

BY ELECTRONIC LODGEMENT

ASX ANNOUNCEMENT



CALTEX AUSTRALIA LIMITED
ACN 004 201 307

LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

30 March 2012

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED
2011 ANNUAL REVIEW AND 2011 ANNUAL REPORT

The *2011 Annual Review* and the *2011 Annual Report* for Caltex Australia Limited are attached for immediate release to the market. These documents are being mailed to shareholders who have elected to receive a printed copy of annual reports.

The *2011 Annual Review* and *2011 Annual Report* will be made available from our website (www.caltex.com.au).



Peter Lim
Company Secretary

Contact number: (02) 9250 5562 / 0414 815 732

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CALTEX
Caltex Australia

2011 Annual Review

At Caltex, our energy fuels a brighter future.

CALTEX AUSTRALIA LIMITED

2011 ANNUAL REVIEW

Financial Calendar

YEAR ENDED 31 DECEMBER 2011	
10 MAY 2012	Annual General Meeting
YEAR ENDING 31 DECEMBER 2012*	
27 AUGUST 2012	Half year results and interim dividend announcement
11 SEPTEMBER 2012	Record date for any interim dividend entitlement
3 OCTOBER 2012	Interim dividend payable
25 FEBRUARY 2013	Full year results and final dividend announcement
12 MARCH 2013	Record date for any final dividend entitlement
4 APRIL 2013	Final dividend payable

*These dates are subject to change

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Values



care
WE HOLD
SAFETY AND
INTEGRITY
AS CORE
PERSONAL
COMMITMENTS



move
WE DELIVER
WITH
ENERGY,
CONVICTION
AND
TENACITY



own
WE THINK
AND ACT
LIKE
BUSINESS
OWNERS



serve
WE DELIVER
SUPERB
OUTCOMES
FOR OUR
CUSTOMERS



trailblaze
WE BOLDLY
FIND NEW
WAYS TO
SUCCEED



win
WE PLAY
TO WIN



OUR ENERGY
FUELS A
BRIGHTER
FUTURE

WHO WE ARE

At Caltex, our energy fuels a brighter future.

Caltex is the largest marketer of petroleum products and the number one convenience retailer in Australia. We have operations in all states and territories.

The cornerstone of our business is safe and reliable supply for all our customers. We continue to build our position as Australia's leading supplier of petroleum fuels by further investment in our supply chain and marketing assets.

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

OUR RELATIONSHIP WITH CHEVRON

Chevron Corporation holds a 50% interest in Caltex Australia Limited. The remaining 50% ownership of Caltex is made up of more than 27,000 shareholders – institutions, retail investors and employees. Although Chevron has a large holding, Caltex operates with an independent 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 brands.

2011 ANNUAL REVIEW

This 2011 Annual Review for Caltex Australia Limited has been prepared as at 27 February 2012.

The 2011 Annual Review provides a summary of Caltex's main operating activities and performance for the year ended 31 December 2011. For further information about Caltex's results and performance in 2011, please refer to the 2011 Annual Report (and the 2011 Financial Report, which forms part of the 2011 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 2011 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 2011 Annual Review as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2011 Annual Review and/or the 2011 Annual Report (and 2011 Financial Report), free of charge, by writing to the Company Secretary, Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000 Australia.

Highlights

STRENGTHENING OUR SUPPLY CHAIN

- We continued to invest in infrastructure to strengthen our supply chain, reinforcing our commitment to reliable supply to our customers.

A DIFFICULT YEAR FOR CALTEX'S REFINING BUSINESS

- The higher Australian dollar, lower Caltex refiner margins and increasing costs contributed to a poor 2011 refining performance. The refining result was also affected by extreme weather, unscheduled plant maintenance and scheduled maintenance above the plan.

OUR BEST EVER SAFETY RESULT

- For the second consecutive year, Caltex achieved a best ever safety result. In 2011, the lost time injury frequency rate was reduced 27% to 0.99 per million hours worked, compared to 1.35 per million hours worked in 2010.



20% EBIT

ANOTHER RECORD MARKETING RESULT

- We worked hard to keep our customers moving. Marketing earnings before interest and tax (EBIT) increased by more than 20% compared with 2010. This result was achieved through growth in sales of premium fuels, petrol, diesel, jet fuel, lubricants and non-fuel income. This excellent 2011 EBIT result continues an annual growth rate of over 13% over the last five years.

15.7B LITRES

RECORD TRANSPORT FUELS SALES VOLUME

16.4% GROWTH

VORTEX 95/98 COLLECTIVE SALES VOLUME

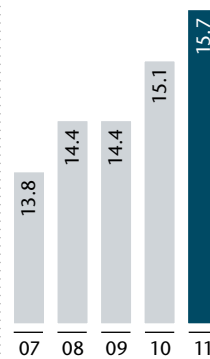
2010

2011

29.4% TO 48%

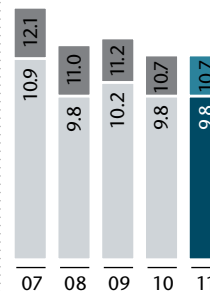
VORTEX DIESEL SHARE OF RETAIL DIESEL SALES VOLUMES

TRANSPORT FUEL SALES (Billion litres)



TRANSPORT FUELS SALES

Record sales volumes were achieved for transport fuels, particularly in diesel, jet, premium fuels, and finished lubricants.



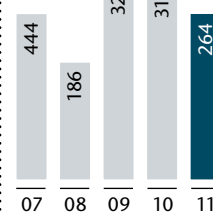
TRANSPORT FUELS PRODUCTION VOL (Billion litres)

TOTAL REFINERY PRODUCTION VOL (Billion litres)

PRODUCTION VOLUMES

Production of transport fuels (petrol, diesel and jet fuel) was 9.8 billion litres in 2011.

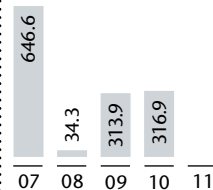
REPLACEMENT COST OF SALES OPERATING PROFIT (RCOP) EXCLUDING SIGNIFICANT ITEMS



REPLACEMENT COST OF OPERATING PROFIT (RCOP)

RCOP was \$264 million after tax, excluding significant items, compared with \$318 million in 2010 (excluding significant items). RCOP is a preferred measure of reporting as it allows a greater focus on those items under management's control, and removes the effect of movements in the crude oil price. The difference between 2010 and 2011 is largely attributable to deteriorating externalities and operational disruptions during 2011. These external factors include a higher Australian dollar and a wider light-heavy crude oil price spread, both of which reduced the Australian dollar Caltex refiner margin.

HISTORIC COST OF SALES OPERATING PROFIT (HCOP) INCLUDING SIGNIFICANT ITEMS



HISTORIC COST BASIS (HCOP)

On a historic cost basis (including inventory gains), Caltex recorded an after tax loss of \$714 million for the 2011 full year, including significant items of approximately \$1,116 million (after tax), which relates primarily to the impairment of the refinery assets as announced on 16 February 2012. This compares with the 2010 full year profit of \$317 million, including significant items of \$16 million (after tax).

Reliable Supply

SUPPLY CHAIN

Continuity

Our commitment to maintaining reliable supply is at the very core of Caltex. Reliability has been, and will always be, the key to the proven success of our business.

Throughout Australia we market both locally-refined and imported petroleum products and convenience items. Caltex continues to build its position as Australia's leading supplier of petroleum fuels through further investment in our supply chain and marketing assets.

SUPPLY CHAIN

- Caltex is committed to remaining Australia's leading transport fuels supplier through maintaining reliable, secure, and efficient fuel supply to customers.
- Products for our customers are sourced from Caltex and other Australian refineries, together with imports from reputable international refineries.
- In 2011, Caltex sourced some 70 million barrels of crude oil on the international market from a range of countries.
- Caltex has a total nameplate refining capacity of 244,000 barrels per day.
- Caltex supplies our customers in Australia through a broad and growing network of pipelines, terminals and depots and distribution by both company and contracted road tanker fleets.

Jeg Jegamohan
Marine Movement Specialist,
Lytton Refinery

CALTEX MEETS CUSTOMER NEEDS THROUGH:

TRANSPORT FUELS

Caltex currently markets transport fuels including unleaded petrol and diesel. We offer Vortex 95, Vortex 98 and Vortex diesel premium fuels, biofuel blends and low aromatic blends for regional Australia. Caltex's jet fuel is also supplied to 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 supplies bitumen, LPG and fuel oil.

THE CALTEX CARD PORTFOLIO

Encompassing StarCard, StarFleet and StarCash; the Caltex card portfolio 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.

MARKETING

MARKETING

- Caltex's marketing business incorporates company-owned and franchised retail service station operations, company-owned and independent branded resellers and direct sales to commercial customers.
- Caltex supplies fuel to over 450 Woolworths owned and controlled sites.
- Caltex's sub-brands, Star Mart, StarCard, StarCash, Vortex, Bio E10 Unleaded, Havoline and Delo, each have significant market share in their respective product categories.

Laurissa Graham
Business Manager, Retail

Report from our Chairman and Managing Director & CEO



ELIZABETH BRYAN
(Chairman)

JULIAN SEGAL
(Managing Director & CEO)

Like many Australian manufacturing businesses, 2011 was a difficult year for Caltex's refining business. The higher Australian dollar, lower Caltex refiner margins and increasing costs all contributed to a poor 2011 refining performance.

On the other hand, the marketing business delivered a record result and Caltex achieved another record safety performance as measured by injury frequency rates.

We also continued to invest in infrastructure to strengthen our supply chain, reinforcing our commitment to reliable supply to our customers.

FINANCIAL RESULTS

As announced on 16 February 2012, Caltex has written down the value of its refining assets by \$1.5 billion before tax. This has resulted in a full year after tax loss on an historic cost basis (and including inventory gains), of \$714 million for 2011, which includes significant items of approximately \$1,116 million (after tax), primarily for the impairment of the refining assets. This compares with the 2010 full year result of \$317 million, including significant items of \$16 million (after tax). The 2011 result includes product and crude oil inventory gains of \$138 million (after tax) as the average crude oil (Dated Brent) price rose from US\$79.46 in 2010 to US\$111.27 in 2011. This compares with an inventory gain of \$15 million (after tax) in 2010, when the crude price was more stable.

On a replacement cost of sales operating profit (RCOP) basis the full year profit after tax was \$264 million, excluding significant items. This was lower than the 2010 RCOP result of \$318 million and reflects lower Caltex refiner margins in 2011. RCOP is a preferred measure of reporting as it allows a greater focus on those items under management's control, and removes the effect of movements in the crude oil price.

Global events such as the civil war in Libya and the tsunami in Japan raised crude oil prices and increased the difference in the price paid for light sweet crude compared to heavy, more sour crudes (otherwise known as the light heavy spread) well above historical averages. Since our refineries are configured to use light sweet crude, the increase in this 'spread', along with the absolute level of the crude price and the high Australian dollar reduced the Caltex refiner margin. It averaged US\$7.98 per barrel or 4.87 Australian cents per litre during 2011 compared with an average of US\$8.39 per barrel or 5.77 Australian cents per litre in 2010.

ANOTHER RECORD MARKETING RESULT

During 2011 the marketing business delivered another record result. The core strategy of driving sales of premium petroleum, diesel, jet fuels and lubricants as well as non-fuel income contributed to an EBIT increase of more than 20% when compared with 2010. This growth was supported by investment in retail store upgrades and infrastructure and an unwavering commitment to reliable supply to our customers.

Total transport fuels sales volume for 2011 was 15.7 billion litres, compared with 15.1 billion litres in 2010. The outstanding growth in premium fuels continued with 2,488 million litres sold in 2011, compared with 1,836 million litres sold in 2010.

Also in 2011, Caltex established the Resource Based Business Development team, directly accountable for exploring and accelerating growth and investment initiatives to expand Caltex's business within the Australian resource segments.

One such initiative was the acquisition, in December 2011, of Bailey's Marine Fuel Australia; a specialist marine fuel distributor, infrastructure developer and fuel service provider to the commercial and recreational marine segments primarily across the Western Australian coast, Darwin and Sydney.

REFINERY RESULT AND ASSET IMPAIRMENT

The refineries had a difficult first half of 2011 with extreme weather events causing an unplanned shutdown of the Lytton refinery in Queensland and berth closures at Kurnell in New South Wales. Major planned maintenance at Kurnell extended beyond its scheduled duration as additional work emerged following commencement of the inspection program. At our Lytton refinery, we made a decision to undertake additional repairs, in the interests of safe and reliable operations, which reduced production. These events reduced the refining result for the first half by approximately \$50 million.

Despite the progress being made in the ongoing refining improvement initiative, Caltex's relatively small refineries, in their current configuration, are disadvantaged compared to the modern, larger scale and more efficient refineries in the Asia region. This disadvantage has been exacerbated by the effect of the ongoing strength of the Australian dollar (rising from an average of 91.96 US cents in 2010 to 103.24 US cents in 2011), lower Caltex refiner margins and increasing costs on the 'as-is' refining business.

Caltex advised in December 2011 that it was assessing the recoverability of its refinery asset carrying value. This assessment was on the basis of the current configuration, in accordance with the requirement of accounting standard AASB 136 Impairment of Assets. This precludes the inclusion of improvements to future cash flows for decisions not yet taken.

As a result of this assessment of the refinery asset carrying value, a non-cash adjustment of \$1.5 billion (before tax) was recognised in the full year 2011 historic cost results. The effect of this impairment is to reduce the carrying value of the Caltex refining assets to \$340 million. Importantly, this relates only to the book value of our refining assets and there is no impact on credit metrics or debt covenants. Our balance sheet continues to be strong and we remain committed to retaining our BBB+ credit rating and maintaining reliable supply to commercial and retail customers alike.

This adjustment is in addition to the previously announced \$67.7 million (before tax) impairment associated with the October 2011 decision to cease operation of one of two fluidised catalytic cracking units and the propane de-asphalting unit at the Kurnell refinery. The decision formed part of ongoing efforts to deliver cost and

capital efficiency gains and helps address the changing product demand in the Australian market. Both these units will be appropriately maintained to ensure safe operation until the end of their respective run dates.

REFINERY REVIEW

The poor 2011 refining performance and the continuing difficult 2012 outlook for the company's refining business led Caltex to commence a major study into the role of the refineries in the supply chain, as previously announced in August 2011. The overarching objective of this review is to optimise value for our shareholders. We are determined to get the right outcome and to that end we continue to thoroughly evaluate all options to improve the 'as-is' business, ranging from investing in refining to improve performance, or closing if we are able to import product at a competitive price. One thing is certain; continuation of the status quo is not sustainable.

We advised on 16 February 2012 that the outcome of the review will be known in approximately six months as there are many issues to consider. The detailed review is assessing issues such as the supply alternatives for our marketing and distribution business, the risk associated with each strategic option and the effect of possible decisions on a broad range of stakeholders. We remain strongly committed, as always, to safe and reliable operations.

SUPPLY CHAIN ENHANCEMENTS

Caltex has undertaken significant work to ensure the business is poised to capture growth in the resources, transportation, aviation and other commercial sectors.

In early 2011 Caltex completed terminal capacity expansions in North Queensland. Additional terminal capacity in Port Hedland was also completed in December 2011 to support supply to customers in the Western Australian resources sector.

Other supply chain enhancements include agreements with Terminals Pty Ltd to build a new fuels import terminal in Adelaide and a bitumen import facility at Port Botany in Sydney. A major upgrade of the jet fuel pipeline linking the Kurnell refinery with Sydney Airport commenced in 2011 and is expected to be completed in late 2012.

Maintaining reliable supply during a particularly challenging year was a significant achievement. Due to the war in Libya and the tsunami in Japan and extreme weather events at home, 2011 presented

challenges at various times for sourcing both crude and refined product. However, Caltex met these challenges to ensure continuity of supply to our customers, demonstrating our commitment to our customers and a capacity to adjust promptly to changing circumstances. An example of this was our ability to reschedule coastal ship programs and work closely with maritime safety and port authorities so that Caltex's tankers were the first back into port in Townsville and Brisbane after the natural disasters in Queensland.

CULTURE

True competitive advantage is achieved through the culture of an organisation. Attracting and retaining the right talent to build a high performance culture is fundamental to Caltex's success.

Caltex continued on the second year of the journey to embed a high performance culture, with employees encouraged to adopt Caltex's values of care, own, trailblaze, move, serve and win. There have been many tangible business successes in 2011 which have relied on these values for direction. In 2012, a comprehensive employee engagement survey will assist in quantifying the work in this area and provide an evidence base for next steps.

ANOTHER RECORD RESULT IN SAFETY

While all six Caltex values are integral to our business, care is always written first as it encapsulates our unwavering commitment to personal and process safety.

2011 saw continued improvement in our safety performance. For the second consecutive year, Caltex achieved a best ever safety result. In 2011 the lost time injury frequency rate reduced 27% to 0.99 per million hours worked compared to 1.35 per million hours worked in 2010.

Despite these improvements in safety performance, Caltex remains committed to further improve, given safety is the foundation for all our achievements. To this end, Caltex introduced process safety performance metrics in 2011 to supplement our personal safety metrics.

OUR PEOPLE

The Board would like to acknowledge the contribution of all Caltex employees, contractors, franchisees and resellers during 2011. The year presented many challenges for the business and the people of Caltex responded with commitment and creativity.

2011 saw many examples of colleagues helping each other in extreme circumstances,

like the flooding in Queensland, and the Board would like to express particular appreciation for employee commitment, in particular the focus on care and safety during a challenging year.

During 2011 Caltex made good progress in gender diversity work, establishing the Caltex Diversity Council. Progress on this issue is regularly reported to the Human Resources Committee. In addition, the business established programs for the development of women's career management and programs to raise understanding in relation to unconscious bias.

SHAREHOLDER RETURNS

After a strong relative total shareholder return performance in 2010, the challenging refining environment in 2011 contributed to a disappointing outcome for shareholders as the share price started the year at \$14.38, traded in a range from \$8.76 – \$16.44, and closed the year at \$11.77. The annual performance represented an absolute decline of 18%, but relative to our peers on the Australian share market we outperformed against the S&P/ASX 200 Energy sector by nearly 2.8% and underperformed against the broader S&P/ASX 200 by 2.9%.

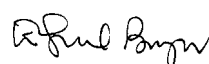
The Board has decided to declare a final dividend of 28 cents per share (fully franked) for the second half of 2011. Combined with the interim dividend of 17 cents per share for the first half, paid in September 2011, this equates to a total dividend of 45 cents per share, (fully franked), for 2011. This compares with a total dividend payout of 60 cents per share (fully franked) for 2010.

OUTLOOK

The emphasis in 2012 will again be on safe and reliable operations to ensure cost effective and efficient supply to Caltex customers.

Caltex remains a sound business and the medium to long term outlook is positive. The marketing business is expected to continue its growth. Caltex continues to build its position as Australia's leading supplier of petroleum fuels through further investment in the company's supply chain.

Regardless of any decision on the future of our refineries, our commitment to maintaining reliable supply is at the very core of Caltex. Reliability has been, and will always be, the key to the proven success of our business.



ELIZABETH BRYAN
Chairman



JULIAN SEGAL
Managing Director & CEO

Marketing

In another stellar year, Caltex's marketing business continued to underpin the results with growth in both earnings and volume across a number of segments.

The marketing team consolidated Caltex's position as Australia's number one convenience and petroleum retailer, despite a challenging market and increased competition. Marketing has driven growth in volumes of premium fuels, diesel, jet and lubricants to reach record levels.

Caltex is committed to maintaining reliable supply to customers through all three marketing sales channels: retail, direct sales and reseller. The continued growth and success of the marketing business is due to ongoing safe and reliable product supply and a strong retail network.

RETAIL

The retail division of Caltex's marketing business contributed over half of marketing's result in 2012. This outstanding performance was driven by significant growth in premium fuels, a consistent shop offer and ongoing capital investment in our convenience retail network.

A record milestone of 522 days without any lost time or treated injuries was achieved in our convenience retail business as at the end of 2011.

The rollout of premium fuels continued in 2011, with an additional 166 sites now selling premium fuel products. Sales volumes of Vortex 95 and Vortex 98 grew by 16.4% collectively, while Vortex diesel grew from 29.4% of total diesel sales in 2010 to 48% in 2011. Total diesel sales in the retail division grew by 11% from 2010.

Shop sales were relatively flat despite tough economic conditions, as well as flooding and high rainfall (particularly in the first half of the year). Growth was also impacted by temporary site closures (due to the construction program) and weather related delays.

Continued focus on product range, promotional compliance and in-store execution, along with the launch of initiatives such as Star Mart branded fresh sandwiches and wraps, value promotions and meal deals, delivered stronger shop sales performance in the second half of the year. As a result, Caltex retained its position among competitors as the number one convenience retailer in Australia with 28.3% market share (Nielsen data, 12 February 2012).

During 2011, an additional 35 sites (including ten new to industry) were developed or upgraded to the new 'twenty-first century Caltex (21CC)' Star Mart format. Caltex continued to invest in environmental compliance and underground storage tank replacement.

Caltex continued its alliance with Woolworths by supplying fuel to 459 Woolworths owned and controlled sites as at the end of 2011. As part of this arrangement Caltex continues to contribute 132 redemption locations to the alliance.

A number of key retail convenience initiatives were successfully piloted in 2011 including the new StarBOS retail back office system (aimed at delivering greater site efficiency) and the Caltex Pay at Pump system (for greater customer convenience on the forecourt). In addition, the centralised logistics dry goods supply chain continued to deliver significant annual cost savings and operating efficiencies at site level. Centralised logistics serviced an additional 13 sites in 2011, taking the total number of participating sites to 391.

Caltex Star Mart was recognised as the leading convenience retailer in Australia by the Australasian Association of Convenience Stores (AACS) at the annual awards held in August 2011. In addition, Caltex Star Mart Kingsford NSW was named 'Retail Store of the Year (Company Operated)' and Caltex Star Mart Hamilton NSW was named 'Retail Store of the Year (Franchise Operated)'.

Caltex's company-owned Calstores network, comprising over 90 sites Australia-wide, continues to set the benchmark in convenience retailing for our franchisees and competitors. This footprint underpins Caltex's ongoing success as a major convenience retailer and provides the expertise to ensure our status as a leading franchisor in Australia.

COMMERCIAL

Caltex's direct sales channel continued to grow through reliably supplying customers in the mining, automotive, industrial, specialties, transport, aviation, farming and marine industries.

Caltex is meeting increased demand generated by resource-based growth, servicing both mining customers and related industries, such as transport customers.

Establishing a foothold in these segments is enabled through the completion of infrastructure projects throughout Australia; for example, capacity expansions in Queensland and additional capacity in Port Hedland, Western Australia.

Growth in jet fuel volumes was driven by sales to domestic carriers and more international carriers refuelling in Australia.

Lubricants continued its impressive volume growth, in part connected to the resources sector. This result is even more impressive considering the increasingly competitive supply market for commercial and mining customers.

Caltex continued its strong diesel sales performance in 2011 and gained 9.1% growth on 2010. In retail, over 900 Caltex branded sites across Australia now sell Vortex premium diesel.

522 days

A RECORD MILESTONE of 522 days without a lost time injury was achieved in our convenience retail business



Growth

In order to meet the growing needs of our diverse customer base, particularly in the fast growing oil and gas sector in northwest Australia, Caltex acquired Bailey's Marine Fuel Australia in December 2011. Bailey's Marine is a specialist marine fuel distributor, infrastructure developer and fuel service provider to the commercial and recreational marine segment primarily across the Western Australian coast, Darwin and Sydney.

Commercial customers are also serviced through Caltex resellers – both independent Caltex branded resellers and company-owned resellers. Resellers service the small to medium enterprise customers in the mining, transport, agricultural, commercial and industrial sectors. Caltex's reseller channel is operating nationally from an extensive network of fuel depots and commercial refuelling facilities. Caltex's reseller channel is also supplying regional growth, connected to growth in the resource extraction industries and improved agricultural market.

PRODUCTS

Caltex supplies over one third of the wholesale transport fuels in Australia. Record sales volumes of 15.7 billion litres were achieved for transport fuels. This compares with 15.1 billion litres in 2010.

Caltex's wide-ranging suite of fuel products incorporates petroleum and diesel products including high octane blends such as Caltex Vortex Premium Fuels and Vortex Diesel, biofuel blends, as well as low aromatic blends for regional Australia.

Caltex continued its strong diesel sales performance in 2011 and gained 9.1% growth on 2010. In retail, over 900 Caltex branded sites across Australia now sell Vortex premium diesel.

Finished lubricants continued its strong growth trajectory. Record sales of finished lubricants were achieved with sales of 77.5 million litres in 2011, compared with 68.1 million litres in 2010.

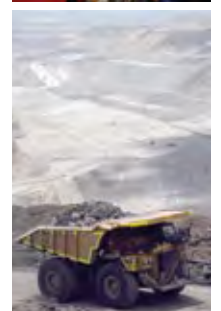
Jet fuel sales increased significantly, reaching record volumes in 2011 of 2.3 billion litres, compared with 2.2 billion litres in 2010.

The Caltex card portfolio continued to grow and retained its position as the leading fuel card portfolio in Australia.

CONTINUOUS IMPROVEMENT

The sustained success of the marketing business is built on the foundation of operational excellence. Safety of our employees, contractors, communities and customers is essential to ongoing performance. Combined with the reliability of our products and supply, continuous improvement helps Caltex retain the position as the number one and growing petroleum and convenience marketer in Australia.

Throughout 2012 and beyond, we will continue to invest in improving retail assets, consolidating growth in commercial sectors and ensuring supply capability meets customer needs.



WHOLESALE TRANSPORT FUELS

Caltex supplies over one third of the wholesale transport fuels in Australia. Record sales volumes of 15.7 billion litres were achieved for transport fuels. This compares with 15.1 billion litres in 2010.

Supply Chain

Caltex is committed to remaining Australia's leading transport fuels supplier through maintaining reliable, secure, and efficient fuel supply to customers. This is achieved through a combination of locally refined products and those sourced internationally.

REFINING

The higher Australian dollar, lower Caltex refiner margins and increasing costs contributed to a poor 2011 refining performance. The refining result was also affected by extreme weather, unscheduled plant maintenance and scheduled maintenance above the plan.

The Caltex refiner margin averaged US\$7.98 per barrel in 2011, compared to US\$8.39 per barrel in 2010. This equates to 4.87 Australian cents per litre in 2011, compared with 5.77 Australian cents per litre in 2010.

Despite many challenging externalities, the refining team continues to make progress on the refining improvement initiative. During 2011, the refining team controlled cash operating expenses to an increase that was lower than the Consumer Price Index (CPI), while steadily increasing the share of higher value products in overall production volumes, particularly premium petroleum production.

During 2011, the underlying safety results improved across both refineries. It is worth noting that this period marked significant shutdown activity in the refineries which presented some challenges in managing the safety of a diverse contract labour workforce.

Total production of petrol, diesel and jet fuel was 9.8 billion litres in 2011, the same as in 2010.

In 2011, both Caltex refineries applied for certification under the ISO-14001 international Environment Management System. Kurnell was accredited in November following an audit by Lloyds, and Lytton achieved accreditation in early 2012.

REFINERY REVIEW

The poor 2011 refining performance and the continuing difficult 2012 outlook for the company's refining business led Caltex to commence a major study into the role of its refineries in its supply chain, as previously announced in August 2011. Caltex is evaluating all options to improve the 'as-is' business, ranging from investing in refining to improve performance, or closing if we are able to reliably import product at a competitive price.

