

BY ELECTRONIC LODGEMENT

ASX ANNOUNCEMENT



CALTEX AUSTRALIA LIMITED
ACN 004 201 307

LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

28 March 2013

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED
2012 ANNUAL REVIEW AND 2012 ANNUAL REPORT

The *2012 Annual Review* and the *2012 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 *2012 Annual Review* and *2012 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

Attach.



CALTEX
Caltex Australia

2012 ANNUAL REVIEW



Securing
our
future





Financial Calendar

YEAR ENDED 31 DEC 2012

9 MAY 2013 Annual General Meeting

YEAR ENDING 31 DEC 2013*

26 AUG 2013 Half year results and interim dividend announcement

10 SEPT 2013 Record date for interim dividend entitlement

02 OCT 2013 Interim dividend payable

24 FEB 2014 Full year results and final dividend announcement

11 MAR 2014 Record date for final dividend entitlement

03 APR 2014 Final dividend payable

* These dates are subject to change

2012 ANNUAL REVIEW

This 2012 Annual Review for Caltex Australia Limited has been prepared as at 25 February 2013.

The 2012 Annual Review provides a summary of Caltex's main operating activities and performance for the year ended 31 December 2012. For further information about Caltex's results and performance in 2012, please refer to the 2012 Annual Report (and the 2012 Financial Report, which forms part of the 2012 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 2012 Annual Review, we are referring to:

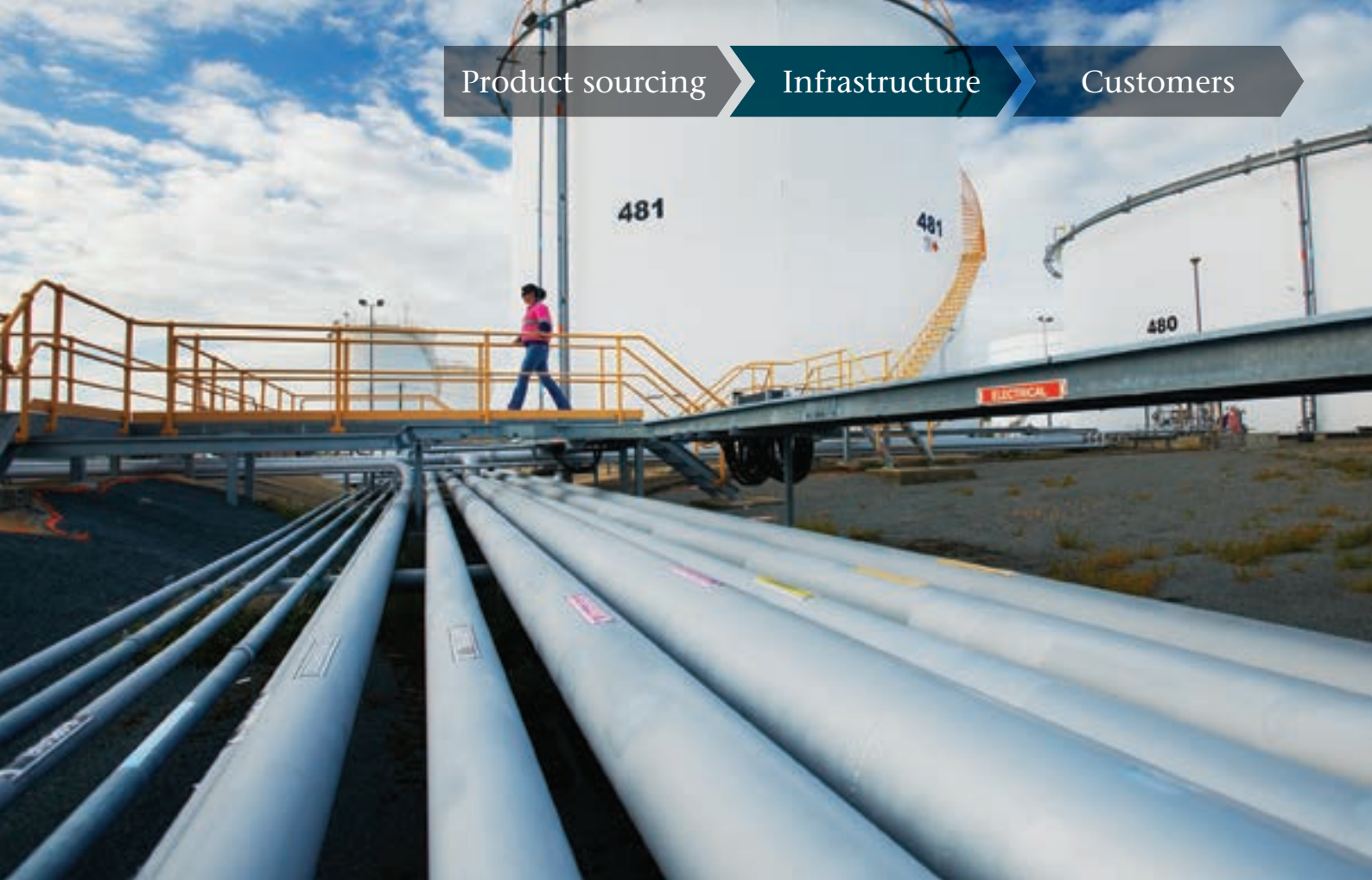
- Caltex Australia Limited (ACN 004 201 307), which is the parent company of the Caltex Australia Group and is listed on the Australian Securities Exchange (ASX)
- our major operating companies, including Caltex Australia Petroleum Pty Ltd, Caltex Refineries (NSW) Pty Ltd, Caltex Refineries (Qld) Pty 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 2012 Annual Review as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2012 Annual Review and/or the 2012 Annual Report (and 2012 Financial Report), free of charge, by writing to the Company Secretary, Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000, Australia.

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Highlights

STRONG RESULTS

We delivered continued Marketing and Distribution earnings growth, with earnings before interest and tax (EBIT) up 6%, supported by a profitable contribution from Refining and Supply

STRATEGY ALIGNED TO GROWTH

Caltex has a clear strategy, which will support our diverse customer base and secure a sustainable future for Caltex, following our decision to rebalance the supply chain

IMPROVED OPERATIONAL PERFORMANCE

Our improved refinery reliability provided an opportunity to leverage a higher 2012 average Caltex Refiner Margin

40%
decrease

LOST TIME INJURY FREQUENCY RATE (LTIFR) DECREASED TO 0.59 FROM 0.99 IN 2011

9%
increase

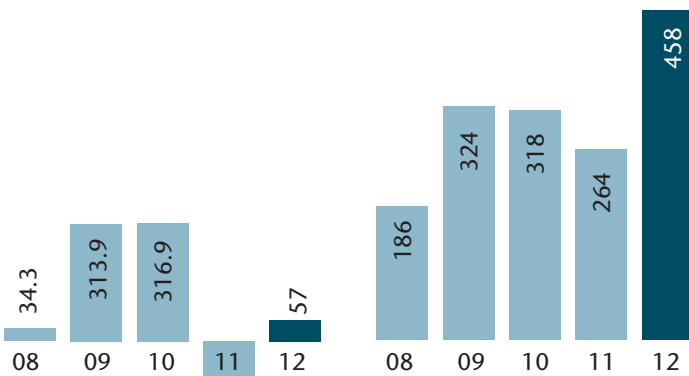
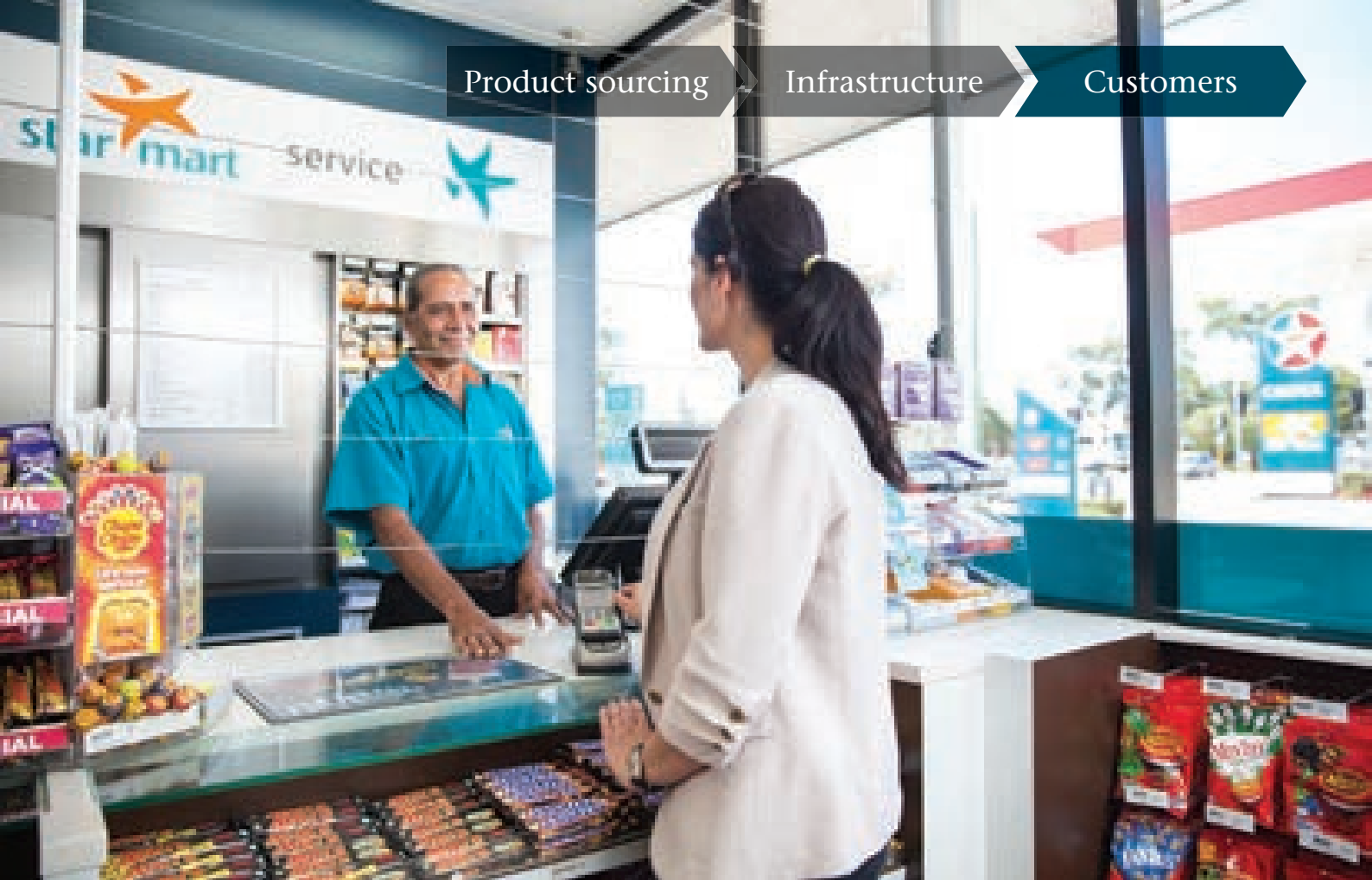
REFINERY TRANSPORT FUEL PRODUCTION INCREASED TO 10.7 BILLION LITRES FROM 9.8 BILLION LITRES IN 2011

10%
increase

PREMIUM FUEL SALES INCREASED TO 1.7 BILLION LITRES AND NOW REPRESENT 26% OF TOTAL PETROL SALES

6%
increase

RETAIL DIESEL SALES GREW YEAR ON YEAR, INCLUDING 40% GROWTH IN OUR VORTEX PREMIUM DIESEL RANGE

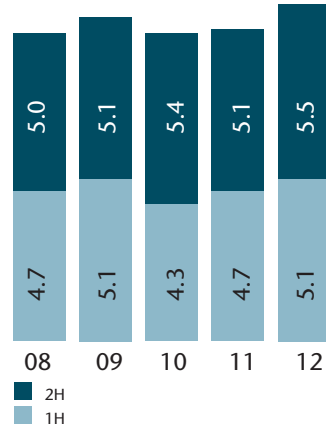


HISTORIC COST OF SALES OPERATING PROFIT (HCOP) (\$ MILLION)

On a historic cost basis (including inventory gains), Caltex recorded an after tax profit of \$57 million for the 2012 full year. This includes significant items of approximately \$309 million (after tax), which primarily relate to provisions in respect of the closure of the Kurnell refinery.

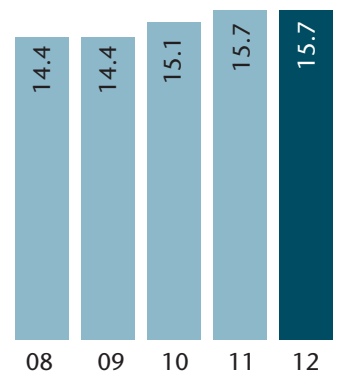
REPLACEMENT COST OF SALES OPERATING PROFIT (RCOP) (\$ MILLION)

On an RCOP basis, Caltex recorded an after-tax profit for the 2012 full year of \$458 million, excluding significant items. This compares with \$264 million for the 2011 full year (excluding significant items). The higher 2012 result is due to continued growth within Marketing and Distribution, a lower depreciation charge (\$80 million after tax) as a result of the 2011 refinery impairment, and improved refinery reliability and higher production volumes.



REFINERY TRANSPORT FUEL PRODUCTION (BILLION LITRES)

Improved refinery reliability resulted in the highest production volumes since 2007. This allowed Caltex to take advantage of the stronger Caltex Refiner Margin.



TRANSPORT FUELS SALES (BILLION LITRES)

Overall fuel sales volumes remained flat year on year, with growth seen in some higher value segments such as diesel, jet and premium fuels balancing the contraction in regular unleaded petrol and E10 sales.

Report from our Chairman and Managing Director & CEO

Securing the future

With a history that spans 100 years, Caltex is a company that has both longevity and adaptability to meet changing market demands.

2012 was a watershed year. It was a year in which we made some difficult decisions as part of a clear strategy to secure a sustainable future for Caltex. Pleasingly, it was also a year in which we achieved solid results.

Operating environment

Caltex refineries have had inconsistent earnings and returns over the last 10 years. Our refineries in their current configuration are disadvantaged and relatively small compared with the modern, larger scale and more efficient refineries in the Asian region.

This disadvantage has been exacerbated by the impact of the ongoing strength of the Australian dollar and increasing costs of refining in Australia.

In addition to this, we expect to see growth in regional refining capacity in Asia and the Middle East from 2015, outstripping underlying demand, which is likely to result in pressure on refiner margins.

Clear strategy

After extensive evaluation of our business, we announced plans in July 2012 to rebalance our supply chain.

Our strategy centres on:

- the closure of the Kurnell refinery in Sydney in the second half of 2014 - the facility will be converted to a major transport fuels import terminal

- the continued operation of the Lytton refinery in Brisbane, with a focus on delivering necessary operational and financial performance improvements
- growing our Marketing and Distribution through targeting high growth channels, geographies and products.

A fundamental element of this strategy was the successful negotiation of a long term product supply and shipping agreement with Chevron for the procurement and supply of transport fuels (such as petrol, diesel and jet fuel) to supplement domestic supply.

During the year we strengthened our already robust balance sheet with a successful \$550 million subordinated notes (or hybrid) capital raising. This gives us the financial flexibility and balance sheet strength to continue to invest in growth opportunities in our core business while implementing our supply chain restructure. We remain committed to maintaining our BBB+ credit rating.

Our measure of success continues to be to safely and reliably deliver top quartile total shareholder returns.

Financial results

Our statutory, or historic cost of profit measure, after tax profit (including inventory gains) was \$57 million for the 2012 full year. This includes significant items of approximately \$309 million (after tax), which primarily relates to provisions in respect of the closure of the Kurnell refinery. This compares favourably to the 2011 after tax loss of \$714 million, which included significant items of \$1,116 million (after tax) relating to the refinery impairment. The 2012 result also includes product and crude oil inventory losses of \$92 million after tax. This compared with an inventory gain of \$138 million after tax in 2011.

On a replacement cost of sales operating profit basis (RCOP), which excludes net inventory gains and losses, Caltex recorded an after tax profit for the 2012 full year of \$458 million, excluding significant items. This compares with \$264 million for the 2011 full year, excluding significant items.

Dividend

The Board declared a final dividend of 23 cents per share (fully franked) for the second half of 2012. Combined with the interim dividend of 17 cents per share for the first half, this equates to a total dividend of 40 cents per share for 2012, fully franked. This compares with a total dividend payout of 45 cents per share (fully franked) for 2011, and reflects the reduction in the payout ratio during the Kurnell transition period.

Profitable growth

Marketing and Distribution had another record year with operational earnings (EBIT) up 6% to \$736 million.



Marketing and Distribution has now averaged 11% per annum growth over the last five years.

Gross transport fuel margins increased 6.5% to 4.36 cents per litre, compared with 4.09 cents per litre in 2011. This result reflects the company's strategy of driving sales of premium petrol and retail diesel, jet fuel and lubricants. This growth was achieved despite the ongoing industry-wide trend of declining regular unleaded petrol sales, more aggressive competition and a generally sluggish retail environment.

Caltex remains a leading convenience retailer.

Our willingness to invest alongside our customers was evident with storage and distribution capacity growth across Western Australia, Queensland and New South Wales. We also doubled the Sydney jet fuel pipeline capacity, completed the bitumen import terminal at Sydney's Port Botany and successfully integrated new acquisitions, including Bailey's Marine refuelling business.

While some proposed new greenfield projects in the mining sector were put on hold during the year, there are still significant projects going ahead in Western Australia and Queensland. Transport fuel requirements for the mining sector are expected to continue to grow over the medium term. Caltex is well positioned to service that segment with an industry-leading reputation for being a reliable supplier through an Australian-wide network of distribution infrastructure.

Record production

Refining delivered a solid result, driven by stronger refiner margins, plant reliability gains and a lower depreciation charge, following the 2011 impairment of the refineries. Improved refinery reliability, particularly through the second half, resulted in the highest production volumes recorded since 2007. This allowed Caltex to take advantage of more favourable externalities, including a stronger Caltex Refiner Margin (CRM) of US\$11.83 per barrel, compared with US\$7.98 per barrel in 2011.

The Lytton refinery focused on improving plant reliability, which included incremental and modest investments. This trend will continue as we seek to maximise returns from the refinery.

Kurnell delivered a consistent and credible operational performance throughout the year. We have confidence in our people at Kurnell to operate safely and reliably through the significant transition to the terminal that is occurring over the next two years.

Overall, our refineries produce approximately 60% of the transport fuels supplied by Caltex to the market. This is expected to reduce towards 20-25% post the Kurnell refinery closure.

Safety remains a core commitment

Caltex continued to make significant progress on both process and personal safety fronts.

While it is disappointing that we saw an increase in reported incidents, known as total treated injury frequency rate (TTIFR), from 2.53 per million hours worked in 2011 to 2.83 in 2012, we had a decrease in our more serious injuries, known as lost time injury frequency rate (LTIFR). Our LTIFR continues to decline

and in 2012, this measure decreased by 40% to 0.59 per million hours worked, compared with 0.99 in 2011. This result is a credit to our people and processes.

Energy improvements

We also worked hard to manage compliance and reporting obligations under The Clean Energy Future legislation's Carbon Price Mechanism (CPM). We continued to participate in the Commonwealth Energy Efficiency Opportunities (EEO) scheme and reported under the National Greenhouse and Energy Reporting Scheme (NGER) and under the Carbon Disclosure Project. We also made improvements in energy efficiency to help reduce greenhouse gas emissions.

People

Ensuring that Caltex is a great place to work is a key part of our high performance culture, and we view the capability of our people as a key source of competitive advantage.

We broke new ground for Australian workplaces with the introduction of the Caltex BabyCare Package for primary carers returning to work after caring for a newborn baby. We also delivered more flexible work solutions and new technology offerings for our employees to promote a more flexible work culture.

In January 2012, we signed the Australian Employment Covenant (AEC), a national industry-led initiative that aims to close the gap between indigenous and non-indigenous Australian employment. Caltex is committed to increasing the number of indigenous Australians employed throughout its workforce.

The people of Caltex have achieved a great deal over the last year and, on behalf of the Board and management team, we would like to acknowledge the outstanding contribution and commitment of all Caltex employees, contractors, franchisees and resellers during 2012.

Our Values of Care, Own, Trailblaze, Move, Serve and Win have been the basis for many tangible and sustainable business successes throughout the year.

Future growth

Caltex's core business goes from strength to strength and the company is well positioned to take advantage of the rich pipeline of growth opportunities.

We will continue to focus on expanding our infrastructure to support our strong supply, distribution, sales and marketing capability, along with modest acquisitions as they arise.

Our willingness to invest alongside our customers assists in continuing our position as Australia's outright leader in transport fuels. We firmly believe that Caltex is well placed for the future.



Elizabeth Bryan

Chairman



Julian Segal

Managing Director
& CEO

Our strategy is clear and simple

Caltex's vision

Outright leader in transport fuels across Australia

Measure of success

Safely and reliably deliver top quartile total shareholder returns

Key strategy pillars

Superior supply chain

Enhance competitive product sourcing

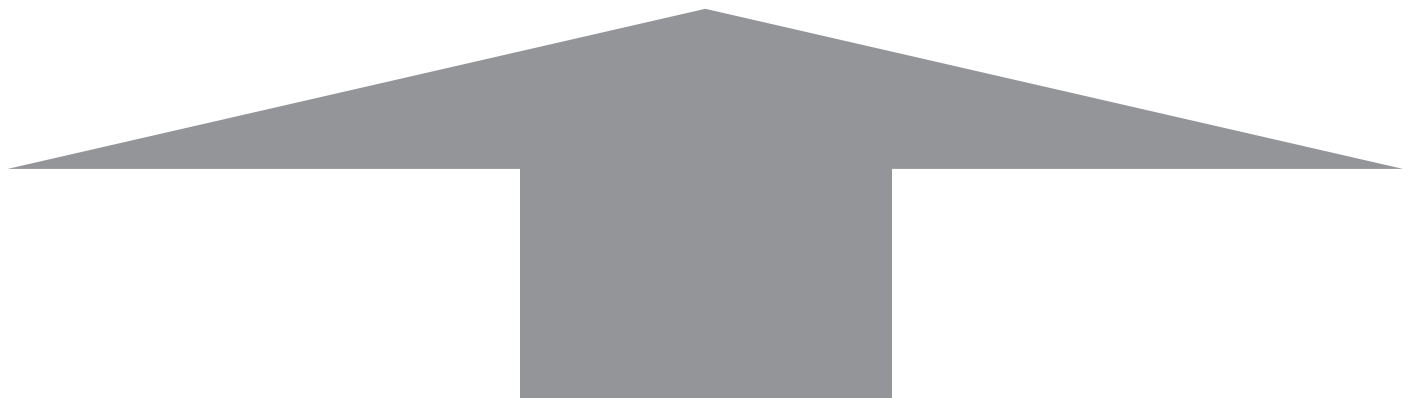
Enhance competitive infrastructure

Comprehensive targeted offer to customers across products, channels and geographies

Grow retail sales

Grow commercial and wholesale sales

Seed future growth options



Key sources of competitive advantage

Understanding and management of risk; relentless pursuit of operational excellence

Highly capable organisation

Competitive and reliable supply of product into each key geography

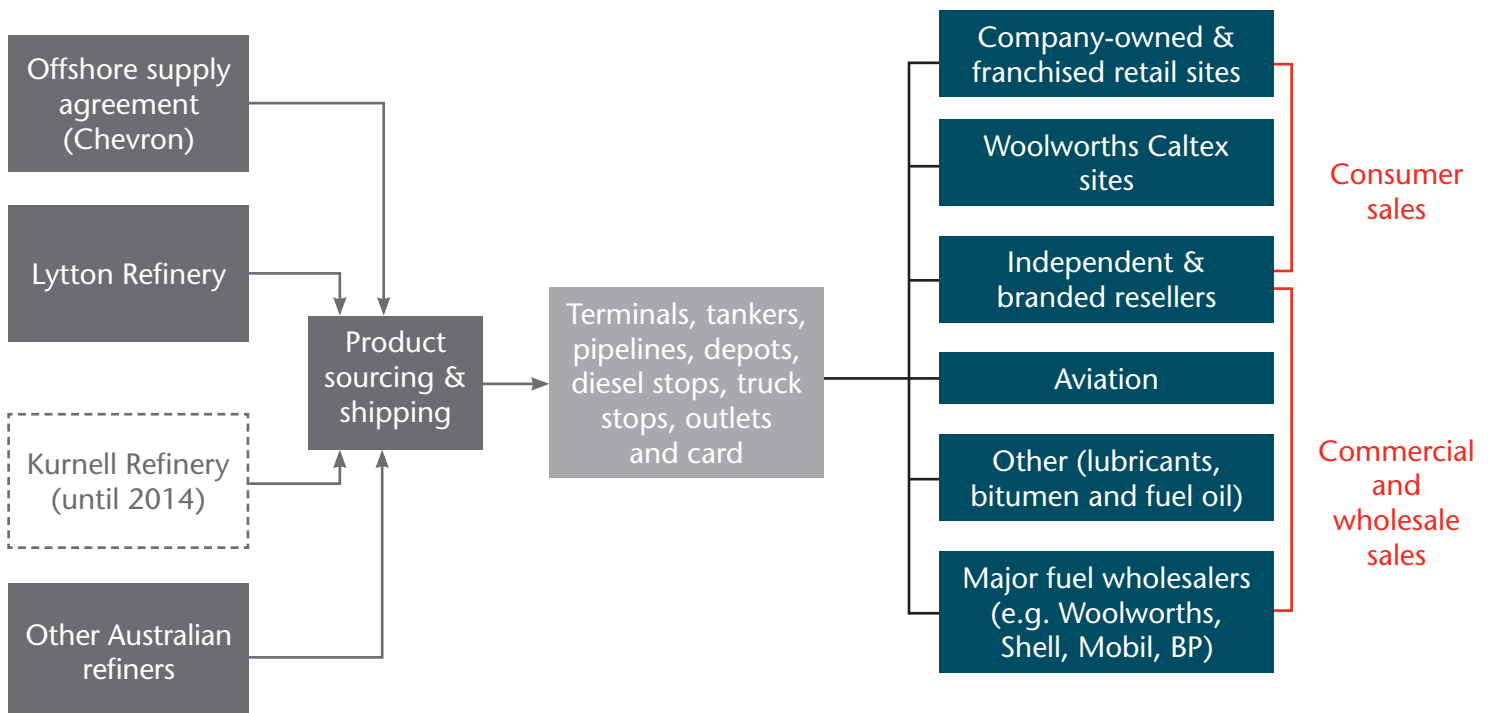
Large scale, cost competitive terminal, pipeline, depot and fleet infrastructure in each geography

Scale across the value chain, anchored by key customer portfolio

Comprehensive network of outlets, profitable franchise network, leading fuel card offer and brand



To achieve our strategy and be the outright leader in transport fuels across Australia we must optimise our entire value chain



Over 75 million barrels of crude were sourced by Caltex in 2012, with the vast majority sourced from overseas, including 43% from West and North Africa



Refining and Supply

Refining

Caltex's refineries at Kurnell in Sydney and Lytton in Brisbane account for almost a third of Australia's total refining capacity. Caltex's refineries turn crude oil into petrol, diesel and jet and a range of specialty products.

Total production of petrol, diesel and jet was 10.7 billion litres in 2012, compared with 9.8 billion litres in 2011. This represents the best production volumes in five years.

A strong emphasis on mechanical availability and yield allowed Caltex to benefit from favourable externalities. This included a strong Caltex Refiner Margin (CRM), particularly in the second half of 2012.

The Caltex Refiner Margin averaged US\$11.83 per barrel in 2012, compared with US\$7.98 per barrel in 2011. This equates to 7.22 Australian cents per litre in 2012, compared with 4.87 Australian cents per litre in 2011.

At our Lytton Refinery, Caltex invested in the order of \$60 million in key projects and upgrades throughout 2012. Highlights of these activities include the new jet fuel treater to process more acidic crudes, a new alky feed dryer to improve the reliability of the HF Alkylation unit, new mobile fire fighting equipment and fire system

upgrade and improvements to the central control building and waste water treatment plant.

The Lytton refinery remains an important part of the company's supply chain.

Kurnell Refinery operated safely and reliably throughout 2012 while delivering consistent operational performance. In 2012, Caltex invested \$35 million at Kurnell to upgrade the jet fuel system and capacity of the jet fuel pipeline from the refinery to Sydney Airport in order to meet increasing demand for jet fuel.

Kurnell Refinery's poor competitive position will continue to adversely impact its ability to generate acceptable returns even amidst favourable market conditions. The decision to convert the refinery into a major import terminal has now been made, with the refinery continuing to operate until the second half of 2014.

The refinery team is working hard to ensure this period is a successful one. The focus is on maintaining safe and reliable operations and establishing a sustainable and competitive terminal, while recognising and respecting the site's history, and most importantly looking after our people.

In 2012, a net 5.5 billion litres of refined product was sourced from both local and overseas suppliers to supplement Caltex's own transport fuels production at its two refineries

Supply

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

Crude oil for Caltex's refineries is sourced from many Australian, regional and international crude oil producers, including Chevron. Delivering this crude to our refineries requires Caltex to effectively and efficiently manage large shipments of crude oil from ports as far away as West and North Africa, Asia and more locally from Australia, Papua New Guinea and New Zealand. During 2012, Caltex broadened its crude supply base, sourcing more crude from outside this region than ever before. Five years ago, none of our crude came from Africa and now African sourced crudes total 43% of our requirements. The challenges presented by refining such an expanded range of crude product from a wide variety of competitive sources, has been successfully met by our two refineries.

Over 75 million barrels of crude were sourced by Caltex in 2012, compared with 70 million barrels in 2011.

The refined product produced by Caltex at Kurnell and Lytton supports approximately 60% of total Caltex sales. Finished petroleum products sourced both from

other Australian refiners and from overseas make up the remainder of Caltex supply to customers.

In addition to supplying our marketing business, Caltex also provides efficient supply to other major oil companies in New South Wales and Queensland.

Future opportunities

Securing reliable supply was a critical component of our supply side restructure. A key milestone for Caltex therefore in 2012 was negotiating a long term product supply agreement with Chevron for the procurement and supply of transport fuels (such as petrol, diesel and jet fuel) to supplement domestic supply at market based prices. This will play a significant role in Caltex's ability to continue to reliably supply the quality products that Caltex is renowned for.

We are committed to remaining Australia's leading transport fuels supplier through ongoing reliable, secure and efficient fuel supply to our customers. And we will do so by continuing to invest throughout our supply chain, alongside our customer base.

Growth

\$736m

Marketing and Distribution earnings before interest and tax, up 6% on a record 2011



In 2012, our Marketing and Distribution business sold 15.7 billion litres of transport fuels, split between commercial and retail. Within retail, the Caltex Star Mart network generated in excess of \$1 billion in shop turnover

Marketing and Distribution

Serving customers

Caltex supplies one third of Australia's transport fuel, and our Marketing and Distribution business produced another record result in 2012. Marketing and Distribution EBIT grew 6% to \$736 million from the previous year. Marketing and Distribution has now delivered average growth of 11% per annum over the last five years.

Sales of Vortex premium fuels (Vortex 95, Vortex 98 and Vortex Diesel), jet and lubricants were at record levels, offsetting softer consumer spending and declining regular unleaded petrol sales.

The year saw a 10% improvement in premium petrol sales, with these volumes now accounting for 26% of all petrol sales.

Additionally, along with our Retail diesel sales growth of 6%, our premium Vortex Diesel sales grew 40% to 630 million litres and now represent 19% of all diesel volumes. Retail diesel grew 6% year on year. This follows the increasing growth of diesel cars which now represent one in four new cars. This strong growth has offset the ongoing industry-wide trend of declining regular unleaded petrol sales.

Central to this year's success is Caltex's relationship with its customers. We service many diverse customer segments including retail, mining, agriculture, aviation, transport, small to medium enterprises and the defence force. We are also the supply partner for the Woolworths owned and controlled sites. It is this diverse customer base and our comprehensive supply chain that make our business so resilient.

Caltex is the leader (number one or two) in many of the markets in which it operates across products, channels and geographies. This is supported by very strong infrastructure, security and reliability of supply.

The excellent 2012 performance is a testament to our people and a clear and comprehensive strategy.

