balance sheet as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

AUDITOR'S OPINION

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 27 to 44 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration disclosures that are contained in the sections of the Directors' Remuneration Report of the Group for the year ended 31 December 2010, with the exception of table 3a on page 37, comply with Section 300A of the Australian *Corporations Act 2001*.



KPMG



Anthony Jones
Partner

Sydney, 21 February 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

Thousands of dollars	Note	2010	2009
Revenue from sale of goods		18,671,905	17,740,300
Replacement cost of goods sold (excluding product duties and taxes and inventory gains and losses)		(12,730,314)	(12,035,630)
Product duties and taxes		(4,891,397)	(4,738,551)
Inventory gains		21,242	158,410
Cost of goods sold – historical cost		(17,600,469)	(16,615,771)
Gross profit		1,071,436	1,124,529
Other income	2	261,174	245,188
Refining and Supply expenses		(162,993)	(247,362)
Marketing expenses		(588,284)	(677,633)
Net foreign exchange gains		27,304	92,426
Finance costs	3	(59,181)	(29,845)
Other expenses		(110,674)	(63,423)
Share of net profit of entities accounted for using the equity method	23(d)	3,513	3,796
Profit before income tax expense		442,295	447,676
Income tax expense	4	(124,317)	(132,916)
Net profit		317,978	314,760
Attributable to:			
Equity holders of the parent entity		316,952	314,082
Non-controlling interest		1,026	678
Net profit		317,978	314,760
Basic and diluted earnings per share:			
Historical cost – cents per share⁽ⁱ⁾	6	117.4	116.3

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

The consolidated income statement for the year ended 31 December 2010 includes significant expenses of \$23,011,000 (2009: \$172,794,000). Details of these items are disclosed in note 3.

The consolidated income statement is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

Thousands of dollars	Note	2010	2009
Profit for the period		317,978	314,760
Other comprehensive (expense)/income			
Actuarial (loss)/gain on defined benefit plans	18(b)	(21,011)	26,907
Cash flow hedge fair value losses		(2,377)	(14,293)
Income tax on other comprehensive income	4(c)	7,016	(3,784)
Other comprehensive (expense)/income for the period, net of income tax		(16,372)	8,830
Total comprehensive income for the period		301,606	323,590
Attributable to:			
Equity holders of the parent entity		300,580	322,912
Non-controlling interest		1,026	678
Total comprehensive income for the period		301,606	323,590

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2010

Thousands of dollars	Note	2010	2009
Current assets			
Cash and cash equivalents		18,377	22,356
Receivables	7	839,677	773,221
Inventories	8	1,385,310	1,209,112
Other	9	30,107	40,763
Total current assets		2,273,471	2,045,452
Non-current assets			
Receivables	7	554	540
Investments accounted for using the equity method	23	23,351	21,583
Other investments	10	15	15
Intangibles	11	79,863	85,328
Property, plant and equipment	12	2,895,522	2,779,846
Deferred tax assets	4	13,138	15,465
Other	9	4,771	3,580
Total non-current assets		3,017,214	2,906,357
Total assets		5,290,685	4,951,809
Current liabilities			
Payables	13	1,229,813	1,186,176
Interest bearing liabilities	14	132,469	78,434
Current tax liabilities		79,522	26,055
Provisions	15	177,245	141,932
Total current liabilities		1,619,049	1,432,597
Non-current liabilities			
Payables	13	5,130	5,588
Interest bearing liabilities	14	430,089	430,973
Provisions	15	153,821	157,389
Total non-current liabilities		589,040	593,950
Total liabilities		2,208,089	2,026,547
Net assets		3,082,596	2,925,262
Equity			
Issued capital	16	543,415	543,415
Treasury stock		(753)	(1,756)
Reserves		(5,852)	(7,412)
Retained earnings		2,534,009	2,380,264
Total parent entity interest		3,070,819	2,914,511
Non-controlling interest		11,777	10,751
Total equity		3,082,596	2,925,262

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

Thousands of dollars	Issued capital	Treasury stock	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	543,415	(1,959)	–	3,086	2,047,348	2,591,890	10,073	2,601,963
Total comprehensive income for the year								
Total recognised income for the year	–	–	–	–	332,916	332,916	678	333,594
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	(10,004)	–	–	(10,004)	–	(10,004)
Total comprehensive income for the year	–	–	(10,004)	–	332,916	322,912	678	323,590
Own shares acquired	–	(1,456)	–	–	–	(1,456)	–	(1,456)
Shares vested to employees	–	1,605	–	(1,605)	–	–	–	–
Disposal of unvested shares	–	54	–	–	–	54	–	54
Expense on equity settled transactions	–	–	–	1,111	–	1,111	–	1,111
Dividends to shareholders	–	–	–	–	–	–	–	–
Balance at 31 December 2009	543,415	(1,756)	(10,004)	2,592	2,380,264	2,914,511	10,751	2,925,262
Balance at 1 January 2010	543,415	(1,756)	(10,004)	2,592	2,380,264	2,914,511	10,751	2,925,262
Total comprehensive income for the year								
Total recognised income for the year	–	–	–	–	302,245	302,245	1,026	303,271
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	(1,665)	–	–	(1,665)	–	(1,665)
Total comprehensive income for the year	–	–	(1,665)	–	302,245	300,580	1,026	301,606
Own shares acquired	–	(646)	–	–	–	(646)	–	(646)
Shares vested to employees	–	1,649	–	(1,649)	–	–	–	–
Disposal of unvested shares	–	–	–	–	–	–	–	–
Expense on equity settled transactions	–	–	–	4,874	–	4,874	–	4,874
Dividends to shareholders	–	–	–	–	(148,500)	(148,500)	–	(148,500)
Balance at 31 December 2010	543,415	(753)	(11,669)	5,817	2,534,009	3,070,819	11,777	3,082,596

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2010

Thousands of dollars	Note	2010	2009
Cash flows from operating activities			
Receipts from customers		21,680,856	20,694,903
Payments to suppliers, employees and governments		(21,135,300)	(19,958,659)
Dividends and disbursements received		1,746	1,577
Interest received		1,718	2,310
Interest and other finance costs paid		(60,106)	(58,336)
Income taxes paid		(60,456)	(6,643)
Net operating cash inflows	25(b)	428,458	675,152
Cash flows from investing activities			
Purchase of controlled entity, net of cash acquired		–	(5,706)
Purchases of property, plant and equipment		(295,576)	(260,951)
Major cyclical maintenance		(55,075)	(52,689)
Purchases of intangibles		(3,064)	(9,824)
Net proceeds from sale of property, plant and equipment		18,585	18,397
Net investing cash outflows		(335,130)	(310,773)
Cash flows from financing activities			
Proceeds from borrowings		9,713,676	9,198,268
Repayments of borrowings		(9,659,026)	(9,569,244)
Repayment of finance lease principal		(3,457)	(2,750)
Dividends paid		(148,500)	–
Net financing cash outflows		(97,307)	(373,726)
Net decrease in cash and cash equivalents		(3,979)	(9,347)
Cash and cash equivalents at the beginning of the year		22,356	31,703
Cash and cash equivalents at the end of the year	25(a)	18,377	22,356

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

1. SIGNIFICANT ACCOUNTING POLICIES

Caltex Australia Limited (the company) is a company limited by shares, incorporated and domiciled in Australia. The shares of Caltex Australia Limited are publicly traded on the Australian Securities Exchange. The consolidated financial statements for the year ended 31 December 2010 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 consolidated financial statements were approved by the Board and authorised for issue on 21 February 2011.

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*, and Australian Accounting Standards (AASBs) including Australian Interpretations adopted by the Australian Accounting Standards Board (AASB). The consolidated financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial report is prepared on the historical cost basis except for the following material items in the consolidated balance sheet:

- derivative financial instruments are measured at fair value
- the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

The consolidated 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 consolidated financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The preparation of a consolidated 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 a significant effect on the consolidated financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(c).

The standards and amendments that were made available for early adoption by the AASB but have not been applied by the Group in this consolidated financial report are disclosed in note 1(z).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report by the Group, except where stated.

Changes in accounting policies

Removal of parent entity financial statements

The Group has applied amendments to the *Corporations Act* that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 31.

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 Group's financial statements.

Associates

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control. 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 income and expenses 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

Note 1(n) contains information about the assumptions and the risk factors relating to impairment.

In note 1(j), 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 1(t) 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.

In assessing the carrying value of property, plant and equipment, management considers long term assumptions relating to key external factors including crude oil prices, foreign exchange rates and Singapore refiner margins. Any changes in these assumptions can have a material impact on the carrying value.

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 consolidated 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 profit or loss 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 contractual 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). 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 payables 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 consolidated balance sheet. Cash flows are included in the consolidated 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, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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.

j. 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, foreign exchange instruments, 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 consolidated 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.

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. Cross currency swaps may be 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 consolidated 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 consolidated 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 consolidated income statement immediately.

Fair value hedges

A change in the carrying amount of a fair value hedge is recognised in the consolidated 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.

Cross currency swaps

The Group has entered into cross currency swaps with matched terms to the underlying US notes. These matched terms include principal, margin and payment terms. These contracts are initially designated as fair value hedges for the swap of the benchmark US and Australian interest rates (a cross currency swap excluding margins) and cash flow hedge for a swap of the fixed US and Australian margin. Initial designation documents also provide scope for interest rate swaps to be entered into over the life of the cross currency swap. On entering into the interest rate swap, the initial fair value hedge is redesignated as a combined cross currency swap and interest rate swap and accounted for as a cash flow hedge.

k. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the consolidated 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 are 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 Group 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 tax-consolidated 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.

l. 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 first in first out (FIFO) 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.

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 consolidated 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 consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 cash-generating 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 self-constructed 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 consolidated 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 instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the benefits to be derived from the leased property. Contingent rentals are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised in the consolidated 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 consolidated 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 – 25%
Leased plant and equipment	3 – 25%

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 the Australian equivalents to International Financial Reporting Standards (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 consolidated 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 consolidated 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 consolidated income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation 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 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 consolidated 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	17 – 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 consolidated cash flow statement.

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 consolidated 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 consolidated income statement over the period of the interest bearing liability on an effective interest basis.

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)).

Where cross currency swaps are redesignated as cash flow hedges, the US notes being hedged are no longer subject to a fair value adjustment. Any accumulated gain/loss capitalised prior to the redesignation will be amortised over the remaining life of the US notes on an effective interest basis.

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 consolidated income statement over the period of the interest bearing liability on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Superannuation

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

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the consolidated 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 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 Group's financial statements the transactions of the company sponsored employee share plan trust are treated as being executed directly by the Group (as the trust acts as the Group'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.

Estimates 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 consolidated 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 consolidated 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 consolidated 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.

x. Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-entity sales are recognised based on an internally set transfer price. Sales between segments are based on arm's length principles appropriate to reflect prevailing market pricing structures at that time. Where possible, relevant Import Parity Pricing is used to determine arm's length pricing between the two segments. Revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement. For the purposes of reporting to the chief operating decision maker, non-fuel income is included on a net basis and is not presented in gross revenue.

Income taxes and net financial income are dealt with at a Group level and not within the reportable segments.

