

BY ELECTRONIC LODGEMENT

ASX ANNOUNCEMENT



CALTEX AUSTRALIA LIMITED
ACN 004 201 307

LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

31 March 2014

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED
2013 ANNUAL REVIEW AND 2013 ANNUAL REPORT

The 2013 Annual Review and the 2013 Annual Report for Caltex Australia Limited are attached for immediate release to the market. These documents will be mailed to shareholders who have elected to receive a printed copy of annual reports.

The 2013 Annual Review and the 2013 Annual Report will be made available from our website (www.caltex.com.au).

Peter Lim
Company Secretary

Phone: (02) 9250 5562 / 0414 815 732

Attach.



CALTEX
Caltex Australia

2013 ANNUAL REVIEW

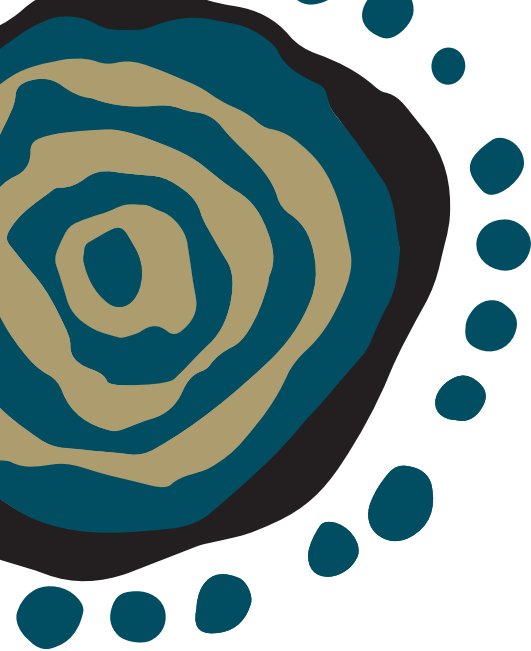


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**We're committed to fuelling Australia,
now and into the future.**

*A Caltex fuel tanker in Indigenous livery by Balarinji,
in Darwin, Northern Territory.*



Financial calendar

YEAR ENDED 31 DECEMBER 2013

8 MAY 2014 Annual General Meeting

YEAR ENDING 31 DECEMBER 2014*

25 AUGUST 2014 Half year results and interim dividend announcement

09 SEPTEMBER 2014 Record date for interim dividend entitlement

01 OCTOBER 2014 Interim dividend payable if declared

23 FEBRUARY 2015 Full year results and final dividend announcement

10 MARCH 2015 Record date for final dividend entitlement

02 APRIL 2015 Final dividend payable if declared

* These dates are subject to change.



2013 ANNUAL REVIEW

This 2013 Annual Review for Caltex Australia Limited has been prepared as at 24 February 2014.

The 2013 Annual Review provides a summary of Caltex's main operating activities and performance for the year ended 31 December 2013. For further information about Caltex's results and performance in 2013, please refer to the 2013 Annual Report (and the 2013 Financial Report, which forms part of the 2013 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 2013 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.

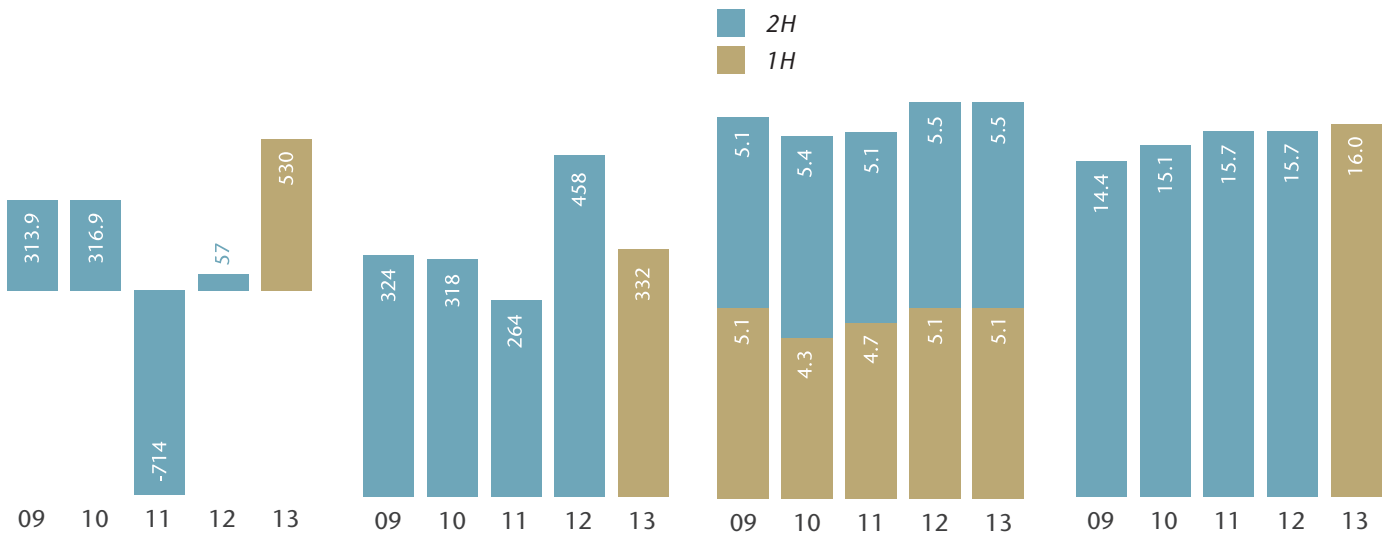
Please note that terms such as Caltex and Caltex Australia have the same meaning in the 2013 Annual Review as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2013 Annual Review and/or the 2013 Annual Report (and 2013 Financial Report), free of charge, by writing to the Company Secretary, Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000 Australia.