Retail

Caltex operates one of the largest fuel and convenience networks in Australia with 650 sites trading under the Star Mart brand including 132 sites operating under the Caltex Woolworths co-brand. More than 85% of the network is operated by independent franchisees, making Caltex one of the largest franchisors in Australia. The remainder of our network is operated by Calstores, our company-owned subsidiary. In addition, Caltex has fuel supply arrangements with an additional 1,100 sites including 475 Woolworths owned and operated sites, most of which are branded Caltex.

The retail division of Caltex's Marketing and Distribution business is a key contributor to the company's marketing success, representing almost half of our business. Serving over three million customers a week, the retail division sells over 7.5 billion litres in fuel volumes and generates over \$1 billion in convenience sales annually.



Together, our people, infrastructure, supply chain solutions and business partnerships with distributors provide national coverage to serve mining, agriculture, transport, commercial, marine and retail customers in all regions



Caltex is progressively rolling out its 21st century convenience (21CC) store format and upgraded forecourts in conjunction with our new, contemporary Caltex Star Mart brand imagery. In July 2012, the 100th Caltex Star Mart 21CC store was opened in Upper Coomera on Queensland's Gold Coast.

We have also been rolling out our premium Vortex Diesel range across virtually all major metropolitan sites and increasingly key regional markets in order to capture further growth in these markets.

Caltex Star Mart has been recognised by the Australian Association of Convenience Stores (AACS) by winning its Retail Store of the Year award in both the company operated (four out of five years) and franchise operated (five out of five years) categories.

Commercial

In addition to the strong earnings growth from our retail business, Caltex is well positioned to capture future growth across the resources, transportation, aviation

and other commercial sectors through our direct sales business. The Direct Sales team markets diesel, jet, lubricants and StarCard products to a diverse range of Australia's leading organisations who value our customer service and our safe, reliable supply chain.

Many commercial customers are also serviced through Caltex resellers – both Caltex branded independent resellers and company-owned resellers. Resellers service customers across the transport, mining, commercial, agricultural and industrial sectors and provide Caltex with important geographical coverage, local representation, expertise and growth opportunities.

Distribution and Infrastructure

Caltex's national distribution network of refineries, terminals, pipelines and depots underpins our company's customer proposition. We supply around one in every three litres of petrol, diesel and jet consumed in Australia, with leading market share by volume sold (36% in petrol, 32% in diesel, 32% in jet). Additionally,

Whether it's a mining site in the hot and dry Pilbara region, commercial and leisure boats on the water in Sydney Harbour and Darwin, harvesters on the Eyre Peninsula, or cane crushers in Queensland, we supply anywhere our customers need us, safely and reliably



Caltex's distribution fleet alone travelled over

11 million

kilometres delivering fuel across Australia in 2012 highlighting the complexity of the supply chain in moving Australia



we have enjoyed strong returns following our investment in Sydney's bitumen import facility.

Over recent years we have continued to invest in our national and comprehensive infrastructure to provide secure and reliable transport fuels supply across Australia, satisfying both retail and commercial customers. In mining, for example, we have commissioned terminals throughout Mackay, Gladstone and Port Hedland, while in aviation, we have doubled our jet fuel pipeline capacity servicing Sydney's Kingsford Smith Airport, Australia's largest airport. We are currently investing \$250 million in our major project to convert Kurnell into a world-class import terminal. The completion of the \$85 million Adelaide import terminal is expected by the end of 2013.

In December 2011, Caltex opened its new Port Hedland terminal to store and distribute diesel. This initiative is one of the most significant investments Caltex has made outside of our two refinery states.

The two new diesel storage tanks (totalling 40 megalitres) and new road tanker loading facilities service north-west Western Australia with much-needed additional supply capability for the resource-intensive region's diesel market.

One of our growth strategies is to invest in diesel stops. One example of this is the Tom Price Diesel Stop, which features a 110-kilolitre diesel storage tank, self-serve solar-powered bowsers, card payment facilities and AdBlue supply for late-model heavy-duty diesel vehicles. This site is regularly replenished via our road tanker fleet (sourced from our Port Hedland fuel terminal).

In September, Caltex opened its new Port Botany Bitumen Terminal to support the NSW road construction industry with all standard grades of bitumen.

We also expanded our marine fuel business with the addition of a new 65 metre bunker tanker, Anatomia, to our Sydney operations. This tanker plays a significant role in refuelling coastal traders and international cargo vessels and cruise ships.

Caltex continues to invest in fuel depot upgrades, our distribution fleet, agriculture, manned and unmanned diesel stops, truck stops, marine fuelling facilities and modest bolt-on acquisitions.

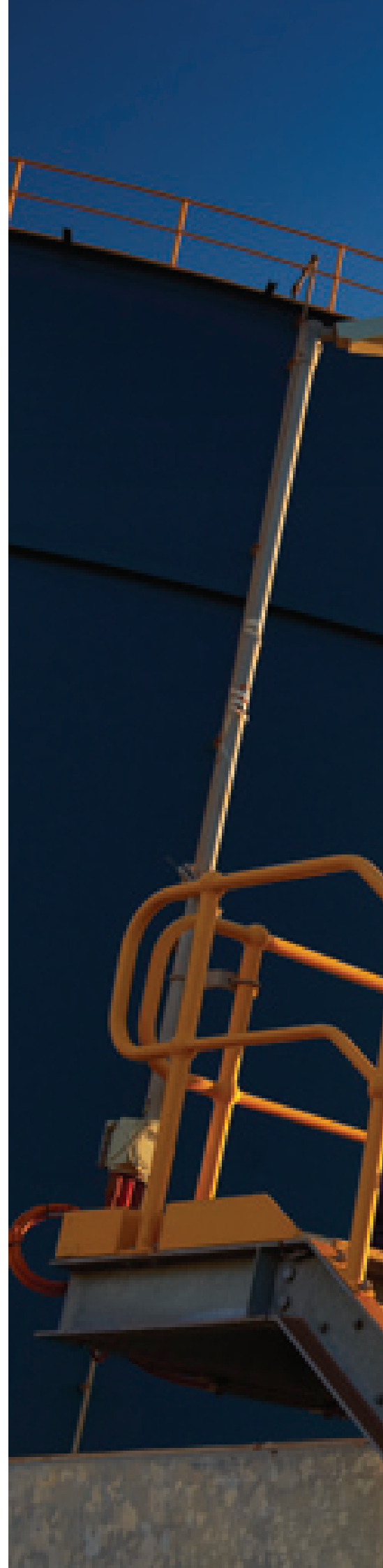
Our reseller fleet of 160 trucks moved transport fuels and lubricants approximately 11 million kilometres in 2012. This year we had 40 B-double trucks travelling daily from our Mackay and Gladstone terminals to service one of our largest mining customers in the Bowen Basin, highlighting the lengths we go to in the safe and reliable supply of quality transport fuels. In essence, we keep Australia moving.

Growth


Throughout 2013 and beyond, investment will continue in improving retail assets, consolidating growth in commercial sectors and ensuring supply capability meets customer needs. By growing closer to our core, it will reduce execution risk, while enabling us to focus on what we do best.

Retail initiatives include increasing premium fuels availability, expanding our network, upgrading our sites to our 21CC store format, increasing our convenience offering, for example Pay at Pump, leveraging our StarCard offering, interaction via social media and systems development.

Caltex's growth strategy is largely more of the same. We plan to stay close to our core, target high growth products, geographies and channels and expand both the size and quality of our retail network, infrastructure and distribution investments while ensuring we have a superior supply chain to support this growth.



We have a unique position in operating across the entire value chain. This provides us the opportunity to adapt and improvise as market conditions change

A photograph of two workers in high-visibility yellow and blue safety gear standing on a yellow metal staircase. They are positioned next to a large, green, cylindrical industrial tank. The background shows a clear blue sky with scattered white clouds. A white text box with a thin border is overlaid on the image, containing text about sales and operations. A small white dot is connected to the text box by a thin white line.

Our sales and operations people work as one team to meet or beat customer expectations – reliably and safely



Our people

The way we work together across Caltex to deliver superb outcomes for our customers contributes greatly to our goal of being the outright leader in transport fuels across Australia. Guiding us every day and every step of the way are our core values: Care, Trailblaze, Serve, Own, Move and Win.

A great place to work

At Caltex we believe the capability and dedication of our people is a key source of competitive advantage. Ensuring that Caltex is a great place to work is the cornerstone of our high performance culture. In April 2012, we conducted an engagement survey to gauge how our people felt about working for Caltex.

The results showed that a commitment to safety is top of mind for all Caltex employees. Safety featured in eight of the top 10 areas of satisfaction. This reflects our core value of Care and the personal commitment by every Caltex employee to look after their own safety, the safety of others and to treat each other and the environment with respect. The survey also identified opportunities for genuine improvement and uplift. In response, teams across Caltex were formed to listen, understand and deliver improvements in working life for our people.

Every day, people across Caltex play to win and expect to achieve the extraordinary. Celebrating personal best and great achievement is an integral part of our culture. From Spot Awards through to the prestigious Stellar Awards,

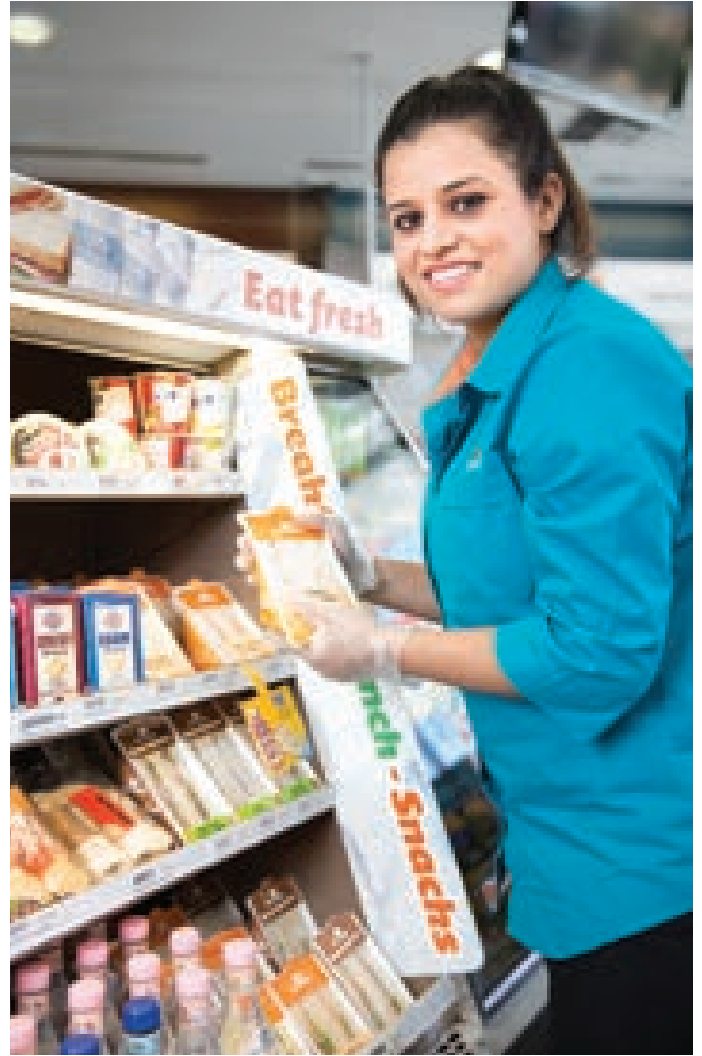
we recognise and reward outstanding achievements of individuals and teams. These great results are often delivered in challenging circumstances, and are always driven by a true belief in our values.

The annual Stellar Awards are part of Recognising Results, a company-wide recognition program designed to support and celebrate the Caltex values. Over 100 Caltex people were recognised at the 2012 Stellar Awards and, throughout the year, more than 600 employees received recognition and rewards for their outstanding efforts.

A diverse place to work

In January 2012, Caltex signed the Australian Employment Covenant (AEC), a national industry-led initiative that aims to close the gap between indigenous and non-indigenous Australian employment. As part of the AEC, Caltex has committed to a long term goal of significantly increasing the number of indigenous Australians employed throughout its workforce.

During the year, we developed an Indigenous Employment Strategy to ensure Caltex is inclusive and supportive of cultural difference. We now partner with a specialist indigenous recruitment provider to ensure that our vacancy advertising reaches indigenous channels, to identify and place quality candidates as well as provide mentoring and support for new indigenous employees and their managers. We also delivered cultural awareness



sessions for more than 50 business managers in areas where indigenous recruitment has been prioritised.

A flexible place to work

We are strongly committed to enabling a more flexible work culture in Caltex. Throughout 2012 efforts were made to improve our practices with respect to flexible work: our leaders participated in workshops to grow their knowledge, skills and confidence in delivering flexible work solutions; and new technology offerings including desktop sharing and laptop video conferencing played a significant role in supporting a range of new working arrangements.

Across the organisation, many teams implemented innovative flexible working arrangements. For example, two Process Control Engineers at our Lytton Refinery spent the year working three months on, three months off in a job share arrangement. This has given them flexibility as they approach retirement, and given Caltex significant lead-time for succession planning and training for their replacement.

A caring place to work

In July 2012, we announced the closure of the Kurnell Refinery and its conversion to a major import terminal in the second half of 2014. Following the announcement, we have supported our people at Kurnell with the highest level of care, attention and respect. In line with our value of Care, we have sought to be upfront and do the right

thing, and we continue to engage with our employees at Kurnell Refinery to listen to their individual needs, and discuss retention, redeployment and retraining opportunities. Their response and dedication during these uncertain times is a credit to them both as individuals and as a team.

The introduction of the Caltex BabyCare Package for primary carers returning to work after caring for a newborn baby boldly broke new ground for Australian workplaces. We are incredibly proud of this initiative. This innovative package supports the happy and effective return to work for our primary carer employees through a range of benefits (3% quarterly bonus to help defray childcare costs, emergency baby care and assistance to identify longer term childcare). This support remains available up until the child's second birthday. Since its introduction, more than 23 Caltex employees have qualified for the package.

A place to grow

As part of our commitment to developing a highly capable organisation, we provide our people with a variety of different learning opportunities: from technical training to professional skills, from transitioning to a manager role to developing our top talent's leadership potential. In 2012, more than 80 Caltex people participated in our leadership development programs, in conjunction with Mt Eliza Executive Education.

Health, safety and environment

Safety

Caltex continues to drive for improvement in both process and personal safety. The safety of our people and operations is a major priority, and during the year we continued to make progress in personal safety.

We improved our key personal safety measure of Lost Time Injury Frequency Rate (LTIFR) from 0.99 in 2011 to 0.59 in 2012. In terms of personal safety, our Total Treated Injury Frequency Rate (TTIFR) marginally increased, from 2.53 in 2011 to 2.83 in 2012. So while the number of recorded incidents edged up, the seriousness of the incidents pleasingly continued to fall.

Work is continuing to reduce process safety risk, particularly in our refineries, with leading metrics developed, monitored regularly and acted upon to ensure our systems continue to operate effectively. This includes the implementation of the American Petroleum Institute Recommended Practice 754 (API 754 RP) which provides a framework for measuring process safety performance. In 2012, we saw a reduction in the number of tier 1 process safety incidents, which is the measure for more serious incidents, from four in 2011 to three in 2012. We also saw a pleasing reduction in major spills from eight in 2011 to two in 2012.

With higher sales and a greater number of deliveries and kilometres travelled, we were pleased there were no significant motor vehicle accidents. There were, however, three tanker accidents and two motor vehicle accidents in 2012.

2012 was the best safety year ever for Marketing and Distribution, which is a significant achievement. Only three injuries were recorded for the entire year and the Calstores business maintained its exceptional safety record. While this achievement shows that operating without injuries is possible for extended periods, we must recognise that incidents can occur and we must remain vigilant in our approach to safe and reliable operations.

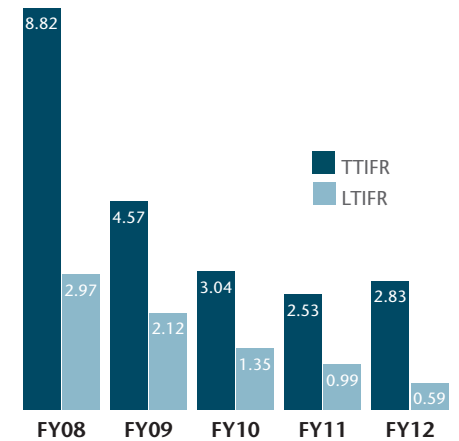
Health and wellbeing

Caltex recognises that the capability of employees to safely perform their work may be impacted by a wide range of factors which are associated not only with the workplace, but also with an individual's personal circumstances and lifestyle. All these factors may contribute to the wellbeing of an individual.

Caltex has taken a holistic approach to mitigating the risks associated with occupational wellness through the Caltex Occupational Wellness Policy and accompanying framework. Caltex attempts to mitigate these risks, in part through the Caltex Drug and Alcohol (D&A) Program.

In 2012, over 2,000 D&A tests were conducted across the business and, in line with best industry practice, a further 500 D&A tests were conducted during the two major maintenance shutdowns undertaken at our two refineries.

Injury Frequency Rates



We're committed to operating in a way that will not adversely affect the health and safety of our people, neighbours, customers or the public

We ensured appropriate training and awareness for all existing and newly appointed employees by rolling out the Caltex D&A Policy eLearning training package.

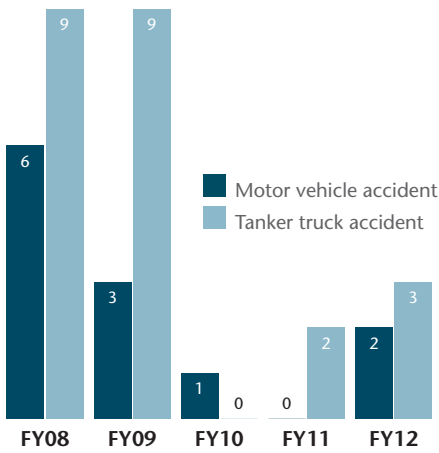
Occupational health

In 2012, Caltex implemented a new Asbestos Management Program. This program provides Caltex with a consistent approach to the management of risks associated with asbestos, including how these materials are identified at the workplace and the control measures implemented to eliminate or minimise the risk of exposure to airborne asbestos. In line with industry best practice, this program also provides Caltex with a robust governance process around this risk.

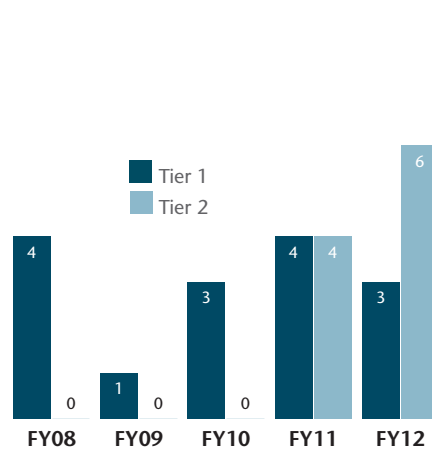
In 2012, over 800 monitoring samples were collected from workers as part of the Refining occupational hygiene monitoring program to validate the effectiveness of existing controls implemented to minimise employee exposure to these airborne hazards.

One key control used within Refining is that of personal respiratory protection. A comprehensive respirator fit test program was implemented at the Kurnell refinery in which approximately 500 employees successfully

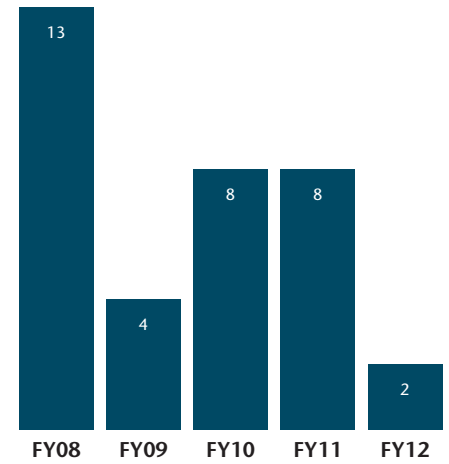
Motor vehicle and tanker truck accidents



Major process safety incidents



Major spills



completed a computer based learning program and undertook lung function and quantitative respirator fit testing. Our aim was to ensure that employees were adequately trained in the appropriate selection and effective donning of respiratory protection.

Caltex and the environment

Minimising the impact of our operations on the environment is a priority. We are committed to compliance with Australian laws, regulations and standards. Over two million compliance checks were undertaken using laboratory analysis and online instrumentation. Caltex also invested in initiatives to reduce odour and noise from our facilities.

Caltex sets key performance indicators to measure environmental, health and safety performance and drive improvements against targets. 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. Regular internal audits are also carried out to assess the effectiveness of controls to manage environmental risks.

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 2012, Caltex made its fourth submission under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations.

Caltex published its fifth public report under the Federal Energy Efficiency Opportunities program, communicating energy savings and continuing to

disclose information on emissions under the National Pollutant Inventory. Caltex is a signatory to the Australian Packaging Covenant and has submitted a five year action plan in accordance with the requirements.

A total of 17 environmental protection licences were held by companies in the Caltex Australia Group in 2012 for two refinery sites, 10 terminals, two marketing facilities and one aviation refuelling facility. This year, Caltex received two penalty infringement notices of \$1,500 relating to an oil leak from a cargo hose, from Sydney Ports Authority, and an odour release from the Propane De-Asphalting unit during maintenance, from the Environment Protection Authority.

Clean Energy Future (CEF) legislation

The Clean Energy Future legislation's Carbon Price Mechanism (CPM) commenced on 1 July 2012, placing a direct price on carbon for facilities which emit at least 25,000 tonnes of carbon dioxide equivalent annually and via changes to the fuel tax credit and excise schemes for specific fuel use.

A price on carbon has had an impact on Caltex, with our refineries in Kurnell and Lytton being liable entities under the CPM. However, as an emissions-intensive trade-exposed industry, petroleum refining receives the highest rate of assistance under the government's Jobs and Competitiveness Program, with receipt of freely granted carbon permits. Caltex has worked to ensure that systems, processes and governance are established to manage compliance and reporting obligations under this new regulation and that business channels and management have a clear view of requirements.

Caltex will continue to strive for improvements in energy efficiency across the business to improve our commercial performance in this area and help reduce greenhouse gas emissions. In 2012, Caltex continued to participate in the Carbon Disclosure Project, a voluntary reporting initiative for ASX top 200 companies, which details greenhouse gas data and responses to opportunities and risks associated with climate change.

In the community

Across Australia in 2012, Caltex partnered with non-profit organisations that share our values and leverage our support to make a real difference in the community.

Highlights of Caltex's partnerships

As an official partner of Pink Ribbon Day 2012, Caltex raised over \$210,000 for Cancer Council Australia through participating retail sites and employee sales of Pink Ribbon merchandise.

Caltex entered a partnership with OzHarvest, providing fuel to feed vans in four Australian cities. OzHarvest rescues quality, excess food and delivers to charities feeding people in need.

Clontarf Foundation students from Alice Springs, Perth, Moree and the Kimberley visited our sites to experience Caltex career paths. For example, in November 2012, students from the Yirara Clontarf Academy visited Caltex's Birkenhead Terminal in South Australia (pictured right). Caltex is a major sponsor of this organisation, which aims to improve the education, discipline, self-esteem and employment prospects of young Aboriginal men through its 53 academies around Australia.

Caltex continued to support Wild Futures – Conservation Volunteers' national wildlife conservation program. Extra support was also given to the Flatback Sea Turtle nesting programs on the Great Barrier Reef.

Employee giving

In 2012, 7% of employees donated \$166,122 through our employee giving program, Fuelling Change, with Caltex matching donations dollar for dollar to Cancer Council Australia, Heart Foundation, Oz Green, RSPCA, Starlight Children's Foundation and The Smith Family.

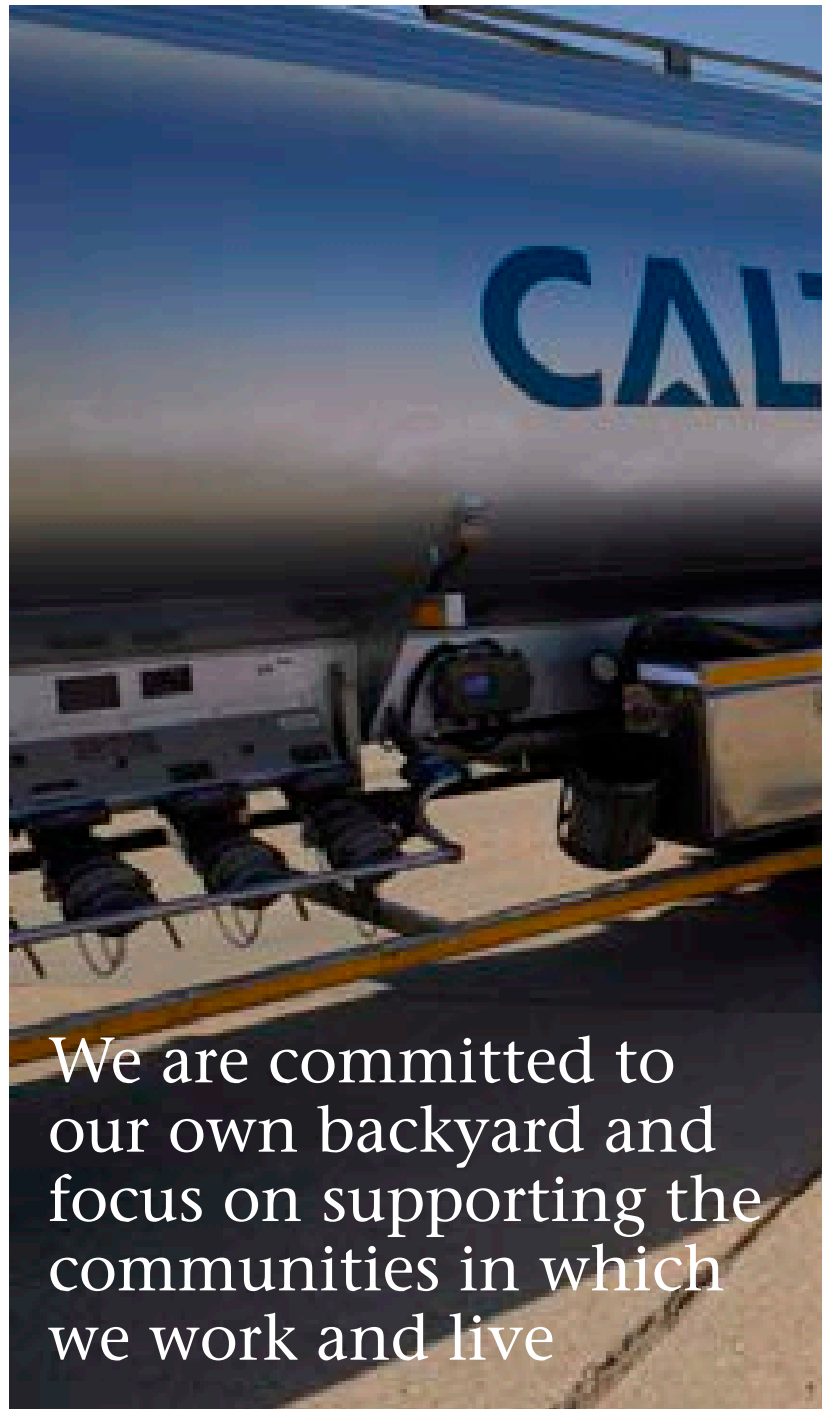
In our communities

In Lytton, over 1,000 trees were planted in the immediate surrounds of the refinery. In addition, 17 local schools received support by way of raffles, fêtes, student awards and other activities.

At Kurnell, dozens of local organisations received support with literacy funding provided to local schools and critical lifesaving equipment purchased for the Kurnell Rural Fire Brigade and local surf clubs.

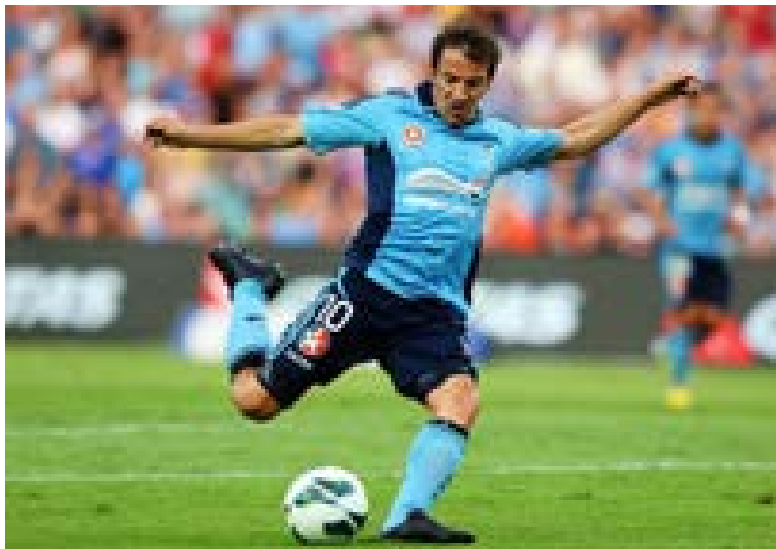
The Caltex Best All Rounder Award

This award is presented to final year students who excel across a number of areas. In 2012, the award celebrated its 27th year with over 1,800 schools participating nationally, a 38% increase on 2011.



We are committed to our own backyard and focus on supporting the communities in which we work and live





Directors

Left to Right:

John Thorn, Richard Brown, Greig Gailey, Elizabeth Bryan, Julian Segal, Ryan Krogmeier, Trevor Bourne, Barbara Burger



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 across industrial and capital-intensive industries, and a background in engineering and supply chain. He has previously been a director of Origin Energy Limited (until November 2012) and Chairman of Hastie Group Limited (until February 2012).

Richard Brown
Director
(Non-executive)

Richard joined the Caltex Board in June 2012. He brings over 30 years of oil industry experience with Chevron and substantial financial and management expertise. Richard currently serves as Regional Finance Officer – Asia Pacific, and is responsible for financial and management reporting, credit approval, local cash management, tax matters and risk management for Chevron's operations in the Asia Pacific region.

Barbara Burger
Director
(Non-executive)

Barbara joined the Caltex Board in June 2012. She brings extensive experience in marketing, manufacturing and supply chain management. She has worked for Chevron for over 25 years and is currently the Vice President – Lubricants Supply Chain and Base Oil for Chevron Lubricants, responsible for Lubricants' Operational Excellence, its Base Oil business and the procurement, manufacture and distribution of lubricants, coolants and greases worldwide.

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. He brings extensive oil industry experience, and broad management expertise from industrial and capital-intensive industries. He is Chairman of ConnectEast and the Board of Trustees of the Energy & Minerals Institute at the University of Western Australia and a member of the advisory board of CSL Australia and the Victorian Opera Company.

Ryan Krogmeier
Director
(Non-executive)

Ryan joined the Caltex Board in March 2012. Ryan brings to the Board considerable oil and gas industry and financial management experience, particularly in the areas of crude and products supply and trading, risk management and financial operations. He currently serves as the Global Vice President of International Products, Joint Ventures and Affiliates for Chevron.

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, risk and general management. He is a director of Amcor Limited, National Australia Bank Limited and Salmat Limited.

Leadership Team

Left to Right:

Simon Hepworth, Simon Willshire, Andy Walz, Julian Segal, Gary Smith, Mike McMenamain, Peter Lim



Simon Hepworth Chief Financial Officer

Simon was appointed to this position in 1999. He joined Ampol in 1996, after 10 years with Arthur Andersen. He is responsible for Finance, Accounting and Decision Support, Treasury, Taxation, Investor Relations, Information Technology and Procurement. Simon holds a Bachelor of Arts and a Masters of Applied Finance. He is a member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Australian Institute of Company Directors.

Gary Smith General Manager, Refining & Supply

Gary joined Caltex in 2009 with over 30 years in the oil, gas and chemical industries. Gary was previously Chief Executive Officer of London based Golar LNG Limited. Prior to this, he was with Shell for 19 years, in positions including General Manager, Commercial Shipping, Refinery Manager and Corporate Planning & Economics Manager. He has a Bachelor of Engineering (Mechanical) and a Master of Science, Chemical Engineering & Chemical Technology.

Simon Willshire General Manager, Human Resources

Simon joined Caltex in 2006. He has more than 25 years of experience in Human Resources management with Shell, BHP, Levi Strauss and Chubb Australia. These roles have been in Australia, Asia and Europe. Simon graduated from the Flinders University of South Australia in 1980 with a Bachelor of Arts, majoring in Political Science and Sociology. He also holds a Graduate Diploma in Business (Industrial Relations) from Charles Sturt University.