The performance of each reportable segment is measured based on segment replacement cost of sales operating profit before interest and income tax. This measurement basis excludes the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the reportable segments' underlying business performance. Segment replacement cost operating profit is measured as management believes that such information is most useful in evaluating the performance of the differing internal business units relative to each other, and other like business units in the industry. Segment replacement cost operating profit is also used to assess the performance of each business unit against internal performance measures.

y. Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

z. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

2. OTHER INCOME

Thousands of dollars	2010	2009
Rental income	48,755	37,012
Royalties and franchise income	109,574	110,473
Transaction and merchant fees	69,539	68,057
Other	31,505	27,850
	259,373	243,392
Finance income		
Interest from other corporations	1,598	1,659
Gain on fair value derivative	203	137
	1,801	1,796
	261,174	245,188

3. COSTS AND EXPENSES

Thousands of dollars	2010	2009
Finance costs		
Interest expense	55,799	51,915
Finance charges on capitalised leases	2,097	1,705
Discounting expense/(income)	1,285	(8,286)
Less: capitalised finance costs	–	(15,489)
Finance costs	59,181	29,845
Depreciation and amortisation		
Depreciation of:		
Buildings	9,677	10,516
Plant and equipment	184,306	171,418
	193,983	181,934
Amortisation of:		
Leasehold property	5,290	5,898
Leased plant and equipment	1,083	1,459
Intangibles	8,529	7,349
	14,902	14,706
Total depreciation and amortisation	208,885	196,640
Selected expenses		
Total operating personnel expenses	353,683	343,977

During 2010, the Group incurred significant items that have been recognised in the income statement and form part of Refining and Supply and Other expenses. These items relate to Refining and Supply restructuring expenses (\$14,963,000), Marketing restructuring expenses (\$5,800,000) and corporate restructuring expenses (\$2,248,000).

During 2009, the Group incurred significant items that have been recognised in the income statement and form part of Marketing, Refining and Supply and Other expenses. These items relate to the closure of the Caltex Lubricating Oil Refinery (CLOR) (\$92,654,000), corporate restructuring expenses (\$18,230,000), impairment and remediation liabilities related to sites to be divested (\$38,622,000), and other cost and asset write-offs (\$23,288,000).

Due to the one-off nature of these items, they have been excluded by management in assessing the underlying business performance of the Group for the years ended 31 December 2010 and 31 December 2009.

Of the total \$23,011,000 significant items (2009: \$172,794,000), \$1,688,000 is included in Refining and Supply expenses (2009: \$96,997,000) and \$21,323,000 in Other expenses (2009: \$28,962,000). In 2009, \$46,835,000 was included in Marketing expenses (2010: nil).

4. INCOME TAX EXPENSE

a. Recognised in the income statement

Thousands of dollars	2010	2009
Current tax expense:		
Current year	125,026	165,512
Adjustments for prior years	(10,052)	1,949
	114,974	167,461
Deferred tax expense:		
Origination and reversal of temporary differences	9,343	(34,545)
Total income tax expense in the income statement	124,317	132,916

b. Reconciliation between income tax expense and profit before income tax expense

Profit before income tax expense	442,295	447,676
Income tax using the domestic corporate tax rate of 30% (2009: 30%)	132,689	134,303
Increase in income tax expense due to:		
Imputation gross-up on dividends received	494	676
Impairment of goodwill	–	1,500
Net tangible capital gains tax	2,083	25
Other	1,656	–
Decrease in income tax expense due to:		
Share of net profit of associated entities	(905)	(1,139)
Research and development allowances	(900)	(900)
Other	–	(2,822)
Franking credits on dividends received	(748)	(676)
Income tax (over)/under provided in prior years	(10,052)	1,949
Total income tax expense in the income statement	124,317	132,916

c. Deferred tax recognised directly in equity

Related to actuarial losses/(gains)	6,303	(8,072)
Related to cash flow hedges	713	4,288
	7,016	(3,784)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

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	
Thousands of dollars	2010	2009	2010	2009	2010	2009
Receivables	2,203	3,858	–	–	2,203	3,858
Inventories	–	–	(5,242)	(13,715)	(5,242)	(13,715)
Property, plant and equipment and intangibles	–	–	(93,352)	(77,620)	(93,352)	(77,620)
Payables	4,533	7,025	–	–	4,533	7,025
Interest bearing liabilities	6,786	7,170	–	–	6,786	7,170
Provisions	99,155	89,889	–	–	99,155	89,889
Other	–	–	(945)	(1,142)	(945)	(1,142)
Net tax assets/(liabilities)	112,677	107,942	(99,539)	(92,477)	13,138	15,465

e. Unrecognised deferred tax assets

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

Thousands of dollars	2010	2009
Capital tax losses	187,494	196,704

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

Thousands of dollars	Balance at 1 Jan 10	Recognised in income	Recognised in equity	Balance at 31 Dec 10
Receivables	3,858	(1,655)	–	2,203
Inventories	(13,715)	8,473	–	(5,242)
Property, plant and equipment	(77,620)	(15,732)	–	(93,352)
Payables	7,025	(2,492)	–	4,533
Interest bearing liabilities	7,170	(1,097)	713	6,786
Provisions	89,889	2,963	6,303	99,155
Other	(1,142)	197	–	(945)
	15,465	(9,343)	7,016	13,138

Thousands of dollars	Balance at 1 Jan 09	Recognised in income	Recognised in equity	Balance at 31 Dec 09
Receivables	1,778	2,080	–	3,858
Inventories	(9,667)	(4,048)	–	(13,715)
Property, plant and equipment	(96,936)	19,316	–	(77,620)
Payables	6,400	625	–	7,025
Interest bearing liabilities	2,258	624	4,288	7,170
Provisions	81,509	16,452	(8,072)	89,889
Other	(638)	(504)	–	(1,142)
	(15,296)	34,545	(3,784)	15,465

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
2010				
Interim 2010	28 September 2010	Franked	30	81,000
Final 2009	29 March 2010	Franked	25	67,500
Total amount				148,500
2009				
Interim 2009			nil	–
Final 2008			nil	–
Total amount				–

Franked dividends paid during 2010 were franked at the tax rate of 30%.

Subsequent events

Since 31 December 2010, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to 2010.

Final 2010	29 March 2011	Franked	30	81,000
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The financial effect of this final dividend has not been reflected in the financial statements for the year ended 31 December 2010 and will be recognised in subsequent financial reports.

b. Dividend franking account

Thousands of dollars	2010	2009
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	947,673	897,106

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

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 \$34,714,286 (2009: \$28,929,000).

In accordance with the tax consolidation legislation, Caltex Australia Limited as the head entity in the tax-consolidated group has also assumed the benefit of \$947,673,000 (2009: \$897,106,000) in franking credits.

6. BASIC AND DILUTED EARNINGS PER SHARE

	2010	2009
Historical cost – cents per share	117.4	116.3
Replacement cost – cents per share	111.9	75.3

The calculation of historical cost basic earnings per share for the year ended 31 December 2010 was based on the net profit attributable to ordinary shareholders of the parent entity of \$316,952,000 (2009: \$314,082,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 270 million shares (2009: 270 million shares).

The calculation of replacement cost basic earnings per share for the year ended 31 December 2010 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity of \$302,083,000 (2009: \$203,195,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 270 million shares (2009: 270 million shares).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

7. RECEIVABLES

Thousands of dollars	2010	2009
Current		
Trade debtors	739,409	710,978
Allowance for impairment	(5,840)	(12,031)
	733,569	698,947
Associated entities	40,305	34,793
Other related entities	17,875	3,231
Other debtors	47,928	36,250
	839,677	773,221
Non-current		
Other loans	554	540

a. Impaired receivables

As at 31 December 2010, current trade receivables of the Group with a nominal value of \$5,840,000 (2009: \$12,031,000) were impaired. The individually impaired receivables relate to a variety of customers who are in financial difficulties.

No collateral is held over these impaired receivables.

As at 31 December 2010, trade receivables of \$18,543,000 (2009: \$15,005,000) 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 follows:

Thousands of dollars	2010	2009
Past due 0 – 30 days	14,972	9,650
Past due 31 – 60 days	1,121	3,497
Past due greater than 60 days	2,450	1,858
	18,543	15,005

Movements in the allowance for impairment of receivables are as follows:

Thousands of dollars	2010	2009
At 1 January	12,031	6,332
Provision for impairment recognised during the year	573	11,164
Receivables written off during the year as uncollectible	(5,400)	(5,465)
Unused amount reversed	(1,364)	–
At 31 December	5,840	12,031

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 17 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. Refer to note 17 for further details.

8. INVENTORIES

Thousands of dollars	2010	2009
Crude oil and raw materials held at cost	567,069	492,460
Inventory in process held at cost	168,370	116,585
Finished goods held at cost	609,367	559,780
Materials and supplies held at cost	40,504	40,287
	1,385,310	1,209,112

9. OTHER ASSETS

Thousands of dollars	2010	2009
Current		
Prepayments	30,107	40,763
Non-current		
Other	4,771	3,580

10. OTHER INVESTMENTS

Thousands of dollars	2010	2009
Investment in other entities	15	15

11. INTANGIBLES

Thousands of dollars	Goodwill	Rights	Software	Total
Cost				
Balance at 1 January 2010	65,803	3,986	88,768	158,557
Additions	–	2,000	1,064	3,064
Disposals	–	–	(26,555)	(26,555)
Balance at 31 December 2010	65,803	5,986	63,277	135,066
Cost				
Balance at 1 January 2009	62,167	3,986	78,944	145,097
Acquisitions through business combinations	3,636	–	–	3,636
Additions	–	–	9,824	9,824
Balance at 31 December 2009	65,803	3,986	88,768	158,557
Amortisation and impairment losses				
Balance at 1 January 2010	(16,391)	(3,087)	(53,751)	(73,229)
Amortisation for the year	–	(363)	(8,166)	(8,529)
Disposals	–	–	26,555	26,555
Balance at 31 December 2010	(16,391)	(3,450)	(35,362)	(55,203)
Amortisation and impairment losses				
Balance at 1 January 2009	(11,391)	(2,766)	(46,723)	(60,880)
Amortisation for the year	–	(321)	(7,028)	(7,349)
Impairment losses for the year	(5,000)	–	–	(5,000)
Balance at 31 December 2009	(16,391)	(3,087)	(53,751)	(73,229)
Carrying amount				
At 1 January 2010	49,412	899	35,017	85,328
At 31 December 2010	49,412	2,536	27,915	79,863
Carrying amount				
At 1 January 2009	50,776	1,220	32,221	84,217
At 31 December 2009	49,412	899	35,017	85,328

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

11. INTANGIBLES (CONTINUED)

Amortisation and impairment losses

The amortisation charge of \$8,529,000 (2009: \$7,349,000) is recognised in Refining and Supply expenses, Marketing expenses and Other expenses in the income statement.

Impairment tests for cash-generating units containing goodwill

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

Thousands of dollars	2010	2009
Distributor businesses	49,412	49,412

Distributor businesses

The recoverable amount of goodwill with distributor businesses has been determined based on a value in use calculation. This calculation uses pre-tax cash flow projections based on an extrapolation of the year end cash flows and available budget information. The cash flows have been discounted using a pre-tax discount rate of 14.6% p.a. The cash flows have been extrapolated using a constant growth rate of 2.5%. The growth rates used do not exceed the long term growth rate for the industry.

During the year ended 31 December 2009, the Group tested the distributor businesses for impairment and recognised an impairment loss in relation to goodwill of \$5,000,000. The impairment loss is recognised in Marketing expenses in the income statement and forms part of the Marketing operating segment. There were no impairment losses recognised in relation to the distributor businesses during the year ended 31 December 2010.

Key assumptions used in value in use calculations

Key assumption	Basis for determining value in use assigned to key assumption
Cash flow	Earnings before interest, tax, depreciation and amortisation (EBITDA)
Estimated long term average growth rate	2.5%, as considered appropriate for each distributor business based on past experience
Discount period	Represents the longest remaining life of assets acquired
Discount rate	The risk specific to the asset

The values assigned to the key assumptions represent management's assessment of future trends in the petroleum industry and are based on both external sources and internal sources (historic data).