Caltex bunker tanker off Western Australia.

Highlights



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

On a historic cost basis (including inventory gains), Caltex recorded an after tax profit of \$530 million for the 2013 full year. This includes significant gains of approximately \$26 million (after tax), dominated by profit on the previously announced sale of the Sydney bitumen business.

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

On a replacement cost of sales operating profit basis (RCOP), which is our preferred measure as it excludes net inventory gains and losses, Caltex recorded an after tax profit for the 2013 full year of \$332 million, excluding significant items. This compares with \$458 million for the 2012 full year, excluding significant items.

REFINERY TRANSPORT FUEL PRODUCTION (BILLION LITRES)

Improved refinery reliability during the second half resulted in near record production of petrol, diesel and jet fuel for the full year, which is in line with the prior year.

TRANSPORT FUEL SALES (BILLION LITRES)

Overall fuel sales volumes increased in 2013. Continued growth in premium fuels sales and diesel sales largely offset the impact of declining unleaded petrol and E10 sales.



Caltex diesel stop in Rutherford, New South Wales.

4%
increase

MARKETING EARNINGS BEFORE INTEREST AND TAX (EBIT) INCREASED FROM \$736 MILLION IN 2012 TO \$764 MILLION IN 2013

5.8%
increase

TOTAL DIESEL SALES INCREASED YEAR ON YEAR, WITH VORTEX DIESEL VOLUMES NOW COMPRISING 23% OF TOTAL DIESEL SALES VOLUMES

52%
decrease

TOTAL TREATED INJURY FREQUENCY RATE (TTIFR) REDUCED FROM 2.83 PER MILLION HOURS WORKED IN 2012 TO A RECORD 1.36 PER MILLION HOURS WORKED IN 2013

4.2%
increase

JET FUEL SALES INCREASED YEAR ON YEAR AS A RESULT OF NEW CONTRACT VOLUMES



“

With more than 3,500 employees across Australia, Caltex is the nation's leading fuels marketer and is underpinned by a flexible and reliable supply chain. The integrated business incorporates supply, refining, logistics and marketing. With more than 22,000 shareholders, including institutions, retail investors, employees, and Chevron Global Energy Inc., Caltex is the only oil refining, fuel and convenience marketing company listed on the Australian Securities Exchange. Caltex's vision is to continue to be the outright leader in transport fuels across Australia.

”



Customer delivery in Queensland

Report from our Chairman and Managing Director & CEO

“

In 2013, Caltex continued to focus on the key pillars of its strategy related to its superior supply chain and comprehensive offer to customers across products, channels and geographies.

”



Changing landscape

Caltex's commitment to Australia extends back to 1900 when RW Cameron first began marketing Texaco products. Caltex has continued to transform and adapt its strategy and business model over the past 113 years to meet the ever-evolving needs of its customers. This is in addition to modifying and improving organisational capabilities to ensure we continue to be a highly competitive and sustainable business.

2013 was no different. Caltex, like the competitive landscape around us, is undergoing profound transformation. This transformation, such as the conversion of the Kurnell refinery into Australia's largest fuel terminal, is not just a temporary shift in the landscape, it is structural and long term.

In 2013, Caltex continued to focus on the key pillars of its strategy related to its superior supply chain and comprehensive offer to customers across products, channels and geographies. These pillars underpin our clear, ongoing vision to remain the outright leader in transport fuels across Australia.

Safety

2013 was Caltex's safest year to date with regard to personal safety. This is a testament to Caltex's systems and processes, but most importantly its people. The value of care, which is one of Caltex's six core values, was evident throughout the year, with safety and integrity held as core personal commitments.