Mike McMenamain General Manager, Strategy, Planning & Development

Mike joined Caltex in 2004. He has held a range of senior international executive positions in Chevron across South Africa, New Zealand, the United States, Singapore and Central Africa. A commerce graduate from the University of Cape Town with postgraduate qualifications in accountancy and tax law, Mike qualified as a Chartered Accountant with Deloitte in South Africa and then worked in its London office.

Andy Walz General Manager, Marketing & Distribution

Andy was appointed on 1 April 2008. He joined Chevron in 1989 and has had 23 years of experience in the oil marketing industry. His most recent positions were as Manager of Chevron's Burnaby refinery in British Columbia, Canada, Advisor to the President of Chevron Global Marketing and Regional Marketing Director for Latin America. Andy has a degree in civil engineering from Colorado State University.

Peter Lim Company Secretary & General Counsel

Peter was appointed to this role on 1 January 2012. He is head of the Caltex Legal, Secretariat and Internal Audit teams, Company Secretary of the Board, Committee Secretary for the Nomination Committee and a company secretary for various companies in the Caltex Australia Group. Peter joined Caltex in June 2006 and became Assistant General Counsel in November 2009, prior to his current role. He has a Bachelor of Commerce and a Bachelor of Laws.

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 2012 Financial Report.

CALTEX AUSTRALIA LIMITED CONSOLIDATED RESULTS	2012	2011	2010	2009	2008
Profit and loss (\$million)					
Historical cost operating profit before significant items, interest and income tax expense	624	640	522	648	104
Interest income	2	1	2	2	4
Borrowing costs	(99)	(69)	(59)	(30)	(60)
Historical cost income tax expense before significant items	(161)	(170)	(131)	(185)	(13)
Historical cost operating profit after tax and before significant items	366	402	333	435	34
Significant items (net of tax)	(309) ⁽ⁱ⁾	(1,116) ⁽ⁱⁱ⁾	(16)	(121)	–
Historical cost operating profit/(loss) after income tax	57	(714)	317	314	34
Dividends					
Amount paid and payable (\$/share)	0.40	0.45	0.60	0.25	0.36
Times covered (excl. significant items)	3.39	3.31	2.06	6.45	0.35
Dividend payout ratio – replacement cost basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	24%	46%	51%	21%	52%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	23,565	22,400	18,931	17,984	23,891
Earnings per share – historical cost (cents per share)	21	(264)	117	116	13
Earnings per share – replacement cost (cents per share) (excl. significant items)	170	98	112	120	69
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	624	640	522	648	104
Earnings before interest and tax – replacement cost basis (\$m) (excl. significant items)	756	442	500	489	321
Operating cash flow per share (\$/share)	1.5	1.7	1.6	2.5	1.4
Interest cover – historical cost basis	1.9	(14.0)	8.7	17.0	1.8
Interest cover – replacement cost basis (excl. significant items)	7.8	6.5	8.7	17.4	6.7
Return on capital employed – historical cost basis (%) ^(iv)	2.0	(25.2)	9	9	1
Return on capital employed – replacement cost basis (excl. significant items) (%) ^(iv)	16	9	9	10	5
Equity attributable to members of the company (\$m)	2,148	2,206	3,071	2,915	2,592
Total equity (\$m)	2,160	2,218	3,083	2,925	2,602
Return on equity attributable to members of the parent entity after tax – historical cost basis (%)	17	18	11	15	1
Total assets (\$m)	5,386	4,861	5,291	4,952	4,922
Net tangible asset backing (\$/share)	7.55	7.82	11.08	10.48	9.29
Debt (\$m)	950	619	563	509	864
Net debt (\$m)	740	617	544	487	832
Net debt to net debt plus equity (%)	26	22	15	14	24

(i) Includes significant items relating to employment benefit and remediation provisions (\$430,000,000) arising from the announcement on 26 July 2012 of the planned 2014 closure of Kurnell Refinery in New South Wales, Australia and its proposed conversion to an import terminal. The remaining expenses of \$11,355,000 relate to cancelled capital projects associated with the Kurnell Refinery.

(ii) 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).

(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 \$458 million, compared with \$264 million in 2011.
- 2012 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$756 million, compared with \$442 million in 2011.

\$ MILLION	FIVE YEARS*					
	2012	2011	2010	2009	2008	
Historical cost net profit before interest, income tax and significant items	2,538	624	640	522	648	104
(Deduct)/add inventory (gains)/losses ⁽ⁱⁱ⁾	(27)	132	(197)	(21)	(158)	217
Replacement cost net profit before interest, income tax and significant items	2,511	756	442	500	489	321
Net borrowing costs	(306)	(97)	(68)	(57)	(28)	(56)
Historical cost income tax expense before significant items	(660)	(161)	(170)	(131)	(185)	(13)
Add/(deduct) tax effect of inventory (losses)/gains	7	(40)	59	6	48	(66)
Replacement cost profit after income tax ⁽ⁱⁱⁱ⁾	1,551	458	264	318	324	186

* 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 2012, the historical cost result includes \$132 million inventory loss (2011: \$197 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:

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); 2012: \$441 million expenses before tax (\$309 million after tax).

Statistical information

YEAR ENDED 31 DECEMBER	2012	2011	2010	2009
People				
Employees ⁽ⁱ⁾	3,610	3,550	3,546	3,872
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery ⁽ⁱⁱ⁾	–	1	1	1
Road tankers ⁽ⁱⁱⁱ⁾	168	168	170	178
Rail cars (operational)	66	66	66	66
Storage terminals operated by Caltex ^(iv)	12	13	12	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	480	476	472	468
Service stations (owned or leased)	738	746	743	756
Depots	76	79	79	88
Operations				
Nameplate refining capacity (barrels per day)				
Caltex Refineries (NSW) Pty Ltd	135,000	135,000	135,000	135,000
Caltex Refineries (Qld) Pty Ltd	109,000	109,000	109,000	109,000
Caltex Lubricating Oil Refinery Pty Ltd ⁽ⁱⁱⁱ⁾	–	3,750	3,750	3,750
Fuel production (ML)	11,648	10,686	10,607	11,093
Lubricants production (ML) ⁽ⁱⁱⁱ⁾	–	15	78	107
Total sales volume (ML)	16,628	16,619	16,047	15,522
Lost time injury frequency rate (LTIFR) ^(v)	0.59	0.99	1.35	2.12

(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 eight 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.au) using their holder identification number (HIN) or shareholder reference number (SRN) to access their shareholder specific information, or write to:

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

All enquiries should include 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. CHES 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 comprises 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 and Caltex Subordinated Notes are listed on the Australian Securities Exchange (ticker: CTX and CTXHA).

General enquiries

Investor Relations and Corporate Affairs

Rohan Gallagher +61 2 9250 5247

Company Secretaries

Peter Lim, Katie King

The address and telephone of the registered office is:

Level 24
2 Market Street
Sydney NSW 2000
T: +61 2 9250 5000
F: +61 2 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: +61 3 9473 2500

website:

www.computershare.com.au

The postal address is:

GPO Box 2975
Melbourne Vic 3001 Australia



Our energy fuels a brighter future



care

WE HOLD SAFETY
AND INTEGRITY
AS CORE PERSONAL
COMMITMENTS



trailblaze

WE BOLDLY FIND
NEW WAYS TO
SUCCEED



serve

WE DELIVER SUPERB
OUTCOMES FOR
OUR CUSTOMERS



own

WE THINK AND
ACT LIKE BUSINESS
OWNERS



move

WE DELIVER
WITH ENERGY,
CONVICTION AND
TENACITY



win

WE PLAY TO WIN

Our Values underpin everything we do

CORPORATE OFFICES

Caltex Australia Limited
ACN 004 201 307

**Caltex Australia
Petroleum Pty Ltd**
ACN 000 032 128

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2000 Australia

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

South Street
Lytton QLD 4178

T: +61 7 3362 7555
F: +61 7 3362 7111

Environmental hotline:
1800 675 487

MARKETING OFFICES

New South Wales

Caltex Banksmeadow terminal
Penhryn Road
Banksmeadow NSW 2019

T: +61 2 9695 3600
F: +61 2 9666 5737

Queensland/ Northern Territory

Caltex Lytton terminal
Tanker Street, off Port Drive
Lytton QLD 4178

T: +61 7 3877 7333
F: +61 7 3877 7464

Victoria/Tasmania

Caltex Newport terminal
411 Douglas Parade
Newport VIC 3015

T: +61 3 9287 9555
F: +61 3 9287 9572

South Australia

Caltex Birkenhead terminal
2 Elder Road
Birkenhead SA 5015

T: +61 8 8385 2311
F: +61 8 8242 8334

Western Australia

Caltex Fremantle
85 Bracks Street
North Fremantle WA 6159

T: +61 8 9430 2888
F: +61 8 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–Thurs 8.00 am
to 6.00 pm (EST)

Fri 8.00am to 5.00pm (EST)

T: 1300 364 169

www.caltex.com.au



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2012 ANNUAL REPORT



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Financial Calendar

YEAR ENDED 31 DEC 2012

9 MAY 2013 Annual General Meeting

YEAR ENDING 31 DEC 2013*

26 AUG 2013 Half year results and interim dividend announcement

10 SEPT 2013 Record date for interim dividend entitlement

02 OCT 2013 Interim dividend payable

24 FEB 2014 Full year results and final dividend announcement

11 MAR 2014 Record date for final dividend entitlement

03 APR 2014 Final dividend payable

* These dates are subject to change

2012 ANNUAL REVIEW

This 2012 Annual Review for Caltex Australia Limited has been prepared as at 25 February 2013.

The 2012 Annual Review provides a summary of Caltex's main operating activities and performance for the year ended 31 December 2012. For further information about Caltex's results and performance in 2012, please refer to the 2012 Annual Report (and the 2012 Financial Report, which forms part of the 2012 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 2012 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 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 2012 Annual Review as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2012 Annual Review and/or the 2012 Annual Report (and 2012 Financial Report), 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

Securing the future

With a history that spans 100 years, Caltex is a company that has both longevity and adaptability to meet changing market demands.

2012 was a watershed year. It was a year in which we made some difficult decisions as part of a clear strategy to secure a sustainable future for Caltex. Pleasingly, it was also a year in which we achieved solid results.

Operating environment

Caltex refineries have had inconsistent earnings and returns over the last 10 years. Our refineries in their current configuration are disadvantaged and relatively small compared with the modern, larger scale and more efficient refineries in the Asian region.

This disadvantage has been exacerbated by the impact of the ongoing strength of the Australian dollar and increasing costs of refining in Australia.

In addition to this, we expect to see growth in regional refining capacity in Asia and the Middle East from 2015, outstripping underlying demand, which is likely to result in pressure on refiner margins.

Clear strategy

After extensive evaluation of our business, we announced plans in July 2012 to rebalance our supply chain.

Our strategy centres on:

- the closure of the Kurnell refinery in Sydney in the second half of 2014 - the facility will be converted to a major transport fuels import terminal
- the continued operation of the Lytton refinery in Brisbane, with a focus on delivering necessary operational and financial performance improvements
- growing our Marketing and Distribution through targeting high growth channels, geographies and products.

A fundamental element of this strategy was the successful negotiation of a long term product supply and shipping agreement with Chevron for the procurement and supply of transport fuels (such as petrol, diesel and jet fuel) to supplement domestic supply.

During the year we strengthened our already robust balance sheet with a successful \$550 million subordinated notes (or hybrid) capital raising. This gives us the financial flexibility and balance sheet strength to continue to invest in growth opportunities in our core business while implementing our supply chain restructure. We remain committed to maintaining our BBB+ credit rating.

Our measure of success continues to be to safely and reliably deliver top quartile total shareholder returns.

Financial results

Our statutory, or historic cost of profit measure, after tax profit (including inventory gains) was \$57 million for the 2012 full year. This includes significant items of approximately \$309 million (after tax), which primarily relates to provisions in respect of the closure of the Kurnell refinery. This compares favourably to the 2011 after tax loss of \$714 million, which included significant items of \$1,116 million (after tax) relating to the refinery impairment. The 2012 result also includes product and crude oil inventory losses of \$92 million after tax. This compared with an inventory gain of \$138 million after tax in 2011.

On a replacement cost of sales operating profit basis (RCOP), which excludes net inventory gains and losses, Caltex recorded an after tax profit for the 2012 full year of \$458 million, excluding significant items. This compares with \$264 million for the 2011 full year, excluding significant items.

Dividend

The Board declared a final dividend of 23 cents per share (fully franked) for the second half of 2012. Combined with the interim dividend of 17 cents per share for the first half, this equates to a total dividend of 40 cents per share for 2012, fully franked. This compares with a total dividend payout of 45 cents per share (fully franked) for 2011, and reflects the reduction in the payout ratio during the Kurnell transition period.

Profitable growth

Marketing and Distribution had another record year with operational earnings (EBIT) up 6% to \$736 million. Marketing and Distribution has now averaged 11% per annum growth over the last five years.

Gross transport fuel margins increased 6.5% to 4.36 cents per litre, compared with 4.09 cents per litre in 2011. This result reflects the company's strategy of driving sales of premium petrol and retail diesel, jet fuel and lubricants. This growth was achieved despite the ongoing industry-wide trend of declining regular unleaded petrol sales, more aggressive competition and a generally sluggish retail environment.

Caltex remains a leading convenience retailer.

Our willingness to invest alongside our customers was evident with storage and distribution capacity growth across Western Australia, Queensland and New South Wales. We also doubled the Sydney jet fuel pipeline capacity, completed the bitumen import terminal at Sydney's Port Botany and successfully integrated new acquisitions, including Bailey's Marine refuelling business.

While some proposed new greenfield projects in the mining sector were put on hold during the year, there are still significant projects going ahead in Western Australia and Queensland. Transport fuel requirements for the mining sector are expected to continue to grow over the medium term. Caltex is well positioned to service that segment with an industry-leading reputation for being a reliable supplier through an Australian-wide network of distribution infrastructure.

Record production

Refining delivered a solid result, driven by stronger refiner margins, plant reliability gains and a lower depreciation charge, following the 2011 impairment of the refineries. Improved refinery reliability, particularly through the second half, resulted in the highest production volumes recorded since 2007. This allowed Caltex to take advantage of more favourable externalities, including a stronger Caltex Refiner Margin (CRM) of US\$11.83 per barrel, compared with US\$7.98 per barrel in 2011.

The Lytton refinery focused on improving plant reliability, which included incremental and modest investments. This trend will continue as we seek to maximise returns from the refinery.

Kurnell delivered a consistent and credible operational performance throughout the year. We have confidence in our people at Kurnell to operate safely and reliably through the significant transition to the terminal that is occurring over the next two years.

Overall, our refineries produce approximately 60% of the transport fuels supplied by Caltex to the market. This is expected to reduce towards 20-25% post the Kurnell refinery closure.

Safety remains a core commitment

Caltex continued to make significant progress on both process and personal safety fronts.

While it is disappointing that we saw an increase in reported incidents, known as total treated injury frequency

rate (TTIFR), from 2.53 per million hours worked in 2011 to 2.83 in 2012, we had a decrease in our more serious injuries, known as lost time injury frequency rate (LTIFR). Our LTIFR continues to decline and in 2012, this measure decreased by 40% to 0.59 per million hours worked, compared with 0.99 in 2011. This result is a credit to our people and processes.

Energy improvements

We also worked hard to manage compliance and reporting obligations under The Clean Energy Future legislation's Carbon Price Mechanism (CPM). We continued to participate in the Commonwealth Energy Efficiency Opportunities (EEO) scheme and reported under the National Greenhouse and Energy Reporting Scheme (NGER) and under the Carbon Disclosure Project. We also made improvements in energy efficiency to help reduce greenhouse gas emissions.

People

Ensuring that Caltex is a great place to work is a key part of our high performance culture, and we view the capability of our people as a key source of competitive advantage.

We broke new ground for Australian workplaces with the introduction of the Caltex BabyCare Package for primary carers returning to work after caring for a newborn baby. We also delivered more flexible work solutions and new technology offerings for our employees to promote a more flexible work culture.

In January 2012, we signed the Australian Employment Covenant (AEC), a national industry-led initiative that aims to close the gap between indigenous and non-indigenous Australian employment. Caltex is committed to increasing the number of indigenous Australians employed throughout its workforce.

The people of Caltex have achieved a great deal over the last year and, on behalf of the Board and management team, we would like to acknowledge the outstanding contribution and commitment of all Caltex employees, contractors, franchisees and resellers during 2012.

Our Values of Care, Own, Trailblaze, Move, Serve and Win have been the basis for many tangible and sustainable business successes throughout the year.

Future growth

Caltex's core business goes from strength to strength and the company is well positioned to take advantage of the rich pipeline of growth opportunities.

We will continue to focus on expanding our infrastructure to support our strong supply, distribution, sales and marketing capability, along with modest acquisitions as they arise.

Our willingness to invest alongside our customers assists in continuing our position as Australia's outright leader in transport fuels. We firmly believe that Caltex is well placed for the future.



Elizabeth Bryan
Chairman



Julian Segal
Managing Director
& CEO

CORPORATE GOVERNANCE STATEMENT

The Board is committed to conducting the business and operations of Caltex Australia Limited and its Group companies (Caltex) in accordance with high standards of corporate governance, and in the best interests of our shareholders.

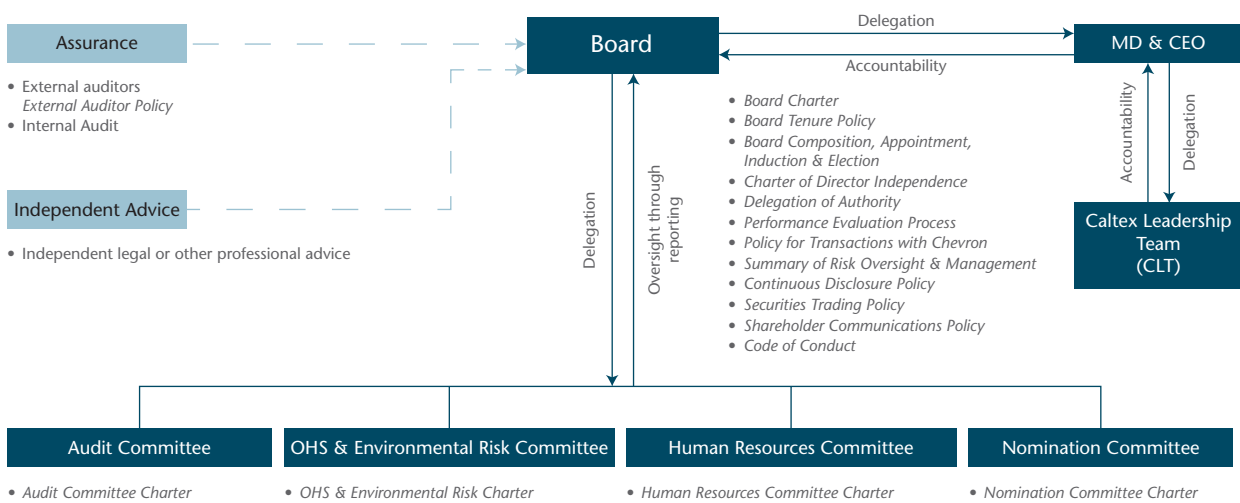
This Corporate Governance Statement provides information about our corporate governance practices for 2012, including compliance with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations for the year ended on 31 December 2012 and as at the date of this Annual Report.

The corporate governance framework is continually reviewed and updated in response to changes in Caltex’s business or applicable legislation or standards.

The governance policies referred to in this statement are also available in the corporate governance section on our website www.caltex.com.au.

A diagram showing Caltex’s corporate governance framework is set out below.

Corporate governance framework



1. THE BOARD

1.1 Role of the Board

The role of the Board is to oversee and direct Caltex management in seeking to deliver superior business and operational performance and long term growth in shareholder value.

Caltex has a major shareholder, Chevron, which holds 50% of the ordinary shares. Caltex operates independently of Chevron, with all decisions made in Australia by the Caltex Board and management.

The Board has delegated responsibility for managing Caltex’s day-to-day business and operations to the Managing Director & CEO within the limits set out in delegations approved by the Board. The Managing Director & CEO has in turn approved sub-delegations of authority to the Caltex Leadership Team (CLT) which, along with the Managing Director & CEO, is accountable to the Board.

The Board Charter and Delegations of Authority seek to achieve a balance that gives Caltex’s Managing Director & CEO and the CLT the authority to manage our day-to-day operations, while reserving important strategic, business, operational and governance matters to the Board.

The key responsibilities of the Board under its charter include:

- approving Caltex’s strategic direction, business plan and annual budget
- evaluating and monitoring Caltex’s performance against financial, operational and safety objectives
- approving Caltex’s financial statements and reports to shareholders
- approving Caltex’s dividend policy and determining Caltex’s capital structure
- assessing and monitoring Caltex’s material business risks, the adequacy of policies and internal controls
- establishing and promoting appropriate standards of ethical conduct, corporate integrity, safety, corporate governance, and legal and regulatory compliance
- approving a policy for transactions between Caltex and Chevron and approving significant transactions with Chevron

- reviewing Board performance
- appointing, and reviewing the performance of, the Managing Director & CEO
- reviewing succession planning for the Board, the Managing Director & CEO and the CLT, and
- approving remuneration of the Managing Director & CEO and the CLT.

1.2 Composition of the Board

There are currently eight directors on the 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, and all decisions to appoint a new director are made by the Board. The Board annually reviews its composition, including the number of independent directors and the mix of skills, experience, expertise and diversity of directors and the Board.

As required by the Board Charter, the Chairman is an independent, non-executive director. Ms Elizabeth Bryan is the Chairman of the Board, and some of her special responsibilities 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 management
- 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.

As noted in the table below, the role of the Chairman and the Managing Director & CEO are not exercised by the same individual.

DIRECTORS	POSITION	APPOINTMENT DATE
Elizabeth Bryan	Chairman Independent non-executive director	18 July 2002 Appointed as Chairman on 1 October 2007
Julian Segal	Managing Director & CEO	1 July 2009
Trevor Bourne	Independent non-executive director	2 March 2006
Greig Gailey	Independent non-executive director	11 December 2007
John Thorn	Independent non-executive director	2 June 2004
Ryan Krogmeier ¹	Non-executive director	30 March 2012
Richard Brown ¹	Non-executive director	28 June 2012
Barbara Burger ¹	Non-executive director	28 June 2012

¹ Ms Colleen Jones-Cervantes serves as alternate director for each of Mr Krogmeier, Ms Burger and Mr Brown.

Further details of the directors' skills, experience and expertise and special responsibilities are provided in the Directors' profiles at pages 20 to 22 of this Annual Report.

1.3 Independence

With Chevron as a substantial shareholder, the Caltex Board does not have a majority of independent directors. Under the Charter of Director Independence, the Board recognises that it is in the best interests of shareholders to have a strong representation of independent directors. Ms Elizabeth Bryan, Mr Trevor Bourne, Mr Greig Gailey and Mr John Thorn are independent non-executive directors.

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

Mr Ryan Krogmeier, Ms Barbara Burger and Mr Richard Brown are not independent as they are executives of Chevron. The Caltex Board appoints Chevron executives as non-executive directors to give the Board direct access to current senior executives of a leading global energy company who have many years of industry experience. Each of Ryan, Barbara and Richard 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 petroleum industry experience who would be available to Caltex is relatively small because candidates may have current or recent associations with Caltex's competitors. The Board's practice is for the directors who are Chevron executives to leave the Board meeting and not participate in discussions or decisions that relate to Chevron.

CORPORATE GOVERNANCE STATEMENT (continued)

In assessing independence, 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. Independence is initially assessed upon each director's appointment and reviewed 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.

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.

An assessment of independence takes the following relationships with Caltex into account:

- service as an officer of a substantial shareholder
- length of previous service as a director on the Board or previous service as a senior executive of Caltex within the past three years
- service as a partner, principal or director of a professional adviser or consultant that has had a material business relationship with Caltex within the past 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 within the past 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.

1.4 Access to independent advice

Caltex directors have access to independent professional advice at Caltex's expense. A director can seek professional advice with prior approval by the Board Chairman. The Board Chairman can seek professional advice with prior approval by the Audit Committee Chairman.

1.5 Appointment terms and re-election of directors

When the Board decides to appoint a new non-executive director, the Nomination Committee prepares a list of selection criteria having regard to the desired capabilities of the Board, the 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 Nomination Committee engages a search firm to conduct the search based on the selection criteria and requests the firm to provide a list of candidates for consideration.

When the Board appoints a non-executive director who is a Chevron executive, the Chairman (typically with assistance from existing directors from Chevron) contacts Chevron to discuss potential candidates who would best meet the selection criteria. In addition to the selection criteria determined by the Nomination Committee, consideration is also given to:

- 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. The Board Composition, Appointment, Induction & Election document provides further detail of this process.

Election and 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 the advice provided by the Nomination Committee. The issues considered by the Nomination Committee in forming its recommendations to the Board about the election or re-election of a director include:

- the director's performance having regard to our Performance Evaluation Policy
- the desired composition of the Board, including its size, capabilities and diversity having regard to our Charter of Director Independence and the Board Composition, Appointment, Induction & Election policy
- the length of time the director has served on the Board having regard to our Board Tenure Policy, and
- the director's external commitments.

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.

1.6 Induction and training

All new directors take part in an induction program to familiarise them with Caltex's business, strategy and operations, performance, risks, governance and external environment. The induction program is tailored for each director's experience and circumstances, including briefings with other Board members and senior executives, site visits and external training. New directors also receive an information pack containing key business documents, reference materials and internal policies.

A letter is provided to each new director which sets out the terms of their appointment, their responsibilities and the expectations of them in their role, and the assistance and resources that we provide to assist them.

The Nomination Committee periodically reviews the director induction program and the standard letter of appointment for new directors to ensure that they appropriately reflect directors' evolving roles and the changes to Caltex's business and operations.

2. BOARD COMMITTEES

2.1 Overview of committees

To increase its effectiveness, the Board uses committees to assist it in performing its role. The role of the Board Committees is to make recommendations to the Board on matters set out in each of the committees' charters and, in some instances, to exercise authorities delegated by the Board.

The Board has four standing committees: the Audit Committee, the Human Resources Committee, the OHS & Environmental Risk Committee and the Nomination Committee. The Audit Committee comprises three independent directors including an independent director chairman, who is not the Board Chairman. The Human Resources Committee does not comprise any members who are executive directors. Both the OHS & Environmental Risk and the Nomination Committees comprise a majority of independent directors.

CORPORATE GOVERNANCE STATEMENT (continued)

The current members and role of each committee are shown in the table below.

AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	OHS & ENVIRONMENTAL RISK COMMITTEE	NOMINATION COMMITTEE
Responsibilities			
<p>Assists the Board in:</p> <ul style="list-style-type: none"> reviewing the integrity of financial reporting, including accounting policies and significant areas of judgement reviewing dividend recommendations monitoring the adequacy, integrity and effectiveness of financial risk management and internal controls reviewing the findings, plans, independence and performance of the external auditors and Caltex's internal audit function and approving the scope of their work 	<p>Assists the Board in:</p> <ul style="list-style-type: none"> reviewing the remuneration of non-executive directors reviewing the incentive frameworks and remuneration levels for the Managing Director & CEO and the CLT reviewing the performance of the Managing Director & CEO and the CLT reviewing the remuneration framework for employees reviewing the remuneration disclosures in the annual report to shareholders reviewing termination payments reviewing succession planning for the Managing Director & CEO and the CLT reviewing the diversity policy and gender diversity objectives and disclosures across Caltex 	<p>Assists the Board in:</p> <ul style="list-style-type: none"> monitoring the adequacy, integrity and effectiveness of the critical systems, internal controls and processes and procedures used to manage occupational health and safety (OHS) and environmental risks reviewing the appropriateness of Caltex's practices to manage material OHS and environmental risks monitoring compliance with legal obligations in relation to OHS and environmental matters reviewing investigations into significant OHS and/or environmental incidents reviewing OHS and environmental policies and internal audit plans and findings in relation to OHS and environmental matters 	<p>Assists the Board in:</p> <ul style="list-style-type: none"> reviewing the composition of the Board identifying skills and desirable competencies for the Board and Board Committees the selection and induction program for non-executive directors election and re-election of non-executive directors succession plans for non-executive directors overseeing the process for evaluating the performance of the Board, its committees and individual directors
Members			
John Thorn – Chairman Independent non-executive	Greig Gailey – Chairman Independent non-executive	Trevor Bourne – Chairman Independent non-executive	Elizabeth Bryan – Chairman Independent non-executive
Greig Gailey Independent non-executive	John Thorn Independent non-executive	Greig Gailey Independent non-executive	Trevor Bourne Independent non-executive
Trevor Bourne Independent non-executive	Ryan Krogmeier ¹ Non-executive	Barbara Burger ¹ Non-executive	Greig Gailey Independent non-executive
			John Thorn Independent non-executive
			Ryan Krogmeier ¹ Non-executive
			Richard Brown ¹ Non-executive
			Barbara Burger ¹ Non-executive

1. Ms Colleen Jones-Cervantes serves as an alternate director for Mr Krogmeier, Ms Burger and Mr Brown.

2.2 Directors' attendance at Board and committee meetings

The Board held 11 scheduled meetings during 2012. Meetings are generally held monthly, with additional meetings called to consider specific or urgent matters, as appropriate.

The Board held preliminary meetings in the absence of Caltex management at scheduled Board meetings throughout the year. Details of directors' attendance at meetings are provided at page 49 of this Annual Report.

3. PERFORMANCE EVALUATION AND REMUNERATION

3.1 Performance evaluation

Board

The Nomination Committee engaged an independent specialist to facilitate a performance review of the Board, its standing committees and individual directors at the end of 2012. As part of the review, the independent specialist interviewed each director to explore a range of focused topics relating to the Board's effectiveness. Senior executives were also interviewed to obtain further information, including about the relationship between the Board and management.

The independent specialist prepared a report on the review, which was discussed with the whole Board. The Board subsequently agreed on specific actions, together with expected timeframes and areas of responsibility, to further develop the Board's effectiveness. The Chairman also addressed the report in her discussions with individual directors and with the CLT.

Managing Director & CEO and the CLT

The Board sets annual performance objectives for the Managing Director & CEO based on Caltex's business plan, after receiving advice from the Human Resources Committee. The Chairman met with the Managing Director & CEO in January 2013 to assess his performance for the previous year and discussed his performance review. The Human Resources Committee discussed the performance review with the Chairman and the Managing Director & CEO and made a recommendation to the Board for an annual performance assessment. In February 2013, the Board further discussed the Managing Director & CEO's performance and approved an annual performance assessment for 2012.

The Managing Director & CEO formally reviews the performance of his direct reports twice a year against agreed business objectives and their job descriptions. The 2012 full year performance reviews for the CLT were considered by the Human Resources Committee and the Board in February 2013.

Further information on the performance review process for the CLT is provided at section 3c of the Remuneration Report.

3.2 Director and executive remuneration

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. The Board considers performance, duties and responsibilities, market comparison and independent advice as part of the remuneration process.

Remuneration for non-executive directors is fixed and is subject to a remuneration pool of \$2 million, which was approved by shareholders. Non-executive directors receive statutory superannuation (and may salary sacrifice fees to superannuation) but do not participate in any incentive plans or receive any performance based remuneration. There is no retirement benefits scheme for non-executive directors.

Details on Caltex's remuneration arrangements for the Managing Director & CEO and the CLT are provided in the Remuneration Report at pages 25 to 48 of this Annual Report.

4. RISK MANAGEMENT FRAMEWORK

4.1 Risk management framework

The Board is ultimately responsible for monitoring the effectiveness of the critical systems and internal controls used to manage Caltex's material business risks. It is also responsible for approving financial and other risk management policies. The Board has delegated oversight of particular risks to its standing committees.

The Managing Director & CEO and the CLT are responsible for the design, implementation and maintenance of risk management systems to manage Caltex's material business risks.

Caltex's policies for the oversight and management of material business risks are regularly reviewed and approved by the Board. A Summary of Risk Oversight and Management document provides details on the approach to managing these risks and also outlines the roles and responsibilities of the Board (including its committees), management and staff on the oversight and management of risks.

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 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.