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.

12. PROPERTY, PLANT AND EQUIPMENT

Thousands of dollars	2010	2009
Freehold land		
At cost	365,986	377,185
Net carrying amount	365,986	377,185
Buildings		
At cost	365,313	345,013
Accumulated depreciation and impairment losses	(169,462)	(171,027)
Net carrying amount	195,851	173,986
Leasehold property		
At cost	103,222	99,301
Accumulated amortisation	(68,820)	(68,750)
Net carrying amount	34,402	30,551
Plant and equipment		
At cost	3,938,518	3,755,393
Accumulated depreciation and impairment losses	(1,900,453)	(1,841,628)
Net carrying amount	2,038,065	1,913,765
Leased plant and equipment		
At capitalised cost	24,051	23,875
Accumulated amortisation	(22,429)	(21,524)
Net carrying amount	1,622	2,351
Capital projects in progress		
At cost	259,596	282,008
Net carrying amount	259,596	282,008
Total net carrying amount	2,895,522	2,779,846

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Thousands of dollars	2010	2009
Freehold land		
Carrying amount at the beginning of the year	377,185	374,248
Additions	6,660	3,301
Disposals	(17,859)	(364)
Carrying amount at the end of the year	365,986	377,185
Buildings		
Carrying amount at the beginning of the year	173,986	196,250
Additions	3,671	707
Acquisition through entity acquired	–	6,251
Disposals	(5,423)	(7,363)
Transfers from capital projects in progress	33,294	22,549
Impairment loss	–	(33,892)
Depreciation	(9,677)	(10,516)
Carrying amount at the end of the year	195,851	173,986
Leasehold property		
Carrying amount at the beginning of the year	30,551	29,088
Additions	600	501
Disposals	(921)	(1,125)
Transfers from capital projects in progress	9,462	7,985
Amortisation	(5,290)	(5,898)
Carrying amount at the end of the year	34,402	30,551
Plant and equipment		
Carrying amount at the beginning of the year	1,913,765	1,528,402
Additions	69,596	81,257
Acquisition through entity acquired	–	5,947
Impairment loss	–	(58,167)
Disposals	(16,849)	(1,514)
Transfers from capital projects in progress	255,859	529,258
Depreciation	(184,306)	(171,418)
Carrying amount at the end of the year	2,038,065	1,913,765
Leased plant and equipment		
Carrying amount at the beginning of the year	2,351	2,922
Additions	354	888
Amortisation	(1,083)	(1,459)
Carrying amount at the end of the year	1,622	2,351
Capital projects in progress		
Carrying amount at the beginning of the year	282,008	611,371
Additions	277,337	224,902
Write-offs	(1,134)	(9,962)
Borrowing costs capitalised	–	15,489
Transfers to property, plant and equipment	(298,615)	(559,792)
Carrying amount at the end of the year	259,596	282,008

During the year ended 31 December 2010, impairment losses of \$1,134,000 were recognised in relation to capital projects in progress determined to be no longer feasible (2009: \$9,962,000). The impairment loss is recognised in Refining and Supply expenses in the income statement and forms part of the Refining and Supply operating segment.

During the year ended 31 December 2009, a decision was made to close the Caltex Lubricating Oil Refinery (CLOR) at Kurnell in Sydney in the latter part of 2011. The Group assessed the recoverable amount of the related assets and recognised an impairment loss of \$69,093,000 with respect to buildings and plant and equipment. The amount has been determined based on a value in use calculation using a pre-tax discount rate of 14.6%. The impairment loss is recognised in Refining and Supply expenses in the income statement and forms part of the Refining and Supply operating segment.

During the year ended 31 December 2009, due to increased remediation costs and economic uncertainty regarding future sales proceeds, the Group assessed the recoverable amount of the assets relating to non-operating sites and recognised an impairment loss of \$19,919,000 with respect to plant and equipment. An additional \$3,047,000 was also recognised in relation to other marketing plant and equipment. The recoverable amounts have been determined based on a fair value less costs to sell calculation. The impairment loss is recognised in Marketing expenses in the income statement and forms part of the Marketing operating segment.

13. PAYABLES

Thousands of dollars	2010	2009
Current		
Trade creditors – unsecured ^(a)		
Related entities	208,909	230,704
Other corporations and persons	460,043	508,890
Other creditors and accrued expenses	560,861	446,582
	1,229,813	1,186,176
Non-current		
Other creditors and accrued expenses	5,130	5,588

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

14. INTEREST BEARING LIABILITIES

Thousands of dollars	2010	2009
Current – unsecured		
Bank loans ⁽ⁱ⁾	130,000	75,000
Lease liabilities ⁽ⁱⁱⁱ⁾	2,469	3,434
	132,469	78,434
Non-current – unsecured		
US notes ⁽ⁱ⁾	288,575	305,815
Bank loans ⁽ⁱ⁾	50,000	50,000
Hedge payable ⁽ⁱⁱ⁾	87,048	68,200
Lease liabilities ⁽ⁱⁱⁱ⁾	4,466	6,958
	430,089	430,973

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 17.

- The bank loans and the US notes are provided by a number of banks and capital markets. The US notes and hedge payable will mature in: July 2012, totalling \$113,414,850; April 2014, totalling \$72,524,000; and April 2016, totalling \$189,684,000. 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.
- 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 non-current hedge payable mainly represents the impact of the movement in the exchange rate from the date of inception (6 May 2009, USD exchange rate 0.7090) to 31 December 2010 (USD exchange rate 1.0167) on the amount hedged (USD 175 million).
- The implicit rate of interest on finance leases is 14.0% p.a. (2009: 14.0% p.a.). Refer to note 19 for details on the timing and amount of future lease payments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

15. PROVISIONS

Thousands of dollars	Employee benefits	Site remediation	Other	Total
Balance at 1 January 2010	193,221	84,495	21,605	299,321
Provisions made during the year	91,873	37,010	13,029	141,912
Provisions used during the year	(80,063)	(24,744)	(6,172)	(110,979)
Discounting	2,366	(1,554)	–	812
Balance at 31 December 2010	207,397	95,207	28,462	331,066
Current	109,998	38,785	28,462	177,245
Non-current	97,399	56,422	–	153,821
	207,397	95,207	28,462	331,066

Employee benefits

The current provisions for employee benefits, which include annual leave, long service leave, employee bonus, redundancy and retirement benefits, represent the present value of the estimated future cash outflows to be made by the Group 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 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.

Other

Other includes legal, insurance and other provisions.

16. ISSUED CAPITAL

Thousands of dollars	2010	2009
Ordinary shares		
Issued capital 270 million ordinary shares, fully paid	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.

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.

Caltex grants performance rights to Senior Executives (refer to the Directors' Report on pages 27 to 44 for further detail). For each right that vests, Caltex will purchase a share on-market following vesting.

17. FINANCIAL INSTRUMENTS

(Amounts in Australian dollars except where stated)

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange 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 risks, 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 five years.

Each contract involves periodic payment or receipt of the net amount of interest. At 31 December 2010, the fixed rates varied from 4.4% p.a. to 5.1% p.a. (2009: 4.4% p.a. to 5.1% p.a.), a weighted average rate of 4.7% p.a. (2009: 4.8% p.a.). The floating rates were at bank bill rates or the RBA cash rate.

The net fair value of interest rate swap contracts at 31 December 2010 was \$1,014,000 profit (2009: \$1,175,000 profit). The Group classifies qualifying interest rate swap contracts as cash flow hedges.

The Caltex Australia Group has entered into combined cross currency swap and interest rate swap contracts maturing in four years (30 April 2014) and cross currency swap contracts maturing in six years (30 April 2016) to manage interest rate and currency risks on US dollar denominated borrowings.

The net fair value of derivative contracts inextricably linked to US dollar denominated borrowings at 31 December 2010 was \$87,048,000 (2009: \$68,200,000). The Group has combined cross currency swap and interest rate swap contracts classified as cash flow hedges and cross currency swap contracts (excluding margins) classified as fair value hedges and US and Australian margins classified as cash flow hedges.

At 31 December 2010, if interest rates had changed by $\pm 1\%$ from the year end rates, with all other variables held constant, net profit for the year for the Group would have been \$750,000 higher/\$1,055,000 lower (2009: \$350,000 lower/\$450,000 higher), and equity would have been \$3,660,000 lower/\$3,450,000 higher (2009: \$1,700,000 lower/\$1,600,000 higher).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

17. FINANCIAL INSTRUMENTS (CONTINUED)

a. Interest rate risk (continued)

Interest rate sensitivity analysis	2010		2009	
	Net profit	Equity	Net profit	Equity
Dollars				
Interest rates decrease 1%	750,000	(3,660,000)	(350,000)	(1,700,000)
Interest rates increase 1%	(1,055,000)	3,450,000	450,000	1,600,000

Interest rate risk exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities are set out as follows:

Thousands of dollars	Note	Fixed interest maturing in:					Total	Effective interest rate p.a.
		Floating interest rate	Less than one year	Between one and five years	Greater than five years	Non-interest bearing		
31 December 2010								
Financial assets								
Cash at bank and on hand		18,377	–	–	–	–	18,377	4.8%
		18,377	–	–	–	–	18,377	
Financial liabilities								
Bank loans	14	180,000	–	–	–	–	180,000	5.0%
US notes	14	–	–	162,638	125,937	–	288,575	10.4%
Hedge payable	14	–	–	23,301	63,747	–	87,048	10.4%
Lease liabilities	14	–	2,469	4,466	–	–	6,935	14.0%
		180,000	2,469	190,405	189,684	–	562,558	
31 December 2009								
Financial assets								
Cash at bank and on hand		22,356	–	–	–	–	22,356	3.6%
		22,356	–	–	–	–	22,356	
Financial liabilities								
Bank loans	14	125,000	–	–	–	–	125,000	4.2%
US notes	14	–	–	169,799	136,016	–	305,815	10.1%
Hedge payable	14	–	–	17,773	50,427	–	68,200	10.1%
Lease liabilities	14	–	3,434	6,958	–	–	10,392	14.0%
		125,000	3,434	194,530	186,443	–	509,407	

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.

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 enters into forward foreign exchange contracts to cover major capital expenditure items.

In addition, in June 2010 the Caltex Australia Group implemented a foreign exchange hedging policy of 50% of the Group's US dollar denominated crude and product payables exposure (after applying natural hedges), which is the neutral position.

As at 31 December 2010, the total fair value of all outstanding forward contracts amounted to \$8,670,000 loss (2009: nil).

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 2010, 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 \$10,500,000 higher/\$12,800,000 lower (2009: \$37,250,000 higher/\$45,550,000 lower), and equity would have been \$4,300,000 lower/\$5,200,000 higher (2009: \$7,450,000 lower/\$9,150,000 higher).

Foreign exchange rate sensitivity analysis	2010		2009	
Dollars	Net profit	Equity	Net profit	Equity
AUD strengthens against USD 10%	10,500,000	(4,300,000)	37,250,000	(7,450,000)
AUD weakens against USD 10%	(12,800,000)	5,200,000	(45,550,000)	9,150,000

Exposure to foreign exchange risk

The carrying amounts of the Group's financial instruments are denominated in the following currencies (Australian dollar equivalent amounts):

2010				2009		
Thousands of dollars	US dollar	Australian dollar	Total	US dollar	Australian dollar	Total
Cash	542	17,835	18,377	1,040	21,316	22,356
Trade receivables	106,994	733,237	840,231	73,205	700,556	773,761
Trade payables	(592,520)	(633,753)	(1,226,273)	(668,265)	(523,499)	(1,191,764)
Forward exchange contracts	(8,670)	–	(8,670)	–	–	–
US notes	(176,354)	(112,221)	(288,575)	(193,889)	(111,926)	(305,815)

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 and 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. The Group's regional crude purchases are usually based upon Whole Month Average pricing or 21 days around Bill Of Lading. During 2010, the Group lifted 12 West African cargoes which are typically priced around a shorter five day Brent Dated Bill Of Lading price. This pricing mechanism introduces an absolute crude pricing timing risk compared to normal Whole Month Average pricing. The Group undertakes swap contracts for all West African purchases to convert five day pricing to Whole Month Average in order to mitigate this specific exposure.