Overall, the total treated injury frequency rate (TTIFR) reduced from 2.83 per million hours worked in 2012 to a record 1.36 per million hours worked in 2013. This is a reduction of over 50%, which is a significant achievement. The lost time injury frequency rate (LTIFR) was broadly in line with 2012 at 0.63 per million hours worked. According to the *Safety Spotlight: ASX 100 Companies & More FY05 to Sept FY13* report compiled by investment bank Citi, this would place Caltex in the top tier of the ASX 100 companies.

Financial results

On a statutory, or historic, cost of profit measure, Caltex recorded an after tax profit (including inventory gains) of \$530 million for the 2013 full year. This includes significant gains of approximately \$26 million (after tax), dominated by profit on the sale of the Sydney bitumen business. This compares to the 2012 full year profit of \$57 million, which included significant items of \$309 million (after tax) in respect of future costs relating to the closure of the Kurnell refinery. The 2013 result includes a product and crude oil inventory gain of \$172 million after tax, compared with an inventory loss of \$92 million after tax in 2012.

On a replacement cost of sales operating profit basis (RCOP), which is our preferred measure as it excludes net inventory gains and losses, Caltex recorded an after tax profit for the 2013 full year of \$332 million, excluding significant items. This compares with \$458 million for the 2012 full year, excluding significant items.

Dividend

The Board declared a final dividend of 17 cents per share (fully franked) for the second half of 2013. Combined with the interim dividend of 17 cents per share for the first half, paid in October 2013, this equates to a total dividend of 34 cents per share for 2013, fully franked (28% payout ratio). This compares with a total dividend payout of 40 cents per share (fully franked) for 2012 (24% payout ratio), and reflects the reduction in the target payout ratio (to 20% to 40%) during the Kurnell closure period.

Continued growth

Marketing and Distribution achieved another record year with earnings before interest and tax (EBIT) of \$764 million. This is 4% higher than 2012, which was also a record year. The result includes the adverse \$10 million impact of the Sydney premium petrol supply interruption and the sudden and significant fall in the Australian dollar during May and June.

Marketing continues to focus on driving sales of premium fuels (including Vortex Diesel) and commercial diesel with record volumes achieved. The impact of declining regular unleaded petrol sales was largely offset by continued growth in premium fuels sales. The increased penetration of our premium products has been underpinned by ongoing growth initiatives, including Caltex service stations and diesel stops in new areas, and service station refurbishments.

In 2013, Caltex acquired the Queensland Fuel Group and associated entities. Operating in Central Queensland and the Sunshine Coast, the Caltex branded reseller business incorporates nine retail sites, eight unmanned sites and a marina site in Gladstone. Purchased for \$40 million, this acquisition was completed in October 2013 and has been integrated into Caltex's existing Retail and Reseller channels.

Following the 2013 year end, Caltex entered into an agreement to acquire the Scott's Fuel Divisions for a total outlay of approximately \$95 million, including working capital and related acquisition costs. This includes the businesses known as Scott's Agencies and Sabadin Petroleum. It is anticipated that this deal will be completed in mid 2014.

Both these acquisitions were funded via existing facilities and are a strategic fit for Caltex.

Refining impacted by externalities

For the full year, Refining and Supply incurred an EBIT loss of \$171 million, compared with an \$88 million profit in 2012. Disappointingly, the 2013 result has been materially impacted by externalities. These externalities included the fall in the Australian dollar during the year, which resulted in a net loss (after hedging) on US dollar payables of approximately \$78 million. The gross loss was mitigated by the company's policy of hedging 50% of the outstanding US dollar payables. In addition, crude price fluctuations resulted in an unfavourable timing lag of \$33 million.

The realised Caltex Refiner Margin (CRM) averaged US\$9.34 per barrel for the year, including a second half average of US\$7.15 per barrel. This compares unfavourably to the first half average of US\$11.76 per barrel and the 2012 average of US\$11.83 per barrel. Reflecting the finite life of the Kurnell refinery, the Refining and Supply loss also includes a higher depreciation charge and costs related to the closure of the Kurnell refinery.

Operationally, improved refinery reliability during the second half resulted in near record production of petrol, diesel and jet fuel for the full year, which is in line with the prior year.

Balance sheet remains strong

Caltex's balance sheet remains strong and we are committed to maintaining a BBB+/stable credit rating. Net debt at 31 December 2013 was \$742 million, compared with \$740 million at 31 December 2012.