Caltex advised on 16 February 2012 that the outcome of the review will be known in approximately six months as there are many issues to consider. The detailed review is assessing issues such as the supply alternatives for our marketing and distribution business, the risk associated with each strategic option and the effect of possible decisions on a broad range of stakeholders. We remain strongly committed, as always, to safe and reliable operations.

SUPPLY

Safe, reliable and efficient supply is at the core of our business.

The refined product produced by Caltex at Kurnell and Lytton supports just over 60% of total Caltex sales. The balance of around 40% required to meet the needs of Caltex customers around Australia is sourced from other Australian refiners and by direct imports from overseas refineries.

Crude oil for Caltex's refineries is sourced from a wide range of Australian and international crude oil producers. Seventy million barrels of crude were sourced by Caltex in 2011, (the same amount as in 2010).

Taking opportunities to reduce the significant freight cost of long haul crude, on two occasions during 2011 Caltex successfully used very large crude carriers (VLCCs). Each carrying approximately two million barrels of crude oil from West Africa to Australia, the VLCCs lightered at an approved location some 150 kilometres off the New South Wales coast. The cargo was carried by the VLCC to smaller tankers which then delivered the crude to the Lytton and Kurnell refineries.

There were a number of local and international supply disruptions in 2011, some caused by unplanned outages at our refineries (for example, as a result of the Queensland floods or a need for urgent maintenance). Other disruptions to supply were caused by external events such as the Japanese earthquake and tsunami which forced the shutdown of refineries in Japan.

Through these disruptions Caltex's supply team redirected supply within Australia and the region. This, together with timely purchases of spot cargoes from regional refiners and traders, ensured continuity of supply to Caltex customers throughout Australia.

In addition to supplying its own marketing business, Caltex also provides products to other major oil companies in New South Wales and Queensland.

DISTRIBUTION

Caltex operates 13 storage terminals and has access to product supply at an additional 8 terminals at key locations throughout Australia. Caltex delivers product to customers via its own truck fleet and the fleets of approved and accredited third party contractors.

Caltex has undertaken significant work to ensure the business is well placed to capture growth in the resources, transportation, aviation and other commercial sectors. In early 2011, Caltex completed terminal capacity expansions in North Queensland servicing the Bowen Basin. Additional capacity in Port Hedland was also completed in December 2011 to support customers in the Western Australian resources sector. Port Hedland is now a 40 million litre terminal with the capacity to supply upwards of one billion litres of diesel per year to customers in that dynamic region of Australia.

Other supply chain enhancements include agreements with Terminals Pty Ltd to build a new fuels import terminal in Adelaide and a bitumen import facility at Port Botany in Sydney. A major upgrade of the jet fuel pipeline linking the Kurnell refinery with Sydney Airport commenced in 2011 and is expected to be completed in mid 2012.

Opposite page (11): Garth Whittaker
Operations Manager, Canberra Airport
Carolyn Withey Refinery Scheduler,
Kurnell Refinery



Future focus

Caltex has established a reputation for safe and reliable supply to customers throughout Australia. The focus for 2012 will remain on safely expanding these supply and distribution capabilities to continue to meet customer needs.



Reliability

Sustainability

Fuelling a brighter future

Caltex is focused on conducting our operations with care. We work to deliver sustainable growth and shareholder value, contribute to the communities in which we operate, minimise our impact on the environment and remain an employer of choice.

Maintaining safe, reliable and sustainable operations is at the core of our business. A culture of operational excellence is formally supported through an enterprise-wide risk management framework and our operational excellence management system. This provides the foundation to ensure that risks are identified, prioritised and appropriately managed in order to protect our employees, our communities, our environment and our shareholders.



Nina Briton Process Support Engineer, Lytton Refinery
Peter Blythe Chemist, Lytton Refinery

Capability

PEOPLE AND CULTURE

We recognise that our ability to attract, retain, develop and engage talented people is fundamental to our future success. The way we work together across Caltex to deliver superb outcomes for our customers contributes greatly to our competitive advantage.

In recent years, Caltex employees were instrumental in creating a cultural blueprint; articulating how we want to work together to achieve our vision. That blueprint defined our six values of **care, trailblaze, serve, own, move** and **win**. We are on a continuing journey to build and maintain a vibrant and high performing culture consistent with that blueprint.

In 2011, we invited an external review of our organisational culture through face-to-face interviews with a wide cross section of our employees. The purpose of the review was to assess our progress in fostering the newly defined culture, and also to identify which areas our employees believe need further strengthening.

The feedback confirmed that the Caltex values are generally well understood and held in high regard by our employees. There was broad recognition of an appreciable shift to a more agile and results-driven way of working in Caltex. Employees also reported an emerging passion to try new things across Caltex, consistent with our trailblaze value. As a result of specific feedback received via the external review, Caltex has made further enhancements in the areas of employee orientation, employee communications and leadership development strategy.

Diversity

In Caltex, we embrace 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. During 2011, Caltex put in place an ambitious diversity strategy designed to deliver the following outcomes over time:

- enhanced governance, accountability and diversity skills
- a more inclusive culture
- development and promotion of more women leaders, and
- improved attraction and retention of female employees.

To provide stewardship of these outcomes, Caltex established a Diversity Council led by our Managing Director & CEO. In 2011, our senior executive and senior management teams participated in programs examining and challenging unconscious biases. More than 90% of our female middle and senior managers participated in an eight week career success program.

Developing capability

Another critical performance lever in Caltex is leadership capability. High quality leadership across all levels of the organisation must underpin our culture, and continually engender greater levels of achievement.

In 2011, Caltex introduced a specific leadership model which clarifies expectations of all leaders consistent with our shared values. The Caltex leadership curriculum, delivered in partnership with high quality providers such as Mount Eliza/Melbourne Business School, was further strengthened and tailored across a range of career levels to help our people become the most effective leaders they can be. Our sustained focus on talent development has contributed to a more robust organisation, and in particular improved mobility between departments, and a greater depth of internal succession candidates.



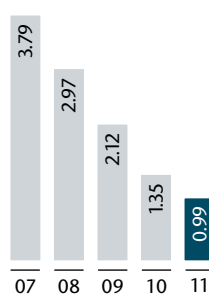
RECOGNITION OF EMPLOYEES

In February 2011, we celebrated the annual Caltex Stellar Awards, formally recognising employees from all parts of the organisation for outstanding achievements that were reflective of our values. The Stellar Awards complement two other programs which incentivise and recognise superior performance: Rewarding Results (short term incentive program), and Recognising Results (cash prize awards program).

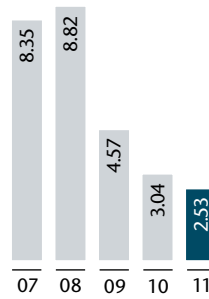
Sustainability

Safety

**LOST TIME INJURY
FREQUENCY RATE:
LTIFR**
(per million hours worked)



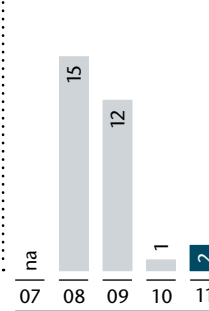
**TOTAL TREATED
INJURY FREQUENCY
RATE: TTIFR**
(per million hours worked)



**MAJOR PROCESS
SAFETY INCIDENTS**



**MOTOR VEHICLE
AND TANKER TRUCK
ACCIDENTS**



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 2011, we made significant progress in reducing our injury rates. We improved both of our key personal safety measures of Lost Time Injury Frequency Rate (LTIFR) and Total Treated Injury Frequency Rate (TTIFR).

The LTIFR for 2011 was 0.99 per million hours worked for both employees and contractors. This represents a 27% reduction on the 2010 result and is a significant improvement.

The TTIFR in 2011 was 2.53 for both employees and contractors. This represents a 17% reduction when compared with the 2010 result.

Work also continues to reduce process safety risk, particularly in our refineries, with leading metrics developed, monitored regularly and acted upon to ensure our process safety systems continue to operate effectively.

Despite a year that featured higher sales and a significantly greater number of deliveries and kilometres travelled, there were no significant motor vehicle accidents. Unfortunately there were two tanker truck accidents recorded in 2011.

HEALTH AND WELLBEING

Occupational wellness

In 2011, Caltex adopted a holistic approach to maintaining the health and wellbeing of all its employees by implementing our *Occupational Wellness Policy* and an accompanying framework.

Each operating business within Caltex will be required to complete a gap analysis by the end of 2012. Gaps identified will be prioritised and incorporated into an Occupational Wellness Framework Implementation Plan that will set out appropriate initiatives to address gaps over the next three years.

Drug and alcohol program

Through the Caltex drug and alcohol program, more than 1,500 drug and alcohol tests were conducted across the business in 2011. Caltex benchmarks well compared to other downstream oil companies in Australia in respect of the random test rate, testing coverage (includes both employees and contractors) and scalability of the program. In 2012, we will move to an annual drug and alcohol test rate that will lead the industry by increasing testing frequencies where the risk is highest.

1. Metric modified to adopt American Petroleum Institute Recommended Practice 754 (API RP-754). 2011 performance is number of Tier 1 process safety events. Performance prior to 2011 reflects Centre for Chemical Process Safety (CCPS) definition of process safety incident.

Occupational health exposures

Caltex is committed to mitigating the health risks associated with physical exposures to hazards within the workplace by controlling exposures at their source. While mature systems have been in place for a long time, in 2011 Caltex reviewed all potential occupational hygiene hazards within its refineries. We are now in the process of characterising current exposure to these hazards to assess the ongoing effectiveness of key controls. This work is expected to be completed by the end of 2012.

CALTEX AND THE ENVIRONMENT

Minimising our environmental impact

Caltex continues to strive to eliminate spills and drive compliance with our environmental licences. During 2011, our results improved significantly across the business, most notably at the Kurnell refinery, where no licence exceedances were recorded. This result was achieved over a period in which over two million compliance checks were undertaken using laboratory analysis and online instrumentation.

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.

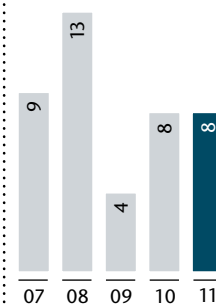
ISO-14001

CERTIFICATION

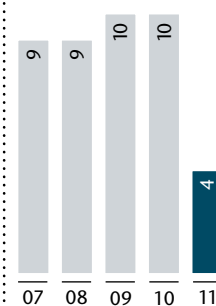
In 2011, both Caltex refineries applied for certification under the ISO-14001 international Environment Management System. Kurnell was accredited in November following an audit by Lloyds, and Lytton achieved accreditation in early 2012.



MAJOR AND MARINE SPILLS



LICENCE EXCEEDANCES

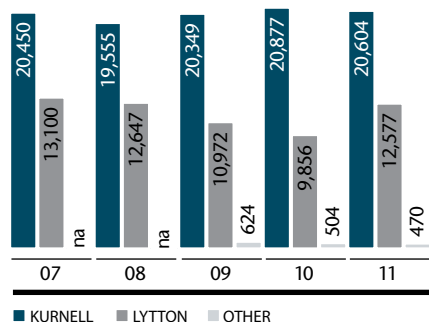


MAJOR AND MARINE SPILLS

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.

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



During the year, Caltex continued to invest in initiatives to reduce odour and noise from our facilities. These initiatives included covers and vapour treatment on the Kurnell Waste Water Treatment Plant.

Energy efficiency and greenhouse gas emissions

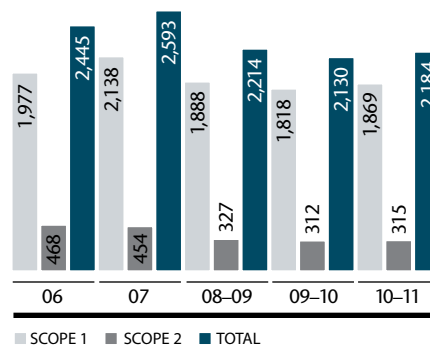
We are committed to further improving the energy efficiency of our operations. In 2011, Caltex continued to participate in the Commonwealth Energy Efficiency Opportunities (EEO) scheme and reported under the National Greenhouse and Energy Reporting Scheme and under the Carbon Disclosure Project.

During the year, Caltex constructed its first solar powered truck stop in Tom Price, Western Australia. In addition, we continued to work on energy efficient installations in our service stations, including new price board lighting, reducing power consumption from 500 watts down to 40 watts with no loss of amenity.

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.

CO₂ EQUIVALENT (TONNES '000s)



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

About 400 Caltex branded sites currently supply Bio E10 Unleaded in New South Wales and Queensland. Commercial customers also purchase B5 and B20 biodiesel blends from our Newcastle and Adelaide terminals and Caltex Energy Rocklea depot.

Safety and risk management

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; placing the highest priority on the health and safety of our workforce and the protection of our assets and the environment.

Integrity

Process safety

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

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

In 2011, Caltex continued with the implementation of operational excellence processes. Corporate processes include the reporting of both lead and lag process safety key performance indicators. These provide the mechanism for adequate due diligence of process safety risk controls by senior management. In 2011, Caltex implemented American Petroleum Institute Recommended Practice 754 (API RP-754), which provides a framework for measuring process safety performance. Corporate occupational health, safety and environment audits also provide feedback on the effectiveness of key risk controls.

Internal governance processes continue to provide a framework for the assessment of process safety performance. Refining has a well established framework of risk control governance, consistent with the requirements for major hazard facilities. In 2011, the framework of risk control governance for supply, distribution and marketing assets was established. The framework includes lagging process safety indicators such as major and minor spills, and leading process safety indicators such as compliance with equipment inspection processes.

In 2011, regulatory advocacy included the review of draft national harmonised Workplace Health and Safety legislation, support of industry group submissions as well as a specific Caltex submission and representation on various consultative committees by Caltex's Occupational Health and Safety Senior Advisors.

The Kurnell refinery safety case to the New South Wales Government was submitted in February 2012. Lytton refinery (Queensland) and Newport terminal (Victoria) continue to operate as major hazard facilities.

Underground tank replacement and monitoring

Throughout 2011, 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 2011, underground tanks at 16 sites were replaced as part of rebuilding works and an ongoing risk management program. Partial risk reduction works were completed at an additional four sites.

Emergency preparedness

Caltex is committed to safeguarding the wellbeing of our employees, contractors, customers, the public and the environment, as well as protecting and enhancing our commercial performance, value and reputation. As part of Caltex's overall Business Continuity Management System, Caltex has a Crisis Management Team and corporate Crisis Management Handbook which provide appropriate resources and work processes for the management of Caltex's response to major incidents.

The Crisis Management Team works closely with our Regional or Refinery Emergency Management Teams based in locations around Australia. The Caltex Crisis and Emergency Management system provides simple, clear checklists and guidelines for all Caltex employees to ensure an effective emergency response.

Emergency preparedness in refining

In 2011, Caltex invested in new assets to improve the effectiveness of the response to major fire events at our Lytton and Kurnell refineries.

In October, the Kurnell refinery tested and commissioned two state-of-the-art trailer mounted foam monitors to ensure a capability to combat worst-case tank fire events.

In 2012, the Kurnell refinery will also take delivery of a new refinery fire tender with specific design features to aid in the combat of refinery emergency events.

Clean Energy Future legislation

In 2011, the Australian Government's Clean Energy Future package of legislation was enacted. The package includes the carbon pricing mechanism and provision of free permits to help competitiveness.

Caltex believes a portfolio of options is required to reduce greenhouse gas emissions from petroleum products and that petroleum products refined from crude oil will remain important to the Australian economy for many years. Other long term energy sources may include biofuels, synthetic fuels from natural gas and coal, and electricity and hydrogen made using renewable energy. Major reductions in emissions from petroleum products will come from changes in technology that increase engine efficiency and allow for greater use of lower carbon fuels, rather than reduction in demand from the imposition of carbon prices. Therefore, Caltex advocates that government policies should have an appropriate balance of market-based measures to reduce carbon emissions (which may include implicit and explicit carbon prices), technology facilitation (which should not involve "picking winners") and non-market measures to reduce carbon intensity; for example, public transport, freight networks and urban design.

Caltex also advocates more effective complementary measures, such as vehicle emission targets for new light vehicles and consumer incentives, such as stamp duty or annual registration fees related to carbon emissions in the Government's Green Vehicle Guide.

A price on carbon will have an impact on Caltex: within our refining business (as an emissions-intensive trade-exposed industry) and across all business units through increased costs, such as electricity charges and other third party costs impacted by the carbon pricing mechanism cost pass-through.

The estimated cumulative cost to Caltex over the first 10 years of the Clean Energy Future scheme is approximately \$25 million before tax. This assumes that direct and indirect emissions over the period are the same as for 2010-2011, that electricity pass-through costs are at the carbon price, and carbon prices are the same as in Treasury modelling, with a growth rate of 5% and inflation of 2.5% during the flexible period. While illustrative of the cost impact to Caltex, these are estimates only. The impact of further pass-through costs as a result of the Clean Energy Future package, such as increased air travel costs and increased construction capital costs, is as yet undetermined.

Getting back to business

Many Caltex properties sustained damage during the Queensland floods. Consistent with our commitment to operational excellence, we ensured there was "always time to do it right". This meant that, in addition to sites being prepared for the floods to avoid loss of petroleum products into flood waters, as the flood waters subsided, proper checks were undertaken before each site resumed business operations. These checks ensured that there was no environmental risk and that the site was safe for our people, our customers and the community. This rigorous pre-start-up safety review process ensured that the important task of getting back to business was undertaken without incident.

Product stewardship

At Caltex, 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 fuel quality and the 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 publicly available via the Caltex website.

Caltex is a signatory to the Australian Packaging Covenant. This covenant provides an opportunity for companies to contribute to reducing the environmental impacts of packaging through conserving resources with better design and facilitating the reuse and recycling of used packaging materials. Through its action plan, Caltex has committed to improving waste management, including better recycling at our service stations and also implementing the sustainable packaging guidelines into our procurement processes.

EMERGENCY RESPONSE: QUEENSLAND

In 2011, our emergency management processes were put to the test during the natural disasters in Queensland. With the support of the Crisis Management Team (CMT) a regional emergency management team was mobilised and a crisis co-ordinator appointed to put in place risk mitigation measures and address any issues.

The regional team, focusing on the safety of people as the highest priority, provided daily updates to the CMT. The CMT then ensured that the right people and assets were allocated to ensure this complex emergency was properly managed.

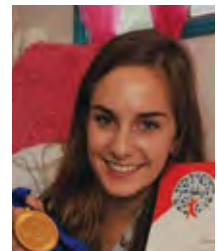
Caltex is committed to safeguarding the wellbeing of our employees, contractors, customers, the public and the environment.

Society



ENCOURAGING OUR PEOPLE TO GIVE

Caltex provides regular team volunteering opportunities around Australia. For those who choose to donate through our employee giving scheme, *Fuelling Change*, contributions are matched dollar for dollar by Caltex. In 2011, 6% of our people participated in *Fuelling Change*, generating \$154,974 in donations to our partners, such as The Cancer Council of Australia, RSPCA and The Smith Family.



THE CALTEX BEST ALL ROUNDER AWARD

The Caltex Best All Rounder Award is presented to secondary students who excel across a number of areas, including academic, attitude, personal conduct, sport, leadership and community service. In 2011, the Caltex Best All Rounder celebrated its 26th anniversary with over 1,300 schools participating nationally.

CALTEX IN SOCIETY

Active in our communities

Caltex is committed to supporting the communities in which we work and live. Our refineries, service stations and terminals are proud supporters of a variety of organisations, events and programs in local communities.

From schools to sporting clubs, environmental projects to emergency services and surf lifesaving, we believe it is important to stay in touch with our neighbours and remain committed to our own backyard. In addition, we continue to reach out to our communities to provide information about our operations through regular meetings, newsletters and activity advice letters.

Corporate social investment

Nationally, our corporate sponsorship program looks to partner with a select group of Australian organisations that share our values, providing financial support and leveraging our networks to make a real difference in the community. In 2011:

- Students from Clontarf Academies in Western Australia and Northern Territory visited Caltex's Lytton refinery in Queensland and the Sydney office. With the support of Caltex, the **Clontarf Foundation** provides full time engagement programs for 3,000 young Aboriginal men around the country. The Foundation aims to improve the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men to equip them to participate more meaningfully in society.
- Caltex employees worked with **Conservation Volunteers** at weeding and planting days near our facilities. Conservation Volunteers gives people the chance to connect with the environment on important conservation projects. Caltex is a major sponsor of Wild Futures, Conservation Volunteers' national wildlife conservation program. Caltex's support helps make a difference to the future of some of Australia's most treasured animals, including the Tasmanian Devil, the Eastern Barred Bandicoot and the Tree Kangaroo.
- **Loud Shirt Day** charity merchandise was sold at participating Caltex retail sites from October to December, with 100% of profits donated to First Voice. **First Voice** is an alliance of five organisations dedicated to helping hearing impaired children listen and speak. On Loud Shirt Day, 21 October 2011, our employees sold merchandise in cities across Australia.
- Caltex supported national youth leadership events and student self-esteem programs through **Rising Generations**, a not-for-profit enterprise established to equip young people with leadership capabilities.

Petrol pricing report

The Australian Competition and Consumer Commission (ACCC) released its latest report into the prices, costs and profits of unleaded petrol in Australia in December 2011. The report again found that Australian retail petrol prices are overwhelmingly driven by the international price of refined petrol and remain



among the lowest for Organisation for Economic Cooperation and Development countries. In its report, the ACCC estimated that for the downstream industry "in 2010–11 unit net profit was around 2.2 cents per litre on the sale of petrol products".

The ACCC 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 cycle increases before public holidays were on average no larger than in other weeks of the year".

Promoting integrity

Caltex has a *Code of Conduct* that articulates our commitment to successfully conduct business in accordance with all applicable laws while demonstrating and promoting our values. Adherence to the code ensures that 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*, the *Ethical Business Practices 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 2011 included carbon pricing, biofuels, petrol pricing, competition policy, fuel taxation and fuel quality regulation.

The "Tiwi Bombers" attend football training before school as part of the Clontarf Foundation's program on the Tiwi Islands to engage boys in education.

Opposite page (18)
Left: East Kimberley student, Lyle Newry, enjoying a Clontarf Foundation Leadership Camp to El Questro Station, Western Australia. Top: Caltex employee weeding for Conservation Volunteers.



WILD FUTURES

Caltex is a major sponsor of Wild Futures, Conservation Volunteers' national wildlife conservation program. Caltex's support helps make a difference to the future of some of Australia's most treasured animals, including the Tasmanian Devil, the Eastern Barred Bandicoot and the Tree Kangaroo.

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 a director of Westpac Banking Corporation and was previously the Chairman of UniSuper Limited.



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 to the Board broad management experience in industrial and capital intensive industries, and a background in engineering and supply chain. He is a director of Origin Energy Limited and was previously the Chairman of Hastie Group Limited (until 15 February 2012).



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.

Leadership Team



Julian Segal
Managing Director & CEO



Simon Hepworth
Chief Financial Officer



Andy Walz
General Manager – Marketing



Gary Smith
General Manager – Refining



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



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 Assistant Treasurer Opco Support and Intercompany in Chevron's Corporate Treasury department and is responsible for oversight and support for the financing activities of Chevron operating companies worldwide and for the company's global intercompany funding 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



Peter Lim
Company Secretary
and General Counsel



Mike McMenemy
General Manager –
Strategy, Planning and
Development



Simon Willshire
General Manager –
Human Resources

Five Year Summary

The additional information on pages 22 to 23 is provided for the information of shareholders.

The information is based on, but does not form part of, the 2011 Financial Report.

Caltex Australia Limited consolidated results	2011	2010	2009	2008	2007
Profit and loss (\$ million)					
Historical cost operating profit before significant items, interest and income tax expense	640	522	648	104	965
Interest income	1	2	2	4	7
Borrowing costs	(69)	(59)	(30)	(60)	(46)
Historical cost income tax expense before significant items	(170)	(131)	(185)	(13)	(280)
Historical cost operating profit after tax and before significant items	402	333	435	34	646
Significant items (net of tax)	(1,116) ⁽ⁱ⁾	(16) ⁽ⁱⁱ⁾	(121)	–	–
Historical cost operating (loss)/profit after income tax	(714)	317	314	34	646
Dividends					
Amount paid and payable (\$/share)	0.45	0.60	0.25	0.36	0.80
Times covered (excl. significant items)	3.31	2.06	6.45	0.35	2.99
Dividend payout ratio – replacement cost basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	46%	51%	21%	52%	49%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	22,400	18,931	17,984	23,891	19,342
Earnings per share – historical cost (cents per share)	(264)	117	116	13	239
Earnings per share – replacement cost (cents per share) (excl. significant items)	98	112	120	69	164
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	640	522	648	104	965
Earnings before interest and tax – replacement cost basis (\$m) (excl. significant items)	442	500	489	321	675
Operating cash flow per share (\$/share)	1.7	1.6	2.5	1.4	2.2
Interest cover – historical cost basis	(14.0)	8.7	17.0	1.8	24.7
Interest cover – replacement cost basis (excl. significant items)	6.5	8.7	17.4	6.7	18.3
Return on capital employed – historical cost basis (%) ^(iv)	(25.2)	9	9	1	19
Return on capital employed – replacement cost basis (excl. significant items) (%) ^(iv)	9.3	9	10	5	13
Equity attributable to members of the company (\$m)	2,206	3,071	2,915	2,592	2,817
Total equity (\$m)	2,218	3,083	2,925	2,602	2,829
Return on equity attributable to members of the parent entity after tax – historical cost basis (%)	18	11	15	1	23
Total assets (\$m)	4,861	5,291	4,952	4,922	5,330
Net tangible asset backing (\$/share)	7.82	11.08	10.48	9.29	10.14
Debt (\$m)	619	563	509	864	596
Net debt (\$m)	617	544	487	832	582
Net debt to net debt plus equity (%)	22	15	14	24	17

(i) Includes significant items relating to Refining asset impairment (\$1,500,000,000), the decision to cease operation of two process plants at Kurnell Refinery – which comprises impairment (\$55,815,000) and FCCU/PDU restructuring costs (\$21,606,000), other redundancy and related costs (\$19,318,000), and reversal of prior year impairments (\$3,035,000).

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

(iii) Dividend payout ratio – replacement cost basis calculated as follows:
$$\frac{\text{Dividends paid and payable in respect of financial year}}{\text{Replacement cost profit after income tax (excl. significant items)}}$$

(iv) Return on capital employed is calculated as follows:
$$\frac{\text{Net Profit After Tax}}{\text{Net Debt + Equity}}$$

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 \$264 million, compared to a profit of \$318 million in 2010.
- 2011 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$442 million, a decrease of \$58 million from 2010.

\$ million	Five years*	2011	2010	2009	2008	2007
Historical cost net profit before interest, income tax and significant items	2,879	640	522	648	104	965
(Deduct)/add inventory (gains)/losses ⁽ⁱⁱ⁾	(449)	(197)	(21)	(158)	217	(290)
Replacement cost net profit before interest, income tax and significant items	2,427	442	500	489	321	675
Net borrowing costs	(248)	(68)	(57)	(28)	(56)	(39)
Historical cost income tax expense before significant items	(779)	(170)	(131)	(185)	(13)	(280)
Add/(deduct) tax effect of inventory (losses)/gains	135	59	6	48	(66)	88
Replacement cost profit after income tax ⁽ⁱⁱⁱ⁾	1,536	264	318	324	186	444

* Note: Totals may not sum due to rounding.

- (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 an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with 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 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.