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 consolidated balance sheet is the carrying amount of trade debtors, net of allowances for impairment.

Caltex has a Board approved Credit Policy and manual which provide 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. Where sales to retail customers are settled in cash or using major credit cards, the credit risk is mitigated.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

17. FINANCIAL INSTRUMENTS (CONTINUED)

d. Credit risk (continued)

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 17(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. The full amount of the exposure is disclosed at note 17(a).

e. Liquidity risk management

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.

	Weighted average effective interest rate	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Greater than five years
31 December 2010	%	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities						
Bank loans	5.0	180,000	180,354	130,139	50,215	–
US notes	10.4	288,575	377,457	24,411	224,788	128,258
Hedge payable	10.4	87,048	147,604	13,836	74,736	59,032
Lease liabilities	14.0	6,935	7,923	3,004	4,919	–
Payables						
Interest rate swaps	4.7	(1,014)	(1,175)	(506)	(669)	–
Forward FX contracts						
– inflow		–	(338,879)	(338,879)	–	–
– outflow		8,670	348,299	348,299	–	–
Payables	–	1,227,287	1,228,710	1,222,298	6,412	–
31 December 2009						
Interest bearing liabilities						
Bank loans	4.2	125,000	125,197	75,055	50,142	–
US notes	10.1	305,815	437,240	26,401	252,986	157,853
Hedge payable	10.1	68,200	92,598	6,719	69,512	16,367
Lease liabilities	14.0	10,392	11,598	4,030	7,568	–
Payables						
Interest rate swaps	4.8	(1,175)	(1,247)	376	(1,623)	–
Payables	–	1,192,939	1,192,010	1,184,799	7,211	–

f. Capital risk management

The Group'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.

During 2010, the Group's strategy was to maintain a minimum long term credit rating of BBB+, in order to secure access to finance at a reasonable cost. The credit rating is impacted by both funds flow from operations and the gearing ratio.

The 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.

The gearing ratios at 31 December 2010 and 31 December 2009 were as follows:

Thousands of dollars	2010	2009
Total interest bearing liabilities	562,558	509,407
Less: cash and cash equivalents	(18,377)	(22,356)
Net debt	544,181	487,051
Total equity	3,082,596	2,925,262
Total capital	3,626,777	3,412,313
Gearing ratio	15.0%	14.3%

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:

Thousands of dollars	Asset/(liability)		Asset/(liability)	
	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
Receivables	840,231	840,231	773,761	773,761
Cash and cash equivalents	18,377	18,377	22,356	22,356
Other investments	15	15	15	15
Interest bearing liabilities				
Bank loans	(180,000)	(180,000)	(125,000)	(125,000)
US notes	(288,575)	(316,252)	(305,815)	(319,740)
Cross currency swaps	(87,048)	(87,048)	(68,200)	(68,200)
Lease liabilities	(6,935)	(7,253)	(10,392)	(10,225)
Payables				
Interest rate swaps	1,014	1,014	1,175	1,175
Forward foreign exchange contracts	(8,670)	(8,670)	–	–
Payables	(1,227,287)	(1,227,287)	(1,192,939)	(1,192,939)
	(938,878)	(966,873)	(905,039)	(918,797)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

The fair value of cross currency swaps and interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. These valuation techniques use inputs other than quoted prices included within a Level 1 hierarchy, that is they are not priced off identically traded assets or liabilities as these derivatives have been transacted over the counter with banks. This means all derivatives are categorised as a Level 2 hierarchy.

Interest bearing loans and borrowings

Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

17. FINANCIAL INSTRUMENTS (CONTINUED)

g. Net fair values of financial assets and liabilities (continued)

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 2010 plus an adequate constant credit spread to discount financial instruments. The annual interest rates used are as follows:

	2010	2009
Lease liabilities	5%	7%
Receivables	6 – 7%	4 – 5%
Payables	6%	3 – 5%

18. EMPLOYEE BENEFITS

a. Liability for employee benefits

Thousands of dollars	Note	2010	2009
Current			
Liability for annual leave		25,549	31,243
Liability for long service leave		8,516	4,481
Liability for termination benefits		38,599	16,264
Bonus accrued		37,334	30,000
		109,998	81,988
Non-current			
Liability for long service leave		57,500	49,852
Defined benefit superannuation obligation		39,899	43,381
Liability for termination benefits		–	18,000
		97,399	111,233
Total liability for employee benefits	15	207,397	193,221

b. Superannuation commitments

The Group contributes to superannuation plans to provide benefits to employees and their dependants upon retirement, disability or death. Employer contributions (where applicable) are based on a percentage of salary. 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.

Information from the most recent actuarial valuation for the defined benefit plan at 31 December 2010 follows:

Thousands of dollars	2010	2009
Movements in the net liability for defined benefit obligation recognised in the balance sheet		
Net liability for defined benefit obligation at the beginning of the year	43,381	89,611
Expense recognised in the income statement	5,786	4,424
Actuarial losses/(gains) recognised in retained earnings	21,011	(26,907)
Employer contributions	(30,279)	(23,747)
Net liability for defined benefit obligation at the end of the year	39,899	43,381
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	204,726	226,686
Current service cost	8,228	9,049
Interest cost	8,495	6,579
Contributions by plan participants	2,369	2,419
Actuarial losses/(gains) recognised in retained earnings	22,411	(16,735)
Benefits paid	(24,065)	(20,834)
Curtailments	–	(2,438)
Present value of defined benefit obligation at the end of the year	222,164	204,726
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the year	161,345	137,075
Expected return on plan assets	10,937	8,766
Actuarial gains recognised in retained earnings	1,400	10,172
Employer contributions	30,279	23,747
Contributions by plan participants	2,369	2,419
Benefits paid	(24,065)	(20,834)
Fair value of plan assets at the end of the year	182,265	161,345
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	222,164	204,726
Fair value of plan assets	(182,265)	(161,345)
Net liability	39,899	43,381
Expense recognised in the income statement		
The expense is recognised in Refining and Supply expenses, Marketing expenses, and Other expenses in the income statement.		
Service cost	8,228	9,049
Interest cost	8,495	6,579
Expected return on assets	(10,937)	(8,766)
Effect of curtailments/settlements	–	(2,438)
Superannuation expense	5,786	4,424
Amounts recognised in equity		
Actuarial (losses)/gains	(21,011)	26,907
Cumulative actuarial losses	67,837	41,536

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

18. EMPLOYEE BENEFITS (CONTINUED)

b. Superannuation commitments (continued)

	2010	2009
Plan assets		
The percentage invested in each asset class at the balance sheet date was:		
Australian equity	32%	31%
International equity	25%	27%
Fixed income	18%	16%
Alternatives/Other	14%	14%
Property	7%	8%
Cash	4%	4%

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.

Thousands of dollars	2010	2009
Actual return on plan assets gain	12,337	18,938
Principal actuarial assumptions at the balance sheet date (% p.a.)		
Discount rate (active members)	5%	5%
Discount rate (pensioners)	5%	5%
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	6%	4%

Thousands of dollars	2010	2009	2008
Historical information			
Present value of defined benefit obligation	(222,164)	(204,726)	(226,686)
Fair value of plan assets	182,265	161,345	137,075
Deficit in plan	39,899	43,381	89,611
Experience adjustments on plan assets – gain/(loss)	(5,222)	10,376	(65,867)
Experience adjustments on plan liabilities – gain/(loss)	(4,868)	4,839	(16,874)

Expected employer contributions for the reporting year to 31 December 2011 is \$5,645,000.

Caltex Australia – Guaranteed Retirement Payment Plan benefit

The Caltex Australia Guaranteed Retirement Payment Plan (GRPP) is a benefit for which, if necessary, the company will supplement an eligible member's entitlement from the accumulation division to guarantee a minimum total payment. Balances relating to this benefit have been included in the overall defined benefit figures presented in note 18(b) in the financial statements.

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.

Thousands of dollars	2010	2009
Employer contributions to the plan during the year	14,727	13,398

19. COMMITMENTS

a. Capital expenditure

Thousands of dollars	2010	2009
Capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	16,857	16,758
	16,857	16,758

b. Leases

Finance leases

	31 December 2010			31 December 2009		
Thousands of dollars	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	3,004	535	2,469	4,030	596	3,434
Between one and five years	4,919	453	4,466	7,568	610	6,958
After five years	–	–	–	–	–	–
	7,923	988	6,935	11,598	1,206	10,392

The Caltex Australia Group leases production plant and equipment under finance leases expiring from one to five 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. No contingent rentals were paid during the year (2009: nil).

Operating leases

Thousands of dollars	2010	2009
Non-cancellable operating leases – Group as lessee		
Future minimum rentals payable:		
Within one year	85,359	83,468
Between one and five years	256,328	187,073
After five years	118,715	51,869
	460,402	322,410

The Group leases property under operating leases expiring from one to 17 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise mainly 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 (2009: nil).

The expense recognised in the income statement during the year in respect of operating leases is \$92,107,000 (2009: \$99,129,000).

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.

Operating leases

Thousands of dollars	2010	2009
Non-cancellable operating leases – Group as lessor		
Future minimum rentals receivable:		
Within one year	40,757	28,293
Between one and five years	88,562	78,554
After five years	70,712	23,962
	200,031	130,809

The Group leases property under operating leases expiring from one to 10 years.

Some of the leased properties have been sublet by the Group. The lease and sublease expire between 2011 and 2021.

Note 2 shows the rental income recognised in the income statement in respect of operating leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

20. 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.

Thousands of dollars	2010	2009
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.

Thousands of dollars	2010	2009
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.

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

c. Bank guarantees

The Group has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of \$1,997,434 (2009: \$31,856,351).

d. Deed of Cross Guarantee and class order relief

Note 22(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 (these companies are notated with (iii)).

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*. 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 subject to, and 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 2010 or since 1 January 2011 to the date of signing this financial report.