CORPORATE GOVERNANCE STATEMENT (continued)

These risks are assessed on a regular basis by management, and material risks are regularly reported to the Board and its committees. These reports include the status and effectiveness of control measures relating to each material risk. The Board, the Audit Committee, the OHS & Environmental Risk Committee and the Human Resources Committee each receive reports on material risks relevant to their responsibilities. The Board and the OHS & Environmental Risk Committee also receive quarterly risk updates throughout the year.

4.2 Internal controls framework

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 conducts audits in accordance with audit plans approved by the Audit Committee (for financial risks) and the OHS & Environmental Risk Committee (for occupational health, safety and environmental risks), and provides regular reports to those committees and to senior management.

Integrity in financial reporting

The Board has received assurance from the Managing Director & CEO 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.

4.3 External Auditor Policy

The Board has approved an External Auditor Policy that deals 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. Caltex's Relationship with the External Auditor document is available from our website and provides a summary of this process.

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 before KPMG was engaged for the 2012 full year audit and half year review.

The Audit Committee meets privately with the external auditor at each meeting and the Committee Chairman additionally meets with the external auditor from time to time outside committee meetings, as appropriate.

5. CORPORATE SOCIAL RESPONSIBILITY

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. Caltex has a health and safety policy, approved by the OHS & Environmental Risk Committee, which requires Caltex to provide a safe and healthy workplace for all our people, and to operate in a way that will not adversely affect the health and safety of our neighbours, customers or the public. The emphasis on health and safety is embedded in our business planning process and entrenched in the culture of our organisation.

Caltex is committed to further improving the energy efficiency of our operations. In 2012, Caltex continued to participate in the Commonwealth Energy Efficiency Opportunities Scheme and reported under the National Greenhouse and Energy Reporting Scheme and under the Carbon Disclosure Project. Caltex is also 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.

Further information on our social, ethical and environmental performance can be found in the Annual Review.

6. GOVERNANCE POLICIES

6.1 Code of Conduct

Caltex's Code of Conduct applies to Caltex directors, senior executives and staff and provides a framework for decision making and business behaviour, which builds and sustains our corporate integrity, reputation and success. This Code of Conduct identifies responsibilities for investigating breaches of the code and associated reporting of breaches to the Board or senior management as appropriate.

The Board receives an annual report from the General Manager – Human Resources in relation to the administration of, and compliance with, the Code of Conduct.

6.2 Diversity

Caltex is committed to achieving diversity across all levels of our organisation. By diversity, we mean a prevalence of difference in the workplace, including women and men from different countries, cultures, ethnicities and generations. Caltex's Diversity Policy 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.

This Diversity Policy also sets out the overall aims of our diversity strategies and the responsibilities of the Board, its committees and Caltex staff. 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 annually approves measurable gender and other objectives set in accordance with the Diversity Policy, assesses the progress against those objectives, and monitors the proportion of women at various levels across Caltex.

The Board approved a set of measurable objectives for 2012 to achieve gender diversity, which were disclosed in the Corporate Governance Statement included in Caltex's 2011 Annual Report. The progress we have made in relation to each objective is set out in the following table:

OBJECTIVE	PROGRESS
(1) Caltex will increase the number of women managers in its "pipeline critical successor Talent Pool" from 16% to a minimum of 20%.	Exceeded. Caltex increased the number of women in its "pipeline critical successor Talent Pool" from 16% to 25%.
(2) At annual remuneration review, Caltex will review remuneration by gender to ensure unconscious bias has not influenced outcomes.	Completed. A detailed gender pay audit was conducted after the April 2012 salary review; this found mostly balanced outcomes across gender. There was a reduction in the male-led salary gender gap to 0.3%, compared to 1.7% in 2011. The audit confirmed that: <ul style="list-style-type: none"> the distribution of high/successful/low performers was evenly spread across gender salary increases were balanced across gender, and those who have taken parental leave in the past year (97% of whom are female) have a similar compa-ratio to the rest of the population.
(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 working arrangements?" from 60% to 70% (in the Caltex Flexible Work Survey)	Ongoing. The number of graded employees who answered "yes" increased from 60% to 67%. In 2012, Caltex implemented several initiatives in respect of flexibility work. It developed and implemented flexible workshops to strengthen manager confidence, skills and innovative responses regarding flexible work. The CLT, the Diversity Council and most senior managers completed this workshop in 2012. Caltex also developed new technology to enable people to work from home more effectively, including laptop video-conferencing facilities and improved online document sharing. Caltex will continue to proactively promote and measure flexible work outcomes. We will continue to monitor our progress in this area.
(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.	Exceeded. During 2012, the voluntary turnover rate for male graded employees was 6.95% compared to 4.49% for female graded employees.

CORPORATE GOVERNANCE STATEMENT (continued)

OBJECTIVE	PROGRESS
<p>(5) During 2012, Caltex will establish measures to provide direct support to new parents who return to work following a period of parental leave as a child's primary carer.</p>	<p>Completed. On 1 October 2012, Caltex launched its <i>BabyCare Package</i>, which comprised the following components available up until the child's second birthday:</p> <ul style="list-style-type: none"> • <i>Caltex BabyCare Bonus</i> – Caltex pays a 3% bonus each quarter to a primary carer once they return to work up until their child's second birthday (a total of 12% per year on base salary inclusive of superannuation). • <i>Emergency BabyCare</i> – Each employee may access five "emergency child care" sessions per annum, valued up to \$300 each. These sessions can be used for ad-hoc or "emergency" care that arises in connection with work responsibilities. • <i>Help identifying appropriate long term childcare</i> – Caltex has partnered with a specialist external provider with significant knowledge and experience in locating childcare to engage with individuals before their return to work, and assist them to identify available options. • <i>Nursing mothers' facilities</i> – Caltex committed to introducing facilities at its key workplaces during 2013 to provide privacy for nursing mothers needing to breastfeed or express milk.

In December 2012, the Board assessed the 2012 objectives and Caltex's progress in achieving them. The following objectives have been set by the Board for 2013:

- (1) Caltex will continue to maintain the reduction of voluntary turnover amongst graded female employees so that the proportion is similar to or less than the voluntary turnover rate of graded male employees.
- (2) Each Caltex business unit will develop, implement and report on its own 2013 action plan to attract, develop, promote and retain more women leaders.
- (3) During 2013, Caltex will introduce facilities for nursing mothers at its key workplaces.
- (4) Before 31 December 2013, Caltex will develop and implement a new flexible leave policy.
- (5) Caltex will establish new metrics for reporting on indigenous recruitment and voluntary turnover.

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

LEVEL	% OF WOMEN IN 2011	% OF WOMEN IN 2012
Board	12.5	25
Senior executives (CLT)	0	0
Senior managers (salary grades 58 and above)	18	21
Middle managers (salary grades 56 and 57)	15	18
Caltex Group	31	34

6.3 Dealing in securities

Caltex's *Securities Trading Policy*, which is available on our website, sets out clear requirements for Caltex staff not to breach insider trading laws when dealing in the securities of Caltex and other companies. The policy also contains trading restrictions which apply during the periods prior to results releases. It also prohibits senior executives from hedging an exposure to unvested or vested Caltex securities held through any of our executive incentive plans.

6.4 Continuous 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.

Caltex's *Continuous Disclosure Policy*, which is available on our website, sets out the key obligations of the Board, senior executives and staff to ensure that we comply with our continuous disclosure obligations so that investors have equal and timely access to material information concerning Caltex and company announcements are factual and presented in a clear and balanced way.

6.5 Shareholder communications policy

Caltex is committed to giving our investors timely, balanced and understandable information about our business and performance. The following practices support this goal:

- In addition to statutory reporting, we publish an annual review and a half year review which provide an overview of our key business developments, operational highlights and financial performance.
- We provide to the market monthly Caltex Refiner Margin updates, a key contributor to our performance.
- We have a robust and proactive investor relations program which includes regular engagement with institutional investors and analysts. Our investor presentations are released to the market before the briefings occur, and we give prior notice of significant briefings, such as half yearly and annual reporting.
- We provide ASX and media releases, corporate governance policies and charters and other relevant company information on our website at www.caltex.com.au.

We encourage shareholders to submit questions for the company or our auditor in the lead-up to our Annual General Meeting. The Chairman discusses significant issues raised in shareholders' questions in her address to the meeting, and a written response to the key themes is released to the market. Shareholders who attend in person have the opportunity to ask further questions at the meeting. We also webcast the Annual General Meeting so that it can be viewed by people who are unable to attend.

Caltex's *Shareholder Communications Policy* sets out further details of our approach to providing fair and equal information to all investors.

6.6 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 commercial arrangements with Chevron companies. Significantly, Caltex has an agreement with Chevron for the procurement and supply of transport fuels, with associated shipping services.

The Caltex Board has adopted a *Policy for Transactions with Chevron* to ensure that all arrangements with Chevron are at arm's length. Under that policy, all crude, product and shipping transactions or other significant dealings with Chevron must be approved by the Caltex Board. The Board's practice is for the directors who are Chevron executives to leave the meeting and not participate in discussions or decisions on these matters.

Details of the policy, and other information concerning the relationship with Chevron, are available on our website at www.caltex.com.au.

CORPORATE GOVERNANCE STATEMENT (continued)

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES AND RECOMMENDATIONS		SECTION REFERENCE	COMPLY
Principle 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.	1.1	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	3.1 and Remuneration Report	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1.1, 3.1	✓
Principle 2 – Structure the board to add value			
2.1	A majority of the board should be independent directors.	1.2, 1.3	✗
2.2	The chair should be an independent director.	1.3	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1.2	✓
2.4	The board should establish a nomination committee.	2.1	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	3.1	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1.2, 1.3, 2.1, 3.1 and website	✓
Principle 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: <ul style="list-style-type: none"> 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. 	6.1	✓
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.	6.2	✓
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.	6.2	✓
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.	6.2	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	6.1, 6.2 and website	✓
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	2.1	✓
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> 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. 	2.1	✓
4.3	The audit committee should have a formal charter.	2.1	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	2.1, 4.2, 4.3 and website	✓

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES AND RECOMMENDATIONS		SECTION REFERENCE	COMPLY
Principle 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.	6.4	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	6.4 and website	✓
Principle 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.	6.5	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	6.5 and website	✓
Principle 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.	4.1	✓
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.	4.1, 4.2	✓
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 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.	4.2	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	4.1, 4.2, 4.3 and website	✓
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	2.1	✓
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	2.1	✓
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	3.2 and website	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2.1, 3.2, Remuneration Report and website	✓

SIMPLIFIED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

INCOME STATEMENT

for the year ended 31 December 2012

MILLIONS OF DOLLARS		2012	2011
1	Total revenue ¹	23,565	22,400
2	Total expenses ²	(23,250)	(23,552)
3	Replacement cost earnings/(loss) before interest and tax	315	(1,152)
	Finance income	2	1
	Finance expenses	(99)	(69)
4	Net finance costs	(97)	(68)
	Income tax (expense)/benefit ³	(69)	368
	Replacement cost of sales operating profit/(loss) (RCOP)	149	(852)
5	Inventory (loss)/gain after tax	(92)	138
	Historical cost net profit/(loss) after tax	57	(714)
	Interim dividend per share	17c	17c
6	Final dividend per share	23c	28c
	Basic earnings/(losses) per share		
	• Replacement cost (excluding significant items)	170c	98c
	• Historical cost (including significant items)	21c	(264c)

Discussion and analysis

1 TOTAL REVENUE ▲ 5%	Total revenue increased primarily due to higher fuel sales volumes than in the prior year (2012: 20.8 billion litres vs. 2011: 19.9 billion litres).
2 TOTAL EXPENSES – REPLACEMENT COST BASIS ▼ 1%	Total expenses decreased as a result of: <ul style="list-style-type: none"> • lower significant items incurred in 2012 (\$441 million) primarily for the provisions for the closure of the Kurnell Refinery compared to significant items in 2011 (\$1,594 million) for the impairment of Refinery assets at Kurnell. Excluding significant items, total expenses rose by 4% in line with the increase in total sales volumes for 2012.
3 REPLACEMENT COST EBIT INCLUDING SIGNIFICANT ITEMS	Replacement cost earnings before interest and tax (EBIT) increase is largely attributable to: <ul style="list-style-type: none"> • improved externalities during 2012 including a narrowing of the light-heavy crude oil price spread combined with tight regional supply, both of which favourably impacted the Caltex Refiner Margin. • the impairment of Refinery assets in 2011.

1. Excludes interest revenue of \$2 million (2011: \$1 million) and includes other income of \$302 million (2011: \$295 million).
2. Excludes interest expense of \$87 million (2011: \$66 million) and inventory losses of \$132 million (2011: \$197 million gain).
3. Excludes tax benefit on inventory loss of \$40 million (2011: \$59 million tax expense).

RCOP EBIT BREAKDOWN¹



CALTEX REFINER MARGIN (CRM) \$787m	<p>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.</p> <p>US dollar CRM was higher in 2012 at US\$11.83/bbl, compared with US\$7.98/bbl for 2011. In AUD terms, the CRM was 7.22 Australian cents per litre in 2012, compared with 4.87 Australian cents per litre in 2011, due to the higher average Australian dollar in 2011.</p> <p>Total refinery production in 2012 of all products was 11.6 billion litres compared with 10.7 billion litres in 2011. A production increase at Kurnell and Lytton refineries (932 million litres) resulted from fewer unplanned outages during 2012.</p>
TRANSPORT FUELS MARKETING MARGIN \$678m	<p>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.</p> <p>Transport fuel sales have increased, driven by an increase in premium fuel sales and jet sales. Premium fuel sales were 3.0 billion litres in 2012, compared with 2.5 billion litres in 2011. Caltex's overall transport fuel sales volumes were consistent with 2011. Retail diesel margins have continued to grow strongly, driven by the premium diesel product, Vortex Diesel, and as a result of growth in the diesel vehicle market.</p> <p>Jet fuel volumes increased approximately 5%, underpinned by a strong and growing customer base.</p> <p>Overall petrol volumes decreased approximately 3%, in line with the market. However, premium petrol sales volumes continue to grow, with Vortex Premium Unleaded sales increasing by 10%.</p>
LUBRICANTS AND SPECIALTIES MARGIN \$127m	<p>Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, bitumen, wax and marine fuels.</p> <p>The finished lubricants business continued its sales volumes growth of 14% in 2011 with a further 2% increase in 2012. Specialty products sales increased by 5% in 2012, driven by strong bitumen sales and margins achieved due to Shell's absence from the Sydney market following the closure of the Clyde refinery in NSW.</p>
NON-FUEL INCOME \$184m	<p>Non-fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from distributor businesses.</p> <p>Non-fuel income has remained in line with 2011. Earnings were boosted by warehouse and distribution network cost savings in 2012 as well as increased rental income from leased retail sites. These improvements were offset by unseasonably wet weather at the start of 2012 as well as site upgrade activity resulting in a number of StarMart locations being offline during the year.</p>
OPERATING EXPENSES (\$1,002m)	<p>Operating expenses in this caption include Refining & Supply, Marketing and Corporate operating expenditure. Overall operating expenses are in line with 2011.</p> <p>Refining operating expenses included various expenses relating to the Kurnell conversion. These included providing for employee entitlements, increased salaries and wages expenses at Kurnell to ensure continued safe operation during the conversion process, and external consultant and adviser expenditure.</p> <p>These factors, combined with inflationary pressures, have been substantially offset by reduced depreciation and amortisation (down \$94 million on 2011) as a result of the 2011 impairment of refinery assets.</p>

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)

FOR THE YEAR ENDED 31 DECEMBER 2012

RCOP EBIT BREAKDOWN (continued)



OTHER (\$18m)

Other includes foreign exchange impacts, loss on disposal of assets and pipeline and charter revenue.

RCOP EBIT EXCLUDING SIGNIFICANT ITEMS

\$756m

SIGNIFICANT ITEMS

(\$441m)

During 2012, the Group incurred significant items of \$441 million due to:

- \$430 million for employee benefits and remediation provisions arising from the announcement on 26 July of the planned 2014 closure of Kurnell Refinery in New South Wales, Australia and the proposed conversion to an import terminal, and
- \$11 million due to cancelled capital projects directly related to the decision to cease refinery operations at Kurnell.

TOTAL RCOP EBIT

\$315m

4 NET FINANCE COSTS

▲ 43%

Net finance costs increased by \$29 million compared with 2011.

Increased net financing costs reflect higher working capital commitments associated with the sourcing of a higher percentage of long haul crudes, and higher inventory being kept on hand at both Kurnell and Lytton to facilitate the increased throughput rates at each refinery.

Financing costs in 2012 are also higher due to changes to Caltex's funding structure resulting from the \$550 million Subordinated Notes Issue and the non-cash discounting expense from changes in the predicted spending pattern of long term payables and a decrease in the government bond rate used to discount these balances.

5 INVENTORY LOSS AFTER TAX

▼ \$230m

Regional crude prices in 2012 experienced significant periods of fluctuation, with movements exceeding \$US30/bbl between high and low points throughout the year. This volatility, combined with fluctuations in the AUD exchange rate, resulted in net inventory losses of \$132 million (\$92 million after tax) and compares with the increases in regional crude prices in 2011 which resulted in net inventory gains of \$197 million (\$138 million after tax).

6 FINAL DIVIDEND

The Board is pleased to announce it has declared a final dividend of 23 cents per share (fully franked) for 2012 (a total of \$62 million). This makes the total 2012 dividends declared 40 cents per share (fully franked) after the interim dividend of 17 cents per share paid on 3 October 2012 (2011 total dividends: 45 cents per share). The record date in relation to the final 2012 dividend is 12 March 2013, with the dividend payable on 4 April 2013.

BALANCE SHEET

as at 31 December 2012

	MILLIONS OF DOLLARS	DEC 2012	DEC 2011	CHANGE
1	Working capital	1,108	927	181
2	Property, plant and equipment (PP&E)	1,770	1,535	235
3	Net debt	(740)	(617)	(123)
4	Other non-current assets and liabilities	22	373	(351)
	Total equity	2,160	2,218	(58)

Discussion and analysis

1 WORKING CAPITAL

▲ \$181m

The increase in working capital is primarily due to:

- lower payables due to the timing of local and international product purchases, and
- higher receivables due to the timing of receipts from key commercial customers at year end.

2 PP&E

▲ \$235m

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

- capital expenditure and accruals, including major cyclical maintenance, of \$384 million. This includes assets acquired through business acquisitions of \$1 million.

This is partly offset by:

- depreciation of \$116 million, and
- disposals of \$35 million.

3 NET DEBT

▲ \$123m

Net debt increased to \$740 million at 31 December 2012, an increase of \$123 million from 31 December 2011 due to higher working capital requirements, primarily as a result of longer lead times on crude cargoes and higher inventory on hand at Kurnell and Lytton.

As a result of this increase in debt, and the refining asset impairment charge, Caltex's gearing at 31 December 2012 (net debt to net debt plus equity) was 25.5%, increasing from 21.8% at 31 December 2011. On a lease-adjusted basis, gearing at 31 December 2012 was 40% compared with 33% at 31 December 2011.

4 OTHER NON-CURRENT ASSETS AND LIABILITIES

▼ \$351m

Other non-current assets and liabilities have decreased primarily due to provisions raised in relation to the Kurnell Refinery conversion. These items are discussed above and are classified as significant items.

SIMPLIFIED FINANCIAL REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

CASH FLOWS

for the year ended 31 December 2012

	MILLIONS OF DOLLARS	2012	2011	CHANGE
1	Receipts from customers	27,015	25,636	1,379
2	Payments to suppliers and employees	(21,369)	(19,895)	(1,474)
3	Payments for excise	(5,027)	(5,047)	20
	Finance costs paid	(109)	(70)	(39)
4	Tax and other activities	(111)	(178)	67
	Net operating cash inflows	399	446	(47)
	Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(377)	(396)	19
	Other investing cash flows	(18)	11	(29)
	Net investing cash outflows	(395)	(385)	(10)
	Dividends paid	(122)	(127)	5
	Other financing cash inflows	326	49	277
5	Net financing cash inflows/(outflows)	204	(78)	282
	Net increase/(decrease) in cash held	208	(17)	225

Discussion and analysis

1 RECEIPTS FROM CUSTOMERS

▲ \$1,379m

Receipts from customers increased primarily due to higher fuels sales volumes than in the prior year.

2 PAYMENTS TO SUPPLIERS AND EMPLOYEES

▲ \$1,474m

Payments to suppliers increased as a result of higher cost of sales, reflecting the increase in sales volumes above.

3 PAYMENTS FOR EXCISE

▼ \$20m

Excise payments are materially in line with 2011 due to flat transport fuel sales year on year (2012: 15.69ML vs. 2011: 15.71ML). The increase in total sales volumes for 2012 (2012: 20.80ML vs. 2011: 19.95ML) was driven by higher buy/sell sales, which are not subject to excise until a later point in time.

4 TAX AND OTHER ACTIVITIES

▼ \$67m

Net cash outflows from tax and other operating activities were lower in 2012 mainly due to timing of payments. Income taxes of \$7 million were paid in 2012 that related to the 2011 financial year.

5 NET FINANCING CASH INFLOWS

▲ \$282m

Net financing cash inflows are driven by higher average daily borrowings for 2012 as a result of increased working capital commitments. As discussed, these commitments include financing longer lead time crude cargoes and higher inventory requirements at both refineries.

2012 FINANCIAL REPORT FOR CALTEX AUSTRALIA LIMITED

The 2012 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 2012.

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 2012 Directors' Report (including the Remuneration Report) and the 2012 Financial Report for Caltex Australia Limited and its controlled entities (the Caltex Australia Group) for the year ended 31 December 2012 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 Richard Brown, Ms Barbara Burger, Mr Greig Gailey, Mr Ryan Krogmeier and Mr John Thorn.

Ms Colleen Jones-Cervantes serves as alternate director for each of Mr Brown, Ms Burger and Mr Krogmeier.

The following changes to the composition of the Board have occurred since 1 January 2012:

Directors

- Mr Brant Fish resigned as a director from 29 March 2012.
- Mr Krogmeier was appointed as a director from 30 March 2012.
- Mr Timothy (Tim) Leveille and Mr Walter (Walt) Szopiak resigned as directors from 27 June 2012.
- Mr Brown and Ms Burger were appointed as directors from 28 June 2012.

Alternate directors

- Ms Jones-Cervantes' appointment as alternate director for Mr Fish ended on 29 March 2012.
- Ms Jones-Cervantes was appointed as alternate director for Mr Krogmeier from 30 March 2012.
- Ms Jones-Cervantes' appointment as alternate director for each of Mr Leveille and Mr Szopiak ended on 27 June 2012. Ms Jones-Cervantes was appointed as alternate director for each of Mr Brown and Ms Burger from 28 June 2012.

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) and a member of the Federal Government's Takeovers Panel (from 8 March 2012). 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 Group's day-to-day operations 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 was previously a director of Origin Energy Limited (from February 2000 to 12 November 2012) and was the Chairman of Hastie Group Limited (where he served as a director from February 2005 to 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 Richard Brown

Director (Non-executive)

Date of appointment: 28 June 2012

Board committees:

Nomination Committee

Richard brings to the Board over 30 years of oil industry experience with Chevron and substantial financial and management expertise. He currently serves as Chevron's Regional Finance Officer – Asia Pacific, based in Singapore. He is responsible for financial and management reporting, credit approval, local cash management, tax matters and risk management for Chevron's operations in the Asia Pacific region. Richard was appointed to this role from September 2012 and, prior to that, was Chevron's General Manager – Finance for Europe, Eurasia and Middle East Opco. He has previously held a range of senior finance roles with Chevron in the UK, Europe and Africa.

Richard holds a Bachelor of Arts (Economics) from the University of Warwick (UK).

Ms Barbara Burger

Director (Non-executive)

Date of appointment: 28 June 2012

Board committees:

OHS & Environmental Risk Committee and Nomination Committee

Barbara brings to the Board extensive experience in marketing, manufacturing and supply chain management. She has worked for Chevron for over 25 years and is currently the Vice President – Lubricants Supply Chain and Base Oil for Chevron Lubricants. In this role, she is responsible for Lubricants' Operational Excellence, its Base Oil business as well as the procurement, manufacture and distribution of all lubricants, coolants and greases worldwide.

Barbara holds a Bachelor of Science (Chemistry) from the University of Rochester (US), a Doctor of Philosophy (Chemistry) from the California Institute of Technology (US) and a Master of Business Administration (Finance) from the University of California (US).

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 background in industrial and capital intensive industries as well as involvement in public policy. 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 Pasmenco Limited as CEO. Pasmenco 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 ConnectEast and the Board of Trustees of the Energy and Minerals Institute at the University of Western Australia and a member of the advisory board of CSL Australia and the Victorian Opera Company. Greig was previously a director of the Australian Davos Connection Limited (from November 2007 to September 2012).

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

Mr Ryan Krogmeier

Director (Non-executive)

Date of appointment: 30 March 2012

Board committees:

Nomination Committee and Human Resources Committee

Ryan brings to the Board considerable experience in the oil and gas industry, particularly in the areas of crude and products supply and trading, risk management and financial operations. He currently serves as the Global Vice President of International Products, Joint Ventures and Affiliates for Chevron and was appointed to this role in April 2012. Ryan is based in Singapore and has over 20 years of experience working for Chevron. Previously, he was the Vice President – Americas East, Caribbean and Latin America for Chevron, in which he was responsible for strategy and profits for Chevron's downstream fuels business in those regions.

Ryan is a director of GS Caltex Corporation (in Korea), Star Petroleum Refining Co Ltd (in Thailand) and Singapore Refining Company Pte Ltd (in Singapore).

Ryan holds a Bachelor of Business Administration (Accounting) from the University of Iowa (US) and a Master of Business Administration from the University of California (US).

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.

DIRECTORS' REPORT (continued)

BOARD PROFILES (continued)

Ms Colleen Jones-Cervantes

Alternate director

Date of appointment: 30 March 2012 for Mr Ryan Krogmeier and 28 June 2012 for Mr Richard Brown and Ms Barbara Burger

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 director of Caltex Australia Limited (June 2008 to August 2010) and as an alternate director of Caltex Australia Limited (July 2006 to May 2008).

FORMER DIRECTORS

Mr Brant Fish

Director (Non-executive)

Brant served as a director of Caltex Australia Limited from 27 July 2006 to 29 March 2012 and is a former alternate director (April 2005 to July 2006). He was also a member of the Human Resources Committee and the Nomination Committee.

Brant currently serves as Chevron's Vice President, Americas Products, West Downstream & Chemicals. In this role, he is accountable for the profit and loss of Chevron's refining and fuels marketing activities and driving supply chain optimisation value capture in the Western region of the United States plus Hawaii, and is based in the US. He was previously the Global Vice President of Joint Ventures & Affiliates for Chevron International Products.

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

Mr Timothy (Tim) Leveille

Director (Non-executive)

Tim served as a director of Caltex Australia Limited from 1 December 2010 to 27 June 2012. He was also a member of the Nomination Committee.

Tim currently serves as Senior Vice President, Chief Financial Officer and Controller of Chevron Phillips Chemical Company. He was appointed to this role in March 2012 and has primary responsibility for the financial plans and policies of the organisation, including establishment and maintenance of fiscal controls, preparation and interpretation of financial reports, and safeguarding the organisation's assets. He is also responsible for development

and maintenance of overall accounting policies and controls and for establishing and maintaining good corporate relations with the financial communities. As part of his role, Tim manages the accounting, tax, treasury, corporate reporting and financial controls areas as well as the information technology function. Previously, Tim served as the Assistant Treasurer Opco Support and Intercompany in Chevron's Corporate Treasury department.

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

Mr Walter (Walt) Szopiak

Director (Non-executive)

Walt served as a director of Caltex Australia Limited from 1 September 2010 to 27 June 2012 and is a former alternate director (April 2009 to August 2010). He was also a member of the Nomination Committee and the OHS & Environmental Risk Committee.

Walt 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. 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).

REVIEW OF RESULTS AND OPERATIONS

General overview

On a historic cost basis (including inventory gains), Caltex recorded an after tax profit of \$57 million for the 2012 full year. This includes significant items of approximately \$309 million (after tax), which primarily relates to provisions in respect of the closure of the Kurnell refinery. This compares favourably to the 2011 after tax loss of \$714 million, which included significant items of \$1,116 million (after tax) relating to the refinery impairment. The 2012 result includes product and crude oil inventory losses of \$92 million after tax, compared with an inventory gain of \$138 million after tax in 2011.

Significant items of \$441 million (pre-tax discounted basis) include the previously announced provisions of \$430 million in respect of future costs relating to the closure of the Kurnell refinery. This includes employment benefits, refinery dismantling and site remediation.

Replacement cost operating profit

On an RCOP basis, Caltex recorded an after tax profit for the 2012 full year of \$458 million, excluding significant items. This compares with \$264 million for the 2011 full year (excluding significant items). The higher 2012 result is due to continued growth within Marketing & Distribution, a lower depreciation charge as a result of the 2011 refinery impairment, and improved refinery reliability and higher production volumes which allowed Caltex to capitalise on more favourable externalities, including strong second half refining margins¹.

Marketing & Distribution business remains strong, resilient and continues to grow

Marketing & Distribution earnings before interest and tax (EBIT) of \$736 million was 6% higher than 2011 (which was also a record year). This result reflects the company's strategy of driving sales of premium petrol and retail diesel, jet fuel and lubricants. This is despite the ongoing industry-wide trend of declining regular unleaded petrol sales, exacerbated by more aggressive competition. The earnings growth was supported by continued investment in retail store upgrades, the successful integration of two small acquisitions, and supply chain infrastructure upgrades, including the recent successful doubling of the Sydney jet fuel pipeline capacity.

Caltex's Marketing & Distribution business remains strong and resilient. Caltex is committed to continuing to invest throughout the supply chain, including the on-going refurbishment of Caltex retail sites and construction of leading industry terminals in Adelaide and Sydney.

Refining & Supply benefits from higher production volumes, lower depreciation and more favourable externalities

Refining & Supply delivered a significant turnaround compared with the prior year, delivering \$88 million EBIT (2011: \$208 million loss). Improved refinery reliability (particularly through the second half) resulted in the highest production volumes since 2007. This allowed Caltex to take advantage of more favourable externalities, including a stronger Caltex Refiner Margin (CRM) of US\$11.83/bbl (2011: US\$7.98/bbl). This incorporates a strong second half CRM of US\$13.58/bbl (H2 2011: US\$8.14/bbl). The result was further supported by a depreciation charge which was \$113 million lower than in the prior year, following the 2011 refinery impairment.

The better configuration at Lytton allowed it to contribute the majority of Refining & Supply earnings. Kurnell just broke even (before one-off costs relating to its planned closure), despite an improved second half operating performance. Unfortunately, its poor competitive position restricts its ability to generate acceptable and sustained returns, despite favourable market conditions. Whilst still at an early stage, Caltex remains on track to close the refinery operations at Kurnell towards the end of 2014.

Balance sheet remains strong

Net debt at 31 December 2012 was \$740 million, compared with \$617 million at 31 December 2011. Caltex is committed to maintaining a BBB+/Stable credit rating.

Dividend

The Board has decided to declare a final dividend of 23 cents per share (fully franked) for the second half of 2012. Combined with the interim dividend of 17 cents per share for the first half, paid in September 2012, this equates to a total dividend of 40 cents per share for 2012, fully franked. This compares with a total dividend payout of 45 cents per share (fully franked) for 2011, and reflects the temporary reduction in the payout ratio (to 20% to 40%) during the Kurnell closure period.

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 2012 to the date of this report.

LIKELY DEVELOPMENTS

Business operations

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

Outlook

Marketing & Distribution is expected to grow, despite a competitive environment. Successfully transitioning Kurnell from a refinery to Australia's largest import terminal will underpin an industry leading supply chain. The Lytton refinery remains an important part of the company's supply chain.

Caltex supplies over one third of all transport fuels in Australia and remains committed to maintaining secure and reliable supply to its commercial and retail customers.

CLEAN ENERGY FUTURE (CEF) LEGISLATION

The Clean Energy Future legislation's Carbon Price Mechanism (CPM) commenced on 1 July 2012, placing a direct price on carbon for facilities which emit at least 25,000 tonnes of carbon dioxide equivalent annually and via changes to the fuel tax credit and excise schemes for specific fuel use.

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.