- (ii) Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2011, the historical cost result includes \$197 million inventory gain (2010: \$21 million inventory gain). Net inventory gain 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:

2007: nil
2008: nil
2009: \$173 million expenses before tax (\$121 million after tax)
2010: \$23 million expenses before tax (\$16 million after tax)
2011: \$1,594 million expenses before tax (\$1,116 million after tax)

STATISTICAL INFORMATION

YEAR ENDED 31 DECEMBER	2011	2010	2009	2008
People				
Employees ⁽ⁱ⁾	3,550	3,546	3,872	4,158
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery ⁽ⁱⁱ⁾	1	1	1	1
Road tankers ⁽ⁱⁱⁱ⁾	168	170	178	18
Rail cars (operational)	66	66	66	62
Storage terminals operated by Caltex ^(iv)	13	12	12	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	476	472	468	476
Service stations (owned or leased)	802	743	756	748
Depots	71	79	88	83
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 ⁽ⁱⁱ⁾	3,750	3,750	3,750	3,750
Fuel production (ML)	10,686	10,607	11,093	10,834
Lubricants production (ML)	15	78	107	137
Total sales volume (ML)	17,156	16,521	16,304	16,493
Lost time injury frequency rate (LTIFR) ^(v)	0.99	1.35	2.1	3.0

(i) Includes employees of Calstores Pty Ltd and Caltex 100% owned resellers.

(ii) Lube oil refinery closed in December 2011.

(iii) From 2009, road tanker numbers include Caltex 100% owned reseller fleet.

(iv) Caltex has access to product supply at a further 8 terminals.

(v) Employee and contractor lost time injury frequency rate per million work hours. From 2010, the injury frequency rate was changed to include Marketing contractors.

Shareholder Information

SHAREHOLDER ENQUIRIES

Shareholders with queries about their shares or dividend payments should contact Caltex's share registry, Computershare, on phone 1300 850 505 or fax 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 shareholder's holding statement.

CHANGE OF ADDRESS

Shareholders on the issuer sponsored sub-register who have changed their address should notify the share registry in writing. CHESS holders should notify their controlling sponsor.

CALTEX AUSTRALIA PUBLICATIONS

Caltex'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 share registry in writing.

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 two or more of the joint shareholders wish to vote, the vote of the shareholder named first in the register will be counted, to the exclusion of the other joint shareholder or shareholders.

Shareholders who are entitled to vote at the meeting should note that:

- on a poll, each shareholder has one vote for each share they hold, and
- on a show of hands, each shareholder has one vote.

If the shareholder has appointed a proxy, the proxy may vote but, if two proxies are appointed, neither proxy may vote on a show of hands.

For a complete analysis of shareholders' voting rights, it is recommended that shareholders seek independent legal advice.

SECURITIES EXCHANGE LISTING

The company's shares are listed on the Australian Securities Exchange (ticker: CTX)

GENERAL ENQUIRIES

Investor Relations

Frances van Reyk 02 9250 5378

Company Secretaries

Peter Lim, Katie King

The address and telephone of the registered office is:

Level 24
2 Market Street
Sydney NSW 2000
T: 02 9250 5000
F: 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)

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

F: 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 29 February 2012

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 27,049

1.3 The shareholding is distributed as follows:

Category	Number of shareholders	Number of shares	%
A.			
1–1,000	19,407	8,888,192	3.29%
1,001–5,000	6,679	15,197,529	5.63%
5,001–10,000	597	4,478,254	1.66%
10,001–100,000	340	8,379,058	3.10%
100,001 and over	26	233,056,967	86.32%
Rounding			0.00
Total	27,049	270,000,000	100.00%
B.			
Holders of less than a marketable parcel	420		

1.4 The 20 largest shareholders held 86.04% 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	30,542,886	11.31
3. National Nominees Limited	26,121,903	9.67
4. JP Morgan Nominees Australia Limited	19,874,148	7.36
5. Citicorp Nominees Pty Limited	7,176,011	2.66
6. JP Morgan Nominees Australia Limited <Cash Income A/C>	3,466,724	1.28
7. HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,935,715	0.72
8. HSBC Custody Nominees (Australia) Limited – A/C 2	1,632,049	0.60
9. Queensland Investment Corporation	1,135,075	0.42
10. AMP Life Limited	1,015,553	0.38
11. Cogent Nominees Pty Limited	999,958	0.37
12. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	845,159	0.31
13. UBS Nominees Pty Ltd	676,884	0.25
14. Australian Reward Investment Alliance	511,910	0.19
15. Caltex Equity Incentive Plan Trust	392,100	0.15
16. Cogent Nominees Pty Limited <SMP Accounts>	298,675	0.11
17. Mrs Frances Mary Karst	176,700	0.07
18. Navigator Australia Ltd <MLC Investment Sett A/C>	170,621	0.06
19. Galufo Pty Ltd	170,500	0.06
20. UBS Nominees Pty Ltd <PB Seg A/C>	167,169	0.06
Total	232,309,740	86.04

The Caltex 2011 Annual Review is printed on Impact. Impact is made with a carbon neutral manufacturing process*, is FSC COC certified and consists of 100% post consumer waste recycled fibre.

*Mill use 86% renewable energy, meaning emissions generated by producing Impact are incredibly low.



precinct.com.au

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

T: 02 9250 5000
F: 02 9250 5742
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)
T: +61 3 9415 4000
(enquiries outside Australia)
F: 03 9473 5000
www.computershare.com

REFINERIES

**Caltex Refineries
(NSW) Pty Ltd**

ACN 000 108 725
2 Solander Street
Kurnell NSW 2231

T: 02 9668 1111
F: 02 9668 1188
Community hotline:
1800 802 385

**Caltex Refineries
(Qld) Pty Ltd**
ACN 008 425 581

South Street
Lytton QLD 4178

T: 07 3362 7555
F: 07 3362 7111
Environmental hotline:
1800 675 487

MARKETING OFFICES

New South Wales

Caltex Banksmeadow
terminal

Penhryn Road
Banksmeadow NSW 2019

T: 02 9695 3600
F: 02 9666 5737

Queensland/ Northern Territory

Caltex Lytton terminal

Tanker Street, off Port Drive
Lytton QLD 4178

T: 07 3877 7333
F: 07 3877 7464

Victoria/Tasmania

Caltex Newport terminal

411 Douglas Parade
Newport VIC 3015

T: 03 9287 9555
F: 03 9287 9572

South Australia

Caltex Birkenhead terminal

2 Elder Road
Birkenhead SA 5015

T: 08 8385 2311
F: 08 8242 8334

Western Australia

Caltex Fremantle terminal

85 Bracks Street
North Fremantle WA 6159

T: 08 9430 2888
F: 08 9335 3062

CUSTOMER SUPPORT FEEDBACK LINE

(complaints, compliments
and suggestions)

Mon–Fri 8.30 am
to 5.00 pm (EST)

T: 1800 240 398

Card Support Centre

Card enquiries
24 hours/seven days

T: 1300 365 096

Lubelink

Mon–Fri 8.00 am
to 6.00 pm (EST)

T: 1300 364 169



CALTEX
Caltex Australia

2011 Annual Report

2011 ANNUAL REPORT

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CALTEX AUSTRALIA LIMITED

Financial Calendar

YEAR ENDED 31 DECEMBER 2011

10 MAY 2012

Annual General Meeting

YEAR ENDING 31 DECEMBER 2012*

27 AUGUST 2012	Half year results and interim dividend announcement
11 SEPTEMBER 2012	Record date for any interim dividend entitlement
3 OCTOBER 2012	Interim dividend payable
25 FEBRUARY 2013	Full year results and final dividend announcement
12 MARCH 2013	Record date for any final dividend entitlement
4 APRIL 2013	Final dividend payable

*These dates are subject to change



ELIZABETH BRYAN
(Chairman)

JULIAN SEGAL
(Managing Director & CEO)

2011 ANNUAL REPORT

This 2011 Annual Report for Caltex Australia Limited has been prepared as at 27 February 2012.

The 2011 Annual Report provides information about Caltex's main operating activities and performance for the year ended 31 December 2011. The 2011 Financial Report, which forms part of the 2011 Annual Report, provides detailed financial information for the Caltex Australia Group for the year ended 31 December 2011. These and other reports are available from our website (www.caltex.com.au).

When we refer to the Caltex Australia Group in this 2011 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 2011 Annual Report as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2011 Annual Report (and 2011 Financial Report) and/or the 2011 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

Like many Australian manufacturing businesses, 2011 was a difficult year for Caltex's refining business. The higher Australian dollar, lower Caltex refiner margins and increasing costs all contributed to a poor 2011 refining performance.

On the other hand, the marketing business delivered a record result and Caltex achieved another record safety performance as measured by injury frequency rates.

We also continued to invest in infrastructure to strengthen our supply chain, reinforcing our commitment to reliable supply to our customers.

FINANCIAL RESULTS

As announced on 16 February 2012, Caltex has written down the value of its refining assets by \$1.5 billion before tax. This has resulted in a full year after tax loss on an historic cost basis (and including inventory gains) of \$714 million for 2011, which includes significant items of approximately \$1,116 million (after tax), primarily for the impairment of the refining assets. This compares with the 2010 full year result of \$317 million, including significant items of \$16 million (after tax). The 2011 result includes product and crude oil inventory gains of \$138 million (after tax), as the average crude oil (Dated Brent) price rose from US\$79.46 in 2010 to US\$111.27 in 2011. This compares with an inventory gain of \$15 million (after tax) in 2010, when the crude price was more stable.

On a replacement cost of sales operating profit (RCOP) basis the full year profit after tax was \$264 million, excluding significant items. This was lower than the 2010 RCOP result of \$318 million and reflects lower Caltex refiner margins in 2011. RCOP is a preferred measure of reporting as it allows a greater focus on those items under management's control, and removes the effect of movements in the crude oil price.

Global events such as the civil war in Libya and the tsunami in Japan raised crude oil prices and increased the difference in the price paid for light sweet crude compared to heavy, more sour crudes (otherwise known as the light heavy spread) well above historical averages. Since our refineries are configured to use light sweet crude, the increase in this 'spread', along with the absolute level of the crude price and the high Australian dollar reduced the Caltex refiner margin. It averaged US\$7.98 per barrel or 4.87 Australian cents per litre during 2011 compared with an average of US\$8.39 per barrel or 5.77 Australian cents per litre in 2010.

ANOTHER RECORD MARKETING RESULT

During 2011 the marketing business delivered another record result. The core strategy of driving sales of premium petroleum, diesel, jet fuels and lubricants as well as non-fuel income contributed to an EBIT increase of more than 20% when compared with 2010. This growth was supported by investment in retail store upgrades and infrastructure and an unwavering commitment to reliable supply to our customers.

Total transport fuels sales volume for 2011 was 15.7 billion litres, compared with 15.1 billion litres in 2010. The outstanding growth in premium fuels continued with 2,488 million litres sold in 2011, compared with 1,836 million litres sold in 2010.

Also in 2011, Caltex established the Resource Based Business Development team, directly accountable for exploring and

accelerating growth and investment initiatives to expand Caltex's business within the Australian resource segments.

One such initiative was the acquisition, in December 2011, of Bailey's Marine Fuel Australia; a specialist marine fuel distributor, infrastructure developer and fuel service provider to the commercial and recreational marine segments primarily across the Western Australian coast, Darwin and Sydney.

REFINERY RESULT AND ASSET IMPAIRMENT

The refineries had a difficult first half of 2011 with extreme weather events causing an unplanned shutdown of the Lytton refinery in Queensland and berth closures at Kurnell in New South Wales. Major planned maintenance at Kurnell extended beyond its scheduled duration as additional work emerged following commencement of the inspection program. At our Lytton refinery, we made a decision to undertake additional repairs, in the interests of safe and reliable operations, which reduced production. These events reduced the refining result for the first half by approximately \$50 million.

Despite the progress being made in the ongoing refining improvement initiative, Caltex's relatively small refineries, in their current configuration, are disadvantaged compared to the modern, larger scale and more efficient refineries in the Asia region. This disadvantage has been exacerbated by the effect of the ongoing strength of the Australian dollar (rising from an average of 91.96 US cents in 2010 to 103.24 US cents in 2011), lower Caltex refiner margins and increasing costs on the 'as-is' refining business.

Caltex advised in December 2011 that it was assessing the recoverability of its refinery asset carrying value. This assessment was on the basis of the current configuration, in accordance with the requirement of accounting standard AASB 136 Impairment of Assets. This precludes the inclusion of improvements to future cash flows for decisions not yet taken.

As a result of this assessment of the refinery asset carrying value, a non-cash adjustment of \$1.5 billion (before tax) was recognised in the full year 2011 historic cost result. The effect of this impairment is to reduce the carrying value of the Caltex refining assets to \$340 million. Importantly, this relates only to the book value of our refining assets and there is no impact on credit metrics or debt covenants. Our balance sheet continues to be strong and we remain committed to retaining our BBB+ credit rating and maintaining reliable supply to commercial and retail customers alike.

This adjustment is in addition to the previously announced \$67.7 million (before tax) impairment associated with the October 2011 decision to cease operation of one of two fluidised catalytic cracking units and the propane de-asphalting unit at the Kurnell refinery. The decision formed part of ongoing efforts to deliver cost and capital efficiency gains and helps address the changing product demand in the Australian market. Both these units will be appropriately maintained to ensure safe operation until the end of their respective run dates.

REFINERY REVIEW

The poor 2011 refining performance and the continuing difficult 2012 outlook for the company's refining business led Caltex to commence a major study into the role of the refineries in the supply chain, as previously announced in August 2011. The overarching objective of this review is to optimise value for our shareholders.

Report from our Chairman and Managing Director & CEO

We are determined to get the right outcome and to that end we continue to thoroughly evaluate all options to improve the 'as-is' business, ranging from investing in refining to improve performance, or closing if we are able to import product at a competitive price. One thing is certain; continuation of the status quo is not sustainable.

We advised on 16 February 2012 that the outcome of the review will be known in approximately six months as there are many issues to consider. The detailed review is assessing issues such as the supply alternatives for our marketing and distribution business, the risk associated with each strategic option and the effect of possible decisions on a broad range of stakeholders. We remain strongly committed, as always, to safe and reliable operations.

SUPPLY CHAIN ENHANCEMENTS

Caltex has undertaken significant work to ensure the business is poised to capture growth in the resources, transportation, aviation and other commercial sectors.

In early 2011 Caltex completed terminal capacity expansions in North Queensland. Additional terminal capacity in Port Hedland was also completed in December 2011 to support supply to customers in the Western Australian resources sector.

Other supply chain enhancements include agreements with Terminals Pty Ltd to build a new fuels import terminal in Adelaide and a bitumen import facility at Port Botany in Sydney. A major upgrade of the jet fuel pipeline linking the Kurnell refinery with Sydney Airport commenced in 2011 and is expected to be completed in late 2012.

Maintaining reliable supply during a particularly challenging year was a significant achievement. Due to the war in Libya and the tsunami in Japan and extreme weather events at home, 2011 presented challenges at various times for sourcing both crude and refined product. However, Caltex met these challenges to ensure continuity of supply to our customers, demonstrating our commitment to our customers and a capacity to adjust promptly to changing circumstances. An example of this was our ability to reschedule coastal ship programs and work closely with maritime safety and port authorities so that Caltex's tankers were the first back into port in Townsville and Brisbane after the natural disasters in Queensland.

CULTURE

True competitive advantage is achieved through the culture of an organisation. Attracting and retaining the right talent to build a high performance culture is fundamental to Caltex's success.

Caltex continued on the second year of the journey to embed a high performance culture, with employees encouraged to adopt Caltex's values of care, own, trailblaze, move, serve and win. There have been many tangible business successes in 2011 which have relied on these values for direction. In 2012, a comprehensive employee engagement survey will assist in quantifying the work in this area and provide an evidence base for next steps.

ANOTHER RECORD RESULT IN SAFETY

While all six Caltex values are integral to our business, care is always written first as it encapsulates our unwavering commitment to personal and process safety.

2011 saw continued improvement in our safety performance. For the second consecutive year, Caltex achieved a best ever safety result. In 2011 the lost time injury frequency rate reduced 27% to 0.99 per million hours worked compared to 1.35 per million hours worked in 2010.

Despite these improvements in safety performance, Caltex remains committed to further improve, given safety is the foundation for all our achievements. To this end, Caltex introduced process safety performance metrics in 2011 to supplement our personal safety metrics.

OUR PEOPLE

The Board would like to acknowledge the contribution of all Caltex employees, contractors, franchisees and resellers during 2011. The year presented many challenges for the business and the people of Caltex responded with commitment and creativity.

2011 saw many examples of colleagues helping each other in extreme circumstances, like the flooding in Queensland, and the Board would like to express particular appreciation for employee commitment, in particular the focus on care and safety during a challenging year.

During 2011 Caltex made good progress in gender diversity work, establishing the Caltex Diversity Council. Progress on this issue is regularly reported to the Human Resources Committee. In addition, the business established programs for the development of women's career management and programs to raise understanding in relation to unconscious bias.

SHAREHOLDER RETURNS

After a strong relative total shareholder return performance in 2010, the challenging refining environment in 2011 contributed to a disappointing outcome for shareholders as the share price started the year at \$14.38, traded in a range from \$8.76 to \$16.44, and closed the year at \$11.77. The annual performance represented an absolute decline of 18%, but relative to our peers on the Australian share market we outperformed against the S&P/ASX 200 Energy sector by nearly 2.8% and underperformed against the broader S&P/ASX 200 by 2.9%.

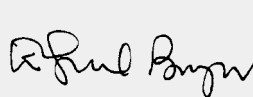
The Board has decided to declare a final dividend of 28 cents per share (fully franked) for the second half of 2011. Combined with the interim dividend of 17 cents per share for the first half, paid in September 2011, this equates to a total dividend of 45 cents per share (fully franked) for 2011. This compares with a total dividend payout of 60 cents per share (fully franked) for 2010.

OUTLOOK

The emphasis in 2012 will again be on safe and reliable operations to ensure cost effective and efficient supply to Caltex customers.

Caltex remains a sound business and the medium to long term outlook is positive. The marketing business is expected to continue its growth. Caltex continues to build its position as Australia's leading supplier of petroleum fuels through further investment in the company's supply chain.

Regardless of any decision on the future of our refineries, our commitment to maintaining reliable supply is at the very core of Caltex. Reliability has been, and will always be, the key to the proven success of our business.



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 2011, 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 2011.

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 27 February 2012 and should be read together with the Directors' Report at pages 24 to 50 of this 2011 Annual Report.

If you would like to request a hard copy of the 2011 Annual Report or the 2011 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 2011

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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	✓
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✓
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓
3.5 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.	✓
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.	✓

Corporate Governance Statement (continued)

PRINCIPLES AND RECOMMENDATIONS	COMPLY
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 The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	✓
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.4 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. The functions reserved to the Board and committees are disclosed 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 manage 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 is responsible for managing 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.

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 2011.

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 and publishes 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 2012 in relation to the Managing Director & CEO's performance for 2011.

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 the Caltex Leadership Team's performance for 2011.

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.*

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 public 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 (27 February 2012), 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 24 to 25 of this 2011 Annual Report.

Process for assessing independence

The Caltex Board assesses the independence of its directors in February each year. An initial assessment is made when a director is appointed.

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.

As at 27 February 2012, 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 senior executives of a leading global energy company who have many years of industry experience.

Each of Brant, Tim and Walt bring important knowledge and experience to the Board's consideration of operational, strategic and business matters relevant to the petroleum industry. 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 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.

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 2011, 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.

When the Board is appointing a non-executive director who is a Chevron executive, the Chairman and the 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.

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, diversity 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 2011 and reflects the matters set out in the commentary and guidance for Recommendation 2.4.

The Nomination Committee held two meetings in 2011. The number of meetings attended by each committee member is shown at page 48 of this 2011 Annual Report.

2.5 Caltex discloses the process for evaluating the performance of the Board, its committees and individual directors. This information is contained within the *Performance Evaluation Process* which is available on our website (www.caltex.com.au).

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. Caltex is also committed to achieving diversity across all levels of our organisation.

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

We have a Caltex diversity policy that sets out how we seek to attract, retain and develop the best talent, seize opportunities for creative problem solving and grow our business through an informed understanding of the diverse markets in which we operate.

In this section, we discuss aspects of our code of conduct and the diversity 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 2012 and received a report from the General Manager – Human Resources in relation to the administration of, and compliance with, the code during 2011. 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 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 staff in relation to diversity. Caltex is committed to growing leadership capabilities that result in more consistent and active sponsorship and stewardship of gender diversity.

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

The Board approved Caltex's diversity policy in December 2010 and receives 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).

Corporate Governance Statement (continued)

3.3 The Caltex Board has set measurable objectives for achieving gender diversity in accordance with the diversity policy and discloses progress towards achieving them.

In December 2010, the Board approved a set of measurable objectives to achieve gender diversity. These objectives were disclosed in the Corporate Governance Statement included in Caltex's 2010 Annual Report. Our progress in relation to each objective is set out in the following table:

OBJECTIVE	PROGRESS
(1) Caltex will establish a Diversity Council, chaired by the Managing Director & CEO, to meet quarterly to proactively monitor gender diversity initiatives and outcomes.	The Diversity Council has been established and had a total of six meetings in 2011, including one meeting each quarter.
(2) Caltex will provide high potential women senior managers with developmental experiences to prepare them for promotion to critical leadership roles.	Caltex nominated four of its high potential women leaders to participate in the Chief Executive Women Talent Program, which provides structured networking with women in existing leadership positions in the corporate sector. Several high potential senior women managers moved into new roles in different functions of the business, for example from corporate to operational roles, to enhance their career development. Female appointees represented 50% of all senior manager promotions.
(3) 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.	88% of women senior managers participated in a career success program, including a coaching component. The remaining 12% participated in the Chief Executive Women Talent Program (as described at Objective 2).
(4) Caltex will ensure that 90% of women middle managers (grades 56 and 57) have completed women's career success programs.	100% of women middle managers completed a career success program, including three women who chose to participate while on parental leave.
(5) Caltex will introduce networking programs targeted at women managers.	An extensive networking program was implemented, comprising a total of 18 events throughout the year.
(6) Caltex will increase sponsorship and connection to external women's networks, including sponsorship of a significant national event.	The 15th International Conference for Women Engineers and Scientists was held in the Southern Hemisphere for the first time, in Adelaide. Caltex was gold sponsor of this event and our Chairman, Ms Elizabeth Bryan, addressed the plenary session of the conference, which has been held every three years since 1964. The conference provides an important forum for the exchange of information and ideas for women in science, technology, engineering and mathematics. Twenty Caltex female engineers and technicians attended the conference. In addition to this event, Caltex participates in the Diversity Council of Australia, Women on Boards and the Chief Executive Women Talent Program.

In December 2011, the Board assessed both the objectives and Caltex's progress in achieving them. The Board is pleased with Caltex's performance against the objectives.

The following objectives have been set by the Board for 2012:

- (1) Caltex will increase the number of women managers in its "pipeline critical successor Talent Pool" from 16% to a minimum of 20%.
- (2) In the annual remuneration review, Caltex will continue the practice of reviewing and addressing remuneration by gender to ensure unconscious bias has not influenced outcomes.
- (3) Caltex will seek to increase the number of graded employees who answer "yes" to "Do you feel comfortable talking to your manager about flexible work arrangements?" from 60% to 70% (in the Caltex Flexible Work Survey).
- (4) Caltex will maintain the reduction of voluntary turnover amongst graded female employees so that it continues at a similar proportion to the voluntary turnover rate of graded male employees.
- (5) During 2012, Caltex will establish initiatives to provide direct support to new parents who return to work following a period of parental leave as a child's primary carer.

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 2011:

- **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**

There are currently no female members of the Caltex Leadership Team. Ms Helen Conway, who served as General Manager – Office of the CEO, General Counsel and Company Secretary, was a member of the Caltex Leadership Team until her resignation on 25 March 2011. Ms Conway has been appointed as Director of the Equal Opportunity for Women in the Workplace Agency (EOWA).

- **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 15% of Caltex's middle managers (salary grades 56 and 57).

- **Across the Caltex Group**

Women comprise 31% of all Caltex employees.

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

Caltex complies with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

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

- *Caltex Code of Conduct*
- *Caltex Diversity 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, financial risk management practices 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 24 to 25 of this 2011 Annual Report.

The Audit Committee held four meetings in 2011. The number of meetings attended by each committee member is shown at page 48 of this 2011 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 2011 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 2011 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 our securities takes place in an informed market. Caltex has mechanisms in place to ensure that we meet our 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 continuous disclosure policy.

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.

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
- 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 been delegated specific authority by the Board to approve disclosures to the ASX in relation to all other matters.

Caltex's continuous disclosure policy was reviewed by the Board in December 2011. 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.

6.1 Caltex has a communications policy in place to promote effective communication with our shareholders and encourage 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 links directly to the corporate governance section of the website:

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

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 2011. 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.

Presentations to investors or analysts are lodged with the ASX before the briefing, so that all shareholders can access the information. Caltex 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).

Corporate Governance Statement (continued)

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 2012. 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

Recognising and managing risk are critical to Caltex's 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. A summary of Caltex's risk management practices is available from our website.

Caltex's summary of our risk management practices 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 February 2012.

We recognise that climate change and measures to deal with its impact present risks to Caltex's business. 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 Caltex's material business risks and report to it on whether those risks are being managed effectively.

The Board receives regular 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 and as part of conducting our day-to-day business, 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 2011, risk status reports addressing Caltex's material risks were provided to the Board and to the OHS & Environmental Risk Committee for the 2011 full year (in February 2012), including statements from management about the extent to which risks were being managed effectively. Quarterly updates were also provided to the Board and the OHS & Environmental Risk Committee throughout the year.

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. The OHS & Environmental Risk Committee receives reports on occupational health, safety and environmental 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 the Board and management regarding the adequacy, effectiveness and efficiency of Caltex's risk management, control and governance processes.

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 2012, the Board received a statement in relation to the 2011 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 2011 for the 2011 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).

Corporate Governance Statement (continued)

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, fees paid to non-executive directors, remuneration by gender 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 responsibilities and composition of the Human Resources Committee are set out in its charter. The charter was reviewed by the Board in December 2011 and reflects the matters set out in the commentary and guidance for Recommendation 8.1.

The Human Resources Committee held six meetings in 2011. The number of meetings attended by each committee member is shown at page 48 of this 2011 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's remuneration committee is structured so that it consists of a majority of independent directors, has an independent chairman and has at least three members.

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.

8.3 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, Chairman 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 remuneration pool of \$2 million for non-executive directors, including statutory entitlements, at the Annual General Meeting on 22 April 2010, with effect from 1 May 2010. The maximum remuneration pool for non-executive directors 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 28 to 47 of this 2011 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 28 to 47 of this 2011 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 28 to 47 of this 2011 Annual Report.

Hedging of securities under Caltex share plans by senior executives

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.

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

Caltex complies with Recommendations 8.1, 8.2, 8.3 and 8.4.

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

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

Simplified Financial Report

INCOME STATEMENT

for the year ended 31 December 2011

Millions of dollars	2011	2010
1. Total revenue ¹	22,400	18,931
2. Total expenses ²	(23,552)	(18,454)
3. Replacement cost (loss)/earnings before interest and tax	(1,152)	477
Finance income	1	2
Finance expenses	(69)	(59)
4. Net finance costs	(68)	(57)
Income tax benefit/(expense) ³	368	(118)
Replacement cost of sales operating (loss)/profit (RCOP)	(852)	302
5. Inventory gain after tax	138	15
Historical cost net (loss)/profit after tax	(714)	317
Interim dividend per share	17c	30c
6. Final dividend per share	28c	30c
Basic earnings/(losses) per share		
– Replacement cost (excluding significant items)	98c	118c
– Historical cost	(264c)	117c

DISCUSSION AND ANALYSIS

1. TOTAL REVENUE

▲ 18%

Total revenue increased primarily due to:

- the impact of higher average crude prices (increasing from US\$79.46/bbl in 2010 to US\$111.27/bbl in 2011), and
- higher transport fuels sales volumes than prior year (2011: 15.7 billion litres vs. 2010: 15.1 billion litres).