21. AUDITOR'S REMUNERATION

Thousands of dollars	2010	2009
Audit services – KPMG Australia	811	740
Non-audit services – KPMG Australia:		
Emissions-intensive trade-exposed assistance program submission (CPRS)	–	237
Transaction services	88	40
Other assurance services	52	98
Taxation services	20	38
	160	413

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

		% interest	
a. Name	Note	2010	2009
Companies			
Ampol Bendigo Pty Ltd	(iii)	100	100
Ampol Property (Holdings) Pty Ltd	(iii)	100	100
Ampol Refineries (Matraville) Pty Ltd		100	100
Ampol Road Pantry Pty Ltd		100	100
Australian Petroleum Marine Pty Ltd	(iii)	100	100
B & S Distributors Pty Ltd	(ii)	50	50
Bowen Petroleum Services Pty Ltd		100	100
Brisbane Airport Fuel Services Pty Ltd	(vi)	100	100
Calstores Pty Ltd	(iii), (vi)	100	100
Caltex Australia Custodians Pty Ltd		100	100
Caltex Australia Finance Pty Ltd	(iv)	–	100
Caltex Australia Investments Pty Ltd	(v)	–	100
Caltex Australia Management Pty Ltd		100	100
Caltex Australia Nominees Pty Ltd		100	100
Caltex Australia Petroleum Pty Ltd	(iii), (vi)	100	100
Caltex Fuel Services Pty Ltd	(iii)	100	100
Caltex Lubricating Oil Refinery Pty Ltd	(iii), (vi)	100	100
Caltex Petroleum (Qld) Pty Ltd	(iii)	100	100
Caltex Petroleum (Victoria) Pty Ltd	(iii)	100	100
Caltex Petroleum Pty Ltd	(iii)	100	100
Caltex Petroleum Services Pty Ltd	(iii), (vi)	100	100
Caltex Refineries (NSW) Pty Ltd	(iii), (vi)	100	100
Caltex Refineries (Qld) Pty Ltd	(iii), (vi)	100	100
Circle Petroleum (Q'land) Pty Ltd		100	100
Cocks Petroleum Pty Ltd		100	100
Cooper & Dysart Pty Ltd		100	100
Hanietee Pty Ltd	(iii)	100	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
Kanegood Pty Ltd	(xi)	100	100
Link Energy Pty Ltd	(x)	100	100
Manworth Pty Ltd		100	100
Newcastle Pipe Line Company Pty Ltd	(iii)	100	100
Northern Marketing Management Pty Ltd		100	100
Northern Marketing Pty Ltd	(iii)	100	100
Pilbara Fuels Pty Ltd	(x)	100	100
R & T Lubricants Pty Ltd	(iii)	100	100
Ruzack Nominees Pty Ltd		100	100
Solo Oil Australia Pty Ltd		100	100
Solo Oil Corporation Pty Ltd		100	100
Solo Oil Investments Pty Ltd	(iii)	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (CONTINUED)

		% interest	
a. Name (continued)	Note	2010	2009
Companies (continued)			
Solo Oil Pty Ltd	(iii)	100	100
South Coast Oils Pty Ltd		100	100
South East Queensland Fuels Pty Ltd		100	100
Sydney Metropolitan Pipeline Pty Ltd	(ii)	60	60
Teraco Pty Ltd	(ii)	50	50
Travelmate.com.au Pty Ltd	(xi)	100	100
Tulloch Petroleum Services Pty Ltd	(iii)	100	100
Western Fuel Distributors Pty Ltd	(ii)	50	50
Wildbank Pty Ltd	(xi)	100	100
Unit trusts			
Eden Equity Unit Trust	(ix)	100	100
Petroleum Leasing Unit Trust	(vii)	100	100
Petroleum Properties Unit Trust	(vii)	100	100
South East Queensland Fuels Unit Trust	(viii)	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. In each case, control exists because a company within the Caltex Australia Group has the ability to dominate the composition of the entity's board of directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of the entity.
- 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 certain requirements of the *Corporations Act*. 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 subject to, and in accordance with, the terms set out in the deed. No companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2010 or from 1 January 2011 to the date of signing this financial report.
- iv. Caltex Australia Finance Pty Ltd was deregistered on 30 September 2010.
- v. Caltex Australia Investments Pty Ltd was deregistered on 3 November 2010.
- vi. These companies were "employer" companies in the Caltex Australia Group during 2010. Employees of these companies were eligible to participate in the Caltex Australia Limited employee share plans in 2010.
- vii. Solo Oil Pty Ltd is the sole unitholder of these trusts.
- viii. Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.
- ix. Caltex Petroleum Services Pty Ltd is the sole unitholder of this trust.
- x. On 5 May 2009, the Group acquired the remaining 50% interest in Link Energy Pty Ltd (and Jenessa Holdings Pty Ltd, as a subsidiary of Link Energy Pty Ltd) and 100% of the shares in Pilbara Fuels Pty Ltd. Pilbara Fuels Pty Ltd holds a 25% interest in Link Energy Pty Ltd. Jenessa Holdings Pty Ltd was deregistered on 3 June 2009.
- xi. Applications to deregister Travelmate.com.au Pty Ltd, Kanegood Pty Ltd and Wildbank Pty Ltd were made to the Australian Securities & Investments Commission prior to 31 December 2010. Formal deregistration of these companies is expected to occur in 2011.

b. Income statement for entities covered by the Deed of Cross Guarantee

Thousands of dollars	2010	2009
Profit before income tax expense	427,548	423,950
Income tax expense	(117,168)	(136,142)
Net profit	310,380	287,808
Retained earnings at the beginning of the year	2,362,586	2,035,477
Movement in reserves	(19,346)	36,910
Dividends provided for or paid	(148,500)	–
Retained earnings at the end of the year	2,505,120	2,360,195

c. Balance sheet for entities covered by the Deed of Cross Guarantee

Current assets		
Cash and cash equivalents	5,609	7,936
Receivables	629,250	567,141
Inventories	1,383,894	1,202,448
Current tax asset	1,266	1,233
Other	15,332	31,607
Total current assets	2,035,351	1,810,365
Non-current assets		
Receivables	33,350	33,238
Investments accounted for using the equity method	36,309	34,541
Other investments	15	15
Property, plant and equipment	2,866,388	2,734,787
Intangibles	71,759	68,943
Deferred tax assets	13,138	15,465
Other	86,393	86,577
Total non-current assets	3,107,352	2,973,566
Total assets	5,142,703	4,783,931
Current liabilities		
Payables	1,126,192	1,058,271
Interest bearing liabilities	131,641	78,258
Current tax liabilities	80,049	26,063
Provisions	177,075	157,096
Total current liabilities	1,514,957	1,319,688
Non-current liabilities		
Interest bearing liabilities	434,547	431,272
Provisions	153,726	140,985
Total non-current liabilities	588,273	572,257
Total liabilities	2,103,230	1,891,945
Net assets	3,039,473	2,891,986
Equity		
Issued capital	542,415	542,415
Treasury stock	(753)	(1,756)
Reserves	(7,309)	(8,868)
Retained earnings	2,505,120	2,360,195
Total equity	3,039,473	2,891,986

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

23. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in associates and joint ventures

	% interest		
	2010	2009	Balance date
Airport Fuel Services Pty Ltd	40	40	31 December
Australasian Lubricants Manufacturing Company Pty Ltd	50	50	31 December
Cairns Airport Refuelling Service Pty Ltd	25	25	31 December
Geraldton Fuel Company Pty Ltd	50	50	31 December
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.

b. Investments in associates

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of associates' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associates' net assets equity accounted
2010	141,113	3,599	1,328	20,831	12,074	8,757	4,748
2009	123,999	3,297	1,395	18,755	12,117	6,638	3,821

	2010	2009
Results of associates		
Share of associates' profit before income tax expense	1,896	1,964
Share of associates' income tax expense	(569)	(589)
Share of associates' net profit	1,327	1,375
Unrealised profit in inventories	1	20
Share of associates' net profit – equity accounted	1,328	1,395

Commitments

Share of associates' capital expenditure contracted but not provided for in the financial report and payable:

Within one year	–	–
Share of associates' operating lease commitments not provided for in the financial report and payable:		
Within one year	125	122
Between one and five years	626	609
	751	731
Share of associates' finance lease commitments not provided for in the financial report and payable:		
Within one year	557	531
Between one and five years	1,409	1,463
	1,966	1,994
Future finance charges	(266)	(239)
	1,700	1,755

c. Investments in joint ventures

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of joint ventures' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2010	559,098	2,099	2,185	1,180,643	1,177,002	3,641	18,603
2009	570,436	2,926	2,401	1,019,451	1,014,986	4,465	17,762
						2010	2009
Results of joint ventures							
Share of joint ventures' profit before income tax expense						1,195	2,099
Share of joint ventures' income tax expense						(209)	(630)
Share of joint ventures' net profit						986	1,469
Unrealised profit in inventories						1,199	932
Share of joint ventures' net profit – equity accounted						2,185	2,401
Commitments							
Share of joint ventures' capital expenditure contracted but not provided for in the financial report and payable:							
Within one year						73	–
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:							
Within one year						924	462
Between one and five years						436	541
						1,360	1,003

d. Reconciliation to income statement

	2010	2009
Share of net profit of associates accounted for using the equity method	1,328	1,395
Share of net profit of joint ventures accounted for using the equity method	2,185	2,401
	3,513	3,796

24. INTEREST IN JOINT VENTURE OPERATIONS

The Group has joint interests in multiple Joint User Hydrant Installations (JUHIs), which are based at airports across Australia. The principal activity of the JUHIs is refuelling aircraft at the airports. For the year ended 31 December 2010, the contribution of the JUHIs to the operating profit of the Group was nil (2009: nil). Included in the assets and liabilities of the Group are the Group's interests in the assets and liabilities employed in the joint venture operation:

Thousands of dollars	2010	2009
Non-current assets		
Plant and equipment expenditure	37,148	35,174
Less: accumulated amortisation	(25,398)	(18,637)
Total non-current assets	11,750	16,537
Total assets	11,750	16,537

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

25. NOTES TO THE CASH FLOW STATEMENTS

a. Reconciliation of cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents includes:

Thousands of dollars	2010	2009
Cash at bank	18,377	22,356
Total cash and cash equivalents	18,377	22,356

b. Reconciliation of net profit to net operating cash flows

Thousands of dollars	2010	2009
Net profit	317,978	314,760
Adjustments for:		
Loss on divestment of non-current assets	3,100	31,591
Impairment of fixed assets	1,134	102,021
Impairment of goodwill	–	5,000
Interest paid capitalised	–	(15,489)
Fair value adjustment on financial instruments	(203)	(137)
Depreciation of property, plant and equipment	200,356	189,291
Amortisation of intangibles	8,529	7,349
Treasury stock movements net of expense	4,229	(290)
Share of associates' and joint ventures' net profit	(3,513)	(3,796)
Movements in assets and liabilities:		
(Increase)/decrease in receivables	(66,470)	71,034
(Increase)/decrease in inventories	(176,198)	(162,794)
(Increase)/decrease in other assets	9,465	(17,514)
Increase/(decrease) in payables	35,612	13,693
Increase/(decrease) in current tax liabilities	53,467	161,085
Increase/(decrease) in deferred tax liabilities	9,343	(34,544)
Increase/(decrease) in provisions	31,629	13,892
Net operating cash inflows	428,458	675,152

26. BUSINESS COMBINATIONS

2010

There were no material business combinations during the year ended 31 December 2010 for the Caltex Australia Group.

2009

a. Link Energy Pty Limited and Pilbara Fuels Pty Limited

On 5 May 2009, the Group acquired the remaining 50% of Link Energy Pty Limited for a total acquisition cost of \$7,191,000, plus incidental acquisition costs of \$303,000. The remaining 50% was acquired through a direct 25% interest in Link Energy Pty Limited for \$3,655,000 satisfied in cash, and 100% interest in Pilbara Fuels Pty Limited for \$3,536,000 satisfied in cash. Pilbara Fuels Pty Limited holds a 25% interest in Link Energy Pty Limited. Link Energy Pty Limited distributes and markets petroleum. In the eight months to 31 December 2009, the subsidiary contributed a net profit of \$1,538,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2009, the Group estimates that gross sales revenue would have been \$2,826,000 greater and net profit would have been \$501,000 greater.

The acquisition had the following effect on the Group's assets and liabilities:

Thousands of dollars	Original values	Fair value adjustments	Recognised values
Cash and cash equivalents	1,788	–	1,788
Receivables	11,105	–	11,105
Inventories	2,130	–	2,130
Other current assets	1,198	–	1,198
Property, plant and equipment	12,198	–	12,198
Goodwill	2,030	(2,030)	–
Payables	(18,617)	–	(18,617)
Net identifiable assets and liabilities	11,832	(2,030)	9,802
Net assets acquired – remaining interest			3,858
Goodwill on acquisition			3,636
Consideration paid, satisfied in cash			7,494
Cash acquired			(1,788)
Net cash outflow			(5,706)

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value recorded on acquisition.