DIRECTORS' REPORT (continued)

CLEAN ENERGY FUTURE (CEF) LEGISLATION (continued)

A price on carbon has had an impact on Caltex, with our refineries in Kurnell and Lytton being liable entities under the CPM. As an emissions-intensive trade-exposed industry, petroleum refining receives the highest rate of assistance under the Government's Jobs and Competitiveness Program, with receipt of freely granted carbon permits.

Caltex has worked across the business to ensure that systems, processes and governance are established to manage compliance and reporting obligations under this new regulation and that business channels and management have a clear view of requirements.

Although no on-road transport fuels are covered under the CPM, an equivalent carbon price applies to some liquid and gaseous fuel use, through changes in fuel tax credits and changes in excise as administered by the Australian Taxation Office.

ENVIRONMENTAL REGULATIONS

Caltex is committed to compliance with Australian laws, regulations and standards, as well as to 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 the Caltex Health and Safety Policy.

In 2012, Caltex made its fourth 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 fifth 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 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 2012 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.

In 2012, Caltex received two penalty infringement notices of \$1,500: one from Sydney Ports Authority relating to an oil leak from a cargo hose and one from the New South Wales Environmental Protection Authority relating to an odour release from the Propane De-Asphalting unit during maintenance. Although this latter incident occurred in 2011, the fines were issued in 2012.

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 52 and forms part of the Directors' Report for the financial year ended 31 December 2012.

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 2012.

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 for the financial year.

1. Remuneration summary

1a. Executive Director and Senior Executives¹

Julian Segal	Managing Director & CEO
Simon Hepworth	Chief Financial Officer
Peter Lim	Company Secretary and General Counsel. Appointed effective 1 January 2012 after undertaking the role in an acting capacity from 28 March 2011
Mike McMenamin	General Manager – Strategy, Planning and Development
Gary Smith	General Manager – Refining & Supply. Accountability broadened to include leadership of Caltex's supply business following the retirement of Ken James, General Manager Supply & Distribution on 30 April 2012
Andy Walz	General Manager – Marketing. Accountability broadened to include leadership of Caltex's distribution business following the retirement of Ken James, General Manager Supply & Distribution on 30 April 2012
Simon Willshire	General Manager – Human Resources
Former	
Ken James	General Manager – Supply & Distribution. Retired 30 April 2012

ELEMENT OF REMUNERATION	SUMMARY	SECTIONS
Fixed remuneration	<p>Fixed remuneration is set at the market median by reference to benchmark information for comparable roles.</p> <p>For the 2012 fixed remuneration review for Senior Executives (effective 1 April 2012), Caltex applied an overall increase of 5.5% with actual increases depending on individual performance and level of salary relative to the market median.</p>	3a
Short Term Incentive (STI)	<p>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.</p> <p>No short term incentives are paid if less than 80% of business plan RCOP NPAT is delivered. Performance in 2012 was achieved above this threshold level of performance.</p> <p>Individual performance scorecards focus primarily on the delivery of Caltex financial objectives and critical business initiatives to emphasise the shared accountability for Caltex performance.</p> <p>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% of base salary depending on role.</p>	3d

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

ELEMENT OF REMUNERATION	SUMMARY	SECTIONS
Short Term Incentive (STI) (continued)	<p>A mandatory deferral of short term incentives applies to the Managing Director & CEO, the Caltex Leadership Team as well as other senior managers.</p> <p>Under the 2012 deferral policy, 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.</p> <p>Average 2012 STI outcomes for Senior Executives, including the Managing Director & CEO, were 71% of base salary (53% in 2011).</p> <p>The 2012 performance was strong against many of the key performance indicators and, as a result, actual short term incentives paid to senior executives for 2012 were higher than in 2011. The increased outcomes this year predominantly reflected higher Caltex RCOP NPAT performance against the business plan target in 2012 after the exclusion of significant items and the progress made in strategic developments. In comparison, 2011 RCOP NPAT performance was between the threshold and target levels of performance.</p>	3d
Long Term Incentive (LTI)	<p>The Caltex Equity Incentive Plan (CEIP) gives participants the opportunity to receive Caltex shares in the future if challenging performance targets are achieved.</p> <p>The measure of performance is Total Shareholder Return (TSR) over a three year period relative to two comparator groups (being the members of the ASX 100 Accumulation Index and, separately, six international refining and marketing companies).</p> <p>For grants since 2010, 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.</p> <p>Grants made under the CEIP in 2010 vested at 31 December 2012 for each of the two comparator groups. Caltex performance for the 2010 to 2012 performance period was at the 97.8th percentile against the ASX 100 Accumulation Index group and at the 66.7th percentile of the selected group of international refining and marketing companies. As a result, 77.8% of the 2010 grant vested at 31 December 2012 and the remaining 22.2% lapsed.</p>	3e
Post employment	<p>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.</p>	3g

1b. Non-executive directors

Current directors

Ms Elizabeth Bryan (Chairman)

Mr Trevor Bourne

Mr Greig Gailey

Mr John Thorn

Mr Richard Brown* (Appointed 28 June 2012)

Ms Barbara Burger* (Appointed 28 June 2012)

Mr Ryan Krogmeier* (Appointed 30 March 2012)

Former directors

Mr Tim Leveille* (Resigned 27 June 2012)

Mr Walt Szopiak* (Resigned 27 June 2012)

Mr Brant Fish* (Resigned 29 March 2012)

* Ms Colleen Jones-Cervantes: Appointed as alternate director for each of Mr Brown and Ms Burger from 28 June 2012, and for Mr Ryan Krogmeier from 30 March 2012. Appointment as alternate director for each of Mr Leveille and Mr Szopiak ended on 27 June 2012, and appointment for Mr Brant Fish ended on 29 March 2012.

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
	No changes will be made to fees for non-executive directors for 2013.	
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.	4b
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 and no change will be sought to the pool during 2013.	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 2012, Caltex received "remuneration recommendations" (as defined in the *Corporations Act*) from Godfrey Remuneration Group (Godfrey) in relation to the Managing Director & CEO, non-executive director and Senior Executive remuneration and fixed remuneration outcomes.

Godfrey provided a formal declaration confirming that the recommendations provided were free from "undue influence" by the members of the key management personnel (KMP) to whom the recommendations were related, and the Board is satisfied that the recommendations were made free from any undue influence. No members of key management personnel were involved in the selection and appointment of Godfrey or in the development of any advice in relation to their role.

As required to be disclosed by the *Corporations Act*, within the context of the work described above, fees paid to Godfrey for the remuneration advice and recommendations were \$35,150 (excluding GST). Godfrey did not provide any other services (as defined in the *Corporations Act*) to Caltex in 2012.

The Committee and/or the Board also received independent advice or information from the following organisations:

ORGANISATION	PURPOSE	ROLE
Ernst & Young	Valuation of performance rights.	Information
	Taxation information relating to long term incentives and deferral of short term incentive into Caltex shares.	
Egan Associates	Assessment of Caltex's relative TSR performance relating to vesting of performance rights.	Information
PricewaterhouseCoopers	Information on LTI market practice and emerging trends.	Information and advice
	Perspectives on the proposed changes to the LTI plan design, and the transition to share retention arrangements.	

REMUNERATION REPORT (continued)

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.

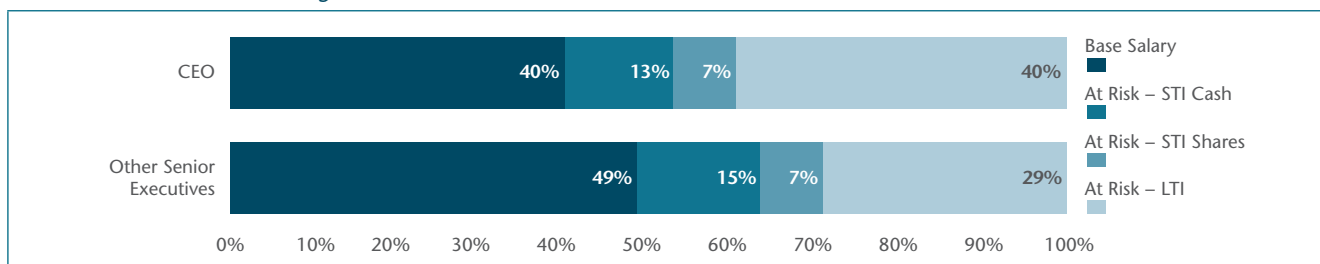
At Caltex, incentives are not designed as "profit sharing arrangements" and as such performance measures may factor in externalities which management cannot control (such as global refining margins). There will be occasions when incentives are paid when externalities such as the refiner margins and exchange 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 2012 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.

2012 remuneration mix "at target"



Notes:

1. STI cash and STI shares comprise 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 2012 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. The proportion of the initial grant received depends on performance, for example, 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.

In undertaking the 2013 review of the Managing Director & CEO and Senior Executive remuneration, the Board utilised a comparator group comprising 24 ASX listed companies with 12 larger and 12 smaller than Caltex's market capitalisation. This group has been chosen as the Board believes they are of similar size and complexity to Caltex's business, and are also key competitors for executive talent.

3c. Setting and evaluating the performance of executives in 2012

Performance measures for 2012 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2012 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 Human Resources 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 2012, 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 2012.

2012 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 and Refining and Supply,
- Cost Efficiency – management of operating costs and optimisation of capital expenditure to improve the profitability of the business,
- Sales Volumes, and
- High Value Product – the production of premium fuels.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Non-financial

- Operational Excellence – continuous improvement of our health, safety and environmental performance. In 2012, this was measured on a scorecard considering both Personal Safety performance (zero harm to our employees) and Process Safety performance (the prevention and control of serious incidents). Minimising the frequency and the severity of personal safety incidents are core to our Personal Safety performance. Process Safety is measured consistent to industry practice and is aligned to API recommended practice,
- Delivery of strategic projects – examples of 2012 projects include the rebalancing of Caltex's supply chain and the development and execution of a capital management strategy, and
- Leadership – progress towards achievement of strategic objectives in the areas of diversity and employee engagement.

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 – 2012 Rewarding Results STI Plan

Performance period	Annual payment based on assessed performance during the 12 month period ended 31 December 2012 but paid in April 2013.																											
2012 target and maximum opportunity levels	<p>Managing Director & CEO – between 50% of base salary “at target” and 100% at Maximum Stretch.</p> <p>Other Senior Executives – between 46% and 50% of base salary “at target” and 92% and 100% at Maximum Stretch depending upon role.</p>																											
Scheme rationale	<p>The Board believes that the Rewarding Results Plan is in the best interests of shareholders because it:</p> <ul style="list-style-type: none"> 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	<p>Rewarding Results (R²) Plan and STI payment</p> <table border="1"> <thead> <tr> <th>Performance measure</th> <th>Performance 2012</th> </tr> </thead> <tbody> <tr> <td>RCOP NPAT</td> <td>Between target and stretch</td> </tr> <tr> <td>Free Cash Flow</td> <td>Above business plan threshold</td> </tr> <tr> <td>EBIT Marketing</td> <td>At business plan target</td> </tr> <tr> <td>EBIT Uplift Refining & Supply</td> <td>Above business plan target</td> </tr> <tr> <td>Cost Efficiency</td> <td>Above business plan target</td> </tr> <tr> <td>Personal Safety</td> <td>Below business plan threshold. Caltex reported TTIFR of 2.83 per million man hours (0.51/200,000) and an LTIFR of 0.59 per million man hours – including employees and contractors. Whilst the frequency was marginally higher than 2011, the severity reduced to the lowest achieved.</td> </tr> <tr> <td>Process Safety</td> <td>Above business plan threshold</td> </tr> <tr> <td>High Value Product production (HVP)</td> <td>Above business plan target</td> </tr> <tr> <td>Sales (ML)</td> <td>Above business plan target</td> </tr> <tr> <td>Project Delivery</td> <td>Major projects were delivered to required performance targets.</td> </tr> <tr> <td>Strategic Developments</td> <td> <p>During 2012, Caltex announced a significant decision regarding plans to restructure the company’s supply chain. The review was comprehensively executed and included:</p> <ul style="list-style-type: none"> detailed planning, impact analysis and approvals around: the closure of the Kurnell Refinery; the Kurnell site’s conversion into an import terminal; and the continued operation of the Lytton refinery, a supporting capital strategy, detailed and comprehensive stakeholder management, and the successful negotiation of an agreement with Chevron for the procurement and supply of transport fuels (such as petrol, diesel and jet fuel) to supplement domestic supply at market-based prices. </td> </tr> <tr> <td>Talent Diversity Leadership and Employee Engagement</td> <td>Above target</td> </tr> </tbody> </table>		Performance measure	Performance 2012	RCOP NPAT	Between target and stretch	Free Cash Flow	Above business plan threshold	EBIT Marketing	At business plan target	EBIT Uplift Refining & Supply	Above business plan target	Cost Efficiency	Above business plan target	Personal Safety	Below business plan threshold. Caltex reported TTIFR of 2.83 per million man hours (0.51/200,000) and an LTIFR of 0.59 per million man hours – including employees and contractors. Whilst the frequency was marginally higher than 2011, the severity reduced to the lowest achieved.	Process Safety	Above business plan threshold	High Value Product production (HVP)	Above business plan target	Sales (ML)	Above business plan target	Project Delivery	Major projects were delivered to required performance targets.	Strategic Developments	<p>During 2012, Caltex announced a significant decision regarding plans to restructure the company’s supply chain. The review was comprehensively executed and included:</p> <ul style="list-style-type: none"> detailed planning, impact analysis and approvals around: the closure of the Kurnell Refinery; the Kurnell site’s conversion into an import terminal; and the continued operation of the Lytton refinery, a supporting capital strategy, detailed and comprehensive stakeholder management, and the successful negotiation of an agreement with Chevron for the procurement and supply of transport fuels (such as petrol, diesel and jet fuel) to supplement domestic supply at market-based prices. 	Talent Diversity Leadership and Employee Engagement	Above target
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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

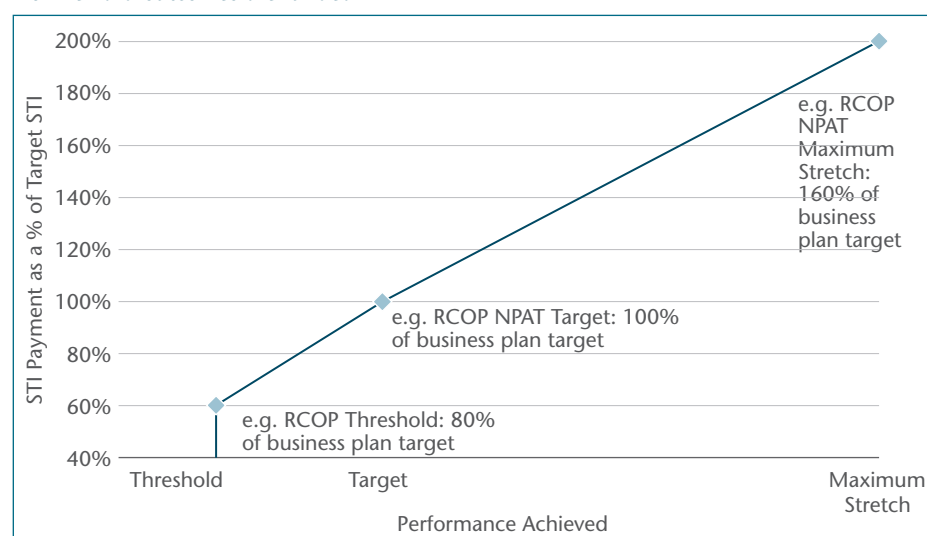
How reward outcomes are funded

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 2012 by performing agreed upon procedures over the calculated metrics.

During 2012, discretion was exercised by the Board to exclude the impact of these significant items from the RCOP NPAT result that were determined by the Board to be outside of the control of employees and not considered part of normal trading operations. The items excluded from the Caltex 2012 RCOP NPAT result for incentive purposes were:

- items linked to the July 2012 decision to close the Kurnell Refinery comprising: project costs, accounting provisions; and provisions for employee payments and entitlements,
- hybrid funding costs, and
- project expenses relating to other strategic developments.

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 2012 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 Equity Incentive Plan (CEIP)

Performance period	Three years commencing 1 January 2012.														
2012 target and maximum opportunity levels	In 2012, the Managing Director & CEO received a grant of performance rights based on an LTI value of 150% maximum of base salary. 2012 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)	<p>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 six international refining and marketing companies.</p> <p>The extent to which the awards vest is determined by Caltex percentile ranking against the following scale:</p> <table border="1"> <thead> <tr> <th>Percentile ranking</th> <th>% of award vesting</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>Any performance rights that do not vest upon testing of the performance hurdle automatically lapse. No retesting is undertaken.</p> <p>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), Tesoro Corporation (USA), Valero Energy Corporation (USA) and Western Refining Incorporated (USA). Sunoco Incorporated (USA) merged with Energy Transport Partners in October 2012 and therefore no longer forms part of the peer group.</p>	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%
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Performance measures (2012 awards)	For the grants proposed in April 2012, the weightings between the two comparator groups was updated in August 2012 to 75% of the performance rights being tied to relative performance against members of the ASX 100 Accumulation Index and 25% against a selection of six international refining and marketing companies. The update was made in accordance with the original grant terms, which provided for the weightings to change once the strategic review of Caltex’s refinery operations was concluded. All other performance parameters are consistent with the 2010 and 2011 performance measures outlined above. Kurnell Refinery is expected to cease operations by the end of 2014.														
Payment vehicle	<p>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.</p> <p>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.</p> <p>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.</p>														

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Why has the TSR hurdle been chosen?	<p>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.</p> <p>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.</p>
What if a participant ceases employment?	<p>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.</p> <p>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.</p>
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.
Are dividends paid on unvested rights?	No dividends or voting rights apply to unvested performance rights.

3f. Managing Director & CEO remuneration and Service Agreement

Julian Segal was formerly the Managing Director & 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 for grants up to 2012 is subject to Caltex's performance and the delivery of TSR relative to the separate members of the ASX 100 Accumulation Index and six selected international refining and marketing companies.

For 2012, 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
\$2,022,000	\$961,000 (50% of Base Salary)	\$1,922,000 (100% of Base Salary)
	"Stretch"	"Stretch" – when TSR is at the 90th percentile of peer companies
	\$1,922,000 (100% of Base Salary)	\$2,883,000 (150% of Base Salary)

* There is a mandatory deferral into equity of 33.3% of short term incentives above \$105,000.

There will be no changes to fixed remuneration arrangements of the Managing Director & CEO in 2013. STI and LTI targets and maximums will also be maintained at the same levels as last year.

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
Simon Hepworth	Open ended	3 months
Ken James ⁽ⁱ⁾	Open ended	6 months
Peter Lim	Open ended	6 months
Mike McMenamain	Open ended	1 month
Gary Smith	Open ended	6 months
Simon Willshire	Open ended	6 months

(i) Mr James retired 30 April 2012.

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.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

3h. Retention of the General Manager – Refining & Supply

During 2012, a cash based retention arrangement was implemented for Gary Smith, General Manager – Refining & Supply. The Board initiated the arrangement because Gary's leadership, skills and experience are critical to the successful execution of many of the elements of the supply chain realignment strategy.

The arrangement provides for up to 100% of Gary's base salary to be paid across the life of the Kurnell closure and conversion project. Payments of 5% of base salary will be made to Gary at six monthly intervals across the project's life, with the balance to be paid via a potential performance based final payment, assessed by the Board against the successful completion of the project (minus the six monthly payments made to that date).

The payments are reported in tables 5a and 5b.

3i. Hedging and margin lending policies

The Caltex Securities 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.

3j. 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 2012.

Table 3 below demonstrates Caltex TSR, dividend, share price, earnings per share and RCOP NPAT performance each year from 2008 to 2012:

Table 3. Summary of performance 2008 to 2012

	2012	2011	2010	2009	2008
12 month TSR % ⁽ⁱ⁾	66.6	(15.0)	61.0	32.8	(60.9)
Dividends (cents per share)	40c	45c	60c	25c	36c
Share price ⁽ⁱⁱ⁾	\$19.21	\$11.77	\$14.37	\$9.30	\$7.19
RCOP excluding significant items earnings per share	\$1.70	\$0.98	\$1.18	\$1.20	\$0.69
RCOP NPAT (million) ⁽ⁱⁱⁱ⁾	\$458	\$264	\$318	\$324	\$186
Caltex Safety – TTIFR ^(iv)	2.86	2.53	2.95	4.57	8.82
Caltex Safety – LTIFR ^(v)	0.59	0.99	1.23	2.12	2.97

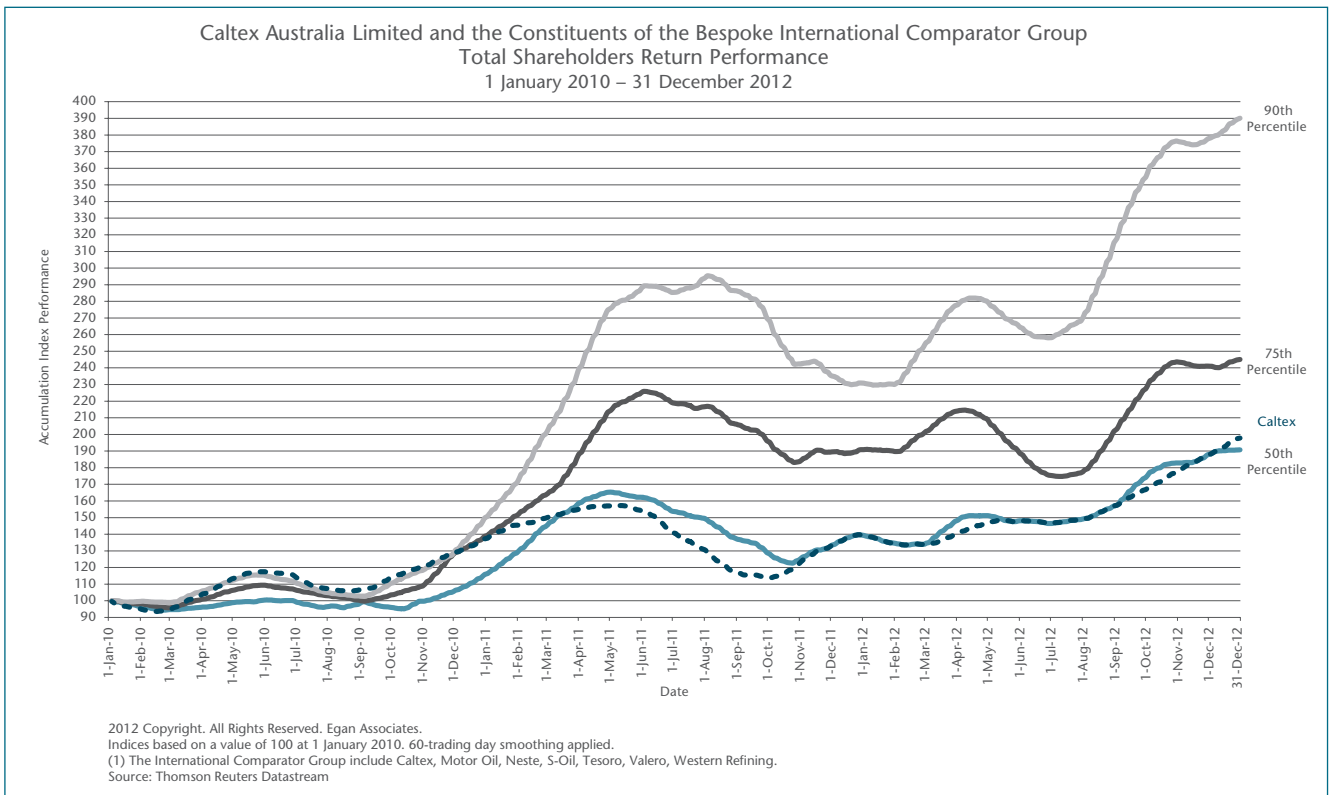
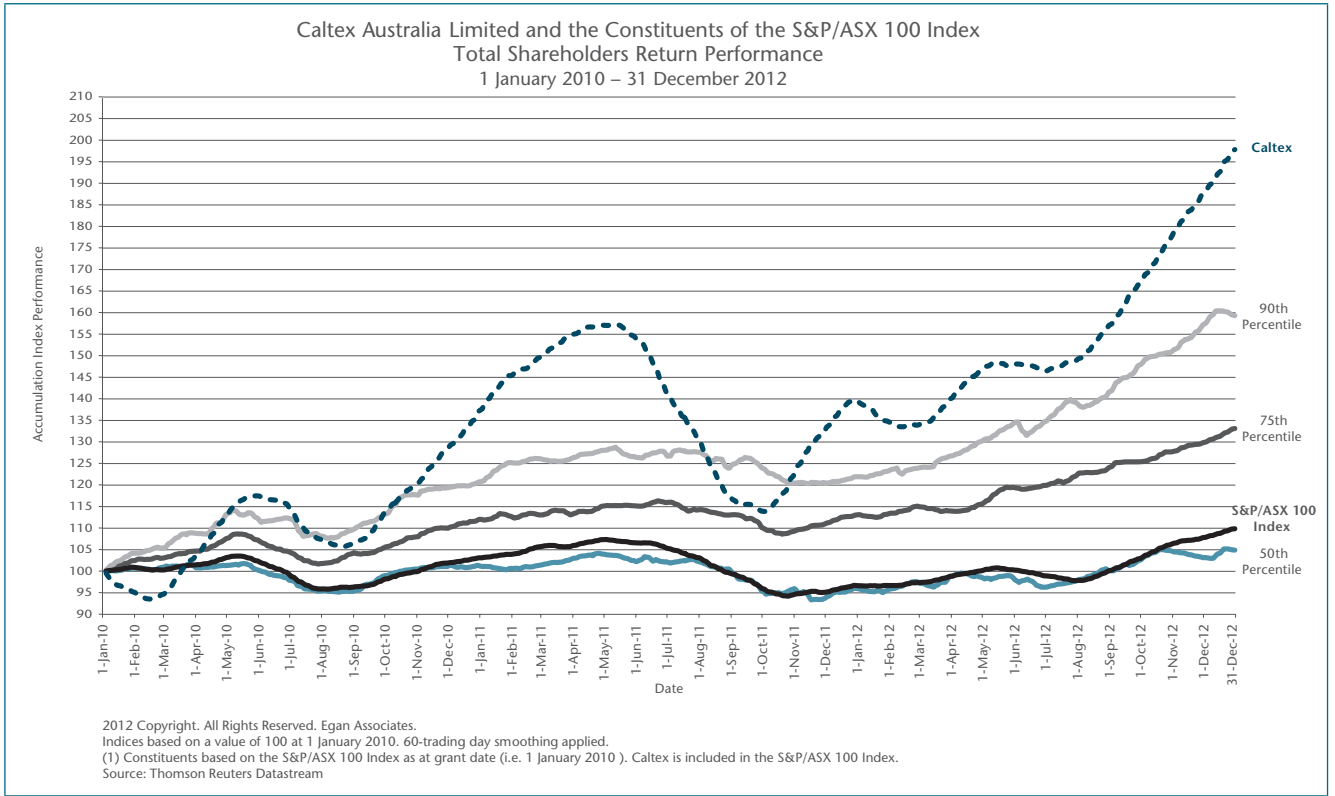
Notes:

- (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 2012 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 2012) in table 5a as well as the audited statutory disclosures in table 5b.

The charts on the following pages provide a comparison of the Caltex TSR performance to the companies in the S&P ASX 100 Accumulation Index and the six international marketing and refining companies and the change in the level of performance over three years to 31 December 2012 and a one year period to 31 December 2012.

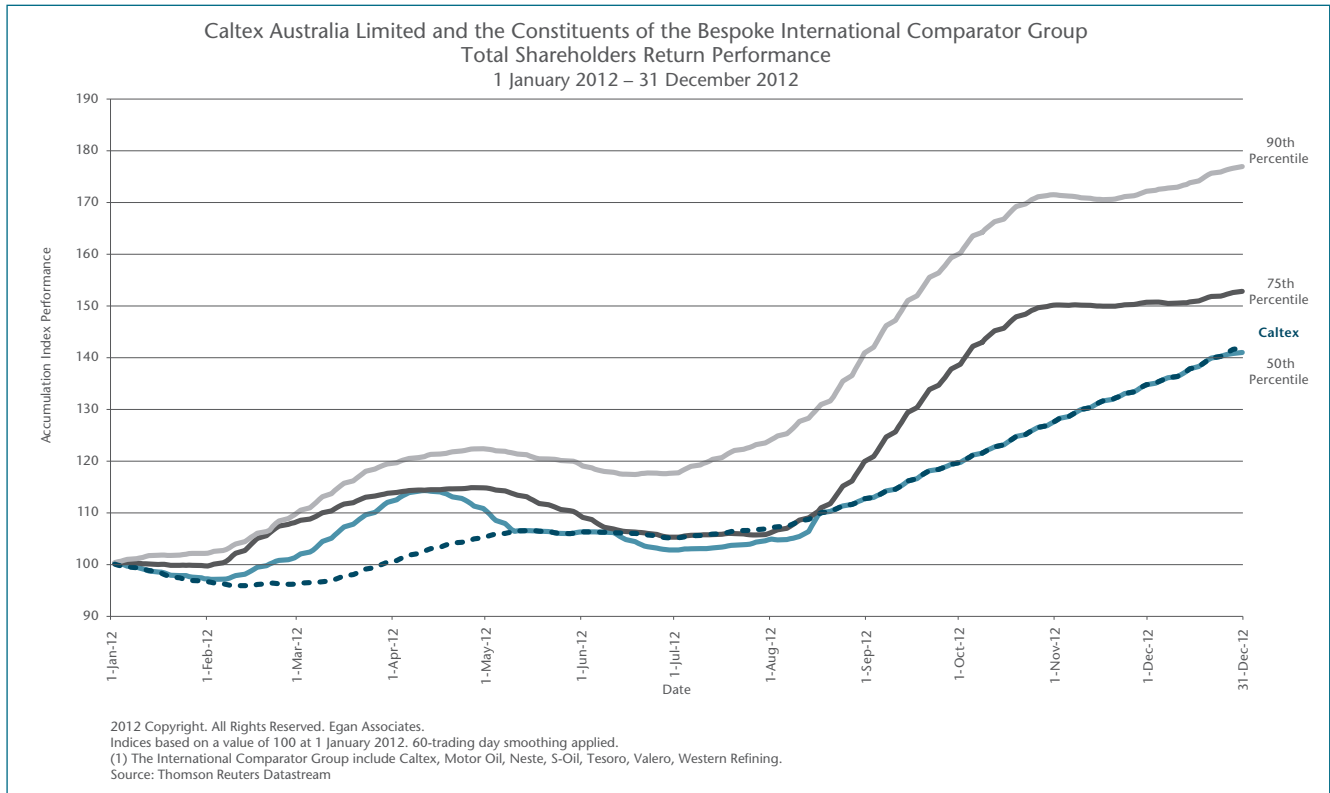
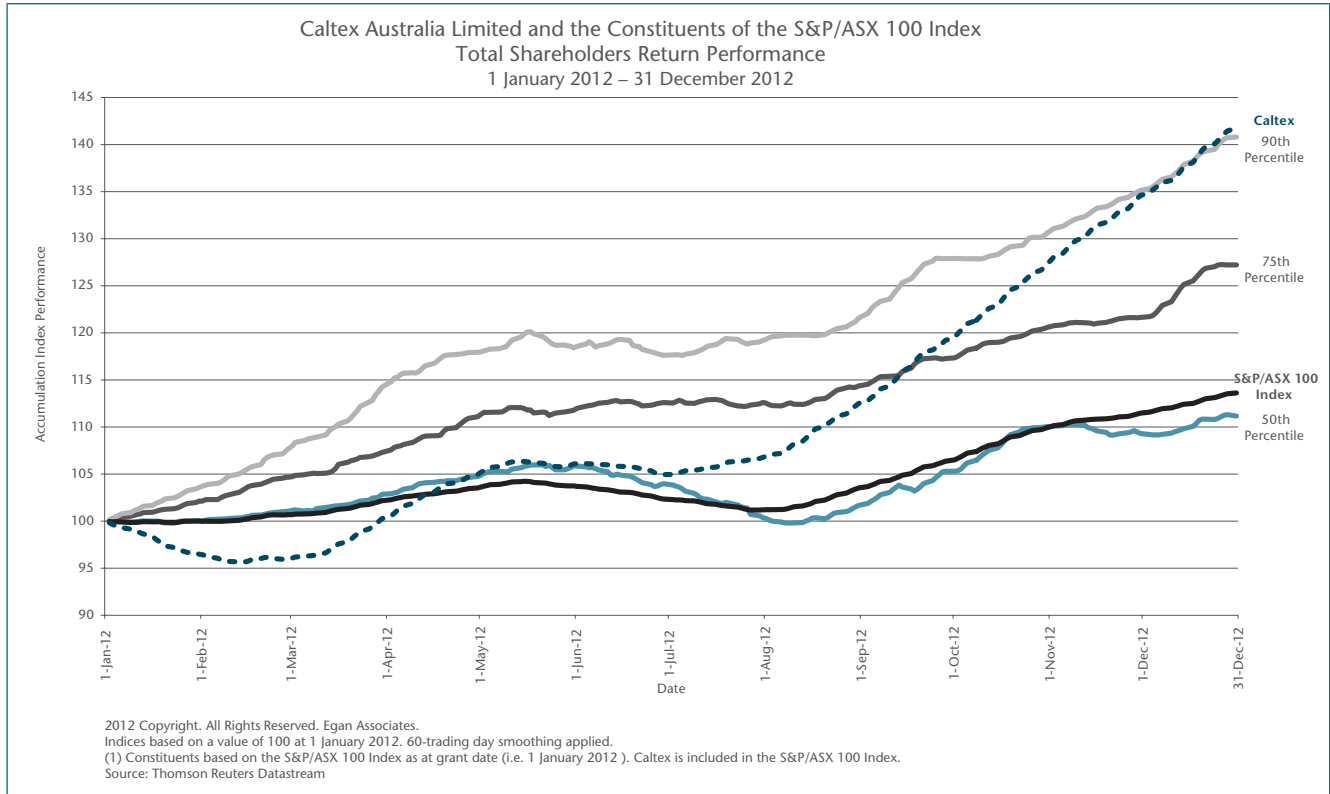
3 year TSR performance 1 January 2010 to 31 December 2012



DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

1 year TSR performance 1 January 2012 to 31 December 2012



3k. Looking to the future – unaudited non-statutory disclosure

The following section outlines future changes that we believe will be of interest to shareholders. It is unaudited and neither a requirement of statutory nor accounting standards.