2. TOTAL EXPENSES – REPLACEMENT COST BASIS

▲ 28%

Total expenses increased as a result of:

- higher cost of sales, reflecting the higher costs of purchasing and shipping crude during 2011, and
- significant items (\$1,594 million) primarily for the impairment of Refinery assets.

Excluding significant items, total expenses rose by 19%.

3. REPLACEMENT COST EBIT INCLUDING SIGNIFICANT ITEMS

Replacement cost earnings before interest and tax (EBIT) decrease is largely attributable to:

- impairment of Refinery assets, and
- deteriorating externalities and operational disruptions during 2011. These externalities include a higher Australian dollar and a wider light-heavy crude oil price spread, both of which negatively impacted the Caltex Refiner Margin.

1. Excludes interest revenue of \$1 million (2010: \$1 million) and includes other income of \$295 million (2010: \$259 million).

2. Excludes interest expense of \$66 million (2010: \$56 million) and inventory gains of \$197 million (2010: \$21 million).

3. Excludes tax on inventory gains of \$59 million (2010: \$6 million).

RCOP EBIT BREAKDOWN¹

CALTEX REFINER MARGIN (CRM) \$485m

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 lower in 2011 at US\$7.98/bbl, compared with US\$8.39/bbl for 2010. In AUD terms, the CRM was 4.87 Australian cents per litre in 2011, compared with 5.77 Australian cents per litre in 2010, due to the higher average Australian dollar in 2011.

Total refinery production in 2011 of all products was consistent with 2010 (10.7 billion litres in both years). A production increase at Kurnell and Lytton refineries (79 million litres) offset the reduced volumes as a result of the Caltex Lubricating Oil Refinery (CLOR) closure during the year.

TRANSPORT FUELS MARKETING MARGIN \$643m

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.

Transport fuel sales volumes and margins have increased, driven by an increase in premium fuel sales and jet sales. Premium fuel sales were 2.5 billion litres in 2011, compared with 1.8 billion litres in 2010. Caltex's overall transport fuel sales volumes grew by 4.0% during 2011. Retail diesel sales have continued to grow strongly driven by the premium diesel product, Vortex Diesel, and as a result of growth in the diesel vehicle market. Overall diesel sales, including commercial diesel, were up by more than 9%.

Jet fuel volumes increased approximately 7%, underpinned by a strong and growing customer base.

Overall petrol volumes decreased approximately 1%, in line with the market. However, premium petrol and E10 sales volumes continue to grow.

LUBRICANTS AND SPECIALTIES MARGIN \$111m

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

The finished lubricants business continued its success of last year, with sales volumes up by 14%. Specialty products declined as poor weather, especially in the first half of the year, and strong competition impacted sales. In addition, the specialties contribution was impacted by the decision to cease manufacture and sales of base oils as a result of the planned CLOR closure.

NON-FUEL INCOME \$180m

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 9% compared with the same period last year, due to the mix of earnings from Caltex's new franchise agreements, and the higher fuel prices improved earnings from StarCard.

OPERATING EXPENSES (\$999m)

Operating expenses in this caption include Refining and Supply, Marketing and Corporate operating expenditure. Overall operating expenses increased 9% compared with 2010.

This year for the first time costs for the purchase of natural gas and steam has moved to operating expenses (previously it was treated in the cost of goods sold). This has had the effect of appearing to increase operating expenses while the offsetting benefit of improved yield is realised in CRM. The cost of steam and natural gas purchases was \$50 million for 2011.

Operating expenses, excluding depreciation and natural gas and steam costs, are up \$22 million. Marketing operating expense increases include an increase in repairs and maintenance expenses and costs relating to the impact of the Queensland floods in the first quarter of 2011. Excluding the reclassification of natural gas expenses, Refining operating costs rose by less than the CPI index for the second year in a row. Refining operating expense increases are largely associated with market-driven labour cost increases and increased maintenance expenses due to the unplanned outages.

Depreciation and amortisation is up \$10 million on 2010 as the continued investment in retail store upgrades, infrastructure and the major planned maintenance at Lytton in 2010 flows through.

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

Simplified Financial Report (continued)

RCOP EBIT BREAKDOWN¹

OTHER \$22m	Other includes foreign exchange impacts, loss on disposal of assets and pipeline and charter revenue.
RCOP EBIT EXCLUDING SIGNIFICANT ITEMS \$442m	
SIGNIFICANT ITEMS (\$1,594m)	During 2011, the Group incurred significant items of \$1,594 million primarily for the impairment of the Refinery assets. The recent deterioration in the performance of the refining business unit due to the challenging external environment (including the ongoing strength of the Australian dollar, lower refiner margins and increasing costs) is expected to be sustained for a prolonged period. This has impacted refinery asset carrying values with a non-cash reduction in book value of \$1.5 billion before tax.
TOTAL RCOP EBIT (\$1,152m)	
4. NET FINANCE COSTS ▲ 19%	Net finance costs increased \$11 million compared with 2010. The increase primarily reflects the higher net debt in 2011 compared to 2010, driven by higher working capital due to higher crude oil and product prices.
5. INVENTORY GAIN AFTER TAX ▲ \$123m	Regional crude oil prices increased during 2011 (averaging US\$111.27/bbl in 2011, compared with US\$79.46/bbl in 2010). This resulted in net inventory gains of \$197 million (\$138 million after tax) and compares with the slower rate of price increases throughout 2010 which resulted in net inventory gains of \$21 million (\$15 million after tax).
6. FINAL DIVIDEND	The Board is pleased to announce it has declared a final dividend of 28 cents per share (fully franked) for 2011 (a total of \$76 million). This makes the total 2011 dividends declared 45 cents per share (fully franked) after the interim dividend of 17 cents per share paid on 27 September 2011 (2010 total dividends: 60 cents per share). The record date in relation to the final 2011 dividend is 13 March 2012, with the dividend payable on 3 April 2012.

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

BALANCE SHEET
as at 31 December 2011

Millions of dollars	Dec 2011	Dec 2010	Change
1. Working capital	927	769	158
2. Property, plant and equipment (PP&E)	1,535	2,896	(1,361)
3. Net debt	(617)	(544)	(73)
4. Other non-current assets and liabilities	373	(38)	411
Total equity	2,218	3,083	(865)

DISCUSSION AND ANALYSIS

1. WORKING CAPITAL
▲ \$158m

The increase in working capital is primarily due to:

- higher inventory values as a result of higher crude prices, partially offset by lower net inventory volumes, and
- higher crude and product prices impacting receivables, including the impact of a higher Australian dollar.

This is partly offset by:

- higher crude payables reflecting the higher crude price in 2011 and higher purchases from competitors due to increased Marketing sales in non-refining states.

2. PP&E
▼ \$1,361m

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

- the net impairment impact of \$1,553 million, primarily relating to Refinery assets,
- depreciation of \$211 million, and
- disposals of \$4 million.

This is partly offset by:

- capital expenditure and accruals, including major cyclical maintenance, of \$394 million, and
- assets acquired through business acquisitions of \$14 million.

3. NET DEBT
▲ \$73m

Net debt increased to \$617 million at 31 December 2011, an increase of \$73 million from 31 December 2010 due to higher working capital requirements primarily as a result of higher crude prices, net of a higher Australian dollar.

As a result of this increase in debt, and the refining asset impairment charge, Caltex's gearing at 31 December 2011 (net debt to net debt plus equity) was 21.8%, increasing from 15.0% at 31 December 2010. On a lease-adjusted basis, gearing at 31 December 2011 was 33.4% compared with 21.3% at 31 December 2010.

4. OTHER NON-CURRENT ASSETS AND LIABILITIES
▲ \$411m

Other non-current assets and liabilities have increased primarily due to deferred tax asset increases (\$434 million) as a result of the Refining and Supply asset write downs, which form part of the significant items previously discussed.

Simplified Financial Report (continued)

CASH FLOWS

for the year ended 31 December 2011

Millions of dollars	2011	2010	Change
1. Receipts from customers	25,636	21,681	3,955
2. Payments to suppliers and employees	(19,895)	(16,245)	(3,650)
3. Payments for excise	(5,047)	(4,891)	(156)
Finance costs paid	(70)	(60)	(10)
4. Tax and other activities	(178)	(57)	(121)
Net operating cash inflows	446	428	18
Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(396)	(351)	(45)
Other investing cash flows	11	16	(5)
Net investing cash outflows	(385)	(335)	(50)
Dividends paid	(127)	(149)	22
Other financing cash inflows	49	52	(3)
5. Net financing cash outflows	(78)	(97)	19
Net decrease in cash held	(17)	(4)	(13)

DISCUSSION AND ANALYSIS

1. RECEIPTS FROM CUSTOMERS
▲ \$3,955m

Receipts from customers increased primarily due to:

- the impact of higher crude prices, and
- higher transport fuels sales volumes than in the prior year.

2. PAYMENTS TO SUPPLIERS AND EMPLOYEES
▲ \$3,650m

Payments to suppliers increased as a result of higher cost of sales, reflecting primarily higher crude oil prices and resulting working capital requirements.

3. PAYMENTS FOR EXCISE
▲ \$156m

Increased excise payments are a result of increased sales volumes in 2011 compared with 2010. The 3.2% increase in excise payments is in line with the percentage increase in transport fuels sales volumes.

4. TAX AND OTHER ACTIVITIES
▲ \$121m

Net cash outflows from tax and other operating activities were higher in 2011 mainly due to timing of payments. Income taxes of \$72 million were paid in 2011 that related to the 2010 financial year.

5. NET FINANCING CASH OUTFLOWS
▼ \$19m

Net financing cash outflows decreased primarily due to lower dividend payments in 2011 compared with 2010.

2011 Financial Report for Caltex Australia Limited

The 2011 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 2011.

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 2011 Directors' Report (including the Remuneration Report) and the 2011 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 2011 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.

There have not been any changes to the composition of the Board since 1 January 2011.

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 a director of Westpac Banking Corporation (appointed November 2006). She was previously the Chairman of UniSuper Limited (where she served as a director from January 2002 to June 2011).

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 to the Board broad management experience in industrial and capital intensive industries, and a background in engineering and supply chain. 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 a director of Origin Energy Limited (appointed February 2000) and was previously the Chairman of Hastie Group Limited (where he served as a director from February 2005 until 15 February 2012).

Trevor holds a Bachelor of Science (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 to the Board extensive Australian and international oil industry experience, and a management background from industrial and capital intensive industries. 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.

Greig is Chairman of Horizon Roads and the Board of Trustees of the Energy & Minerals Institute at the University of Western Australia and a director of the Australian Davos Connection and the Victorian Opera Company.

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 Assistant Treasurer Opco Support and Intercompany in Chevron's Corporate Treasury department and is responsible for oversight and support for the financing activities of Chevron operating companies worldwide and for the company's global intercompany funding 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).

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).

REVIEW OF RESULTS AND OPERATIONS

General overview

On an historic cost basis (including inventory gains), Caltex recorded an after tax loss of \$714 million for the 2011 full year, including significant items of approximately \$1,116 million (after tax), primarily for the impairment of the refinery assets announced on 16 February 2012. This compares with the 2010 full year profit of \$317 million, including significant items of \$16 million (after tax). The 2011 result includes product and crude oil inventory gains of \$138 million after tax as the average Dated Brent price rose from US\$79.46 in 2010 to US\$111.27, compared with an inventory gain of \$15 million after tax in 2010 when the crude price was more stable.

Refinery asset impairment

The recent deterioration in the performance of the refining business unit due to the challenging external environment (including the ongoing strength of the Australian dollar, lower refiner margins and increasing costs) is expected to be sustained for a prolonged period. This has impacted refinery asset carrying values with a non-cash reduction in book value of \$1.5 billion before tax.

Replacement Cost Operating Profit

On a replacement cost of sales operating profit (RCOP) basis, Caltex recorded an after tax profit for the 2011 full year of \$264 million, excluding significant items. This compares with \$318 million for the 2010 full year (excluding significant items). The difference between 2010 and 2011 is largely attributable to deteriorating externalities and operational disruptions during 2011. These externalities include a higher Australian dollar and a wider light-heavy crude oil price spread, both of which reduced the Australian dollar Caltex Refiner Margin¹.

Best ever safety result

For the second consecutive year Caltex achieved a best ever safety result. In 2011 the lost time injury frequency rate reduced 27% to 0.99 per million hours worked compared to 1.35 per million hours worked in 2010.

Another record Marketing result

Marketing's earnings before interest and tax (EBIT) increased by more than 20% when compared with 2010. This result was achieved through growth in sales of premium petrol, diesel, jet fuel, lubricants and non-fuel income. This growth was supported by the investment in retail store upgrades and supply chain infrastructure, including the opening of the expanded Port Hedland terminal. This excellent 2011 EBIT result continues an annual growth rate of over 13% since 2007.

Externalities and unplanned outages drive loss in Refining

The majority of the decline in profitability of the Refining business was due to deteriorating externalities, particularly the high Australian Dollar which rose from an average of 91.96 cents in 2010 to 103.24 cents, an increase of over 12%. Underlying cash operating expenses were well controlled with an increase lower than the Consumer Price Index (CPI) for the second year in a row. Good progress is being made on the Refining Improvement Initiative with many of the initiatives expected to deliver value in 2012 and beyond. However, the benefit of cost and efficiency improvements was offset by the impact of unplanned outages.

Refinery review

The poor 2011 refining performance and the continuing difficult 2012 outlook for the company's Refining business led Caltex to commence a major study into the role of its refineries in its supply chain, as previously announced in August last year.

The overarching objective of this review is to optimise value for shareholders and, to that end, Caltex continues to thoroughly evaluate all options to improve the 'as-is' business, ranging from investing to improve Refinery performance, or closing if Caltex is able to import product at a competitive price. Continuation of the status quo is not sustainable.

The outcome of the review is expected to be known in approximately six months as there are many issues to consider. The detailed review is assessing issues such as the supply alternatives for Caltex's Marketing and Distribution business, the risk associated with each strategic option and the impact of possible decisions on a broad range of stakeholders. Caltex remains strongly committed, as always, to safe and reliable operations.

Balance sheet remains strong

Net debt at 31 December 2011 is \$617 million, compared with \$544 million at 31 December 2010. Caltex is committed to maintaining a BBB+/Stable credit rating that was recently reaffirmed after the announcement of the write down of refinery assets.

Marketing and Distribution business is strong and continues to grow

The Caltex Marketing and Distribution business is strong, and Caltex is continuing to build its position as Australia's leading supplier of petroleum fuels by further investment in the company's supply chain. Caltex supplies over one third of all transport fuels in Australia and remains committed to maintaining reliable supply to its commercial and retail customers.

Dividend

The Board is pleased to announce it has declared a final dividend of 28 cents per share (fully franked) for 2011 (a total of \$76 million), bringing the total dividend payout for 2011 to 45 cents per share (fully franked) after the interim dividend of 17 cents per share, paid on 27 September 2011. The record date in relation to the final 2011 dividend is 13 March 2012, with the dividend payable on 3 April 2012.

This compares with a total dividend payout for 2010 of 60 cents per share (fully franked). The final 2010 dividend of 30 cents per share (a total of \$81 million) was paid on 29 March 2011.

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.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

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 2011 to the date of this report.

1. 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.

LIKELY DEVELOPMENTS

Business operations

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

Outlook

The marketing outlook is positive and will be maintained by accelerated investment to maintain its strong growth trajectory. However the conditions that are assisting to drive volume growth in Caltex's Marketing business are contributing to the strong Australian dollar that continues to pressure Refining's earnings.

The refinery review is in progress and continues to evaluate all options from investment to closure or some combination of these. As previously advised the decision is approximately six months away as the myriad of complexities continue to be investigated. The overarching objective of the refinery review is to optimise value for shareholders.

CLEAN ENERGY FUTURE (CEF) LEGISLATION

In 2011, the Australian Government's CEF package of legislation was enacted. The package includes the Carbon Price Mechanism (CPM) and provision of free permits to help competitiveness. Unlike the earlier proposed Carbon Pollution Reduction Scheme (CPRS), Caltex will not have to purchase any permits for customers' emissions.

A price on carbon will have an impact on Caltex: within Refining as an emissions-intensive trade-exposed industry; and across all business units through increased costs, such as electricity charges and other third party costs impacted by the CPM cost pass-through.

The CPM will apply directly to facilities which emit at least 25,000 tonnes of carbon dioxide equivalent annually. For Caltex, our refineries are liable entities under the CPM.

Caltex believes that to ensure a level playing field, the international competitiveness of emissions-intensive, trade-exposed industries such as petroleum refining must be fully maintained. In practice, maintaining competitiveness means a free allocation of carbon permits until international competitors face the same effective carbon price as Australian refiners. Under the CEF scheme, petroleum refining will receive the highest rate of assistance via the Jobs and Competitiveness Program (JCP). This assistance provides less than full maintenance of international competitiveness for the sector.

The CEF legislation will also impact Caltex's non-refining operations through carbon cost pass-through from suppliers. An expected impact will be an estimated increase in electricity supply costs for these operations of approximately \$1.2 million per year during the fixed price period.

The estimated cumulative cost to Caltex over the first 10 years of the CEF scheme is approximately \$25 million before tax. This assumes that direct and indirect emissions over the period are the same as for 2010 to 2011, that electricity pass through costs are at the carbon price, and carbon prices are the same as in Treasury modelling. While illustrative of the cost impact to Caltex, these are estimates only as the impact of further pass-through costs as a result of the CEF legislative package, such as increased air travel costs and increased construction capital costs, are as yet undetermined.

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 that 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 2011, Caltex made its third 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 fourth public report under the federal Energy Efficiency Opportunities program, communicating energy savings achieved. Caltex also continued to disclose information on emissions under the National Pollutant Inventory. Caltex is also a signatory to the Australian Packaging Covenant and has submitted a five year action plan in accordance with the requirements.

Compliance with environmental regulations

A total of 17 environmental protection licences were held by companies in the Caltex Australia Group in 2011 for two refinery sites, 10 terminals, two marketing facilities and one aviation refuelling facility.

Any instances of non-compliance against these licences were reported to the environmental regulator in each state. All significant spills and environmental incidents were recorded and reported as required to government authorities.

Caltex received one penalty infringement notice for \$600 from the Tasmanian EPA (Environmental Protection Agency) in 2011 due to late submission of a report relating to service station remediation.

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 51 and forms part of the Directors' Report for the financial year ended 31 December 2011.

Directors' Report (continued)

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 2011.

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. Key terms are defined in the Glossary of Terms section at the end of the Annual Report.

There have been no significant changes to the remuneration structure during the financial year.

1. Remuneration summary

1a. Executive Director and Senior Executives¹

Julian Segal	Managing Director & CEO
Simon Hepworth	Chief Financial Officer
Ken James	General Manager – Supply and Distribution
Peter Lim	Company Secretary and General Counsel – appointed 28 March 2011 to an acting role, appointed permanently to the role 1 January 2012
Mike McMenamin	General Manager – Strategy, Planning and Development
Gary Smith	General Manager – Refining
Andy Walz	General Manager – Marketing
Simon Willshire	General Manager – Human Resources

Former

Helen Conway	General Manager – Office of the CEO, Company Secretary and General Counsel, until 8 April 2011
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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 2011 fixed remuneration review for Senior Executives, Caltex applied an overall increase of 4.5% with actual increases depending on individual performance and level of salary relative to the market median. An additional increase was provided for a promotion.	3a
Short Term Incentive (STI)	The Caltex Rewarding Results Plan was introduced in 2010 and is in its second year of operation. Participation in the Rewarding Results Plan gives employees 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. No short term incentives are paid if less than 80% of business plan RCOP NPAT is delivered. Performance in 2011 was achieved above this threshold level of performance. 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 Plan is to incentivise significant over plan performance. The maximum amounts payable for Senior Executives when stretching performance targets have been achieved range between 92% and 100% of base salary depending on role. The amounts payable "at target" range from 46% to 50% depending on role.	3d

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
Short Term Incentive (STI) (continued)	A mandatory deferral of short term incentives applies to the Managing Director & CEO, the Caltex Leadership Team as well as other senior managers. Under the deferral, one third 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 service related forfeiture risk and are restricted from sale for two years. Average 2011 STI outcomes, including the Managing Director & CEO, were 53% of base salary (85% in 2010). Although 2011 performance was strong against many of the key performance indicators, actual short term incentives paid for 2011 were lower than in 2010. The reduced outcomes this year predominantly reflected lower Caltex RCOP NPAT performance against the business plan target in 2011 after the exclusion of significant items. In comparison, 2010 RCOP NPAT performance was above the business plan target.	
Long Term Incentive (LTI)	The Caltex Equity Incentive Plan (CEIP) gives participants the opportunity to receive Caltex shares in the future if challenging performance targets are achieved. The measure of performance is Total Shareholder Return (TSR) over a three year period relative to two comparator groups each with a 50% weighting (being the members of the ASX 100 Accumulation Index and, separately, eight international refining and marketing companies). For grants in 2010 and 2011, 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. Grants made under the CEIP in 2009 (which had different performance hurdles) vested at 31 December 2011 for each of the two comparator groups. Caltex performance for the 2009 to 2011 performance period was above the 90th percentile against the ASX 100 Accumulation Index group and above the median of the selected group of international refining and marketing companies. As a result, 82% of the 2009 grant vested at 31 December 2011 and the remaining 18% lapsed.	3e
Post employment	In addition to any statutory entitlement, Executives may be entitled to post employment benefits depending on the circumstances in which their employment is terminated. An example of such benefits is the continuation of pre-existing long term incentive grants until the expiry of the original three year performance period in circumstances other than resignation or dismissal.	3g
Appointments	Peter Lim was appointed to the role of Company Secretary and General Counsel effective 1 January 2012 after undertaking the role in an acting capacity from 28 March 2011.	

1b. Non-executive directors

Current directors

Ms Elizabeth Bryan (Chairman)

Mr Trevor Bourne

Mr Brant Fish*

Mr Greig Gailey

Mr Tim Leveille*

Mr Walt Szopiak*

Mr John Thorn

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

Directors' Report (continued)

REMUNERATION REPORT (continued)

Element of remuneration	Summary	Sections
Fees	Remuneration for non-executive directors is fixed, and does not have any variable components.	4a
	The non-executive directors do not participate in any Caltex incentive or bonus schemes.	4a
	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.	4b
Superannuation and retirement benefits	Superannuation contributions are made at a rate of 9%. Superannuation is not paid for overseas directors. No additional retirement benefits are paid.	4a
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.	4b

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 the remuneration of non-executive directors, the Managing Director & CEO and Senior Executives is either initiated directly or approved by the Committee, and these specialists are directly engaged by the Committee Chairman.

During 2011, the Committee and/or the Board received independent advice or information from the following organisations:

Organisation	Purpose	Role
Godfrey Remuneration Group	Remuneration benchmarking information for: • non-executive directors • Managing Director & CEO • Senior Executives	Advice and recommendations
Ernst & Young	Valuation of performance rights. Taxation information relating to long term incentives and deferral of short term incentive into Caltex shares	Information
Egan Associates	Assessment of Caltex's relative TSR performance relating to vesting of performance rights	Information

3. Executive Director and executive remuneration

3a. 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.

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

1. **Fixed remuneration** – comprising base salary and allowances,
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.

Caltex undertakes regular monitoring and comparison of the market competitiveness of each executive's remuneration using the Total Reward Value approach.

Alignment with strategy

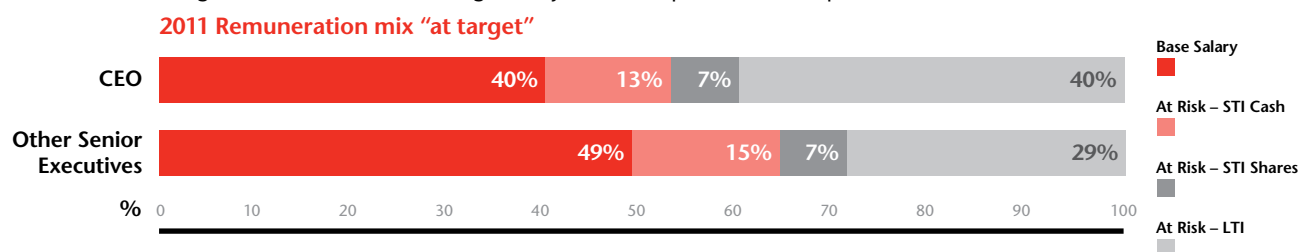
Cash incentives reward the delivery of stretching but potentially attainable annual financial and non-financial performance measures and long term equity based incentives reward the delivery of superior total shareholder returns relative to Caltex's peers over the longer term (three years). The performance 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 which management cannot control (such as global refining margins). 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.

3b. 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 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 diagram titled 2011 Remuneration mix "at target". The pay mix targets 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. Research undertaken by Caltex during 2011 confirmed that Caltex has tougher long term incentive vesting conditions than most ASX 50 companies and that Caltex long term incentive vests more gradually as relative performance improves.



Notes:

1. STI cash and STI shares comprises the incentive provided through the Rewarding Results Plan. "At target" performance, two thirds is payable as cash and one third is deferred into shares. For other Senior Executives the "at target" remuneration mix is representative of a 46% of base salary STI target.
2. LTI comprises performance rights granted under the CEIP.
3. The 2011 remuneration mix represents the value of LTI at 75th percentile TSR performance. Initial grants of performance rights under CEIP are made at the maximum or stretch level being 150% of Base Salary for the Managing Director & CEO and at 90% of Base Salary for Senior Executives. Executives will only receive 100% of the initial grant if the performance measure (relative TSR) is at or above the 90th percentile for both comparator groups.

The Total Reward Value and pay mix for the 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, utilising remuneration information provided by independent consultants for Australian roles with similar skills, accountabilities and performance expectations.

The Total Reward Value and pay mix for other Senior Executive members is reviewed regularly 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.

REMUNERATION REPORT *(continued)*

3c. Setting and evaluating the performance of executives in 2011

Performance measures for 2011 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2011 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 2011, 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 2011.

2011 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:

Financial

- RCOP NPAT – see explanation below,
- Free Cash Flow – the generation of sufficient cash flow to pursue growth opportunities and pay dividends,
- Earnings Before Interest and Tax (EBIT) – the internal measure of financial performance at a departmental level for each of Marketing, Refining and Supply and Distribution,
- Cost Efficiency – management of operating costs and optimisation of capital expenditure to improve the profitability of the business,
- Sales Volumes, and
- Net Available Margin (NAM).

Non-financial

- Safety is seen as critical to the successful operation of Caltex's business and in 2011 scorecards were measured by Total Treatable Injury Frequency Rate (TTIFR),
- Delivery of major infrastructure and strategic projects – examples of 2011 projects include the upgrade of a facility at Port Hedland and the ongoing enhancement of Caltex's supply chain capabilities, and
- Leadership – progress towards achievement of strategic objectives in the areas of diversity and the development and retention of key talent.

RCOP NPAT (explanation of the relevance of this measure to the Caltex business and treatment of significant items)

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 Caltex's 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 an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with 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 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.