Goodwill on acquisition of the business of Link Energy Pty Limited and Pilbara Fuels Pty Limited has arisen because of future business synergies that did not meet the criteria for recognition as a separately identifiable asset at the date of acquisition.

Goodwill within Link Energy Pty Limited and Pilbara Fuels Pty Limited was unable to be recognised as a separate intangible asset under AASB 3.

27. FINANCING ARRANGEMENTS

Thousands of dollars	2010	2009
The Caltex Australia Group has access to the following lines of credit:		
Total facilities available:		
Bank overdrafts	30,000	30,000
Bank loans and capital markets	1,475,623	1,625,505
	1,505,623	1,655,505
Facilities utilised at balance date:		
Bank overdrafts	5,941	1,140
Bank loans and capital markets	555,623	500,505
	561,564	501,645
Facilities not utilised at balance date:		
Bank overdrafts	24,059	28,860
Bank loans and capital markets	920,000	1,125,000
	944,059	1,153,860

These facilities are unsecured and have an average maturity of 2.5 years (2009: 2.7 years).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

28. RELATED PARTY INFORMATION

a. Key management personnel

The key management personnel of the Caltex Australia Group during 2010 and 2009 were:

i. Directors of Caltex Australia Limited during 2010 and 2009:

Current directors

Ms Elizabeth Bryan, Chairman and Non-Executive Director

Mr Julian Segal, Managing Director & CEO (joined Caltex on 1 June 2009; appointed as Managing Director & CEO from 1 July 2009)

Mr Trevor Bourne, Non-Executive Director

Mr Brant Fish*, Non-Executive Director

Mr Greig Gailey, Non-Executive Director

Mr Tim Leveille*, Non-Executive Director (from 1 December 2010)

Mr Walt Szopiak*, Non-Executive Director (from 1 September 2010; previously an Alternate Director to 31 August 2010)

Mr John Thorn, Non-Executive Director

Ms Colleen Jones-Cervantes*, Alternate Director (from 1 September 2010; previously a Non-Executive Director to 31 August 2010)

*Ms Jones-Cervantes currently serves as alternate director for Mr Fish and Mr Szopiak (from 1 September 2010) and Mr Leveille (from 1 December 2010).

Former directors

Mr Rob Otteson, Non-Executive Director (to 30 November 2010)

Mr Des King, Managing Director & CEO (to 30 June 2009)

Mr Pete Wissel, Alternate Director (to 30 June 2009)

ii. Senior executives

Current senior executives

Helen Conway, General Manager – Office of the CEO, Company Secretary and General Counsel

Simon Hepworth, Chief Financial Officer

Ken James, General Manager – Supply and Distribution (appointed 1 April 2009)

Mike McMenamin, General Manager – Strategy, Planning and Development

Gary Smith, General Manager – Refining (appointed 4 August 2009)

Andy Walz, General Manager – Marketing

Simon Willshire, General Manager – Human Resources

Former senior executives

Peter Wilkinson, Group Manager – Operational Excellence and Risk (resigned 23 October 2009)

b. Key management personnel compensation

Dollars	2010	2009
Short term benefits	10,521,333	9,936,127
Other long term benefits	401,673	616,292
Post-employment benefits	546,836	595,241
Share based payments	2,625,749	1,086,065
	14,095,591	12,233,725

Information regarding directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 27 to 44.

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:

31 December 2010	Held at 31 Dec 2009	Purchased	Vested	Sold	Held at 31 Dec 2010
Directors					
Elizabeth Bryan	14,946	–	–	–	14,946
Julian Segal	–	–	31,337	–	31,337
Trevor Bourne	5,395	–	–	–	5,395
Brant Fish	–	–	–	–	–
Greig Gailey	–	5,000	–	–	5,000
Tim Leveille	–	–	–	–	–
Walt Szopiak	–	–	–	–	–
John Thorn	1,510	–	–	–	1,510
Colleen Jones-Cervantes	–	–	–	–	–
Rob Otteson	–	–	–	–	–
Senior Executives					
Helen Conway	58,276	–	8,445	–	66,721
Simon Hepworth	31,118	–	9,535	–	40,653
Ken James	5,684	–	3,334	–	9,018
Mike McMenamin	15,755	–	5,301	–	21,056
Gary Smith	–	–	–	–	–
Andy Walz	–	–	–	–	–
Simon Willshire	8,993	–	6,259	–	15,252
31 December 2009	Held at 31 Dec 2008	Purchased	Vested	Sold	Held at 31 Dec 2009
Directors					
Elizabeth Bryan	9,238	5,708	–	–	14,946
Julian Segal	–	–	–	–	–
Trevor Bourne	5,395	–	–	–	5,395
Brant Fish	–	–	–	–	–
Greig Gailey	–	–	–	–	–
Colleen Jones-Cervantes	–	–	–	–	–
Rob Otteson	–	–	–	–	–
John Thorn	1,510	–	–	–	1,510
Walt Szopiak	–	–	–	–	–
Des King	1,000	–	–	(1,000)	–
Pete Wissel	1,000	–	–	(1,000)	–
Senior Executives					
Helen Conway	50,873	–	7,403	–	58,276
Simon Hepworth	22,975	–	8,143	–	31,118
Ken James	2,752	–	2,932	–	5,684
Mike McMenamin	11,059	–	4,696	–	15,755
Gary Smith	–	–	–	–	–
Andy Walz	–	–	–	–	–
Peter Wilkinson	6,053	–	3,402	–	9,455
Simon Willshire	4,838	–	4,155	–	8,993

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

28. RELATED PARTY INFORMATION (CONTINUED)

d. Other key management personnel transactions

Apart from as disclosed in the indemnity section of the Directors' Report, no key management personnel have entered into a material contract, loan or other transaction with any entity in the Caltex Australia Group during the year ended 31 December 2010 (2009: nil).

During 2010, Elizabeth Bryan was a director of Westpac Banking Corporation. The business relationship between Caltex and Westpac Banking Corporation has been in place for many years and facilities are on normal commercial terms.

During 2010, Mr Bourne was a director of Hastie Group Limited and Origin Energy Limited. Transactions with these companies and their subsidiaries were on normal commercial terms.

During 2010, Mr Thorn was a director of National Australia Bank Limited, Salmat Limited, Amcor Limited and Kennards Hire Pty Ltd. Transactions with these companies and their subsidiaries were on normal commercial terms.

During 2010, Mr Gailey was the Vice-president of the Business Council of Australia. Transactions with this entity were on normal commercial terms.

e. Controlled entities

During 2010, Caltex Australia Limited received dividends from controlled entities of \$155,543,000 (2009: \$10,373,000) and interest from controlled entities of \$28,299,000 (2009: \$25,380,000).

The amount receivable by Caltex Australia Limited from controlled entities at 31 December 2010 was \$338,575,000 (2009: \$424,015,000). The amount payable by Caltex Australia Limited to controlled entities at 31 December 2010 was \$173,926,000 (2009: \$355,598,000).

Details of controlled entities are set out in note 22.

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 \$4,978,808 (2009: \$3,516,218) to the Chevron Group for technical service fees. The Caltex Australia Group received \$4,825,046 (2009: \$7,763,266) 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 \$1,858,428 (2009: \$2,569,039) to the Chevron Group, including Iron Horse Insurance Company in 2010 and Heddington Insurance Limited in 2009, for insurance coverage. Dealings with Iron Horse Insurance Company and 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 \$3,574,245,181 (2009: \$3,290,664,934). The Caltex Australia Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of \$333,556,636 (2009: \$458,010,721). These purchases and sales are in the ordinary course of business and on normal commercial terms and conditions.

Payments were made to the Chevron Group in respect of the secondment of Desmond King and Andy Walz. Details of these payments are shown in the Directors' Report on pages 27 to 44.

In addition to the above, the Chevron Group seconded one executive (2009: nil) primarily to provide specialist expertise for an IT project and one executive (2009: one executive) to provide specialist expertise in refineries. The total cost borne by Caltex Australia in respect of both executives was \$421,680 (2009: \$268,649). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex Australia seconded six employees to various roles within the Chevron Group during 2010. 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 \$125,089,055 (2009: \$142,621,851). The Caltex Australia Group received income from associates for rental income of \$107,810 (2009: \$270,753).

Details of associates are set out in note 23. Amounts receivable from associates are set out in note 7. Dividend and disbursement income from associates is \$400,000 (2009: \$707,000).

Caltex has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interests are set out in note 23.

h. Joint ventures

The Caltex Australia Group sold petroleum products to joint ventures totalling \$62,574,314 (2009: \$52,300,681). The Caltex Australia Group received income from joint ventures for service fees, site fees, operating leases and licence fees of \$9,567,731 (2009: \$9,816,306).

The Caltex Australia Group purchased petroleum products from joint ventures of \$151,185,781 (2009: \$152,299,257). The Caltex Australia Group received service fee income from joint ventures of \$160,000 (2009: \$160,000). Dividend and disbursement income from joint ventures is \$1,345,528 (2009: \$988,807).

Caltex has interests in joint ventures primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interests are set out in notes 23 and 24.

i. Executive share plan and performance rights

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 instalments as their shares vest, although dividend and voting entitlements vest immediately. Shares are included as part of bonuses upon vesting.

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.

Summary of share movements in the plan:

Opening balance		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 (\$)
2010								
17,724		–	–	2 Jan 10	(15,316)	9.41	2,408	34,603
17,724		–			(15,316)		2,408	34,603
2009								
84,854		–	–	2 Jan 09	(65,843)	7.15	17,724	164,833
				23 Oct 09	(1,287)			
84,854		–			(67,130)		17,724	164,833

Up to 1 January 2010, Senior Executives could 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.

Executives in the Caltex Equity Incentive Plan for 2009 were entitled to receive shares in three equal instalments as their shares vest, although dividend and voting entitlements vest immediately. Shares are included as part of bonuses upon vesting.

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.

Summary of share movements in the plan:

Opening balance		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 (\$)
2010								
57,088		–	–	7 Apr 10	(38,478)	11.63	18,610	267,426
57,088		–			(38,478)		18,610	267,426
2009								
53,410	7 Apr 2009	46,234	9.12	7 Apr 09	(33,721)	9.14	57,088	530,918
				23 Apr 09	(8,835)			
53,410		46,234			(42,556)		57,088	530,918

Since 1 January 2010, Senior Executives have deferred one third of their short term incentive (STI), if the STI is higher than a target dollar figure.

Details of the deferred STI are included in the Remuneration Report on pages 27 to 44.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

28. RELATED PARTY INFORMATION (CONTINUED)

i. Executive share plan and performance rights (continued)

Summary of share movements in the plan:

Opening balance		Granted		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 (\$)
2010								
–	1 Jan 10	136,205	14.37		–	–	136,205	1,957,266
–		136,205			–		136,205	1,957,266

Since 1 January 2007, Senior Executives may receive performance rights under Caltex Australia Limited's Equity Incentive Plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group.

Details of the Caltex Equity Incentive Plan are included in the Remuneration Report on pages 27 to 44.