Continually aligning Senior Executive rewards to shareholders' interests

The Human Resources Committee seeks to put in place remuneration arrangements and practices that are in the best interests of Caltex shareholders and which support superior performance and long term growth in shareholder value.

During 2012, Caltex announced a significant decision regarding plans to restructure the company's supply chain. This review led to a clear strategy going forward. The strategy rebalances the supply chain in terms of product sourcing optimisation whilst reducing Caltex's exposure to refining earnings volatility and asset concentration risks. Successful execution of the strategy will also give Caltex the financial flexibility to enable accelerated investment across marketing and distribution operations.

In light of this company changing event and the criticality of executing the supply chain restructure, the Human Resources Committee made enhancements to Senior Executive rewards, aimed at continuing the alignment with shareholders' interests. The Committee also sought to address previous stakeholder feedback on long term performance measures and potential legislative requirements around clawback.

The rebalancing of the framework affects aspects of Caltex's short term incentive (STI) and long term incentive (LTI) plans. The proposed changes are summarised in the table below:

KEY THEMES TO BE ADDRESSED	CURRENT PRACTICE	PROPOSED PRACTICE
Recognising the company transforming nature of the supply chain strategy.	<p>Long term performance is assessed solely against a relative Total Shareholder Return (TSR) hurdle.</p> <p>Performance is assessed against two peer groups, being ASX 100 companies and a selection of six international refining and marketing companies.</p> <p>Challenging vesting scale:</p> <ul style="list-style-type: none"> • 33% vests at median, • 66% vests at 75th percentile performance, and • 100% vests at 90th percentile. 	<p>A blend of measures that are linked to the strategy and provide a more complete picture of long term company performance:</p> <ul style="list-style-type: none"> • Relative TSR (60%) against only ASX 100 companies. • An absolute financial measure (20%). <p>For 2013 grants:</p> <ul style="list-style-type: none"> • A strategic measure relating to supply chain realignment (20%). • The existing, challenging, TSR vesting scale will remain.
Requiring all executives to build up and maintain more sizeable shareholdings in Caltex for longer.	<p>One third of the STI award is deferred into shares if the cash value of the award exceeds a \$105,000 deferral threshold. The STI deferral shares are held for two years.</p> <p>LTI can be sold immediately upon vesting (subject to trading policy).</p>	<p>Sharpen focus of STI and LTI programs:</p> <ul style="list-style-type: none"> • STI is about rewarding successful delivery of short term measures. • LTI is about alignment with shareholders over the long term. <p>Increase efficacy of LTI – all executives to hold and retain shares via share retention arrangements that require 25% of vested LTI shares to be held for four years after vesting (effectively extending the "life" of LTI from three to seven years).</p> <p>Cease to defer STI for Senior Executives from 2015 (once executives have started to build up a shareholding under the new share retention arrangements).</p>
Broadening clawback rights on incentives.	If material error found in accounts within two years of STI payment the related Deferred STI may be forfeited.	<p>Broader policy covering both STI and LTI programs and extending clawback period to three years.</p> <p>Establish legal right to claw back proceeds of vested LTI.</p>

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

The Committee believes that on a combined basis the changes will result in:

- a sharper impact of our STI and LTI programs - STI and LTI to play distinct roles in supporting our strategy,
- a clear link between strategy and long term incentive measures,
- a transition towards all Senior Executives building up and maintaining more sizeable shareholdings in Caltex for longer time periods (expected shareholding levels are illustrated further in the table below),
- a highly focused and motivated executive team, and
- the broadening of the clawback policy in line with emerging stakeholder expectations.

The Committee believes that requiring all Senior Executives to build up and retain more sizeable shareholdings in Caltex for longer time periods (illustrated in the table below) is in the best interests of shareholders. Maintaining larger, longer term shareholdings is expected to limit the chances of excessive risk taking by executives. In addition the proposed broadening of the clawback policy will provide additional safeguards for shareholders.

Table 4. Illustration of shareholdings under proposed Share Retention Arrangements

LEVEL OF PERFORMANCE	CURRENT PRACTICE: STI DEFERRAL*			PROPOSED PRACTICE: SHARE RETENTION ARRANGEMENTS		
	THRESHOLD	TARGET	STRETCH	THRESHOLD	TARGET	STRETCH
Managing Director & CEO	20%	33%	66%	50%	100%	150%
Chief Financial Officer/ General Manager – Refining & Supply	20%	33%	66%	30%	60%	90%
Other General Managers	18%	30%	61%	30%	60%	90%

* STI deferral will continue until 2015 to deliver a smooth transition between the current and proposed practice.

3I. Remuneration tables

Table 5a. Total remuneration for Executive Director and Senior Executives for 2012 (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 2012, from an individual perspective. The value of remuneration includes the equity grants where the executive received control of the shares in 2012.

The purpose of this table 5a 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 2012. As a result, the values in this table 5a will not reconcile with those provided in the statutory disclosures in table 5b. For example, table 5b discloses the value of grants in the CEIP which may or may not vest in future years, whereas this table 5a discloses the value of grants from previous years which vested in 2012.

	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 2012 ^(vi)
Executive Director						
Julian Segal (Managing Director & CEO)						
2012	1,967,973	149,677	865,518	435,952	997,977	4,417,097
Senior Executives						
Simon Hepworth (Chief Financial Officer)						
2012	671,753	173,460	328,208	158,514	354,895	1,686,830
Ken James (General Manager – Supply & Distribution)						
2012	167,413	96,268	42,331	–	550,321	856,333
Peter Lim (Company Secretary and General Counsel)						
2012	436,143	79,640	196,619	67,983	–	780,385
Mike McMenamain (General Manager – Strategy, Planning and Development)						
2012	487,450	110,194	234,023	82,523	216,227	1,130,417
Gary Smith (General Manager – Refining & Supply)						
2012	857,632	60,172	372,862	117,312	–	1,407,978
Andy Walz (General Manager – Marketing)						
2012	648,278	1,204,616	252,915	–	–	2,105,809
Simon Willshire (General Manager – Human Resources)						
2012	496,831	59,975	215,523	83,715	252,179	1,108,223

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 2012 year, but to be paid in April 2013. 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 2012. The value is calculated using the closing share price of Caltex shares on the vesting date.
- (vi) Total value of remuneration received during 2012. This is the total of the previous columns and includes 2012 STI payable in April 2013.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Table 5b. Total remuneration for Senior Executives for 2012 (in dollars) – statutory disclosures

The following table sets out the audited total remuneration for Senior Executives in 2012 and 2011 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)	
Current Senior Executives								
Simon Hepworth (Chief Financial Officer)								
2012	702,365	328,208	17,742	85,816	39,290	149,184	377,624	1,700,229
2011	607,371	262,557	17,379	87,461	39,258	148,146	277,781	1,439,953
Peter Lim (Company Secretary and General Counsel) ^(vi)								
2012	450,446	196,619	25,400	24,000	15,937	79,220	142,329	933,951
2011	258,323	112,626	10,289	19,694	5,446	51,757	64,613	522,748
Mike McMenamin (General Manager – Strategy, Planning and Development)								
2012	502,317	234,023	17,713	56,172	21,442	94,889	271,463	1,198,019
2011	437,765	136,685	18,198	60,493	14,562	88,226	196,385	952,314
Gary Smith (General Manager – Refining & Supply)								
2012	852,650	372,862	14,762	34,235	235,432	145,850	415,848	2,071,639
2011	742,922	194,305	15,504	54,075	12,313	145,278	259,480	1,423,877
Andy Walz (General Manager – Marketing)								
2012	648,278	252,915	932,467	54,157	217,992	–	–	2,105,809
2011	613,931	200,099	1,021,265	44,692	281,473	–	–	2,161,460
Simon Willshire (General Manager – Human Resources)								
2012	510,111	215,523	16,343	16,123	14,230	90,295	262,061	1,124,686
2011	483,824	138,672	15,631	15,487	24,045	90,491	198,049	966,199
Former Senior Executives								
Helen Conway (General Manager – Office of CEO, Company Secretary and General Counsel)								
2012	–	–	–	–	–	–	–	–
2011	108,525	–	5,374	7,600	3,025	54,715	(15,356)	163,883
Ken James (General Manager – Supply & Distribution)								
2012	166,210	42,331	18,187	48,051	31,233	–	(66,713)	239,299
2011	491,842	186,257	31,416	92,843	31,944	115,520	210,639	1,160,461
Total remuneration: Senior Executives								
2012	3,832,377	1,642,481	1,042,614	318,554	575,556	559,438	1,402,612	9,373,632
2011	3,744,503	1,231,201	1,135,056	382,345	412,066	694,133	1,191,591	8,790,895

Notes:

- 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.
- The cash component (66.6%) of the STI to be received for the 2012 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2012 deferred STI is reflected in the Equity – Share benefits (long term incentive).
- In addition to non-monetary benefits received by Senior Executives, Chevron secondees under their Chevron employment contracts receive expatriate benefits.
- Other long term remuneration represents the Chevron Long Term Incentive Plan for Mr Walz, retention payments for Mr Smith and long service leave for all other executives.
- 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.
- 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 6. Unvested shareholdings of Executive Director and Senior Executives during 2012

EXECUTIVE DIRECTOR AND SENIOR EXECUTIVES ⁽ⁱ⁾	UNVESTED SHARES FROM PRIOR PERFORMANCE YEARS	RESTRICTED SHARES GRANTED ⁽ⁱⁱ⁾	SHARES VESTED FROM PRIOR PERFORMANCE YEARS ⁽ⁱⁱⁱ⁾	FORFEITED	UNVESTED SHARES AT 31 DEC 2012 FROM 2012 PERFORMANCE YEAR ^(iv)
Julian Segal	99,944	22,528	(99,944)	–	22,528
Simon Hepworth	9,441	8,543	(9,441)	–	8,543
Ken James	–	–	–	–	–
Peter Lim	4,049	5,118	(4,049)	–	5,118
Mike McMenamain	4,915	6,091	(4,915)	–	6,091
Gary Smith	6,987	9,705	(6,987)	–	9,705
Simon Willshire	4,986	5,610	(4,986)	–	5,610

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 2012 STI deferred into equity (33.3%). The shares will be bought in 2013 and so this disclosure represents the estimated number of shares to be acquired at that time.
- (iii) Shares vested on 2 October 2012 (fair value per share \$16.79). For the Managing Director & CEO, this also includes the joining incentive awarded in 2009 which vested on 1 June 2012 (fair value per share \$13.49).
- (iv) If the executive meets the service conditions, the amounts will vest in 2013.

Table 7. Restricted share grants to Executive Director and Senior Executives in 2012

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 2012 Deferred STI, no shares have vested and the estimated future cost has been provided.

EXECUTIVE DIRECTOR AND SENIOR EXECUTIVES ⁽ⁱ⁾	DEFERRED STI YEAR	VESTED (% OF SHARES VESTED)	FUTURE YEARS WHEN SHARES WILL VEST	FUTURE COST TO CALTEX OF UNVESTED SHARES (\$)
Julian Segal	2012	0%	2013	196,709
Simon Hepworth	2012	0%	2013	74,593
Ken James	2012	0%	2013	–
Peter Lim	2012	0%	2013	44,686
Mike McMenamain	2012	0%	2013	53,187
Gary Smith	2012	0%	2013	84,741
Simon Willshire	2012	0%	2013	48,983

Note:

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

Table 8. 2012 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 8 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 2012 ⁽ⁱⁱ⁾	GRANTED IN 2012 ⁽ⁱⁱⁱ⁾	VESTED IN 2012	LAPSED IN 2012 ^(iv)	BALANCE AT 31 DEC 2012
Julian Segal	526,410	287,436	–	–	813,846
Simon Hepworth	141,728	63,224	(28,301)	(6,149)	170,502
Ken James	102,046	–	(40,936)	(61,110)	–
Peter Lim	29,944	37,044	–	–	66,988
Mike McMenamin	98,342	44,784	(17,243)	(3,747)	122,136
Gary Smith	119,682	67,092	–	–	186,774
Simon Willshire	100,396	41,652	(20,110)	(4,370)	117,568

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 2010 and 2011 performance rights, if all future performance conditions are met these performance rights will be payable in 2013 and 2014.
- (iii) If all future performance conditions are met these performance rights will be payable in 2015.
- (iv) Relates to 2009 performance rights of which 18% lapsed in the year and 82% vested. Performance rights related to Mr James relate to 2009, 2010 and 2011.

Table 9. 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	2012 GRANT		2011 GRANT		2010 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
Grant date	2 April 2012	2 April 2012	29 April 2011	29 April 2011	23 April 2010	23 April 2010
Vesting date	1 April 2015	1 April 2015	1 April 2014	1 April 2014	1 April 2013	1 April 2013
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	45%	45%	35%	35%	35%	35%
Risk free interest rate	3.49%	3.49%	5.0%	5.0%	5.24%	5.24%
Dividend yield	4.7%	4.7%	4.0%	4.0%	4.0%	4.0%
Expected life (years)	3.0	3.0	2.9	2.9	2.9	2.9
Share price at grant date	\$14.03	\$14.03	\$14.19	\$14.19	\$11.87	\$11.87
Valuation per right	\$7.69	\$7.52	\$6.61	\$4.91	\$7.89	\$7.75

Table 10. Distribution of 2012 fixed and variable remuneration elements of remuneration

The proportion of each Senior Executive's remuneration for 2012 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	40%	60%
Simon Hepworth	50%	50%
Ken James ⁽ⁱ⁾	100%	0%
Peter Lim	55%	45%
Mike McMenamin	50%	50%
Gary Smith	41%	59%
Andy Walz	78%	22%
Simon Willshire	50%	50%

(i) Mr James retired 30 April 2012.

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.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

4b. Board and committee fee rates for 2012

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 11. 2012 and 2013 non-executive directors' fees

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. For the 2013 review the comparator group consisted of 24 companies – 12 companies with a larger market capitalisation compared to Caltex and 12 with a smaller market capitalisation compared to Caltex (the same comparator group used for the Managing Director & CEO and other Senior Executives). The report was considered by the Committee and by the Board in December 2012. In considering fee rates for 2013 the Committee and the Board decided to maintain fee rates at the current level.

The following table shows the fee rates for 2013 (the same as 2012).

ROLE	2013 BASE FEES (UNCHANGED)	2013 FEES INCLUDING SUPERANNUATION*
Board		
Chairman	\$465,000 (inclusive of all committee fees)	\$506,850 (inclusive of all committee fees)
Director	\$155,000	\$168,950
Board Committee Chairman		
Audit Committee	\$36,000	\$39,240
Human Resources Committee	\$31,000	\$33,790
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$26,000	\$28,340
Board Committee Member		
Audit Committee	\$18,000	\$19,620
Human Resources Committee	\$15,500	\$16,895
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$13,000	\$14,170

* 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.

4c. Remuneration table

Table 12. Total remuneration for directors for 2012 (in dollars) – statutory disclosures

The following table sets out the audited total remuneration for directors in 2012 and 2011 calculated in accordance with statutory accounting requirements.

	PRIMARY		NON-MONETARY BENEFITS	EMPLOYMENT POST	OTHER LONG TERM	SHARE BENEFITS (LONG TERM INCENTIVE)	EQUITY	TOTAL
	SALARY AND FEES	BONUS (SHORT TERM INCENTIVE ⁽ⁱ⁾)		SUPERANNUATION ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	OTHER		RIGHTS BENEFITS (LONG TERM INCENTIVE)	
Executive Director								
Julian Segal (Managing Director & CEO)								
2012	2,013,089	865,518	17,469	35,417	51,675	549,418	1,814,509	5,347,095
2011	1,867,266	718,818	16,303	50,000	39,070	727,522	1,141,259	4,560,238
Total: Executive Director								
2012	2,013,089	865,518	17,469	35,417	51,675	549,418	1,814,509	5,347,095
2011	1,867,266	718,818	16,303	50,000	39,070	727,522	1,141,259	4,560,238
Current non-executive directors								
Elizabeth Bryan (Chairman)								
2012	490,439	–	284	16,411	–	–	–	507,134
2011	486,201	–	432	15,199	–	–	–	501,832
Trevor Bourne								
2012	199,000	–	811	17,910	–	–	–	217,721
2011	192,500	–	883	17,325	–	–	–	210,708
Richard Brown								
2012	79,411	–	–	–	–	–	–	79,411
2011	–	–	–	–	–	–	–	–
Barbara Burger								
2012	86,071	–	–	–	–	–	–	86,071
2011	–	–	–	–	–	–	–	–
Greig Gailey								
2012	210,790	–	632	25,740	–	–	–	237,162
2011	185,160	–	572	43,740	–	–	–	229,472
Ryan Krogmeier								
2012	129,393	–	–	–	–	–	–	129,393
2011	–	–	–	–	–	–	–	–
John Thorn								
2012	208,674	–	1,384	16,411	–	–	–	226,469
2011	202,801	–	1,464	15,199	–	–	–	219,464
Former non-executive directors								
Brant Fish								
2012	41,574	–	–	–	–	–	–	41,574
2011	165,000	–	–	–	–	–	–	165,000
Tim Leveille								
2012	76,014	–	–	–	–	–	–	76,014
2011	150,000	–	–	–	–	–	–	150,000
Walter Szopiak								
2012	82,389	–	–	–	–	–	–	82,389
2011	162,500	–	–	–	–	–	–	162,500

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

	PRIMARY			EMPLOYMENT POST	OTHER LONG TERM	EQUITY		TOTAL
	SALARY AND FEES	BONUS (SHORT TERM INCENTIVE ⁽ⁱ⁾)	NON- MONETARY BENEFITS	SUPERAN- NUATION ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	OTHER	SHARE BENEFITS (LONG TERM INCENTIVE)	RIGHTS BENEFITS (LONG TERM INCENTIVE)	
Total: Non-executive directors								
2012	1,603,755	–	3,111	76,472	–	–	–	1,683,338
2011	1,544,162	–	3,351	91,463	–	–	–	1,638,976
Total remuneration: Directors								
2012	3,616,844	865,518	20,580	111,889	51,675	549,418	1,814,509	7,030,433
2011	3,411,428	718,818	19,654	141,463	39,070	727,522	1,141,259	6,199,214

Notes:

- (i) The cash component (66.6%) of the STI to be received for the 2012 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2012 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.

DIRECTORS' INTERESTS

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2012:

DIRECTOR	SHAREHOLDING	NATURE OF INTEREST
Ms Elizabeth Bryan	14,946	Direct interest
Mr Julian Segal	166,563	Direct interest in 31,337 shares; indirect interest in 135,226 shares; Mr Segal also has a direct interest in 813,846 performance rights
Mr Trevor Bourne	5,395	Direct interest in 2,395 shares; indirect interest in 3,000 shares
Mr Richard Brown	–	
Ms Barbara Burger	–	
Mr Greig Gailey	5,000	Indirect interest
Mr Ryan Krogmeier	–	
Mr John Thorn	1,510	Indirect interest in 1,510 shares

Notes:

- (a) Ms Colleen Jones-Cervantes (alternate director) did not have a relevant interest in the company's shares at 31 December 2012 or at the date of this report.
- (b) The directors have not acquired or disposed of any relevant interests in the company's shares in the period from 1 January 2013 to the date of this report.

BOARD AND COMMITTEE MEETINGS

The Board of Caltex Australia Limited met 11 times during the year ended 31 December 2012. In addition, a Board strategy session was held during the year.

In 2012, the Board operated the following standing committees:

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

Special purpose committees were convened on eight occasions in 2012.

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 ¹	
	A	B	A	B	A	B	A	B	A	B	A	B
Current directors												
Ms Elizabeth Bryan*	11	11					3	3			8	8
Mr Julian Segal	11	11									1	1
Mr Trevor Bourne	11	11	4	4			3	3	5	5	8	8
Mr Richard Brown ²	6	6					1	1				
Ms Barbara Burger ²	6	6					1	1	3	3		
Mr Greig Gailey	11	11	4	4	4	4	3	3	5	5	8	8
Mr Ryan Krogmeier ³	8	8			3	3	2	2			8	7
Mr John Thorn	11	11	4	4	4	4	3	3			1	1
Alternate director												
Ms Colleen Jones-Cervantes	4	4					1	1	1	1	1	1
Former directors												
Mr Brant Fish ⁴	3	3			1	1						
Mr Tim Leveille ⁵	5	2										1
Mr Walt Szopiak ⁵	5	3							2	1	1	1

Notes:

A: Number of meetings eligible to attend as a member.

* Ms Elizabeth Bryan attends the committee meetings in an ex-officio capacity.

B: Number of meetings attended.

1. Other meetings include the Board's strategy session and meetings of special purpose committees established from time to time during the year.

2. Mr Richard Brown and Ms Barbara Burger were appointed from 28 June 2012.

3. Mr Ryan Krogmeier was appointed from 30 March 2012.

4. Mr Brant Fish resigned from 29 March 2012.

5. Mr Tim Leveille and Mr Walt Szopiak resigned from 27 June 2012.

SHARES AND INTERESTS

The total number of ordinary shares on issue at the date of this report and during 2012 is 270 million shares (2011: 270 million shares). The total number of performance rights on issue at the date of this report is 2,907,314 (2011: 2,180,178). 1,150,552 performance rights were issued during 2012 (2011: 766,608). 423,416 performance rights were distributed or lapsed during the year (2011: 226,108). 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 2012, 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 2012:

- for non-audit services – total fees of \$389,600 (2011: \$147,500); these services included transaction services (\$165,000), taxation services (\$22,400) and other assurance services (\$202,200), and
- for audit services – total fees of \$1,144,000 (2011: \$767,000).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2012. 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 2012 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 2012 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
 - the provision of non-audit services in 2012 was consistent with the Board's policy on the provision of services by the external auditor,
 - the non-audit services provided in 2012 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 2012 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 & 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 & 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 2012, Caltex Australia Limited entered into deeds of access, insurance and indemnity with Mr Richard Brown, Ms Barbara Burger and Mr Ryan Krogmeier (each a director). Deeds of access, insurance and indemnity have previously been entered into by Caltex Australia Limited with current and former directors and secretaries.

Under the deeds, Caltex Australia Limited has agreed, in broad terms, to indemnify its directors and company secretaries (to the extent permitted by law and subject to the prohibitions in section 199A of the *Corporations Act* and the terms of the deed) against any and all:

- liabilities incurred as an officer of Caltex Australia Limited or a Group company (but not including liabilities for legal costs covered by the legal costs indemnity), and
- legal costs reasonably incurred in defending an action for a liability incurred or allegedly incurred as an officer of Caltex Australia Limited or a Group company and preparing for, attending or appearing in administrative proceedings or an investigation or inquiry by any regulatory authority or external administrator in respect of or arising out of or connected with any act.

Under the deeds entered into with directors and company secretaries, Caltex Australia Limited (either itself or through a Group company) is required to maintain and pay the premium on an insurance policy covering each director and company secretary (to the extent permitted by law and subject to the prohibitions in sections 199B and 199C of the *Corporations Act*). In each case, the obligation continues for a period of seven years after the director or secretary (as the case may be) ceases to be an officer or, if a proceeding or an inquiry has commenced or arises within this seven year period and this has been notified to the company, a further period up to the outcome of the proceedings or inquiry or when the company is satisfied that the proceedings or inquiry will not proceed.

Contract of insurance

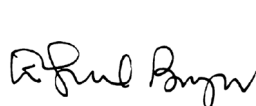
Caltex Australia Limited has paid a premium in respect of a contract insuring the directors and officers of Caltex Australia Limited against liabilities.

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

ROUNDING OF AMOUNTS

Caltex Australia Limited is an entity to which Class Order 98/100 (as issued by the Australian Securities and Investments Commission) applies. Amounts in the 2012 Directors' Report and the 2012 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with this class order.

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



EB Bryan
Chairman



J Segal
Managing Director & CEO

Sydney, 25 February 2013

DIRECTORS' REPORT (continued)

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2012 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

Sydney, 25 February 2013



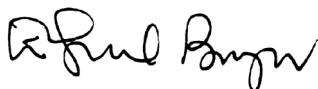
Anthony Jones
Partner

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 2012,
- (b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2012, 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 2012 Financial Report, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

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



EB Bryan
Chairman

Sydney, 25 February 2013



J Segal
Managing Director & CEO

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 2012, 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 2012 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 25 to 48 of the directors' report for the year ended 31 December 2012. 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 Caltex Australia Limited for the year ended 31 December 2012 that are described as audited comply with Section 300A of the *Corporations Act 2001*.



KPMG

Sydney, 25 February 2013



Anthony Jones
Partner

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

THOUSANDS OF DOLLARS	NOTE	2012	2011
Revenue from sale of goods		23,261,885	22,105,204
Replacement cost of goods sold (excluding product duties and taxes and inventory gains)		(16,800,492)	(16,054,534)
Product duties and taxes		(5,027,201)	(5,046,904)
Inventory (losses)/gains		(131,805)	197,449
Cost of goods sold – historical cost		(21,959,498)	(20,903,989)
Gross profit		1,302,387	1,201,215
Other income	2	304,973	296,517
Net foreign exchange losses		(8,439)	(10,004)
Impairment of non-current assets	3	–	(1,552,780)
Refining and Supply expenses		(667,598)	(194,971)
Marketing expenses		(665,758)	(621,334)
Finance costs	3	(99,459)	(69,240)
Other expenses		(80,876)	(72,788)
Share of net profit of entities accounted for using the equity method	23(d)	1,634	1,618
Profit/(loss) before income tax (expense)/benefit		86,864	(1,021,767)
Income tax (expense)/benefit	4	(29,263)	308,546
Net profit/(loss)		57,601	(713,221)
Attributable to:			
Equity holders of the parent entity		56,777	(713,514)
Non-controlling interest		824	293
Net profit/(loss)		57,601	(713,221)
Basic and diluted earnings/(loss) per share:			
Historical cost – cents per share	6	21.0	(264.3)

The consolidated income statement for the year ended 31 December 2012 includes significant expenses of \$441,355,000 (2011: \$1,593,704,000). Details of these items are disclosed in note 3.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

THOUSANDS OF DOLLARS	NOTE	2012	2011
Profit/(loss) for the period		57,601	(713,221)
Other comprehensive expense			
Actuarial gain/(loss) on defined benefit plans	18(b)	6,887	(31,128)
Effective portion of changes in fair value of cash flow hedges		(29,731)	(21,434)
Net change in fair value of cash flow hedges reclassified to profit or loss		25,330	14,614
Income tax (expense)/benefit on other comprehensive income	4(c)	(296)	10,935
Other comprehensive income/(expense) for the period, net of income tax		2,190	(27,013)
Total comprehensive income/(expense) for the period		59,791	(740,234)
Attributable to:			
Equity holders of the parent entity		58,967	(740,527)
Non-controlling interest		824	293
Total comprehensive income/(expense) for the period		59,791	(740,234)

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

THOUSANDS OF DOLLARS	NOTE	2012	2011
Current assets			
Cash and cash equivalents		209,929	1,818
Receivables	7	1,047,434	1,001,490
Inventories	8	1,651,509	1,717,732
Other	9	39,802	35,862
Total current assets		2,948,674	2,756,902
Non-current assets			
Receivables	7	2,207	1,566
Investments accounted for using the equity method	23	24,157	23,573
Other investments	10	3	3
Intangibles	11	108,064	95,008
Property, plant and equipment	12	1,769,915	1,535,448
Deferred tax assets	4	528,136	446,758
Other	9	4,480	1,801
Total non-current assets		2,436,962	2,104,157
Total assets		5,385,636	4,861,059
Current liabilities			
Payables	13	1,497,147	1,674,017
Interest bearing liabilities	14	1,188	153,979
Current tax liabilities		9,862	13,798
Provisions	15	124,200	139,969
Total current liabilities		1,632,397	1,981,763
Non-current liabilities			
Payables	13	6,595	6,726
Interest bearing liabilities	14	948,744	464,685
Provisions	15	638,321	189,810
Total non-current liabilities		1,593,660	661,221
Total liabilities		3,226,057	2,642,984
Net assets		2,159,579	2,218,075
Equity			
Issued capital	16	543,415	543,415
Treasury stock		20	(430)
Reserves		(7,655)	(8,337)
Retained earnings		1,611,905	1,671,357
Total parent entity interest		2,147,685	2,206,005
Non-controlling interest		11,894	12,070
Total equity		2,159,579	2,218,075

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

THOUSANDS OF DOLLARS	ISSUED CAPITAL	TREASURY STOCK	HEDGING RESERVE	EQUITY COMPEN- SATION RESERVE	RETAINED EARNINGS	TOTAL	NON- CONTROLLING INTEREST	TOTAL EQUITY
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								
(Loss)/profit for the period	-	-	-	-	(713,514)	(713,514)	293	(713,221)
Total other comprehensive (expense)/income	-	-	(4,775)	-	(22,238)	(27,013)	-	(27,013)
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
Balance at 1 January 2012	543,415	(430)	(16,444)	8,107	1,671,357	2,206,005	12,070	2,218,075
Total comprehensive income for the year								
Profit for the period	-	-	-	-	56,777	56,777	824	57,601
Total other comprehensive (expense)/income	-	-	(3,081)	-	5,271	2,190	-	2,190
Total comprehensive (expense)/income for the year	-	-	(3,081)	-	62,048	58,967	824	59,791
Own shares acquired	-	(4,353)	-	-	-	(4,353)	-	(4,353)
Shares vested to employees	-	4,803	-	(4,803)	-	-	-	-
Expense on equity settled transactions	-	-	-	8,566	-	8,566	-	8,566
Dividends to shareholders	-	-	-	-	(121,500)	(121,500)	(1,000)	(122,500)
Balance at 31 December 2012	543,415	20	(19,525)	11,870	1,611,905	2,147,685	11,894	2,159,579

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

THOUSANDS OF DOLLARS	NOTE	2012	2011
Cash flows from operating activities			
Receipts from customers		27,015,253	25,636,433
Payments to suppliers, employees and governments		(26,396,190)	(24,941,412)
Dividends and disbursements received		1,600	1,395
Interest received		2,829	1,330
Interest and other finance costs paid		(108,778)	(70,269)
Income taxes paid		(114,976)	(181,075)
Net operating cash inflows	25(b)	399,738	446,402
Cash flows from investing activities			
Purchase of controlled entity, net of cash acquired		(11,446)	(21,571)
Purchases of property, plant and equipment		(342,683)	(316,836)
Major cyclical maintenance		(34,430)	(79,711)
Purchases of intangibles		(13,389)	(5,083)
Net proceeds from sale of property, plant and equipment		6,768	37,911
Net investing cash outflows		(395,180)	(385,290)
Cash flows from financing activities			
Proceeds from borrowings		12,895,678	12,741,419
Repayments of borrowings		(12,566,845)	(12,689,517)
Repayment of finance lease principal		(2,780)	(2,673)
Dividends paid to non-controlling interest		(1,000)	–
Dividends paid		(121,500)	(126,900)
Net financing cash inflows/(outflows)		203,553	(77,671)
Net increase/(decrease) in cash and cash equivalents		208,111	(16,559)
Cash and cash equivalents at the beginning of the year		1,818	18,377
Cash and cash equivalents at the end of the year	25(a)	209,929	1,818

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 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 25 February 2013.