Each year the Board reviews any significant items, positive and negative, and considers their relevance to the RCOP NPAT result. Generally, the Board will exclude any events from RCOP NPAT that management and the Board consider to be outside the scope of usual business. These are excluded to give a truer reflection of underlying financial performance from one period to the next.

3d. Performance — based “at risk” remuneration – 2011 Rewarding Results STI Plan

Performance period	Annual payment based on assessed performance during the 12 month period ended 31 December 2011 but paid in April 2012.																							
2011 target and maximum opportunity levels	Managing Director & CEO – between 50% of base salary “at target” and 100% at Maximum Stretch. Other Senior Executives – between 46% and 50% of base salary “at target” and 92% and 100% at Maximum Stretch depending upon role.																							
Scheme rationale	The Rewarding Results Plan replaced previous arrangements in 2010 as a part of the cultural reshaping of Caltex. The Board believes it has simplified the previous arrangements whilst further strengthening and reinforcing the alignment of reward with the creation of shareholder value and market competitiveness. The Board believes that the Rewarding Results Plan is in the best interests of shareholders because it: • establishes the primacy of financial performance and emphasises the overall integrated performance of the company, and • focuses the company on executing the most critical initiatives and delivering critical outcomes at all stages of the economic and business cycle.																							
Performance measures and assessment	Rewarding Results (R²) Plan and STI payment <table><thead><tr><th>Performance measure</th><th>Performance 2011</th></tr></thead><tbody><tr><td>RCOP NPAT</td><td>Above business plan threshold</td></tr><tr><td>Free Cash Flow</td><td>At business plan target</td></tr><tr><td>EBIT Marketing</td><td>Above business plan target</td></tr><tr><td>EBIT Uplift Refining, Supply and Distribution</td><td>Above business plan target</td></tr><tr><td>Cost Efficiency</td><td>Above business plan target</td></tr><tr><td>Safety</td><td>Caltex reported TTIFR of 2.53 per million man hours (0.51/200,000) and an LTIFR of 0.99 per million man hours – including employees and contractors. Although safety performance was above target in Marketing and Supply and Distribution it was below threshold in Refining.</td></tr><tr><td>NAM (\$'000s)</td><td>Above business plan target</td></tr><tr><td>Sales (ML)</td><td>Above business plan threshold</td></tr><tr><td>Project Delivery</td><td>Major projects were delivered to required performance targets.</td></tr><tr><td>Talent and Diversity Leadership</td><td>Stretch performance was achieved in the execution of Caltex’s diversity action plan and all objectives were met in the area of talent leadership.</td></tr></tbody></table>		Performance measure	Performance 2011	RCOP NPAT	Above business plan threshold	Free Cash Flow	At business plan target	EBIT Marketing	Above business plan target	EBIT Uplift Refining, Supply and Distribution	Above business plan target	Cost Efficiency	Above business plan target	Safety	Caltex reported TTIFR of 2.53 per million man hours (0.51/200,000) and an LTIFR of 0.99 per million man hours – including employees and contractors. Although safety performance was above target in Marketing and Supply and Distribution it was below threshold in Refining.	NAM (\$'000s)	Above business plan target	Sales (ML)	Above business plan threshold	Project Delivery	Major projects were delivered to required performance targets.	Talent and Diversity Leadership	Stretch performance was achieved in the execution of Caltex’s diversity action plan and all objectives were met in the area of talent leadership.
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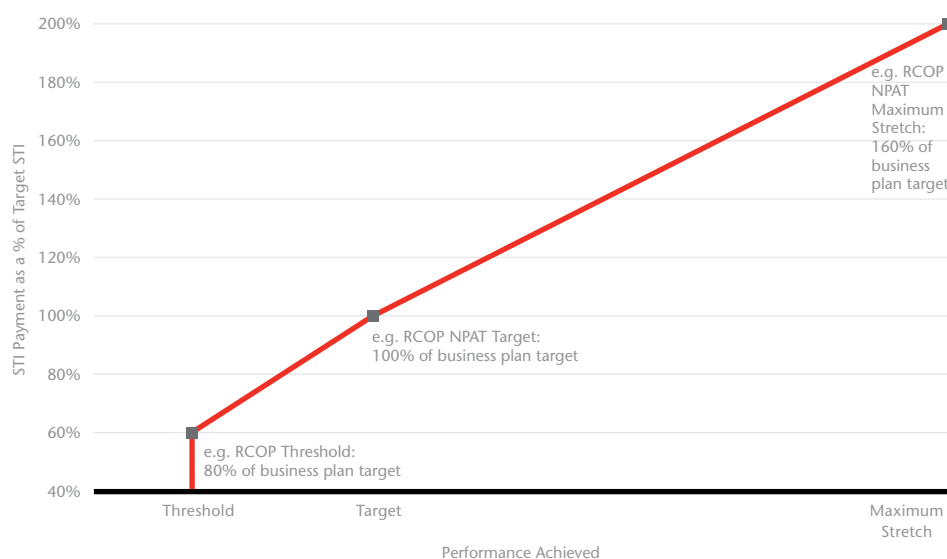
REMUNERATION REPORT (continued)

How reward outcomes are funded Caltex and department performance in terms of the above measures determines the funding of the incentive pool. RCOP NPAT performance 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 are 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 RCOP NPAT performance is below 80% of business 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 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. KPMG assisted the Committee with the review of scorecard financial results in 2011 by performing agreed upon procedures to verify the calculated metrics.

During 2011, discretion was exercised by the Board to exclude the impact of significant items from the RCOP NPAT result that were determined by the Board to be outside of the control of employees. Those items excluded from the Caltex 2011 RCOP NPAT result for incentive purposes were:

- Asset impairment.
- Restructuring expenses.
- Other redundancy and related costs.

Payment vehicle For the Managing Director & CEO, the Senior Executives and other Senior Managers, one third of the award is deferred into equity if the cash value of the award exceeds \$105,000. These shares are subject to a six month service related forfeiture risk and a two year dealing restriction.

3e. Performance — based “at risk” remuneration – Caltex Incentive Plan (CEIP)

Performance period	Three years commencing 1 January 2011.														
2011 target and maximum opportunity levels	In 2011, the Managing Director & CEO received a grant of performance rights based on an LTI value of 150% maximum of base salary. 2011 grants to other Senior Executives were 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. For the entire initial grant (i.e. maximum) to vest, the relative TSR performance will need to be at the 90th percentile (typical market practice is the 75th percentile) for both comparator groups. 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 (2010 and 2011 awards)	Relative TSR is assessed against two comparator groups: 50% of the performance rights are tied to relative performance against members of the ASX 100 Accumulation Index and 50% against a selection of eight 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</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. No retesting is undertaken. The international refining and marketing companies for the 2010 and 2011 performance years comprised 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). Frontier Oil Corporation (USA) merged with Holly Corporation in June 2011 and therefore no longer forms part of the 2010 and 2011 peer groups.	Percentile ranking	% of award vesting	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														
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%														
Performance measures (2012 awards)	For the grants proposed in April 2012, the Board may amend weightings between the two comparator groups once the strategic review of Caltex’s refinery operations is concluded.														
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 rights 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 are met and the rights vest.														
Why has the TSR hurdle been chosen?	The Board has selected a relative TSR measure because it provides direct alignment with shareholder outcomes and is a good indicator of profitable management of assets, operating efficiencies, progress in meeting Caltex’s strategic objectives and long term performance. 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 to a participant under the CEIP vest on a pro-rated basis where the participant ceases to be an employee of a Group company due to retirement, 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.														

REMUNERATION REPORT (continued)

3f. Managing Director & CEO remuneration and Service Agreement

Julian Segal was formerly the Managing Director and CEO of Incitec Pivot. The terms of Mr Segal's appointment were announced to the market on 22 April 2009 and his total remuneration was set in line with his former arrangements. The Board sought external expert advice from Godfrey Remuneration Group to establish that the remuneration package was competitive and of the level necessary and reasonable to secure the services of a Managing Director & CEO of a top Australian publicly listed company of similar size and complexity. Within the structure of the Managing Director & CEO's total remuneration arrangements a significant proportion of the total potential remuneration is "at risk" and subject to Caltex's performance and the delivery of TSR relative to the separate members of the ASX 100 Accumulation Index and eight selected international refining and marketing companies.

For 2011, the Managing Director & CEO's total remuneration was split into fixed and "at risk" components as follows:

% of Total Target Remuneration (annualised)

Fixed remuneration incl. superannuation	"At risk" – performance based	
	STI*	LTI
	"At target"	"At target" – when TSR is at the 75th percentile of peer companies
	\$924,000 (50% of Base Salary)	\$1,848,000 (100% of Base Salary)
\$1,948,000	"Stretch"	"Stretch" – when TSR is at the 90th percentile of peer companies
	\$1,848,000 (100% of Base Salary)	\$2,772,000 (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

3g. 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 Mr Walz who is a Chevron secondee) 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. The durations of the contracts are open ended (i.e. ongoing until notice is given by either party):

Table 2. Summary of Service Agreements for other Senior Executives

Senior Executives	Contract	Termination notice
Helen Conway ⁽ⁱ⁾	Open ended	3 months
Simon Hepworth	Open ended	3 months
Ken James	Open ended	6 months
Peter Lim	Open ended	6 months
Mike McMenamin	Open ended	1 month
Gary Smith	Open ended	6 months
Simon Willshire	Open ended	6 months

(i) Ms Conway retired effective 8 April 2011.

If a Senior Executive was to resign, their entitlement to unvested shares payable through the 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 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.

In 2011, Mr Walz's secondment was extended for a further period of three years ending on 1 April 2014 and Caltex and Chevron may agree to vary the extended contract term by early termination or extension. The secondment arrangement may also be terminated by Caltex if Mr Walz:

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

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

3h. 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.

REMUNERATION REPORT (continued)

3i. Link between company performance and executive remuneration

To demonstrate the link between company performance and executive remuneration, section 3 of this remuneration report discusses Caltex's remuneration philosophy and structure for executive directors and Senior Executives, including alignment of the reward system with shareholders' interests. In section 3, Caltex also explains the short term and long term business performance measures applied to executive directors and Senior Executives, including why the measures have been chosen and how they relate to the performance of the business. Section 3 also provides an explanation of RCOP NPAT and its relevance to the Caltex business, the Board's treatment of significant items and illustrates Caltex's performance against the measures used to determine short term incentive payments and vest long term incentive payments in 2011.

Table 3 below demonstrates Caltex TSR, dividend, share price, earnings per share and RCOP NPAT performance each year from 2007 to 2011:

Table 3. Summary of performance 2007 to 2011

	2011	2010	2009	2008	2007
12 month TSR% ⁽ⁱ⁾	(15.0)	61.0	32.8	(60.9)	(12.6)
Dividends (cents per share)	45c	60c	25c	36c	80c
Share price ⁽ⁱⁱ⁾	\$11.77	\$14.37	\$9.30	\$7.19	\$19.31
RCOP excluding significant items earnings per share	\$0.98	\$1.18	\$1.13	\$0.69	\$1.64
RCOP NPAT (million) ⁽ⁱⁱⁱ⁾	\$264	\$318	\$305	\$186	\$444
Caltex Safety – TTIFR ^(iv)	2.53	2.95	4.57	8.82	8.35
Caltex Safety – LTIFR ^(v)	0.99	1.23	2.12	2.97	3.79

Notes:

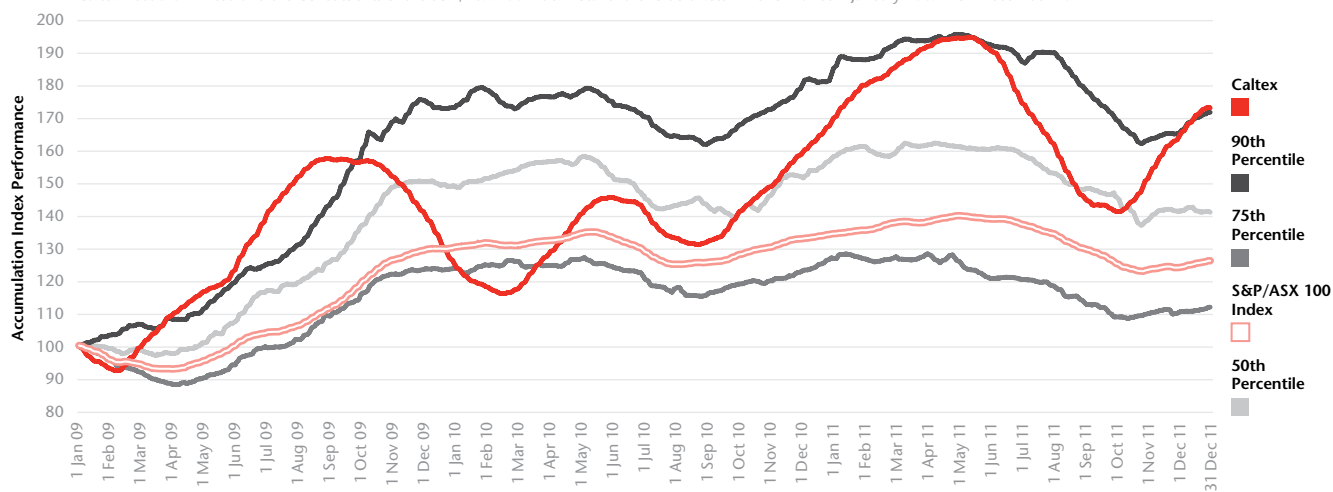
- (i) Total Shareholder Return (TSR) is calculated as the change in share price for the year, plus dividends announced for the year, divided by the opening share price. TSR is a measure of the return to shareholders in respect to each financial year (unaudited).
- (ii) The price quoted is the trading 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 (unaudited).
- (v) LTIFR – Lost Time Injury Frequency Rate (unaudited).

The actual executive remuneration outcomes for 2011 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 2011 in table 4a) as well as the audited statutory disclosures (in table 4b).

The charts on the following page 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 2011 and a one year period to 31 December 2011.

3 year TSR performance 1 January 2009 – 31 December 2011

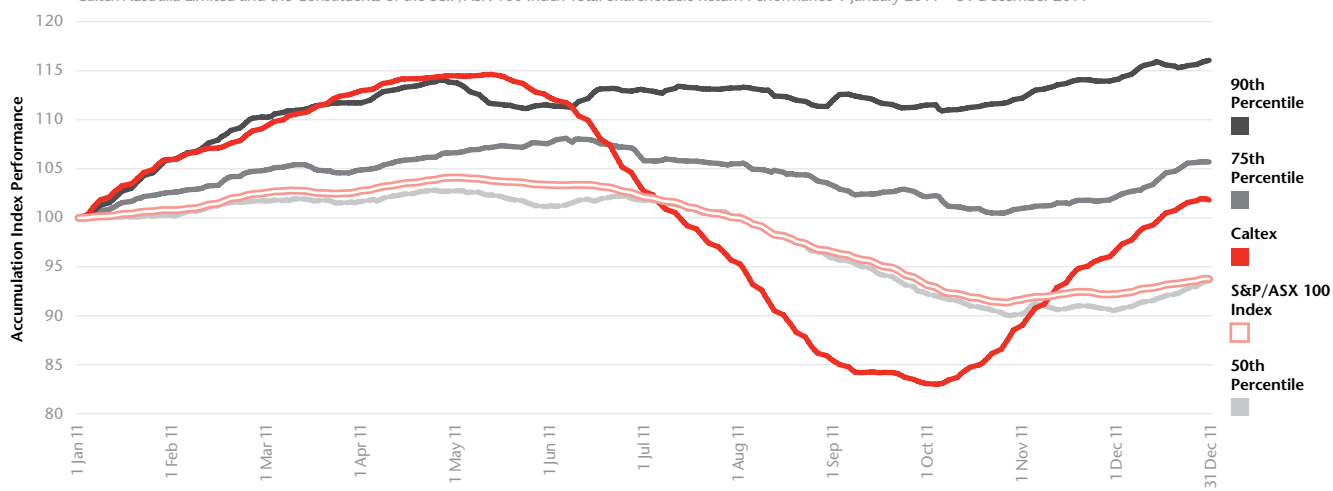
Caltex Australia Limited and the Constituents of the S&P/ASX 100 Index Total Shareholders Return Performance 1 January 2009 – 31 December 2011



2012 Copyright. All Rights Reserved. Egan Associates. Indices based on a value of 100 at 1 January 2009. 60-trading day smoothing applied. Constituents based on the S&P/ASX 100 Index as at grant date (i.e. 1 January 2009). Caltex is included in the S&P/ASX 100 Index. Source: Thomson Reuters Datastream

1 year TSR performance 1 January 2011 – 31 December 2011

Caltex Australia Limited and the Constituents of the S&P/ASX 100 Index Total Shareholders Return Performance 1 January 2011 – 31 December 2011



2012 Copyright. All Rights Reserved. Egan Associates. Indices based on a value of 100 at 1 January 2011. 60-trading day smoothing applied. Constituents based on the S&P/ASX 100 Index as at grant date (i.e. 1 January 2011). Caltex is included in the S&P/ASX 100 Index. Source: Thomson Reuters Datastream

REMUNERATION REPORT (continued)

3j. Remuneration tables

Table 4a. Total remuneration for Executive Director and Senior Executives for 2011 (in dollars) – unaudited non-statutory disclosures

The following table sets out the cash value the Managing Director & CEO and Senior Executives derived from the various components of their remuneration in 2011, from an individual perspective. The value of remuneration includes the equity grants where the executive received control of the shares in 2011.

The purpose of this table (4a) 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 2011. As a result, the values in this table (4a) will not reconcile with those provided in the statutory disclosures in table 4b. For example table 4b discloses the value of grants in the CEIP which may or may not vest in future years, whereas this table (4a) discloses the value of grants from previous years which vested in 2011.

	Salary and fees ⁽ⁱ⁾	Fixed other remuneration ⁽ⁱⁱ⁾	Bonus (short term incentive) ⁽ⁱⁱⁱ⁾	Deferred STI vested in the year ^(iv)	LTI vested during the year ^(v)	Remuneration “earned” for 2011 ^(vi)
Executive Director						
Julian Segal (Managing Director & CEO)						
2011	1,877,670	94,969	718,818	463,253	–	3,154,710
Senior Executives						
Helen Conway (General Manager – Office of the CEO, Company Secretary and General Counsel) ^(vii)						
2011	150,870	156,515	–	110,043	433,036	850,464
Simon Hepworth (Chief Financial Officer)						
2011	616,871	134,598	262,557	153,936	104,835	1,272,797
Ken James (General Manager – Supply and Distribution)						
2011	484,300	163,745	186,257	130,171	37,182	1,001,655
Peter Lim (Company Secretary and Acting General Counsel) ^(viii)						
2011	247,639	46,113	112,626	42,318	–	448,696
Mike McMenamin (General Manager – Strategy, Planning and Development)						
2011	447,625	83,393	136,685	102,467	59,686	829,856
Gary Smith (General Manager – Refining)						
2011	737,350	87,464	194,305	185,606	–	1,204,725
Andy Walz (General Manager – Marketing)						
2011	613,931	1,347,430	200,099	–	–	2,161,460
Simon Willshire (General Manager – Human Resources)						
2011	484,185	54,802	138,672	105,933	88,135	871,727

Notes:

- (i) Salary and fees comprises base pay and cash in lieu of superannuation contributions where superannuation contributions are in excess of the maximum earnings base.
- (ii) Fixed other remuneration includes cash value of non-monetary benefits, superannuation, annual leave and long service leave entitlements and tax equalisation on expatriate schemes. It also includes any fringe benefit tax payable on non-monetary benefits.
- (iii) The cash component (66.6%) of the STI to be received for the 2011 year, but to be paid in April 2012. 33.3% of the STI has been deferred and restricted for two years.
- (iv) The deferred unrestricted component of any prior year STI.
- (v) Equity based programs from prior years that have vested in 2011. The value is calculated using the closing share price of Caltex shares on the vesting date.
- (vi) Total value of remuneration received during 2011. This is the total of the previous columns and includes 2011 STI payable in April 2012.
- (vii) Ms Conway retired effective 8 April 2011.
- (viii) Mr Lim was appointed into the role of Company Secretary and General Counsel effective 1 January 2012 after undertaking the role in an acting capacity from 28 March 2011 and the amounts shown for 2011 are pro-rated to reflect this.

Table 4b. Total remuneration for Senior Executives for 2011 (in dollars) – statutory disclosures

The following table sets out the audited total remuneration for Senior Executives in 2011 and 2010 calculated in accordance with statutory accounting requirements:

	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) ^(vi)								
2011	108,525	–	5,374	7,600	3,025	54,715	(15,356)	163,883
2010	476,258	238,349	11,766	39,887	15,490	71,418	163,470	1,016,638
Simon Hepworth (Chief Financial Officer)								
2011	607,371	262,557	17,379	87,461	39,258	148,146	277,781	1,439,953
2010	571,721	333,506	14,958	81,890	21,276	96,157	210,794	1,330,302
Ken James (General Manager – Supply and Distribution)								
2011	491,842	186,257	31,416	92,843	31,944	115,520	210,639	1,160,461
2010	423,999	282,758	43,501	89,709	104,178	81,675	132,811	1,158,631
Peter Lim (Company Secretary and Acting General Counsel) ^(vii)								
2011	258,323	112,626	10,289	19,694	5,446	51,757	64,613	522,748
2010	–	–	–	–	–	–	–	–
Mike McMenamin (General Manager – Strategy, Planning and Development)								
2011	437,765	136,685	18,198	60,493	14,562	88,226	196,385	952,314
2010	424,654	222,384	14,591	47,295	20,740	65,822	137,735	933,221
Gary Smith (General Manager – Refining)								
2011	742,922	194,305	15,504	54,075	12,313	145,278	259,480	1,423,877
2010	698,849	403,139	13,853	67,617	9,656	113,279	138,822	1,445,215
Andy Walz (General Manager – Marketing)								
2011	613,931	200,099	1,021,265	44,692	281,473	–	–	2,161,460
2010	624,008	121,202	645,301	56,308	192,174	–	–	1,638,993
Simon Willshire (General Manager – Human Resources)								
2011	483,824	138,672	15,631	15,487	24,045	90,491	198,049	966,199
2010	433,623	229,028	12,474	37,007	12,063	68,799	151,188	944,182
Total remuneration: Senior Executives								
2011	3,744,503	1,231,201	1,135,056	382,345	412,066	694,133	1,191,591	8,790,895
2010	3,653,112	1,830,366	756,444	419,713	375,577	497,150	934,820	8,467,182

Notes:

- (i) Salary and fees include base pay, annual leave and cash payments in lieu of employer superannuation. An executive may elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.
- (ii) The cash component (66.6%) of the STI to be received for the 2011 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2011 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) Ms Conway retired effective 8 April 2011.
- (vii) Mr Lim was appointed into the role of Company Secretary and General Counsel effective 1 January 2012 after undertaking the role in an acting capacity from 28 March 2011 and the amounts shown for 2011 are pro-rated to reflect this.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Table 5. Unvested shareholdings of Executive Director and Senior Executives during 2011

Executive Director and Senior Executives ⁽ⁱ⁾	Unvested shares from prior performance years	Restricted shares granted ⁽ⁱⁱ⁾	Shares vested from prior performance years	Forfeited	Unvested shares at 31 Dec 2011 from the 2009 and 2011 performance years ⁽ⁱⁱⁱ⁾
Julian Segal	109,261	30,536	35,282	–	104,515
Helen Conway	9,844	–	9,844	–	–
Simon Hepworth	12,528	11,154	12,528	–	11,154
Ken James	10,650	7,912	10,650	–	7,912
Peter Lim	3,223	4,784	3,223	–	4,784
Mike McMenamin	8,902	5,807	8,902	–	5,807
Gary Smith	14,136	8,254	14,136	–	8,254
Simon Willshire	9,531	5,891	9,531	–	5,891

Notes:

(i) Mr Walz is not eligible to participate for any of the grant periods under the terms of his secondment arrangement with Chevron.

(ii) Restricted shares granted represents the 2011 STI deferred into equity (33.3%). The shares will be bought in 2012 and so this disclosure represents the estimated number of shares to be acquired at that time.

(iii) If the executive meets the service conditions, the amounts will vest in 2012.

From 2006 until 2008, 50% of the STI payment for Senior Executives was awarded as restricted shares allocated under the Caltex Equity Incentive Plan. The Managing Director & CEO received a joining incentive in 2009 and also had 50% of his 2009 STI paid as Caltex shares (50% of which were restricted). Table 6 shows the percentage of the shares vested, the years until the grant vests 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 6. Restricted share grants to Executive Director and Senior Executives in 2011

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. Of the 2011 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	125,000
		2011	0%	2012	163,368
	Total				288,368
Simon Hepworth		2011	0%	2012	59,672
	Total				59,672
Ken James		2011	0%	2012	42,331
	Total				42,331
Peter Lim		2011	0%	2012	25,597
	Total				25,597
Mike McMenemy		2011	0%	2012	31,065
	Total				31,065
Gary Smith		2011	0%	2012	44,160
	Total				44,160
Simon Willshire		2011	0%	2012	31,516
	Total				31,516

Notes:

(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 7. 2011 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 7 sets out details of movements in performance rights held by Senior Executives during the year, including details of the performance rights that vested.

Senior Executives ⁽ⁱ⁾	Performance rights at 1 Jan 2011 ⁽ⁱⁱ⁾	Granted in 2011 ⁽ⁱⁱⁱ⁾	Vested in 2011	Lapsed in 2011 ^(iv)	Balance at 31 Dec 2011
Julian Segal	332,746	193,664	–	–	526,410
Helen Conway	87,278	–	(28,478)	(58,800)	–
Simon Hepworth	112,718	40,880	(5,935)	(5,935)	141,728
Ken James	72,694	32,672	(1,660)	(1,660)	102,046
Peter Lim	18,698	11,246	–	–	29,944
Mike McMenemy	75,364	28,458	(2,740)	(2,740)	98,342
Gary Smith	75,658	44,024	–	–	119,682
Simon Willshire	80,882	27,924	(4,205)	(4,205)	100,396

Notes:

(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 2009 and 2010 performance rights, if all future performance conditions are met these performance rights will be payable in 2012 and 2013.

(iii) If all future performance conditions are met these performance rights will be payable in 2014.

(iv) Relates to 2008 performance rights of which 50% lapsed in the year and 50% vested. Performance rights related to Ms Conway relate to 2008, 2009 and 2010.

REMUNERATION REPORT (continued)

Table 8. 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	2011 grant		2010 grant		2009 grant	
	ASX 100 Accumulation Index	International refining and marketing companies	ASX 100 Accumulation Index	International refining and marketing companies	ASX 100 Accumulation Index	International refining and marketing companies
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	35%	35%	35%	35%	40%	40%
Risk free interest rate	5.0%	5.0%	5.24%	5.24%	3.28%	3.28%
Dividend yield	4.0%	4.0%	4.0%	4.0%	6.0%	6.0%
Expected life (years)	2.9	2.9	2.9	2.9	3.0	3.0
Share price at grant date	\$14.19	\$14.19	\$11.87	\$11.87	\$7.19	\$7.19
Valuation per right	\$6.61	\$4.91	\$7.89	\$7.75	\$4.03	\$4.17

Table 9. Distribution of 2011 fixed and variable remuneration elements of remuneration

The proportion of each Senior Executive's remuneration for 2011 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 is reflected in 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	43%	57%
Simon Hepworth	52%	48%
Ken James	56%	44%
Peter Lim	56%	44%
Mike McMenamin	56%	44%
Gary Smith	58%	42%
Andy Walz	78%	22%
Simon Willshire	56%	44%

4. Non-executive director remuneration

4a. 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.