Summary of performance rights in the plan:

Opening balance		Issued to plan		Distribution during the year			Lapsed during the year			Closing balance	
Number of performance rights	Start date	Number of performance rights	Fair value of performance rights (\$)	Distribution date	Number of performance rights	Weighted average fair value per share (\$)	Lapsed date	Number of performance rights	Weighted average fair value per share (\$)	Number of performance rights	Fair value aggregate (\$)
2010											
201,740	23 Apr 10	663,357	7.89	3 Mar 10	–	10.29	3 Mar 10	(23,845)	–	836,007	6,184,172
200,860	23 Apr 10	663,357	7.75	3 Mar 10	(17,891)	10.29	3 Mar 10	(5,964)	–	831,427	6,123,809
				17 Aug 10	(4,374)	11.48	17 Aug 10	(871)	–		
				17 Aug 10	(6,629)	11.48	17 Aug 10	(2,306)	–		
402,600		1,326,714			(28,894)			(32,986)		1,667,434	12,307,981
2009											
76,850	1 Jan 09	135,235	4.03		–	–	23 Oct 09	(10,345)	–	201,740	813,012
75,910	1 Jan 09	135,235	4.17		–	–	23 Oct 09	(10,285)	–	200,860	837,586
152,760		270,470			–			(20,630)		402,600	1,650,598

The performance criteria for the performance rights start on 1 January of each of the relevant years, while the issue date follows shortly thereafter. All performance rights may be exercised three years after the grant date and expire 10 years after the grant date.

Thousands of dollars	2010	2009
Executive share plan expense	4,874	1,111

29. NET TANGIBLE ASSETS PER SHARE

	2010	2009
Net tangible assets per share (dollars)	11.08	10.48

Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 270 million (2009: 270 million).

30. SEGMENTED REPORTING

a. Segment disclosures

The accounting policies used by the Group in reporting segments are detailed in note 1.

Types of products and services

The following summary describes the operations in each of the Group's reportable segments:

Marketing

The Marketing function promotes and sells Caltex fuels, lubricants, specialty products and convenience store goods through a national network of Caltex, Caltex Woolworths and Ampol branded service stations, as well as through company-owned and non-equity resellers and direct sales to corporate customers.

Refining and Supply

Caltex sources the supply of both crude oil and refined products on the international market and refines crude oil into petrol, diesel, jet fuel, base oil for lubricants and many specialty products such as liquid petroleum gas and bitumen. Caltex buys and sells products and schedules product movements to meet marketing sales and the company's broad distribution capabilities encompass pipelines, terminals, depots and both a company and contracted transportation fleet.

Caltex sees a domestic Refining and Supply segment as essential to support the Marketing segment's earnings.

b. Information about reportable segments

	Marketing		Refining and Supply		Total Operating Segments	
Thousands of dollars	2010	2009	2010	2009	2010	2009
Gross segment revenue	16,029,058	14,677,199	2,109,730	2,500,547	18,138,788	17,177,746
Product duties and taxes	(4,914,349)	(4,761,257)	–	–	(4,914,349)	(4,761,257)
External segment revenue	11,114,709	9,915,942	2,109,730	2,500,547	13,224,439	12,416,489
Inter-segment revenue	–	–	10,223,087	9,097,011	10,223,087	9,097,011
Total segment revenue	11,114,709	9,915,942	12,332,817	11,597,558	23,447,526	21,513,500
Share of profit of associates	3,513	3,796	–	–	3,513	3,796
Depreciation and amortisation	(54,482)	(49,009)	(147,073)	(134,158)	(201,555)	(183,167)
Replacement Cost of Sales Operating Profit before interest and income tax	578,164	452,769	3,551	55,562	581,715	508,331
Other material items:						
Impairment of intangible assets	–	(5,000)	–	–	–	(5,000)
Impairment of tangible assets	–	(22,525)	(1,134)	(79,496)	(1,134)	(102,021)
Inventory gains/(losses)	(14,404)	6,890	35,646	86,657	21,242	93,547
Capital expenditure	(150,241)	(92,615)	(202,059)	(239,856)	(352,300)	(332,471)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

30. SEGMENTED REPORTING (CONTINUED)

c. Reconciliation of reportable segment revenues, profit or loss and other material items

Thousands of dollars	2010	2009
Revenues		
Total revenue for reportable segments	23,447,526	21,513,500
Product duties and taxes	4,914,349	4,761,257
Elimination of inter-segment revenue	(10,223,087)	(9,097,011)
Total reportable segments gross revenue	18,138,788	17,177,746
Non-fuel income and rebates	533,117	562,554
Consolidated revenue	18,671,905	17,740,300
Profit or loss		
Total Replacement Cost of Sales Operating Profit for reportable segments	581,715	508,331
Other profit and loss	(81,297)	(18,900)
Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	500,418	489,431
<i>Significant items excluded from profit and loss reported to the chief operating decision maker:</i>		
Marketing restructuring expenses	(5,800)	–
Refining restructuring expenses	(14,963)	–
Corporate restructuring expenses	(2,248)	(18,230)
Expenses relating to the closure of Caltex Lubricating Oil Refinery	–	(92,654)
Impairment and remediation liabilities related to sites to be divested	–	(38,622)
Other costs and asset write-offs	–	(23,288)
Replacement Cost of Sales Operating Profit before interest and income tax	477,407	316,637
Inventory gains	21,242	158,410
Consolidated historical cost earnings before interest and income tax	498,649	475,047
Net financing costs	(57,380)	(28,049)
Net profit attributable to non-controlling interest	1,026	678
Consolidated profit before income tax	442,295	447,676

Thousands of dollars	Reportable segment totals	Other	Consolidated totals
Other material items 2010			
Depreciation and amortisation	(201,555)	(7,330)	(208,885)
Impairment of tangible assets	(1,134)	–	(1,134)
Inventory gains	21,242	–	21,242
Capital expenditure	(352,300)	(8,982)	(361,282)

Thousands of dollars	Reportable segment totals	Other	Consolidated totals
Other material items 2009			
Depreciation and amortisation	(183,167)	(13,473)	(196,640)
Impairment of intangible assets	(5,000)	–	(5,000)
Impairment of tangible assets	(102,021)	–	(102,021)
Inventory gains	93,547	64,863	158,410
Capital expenditure	(332,471)	(6,772)	(339,243)

d. Geographical segments

The Caltex Australia Group operates within one geographic region – Australia.

All of the Group's non-financial non-current assets are located in the Group's country of domicile, Australia.

e. Major customer

Revenues from one customer of the Group's Marketing segment represents approximately \$3,700,000,000 (2009: \$3,300,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

f. Revenue from products and services

Thousands of dollars	2010	2009
Petrol	5,798,499	5,614,881
Diesel	5,005,974	4,581,919
Jet	1,525,055	1,295,516
Lubricants	295,559	296,999
Specialty and other products	599,352	627,174
	13,224,439	12,416,489

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2010, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2010	2009
Result of the parent entity		
Profit for the period	132,128	(10,223)
Other comprehensive income	(901)	(10,745)
Total comprehensive income for the period	131,227	(20,968)
Financial position of parent entity at year end		
Current assets	210,565	1,790
Total assets	1,867,875	1,657,166
Current liabilities	209,926	468,284
Total liabilities	1,116,055	892,299
Total equity of the parent entity comprising:		
Issued capital	543,415	543,415
Treasury stock	(753)	(1,756)
Reserves	(5,831)	(8,153)
Retained earnings	214,989	231,361
Total equity	751,820	764,867

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 22(a).

COMPARATIVE FINANCIAL INFORMATION

The additional information on pages 100 and 101 is provided for the information of shareholders.

The information is based on, but does not form part of, the 2010 Financial Report.

Caltex Australia Limited consolidated results	2010	2009	2008	2007	2006
Profit and loss (\$ million)					
Historical cost operating profit before significant items, interest and income tax expense	522	648	104	965	706
Interest income	2	2	4	7	3
Borrowing costs	(59)	(30)	(60)	(46)	(49)
Historical cost income tax expense before significant items	(131)	(185)	(13)	(280)	(195)
Historical cost operating profit after tax and before significant items	333	435	34	646	466
Significant items (net of tax)	(16) ⁽ⁱ⁾	(121) ⁽ⁱⁱ⁾	–	–	–
Historical cost operating profit/(loss) after income tax	317	314	34	646	466
Dividends					
Amount paid and payable (\$/share)	0.60	0.25	0.36	0.80	0.80
Times covered (excl. significant items)	2.06	6.45	0.35	2.99	2.16
Dividend payout ratio – replacement cost basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	51%	21%	52%	49%	50%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	18,931	17,984	23,891	19,342	18,665
Earnings per share – historical cost (cents per share)	117	116	13	239	173
Earnings per share – replacement cost (cents per share) (excl. significant items)	112	120	69	164	159
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	522	648	104	965	706
Earnings before interest and tax – replacement cost basis (\$m) (excl. significant items)	500	489	321	675	655
Operating cash flow per share (\$/share)	1.6	2.5	1.4	2.2	1.7
Interest cover – historical cost basis	8.7	17.0	1.8	24.7	15.5
Interest cover – replacement cost basis (excl. significant items)	8.7	17.4	6.7	18.3	15.4
Return on capital employed – historical cost basis (%) ^(iv)	9	9	1	19	16
Return on capital employed – replacement cost basis (excl. significant items) (%) ^(iv)	9	10	5	13	14
Equity attributable to members of the company (\$m)	3,071	2,915	2,592	2,817	2,432
Total equity (\$m)	3,083	2,925	2,602	2,829	2,443
Return on equity attributable to members of the parent entity after tax – historical cost basis (excl. significant items) (%)	11	15	1	23	19
Total assets (\$m)	5,291	4,952	4,922	5,330	4,417
Net tangible asset backing (\$/share)	11.08	10.48	9.29	10.14	8.80
Debt (\$m)	563	509	864	596	595
Net debt (\$m)	544	487	832	582	539
Net debt to net debt plus equity (%)	15	14	24	17	18

i. Includes significant items relating to the restructuring of Refining and Supply, Marketing and corporate of \$23 million (\$16 million after tax).

ii. Includes significant items relating to the planned closure of the Caltex Lubricating Oil Refinery (CLOR), remediation liabilities for Marketing sites to be divested and redundancies classified as significant items of \$173 million (\$121 million after tax).

iii. Dividend payout ratio – replacement cost basis calculated as follows:	Dividends paid and payable in respect of financial year	
	Net Profit After Tax	Replacement cost profit after income tax (excl. significant items)
iv. Return on capital employed is calculated as follows:	Net Debt + Equity	

REPLACEMENT COST OF SALES OPERATING PROFIT 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 operating profit basis,⁽ⁱ⁾ which excludes net inventory gains and losses.
- On a replacement cost of sales operating profit basis excluding significant items, the Group's net profit after income tax for the year was \$318 million, compared to a profit of \$324 million in 2009.
- 2010 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$500 million, an increase of \$11 million over 2009.

\$ million	Five years	2010	2009	2008	2007	2006
Historical cost net profit before interest, income tax and significant items	2,945	522	648	104	965	706
(Deduct)/add inventory (gains)/losses ⁽ⁱⁱ⁾	(304)	(21)	(158)	217	(290)	(52)
Replacement cost net profit before interest, income tax and significant items	2,640	500	489	321	675	655
Net borrowing costs	(226)	(57)	(28)	(56)	(39)	(46)
Historical cost tax expense	(804)	(131)	(185)	(13)	(280)	(195)
Add/(deduct) tax effect of inventory (losses)/gains	92	6	48	(66)	88	16
Replacement cost profit after income tax ⁽ⁱⁱⁱ⁾	1,702	318	324	186	444	430

- i. The replacement cost of sales operating profit basis (RCOP) removes the impact of inventory gains and losses, giving a truer reflection of underlying financial performance. Gains and losses in the value of inventory due to fluctuations in the USD price of crude oil and foreign exchange impacts constitute a major external influence on company profits. RCOP restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financials.
- As a general rule, an increase in crude prices on an Australian dollar basis will create a gain for Caltex. Conversely, a drop in crude oil prices on an Australian dollar basis will create a loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence to accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45 – 60 days of inventory, revenues reflect current prices in Singapore whereas FIFO costings reflect costs some 45 – 60 days earlier. The timing difference creates these inventory gains and losses.
- To remove the impact of this inventory value factor on earnings and to better reflect the underlying performance of the business, the RCOP methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.
- ii. Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2010, the historical cost result includes \$21 million inventory gain (2009: \$158 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:
- 2006: nil
 2007: nil
 2008: nil
 2009: \$173 million expenses before tax (\$121 million after tax)
 2010: \$23 million expenses before tax (\$16 million after tax).