(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). 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 Caltex has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Associates

Associates are those entities over 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 and requiring unanimous consent for strategic financial and operating decisions.

Jointly controlled entities

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

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

Jointly controlled operations and assets

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

Transactions eliminated on consolidation

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

(c) Accounting estimates and judgements

Note 1(n) contains information about the assumptions and the risk factors relating to impairment.

In 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 18(b) contains information about the principal actuarial assumptions used in determining pension obligations for the Group's defined benefit plan.

Note 1(w) provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions. Refer to note 15 for further detail.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 applicable for 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. 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

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

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

Hedging

Cash flow hedges

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

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

Fair value hedges

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

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

Cross currency swaps

The Group has entered into cross currency swaps with matched terms to the underlying US notes. These matched terms include principal, margin and payment terms. These contracts are initially designated as fair value hedges for the swap of the benchmark US and Australian interest rates (a cross currency swap excluding margins) and cash flow hedge for a swap of the fixed US and Australian margin. Initial designation documents also provide scope for interest rate swaps to be entered into over the life of the cross currency swap. On entering into the interest rate swap, the initial fair value hedge is redesignated as a combined cross currency swap and interest rate swap and accounted for as a cash flow hedge.

(k) Income tax

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

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

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

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 with a corresponding finance lease liability. Contingent rentals are written off as an expense of the period in which they are incurred. Capitalised lease assets are depreciated over the shorter of the lease term and its useful life.

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

Operating leases

Payments made under operating leases are charged against net profit or loss in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the benefits to be derived from the leased property. Contingent rentals are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense on a straight-line basis over the lease term.

Subsequent expenditure

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

Major cyclical maintenance

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

Depreciation

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

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

Freehold buildings	2%
Leasehold property	2 – 10%
Plant and equipment	3 – 25%
Leased plant and equipment	3 – 25%

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

(p) Intangible assets

Goodwill

Business combinations prior to 1 January 2004

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

Business combinations since 1 January 2004

All business combinations are accounted for by applying the 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%

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 less 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 and subordinated notes

These 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. All other expenses relating to the defined benefit plans are recognised as an expense in the consolidated income statement.

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 as an expense over the specified service period and ending on the date on which the relevant employees become fully entitled to the award (vesting date) with a corresponding increase in equity. 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.

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

In general, the further in the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow. Examples of cash outflows that are expected to occur a number of years in the future and, as a result, about which there is uncertainty of the amounts involved, include asset decommissioning and restoration obligations and employee pension obligations.

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

Restoration and remediation

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

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

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

Asset retirements

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of sales operating profit before interest and income tax excluding significant items 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) Carbon policy

The Group accounts for free carbon permits received under *The Clean Energy Act 2011*, at nominal value, i.e. nil value. These permits are surrendered to satisfy the Group's emissions liability. An emissions liability will be recognised, at fair value, if the Group's carbon emission is in excess of the carbon permits.

(z) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, 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, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2. OTHER INCOME

THOUSANDS OF DOLLARS	2012	2011
Other income		
Rental income	58,829	53,448
Royalties and franchise income	115,061	112,927
Transaction and merchant fees	85,444	80,952
Other	43,443	47,903
	302,777	295,230
Finance income		
Interest from other corporations	2,196	1,257
Gain on fair value derivative	–	30
	2,196	1,287
	304,973	296,517

3. COSTS AND EXPENSES

THOUSANDS OF DOLLARS	2012	2011
Finance costs		
Interest expense	88,094	66,049
Finance charges on capitalised leases	1,472	1,749
Discounting expense	11,151	1,442
Less: capitalised finance costs	(1,258)	–
Finance costs	99,459	69,240
Depreciation and amortisation		
Depreciation of:		
– Buildings	9,742	10,529
– Plant and equipment	99,579	194,255
	109,321	204,784
Amortisation of:		
– Leasehold property	6,459	5,421
– Leased plant and equipment	650	650
– Intangibles	9,269	8,486
	16,378	14,557
Total depreciation and amortisation	125,699	219,341
Selected expenses		
Total operating personnel expenses	390,640	361,108

Significant items

During 2012, the Group incurred significant items totalling \$441,355,000, that have been recognised in the income statement. These items relate to employment benefit and remediation provisions (\$430,000,000) arising from the announcement on 26 July 2012 of the planned 2014 closure of Kurnell Refinery in New South Wales, Australia and its proposed conversion to an import terminal. The remaining expenses of \$11,355,000 relate to cancelled capital projects associated with the Kurnell Refinery.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

3. COSTS AND EXPENSES (continued)

During 2011, the Group incurred significant items totalling \$1,593,704,000, that have been recognised in the income statement. These items relate to Refining asset impairment (\$1,500,000,000) as mentioned below, 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).

Of this total \$441,355,000 significant items (2011: \$1,593,704,000), \$nil is included in impairment of non-current assets (2011: \$1,552,780,000), \$441,355,000 is included in Refining and Supply expenses (2011: \$17,806,000) and \$nil in Other expenses (2011: \$23,118,000).

2011 impairment of non-current assets

During 2011, an impairment expense of \$1,552,780,000 was recognised. 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 sustain 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.

4. INCOME TAX EXPENSE/(BENEFIT)

(a) Recognised in the income statement

THOUSANDS OF DOLLARS	2012	2011
Current tax expense:		
Current year	107,261	121,837
Adjustments for prior years	3,676	(7,698)
	110,937	114,139
Deferred tax benefit:		
Origination and reversal of temporary differences	(81,674)	(422,685)
Total income tax expense/(benefit) in the income statement	29,263	(308,546)

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

THOUSANDS OF DOLLARS	2012	2011
Profit/(loss) before income tax expense/(benefit)	86,864	(1,021,767)
Income tax using the domestic corporate tax rate of 30% (2011: 30%)	26,059	(306,530)
Increase in income tax expense due to:		
– Imputation gross-up on dividends received	257	598
– Other	2,170	4,276
Decrease in income tax expense due to:		
– Share of net profit of associated entities	(490)	(384)
– Capital gains tax	(1,652)	2,690
– Research and development allowances	(500)	(900)
– Franking credits on dividends received	(257)	(598)
Income tax under/(over) provided in prior years	3,676	(7,698)
Total income tax expense/(benefit) in the income statement	29,263	(308,546)

(c) Deferred tax recognised directly in equity

THOUSANDS OF DOLLARS	2012	2011
Related to actuarial losses	(1,616)	8,889
Related to cash flow hedges	(402)	2,046
Related to interest rate swaps	1,722	–
	(296)	10,935

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

THOUSANDS OF DOLLARS	ASSETS		LIABILITIES		NET	
	2012	2011	2012	2011	2012	2011
Receivables	1,584	2,156	–	–	1,584	2,156
Inventories	–	–	(1,814)	(9,395)	(1,814)	(9,395)
Property, plant and equipment and intangibles	286,192	342,619	–	–	286,192	342,619
Payables	3,821	6,051	–	–	3,821	6,051
Interest bearing liabilities	8,746	8,020	–	–	8,746	8,020
Provisions	231,156	98,394	–	–	231,156	98,394
Other	–	–	(1,549)	(1,087)	(1,549)	(1,087)
Net tax assets/(liabilities)	531,499	457,240	(3,363)	(10,482)	528,136	446,758

(e) Unrecognised deferred tax assets

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

THOUSANDS OF DOLLARS	2012	2011
Capital tax losses	175,382	177,028

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 12	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE AT 31 DEC 12
Receivables	2,156	(572)	–	1,584
Inventories	(9,395)	7,581	–	(1,814)
Property, plant and equipment	342,619	(56,427)	–	286,192
Payables	6,051	(2,230)	–	3,821
Interest bearing liabilities	8,020	(594)	1,320	8,746
Provisions	98,394	134,378	(1,616)	231,156
Other	(1,087)	(462)	–	(1,549)
	446,758	81,674	(296)	528,136

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

4. INCOME TAX EXPENSE/(BENEFIT) (continued)

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

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
2012				
Interim 2012	3 October 2012	Franked	17	45,900
Final 2011	3 April 2012	Franked	28	75,600
Total amount				121,500
2011				
Interim 2011	27 September 2011	Franked	17	45,900
Final 2010	29 March 2011	Franked	30	81,000
Total amount				126,900

The dividends paid during 2012 were fully franked at the rate of 30%.

Subsequent events

Since 31 December 2012, 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 2012.

Final 2012	4 April 2013	Franked	23	62,100
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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 2012 and will be recognised in subsequent financial reports.

(b) Dividend franking account

THOUSANDS OF DOLLARS	2012	2011
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	1,071,780	1,008,964

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 \$26,614,286 (2011: \$32,400,000).

In accordance with the tax consolidation legislation, Caltex Australia Limited as the head entity in the tax-consolidated group has also assumed the benefit of \$1,071,780,000 (2011: \$1,008,964,000) in franking credits.

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

	2012	2011
Historical cost – cents per share	21	(264)
Replacement cost (RCOP) excluding significant items – cents per share	170	98

The calculation of historical cost basic earnings per share for the year ended 31 December 2012 was based on the net profit attributable to ordinary shareholders of the parent entity of \$56,777,000 (2011: \$713,514,000 loss) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 270 million shares (2011: 270 million shares).

The calculation of replacement cost (RCOP) excluding significant items basic earnings per share for the year ended 31 December 2012 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity and a weighted average number of ordinary shares outstanding as disclosed during the year ended 31 December 2012 of 270 million shares (2011: 270 million shares). RCOP is calculated by adjusting the statutory profit for significant items and inventory gains and losses as follows:

THOUSANDS OF DOLLARS	2012	2011
Net profit/(loss) attributable to equity holders of the parent entity	56,777	(713,514)
Adjust: Significant items after tax	308,949	1,115,593
Adjust: Inventory losses/(gains) after tax	92,264	(138,214)
Replacement cost (RCOP) excluding significant items after tax	457,990	263,865

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

7. RECEIVABLES

THOUSANDS OF DOLLARS	2012	2011
Current		
Trade debtors	926,582	885,465
Allowance for impairment	(4,736)	(6,472)
	921,846	878,993
Associated entities	55,559	66,190
Other related entities	4,665	3,376
Other debtors	65,364	52,931
	1,047,434	1,001,490
Non-current		
Other loans	2,207	1,566

(a) Impaired receivables

As at 31 December 2012, current trade receivables of the Group with a nominal value of \$4,736,000 (2011: \$6,472,000) 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 2012, trade receivables of \$22,098,000 (2011: \$21,852,000) 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	2012	2011
Past due 0 – 30 days	19,788	17,573
Past due 31 – 60 days	1,112	2,550
Past due greater than 60 days	1,198	1,729
	22,098	21,852

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

7. RECEIVABLES (continued)

(a) Impaired receivables (continued)

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

THOUSANDS OF DOLLARS	2012	2011
At 1 January	6,472	5,840
Provision for impairment recognised during the year	1,301	3,614
Receivables written off during the year as uncollectible	(3,037)	(2,982)
At 31 December	4,736	6,472

The creation and release of the provision for impaired receivables has been included in Other expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

(b) Foreign exchange and interest rate risk

Refer to note 17 for exposures to foreign exchange and interest rate risk relating to trade and other receivables.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. Maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Refer to note 17 for further details.

8. INVENTORIES

THOUSANDS OF DOLLARS	2012	2011
Crude oil and raw materials	703,767	786,511
Inventory in process	181,396	133,566
Finished goods	750,951	757,534
Materials and supplies	15,395	40,121
	1,651,509	1,717,732

9. OTHER ASSETS

THOUSANDS OF DOLLARS	2012	2011
Current		
Prepayments	39,802	35,862
Non-current		
Other	4,480	1,801

10. OTHER INVESTMENTS

THOUSANDS OF DOLLARS	2012	2011
Investment in other entities	3	3

11. INTANGIBLES

THOUSANDS OF DOLLARS	GOODWILL	RIGHTS	SOFTWARE	TOTAL
Cost				
At 1 January 2012	84,552	5,986	67,990	158,528
Acquisitions through business combinations	63	9,778	–	9,841
Additions	–	1,027	12,362	13,389
Disposals	–	–	(1,611)	(1,611)
Balance at 31 December 2012	84,615	16,791	78,741	180,147
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
Amortisation				
At 1 January 2012	(16,391)	(4,252)	(42,877)	(63,520)
Amortisation for the year	–	(1,846)	(7,423)	(9,269)
Disposals	–	–	706	706
Balance at 31 December 2012	(16,391)	(6,098)	(49,594)	(72,083)
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)
Carrying amount				
At 1 January 2012	68,161	1,734	25,113	95,008
At 31 December 2012	68,224	10,693	29,147	108,064
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

Amortisation

The amortisation charge of \$9,269,000 (2011: \$8,486,000) 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	2012	2011
Distributor businesses	68,224	68,161

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 2012 (2011: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

11. INTANGIBLES (continued)

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	2012	2011
Freehold land		
At cost	365,469	372,970
Accumulated impairment losses	(37,284)	(37,284)
Net carrying amount	328,185	335,686
Buildings		
At cost	437,419	402,415
Accumulated depreciation and impairment losses	(223,745)	(220,723)
Net carrying amount	213,674	181,692
Leasehold property		
At cost	124,384	111,571
Accumulated amortisation	(72,870)	(68,814)
Net carrying amount	51,514	42,757
Plant and equipment		
At cost	4,329,525	4,122,947
Accumulated depreciation and impairment losses	(3,481,205)	(3,436,412)
Net carrying amount	848,320	686,535
Leased plant and equipment		
At capitalised cost	24,051	24,051
Accumulated amortisation	(23,729)	(23,079)
Net carrying amount	322	972
Capital projects in progress		
At cost	379,113	339,019
Accumulated impairment losses	(51,213)	(51,213)
Net carrying amount	327,900	287,806
Total net carrying amount	1,769,915	1,535,448

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

THOUSANDS OF DOLLARS	2012	2011
Freehold land		
Carrying amount at the beginning of the year	335,686	365,986
Additions	11	6,984
Impairment loss	–	(37,284)
Disposals	(7,512)	–
Carrying amount at the end of the year	328,185	335,686
Buildings		
Carrying amount at the beginning of the year	181,692	195,851
Additions	744	2,953
Impairment loss	–	(45,066)
Disposals	(462)	(1,785)
Transfers from capital projects in progress	41,442	40,268
Depreciation	(9,742)	(10,529)
Carrying amount at the end of the year	213,674	181,692
Leasehold property		
Carrying amount at the beginning of the year	42,757	34,402
Additions	305	102
Disposals	(238)	(884)
Transfers from capital projects in progress	15,149	14,558
Amortisation	(6,459)	(5,421)
Carrying amount at the end of the year	51,514	42,757
Plant and equipment		
Carrying amount at the beginning of the year	686,535	2,038,065
Additions	30,834	80,253
Acquisition through entity acquired	1,022	14,382
Impairment loss	–	(1,422,252)
Disposals	(26,348)	(1,685)
Transfers from capital projects in progress	255,856	168,992
Depreciation	(99,579)	(194,255)
Impairment reversal	–	3,035
Carrying amount at the end of the year	848,320	686,535
Leased plant and equipment		
Carrying amount at the beginning of the year	972	1,622
Amortisation	(650)	(650)
Carrying amount at the end of the year	322	972
Capital projects in progress		
Carrying amount at the beginning of the year	287,806	259,596
Additions	351,283	303,241
Borrowing costs capitalised	1,258	–
Impairment loss	–	(51,213)
Transfers to buildings, leased property, plant and equipment	(312,447)	(223,818)
Carrying amount at the end of the year	327,900	287,806

Comparative amounts for the impairment loss have been restated for each class of property, plant and equipment to reflect the final allocation of the 2011 impairment performed in 2012. Refer note 32 for further details on the impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

13. PAYABLES

THOUSANDS OF DOLLARS	2012	2011
Current		
Trade creditors – unsecured ^(a)		
– Related entities	328,997	434,363
– Other corporations and persons	608,257	552,242
Other creditors and accrued expenses	559,893	687,412
	1,497,147	1,674,017
Non-current		
Other creditors and accrued expenses	6,595	6,726

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

14. INTEREST BEARING LIABILITIES

THOUSANDS OF DOLLARS	2012	2011
Current – unsecured		
Bank loans ⁽ⁱ⁾	–	38,000
US notes ⁽ⁱ⁾	–	113,415
Lease liabilities ⁽ⁱⁱⁱ⁾	1,188	2,564
	1,188	153,979
Non-current – unsecured		
Bank loans ⁽ⁱ⁾	–	50,000
Domestic medium term notes ⁽ⁱ⁾	149,500	149,420
Subordinated notes ⁽ⁱ⁾	535,183	–
US notes ⁽ⁱ⁾	177,714	181,634
Hedge payable ⁽ⁱ⁾⁽ⁱⁱ⁾	86,053	81,933
Lease liabilities ⁽ⁱⁱⁱ⁾	294	1,698
	948,744	464,685

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, subordinated notes and the US notes are provided by a number of banks and capital markets. The bank loans, domestic medium term notes and subordinated notes are denominated in Australian dollars, and US notes are denominated in US dollars. Under the loan and note agreements, the Caltex Australia Group is required to comply with certain financial covenants. There is no security or demand placed on the Bank loans and US notes. The US notes and hedge payable will mature in: April 2014, totalling \$73,843,000, and April 2016, totalling \$189,924,000. The domestic medium term note will mature in November 2018, totalling \$149,500,000. The subordinated note has a maturity date of September 2037, with the option for redemption in September 2017, totalling \$535,183,000.
- (ii) The hedge payable is disclosed within interest bearing liabilities as the hedge was entered into specifically as a result of the US dollar borrowings and is inextricably linked to that 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 2012 (USD exchange rate 1.0374) on the amount hedged (USD 175,000,000).
- (iii) Refer to note 19 for details on the timing and amount of future lease payments.

15. PROVISIONS

THOUSANDS OF DOLLARS	EMPLOYEE BENEFITS	SITE REMEDIATION AND DISMANTLING	OTHER	TOTAL
Balance at 1 January 2012	224,118	70,713	34,948	329,779
Provisions made during the year	186,105	370,315	1,840	558,260
Provisions used during the year	(100,837)	(24,939)	(9,373)	(135,149)
Reclassification of provisions during the year	–	10,000	(10,000)	–
Discounting movement	5,810	3,821	–	9,631
Balance at 31 December 2012	315,196	429,910	17,415	762,521
Current	94,382	15,703	14,115	124,200
Non-current	220,814	414,207	3,300	638,321
	315,196	429,910	17,415	762,521

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, and in relation to the Kurnell conversion project. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of expenditure associated with the environment remediation process. Those expectations are formed based on existing environment and regulatory requirements or, if more stringent, Caltex's environmental policies which give rise to a constructive obligation. The restoration and remediation provision, whilst representing Caltex's best estimate, remains subject to a level of uncertainty in relation to the timing and amount of each component of expenditure in future periods. Adjustments to the estimated amount and timing of future expenditures are a normal occurrence in light of significant judgements and estimates involved. Factors influencing those potential changes include revisions to lives of operations, developments in technology, regulatory requirements and environmental management strategies, and changes in the estimated extent and costs of anticipated activities.

Other

Other includes legal, insurance and other provisions.

16. ISSUED CAPITAL

THOUSANDS OF DOLLARS	2012	2011
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 20 to 53 for further detail).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

17. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate and commodity price), as well as credit 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 market exposures. The Group uses sensitivity analysis in the case of foreign exchange, interest rate and commodity price risk.

Risk management is carried out by Group Treasury for market risk, liquidity risk, financial institutional credit risk and capital management. Risk management activities in respect to customer 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 finances its operations through a variety of financial instruments including bank loans, domestic medium term notes, subordinated notes, US notes, and finance leases. Surplus funds are invested in cash and short term deposits.

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, cross currency swaps, forward currency contracts, and commodity price swaps. The purpose is to manage the market risks arising from the Group's operations and its sources of finance.

It is 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 2012, the fixed rates varied from 3.2% p.a. to 5.3% p.a. (2011: 4.4% p.a. to 5.3% p.a.), a weighted average rate of 4.2% p.a. (2011: 4.9% 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 2012 was \$10,621,000 loss (2011: \$4,897,000 loss). 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 two years (30 April 2014) and cross currency swap contracts maturing in four 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 2012 was \$86,053,000 loss (2011: \$81,933,000 loss). The Group has combined cross currency swap and interest rate swap contracts classified as cash flow hedges and cross currency swap contracts (excluding margins) classified as fair value hedges and US and Australian margins classified as cash flow hedges.

Interest rate sensitivity analysis

At 31 December 2012, if interest rates had changed by +/-1% from the year end rates, with all other variables held constant, net profit for the year for the Group and equity would have been:

DOLLARS	2012		2011	
	NET PROFIT	EQUITY	NET PROFIT	EQUITY
Interest rates decrease 1%	1,800,000	(6,300,000)	1,200,000	(3,000,000)
Interest rates increase 1%	(1,600,000)	6,000,000	(1,100,000)	2,800,000

Interest rate risk exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities are set out as follows:

THOUSANDS OF DOLLARS	NOTE	FIXED INTEREST MATURING IN:					TOTAL	EFFECTIVE INTEREST RATE P.A.
		FLOATING INTEREST RATE	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	GREATER THAN FIVE YEARS	NON-INTEREST BEARING		
31 December 2012								
Financial assets								
Cash at bank and on hand		209,929	–	–	–	–	209,929	3.1%
		209,929	–	–	–	–	209,929	
Financial liabilities								
US notes	14	–	–	177,714	–	–	177,714	10.3%
Domestic medium term note	14	–	–	–	149,500	–	149,500	7.3%
Subordinated note	14	535,183	–	–	–	–	535,183	7.6%
Hedge payable	14	–	–	86,053	–	–	86,053	10.3%
Lease liabilities	14	–	1,188	294	–	–	1,482	14.0%
		535,183	1,188	264,061	149,500	–	949,932	
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	149,420	–	618,664	

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.

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. The Group also enters into forward foreign exchange contracts to cover major capital expenditure items. As at 31 December 2012, the total fair value of all outstanding forward contracts amounted to \$2,842,000 gain (2011: \$5,484,000 loss). US dollar denominated borrowings are swapped into Australian dollars; as a result, there were no net foreign currency gains or losses arising from translation of these borrowings.

Foreign exchange rate sensitivity analysis

At 31 December 2012, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, post tax profit for the year for the Group and equity would have been:

DOLLARS	2012		2011	
	NET PROFIT	EQUITY	NET PROFIT	EQUITY
AUD strengthens against USD 10%	17,300,000	(4,000,000)	26,800,000	(6,200,000)
AUD weakens against USD 10%	(21,600,000)	5,000,000	(28,300,000)	6,900,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

17. FINANCIAL INSTRUMENTS (continued)

Exposure to foreign exchange risk

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

THOUSANDS OF DOLLARS (Australian Dollar equivalent amounts)	2012			2011		
	US DOLLAR	AUSTRALIAN DOLLAR	TOTAL	US DOLLAR	AUSTRALIAN DOLLAR	TOTAL
(Bank overdraft)/cash	(3,325)	213,254	209,929	(9,565)	11,383	1,818
Trade receivables	130,552	919,089	1,049,641	66,686	936,370	1,003,056
Trade payables	(830,398)	(676,186)	(1,506,584)	(927,561)	(747,698)	(1,675,259)
Forward exchange contracts	2,842	–	2,842	(5,484)	–	(5,484)
US notes	(177,714)	–	(177,714)	(181,634)	(113,415)	(295,049)
Hedge payable	(86,053)	–	(86,053)	(81,933)	–	(81,933)

(c) Commodity price risk

The Caltex Australia Group is exposed to the effect of changes in commodity price on the operations of the Group.

The Group utilises both crude and finished product swap contracts to manage the risk of price timing movements. The Board approved commodity hedging policy precludes the use of refiner margin hedging. The commodity hedging policy seeks to neutralise adverse basis and timing risk brought about by purchase and sales transactions that are outside the normal operating conditions of the Group. During the year, the Group employed hedge instruments to correct timing risk issues.

(d) Customer 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. See note 7.

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.

Financial institution credit risk

Credit risk on cash, short term deposits and derivative contracts is minimised by transacting with relationship banks which have 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 relationship banks. Credit risk on crude and finished product swap contracts is minimised as counterparties are principally Chevron or large relationship 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(e).

The credit risk on interest rate swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the Caltex Australia Group. As at 31 December 2012, there is no expected credit risk on any financial instruments (2011: nil).

(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 2012	%	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities						
– US notes	10.3	177,714	210,937	14,277	196,660	–
– Domestic medium term notes	7.3	149,500	215,318	10,886	43,546	160,886
– Subordinated note*	7.6	535,183	747,764	40,447	707,317	–
– Hedge payable	10.3	86,053	106,509	10,068	96,441	–
– Lease liabilities	14.0	1,482	1,558	1,248	310	–
Payables						
– Interest rate swaps	4.2	10,621	7,678	4,038	3,640	–
– Forward FX contracts – inflow	–	(2,842)	(465,891)	(465,891)	–	–
– outflow	–	–	463,356	463,356	–	–
Payables	–	1,495,963	1,498,599	1,498,035	564	–

* The subordinated note is assumed to be repaid on the first call date (15 September 2017).

31 December 2011

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	43,546	171,773
– 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	–

(f) Capital management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2012, the Group's strategy was to maintain a minimum long term credit rating of BBB+, in order to secure access to finance at a reasonable cost. The credit rating is impacted by two key ratios: Funds from Operations/Debt and Debt/Earnings Before Interest and Depreciation and Amortisation.

The Group's gearing ratio is calculated as net debt/total capital. Net debt is calculated as total interest bearing liabilities less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

17. FINANCIAL INSTRUMENTS (continued)

(f) Capital management (continued)

The gearing ratios at 31 December 2012 and 31 December 2011 were as follows:

THOUSANDS OF DOLLARS	2012	2011
Total interest bearing liabilities	949,932	618,664
Less: cash and cash equivalents	(209,929)	(1,818)
Net debt	740,003	616,846
Total equity	2,159,579	2,218,075
Total capital	2,899,582	2,834,921
Gearing ratio	25.5%	21.8%

(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 2012	FAIR VALUE 2012	CARRYING AMOUNT 2011	FAIR VALUE 2011
Receivables	1,049,641	1,049,641	1,003,056	1,003,056
Cash and cash equivalents	209,929	209,929	1,818	1,818
Other investments	3	3	3	3
Interest bearing liabilities				
– Bank loans	–	–	(88,000)	(88,000)
– US notes	(177,714)	(179,618)	(295,049)	(306,568)
– Domestic medium term notes	(149,500)	(150,000)	(149,420)	(149,420)
– Subordinated note	(535,183)	(550,000)	–	–
– Cross currency swaps	(86,053)	(86,053)	(81,933)	(81,933)
– Lease liabilities	(1,482)	(1,558)	(4,262)	(4,493)
Payables				
– Interest rate swaps	(10,621)	(10,621)	(4,897)	(4,897)
– Forward foreign exchange contracts	2,842	2,842	(5,484)	(5,484)
– Payables	(1,495,963)	(1,495,963)	(1,670,362)	(1,670,362)
	(1,194,101)	(1,211,398)	(1,294,530)	(1,306,280)

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 using the government bond rate.

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 2012 plus an adequate constant credit spread to discount financial instruments. The annual interest rates used are as follows:

	2012	2011
Lease liabilities	3%	3%
Receivables	4%	5 – 6%
Payables	2 – 5%	3 – 6%

18. EMPLOYEE BENEFITS

(a) Liability for employee benefits

THOUSANDS OF DOLLARS	NOTE	2012	2011
Current			
Liability for annual leave		36,680	27,443
Liability for long service leave		2,962	5,461
Liability for termination benefits		7,314	28,693
Bonus accrued		47,426	30,511
		94,382	92,108
Non-current			
Liability for long service leave		61,342	59,589
Liability for termination benefits		101,100	–
Defined benefit superannuation obligation		58,372	72,421
		220,814	132,010
Total liability for employee benefits	15	315,196	224,118

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

18. EMPLOYEE BENEFITS (continued)

Information from the most recent actuarial valuation for the defined benefit plan at 31 December 2012 follows:

THOUSANDS OF DOLLARS	2012	2011
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	72,420	39,899
Expense recognised in the income statement	5,734	7,240
Actuarial (gains)/losses recognised in retained earnings	(6,887)	31,128
Employer contributions	(10,055)	(5,028)
Benefits paid	(2,840)	(819)
Net liability for defined benefit obligation at the end of the year	58,372	72,420
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	226,804	222,164
Current service cost	9,174	9,266
Interest cost	6,180	9,534
Contributions by plan participants	1,997	2,298
Actuarial (gains)/losses recognised in retained earnings	(1,630)	12,929
Benefits paid	(38,417)	(29,387)
Present value of defined benefit obligation at the end of the year	204,108	226,804
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the year	154,384	182,265
Expected return on plan assets	9,620	11,560
Actuarial gains/(losses) recognised in retained earnings	5,257	(18,199)
Employer contributions	10,055	5,028
Contributions by plan participants	1,997	2,298
Benefits paid	(35,577)	(28,568)
Fair value of plan assets at the end of the year	145,736	154,384
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	204,108	226,804
Fair value of plan assets	(145,736)	(154,384)
Net liability	58,372	72,420
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	9,174	9,266
Interest cost	6,180	9,534
Expected return on assets	(9,620)	(11,560)
Superannuation expense	5,734	7,240
Amounts recognised in equity		
Actuarial (gains)/losses	(6,887)	31,128
Cumulative actuarial losses	92,078	98,965
Plan assets		
The percentage invested in each asset class at the balance sheet date was:		
Australian equity	15%	19%
International equity	16%	17%
Fixed income	31%	30%
Alternatives/Other	15%	12%
Property	5%	4%
Cash	18%	18%

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	2012	2011
Actual return on plan assets gain/(loss)	14,877	(6,639)
Principal actuarial assumptions at the balance sheet date (% p.a.)		
Discount rate (active members)	3%	3%
Discount rate (pensioners)	3%	4%
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 – 7%	5%

* Under the revised version of the standard AASB 119 Employee Benefits (effective from 1 January 2013), the expected rate of return on plan assets will become non-applicable.

THOUSANDS OF DOLLARS	2012	2011	2010	2009	2008
Historical information					
Present value of defined benefit obligation	(204,108)	(226,804)	(222,164)	(204,726)	(226,686)
Fair value of plan assets	145,736	154,384	182,265	161,345	137,075
Deficit in plan	58,372	72,420	39,899	43,381	89,611
Experience adjustments on plan assets – gain/(loss)	3,820	(17,202)	(5,222)	10,376	(65,867)
Experience adjustments on plan liabilities – gain/(loss)	3,026	(1,557)	(4,868)	4,839	(16,874)

Expected employer contributions for the reporting year to 31 December 2013 is \$18,534,000.

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	2012	2011
Employer contributions to the accumulation division plan during the year	16,064	15,429

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

19. COMMITMENTS

(a) Capital expenditure

THOUSANDS OF DOLLARS	2012	2011
Capital expenditure contracted but not provided for in the financial report payable:	46,813	32,511

(b) Leases

Finance leases

THOUSANDS OF DOLLARS	31 DECEMBER 2012			31 DECEMBER 2011		
	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL
Within one year	1,248	60	1,188	2,871	307	2,564
Between one and five years	310	16	294	1,826	128	1,698
	1,558	76	1,482	4,697	435	4,262

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. Contingent rentals of \$292,900 were paid during the year (2011: \$nil).