4b. Board and committee fee rates for 2011

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.

Table 10. 2011 and 2012 non-executive directors' fees

In 2011, 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 and by the Board in December 2011. In considering fee rates for 2012, the Committee and the Board took into account the prevailing market rates paid to similar companies and increases were made to maintain comparability with the fees paid by similar organisations and in accordance with independent advice. The increases ranged from 1% for the Chairman to 4% for the members and chairman of the OHS & Environmental Risk Committee.

The following table shows the fee rates for 2011 and 2012:

Role	2012 (effective 1 January 2012)	2011
Board		
Chairman	\$465,000 (inclusive of all committee fees)	\$460,000 (inclusive of all committee fees)
Director	\$155,000	\$150,000
Board Committee Chairman		
Audit Committee	\$36,000	\$35,000
Human Resources Committee	\$31,000	\$30,000
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$26,000	\$25,000
Board Committee Member		
Audit Committee	\$18,000	\$17,500
Human Resources Committee	\$15,500	\$15,000
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$13,000	\$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.

Directors' Report (continued)

REMUNERATION REPORT (continued)

4c. Remuneration table

Table 11. Total remuneration for directors for 2011 (in dollars) – statutory disclosures

The following table sets out the audited total remuneration for directors in 2011 and 2010 calculated in accordance with statutory accounting requirements.

	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)	
Executive Director								
Julian Segal (Managing Director & CEO)								
2011	1,867,266	718,818	16,303	50,000	39,070	727,522	1,141,259	4,560,238
2010	1,812,864	1,007,990	14,280	40,833	26,096	583,237	610,542	4,095,842
Total: Executive Director								
2011	1,867,266	718,818	16,303	50,000	39,070	727,522	1,141,259	4,560,238
2010	1,812,864	1,007,990	14,280	40,833	26,096	583,237	610,542	4,095,842
Non-executive Directors								
Elizabeth Bryan (Chairman)								
2011	486,201	–	432	15,199	–	–	–	501,832
2010	418,133	–	297	15,142	–	–	–	433,572
Trevor Bourne								
2011	192,500	–	883	17,325	–	–	–	210,708
2010	186,500	–	607	16,785	–	–	–	203,892
Brant Fish								
2011	165,000	–	–	–	–	–	–	165,000
2010	159,000	–	–	–	–	–	–	159,000
Greig Gailey								
2011	185,160	–	572	43,740	–	–	–	229,472
2010	182,760	–	596	39,600	–	–	–	222,956
Colleen Jones-Cervantes ^(iv)								
2011	–	–	–	–	–	–	–	–
2010	104,190	–	–	–	–	–	–	104,190
Tim Leveille								
2011	150,000	–	–	–	–	–	–	150,000
2010	12,230	–	–	–	–	–	–	12,230
Robert Otteson ^(v)								
2011	–	–	–	–	–	–	–	–
2010	131,770	–	–	–	–	–	–	131,770
Walter Szopiak								
2011	162,500	–	–	–	–	–	–	162,500
2010	52,310	–	–	–	–	–	–	52,310
John Thorn								
2011	202,801	–	1,464	15,199	–	–	–	219,464
2010	196,696	–	1,187	14,764	–	–	–	212,647
Total: Non-executive Directors								
2011	1,544,162	–	3,351	91,463	–	–	–	1,638,976
2010	1,443,589	–	2,687	86,291	–	–	–	1,532,567
Total remuneration: Directors								
2011	3,411,428	718,818	19,654	141,463	39,070	727,522	1,141,259	6,199,214
2010	3,256,453	1,007,990	16,967	127,124	26,096	583,237	610,542	5,628,409

Notes:

- (i) The cash component (66.6%) of the STI to be received for the 2011 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2011 deferred STI is reflected in the Equity – Share benefits (long term incentive).
- (ii) Superannuation contributions are made on behalf of non-executive directors to satisfy Caltex's obligations under Superannuation Guarantee legislation.
- (iii) 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.
- (iv) Ms Jones-Cervantes' 2010 remuneration relates 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.
- (v) Mr Robert Otteson's 2010 remuneration relates to his service as a former director of Caltex until his resignation on 30 November 2010.

DIRECTORS' INTERESTS

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2011:

Director	Shareholding	Nature of Interest
Ms Elizabeth Bryan	14,946	Direct interest
Mr Julian Segal	140,598	Direct interest in 15,668 shares; indirect interest in 124,930 shares. Mr Segal also has a direct interest in 526,410 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:

- (a) The directors have not acquired or disposed of any relevant interests in the company's shares in the period from 1 January 2012 to the date of this report.
- (b) Ms Colleen Jones-Cervantes (alternate director) did not have a relevant interest in the company's shares at 31 December 2011 or at the date of this report.

Directors' Report (continued)

BOARD AND COMMITTEE MEETINGS

The Board of Caltex Australia Limited met 11 times during the year ended 31 December 2011. In addition, a Board strategy session was held during the year.

In 2011, the Board operated the following standing committees:

- Audit Committee, which met four times,
- Human Resources Committee, which met six times,
- Nomination Committee, which met twice, and
- OHS & Environmental Risk Committee, which met five times.

Special purpose committees were convened on five occasions in 2011.

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	11	(11)	4		6		2	(2)	5		3	(3)
Mr Julian Segal	11	(11)	4		6		2		5		3	(3)
Mr Trevor Bourne	11	(11)	4	(4)			2	(2)	5	(5)	4	(4)
Mr Brant Fish	8	(9)			5	(6)	2	(2)	1		1	(1)
Mr Greig Gailey	11	(11)	4	(4)	6	(6)	2	(2)	5	(5)	1	(1)
Mr Tim Leveille	8	(9)	4				1	(2)			4	(4)
Mr Walt Szopiak	8	(9)					2	(2)	5	(5)	1	(1)
Mr John Thorn	11	(11)	4	(4)	6	(6)	2	(2)			5	(5)
Alternate director												
Ms Colleen Jones-Cervantes	1	(1)										

Notes:

- The table shows the number of Board and committee meetings attended by each director during the year ended 31 December 2011, 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 strategy session (which was attended by all current directors) and special purpose committee meetings 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 2011.
- 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 2011. Mr Segal also attended meetings of the Nomination Committee by invitation.
- Mr Leveille attended four Audit Committee meetings and Mr Fish attended one OHS & Environmental Risk Committee meeting (as a visitor in each case).
- Mr Fish and Mr Leveille were each unable to attend one Board meeting in 2011, which had been convened as a special meeting (in addition to the Board's scheduled meetings). In addition, Mr Fish was unable to attend one Human Resources Committee meeting and Mr Leveille was unable to attend one Nomination Committee meeting. Mr Szopiak was unable to attend one Board meeting and Ms Jones-Cervantes attended this meeting as alternate director.

SHARES AND INTERESTS

The total number of ordinary shares on issue at the date of this report and during 2011 is 270 million shares (2010: 270 million shares). The total number of performance rights on issue at the date of this report is 2,180,178 (2010: 1,639,678). 766,608 performance rights were issued during 2011 (2010: 1,326,714). 226,108 performance rights were distributed or lapsed during the year (2010: 78,466). 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 2011, 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 2011:

- for non-audit services – total fees of \$147,500 (2010: \$160,000); these services included transaction services (\$56,500), taxation services (\$23,500) and other assurance services (\$67,500), and
- for audit services – total fees of \$767,000 (2010: \$811,000).

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 2011. 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 2011 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 2011 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
 - the provision of non-audit services in 2011 was consistent with the Board's policy on the provision of services by the external auditor,
 - the non-audit services provided in 2011 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 2011 that would impair the impartial and objective judgement of KPMG as external auditor.

COMPANY SECRETARIES

Mr Peter Lim

Mr Peter Lim is Caltex's Company Secretary and General Counsel. In this role, he 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.

Mr Lim was appointed as Company Secretary of Caltex Australia Limited with effect from 21 April 2011 and was appointed as Company Secretary and General Counsel on 1 January 2012.

Mr Lim joined Caltex in 2006 after spending a number of years as a lawyer in private practice, and was appointed to the role of Assistant General Counsel in 2009.

Mr Lim holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales.

Ms Katie King

Ms Katie King, Assistant Company Secretary, serves as a company secretary of Caltex Australia Limited. She 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.

Ms King was appointed as a company secretary of Caltex Australia Limited with effect from 27 October 2011.

Ms King holds a Bachelor of Commerce from the University of New South Wales and a Graduate Diploma of Applied Corporate Governance. She is also a member of the Institute of Chartered Accountants in 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 2011, Caltex Australia Limited entered into deeds of access, insurance and indemnity with Mr Peter Lim and Ms Katie King (company secretaries). Deeds of access, insurance and indemnity have previously been entered into by Caltex Australia Limited with current directors and with former directors and secretaries.

Directors' Report (continued)

INDEMNITY AND INSURANCE (continued)

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

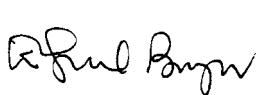
Caltex Australia Limited has paid a premium in respect of a contract insuring the directors and officers of Caltex Australia Limited against liabilities.

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 and Investments Commission (ASIC)) applies. Amounts in the 2011 Directors' Report and the 2011 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.



ELIZABETH BRYAN
Chairman

Sydney, 27 February 2012



JULIAN SEGAL
Managing Director & CEO

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 2011 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

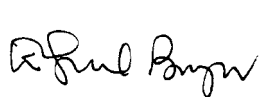
Sydney, 27 February 2012

Directors' Declaration

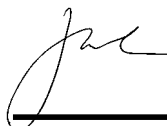
The Board of Caltex Australia Limited has declared that:

- (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 2011,
- (b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2011, and the Remuneration Report, 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 2011 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.



ELIZABETH BRYAN
Chairman



JULIAN SEGAL
Managing Director & CEO

Sydney, 27 February 2012

Independent Auditor's 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 2011, and 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 33 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 2011 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 28 to 47 of the directors' report for the year ended 31 December 2011. 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 2011, with the exception of sections of table 3 on page 38 and all of table 4a on page 40, complies with Section 300A of the *Corporations Act 2001*.



KPMG



ANTHONY JONES
Partner

Sydney, 27 February 2012

Consolidated Income Statement

Thousands of dollars	Note	2011	2010
Revenue from sale of goods		22,105,204	18,671,905
Replacement cost of goods sold (excluding product duties and taxes and inventory gains)		(16,054,534)	(12,730,314)
Product duties and taxes		(5,046,904)	(4,891,397)
Inventory gains		197,449	21,242
Cost of goods sold – historical cost		(20,903,989)	(17,600,469)
Gross profit		1,201,215	1,071,436
Other income	2	296,517	261,174
Refining and Supply expenses		(194,971)	(162,993)
Marketing expenses		(621,334)	(588,284)
Net foreign exchange (losses)/gains		(10,004)	27,304
Impairment of non-current assets	3	(1,552,780)	–
Finance costs	3	(69,240)	(59,181)
Other expenses		(72,788)	(110,674)
Share of net profit of entities accounted for using the equity method	23(d)	1,618	3,513
(Loss)/profit before income tax benefit/(expense)		(1,021,767)	442,295
Income tax benefit/(expense)	4	308,546	(124,317)
Net (loss)/profit		(713,221)	317,978
Attributable to:			
Equity holders of the parent entity		(713,514)	316,952
Non-controlling interest		293	1,026
Net (loss)/profit		(713,221)	317,978
Basic and diluted (loss)/earnings per share:			
Historical cost – cents per share	6	(264.3)	117.4

The consolidated income statement for the year ended 31 December 2011 includes significant expenses of \$1,593,704,000 (2010: \$23,011,000). 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

Thousands of dollars	Note	2011	2010
(Loss)/profit for the period		(713,221)	317,978
Other comprehensive expense			
Actuarial loss on defined benefit plans	18(b)	(31,128)	(21,011)
Cash flow hedge fair value losses		(6,820)	(2,377)
Income tax on other comprehensive income	4(c)	10,935	7,016
Other comprehensive expense for the period, net of income tax		(27,013)	(16,372)
Total comprehensive (expense)/income for the period		(740,234)	301,606
Attributable to:			
Equity holders of the parent entity		(740,527)	300,580
Non-controlling interest		293	1,026
Total comprehensive (expense)/income for the period		(740,234)	301,606

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated Balance Sheet

Thousands of dollars	Note	2011	2010
Current assets			
Cash and cash equivalents		1,818	18,377
Receivables	7	1,001,490	839,677
Inventories	8	1,717,732	1,385,310
Other	9	35,862	30,107
Total current assets		2,756,902	2,273,471
Non-current assets			
Receivables	7	1,566	554
Investments accounted for using the equity method	23	23,573	23,351
Other investments	10	3	15
Intangibles	11	95,008	79,863
Property, plant and equipment	12	1,535,448	2,895,522
Deferred tax assets	4	446,758	13,138
Other	9	1,801	4,771
Total non-current assets		2,104,157	3,017,214
Total assets		4,861,059	5,290,685
Current liabilities			
Payables	13	1,674,017	1,229,813
Interest bearing liabilities	14	153,979	132,469
Current tax liabilities		13,798	79,522
Provisions	15	139,969	177,245
Total current liabilities		1,981,763	1,619,049
Non-current liabilities			
Payables	13	6,726	5,130
Interest bearing liabilities	14	464,685	430,089
Provisions	15	189,810	153,821
Total non-current liabilities		661,221	589,040
Total liabilities		2,642,984	2,208,089
Net assets		2,218,075	3,082,596
Equity			
Issued capital	16	543,415	543,415
Treasury stock		(430)	(753)
Reserves		(8,337)	(5,852)
Retained earnings		1,671,357	2,534,009
Total parent entity interest		2,206,005	3,070,819
Non-controlling interest		12,070	11,777
Total equity		2,218,075	3,082,596

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

Thousands of dollars	Issued capital	Treasury stock	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Non-controlling interest	Total equity
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)	–	–	–	–
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
Balance at 1 January 2011	543,415	(753)	(11,669)	5,817	2,534,009	3,070,819	11,777	3,082,596
Total comprehensive income for the year								
Total recognised (expense)/income for the year	–	–	–	–	(735,752)	(735,752)	293	(735,459)
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	(4,775)	–	–	(4,775)	–	(4,775)
Total comprehensive (expense)/income for the year	–	–	(4,775)	–	(735,752)	(740,527)	293	(740,234)
Own shares acquired	–	(3,629)	–	–	–	(3,629)	–	(3,629)
Shares vested to employees	–	3,952	–	(3,952)	–	–	–	–
Expense on equity settled transactions	–	–	–	6,242	–	6,242	–	6,242
Dividends to shareholders	–	–	–	–	(126,900)	(126,900)	–	(126,900)
Balance at 31 December 2011	543,415	(430)	(16,444)	8,107	1,671,357	2,206,005	12,070	2,218,075

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated Cash Flow Statement

Thousands of dollars	Note	2011	2010
Cash flows from operating activities			
Receipts from customers		25,636,433	21,680,856
Payments to suppliers, employees and governments		(24,941,412)	(21,135,300)
Dividends and disbursements received		1,395	1,746
Interest received		1,330	1,718
Interest and other finance costs paid		(70,269)	(60,106)
Income taxes paid		(181,075)	(60,456)
Net operating cash inflows	25(b)	446,402	428,458
Cash flows from investing activities			
Purchase of controlled entity, net of cash acquired	26	(21,571)	–
Purchases of property, plant and equipment		(316,836)	(295,576)
Major cyclical maintenance		(79,711)	(55,075)
Purchases of intangibles		(5,083)	(3,064)
Net proceeds from sale of property, plant and equipment		37,911	18,585
Net investing cash outflows		(385,290)	(335,130)
Cash flows from financing activities			
Proceeds from borrowings		12,741,419	9,713,676
Repayments of borrowings		(12,689,517)	(9,659,026)
Repayment of finance lease principal		(2,673)	(3,457)
Dividends paid		(126,900)	(148,500)
Net financing cash outflows		(77,671)	(97,307)
Net decrease in cash and cash equivalents		(16,559)	(3,979)
Cash and cash equivalents at the beginning of the year		18,377	22,356
Cash and cash equivalents at the end of the year	25(a)	1,818	18,377

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

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 2011 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 27 February 2012.

(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, and
- fixed assets which are measured at cost less impairment adjustments (i.e. net realisable value).

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 AASBs 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 AASBs 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 accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report by the Group, except where stated.

(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.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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. Refer to note 32 for further detail.

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.

(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 (GST). 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 on disposal of property assets

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

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

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

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

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

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

(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.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

Caltex Australia Limited, as the head company, recognises all current tax balances relating to its wholly owned Australian resident entities included in the tax-consolidated group (TCG).

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the TCG are recognised in the separate financial statements of the members of the TCG 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 TCG 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 company in the TCG and are recognised as amounts payable to/receivable from other entities in the TCG in conjunction with any tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses of the TCG to the extent that it is probable that future taxable profits of the TCG 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 TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG 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 TCG, 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 initially recognised at fair value plus any directly attributable transaction costs and subsequently 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.

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.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 acquisition 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 are initially recognised at fair value plus any directly attributable transaction costs and subsequently 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.

Domestic medium term notes

Domestic medium term notes are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the 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.

(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.

Notes to the Financial Statements (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 excluding significant items. 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) 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 2012, 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.

2. OTHER INCOME

Thousands of dollars	2011	2010
Rental income	53,448	48,755
Royalties and franchise income	112,927	109,574
Transaction and merchant fees	80,952	69,539
Other	47,903	31,505
	295,230	259,373
Finance income		
Interest from other corporations	1,257	1,598
Gain on fair value derivative	30	203
	1,287	1,801
	296,517	261,174

3. COSTS AND EXPENSES

Thousands of dollars	2011	2010
Finance costs		
Interest expense	66,049	55,799
Finance charges on capitalised leases	1,749	2,097
Discounting expense	1,442	1,285
Finance costs	69,240	59,181
Depreciation and amortisation		
Depreciation of:		
Buildings	10,529	9,677
Plant and equipment	194,255	184,306
	204,784	193,983
Amortisation of:		
Leasehold property	5,421	5,290
Leased plant and equipment	650	1,083
Intangibles	8,486	8,529
	14,557	14,902
Total depreciation and amortisation	219,341	208,885
Selected expenses		
Total operating personnel expenses	361,108	353,683

Impairment of non-current assets

An impairment expense of \$1,552,780,000 has been recognised during the period. This expense is the combination of; \$1,500,000,000 relating to a non-cash reduction in the refinery fixed asset carrying value due to a challenging external environment (including the ongoing strength of the Australian dollar, lower Caltex refiner margins and increasing costs) which is now expected to be sustained for a prolonged period, \$55,815,000 relating to the closure of certain refining units at Kurnell and the reversal of \$3,035,000 of impairment losses on previously impaired non-operating sites as these sites have become operational again during the year. See note 32 for further details.

Significant items

During 2011, the Group incurred significant items that have been recognised in the income statement. These items relate to Refining asset impairment (\$1,500,000,000) as mentioned above, the decision to cease operation of two process plants at Kurnell Refinery – which comprises impairment (\$55,815,000) and FCCU/PDU restructuring costs (\$21,606,000), other redundancy and related costs (\$19,318,000), and reversal of prior year impairments (\$3,035,000).

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).

Of this total \$1,593,704,000 significant items (2010: \$23,011,000), \$1,552,780,000 is included in impairment of non-current assets, \$17,806,000 is included in Refining and Supply expenses (2010: \$1,688,000) and \$23,118,000 in Other expenses (2010: \$21,323,000).

Notes to the Financial Statements (continued)

4. INCOME TAX (BENEFIT)/EXPENSE

(a) Recognised in the income statement

Thousands of dollars	2011	2010
Current tax expense:		
Current year	121,837	125,026
Adjustments for prior years	(7,698)	(10,052)
	114,139	114,974
Deferred tax (benefit)/expense:		
Origination and reversal of temporary differences	(422,685)	9,343
Total income tax (benefit)/expense in the income statement	(308,546)	124,317

(b) Reconciliation between income tax (benefit)/expense and (loss)/profit before income tax (benefit)/expense

(Loss)/profit before income tax (benefit)/expense	(1,021,767)	442,295
Income tax using the domestic corporate tax rate of 30% (2010: 30%)	(306,530)	132,689
Increase in income tax expense due to:		
Imputation gross-up on dividends received	598	494
Capital gains tax	2,690	2,083
Other	4,276	1,656
Decrease in income tax expense due to:		
Share of net profit of associated entities	(384)	(905)
Research and development allowances	(900)	(900)
Franking credits on dividends received	(598)	(748)
Income tax over provided in prior years	(7,698)	(10,052)
Total income tax (benefit)/expense in the income statement	(308,546)	124,317

(c) Deferred tax recognised directly in equity

Related to actuarial losses	8,889	6,303
Related to cash flow hedges	2,046	713
	10,935	7,016

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Thousands of dollars	2011	2010	2011	2010	2011	2010
Receivables	2,156	2,203	–	–	2,156	2,203
Inventories	–	–	(9,395)	(5,242)	(9,395)	(5,242)
Property, plant and equipment and intangibles	342,619	–	–	(93,352)	342,619	(93,352)
Payables	6,051	4,533	–	–	6,051	4,533
Interest bearing liabilities	8,020	6,786	–	–	8,020	6,786
Provisions	98,394	99,155	–	–	98,394	99,155
Other	–	–	(1,087)	(945)	(1,087)	(945)
Net tax assets/(liabilities)	457,240	112,677	(10,482)	(99,539)	446,758	13,138

(e) Unrecognised deferred tax assets

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

Thousands of dollars	2011	2010
Capital tax losses	177,028	187,494

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 11	Recognised in income	Recognised in equity	Balance at 31 Dec 11
Receivables	2,203	(47)	–	2,156
Inventories	(5,242)	(4,153)	–	(9,395)
Property, plant and equipment	(93,352)	435,971	–	342,619
Payables	4,533	1,518	–	6,051
Interest bearing liabilities	6,786	(812)	2,046	8,020
Provisions	99,155	(9,650)	8,889	98,394
Other	(945)	(142)	–	(1,087)
	13,138	422,685	10,935	446,758

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

Notes to the Financial Statements (continued)

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
2011				
Interim 2011	27 September 2011	Franked	17	45,900
Final 2010	29 March 2011	Franked	30	81,000
Total amount				126,900
2010				
Interim 2010	28 September 2010	Franked	30	81,000
Final 2009	29 March 2010	Franked	25	67,500
Total amount				148,500

The dividends paid during 2011 were fully franked at the rate of 30%.

Subsequent events

Since 31 December 2011, 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 2011.

Final 2011	3 April 2012	Franked	28	75,600
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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 2011 and will be recognised in subsequent financial reports.

(b) Dividend franking account

Thousands of dollars	2011	2010
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	1,008,964	947,673

(i) 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 \$32,400,000 (2010: \$34,714,286).

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 \$1,008,964,000 (2010: \$947,673,000) in franking credits.

6. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

	2011	2010
Historical cost – cents per share	(264.3)	117.4
Replacement cost (RCOP) excluding significant items – cents per share	97.7	117.8

The calculation of historical cost basic earnings per share for the year ended 31 December 2011 was based on the net loss attributable to ordinary shareholders of the parent entity of \$713,514,000 (2010: \$316,952,000 profit) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 270 million shares (2010: 270 million shares).

The calculation of replacement cost excluding significant items basic earnings per share for the year ended 31 December 2011 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity adjusted for significant items relating to asset impairment, restructuring, redundancy and other related costs (refer to note 30 for details of these items) of \$263,865,000 (2010: \$318,190,000 profit) and a weighted average number of ordinary shares outstanding as disclosed during the year ended 31 December 2011 of 270 million shares (2010: 270 million shares). RCOP is calculated by adjusting statutory profit for inventory gains and losses.

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

7. RECEIVABLES

Thousands of dollars	2011	2010
Current		
Trade debtors	885,465	739,409
Allowance for impairment	(6,472)	(5,840)
	878,993	733,569
Associated entities	66,190	40,305
Other related entities	3,376	17,875
Other debtors	52,931	47,928
	1,001,490	839,677
Non-current		
Other loans	1,566	554

(a) Impaired receivables

As at 31 December 2011, current trade receivables of the Group with a nominal value of \$6,472,000 (2010: \$5,840,000) 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 2011, trade receivables of \$21,852,000 (2010: \$18,543,000) 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	2011	2010
Past due 0 – 30 days	17,573	14,972
Past due 31 – 60 days	2,550	1,121
Past due greater than 60 days	1,729	2,450
	21,852	18,543

Movements in the allowance for impairment of receivables are as follows:

Thousands of dollars	2011	2010
At 1 January	5,840	12,031
Provision for impairment recognised during the year	3,614	573
Receivables written off during the year as uncollectible	(2,982)	(5,400)
Unused amount reversed	–	(1,364)
At 31 December	6,472	5,840

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.

Notes to the Financial Statements (continued)

8. INVENTORIES

Thousands of dollars	2011	2010
Crude oil and raw materials held at cost	786,511	567,069
Inventory in process held at cost	133,566	168,370
Finished goods held at cost	757,534	609,367
Materials and supplies held at cost	40,121	40,504
	1,717,732	1,385,310

9. OTHER ASSETS

Thousands of dollars	2011	2010
Current		
Prepayments	35,862	30,107
Non-current		
Other	1,801	4,771

10. OTHER INVESTMENTS

Thousands of dollars	2011	2010
Investment in other entities	3	15

11. INTANGIBLES

Thousands of dollars	Goodwill	Rights	Software	Total
Cost				
At 1 January 2011	65,803	5,986	63,277	135,066
Additions	18,749	–	5,083	23,832
Disposals	–	–	(370)	(370)
Balance at 31 December 2011	84,552	5,986	67,990	158,528
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
Amortisation				
At 1 January 2011	(16,391)	(3,450)	(35,362)	(55,203)
Amortisation for the year	–	(802)	(7,684)	(8,486)
Disposals	–	–	169	169
Balance at 31 December 2011	(16,391)	(4,252)	(42,877)	(63,520)
Amortisation				
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)
Carrying amount				
At 1 January 2011	49,412	2,536	27,915	79,863
At 31 December 2011	68,161	1,734	25,113	95,008
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

Amortisation

The amortisation charge of \$8,486,000 (2010: \$8,529,000) 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	2011	2010
Distributor businesses	68,161	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.

There were no impairment losses recognised in relation to the distributor businesses during the year ended 31 December 2011 (2010: nil).