SHAREHOLDER INFORMATION

SHAREHOLDER ENQUIRIES

Shareholders with queries about their shares or dividend payments should contact the company's share registry on telephone 1300 850 505 or facsimile 03 9473 2500, or through its website (www.computershare.com) using their holder identification number (HIN) or shareholder reference number (SRN) to access their shareholder specific information, or write to:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Vic 3001
Australia

All enquiries should include an SRN or HIN, which is recorded on the holding statement.

CHANGE OF ADDRESS

Shareholders on the issuer sponsored sub-register who have changed their address should notify the company's share registry in writing. CRESS 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 wish to receive a hard copy of the annual report or half year report should notify 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* 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 more than one of the joint shareholders registers to vote, only the vote of the shareholder named first in the register will be counted at a meeting.

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.

Caltex issues performance rights to senior executives under a long term incentive scheme, subject to vesting conditions. If performance rights vest, ordinary shares are purchased on market. Performance rights do not carry voting or dividend rights.

SECURITIES EXCHANGE LISTING

The company's shares are listed on the ASX (ticker: CTX)

GENERAL ENQUIRIES

Investor Relations

Ms Fran van Reyk 02 9250 5378

Company Secretaries

Ms Helen Conway, Mr John Willey

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

The postal address is:

GPO Box 3916
Sydney NSW 2001

website: www.caltex.com.au

The address at which the register of shares is kept is:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000 Australia

Tollfree: 1300 850 505
(enquiries within Australia)

Telephone: +61 3 9415 4000
(enquiries outside Australia)

Facsimile: 03 9473 2500

website: www.computershare.com.au

The postal address is:

GPO Box 2975
Melbourne Vic 3001 Australia

GENERAL INFORMATION

The following additional information is provided under ASX Listing Rule 4.10:

1. As at 28 February 2011

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 29,373

1.3 The shareholding is distributed as follows:

Category	Number of shareholders	Number of shares	%
A.			
1–1,000	20,956	9,724,787	3.60
1,001–5,000	7,351	16,665,964	6.17
5,001–10,000	663	5,013,614	1.86
10,001–100,000	371	9,240,141	3.42
100,001 and over	32	229,355,494	84.95
Rounding			0.00
Total	29,373	270,000,000	100.00
B.			
Holders of less than a marketable parcel	356		

1.4 The 20 largest shareholders held 84.39% 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	33,163,409	12.28
3. National Nominees Limited	23,017,084	8.52
4. J P Morgan Nominees Australia Limited	19,083,998	7.07
5. Citicorp Nominees Pty Limited	8,013,131	2.97
6. JP Morgan Nominees Australia Limited <Cash Income A/C>	2,215,796	0.82
7. Cogent Nominees Pty Limited	1,403,773	0.52
8. Queensland Investment Corporation	1,215,289	0.45
9. AMP Life Limited	772,158	0.29
10. CS Fourth Nominees Pty Ltd	631,034	0.23
11. Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	591,110	0.22
12. Citicorp Nominees Pty Limited <CFSIL CWLTH Aust SHS 23 A/C>	561,664	0.21
13. HSBC Custody Nominees (Australia) Limited – A/C 2	510,173	0.19
14. Share Direct Nominees Pty Ltd <10026 Account>	301,851	0.11
15. Merrill Lynch (Australia) Nominees Pty Limited <Pact A/C>	295,369	0.11
16. HSBC Custody Nominees (Australia) Limited – GSCO ECA	237,086	0.09
17. Caltex Equity Incentive Plan Trust	221,011	0.08
18. Mrs Frances Mary Karst	220,000	0.08
19. HSBC Custody Nominees (Australia) Limited – A/C 3	204,166	0.08
20. RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	183,793	0.07
Total	227,841,895	84.39

STATISTICAL INFORMATION

Year ended 31 December	2010	2009	2008	2007
People				
Employees ⁽ⁱ⁾	3,546	3,872	4,158	3,252
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery	1	1	1	1
Road Tankers ⁽ⁱⁱ⁾	170	178	18	18
Rail cars (operational)	66	66	62	62
Storage terminals operated by Caltex ⁽ⁱⁱⁱ⁾	12	12	12	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	472	468	476	478
Service stations (owned or leased)	743	756	748	492
Depots	79	88	83	88
Operations				
Nameplate refining capacity (barrels per day)				
Caltex Refineries (NSW) Pty Ltd	135,000	135,000	135,000	135,000
Caltex Refineries Qld Pty Ltd	109,000	109,000	109,000	109,000
Caltex Lubricating Oil Refinery Pty Ltd	3,750	3,750	3,750	3,750
Fuel production (ML)	10,607	11,093	10,834	11,951
Lubricants production (ML)	78	107	137	129
Total sales volume (ML) ^(iv)	16,521	16,304	16,493	16,088
Lost time injury frequency rate (LTIFR) ^(v)	1.35	2.1	3.0	3.8

i. Includes employees of Calstores Pty Ltd and Caltex 100% owned resellers.

ii. From 2009 road tanker numbers includes Caltex 100% owned reseller fleet.

iii. Caltex has access to product supply at a further 12 terminals.

iv. 2007 sales volumes exclude sales made to domestic refiners.

v. 2010 statistical basis changed to include marketing contractors. On previous basis the 2010 LTIFR is 1.23.

GLOSSARY OF TERMS

21CC Twenty-first century Caltex – the latest Caltex Star Mart format.

ACCC Australian Competition and Consumer Commission.

Acpl Australian cents per litre.

A-IFRS Australian equivalents to International Financial Reporting Standards.

ASIC Australian Securities and Investments Commission.

ASX Australian Securities Exchange.

Barrel (per barrel) or bbl A measure used for oil production and sales. One barrel equals approximately 160 litres.

Biofuels Biofuels (bio fuels) refers to fuels derived from feedstocks or biomass crops (such as cereals, grains and oilseeds) and waste (such as animal and cooking fat waste). The two main types of biofuel used for transport fuel in Australia are ethanol and biodiesel.

- Ethanol production relies on plant-based feedstocks like sugar and grains. It is blended with unleaded petrol and can be substituted for regular unleaded petrol in many new and used cars, trucks and motorcycles.
- Biodiesel production involves the use of plant and/or animal fats. In Australia, biodiesel producers use canola oil, used cooking oil and tallow. When blended with petroleum diesel, it can be used as a substitute in vehicles and stationary engines.

Caltex Refiner Margin (CRM) 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.

Capital expenditure Investment in acquisition or improvement of long term assets, such as property, plant or equipment.

CEIP Caltex Equity Incentive Plan.

CPRS Carbon Pollution Reduction Scheme.

EBIT Earnings Before Interest and Tax.

EBITDA Earnings Before Interest, Tax, Depreciation and Amortisation.

EITE Emissions-intensive trade-exposed – refers to industries that are either exporters or compete against imports and produce significant emissions in their production of goods, measured as the weighted average emissions per million dollars of revenue or per million dollars of value added.

EPA Environment Protection Authority or equivalent state authority.

FIFO First in, first out inventory costing process.

Hedge Buyers and sellers of the commodity may enter into long or short term contracts at an agreed price to manage the risk created by price volatility for a commodity (such as crude oil) on a spot market.

IFRS International Financial Reporting Standards.

LPG Liquid Petroleum Gas.

LTI Lost Time Injury.

LTIFR Lost Time Injury Frequency Rate – the number of injuries causing lost time per million hours worked.

Marketing The operating businesses of Caltex responsible for a range of activities including company-owned and franchised retail service station operations, company-owned and independent branded resellers and direct sales to commercial customers.

MHF Major Hazard Facility.

ML Million litres.

NGERS National Greenhouse and Energy Reporting Scheme.

NPAT Net Profit After Tax.

PP&E Property, Plant and Equipment.

GLOSSARY OF TERMS (CONTINUED)

RCOP Caltex reports its results for statutory purposes on an historical cost basis. We also provide information on our financial results on a replacement cost of sales operating profit (RCOP) basis. The RCOP result removes the impact of fluctuations in the USD price of crude and foreign exchange on cost of sales. Such impacts constitute a major external influence on company profits.

RCOP restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the basis of reporting used by other refining and marketing groups.

As a general rule, an increase in crude prices on an Australian dollar basis will create a gain for Caltex. Conversely, a drop in crude prices on an Australian dollar basis will create a loss. This is a direct consequence of the first in first out costing process used by Caltex in adherence to accounting standards to produce the financial result on an historical cost basis. With Caltex holding approximately 45–60 days of inventory, revenues reflect current prices in Singapore whereas first in first out costings reflect costs some 45–60 days earlier. The timing difference creates these impacts on cost of sales, referred to as “inventory gains and losses”. To remove the impact of this on earnings and to better reflect the underlying performance of the business, the RCOP methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

The RCOP result is used by the Board and management for internal review of the company’s performance. It is used by the Board for its consideration of dividend (as set out in the dividend policy) and our short term incentive (bonus) scheme.

Refining The operating businesses of Caltex responsible for refining crude oil into petrol, diesel, jet fuel, and base oil for lubricants and producing many specialty products such as liquid petroleum gas (LPG) and bitumen.

Supply and Distribution The operating businesses of Caltex responsible for the purchasing, sale and distribution of crude and refined product.

Tapis Tapis crude is a Malaysian crude oil used as a pricing benchmark in Singapore. While it is not traded on a market, it is often used as an oil marker for Asia.

TRV Total Reward Value.

TSR Total Shareholder Return.

CORPORATE OFFICES

Caltex Australia Limited

ACN 004 201 307

Caltex Australia Petroleum Pty Ltd

ACN 000 032 128

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Australia

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Telephone: 02 9250 5000
Facsimile: 02 9250 5742
Website: www.caltex.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited

GPO Box 2975
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Australia

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(enquiries within Australia)

Telephone: +61 3 9415 4000
(enquiries outside Australia)

Facsimile: 03 9473 2500
Website: www.computershare.com.au

REFINERIES

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Kurnell NSW 2231

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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 7555
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/Tasmania

Caltex Newport terminal
411 Douglas Parade
Newport Vic 3015

Telephone: 03 9287 9555
Facsimile: 03 9287 9572

South Australia

Caltex Birkenhead terminal
2 Elder Road
Birkenhead SA 5015

Telephone: 08 8385 2311
Facsimile: 08 8242 8334

Western Australia

Caltex Fremantle terminal
85 Bracks Street
North Fremantle WA 6159

Telephone: 08 9430 2888
Facsimile: 08 9335 3062

CUSTOMER SUPPORT

Feedback Line

(complaints, compliments and suggestions)

Mon–Fri 8.30am to 5.00pm (EST)
Telephone: 1800 240 398

Card Support Centre

Card enquiries 24 hours/seven days
Telephone: 1300 365 096

Lubelink

Mon–Fri 8.00am to 6.00pm (EST)
Telephone: 1300 364 169

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