Operating leases

THOUSANDS OF DOLLARS	2012	2011
Non-cancellable operating leases – Group as lessee		
Future minimum rentals payable:		
Within one year	135,212	96,140
Between one and five years	378,734	317,714
After five years	190,216	92,369
	704,162	506,223

The Group leases property under operating leases expiring from one to 20 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 (2011: nil).

The expense recognised in the income statement during the year in respect of operating leases is \$113,168,000 (2011: \$97,277,000).

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	2012	2011
Non-cancellable operating leases – Group as lessor		
Future minimum rentals receivable:		
Within one year	73,544	67,463
Between one and five years	130,834	110,639
After five years	20,513	29,951
	224,891	208,053

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 leases and subleases expire between 2013 and 2021.

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

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	2012	2011
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(a) Contingent assets – legal and other claims

–

In the ordinary course of business, the Group is involved as a plaintiff in legal proceedings. Where appropriate, Caltex takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

(b) Contingent liabilities – legal and other claims

–

In the ordinary course of business, the Group is involved as a defendant in legal proceedings. Where appropriate, Caltex takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

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 \$2,003,724 (2011: \$1,921,724).

(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 2012 or since 1 January 2013 to the date of signing this financial report.

21. AUDITOR'S REMUNERATION

THOUSANDS OF DOLLARS	2012	2011
Audit services – KPMG Australia	1,144	767
Non-audit services – KPMG Australia:		
Transaction services	165	57
Other assurance services	202	67
Taxation services	22	24
	389	148

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

(a) NAME	NOTE	% INTEREST	
		2012	2011
Companies			
Ampol Bendigo Pty Ltd	(ii)	100	100
Ampol International Holdings Pte Ltd	(viii)	100	–
Ampol Property (Holdings) Pty Ltd	(ii)	100	100
Ampol Refineries (Matraville) Pty Ltd		100	100
Ampol Singapore Holdings Pte Ltd	(xi)	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	100
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	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
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

(a) NAME (continued)	NOTE	% INTEREST	
		2012	2011
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
Sydney Metropolitan Pipeline Pty Ltd	(iii)	60	60
Teraco Pty Ltd	(iii)	50	50
Tulloch Petroleum Services Pty Ltd	(ii)	100	100
Western Fuel Distributors Pty Ltd	(iii)	50	50
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 2012 or from 1 January 2013 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 2012. Employees of these companies were eligible to participate in the Caltex Australia Limited employee share plans in 2012.
- (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) Ampol International Holdings Pte Ltd was incorporated in Singapore on 24 May 2012.
- (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.
- (xi) Ampol Singapore Holdings Pte Ltd was incorporated in Singapore on 1 March 2011.

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

THOUSANDS OF DOLLARS	2012	2011
Revenue from sale of goods	23,045,887	22,094,685
Cost of sales	(21,769,519)	(20,903,823)
Gross profit	1,276,368	1,190,862
Other income	304,879	296,517
Operating expenses	(1,404,041)	(890,310)
Impairment of non-current assets	–	(1,552,780)
Finance costs	(99,459)	(69,240)
Share of profit of equity-accounted investees	1,634	1,618
Profit/(loss) before income tax expense	79,381	(1,023,333)
Income tax (expense)/benefit	(27,241)	308,915
Net profit/(loss)	52,140	(714,418)
Retained earnings at the beginning of the year	1,632,557	2,496,113
Movement in reserves	5,271	(22,238)
Dividends provided for or paid	(121,500)	(126,900)
Retained earnings at the end of the year	1,568,468	1,632,557

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)

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

THOUSANDS OF DOLLARS	2012	2011
Current assets		
Cash and cash equivalents	203,305	5,651
Receivables	940,595	857,402
Inventories	1,648,024	1,715,682
Other	11,102	6,523
Total current assets	2,803,026	2,585,258
Non-current assets		
Receivables	2,207	1,566
Investments accounted for using the equity method	37,115	36,531
Other investments	3	3
Property, plant and equipment	1,726,394	1,491,828
Intangibles	99,960	86,904
Deferred tax assets	528,035	448,986
Other	86,187	83,863
Total non-current assets	2,479,901	2,149,681
Total assets	5,282,927	4,734,939
Current liabilities		
Payables	1,460,588	1,633,042
Interest bearing liabilities	1,188	153,979
Current tax liabilities	7,499	13,987
Provisions	123,971	139,781
Total current liabilities	1,593,246	1,940,789
Non-current liabilities		
Interest bearing liabilities	948,744	438,713
Provisions	638,146	189,689
Total non-current liabilities	1,586,890	628,402
Total liabilities	3,180,136	2,569,191
Net assets	2,102,791	2,165,748
Equity		
Issued capital	543,415	543,415
Treasury stock	20	(430)
Reserves	(9,112)	(9,794)
Retained earnings	1,568,468	1,632,557
Total equity	2,102,791	2,165,748

23. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments in associates and joint ventures

	% INTEREST		
	2012	2011	BALANCE DATE
Airport Fuel Services Pty Ltd	40	40	31 December
Australasian Lubricants Manufacturing Company Pty Ltd	50	50	31 December
Cairns Airport Refuelling Service Pty Ltd	25	25	31 December
Geraldton Fuel Company Pty Ltd	50	50	31 December
South Coast Fuels Pty Ltd	50	50	31 December

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
2012	168,555	4,130	1,451	25,889	13,345	12,544	6,236
2011	151,648	4,026	1,412	28,168	17,575	10,593	5,835

THOUSANDS OF DOLLARS	2012	2011
Results of associates		
Share of associates' profit before income tax expense	2,066	2,043
Share of associates' income tax expense	(620)	(613)
Share of associates' net profit	1,446	1,430
Unrealised profit/(loss) in inventories	5	(18)
Share of associates' net profit – equity accounted	1,451	1,412
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	136	134
Between one and five years	681	670
	817	804
Share of associates' finance lease commitments not provided for in the financial report and payable:		
Within one year	774	713
Between one and five years	1,487	1,288
	2,261	2,001
Future finance charges	(268)	(237)
	1,993	1,764

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

23. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(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
2012	495,062	58	183	352,867	349,899	2,968	17,921
2011	577,749	2,191	206	394,079	391,177	2,902	17,738

THOUSANDS OF DOLLARS	2012	2011
Results of joint ventures		
Share of joint ventures' profit before income tax expense	4	1,513
Share of joint ventures' income tax expense	(1)	(352)
Share of joint ventures' net profit	3	1,161
Unrealised profit/(loss) in inventories	180	(955)
Share of joint ventures' net profit – equity accounted	183	206
Joint ventures' assets and liabilities		
Current assets	351,948	392,827
Non-current assets	919	1,252
Total assets	352,867	394,079
Current liabilities	334,375	375,968
Non-current liabilities	15,524	15,209
Total liabilities	349,899	391,177
Commitments		
Share of joint ventures' capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	–	23
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:		
Within one year	1,125	1,150
Between one and five years	5,078	586
After five years	521	–
	6,724	1,736

(d) Reconciliation to income statement

Share of net profit of associates accounted for using the equity method	1,451	1,412
Share of net profit of joint ventures accounted for using the equity method	183	206
	1,634	1,618

24. INTEREST IN JOINT VENTURE OPERATIONS

The Group has joint interests in multiple Joint User Hydrant Installations (JUHIs), which are based at airports across Australia. The principal activity of the JUHIs is refuelling aircraft at the airports. For the year ended 31 December 2012, the contribution of the JUHIs to the operating profit of the Group was nil (2011: 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	2012	2011
Non-current assets		
Plant and equipment expenditure	48,393	42,706
Less: accumulated amortisation	(29,634)	(28,345)
Total non-current assets	18,759	14,361
Total assets	18,759	14,361

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	2012	2011
Cash at bank	209,929	1,818
Total cash and cash equivalents	209,929	1,818

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

THOUSANDS OF DOLLARS	2012	2011
Net profit/(loss)	57,601	(713,221)
Adjustments for:		
– Gain on divestment of non-current assets	(22,883)	(8,507)
– Impairment of fixed assets	–	1,552,780
– Fair value adjustment on financial instruments	–	(30)
– Depreciation of property, plant and equipment	116,430	210,855
– Amortisation of intangibles	9,269	8,486
– Treasury stock movements net of expense	4,213	2,614
– Share of associates' and joint ventures' net profit	(1,634)	(1,618)
Movements in assets and liabilities:		
– Increase in receivables	(46,585)	(147,279)
– Decrease/(increase) in inventories	67,021	(330,663)
– Increase in other assets	(6,619)	(2,153)
– (Decrease)/increase in payables	(184,538)	419,672
– Decrease in current tax liabilities	(3,936)	(65,724)
– Decrease in deferred tax liabilities	(82,317)	(422,044)
– Increase/(decrease) in provisions	493,716	(56,766)
Net operating cash inflows	399,738	446,402

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

26. BUSINESS COMBINATIONS

2012

(a) Direct Fuel Supplies Pty Ltd (DFS)

On 31 January 2012, the Group terminated the franchise and acquired the assets and liabilities of Direct Fuel Supplies Pty Ltd (DFS) for a consideration of \$11,383,000 plus incidental acquisition costs.

DFS was a Caltex Franchise Reseller for over 15 years which supplied to retail sites, commercial customers and primary producers. DFS's prime marketing area was centred in the city of Bunbury while it operated out of depots at Bridgetown, Picton (Bunbury) and Manjimup.

In the 11 months up to 31 December 2012, DFS contributed a gross sales revenue of \$96,295,000 and a net profit of \$3,276,000 to the consolidated gross sales revenue and net profit for the year. If the acquisition had occurred on 1 January 2012, the Group estimates that gross sales revenue would have been \$9,397,000 greater and net profit would have been \$187,000 greater.

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

THOUSANDS OF DOLLARS	ORIGINAL VALUES	FAIR VALUE ADJUSTMENTS	RECOGNISED VALUES
Intangibles	9,778	–	9,778
Property, plant and equipment	1,022	–	1,022
Inventories	798	–	798
Payables	(215)	–	(215)
Net identifiable assets and liabilities	11,383	–	11,383
Goodwill on acquisition			–
Consideration paid, satisfied in cash			11,383
Cash acquired			–
Net cash outflow			(11,383)

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

The intangible asset acquired of \$9,778,000 represents the amount paid to DFS for termination of the franchise agreement, which meets the criteria for recognition as a separately identifiable intangible asset at the date of acquisition. This intangible asset is to be amortised over the remainder of the franchise term.

There were no other material business combinations during the year ended 31 December 2012.

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 \$19,088,000 (plus a deferred payment of \$2,000,000 if particular sales targets were 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.

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	14,914	–	14,914
Inventories	1,468	–	1,468
Other current assets	679	–	679
Property, plant and equipment	3,986	–	3,986
Goodwill	279	(279)	–
Payables	(17,116)	–	(17,116)
Net identifiable assets and liabilities	4,260	(279)	3,981
Goodwill on acquisition			17,157
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 \$17,157,000 has arisen on acquisition of Baileys of which \$17,094,000 was recognised in 2011 and an additional \$63,000 recognised in 2012 resulting from the finalisation of completion accounts. The goodwill acquired 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 \$4,121,000 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)
FOR THE YEAR ENDED 31 DECEMBER 2012

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	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 24 May 2012, Caltex incorporated Ampol International Holdings Pte Limited in Singapore.

27. FINANCING ARRANGEMENTS

THOUSANDS OF DOLLARS	2012	2011
The Caltex Australia Group has access to the following lines of credit:		
Total facilities available:		
– Bank overdrafts	39,640	39,868
– Bank loans and capital markets	2,098,450	1,727,015
	2,138,090	1,766,883
Facilities utilised at balance date:		
– Bank overdrafts	38,085	10,532
– Bank loans and capital markets	948,450	614,402
	986,535	624,934
Facilities not utilised at balance date:		
– Bank overdrafts	1,555	29,336
– Bank loans and capital markets	1,150,000	1,112,613
	1,151,555	1,141,949

These facilities are unsecured and have an average maturity of 3.4 years (2011: 2.8 years) assuming the subordinated notes are repaid on the first call date (15 September 2017).

28. RELATED PARTY INFORMATION

(a) Key management personnel

The key management personnel of the Caltex Australia Group during 2012 and 2011 were:

(i) Directors of Caltex Australia Limited during 2012 and 2011:

Current directors

Ms Elizabeth Bryan, Chairman and Non-Executive Director

Mr Julian Segal, Managing Director & CEO

Mr Trevor Bourne, Non-Executive Director

Mr Richard Brown*, Non-Executive Director (from 28 June 2012)

Ms Barbara Burger*, Non-Executive Director (from 28 June 2012)

Mr Greig Gailey, Non-Executive Director

Mr Ryan Krogmeier*, Non-Executive Director (from 30 March 2012)

Mr John Thorn, Non-Executive Director

* Ms Colleen Jones-Cervantes currently serves as alternate director for Mr Krogmeier (from 30 March 2012) and Mr Brown and Ms Burger (from 28 June 2012).

Former directors

Mr Brant Fish, Non-Executive Director (to 29 March 2012)

Mr Tim Leveille, Non-Executive Director (to 27 June 2012)

Mr Walt Szopiak, Non-Executive Director (to 27 June 2012)

(ii) Senior executives

Current senior executives

Mr Simon Hepworth, Chief Financial Officer

Mr Peter Lim, Company Secretary and General Counsel

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

Mr Gary Smith, General Manager – Refining & Supply

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)

Mr Ken James, General Manager – Supply & Distribution (to 30 April 2012)

(b) Key management personnel compensation

DOLLARS	2012	2011
Short term benefits	11,020,414	10,260,660
Other long term benefits	627,231	451,136
Post-employment benefits	430,443	523,808
Share based payments	4,325,977	3,754,505
	16,404,065	14,990,109

Information regarding directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 25 to 48.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012	HELD AT 31 DEC 2011	PURCHASED	VESTED	SOLD	HELD AT 31 DEC 2012
Directors					
Elizabeth Bryan	14,946	–	–	–	14,946
Julian Segal	66,619	–	99,944	–	166,563
Trevor Bourne	5,395	–	–	–	5,395
Richard Brown	–	–	–	–	–
Barbara Burger	–	–	–	–	–
Brant Fish	–	–	–	–	–
Greig Gailey	5,000	–	–	–	5,000
Ryan Krogmeier	–	–	–	–	–
Tim Leveille	–	–	–	–	–
Walt Szopiak	–	–	–	–	–
John Thorn	1,510	–	–	–	1,510
Senior executives					
Simon Hepworth	59,116	–	37,742	(31,500)	65,358
Ken James	21,328	–	40,936	(62,264)	–
Peter Lim	3,223	–	4,049	–	7,272
Mike McMenamin	32,698	–	22,158	(42,029)	12,827
Gary Smith	14,136	–	6,987	–	21,123
Andy Walz	–	–	–	–	–
Simon Willshire	28,988	–	25,096	(41,029)	13,055

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	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

(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 2012 (2011: nil).

During 2012, 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 transactions during the year were on normal commercial terms.

During 2012, Mr Bourne was a director of Hastie Group Limited (to 15 February 2012) and Origin Energy Limited (to 12 November 2012). Transactions with these companies and their subsidiaries during the year were on normal commercial terms.

During 2012, Mr Thorn was a director of National Australia Bank Limited, Amcor Limited and Salmat Limited. Transactions with these companies and their subsidiaries during the year were on normal commercial terms.

(e) Other related entities

Chevron Global Energy Inc. holds a 50% interest in Caltex Australia Limited. Transactions with the Chevron Group are summarised below.

On 26 July 2012, Caltex Australia Limited announced a restructuring of its supply chain. As part of this supply chain restructuring, an agreement was made with Chevron for the procurement and supply of transport fuels (petrol, diesel and jet fuel) with associated shipping services to provide a reliable and efficient supply of imported product. This agreement was put in place to provide certainty of product supply and to meet the shortfall following Kurnell Refinery's conversion to an import terminal and growing demand. Caltex has recently entered into an arm's length product supply agreement with Chevron to reliably and efficiently source imported product at market based prices. Chevron will also provide marine transportation services in relation to this imported product. For the year ended 31 December 2012, there were no transactions made under this agreement.

The Caltex Australia Group paid \$2,776,000 (2011: \$3,135,401) to the Chevron Group for technical service fees. The Caltex Australia Group received \$3,911,000 (2011: \$4,682,591) for technical service fees from the Chevron Group. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group paid \$2,097,000 (2011: \$1,600,000) 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 \$7,040,111,000 (2011: \$6,352,904,811). The Caltex Australia Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of \$583,886,000 (2011: \$282,749,788). 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 25 to 48.

In addition to the above, the Chevron Group seconded one employee (2011: one employee) primarily to provide specialist expertise at Lytton Refinery and one employee (2011: one employee) to provide specialist expertise for an IT project. The total cost borne by Caltex Australia in respect of both secondees was \$452,318 (2011: \$457,518). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex Australia seconded six employees to various roles within the Chevron Group during 2012 (2011: three employees). Caltex paid the salary and bonuses, allowances including relocation, and indirect payroll related expenses for two of these Caltex employees and Chevron Group paid the associated costs for the remaining four employees.

Amounts receivable from and payable to other related entities are set out in notes 7 and 13 respectively.

(f) Associates

The Caltex Australia Group sold petroleum products to associates totalling \$150,803,000 (2011: \$150,658,456). The Caltex Australia Group received income from associates for rental income of \$159,893 (2011: \$189,006).

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 \$600,000 (2011: \$325,000).

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

28. RELATED PARTY INFORMATION (continued)

(g) Joint ventures

The Caltex Australia Group sold petroleum products to joint ventures totalling \$nil (2011: \$99,733,152). The Caltex Australia Group received income from joint ventures for service fees, site fees, operating leases and licence fees of \$nil (2011: \$8,638,589).

The Caltex Australia Group purchased petroleum products from joint ventures of \$nil (2011: \$186,429,038). The Caltex Australia Group received service fee income from joint ventures of \$nil (2011: \$182,500). Dividend and disbursement income from joint ventures is \$nil (2011: \$1,070,266).

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.

(h) Executive share plan and performance rights

Executive share plan

Since 1 January 2010, a mandatory deferral of short term incentives (STI) applies to senior executives. Under the deferral policy, one third of their STI, 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.

The directors approved the 2012 STI in February 2013 which includes a deferred value of \$2,411,000 with a vesting date in October 2013 and will be held under restriction until April 2015. The number of shares to be issued to plan participants will be purchased on market during April 2013.

The 2011 STI was approved in February 2012 for a total value of \$1,353,000 which equated to 97,407 shares at a grant date fair value of \$13.89 per share (formalised in April 2012). The service related forfeiture condition was met in October 2012 and the shares will be held under restriction until April 2014.

The 2010 STI was approved in February 2011 for a total value of \$2,477,000 which equated to 172,482 shares at a grant date fair value of \$14.36 per share (formalised in April 2011). The service related forfeiture condition was met in October 2011 and the shares will be held under restriction until April 2013.

Performance rights

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. The measure of performance is Total Shareholder Returns (TSR) over a three year period relative to two comparator groups.

Summary of performance rights in the plan:

OPENING BALANCE		GRANTED		VESTED 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 (\$)
2012											
1,092,763	2 Apr 12	575,276	7.69	15 Feb 12	(191,448)	12.54	15 Feb 12	(62,814)	-	1,456,331	10,911,264
1,087,415	2 Apr 12	575,276	7.52	30 Mar 11	(30,068)	13.77	1 Mar 12	(45,678)	-	1,450,983	10,150,545
							30 Apr 12	(58,748)	-		
							11 May 12	(34,660)	-		
<u>2,180,178</u>		<u>1,150,552</u>			<u>(221,516)</u>			<u>(201,900)</u>		<u>2,907,314</u>	<u>21,061,809</u>
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)	-		
<u>1,639,678</u>		<u>766,608</u>			<u>(76,616)</u>			<u>(149,492)</u>		<u>2,180,178</u>	<u>14,646,283</u>

The inputs used in the measurement of the fair values at each grant date were as follows:

	2012 GRANT		2011 GRANT		2010 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
Grant date	2 Apr 2012	2 Apr 2012	29 Apr 2011	29 Apr 2011	23 Apr 2010	23 Apr 2010
Vesting date	1 Apr 2015	1 Apr 2015	1 Apr 2014	1 Apr 2014	1 Apr 2013	1 Apr 2013
Fair value at grant date	\$7.69	\$7.52	\$6.61	\$4.91	\$7.89	\$7.75
Share price at grant date	\$14.03	\$14.03	\$14.19	\$14.19	\$11.87	\$11.87
Volatility	45%	45%	35%	35%	35%	35%
Dividend yield	4.7%	4.7%	4.0%	4.0%	4.0%	4.0%
Risk free interest rate	3.5%	3.5%	5.0%	5.0%	5.2%	5.2%

THOUSANDS OF DOLLARS	2012	2011
Executive share plan expense	8,566	6,242

29. NET TANGIBLE ASSETS PER SHARE

	2012	2011
Net tangible assets per share (dollars)	7.55	7.82

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 (2011: 270 million).

30. SEGMENTED REPORTING

(a) Segment disclosures

The accounting policies used by the Group in reporting segments are detailed in note 1.

Types of products and services

The following summary describes the operations in each of the Group's reportable segments:

Marketing

The Marketing function promotes and sells Caltex fuels, lubricants, specialty products and convenience store goods through a national network of Caltex, Caltex Woolworths and Ampol branded service stations, as well as through company owned and non-equity resellers and direct sales to corporate customers.

Refining and Supply

Caltex sources the supply of both crude oil and refined products on the international market and refines crude oil into petrol, diesel, jet fuel, base oil for lubricants and many specialty products such as 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2012

30. SEGMENTED REPORTING (continued)

(b) Information about reportable segments

THOUSANDS OF DOLLARS	MARKETING		REFINING AND SUPPLY		TOTAL OPERATING SEGMENTS	
	2012	2011	2012	2011	2012	2011
Gross segment revenue	19,377,252	18,913,473	3,328,757	2,652,128	22,706,009	21,565,601
Product duties and taxes	(5,043,828)	(5,080,150)	–	–	(5,043,828)	(5,080,150)
External segment revenue	14,333,424	13,833,323	3,328,757	2,652,128	17,662,181	16,485,451
Inter-segment revenue	–	–	13,107,564	12,795,567	13,107,564	12,795,567
Total segment revenue	14,333,424	13,833,323	16,436,321	15,447,695	30,769,745	29,281,018
Share of profit of associates	1,634	1,618	–	–	1,634	1,618
Depreciation and amortisation	(62,918)	(59,577)	(55,916)	(153,452)	(118,834)	(213,029)
Replacement Cost of Sales Operating Profit before interest and income tax	736,171	697,331	88,459	(208,312)	824,630	489,019
Other material items:						
Impairment of intangible assets	–	3,035	–	(1,555,815)	–	(1,552,780)
Inventory (losses)/gains	(1,273)	(26,533)	(130,532)	223,982	(131,805)	197,449
Capital expenditure (including acquisitions)*	(171,680)	(143,417)	(228,501)	(270,379)	(400,181)	(413,796)

* Refining and Supply amount (\$229 million) includes non-refinery capital spend of \$51 million and \$34 million of cyclical maintenance.

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

THOUSANDS OF DOLLARS	2012	2011
Revenues		
Total revenue for reportable segments	30,769,745	29,281,018
Product duties and taxes	5,043,828	5,080,150
Elimination of inter-segment revenue	(13,107,564)	(12,795,567)
Total reportable segments gross revenue	22,706,009	21,565,601
Non-fuel income and rebates	555,876	539,603
Consolidated revenue	23,261,885	22,105,204
Profit or loss		
Segment Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	824,630	489,019
Other profit and loss	(68,167)	(46,872)
Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	756,463	442,147
<i>Significant items excluded from profit and loss reported to the chief operating decision maker:</i>		
– Kurnell conversion provision	(430,000)	–
– Cancelled recycled water reticulation project	(5,200)	–
– Cancelled BenzAlk project	(6,155)	–
– 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	315,108	(1,151,557)
Inventory (losses)/gains	(131,805)	197,449
Consolidated historical cost profit/(loss) before interest and income tax	183,303	(954,108)
Net financing costs	(97,263)	(67,952)
Net profit attributable to non-controlling interest	824	293
Consolidated profit/(loss) before income tax	86,864	(1,021,767)

THOUSANDS OF DOLLARS	REPORTABLE SEGMENT TOTALS	OTHER	CONSOLIDATED TOTALS
Other material items 2012			
Depreciation and amortisation	(118,834)	(6,865)	(125,699)
Inventory losses	(131,805)	–	(131,805)
Capital expenditure	(400,181)	(8,506)	(408,687)
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)

(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 \$4,600,000,000 (2011: \$4,500,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

(f) Revenue from products and services

THOUSANDS OF DOLLARS	2012	2011
Petrol	7,165,151	6,834,827
Diesel	7,191,887	6,688,691
Jet	2,072,347	1,927,431
Lubricants	300,917	332,847
Specialty and other products	931,879	701,655
Non-fuel income and rebates	555,876	539,603
Product duties and taxes	5,043,828	5,080,150
	23,261,885	22,105,204

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2012, the parent entity of the Group was Caltex Australia Limited.

THOUSANDS OF DOLLARS	2012	2011
Result of the parent entity		
Profit for the period	85,083	91,702
Other comprehensive income	(3,498)	(4,166)
Total comprehensive income for the period	81,585	87,536
Financial position of parent entity at year end		
Current assets	229,513	158,390
Total assets	2,418,164	1,854,841
Current liabilities	9,688	165,332
Total liabilities	1,739,594	1,139,770
Total equity of the parent entity comprising:		
Issued capital	543,415	543,415
Treasury stock	20	(430)
Reserves	(7,444)	(7,708)
Retained earnings	142,579	179,794
Total equity	678,570	715,071

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

2012

There was no impairment of non-current assets for the year ended 31 December 2012.

2011

The 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 amounts below for the impairment loss have been restated for each class of property, plant and equipment to reflect the final allocation of the impairment performed in 2012.

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 \$1,448,787,000 was recognised with respect to buildings and plant and equipment and \$51,213,000 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 2012 to the date of this report.

COMPARATIVE FINANCIAL INFORMATION

The additional information on pages 108 to 109 is provided for the information of shareholders.

The information is based on, but does not form part of, the 2012 Financial Report.

CALTEX AUSTRALIA LIMITED CONSOLIDATED RESULTS	2012	2011	2010	2009	2008
Profit and loss (\$ million)					
Historical cost operating profit before significant items, interest and income tax expense	624	640	522	648	104
Interest income	2	1	2	2	4
Borrowing costs	(99)	(69)	(59)	(30)	(60)
Historical cost income tax expense before significant items	(161)	(170)	(131)	(185)	(13)
Historical cost operating profit after tax and before significant items	366	402	333	435	34
Significant items (net of tax)	(309) ⁽ⁱ⁾	(1,116) ⁽ⁱⁱ⁾	(16)	(121)	–
Historical cost operating profit/(loss) after income tax	57	(714)	317	314	34
Dividends					
Amount paid and payable (\$/share)	0.40	0.45	0.60	0.25	0.36
Times covered (excl. significant items)	3.39	3.31	2.06	6.45	0.35
Dividend payout ratio – replacement cost basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	24%	46%	51%	21%	52%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	23,565	22,400	18,931	17,984	23,891
Earnings per share – historical cost (cents per share)	21	(264)	117	116	13
Earnings per share – replacement cost (cents per share) (excl. significant items)	170	98	112	120	69
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	624	640	522	648	104
Earnings before interest and tax – replacement cost basis (\$m) (excl. significant items)	756	442	500	489	321
Operating cash flow per share (\$/share)	1.5	1.7	1.6	2.5	1.4
Interest cover – historical cost basis	1.9	(14.0)	8.7	17.0	1.8
Interest cover – replacement cost basis (excl. significant items)	7.8	6.5	8.7	17.4	6.7
Return on capital employed – historical cost basis (%) ^(iv)	2.0	(25.2)	9	9	1
Return on capital employed – replacement cost basis (excl. significant items) (%) ^(iv)	16	9	9	10	5
Equity attributable to members of the company (\$m)	2,148	2,206	3,071	2,915	2,592
Total equity (\$m)	2,160	2,218	3,083	2,925	2,602
Return on equity attributable to members of the parent entity after tax – historical cost basis (%)	17	18	11	15	1
Total assets (\$m)	5,386	4,861	5,291	4,952	4,922
Net tangible asset backing (\$/share)	7.55	7.82	11.08	10.48	9.29
Debt (\$m)	950	619	563	509	864
Net debt (\$m)	740	617	544	487	832
Net debt to net debt plus equity (%)	26	22	15	14	24

(i) Includes significant items relating to employment benefit and remediation provisions (\$430,000,000) arising from the announcement on 26 July 2012 of the planned 2014 closure of Kurnell Refinery in New South Wales, Australia and its proposed conversion to an import terminal. The remaining expenses of \$11,355,000 relate to cancelled capital projects associated with the Kurnell Refinery.

(ii) 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).

(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 \$458 million, compared to a profit of \$264 million in 2011.
- 2012 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$756 million, an increase of \$314 million over 2011.

\$ MILLION	FIVE YEARS*	2012	2011	2010	2009	2008
Historical cost net profit before interest, income tax and significant items	2,538	624	640	522	648	104
(Deduct)/add inventory losses/(gains) ⁽ⁱⁱ⁾	(27)	132	(197)	(21)	(158)	217
Replacement cost net profit before interest, income tax and significant items	2,511	756	442	500	489	321
Net borrowing costs	(306)	(97)	(68)	(57)	(28)	(56)
Historical cost income tax expense before significant items	(660)	(161)	(170)	(131)	(185)	(13)
Add/(deduct) tax effect of inventory (losses)/gains	7	(40)	59	6	48	(66)
Replacement cost profit after income tax ⁽ⁱⁱⁱ⁾	1,551	458	264	318	324	186

* Note: Totals in table 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 2012, the historical cost result includes \$132 million inventory loss (2011: \$197 million inventory gain). Net inventory loss is adjusted to reflect impact of revenue lags.
- (iii) Replacement cost profit after income tax is calculated before taking into account any significant items over the five years. The total effect of these significant items in each year was:

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)

2012: \$441 million expenses before tax (\$309 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.au) using their holder identification number (HIN) or shareholder reference number (SRN) to access their shareholder specific information, or write to:

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

All enquiries should include 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 comprises 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 and Caltex Subordinated Notes are listed on the Australian Securities Exchange (ticker: CTX and CTXHA)

General enquiries

Investor Relations and Corporate Affairs

Rohan Gallagher +61 2 9250 5247

Company Secretaries

Peter Lim, Katie King

The address and telephone of the registered office is:

Level 24
2 Market Street
Sydney NSW 2000
T: +61 2 9250 5000
F: +61 2 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: +61 3 9473 2500

website:

www.computershare.com.au

The postal address is:

GPO Box 2975
Melbourne Vic 3001 Australia

STATISTICAL INFORMATION

YEAR ENDED 31 DECEMBER	2012	2011	2010	2009
People				
Employees ⁽ⁱ⁾	3,610	3,550	3,546	3,872
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery ⁽ⁱⁱ⁾	-	1	1	1
Road tankers ⁽ⁱⁱⁱ⁾	168	168	170	178
Rail cars (operational)	66	66	66	66
Storage terminals operated by Caltex ^(iv)	12	13	12	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	480	476	472	468
Service stations (owned or leased)	738	746	743	756
Depots	76	79	79	88
Operations				
Nameplate refining capacity (barrels per day)				
– Caltex Refineries (NSW) Pty Ltd	135,000	135,000	135,000	135,000
– Caltex Refineries (Qld) Pty Ltd	109,000	109,000	109,000	109,000
– Caltex Lubricating Oil Refinery Pty Ltd ⁽ⁱⁱⁱ⁾	-	3,750	3,750	3,750
Fuel production (ML)	11,648	10,686	10,607	11,093
Lubricants production (ML) ⁽ⁱⁱⁱ⁾	-	15	78	107
Total sales volume (ML)	16,628	16,619	16,047	15,522
Lost time injury frequency rate (LTIFR) ^(v)	0.59	0.99	1.35	2.12

(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.

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 a historical cost basis. We also provide information on our financial results on a replacement cost of sales operating profit (RCOP) basis. The RCOP result removes the impact of fluctuations in the 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.

TRV Total Reward Value.

TSR Total Shareholder Return.

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(complaints, compliments
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T: 1300 365 096

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