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	2011	2010
Freehold land		
At cost	372,970	365,986
Net carrying amount	372,970	365,986
Buildings		
At cost	402,415	365,313
Accumulated depreciation and impairment losses	(218,657)	(169,462)
Net carrying amount	183,758	195,851
Leasehold property		
At cost	111,571	103,222
Accumulated amortisation	(68,814)	(68,820)
Net carrying amount	42,757	34,402
Plant and equipment		
At cost	4,122,947	3,938,518
Accumulated depreciation and impairment losses	(3,409,375)	(1,900,453)
Net carrying amount	713,572	2,038,065
Leased plant and equipment		
At capitalised cost	24,051	24,051
Accumulated amortisation	(23,079)	(22,429)
Net carrying amount	972	1,622
Capital projects in progress		
At cost	221,419	259,596
Net carrying amount	221,419	259,596
Total net carrying amount	1,535,448	2,895,522

Notes to the Financial Statements (continued)

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	2011	2010
Freehold land		
Carrying amount at the beginning of the year	365,986	377,185
Additions	6,984	6,660
Disposals	–	(17,859)
Carrying amount at the end of the year	372,970	365,986
Buildings		
Carrying amount at the beginning of the year	195,851	173,986
Additions	2,953	3,671
Impairment loss	(43,000)	–
Disposals	(1,785)	(5,423)
Transfers from capital projects in progress	40,268	33,294
Depreciation	(10,529)	(9,677)
Carrying amount at the end of the year	183,758	195,851
Leasehold property		
Carrying amount at the beginning of the year	34,402	30,551
Additions	102	600
Disposals	(884)	(921)
Transfers from capital projects in progress	14,558	9,462
Amortisation	(5,421)	(5,290)
Carrying amount at the end of the year	42,757	34,402
Plant and equipment		
Carrying amount at the beginning of the year	2,038,065	1,913,765
Additions	80,253	69,596
Acquisition through entity acquired	14,382	–
Impairment loss	(1,395,215)	–
Disposals	(1,685)	(16,849)
Transfers from capital projects in progress	168,992	255,859
Depreciation	(194,255)	(184,306)
Impairment reversal	3,035	–
Carrying amount at the end of the year	713,572	2,038,065
Leased plant and equipment		
Carrying amount at the beginning of the year	1,622	2,351
Additions	–	354
Amortisation	(650)	(1,083)
Carrying amount at the end of the year	972	1,622
Capital projects in progress		
Carrying amount at the beginning of the year	259,596	282,008
Additions	303,241	277,337
Write-offs	–	(1,134)
Impairment loss	(117,600)	–
Transfers to buildings, leased property, plant and equipment	(223,818)	(298,615)
Carrying amount at the end of the year	221,419	259,596

Please see note 32 for further details on impairment.

13. PAYABLES

Thousands of dollars	2011	2010
Current		
Trade creditors – unsecured ^(a)		
Related entities	434,363	208,909
Other corporations and persons	552,242	460,043
Other creditors and accrued expenses	687,412	560,861
	1,674,017	1,229,813
Non-current		
Other creditors and accrued expenses	6,726	5,130

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

14. INTEREST BEARING LIABILITIES

Thousands of dollars	2011	2010
Current – unsecured		
US notes ⁽ⁱ⁾	113,415	–
Bank loans ⁽ⁱ⁾	38,000	130,000
Lease liabilities ⁽ⁱⁱⁱ⁾	2,564	2,469
	153,979	132,469
Non-current – unsecured		
US notes ⁽ⁱ⁾	181,634	288,575
Domestic medium term notes ⁽ⁱ⁾	149,420	–
Bank loans ⁽ⁱ⁾	50,000	50,000
Hedge payable ⁽ⁱⁱ⁾	81,933	87,048
Lease liabilities ⁽ⁱⁱⁱ⁾	1,698	4,466
	464,685	430,089

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.

- (i) The bank loans, domestic medium term notes 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 \$74,199,000, and April 2016, totalling \$189,368,000. The domestic medium term notes will mature in November 2018, totalling \$149,420,000. 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, domestic medium term notes and US notes. The bank loans and domestic medium term notes are denominated in Australian dollars, and US notes are denominated in Australian and US dollars.
- (ii) The hedge payable is disclosed within interest bearing liabilities as the hedge was entered into solely as a result of the US dollar borrowings and is inextricably linked to the debt. The 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 2011 (USD exchange rate 1.0134) on the amount hedged (USD 175 million).
- (iii) The implicit rate of interest on finance leases is 14.0% p.a. (2010: 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)

15. PROVISIONS

Thousands of dollars	Employee benefits	Site remediation	Other	Total
Balance at 1 January 2011	207,397	95,207	28,462	331,066
Provisions made during the year	48,229	14,186	28,317	90,732
Provisions used during the year	(31,255)	(40,624)	(21,831)	(93,710)
Discounting movement	(253)	1,944	–	1,691
Balance at 31 December 2011	224,118	70,713	34,948	329,779
Current	92,108	12,913	34,948	139,969
Non-current	132,010	57,800	–	189,810
	224,118	70,713	34,948	329,779

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, 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	2011	2010
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 24 to 50 for further detail).

For each right that vests, Caltex will purchase a share on market following vesting.

17. FINANCIAL INSTRUMENTS

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, domestic medium term notes, 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 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 discretionary 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 2011, the fixed rates varied from 4.4% p.a. to 5.3% p.a. (2010: 4.4% p.a. to 5.1% p.a.), a weighted average rate of 4.9% p.a. (2010: 4.7% 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 2011 was \$4,897,000 loss (2010: \$1,014,000 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 three years (30 April 2014) and cross currency swap contracts maturing in five 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 2011 was \$81,933,000 loss (2010: \$87,048,000 loss). The Group has combined cross currency swap and interest rate swap contracts classified as cash flow hedges and cross swap contracts (excluding margins) classified as fair value hedges and US and Australian margins classified as cash flow hedges.

At 31 December 2011, 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 \$1,200,000 higher/\$1,100,000 lower (2010: \$750,000 higher/\$1,055,000 lower), and equity would have been \$3,000,000 lower/\$2,800,000 higher (2010: \$3,660,000 lower/\$3,450,000 higher).

Interest rate sensitivity analysis

	2011		2010	
Dollars	Net profit	Equity	Net profit	Equity
Interest rates decrease 1%	1,200,000	(3,000,000)	750,000	(3,660,000)
Interest rates increase 1%	(1,100,000)	2,800,000	(1,055,000)	3,450,000

Notes to the Financial Statements (continued)

17. FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk (continued)

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	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total	Effective interest rate p.a.
			Less than one year	Between one and five years	Greater than five years			
31 December 2011								
Financial assets								
Cash at bank and on hand		1,818	–	–	–	–	1,818	4.0%
		1,818	–	–	–	–	1,818	
Financial liabilities								
Bank loans	14	88,000	–	–	–	–	88,000	4.6%
US notes	14	–	113,415	181,634	–	–	295,049	10.2%
Domestic medium term note	14	–	–	149,420	–	–	149,420	7.3%
Hedge payable	14	–	–	81,933	–	–	81,933	11.2%
Lease liabilities	14	–	2,564	1,698	–	–	4,262	14.0%
		88,000	115,979	414,685	–	–	618,664	
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	

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 2011, the total fair value of all outstanding forward contracts amounted to \$5,484,000 loss (2010: \$8,670,000 loss).

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 2011, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, net profit for the year for the Group would have been \$26,800,000 higher/\$28,300,000 lower (2010: \$10,500,000 higher/\$12,800,000 lower), and equity would have been \$6,200,000 lower/\$6,900,000 higher (2010: \$4,300,000 lower/\$5,200,000 higher) had the Australian dollar strengthened/weakened by 10% against the US dollar.

Foreign exchange rate sensitivity analysis

	2011		2010	
Dollars	Net profit	Equity	Net profit	Equity
AUD strengthens against USD 10%	26,800,000	(6,200,000)	10,500,000	(4,300,000)
AUD weakens against USD 10%	(28,300,000)	6,900,000	(12,800,000)	5,200,000

Exposure to foreign exchange risk

The carrying amounts of the Group's financial instruments are denominated in the following currencies (Australian dollar equivalent amounts):

	2011			2010		
Thousands of dollars	US dollar	Australian dollar	Total	US dollar	Australian dollar	Total
(Bank overdraft)/cash	(9,565)	11,383	1,818	542	17,835	18,377
Trade receivables	66,686	936,370	1,003,056	106,994	733,237	840,231
Trade payables	(927,561)	(747,698)	(1,675,259)	(592,520)	(633,753)	(1,226,273)
Forward exchange contracts	(5,484)	–	(5,484)	(8,670)	–	(8,670)
US notes	(181,634)	(113,415)	(295,049)	(176,354)	(112,221)	(288,575)
Hedge payable	(81,933)	–	(81,933)	(87,048)	–	(87,048)

(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. During the year, the Group employed hedge instruments to correct timing risk issues created by purchasing West African Crude based on a five day Brent pricing window and converting that pricing to whole month average pricing, which is currently in line with the Group's normal crude pricing arrangements. During 2011, 23 cargoes representing 21.8 million barrels of West African Crude were converted from five day pricing to whole month average pricing (2010:12 cargoes and 11.3 million barrels).

(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.

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).

Notes to the Financial Statements (continued)

17. FINANCIAL INSTRUMENTS (continued)

(e) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and an adequate amount of committed credit facilities to meet the forecast requirements of the business. Due to the dynamic nature of the underlying business, management maintains flexibility in funding by keeping additional committed credit facilities above forecast requirements.

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 2011	%	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities						
Bank loans	4.6	88,000	88,201	38,155	50,046	–
US notes	10.2	295,049	348,873	132,951	215,922	–
Domestic medium term notes	7.3	149,420	225,545	10,875	54,375	160,295
Hedge payable	11.2	81,933	120,043	11,901	108,142	–
Lease liabilities	14.0	4,262	4,697	2,870	1,827	–
Payables						
Interest rate swaps	4.9	4,897	5,279	2,072	3,207	–
Forward FX contracts						
– inflow	–	–	(588,735)	(586,103)	(2,632)	–
– outflow	–	5,484	595,235	592,364	2,871	–
Payables	–	1,670,362	1,678,043	1,669,556	8,487	–
31 December 2010						
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	–

(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. The Group's strategy is to maintain a minimum long term credit rating of BBB+, in order to secure access to finance at a reasonable cost.

The gearing ratios at 31 December 2011 and 31 December 2010 were as follows:

Thousands of dollars	2011	2010
Total interest bearing liabilities	618,664	562,558
Less: cash and cash equivalents	(1,818)	(18,377)
Net debt	616,846	544,181
Total equity	2,218,075	3,082,596
Total capital	2,834,921	3,626,777
Gearing ratio	21.8%	15.0%

(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 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Receivables	1,003,056	1,003,056	840,231	840,231
Cash and cash equivalents	1,818	1,818	18,377	18,377
Other investments	3	3	15	15
Interest bearing liabilities				
Bank loans	(88,000)	(88,000)	(180,000)	(180,000)
US notes	(295,049)	(306,568)	(288,575)	(316,252)
Domestic medium term notes	(149,420)	(149,420)	–	–
Cross currency swaps	(81,933)	(81,933)	(87,048)	(87,048)
Lease liabilities	(4,262)	(4,493)	(6,935)	(7,253)
Payables				
Interest rate swaps	(4,897)	(4,897)	1,014	1,014
Forward foreign exchange contracts	(5,484)	(5,484)	(8,670)	(8,670)
Payables	(1,670,362)	(1,670,362)	(1,227,287)	(1,227,287)
	(1,294,530)	(1,306,280)	(938,878)	(966,873)

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)

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 2011 plus an adequate constant credit spread to discount financial instruments. The annual interest rates used are as follows:

	2011	2010
Lease liabilities	3%	5%
Receivables	5 – 6%	6 – 7%
Payables	3 – 6%	6%

18. EMPLOYEE BENEFITS

(a) Liability for employee benefits

Thousands of dollars	Note	2011	2010
Current			
Liability for annual leave		27,443	25,549
Liability for long service leave		5,461	8,516
Liability for termination benefits		28,693	38,599
Bonus accrued		30,511	37,334
		92,108	109,998
Non-current			
Liability for long service leave		59,589	57,500
Defined benefit superannuation obligation		72,421	39,899
		132,010	97,399
Total liability for employee benefits	15	224,118	207,397

(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 2011 follows:

Thousands of dollars	2011	2010
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	39,899	43,381
Expense recognised in the income statement	7,240	5,786
Actuarial losses recognised in retained earnings	31,128	21,011
Employer contributions	(5,028)	(30,279)
Benefits paid	(819)	–
Net liability for defined benefit obligation at the end of the year	72,420	39,899
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	222,164	204,726
Current service cost	9,266	8,228
Interest cost	9,534	8,495
Contributions by plan participants	2,298	2,369
Actuarial losses recognised in retained earnings	12,929	22,411
Benefits paid	(29,387)	(24,065)
Present value of defined benefit obligation at the end of the year	226,804	222,164
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the year	182,265	161,345
Expected return on plan assets	11,560	10,937
Actuarial (losses)/gains recognised in retained earnings	(18,199)	1,400
Employer contributions	5,028	30,279
Contributions by plan participants	2,298	2,369
Benefits paid	(28,568)	(24,065)
Fair value of plan assets at the end of the year	154,384	182,265
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	226,804	222,164
Fair value of plan assets	(154,384)	(182,265)
Net liability	72,420	39,899
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	9,266	8,228
Interest cost	9,534	8,495
Expected return on assets	(11,560)	(10,937)
Superannuation expense	7,240	5,786
Amounts recognised in equity		
Actuarial losses	31,128	21,011
Cumulative actuarial losses	98,965	67,837
Plan assets		
The percentage invested in each asset class at the balance sheet date was:		
Australian equity	19%	32%
International equity	28%	25%
Fixed income	13%	18%
Alternatives/Other	18%	14%
Property	4%	7%
Cash	18%	4%

Notes to the Financial Statements (continued)

18. EMPLOYEE BENEFITS (continued)

(b) Superannuation commitments (continued)

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	2011	2010
Actual return on plan assets (loss)/gain	(6,639)	12,337
Principal actuarial assumptions at the balance sheet date (% p.a.)		
Discount rate (active members)	3%	5%
Discount rate (pensioners)	4%	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	5%	6%

Thousands of dollars	2011	2010	2009
Historical information			
Present value of defined benefit obligation	(226,804)	(222,164)	(204,726)
Fair value of plan assets	154,384	182,265	161,345
Deficit in plan	72,420	39,899	43,381
Experience adjustments on plan assets – (loss)/gain	(17,202)	(5,222)	10,376
Experience adjustments on plan liabilities – (loss)/gain	(1,557)	(4,868)	4,839

Expected employer contributions for the reporting year to 31 December 2012 is \$5,659,000.

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	2011	2010
Employer contributions to the accumulation division plan during the year	15,429	14,727

19. COMMITMENTS

(a) Capital expenditure

Thousands of dollars	2011	2010
Capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	32,511	16,857
	32,511	16,857

(b) Leases

Finance leases

	31 December 2011			31 December 2010		
Thousands of dollars	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	2,871	307	2,564	3,004	535	2,469
Between one and five years	1,826	128	1,698	4,919	453	4,466
	4,697	435	4,262	7,923	988	6,935

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 (2010: nil).

Operating leases

Thousands of dollars	2011	2010
Non-cancellable operating leases – Group as lessee		
Future minimum rentals payable:		
Within one year	96,140	85,359
Between one and five years	317,714	256,328
After five years	92,369	118,715
	506,223	460,402

The Group leases property under operating leases expiring from one to 15 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 (2010: nil).

The expense recognised in the income statement during the year in respect of operating leases is \$97,277,000 (2010: \$92,107,000).

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	2011	2010
Non-cancellable operating leases – Group as lessor		
Future minimum rentals receivable:		
Within one year	67,463	40,757
Between one and five years	110,639	88,562
After five years	29,951	70,712
	208,053	200,031

The Group leases property under operating leases expiring from one to 15 years.

Some of the leased properties have been sublet by the Group. The lease and sublease expire between 2012 and 2021.

Note 2 shows the rental income recognised in the income statement in respect of operating leases.

Notes to the Financial Statements (continued)

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	2011	2010
(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	2011	2010
(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 \$1,921,724 (2010: \$1,997,434).

(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 (ii)).

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 2011 or since 1 January 2012 to the date of signing this financial report.

21. AUDITOR'S REMUNERATION

Thousands of dollars	2011	2010
Audit services – KPMG Australia	767	811
Non-audit services – KPMG Australia:		
Transaction services	57	88
Other assurance services	67	52
Taxation services	24	20
	148	160

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

			% interest
(a) Name	Note	2011	2010
Companies			
Ampol Bendigo Pty Ltd	(ii)	100	100
Ampol Property (Holdings) Pty Ltd	(ii)	100	100
Ampol Refineries (Matraville) Pty Ltd		100	100
Ampol Road Pantry Pty Ltd		100	100
Australian Petroleum Marine Pty Ltd	(ii)	100	100
B & S Distributors Pty Ltd	(iii)	50	50
Bowen Petroleum Services Pty Ltd		100	100
Brisbane Airport Fuel Services Pty Ltd	(iv)	100	100
Calgas Pty Ltd	(ix)	100	50
Calstores Pty Ltd	(ii), (vi), (iv)	100	100
Caltex Australia Custodians Pty Ltd		100	100
Caltex Australia Management Pty Ltd		100	100
Caltex Australia Nominees Pty Ltd		100	100
Caltex Australia Petroleum Pty Ltd	(ii), (iv)	100	100
Caltex Fuel Services Pty Ltd	(ii)	100	100
Caltex Lubricating Oil Refinery Pty Ltd	(ii), (iv)	100	100
Caltex Petroleum (Qld) Pty Ltd	(ii)	100	100
Caltex Petroleum (Victoria) Pty Ltd	(ii)	100	100
Caltex Petroleum Pty Ltd	(ii)	100	100
Caltex Petroleum Services Pty Ltd	(ii), (iv)	100	100
Caltex Refineries (NSW) Pty Ltd	(ii), (iv)	100	100
Caltex Refineries (Qld) Pty Ltd	(ii), (iv)	100	100
Circle Petroleum (Q'land) Pty Ltd		100	100
Cocks Petroleum Pty Ltd		100	100
Cooper & Dysart Pty Ltd		100	100
Graham Bailey Pty Ltd	(x)	100	–
Hanietee Pty Ltd	(ii)	100	100
Hunter Pipe Line Company Pty Ltd	(ii)	100	100
Jayvee Petroleum Pty Ltd		100	100
Jet Fuels Petroleum Distributors Pty Ltd	(ii)	100	100
Kanegood Pty Ltd	(viii)	–	100
Link Energy Pty Ltd		100	100
Manworth Pty Ltd		100	100
Newcastle Pipe Line Company Pty Ltd	(ii)	100	100
Northern Marketing Management Pty Ltd		100	100
Northern Marketing Pty Ltd	(ii)	100	100
Pilbara Fuels Pty Ltd		100	100
R & T Lubricants Pty Ltd	(ii)	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	(ii)	100	100
Solo Oil Pty Ltd	(ii)	100	100
South Coast Oils Pty Ltd		100	100
South East Queensland Fuels Pty Ltd		100	100

Notes to the Financial Statements (continued)

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)

			% interest
(a) Name (continued)	Note	2011	2010
Companies (continued)			
Sydney Metropolitan Pipeline Pty Ltd	(iii)	60	60
Teraco Pty Ltd	(iii)	50	50
Travelmate.com.au Pty Ltd	(viii)	–	100
Tulloch Petroleum Services Pty Ltd	(ii)	100	100
Western Fuel Distributors Pty Ltd	(iii)	50	50
Wildbank Pty Ltd	(viii)	–	100
Unit trusts			
Eden Equity Unit Trust	(v)	100	100
Petroleum Leasing Unit Trust	(vi)	100	100
Petroleum Properties Unit Trust	(vi)	100	100
South East Queensland Fuels Unit Trust	(vii)	100	100

- (i) All companies were incorporated in Australia. The unit trusts were formed in Australia.
- (ii) 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 2011 or from 1 January 2012 to the date of signing this financial report.
- (iii) 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.
- (iv) These companies were "employer" companies in the Caltex Australia Group during 2011. Employees of these companies were eligible to participate in the Caltex Australia Limited employee share plans in 2011.
- (v) Caltex Petroleum Services Pty Ltd is the sole unitholder of this trust.
- (vi) Solo Oil Pty Ltd is the sole unitholder of these trusts.
- (vii) Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.
- (viii) Kanegood Pty Ltd, Travelmate.com.au Pty Ltd and Wildbank Pty Ltd were deregistered on 4 March 2011.
- (ix) On 1 November 2011, the Group acquired the remaining 50% interest in Vitalgas Pty Ltd. The name of the company was subsequently changed to Calgas Pty Ltd.
- (x) On 1 December 2011, the Group acquired 100% of the shares in Graham Bailey Pty Ltd.

(b) Income statement for entities covered by the Deed of Cross Guarantee

Thousands of dollars	2011	2010
(Loss)/profit before income tax expense	(1,030,153)	427,548
Income tax benefit/(expense)	319,850	(117,168)
Net (loss)/profit	(710,303)	310,380
Retained earnings at the beginning of the year	2,496,113	2,361,586
Movement in reserves	(26,353)	(19,346)
Dividends provided for or paid	(126,900)	(148,500)
Retained earnings at the end of the year	1,632,557	2,504,120

(c) Balance sheet for entities covered by the Deed of Cross Guarantee

Current assets		
Cash and cash equivalents	5,651	5,609
Receivables	857,402	629,250
Inventories	1,715,682	1,383,894
Current tax asset	–	1,266
Other	6,523	15,332
Total current assets	2,585,258	2,035,351
Non-current assets		
Receivables	1,566	33,350
Investments accounted for using the equity method	36,531	36,309
Other investments	3	15
Property, plant and equipment	1,491,828	2,866,388
Intangibles	86,904	71,759
Deferred tax assets	448,986	13,138
Other	83,863	86,393
Total non-current assets	2,149,681	3,107,352
Total assets	4,734,939	5,142,703
Current liabilities		
Payables	1,633,042	1,126,192
Interest bearing liabilities	153,979	131,641
Current tax liabilities	13,987	80,049
Provisions	139,781	177,075
Total current liabilities	1,940,789	1,514,957
Non-current liabilities		
Interest bearing liabilities	438,713	434,547
Provisions	189,689	153,726
Total non-current liabilities	628,402	588,273
Total liabilities	2,569,191	2,103,230
Net assets	2,165,748	3,039,473
Equity		
Issued capital	543,415	543,415
Treasury stock	(430)	(753)
Reserves	(9,794)	(7,309)
Retained earnings	1,632,557	2,504,120
Total equity	2,165,748	3,039,473

Notes to the Financial Statements (continued)

23. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates and joint ventures

	% interest		Balance date
	2011	2010	
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

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
2011	151,648	4,026	1,412	28,168	17,575	10,593	5,835
2010	141,113	3,599	1,328	20,831	12,074	8,757	4,748

	2011	2010
Results of associates		
Share of associates' profit before income tax expense	2,043	1,896
Share of associates' income tax expense	(613)	(569)
Share of associates' net profit	1,430	1,327
Unrealised (loss)/profit in inventories	(18)	1
Share of associates' net profit – equity accounted	1,412	1,328
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	134	125
Between one and five years	670	626
	804	751
Share of associates' finance lease commitments not provided for in the financial report and payable:		
Within one year	713	557
Between one and five years	1,288	1,409
	2,001	1,966
Future finance charges	(237)	(266)
	1,764	1,700

(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
2011	577,749	2,191	206	394,079	391,177	2,902	17,738
2010	559,098	2,099	2,185	1,180,643	1,177,002	3,641	18,603
						2011	2010
Results of joint ventures							
Share of joint ventures' profit before income tax expense						1,513	1,195
Share of joint ventures' income tax expense						(352)	(209)
Share of joint ventures' net profit						1,161	986
Unrealised profit in inventories						(955)	1,199
Share of joint ventures' net profit – equity accounted						206	2,185
Share of joint ventures' assets and liabilities							
Current assets						392,827	1,174,586
Non-current assets						1,252	6,057
Total assets						394,079	1,180,643
Current liabilities						375,968	1,162,218
Non-current liabilities						15,209	14,783
Total liabilities						391,177	1,177,002
Commitments							
Share of joint ventures' capital expenditure contracted but not provided for in the financial report and payable:							
Within one year						23	73
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:							
Within one year						1,150	924
Between one and five years						586	436
						1,736	1,360
(d) Reconciliation to income statement							
Share of net profit of associates accounted for using the equity method						1,412	1,328
Share of net profit of joint ventures accounted for using the equity method						206	2,185
						1,618	3,513

24. INTEREST IN JOINT VENTURE OPERATIONS

The Group has joint interests in multiple Joint User Hydrant Installations (JUHLs), which are based at airports across Australia. The principal activity of the JUHLs is refuelling aircraft at the airports. For the year ended 31 December 2011, the contribution of the JUHLs to the operating profit of the Group was nil (2010: 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	2011	2010
Non-current assets		
Plant and equipment expenditure	42,706	37,148
Less: accumulated amortisation	(28,345)	(25,398)
Total non-current assets	14,361	11,750
Total assets	14,361	11,750

Notes to the Financial Statements (continued)

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	2011	2010
Cash at bank	1,818	18,377
Total cash and cash equivalents	1,818	18,377

(b) Reconciliation of net profit to net operating cash flows

Thousands of dollars	2011	2010
Net (loss)/profit	(713,221)	317,978
Adjustments for:		
(Gain)/loss on divestment of non-current assets	(8,507)	3,100
Impairment of fixed assets	1,552,780	1,134
Fair value adjustment on financial instruments	(30)	(203)
Depreciation of property, plant and equipment	210,855	200,356
Amortisation of intangibles	8,486	8,529
Treasury stock movements net of expense	2,614	4,229
Share of associates' and joint ventures' net profit	(1,618)	(3,513)
Movements in assets and liabilities:		
Increase in receivables	(147,279)	(66,470)
Increase in inventories	(330,663)	(176,198)
(Increase)/decrease in other assets	(2,153)	9,465
Increase in payables	419,672	35,612
(Decrease)/increase in current tax liabilities	(65,724)	53,467
(Decrease)/increase in deferred tax liabilities	(422,044)	9,343
(Decrease)/increase in provisions	(56,766)	31,629
Net operating cash inflows	446,402	428,458

26. BUSINESS COMBINATIONS

2011

(a) Graham Bailey Pty Ltd ("Baileys")

On 1 December 2011, the Group acquired 100% of Graham Bailey Pty Ltd ("Baileys") for a consideration of \$19,100,000 (plus a potential deferred payment of up to \$2,000,000 if particular sales targets are met) plus incidental acquisition costs.

The Baileys marine fuel business was founded in Perth in 1986 and is now Australia's leading provider of marine fuel, remote infrastructure and related services, with operations in all major Australian ports and its own strong network of 16 sites from south of Western Australia through to Darwin.

The following disclosures are provisional and dependent upon the finalisation of completion accounts:

In the one month up to 31 December 2011, Baileys contributed a net profit of \$225,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2011, the Group estimates that gross sales revenue would have been \$115,930,000 greater and net profit would have been \$848,000 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	50	–	50
Receivables	14,938	–	14,938
Inventories	1,468	–	1,468
Other current assets	578	–	578
Property, plant and equipment	3,986	–	3,986
Goodwill	279	(279)	–
Payables	(16,976)	–	(16,976)
Net identifiable assets and liabilities	4,323	(279)	4,044
Goodwill on acquisition			17,094
Deferred consideration, based on future performance			2,000
Consideration paid, satisfied in cash			19,138
Cash acquired			50
Net cash outflow			(19,088)

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value of assets recorded on acquisition.

Goodwill of \$17,094,000 has arisen on acquisition of Baileys and represents customer contracts, property leases and other intangible assets that did not meet the criteria for recognition as separately identifiable intangible assets at the date of acquisition.

(b) Vitalgas Pty Ltd ("Vitalgas")/Calgas Pty Ltd ("Calgas")

On 1 November 2011, the Group dissolved the Vitalgas Pty Ltd ("Vitalgas") joint venture agreement by way of purchasing the shares held by Origin Energy Holdings Pty Ltd ("Origin") and undertaking associated assets for an acquisition cost of \$4,100,000 plus incidental acquisition costs. The name of the company was subsequently changed to Calgas Pty Ltd.

Vitalgas, a joint venture between Caltex Australia Limited and Boral Gas Ltd (now Origin Energy Holdings Pty Ltd), was created on 2 September 1985 in order to better compete in the autogas market.

In the two months up to 31 December 2011, the subsidiary contributed a net profit of \$151,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2011, the Group estimates that gross sales revenue would have been \$101,661,000 greater and net profit would have been \$1,633,000 greater.

Notes to the Financial Statements (continued)

26. BUSINESS COMBINATIONS (continued)

(b) Vitalgas Pty Ltd ("Vitalgas")/Calgas Pty Ltd ("Calgas") (continued)

The acquisition had the following effect on the Group's assets and liabilities:

Thousands of dollars	Original values	Fair value adjustments	Provisional Recognised values
Cash and cash equivalents	3,276	–	3,276
Receivables	1,216	–	1,216
Inventories	582	–	582
Other current assets	108	–	108
Property, plant and equipment	3,881	6,101	9,982
Deferred tax balances	495	(1,206)	(711)
Payables	(9,521)	–	(9,521)
Net identifiable assets and liabilities	37	4,895	4,932
Net assets acquired – remaining 50% interest			2,466
Goodwill on acquisition			1,655
Consideration paid, satisfied in cash			4,121
Cash acquired – remaining 50% interest			1,638
Net cash outflow			(2,483)

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value of assets recorded on acquisition.

Goodwill of \$1,655,000 has arisen on acquisition of the remaining interest in Vitalgas and represents other intangible assets that did not meet the criteria for recognition as separately identifiable intangible assets at the date of acquisition.

Goodwill within Vitalgas Pty Limited and Graham Bailey Pty Limited was unable to be recognised as a separate intangible asset under AASB 3.

There were no other material business combinations during the year ended 31 December 2011.

(c) Details of entities over which control has been gained or lost during the year

On 1 March 2011, Caltex incorporated Ampol Singapore Holdings Pte Limited.

2010

There were no material business combinations or entities over which control was gained or lost during the year ended 31 December 2010 for the Caltex Australia Group.

27. FINANCING ARRANGEMENTS

Thousands of dollars	2011	2010
The Caltex Australia Group has access to the following lines of credit:		
Total facilities available:		
Bank overdrafts	39,868	30,000
Bank loans and capital markets	1,727,015	1,475,623
	1,766,883	1,505,623
Facilities utilised at balance date:		
Bank overdrafts	10,532	5,941
Bank loans and capital markets	614,402	555,623
	624,934	561,564
Facilities not utilised at balance date:		
Bank overdrafts	29,336	24,059
Bank loans and capital markets	1,112,613	920,000
	1,141,949	944,059

These facilities are unsecured and have an average maturity of 2.8 years (2010: 2.5 years).

28. RELATED PARTY INFORMATION

(a) Key management personnel

The key management personnel of the Caltex Australia Group during 2011 and 2010 were:

(i) Directors of Caltex Australia Limited during 2011 and 2010:

Current directors

Ms Elizabeth Bryan, Chairman and Non-Executive Director

Mr Julian Segal, Managing Director & CEO

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 currently serves as alternate director for Mr Fish and Mr Szopiak (from 1 September 2010) and Mr Leveille (from 1 December 2010). Ms Jones-Cervantes previously served as a Non-Executive Director to 31 August 2010.

Former directors

Mr Rob Otteson, Non-Executive Director (to 30 November 2010)

(ii) Senior executives

Current senior executives

Mr Simon Hepworth, Chief Financial Officer

Mr Ken James, General Manager – Supply and Distribution

Mr Peter Lim – Company Secretary and General Counsel (appointed 28 March 2011 to an acting role, appointed permanently to the role 1 January 2012)

Mr Mike McMenemy, General Manager – Strategy, Planning and Development

Mr Gary Smith, General Manager – Refining

Mr Andy Walz, General Manager – Marketing

Mr Simon Willshire, General Manager – Human Resources

Former senior executives

Ms Helen Conway, General Manager – Office of the CEO, Company Secretary and General Counsel (to 8 April 2011)

(b) Key management personnel compensation

Dollars	2011	2010
Short term benefits	10,260,660	10,521,333
Other long term benefits	451,136	401,673
Post-employment benefits	523,808	546,836
Share based payments	3,754,505	2,625,749
	14,990,109	14,095,591

Information regarding directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 28 to 47.

Notes to the Financial Statements (continued)

28. RELATED PARTY INFORMATION (continued)

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of shares of Caltex Australia Limited held, directly, indirectly or beneficially, by each key management personnel, including their personally related entities, is as follows:

31 December 2011	Held at 31 Dec 2010	Purchased	Vested	Sold	Held at 31 Dec 2011
Directors					
Elizabeth Bryan	14,946	–	–	–	14,946
Julian Segal ⁽ⁱ⁾	31,337	–	35,282	–	66,619
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	–	–	–	–	–
Senior executives					
Helen Conway	66,721	–	38,322	(30,000)	75,043
Simon Hepworth	40,653	–	18,463	–	59,116
Ken James	9,018	–	12,310	–	21,328
Peter Lim	–	–	3,223	–	3,223
Mike McMenamin	21,056	–	11,642	–	32,698
Gary Smith	–	–	14,136	–	14,136
Andy Walz	–	–	–	–	–
Simon Willshire	15,252	–	13,736	–	28,988

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 ⁽ⁱ⁾	–	–	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

(i) In addition, Mr Segal received a joining incentive in 2009 of 73,979 shares. These will vest in 2012 and are disclosed in the Remuneration report (pages 28 to 47).

(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 2011 (2010: nil).

During 2011, Ms 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 2011, 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 2011, 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.

(e) Controlled entities

During 2011, Caltex Australia Limited received dividends from controlled entities of \$128,725,000 (2010: \$155,543,000) and interest from controlled entities of \$18,949,000 (2010: \$28,299,000).

The amount receivable by Caltex Australia Limited from controlled entities at 31 December 2011 was \$381,054,000 (2010: \$338,575,000). The amount payable by Caltex Australia Limited to controlled entities at 31 December 2011 was \$248,422,000 (2010: \$173,926,000).

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 \$3,135,401 (2010: \$4,978,808) to the Chevron Group for technical service fees. The Caltex Australia Group received \$4,682,591 (2010: \$4,825,046) 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 \$1,600,000 (2010: \$1,858,428) to the Chevron Group, including Iron Horse Insurance Company for insurance coverage. Dealings with Iron Horse Insurance Company 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 \$6,352,904,811 (2010: \$3,574,245,181). The Caltex Australia Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of \$282,749,788 (2010: \$333,556,636). 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 Mr Walz. Details of these payments are shown in the Remuneration Report on pages 28 to 47.

In addition to the above, the Chevron Group seconded one employee (2010: one employee) primarily to provide specialist

expertise at Lytton Refinery and one employee (2010: one employee) to provide specialist expertise for an IT project. The total cost borne by Caltex Australia in respect of both secondees was \$457,518 (2010: \$421,680). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex Australia seconded three employees to various roles within the Chevron Group during 2011 (2010: six employees). Caltex paid the salary and bonuses, allowances including relocation, and indirect payroll related expenses for one of these Caltex employees and Chevron Group paid the associated costs for the remaining two 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 \$150,658,456 (2010: \$125,089,055). The Caltex Australia Group received income from associates for rental income of \$189,006 (2010: \$107,810).

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 \$325,000 (2010: \$400,000).

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 \$99,733,152 (2010: \$62,574,314). The Caltex Australia Group received income from joint ventures for service fees, site fees, operating leases and licence fees of \$8,638,589 (2010: \$9,567,731).

The Caltex Australia Group purchased petroleum products from joint ventures of \$186,429,038 (2010: \$151,185,781). The Caltex Australia Group received service fee income from joint ventures of \$182,500 (2010: \$160,000). Dividend and disbursement income from joint ventures is \$1,070,266 (2010: \$1,345,528).

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 could 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.

Notes to the Financial Statements (continued)

28. RELATED PARTY INFORMATION (continued)

(i) Executive share plan and performance rights (continued)

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	–	–
				1 Oct 2010	(2,408)	9.41		
17,724		–			(17,724)		–	–

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 (\$)
2011								
13,639		–	–	7 Apr 2011	(13,639)	15.53	–	–
13,639		–			(13,639)		–	–
2010								
57,088		–	–	7 Apr 2010	(38,478)	11.63	13,639	195,992
				1 Oct 2010	(4,971)	11.63		
57,088		–			(43,449)		13,639	195,992

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 28 to 47.

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 (\$)
2011								
172,482	1 Jan 2011	158,265	11.77	15 Oct 2011	(172,482)	13.20	158,265	1,862,783
172,482		158,265			(172,482)		158,265	1,862,783
2010								
–	1 January 2010	172,482	14.37		–	–	172,482	2,478,566
–		172,482			–		172,482	2,478,566

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 28 to 47.

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 (\$)
2011											
822,513	29 Apr 11	383,304	6.61	29 Mar 11	(39,705)	15.58	29 Mar 11	(39,705)	–	1,092,763	7,682,929
817,165	29 Apr 11	383,304	4.91	29 Apr 11	(36,911)	14.36	14 Apr 11	(12,274)	–	1,087,415	6,963,354
							29 Apr 11	(97,513)	–		
1,639,678		766,608			(76,616)			(149,492)		2,180,178	14,646,283
2010											
196,155	23 Apr 10	663,357	7.89	3 Mar 10	(17,891)	10.29	3 Mar 10	(29,809)	–	822,513	6,117,827
195,275	3 Apr 10	663,357	7.75	17 Aug 10	(11,003)	11.48	17 Aug 10	(3,177)	–	817,165	6,055,203
				1 Oct 10	(1,151)	11.97	18 Sep 10	(13,516)	–		
							1 Oct 10	(1,919)	–		
391,430		1,326,714			(30,045)			(48,421)		1,639,678	12,173,030

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	2011	2010
Executive share plan expense	6,242	4,874

29. NET TANGIBLE ASSETS PER SHARE

	2011	2010
Net tangible assets per share (dollars)	7.82	11.08

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 (2010: 270 million).

Notes to the Financial Statements (continued)

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 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	2011	2010	2011	2010	2011	2010
Gross segment revenue	18,913,473	16,029,058	2,652,128	2,109,730	21,565,601	18,138,788
Product duties and taxes	(5,080,150)	(4,914,349)	–	–	(5,080,150)	(4,914,349)
External segment revenue	13,833,323	11,114,709	2,652,128	2,109,730	16,485,451	13,224,439
Inter-segment revenue	–	–	12,795,567	10,223,087	12,795,567	10,223,087
Total segment revenue	13,833,323	11,114,709	15,447,695	12,332,817	29,281,018	23,447,526
Share of profit of associates	1,618	3,513	–	–	1,618	3,513
Depreciation and amortisation	(59,577)	(54,482)	(153,452)	(147,073)	(213,029)	(201,555)
Replacement Cost of Sales Operating Profit before interest and income tax	697,331	578,164	(208,312)	3,551	489,019	581,715
Other material items:						
Impairment of intangible assets	3,035	–	(1,555,815)	(1,134)	(1,552,780)	(1,134)
Inventory (losses)/gains	(26,533)	(14,404)	223,982	35,646	197,449	21,242
Capital expenditure (including acquisitions)*	(143,417)	(150,241)	(270,379)	(202,059)	(413,796)	(352,300)

* Refining and Supply amount (\$270 million) includes non-refinery capital spend of \$77 million and \$80 million of cyclical maintenance.

(c) Reconciliation of reportable segment revenues, profit or loss and other material items

Thousands of dollars	2011	2010
Revenues		
Total revenue for reportable segments	29,281,018	23,447,526
Product duties and taxes	5,080,150	4,914,349
Elimination of inter-segment revenue	(12,795,567)	(10,223,087)
Total reportable segments gross revenue	21,565,601	18,138,788
Non-fuel income and rebates	539,603	533,117
Consolidated revenue	22,105,204	18,671,905
Profit or loss		
Total Replacement Cost of Sales Operating Profit for reportable segments	489,019	581,715
Other profit and loss	(46,872)	(81,297)
Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	442,147	500,418
<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)
FCCU/PDU restructuring costs	(21,606)	–
Other redundancy and related costs	(19,318)	–
Impairment impacts	(1,552,780)	–
Replacement Cost of Sales Operating Profit before interest and income tax	(1,151,557)	477,407
Inventory gains	197,449	21,242
Consolidated historical cost (loss)/profit before interest and income tax	(954,108)	498,649
Net financing costs	(67,952)	(57,380)
Net profit attributable to non-controlling interest	293	1,026
Consolidated (loss)/profit before income tax	(1,021,767)	442,295

Thousands of dollars	Reportable segment	Other	Consolidated totals
Other material items 2011			
Depreciation and amortisation	(213,029)	(6,312)	(219,341)
Impairment of tangible assets	(1,552,780)	–	(1,552,780)
Inventory gains	197,449	–	197,449
Capital expenditure	(413,796)	(3,569)	(417,365)

Thousands of dollars	Reportable segment	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)

Notes to the Financial Statements (continued)

30. SEGMENTED REPORTING (continued)

(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 represent approximately \$4,500,000,000 (2010: \$3,700,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

(f) Revenue from products and services

Thousands of dollars	2011	2010
Petrol	6,834,827	5,798,499
Diesel	6,688,691	5,005,974
Jet	1,927,431	1,525,055
Lubricants	332,847	295,559
Specialty and other products	701,655	599,352
	16,485,451	13,224,439

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2011, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2011	2010
Result of the parent entity		
Profit for the period	91,702	132,128
Other comprehensive income	(4,166)	(901)
Total comprehensive income for the period	87,536	131,227
Financial position of parent entity at year end		
Current assets	158,390	210,565
Total assets	1,854,841	1,867,875
Current liabilities	165,332	209,926
Total liabilities	1,139,770	1,116,055
Total equity of the parent entity comprising:		
Issued capital	543,415	543,415
Treasury stock	(430)	(753)
Reserves	(7,708)	(5,831)
Retained earnings	179,794	214,989
Total equity	715,071	751,820

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).

32. IMPAIRMENT OF NON-CURRENT ASSETS

The recent deterioration in the performance of the refining business unit due to the challenging external environment (including the ongoing strength of the Australian dollar, lower Caltex refiner margins and increasing costs) and the expectation that these factors will be sustained for a prolonged period caused the Group to assess the recoverable amount of its Refinery and Supply assets.

The Group determined the recoverable amount of its Refinery and Supply assets by using a discounted cash flow analysis. Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. Judgements for external factors, including but not limited to foreign exchange, Singapore Refiner margins, Brent oil prices and inflation, have been made with reference to historical data and observable market data using a combination of consensus views. The recoverable amount estimate is particularly sensitive to the foreign exchange rate assumption. Judgements for internal factors, including but not limited to applicable discount rate, production volumes, wage growth and other operating costs, have been made with reference to historical data and forward looking business plans. Changes in the long term view of both internal and external judgements may impact the estimated recoverable value.

The recoverable amount of the cash-generating unit (the Refining and Supply operating segment) was estimated based on its value in use (with a discount rate of 14.6% pre-tax). Based on this assessment it was determined that the carrying value of the refineries was \$1,500,000,000 in excess of its recoverable amount. An impairment loss of \$1,382,400,000 was recognised with respect to buildings and plant and equipment and \$117,600,000 with respect to capital projects in progress. The loss has been recognised in the Refining and Supply operating segment.

During the year ended 31 December 2011, the Group announced a decision to cease operation of the #1 Fluidised Catalytic Cracking Unit (FCCU) and the Propane De-Asphalting Unit (PDU) at its Kurnell refinery.

The Group assessed the carrying value of these units based on a value in use estimate (with a discount rate of 14.6% pre-tax). Subsequently, an impairment loss of \$55,815,000 was recognised with respect to plant and equipment. The loss has been recognised in the Refining and Supply operating segment.

Reversal of prior impairment losses

During the year ended 31 December 2011, the Marketing segment recognised a reversal of impairment of \$3,035,000 that had previously been recognised on plant and equipment for non-operating sites. Five of these sites will now be reopened and therefore the impairment has been reversed.

33. EVENTS SUBSEQUENT TO THE END OF THE YEAR

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 2011 to the date of this report.

Comparative Financial Information

The additional information on pages 104 to 105 is provided for the information of shareholders.

The information is based on, but does not form part of, the 2011 Financial Report.

Caltex Australia Limited consolidated results	2011	2010	2009	2008	2007
Profit and loss (\$ million)					
Historical cost operating profit before significant items, interest and income tax expense	640	522	648	104	965
Interest income	1	2	2	4	7
Borrowing costs	(69)	(59)	(30)	(60)	(46)
Historical cost income tax expense before significant items	(170)	(131)	(185)	(13)	(280)
Historical cost operating profit after tax and before significant items	402	333	435	34	646
Significant items (net of tax)	(1,116) ⁽ⁱ⁾	(16) ⁽ⁱⁱ⁾	(121)	–	–
Historical cost operating (loss)/profit after income tax	(714)	317	314	34	646
Dividends					
Amount paid and payable (\$/share)	0.45	0.60	0.25	0.36	0.80
Times covered (excl. significant items)	3.31	2.06	6.45	0.35	2.99
Dividend payout ratio – replacement cost basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	46%	51%	21%	52%	49%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	22,400	18,931	17,984	23,891	19,342
Earnings per share – historical cost (cents per share)	(264)	117	116	13	239
Earnings per share – replacement cost (cents per share) (excl. significant items)	98	112	120	69	164
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	640	522	648	104	965
Earnings before interest and tax – replacement cost basis (\$m) (excl. significant items)	442	500	489	321	675
Operating cash flow per share (\$/share)	1.7	1.6	2.5	1.4	2.2
Interest cover – historical cost basis	(14.0)	8.7	17.0	1.8	24.7
Interest cover – replacement cost basis (excl. significant items)	6.5	8.7	17.4	6.7	18.3
Return on capital employed – historical cost basis (%) ^(iv)	(25.2)	9	9	1	19
Return on capital employed – replacement cost basis (excl. significant items) (%) ^(iv)	9.3	9	10	5	13
Equity attributable to members of the company (\$m)	2,206	3,071	2,915	2,592	2,817
Total equity (\$m)	2,218	3,083	2,925	2,602	2,829
Return on equity attributable to members of the parent entity after tax – historical cost basis (%)	18	11	15	1	23
Total assets (\$m)	4,861	5,291	4,952	4,922	5,330
Net tangible asset backing (\$/share)	7.82	11.08	10.48	9.29	10.14
Debt (\$m)	619	563	509	864	596
Net debt (\$m)	617	544	487	832	582
Net debt to net debt plus equity (%)	22	15	14	24	17

(i) Includes significant items relating to Refining asset impairment (\$1,500,000,000), the decision to cease operation of two process plants at Kurnell Refinery – which comprises impairment (\$55,815,000) and FCCU/PDU restructuring costs (\$21,606,000), other redundancy and related costs (\$19,318,000), and reversal of prior year impairments (\$3,035,000).

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

(iii) Dividend payout ratio – replacement cost basis calculated as follows:
$$\frac{\text{Dividends paid and payable in respect of financial year}}{\text{Replacement cost profit after income tax (excl. significant items)}}$$

(iv) Return on capital employed is calculated as follows:
$$\frac{\text{Net Profit After Tax}}{\text{Net Debt + Equity}}$$

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 \$264 million, compared to a profit of \$318 million in 2010.
- 2011 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$442 million, a decrease of \$58 million from 2010.

\$ million	Five years*	2011	2010	2009	2008	2007
Historical cost net profit before interest, income tax and significant items	2,879	640	522	648	104	965
(Deduct)/add inventory (gains)/losses ⁽ⁱⁱ⁾	(449)	(197)	(21)	(158)	217	(290)
Replacement cost net profit before interest, income tax and significant items	2,427	442	500	489	321	675
Net borrowing costs	(248)	(68)	(57)	(28)	(56)	(39)
Historical cost income tax expense before significant items	(779)	(170)	(131)	(185)	(13)	(280)
Add/(deduct) tax effect of inventory (losses)/gains	135	59	6	48	(66)	88
Replacement cost profit after income tax ⁽ⁱⁱⁱ⁾	1,536	264	318	324	186	444

* Note: Totals may not sum due to rounding.

- (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 an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with 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 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.
- (ii) Historical cost results include gross inventory gains or losses from the movement in crude oil prices. In 2011, the historical cost result includes \$197 million inventory gain (2010: \$21 million inventory gain). Net inventory gain 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:
- 2007: nil
2008: nil
2009: \$173 million expenses before tax (\$121 million after tax)
2010: \$23 million expenses before tax (\$16 million after tax)
2011: \$1,594 million expenses before tax (\$1,116 million after tax)

Shareholder Information

SHAREHOLDER ENQUIRIES

Shareholders with queries about their shares or dividend payments should contact Caltex's share registry, Computershare, on phone 1300 850 505 or fax 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 a SRN or HIN, which is recorded on the shareholder's holding statement.

CHANGE OF ADDRESS

Shareholders on the issuer sponsored sub-register who have changed their address should notify the share registry in writing. CHESS holders should notify their controlling sponsor.

CALTEX AUSTRALIA PUBLICATIONS

Caltex'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 share registry in writing.

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 two or more of the joint shareholders wish to vote, the vote of the shareholder named first in the register will be counted, to the exclusion of the other joint shareholder or shareholders.

Shareholders who are entitled to vote at the meeting should note that:

- on a poll, each shareholder has one vote for each share they hold, and
- on a show of hands, each shareholder has one vote.

If the shareholder has appointed a proxy, the proxy may vote but, if two proxies are appointed, neither proxy may vote on a show of hands.

For a complete analysis of shareholders' voting rights, it is recommended that shareholders seek independent legal advice.

SECURITIES EXCHANGE LISTING

The company's shares are listed on the Australian Securities Exchange (ticker: CTX)

GENERAL ENQUIRIES

Investor Relations

Frances van Reyk 02 9250 5378

Company Secretaries

Peter Lim, Katie King

The address and telephone of the registered office is:

Level 24
2 Market Street
Sydney NSW 2000
T: 02 9250 5000
F: 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)

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

F: 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 29 February 2012

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 27,049

1.3 The shareholding is distributed as follows:

Category	Number of shareholders	Number of shares	%
A.			
1–1,000	19,407	8,888,192	3.29%
1,001–5,000	6,679	15,197,529	5.63%
5,001–10,000	597	4,478,254	1.66%
10,001–100,000	340	8,379,058	3.10%
100,001 and over	26	233,056,967	86.32%
Rounding			0.00
Total	27,049	270,000,000	100.00%
B.			
Holders of less than a marketable parcel	420		

1.4 The 20 largest shareholders held 86.04% 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	30,542,886	11.31
3. National Nominees Limited	26,121,903	9.67
4. JP Morgan Nominees Australia Limited	19,874,148	7.36
5. Citicorp Nominees Pty Limited	7,176,011	2.66
6. JP Morgan Nominees Australia Limited <Cash Income A/C>	3,466,724	1.28
7. HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,935,715	0.72
8. HSBC Custody Nominees (Australia) Limited – A/C 2	1,632,049	0.60
9. Queensland Investment Corporation	1,135,075	0.42
10. AMP Life Limited	1,015,553	0.38
11. Cogent Nominees Pty Limited	999,958	0.37
12. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	845,159	0.31
13. UBS Nominees Pty Ltd	676,884	0.25
14. Australian Reward Investment Alliance	511,910	0.19
15. Caltex Equity Incentive Plan Trust	392,100	0.15
16. Cogent Nominees Pty Limited <SMP Accounts>	298,675	0.11
17. Mrs Frances Mary Karst	176,700	0.07
18. Navigator Australia Ltd <MLC Investment Sett A/C>	170,621	0.06
19. Galufo Pty Ltd	170,500	0.06
20. UBS Nominees Pty Ltd <PB Seg A/C>	167,169	0.06
Total	232,309,740	86.04

Statistical Information

YEAR ENDED 31 DECEMBER	2011	2010	2009	2008
People				
Employees ⁽ⁱ⁾	3,550	3,546	3,872	4,158
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery ⁽ⁱⁱ⁾	1	1	1	1
Road tankers ⁽ⁱⁱⁱ⁾	168	170	178	18
Rail cars (operational)	66	66	66	62
Storage terminals operated by Caltex ^(iv)	13	12	12	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	476	472	468	476
Service stations (owned or leased)	802	743	756	748
Depots	71	79	88	83
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 ⁽ⁱⁱ⁾	3,750	3,750	3,750	3,750
Fuel production (ML)	10,686	10,607	11,093	10,834
Lubricants production (ML)	15	78	107	137
Total sales volume (ML)	17,156	16,521	16,304	16,493
Lost time injury frequency rate (LTIFR) ^(v)	0.99	1.35	2.1	3.0

(i) Includes employees of Calstores Pty Ltd and Caltex 100% owned resellers.

(ii) Lube oil refinery closed in December 2011.

(iii) From 2009, road tanker numbers include Caltex 100% owned reseller fleet.

(iv) Caltex has access to product supply at a further 8 terminals.

(v) Employee and contractor lost time injury frequency rate per million work hours. From 2010, the injury frequency rate was changed to include Marketing contractors.

Glossary of Terms

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 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.

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 an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with 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 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.

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 and Supply 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. Also responsible for the purchasing, sale and distribution of crude and refined product.

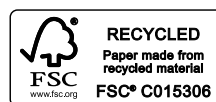
TRV Total Reward Value.

TSR Total Shareholder Return.

The Caltex 2011 Annual Report cover is printed on Impact. Impact is made with a carbon neutral manufacturing process*, is FSC COC certified and consists of 100% post consumer waste recycled fibre.

*Mill use 86% renewable energy, meaning emissions generated by producing Impact are incredibly low.

The Annual Report inside is printed on Sun Offset. Sun Offset is proudly made FSC certified by Sun Paper who also carry the ISO 14001 EMS accreditation. Made with elemental chlorine free pulps.



precinct.com.au

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SHARE REGISTRY

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F: 03 9473 5000
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REFINERIES

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Kurnell NSW 2231

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F: 02 9668 1188
Community hotline:
1800 802 385

**Caltex Refineries
(Qld) Pty Ltd**
ACN 008 425 581

South Street
Lytton QLD 4178

T: 07 3362 7555
F: 07 3362 7111
Environmental hotline:
1800 675 487

MARKETING OFFICES

New South Wales

Caltex Banksmeadow
terminal

Penhryn Road
Banksmeadow NSW 2019

T: 02 9695 3600
F: 02 9666 5737

Queensland/ Northern Territory

Caltex Lytton terminal

Tanker Street, off Port Drive
Lytton QLD 4178

T: 07 3877 7333
F: 07 3877 7464

Victoria/Tasmania

Caltex Newport terminal

411 Douglas Parade
Newport VIC 3015

T: 03 9287 9555
F: 03 9287 9572

South Australia

Caltex Birkenhead terminal

2 Elder Road
Birkenhead SA 5015

T: 08 8385 2311
F: 08 8242 8334

Western Australia

Caltex Fremantle terminal

85 Bracks Street
North Fremantle WA 6159

T: 08 9430 2888
F: 08 9335 3062

CUSTOMER SUPPORT FEEDBACK LINE

(complaints, compliments
and suggestions)

Mon–Fri 8.30 am
to 5.00 pm (EST)

T: 1800 240 398

Card Support Centre

Card enquiries
24 hours/seven days

T: 1300 365 096

Lubelink

Mon–Fri 8.00 am
to 6.00 pm (EST)

T: 1300 364 169