Transformation on track

The focus at our Kurnell site is on successfully transitioning the refinery to become Australia's largest transport fuel import terminal. This is a complex project, particularly as it is being undertaken while the refinery is still operating. Significant planning has ensured that the refinery continues

to operate safely and reliably while executing this conversion. In 2013, the Kurnell refinery achieved record safety outcomes, had no environmental licence exceedances, achieved above target mechanical availability and met its production plan. This outcome is a testament to the entire refinery workforce – employees and contractors alike.

To date, the work is progressing to plan and the refinery remains on track to cease final operations in the fourth quarter of 2014.

In 2013, in order to strengthen the fuel product supply chain post the pending closure of the Kurnell refinery, Caltex established an Ampol-branded office in Singapore. As a wholly owned subsidiary of Caltex Australia, the primary role of Ampol Singapore (Ampol) is to source fuel product imports and related shipping to Australia. Ampol has entered into a long term arrangement with Chevron, on behalf of Caltex, to assist with the procurement and supply of transport fuels, including associated shipping services.

People

The Board and management believe that every person at Caltex deserves a good leader and as a result Leading@ Caltex was launched in 2013. This is the next evolution in Caltex's culture to enable the company to continue to adapt and grow its people and its business.

Through the skill and dedication of our people and their living of our values, there have been many tangible and sustainable successes which contributed to the company's overall result. The year also had its challenges, which were responded to by the people of Caltex with commitment, tenacity and an unwavering focus on care and safety.

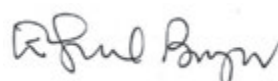
To this end, the Board and management would like to acknowledge the contribution and commitment of all Caltex employees, contractors, franchisees and resellers during 2013.

Future growth

Caltex will continue to leverage and expand its strong supply chain in order to target high growth products, geographies and channels. This is in addition to expanding both the breadth and quality of our retail and reseller network.

A short term focus is to ensure the successful transition of Kurnell from a refinery into an fuel import terminal. This transition will strengthen Caltex's already leading supply chain. Work will also continue to ensure further efficiency gains are captured at the Lytton refinery, which remains an integral part of the company's supply chain.

While we anticipate that the market will continue to become more competitive and more contestable, we firmly believe that Caltex is well placed for the future. We are committed to remaining the outright leader in transport fuels in Australia.



Elizabeth Bryan AM
Chairman



Julian Segal
Managing Director & CEO

Our strategy

For over 100 years, Caltex has continually changed and adapted its business model to meet our customers' ever evolving needs. We've also adjusted and improved our organisational capabilities to ensure we continue to be competitive and sustainable. And we continue to do so because we want to keep Australia moving and prosperous. Importantly, we are committed to remaining Australia's leading transport fuels supplier through ongoing reliable, secure, competitive and efficient fuel supply to our customers.

What remains unchanged is our unswerving commitment to maintaining safe, reliable and sustainable operations.

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

Comprehensive targeted offer to customers across products, channels and geographies

Enhance competitive product sourcing

Enhance competitive infrastructure

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

Our values



We hold safety and integrity as core personal commitments

- We look after our own safety and the safety of others
- We are intolerant of personal injury
- We treat each other and the environment with respect
- We are upfront and do the right thing



We think and act like business owners

- We are results driven
- We treat the business as our own
- We never lose sight of tomorrow



We play to win

- We expect to achieve the extraordinary
- We are smart with money
- We make tough decisions to create shareholder value



We deliver superb outcomes for our customers

- We are one team, servicing our customers together
- We listen, understand and deliver



We deliver with energy, conviction and tenacity

- We act with a sense of urgency
- We are decisive and agile



We boldly find new ways to succeed

- We step out from the traditional to seize opportunities
- We are curious, adventurous and innovative
- We have the courage to change



Our values underpin everything we do

“

With 630 sites, Caltex has one of the largest fuel and convenience networks in Australia.

”



| Caltex Star Mart site in Yarrowonga, Darwin, Northern Territory

Marketing

Caltex's Marketing business continued to enable, adapt and grow in 2013. We enabled over one third of the nation to move by road, air, rail and sea. We adapted to the changing needs of our customers through the introduction of new products and services such as the Caltex TecDiesel Advantage program and Pay@Pump, and we continued to grow our footprint with new and upgraded retail sites and diesel stops across Australia.

Marketing (including Distribution) EBIT for 2013 was \$764 million, compared with \$736 million in 2012. This is another record year with 4% growth year on year once again demonstrating the strength and resilience of the Marketing business.

This result also includes the impact of the Sydney premium petrol supply interruption that occurred in June and the sudden and significant fall in the Australian dollar during May and June. These two events negatively impacted the Marketing result in the order of \$10 million.

Sales of Vortex premium fuels (Vortex 95, Vortex 98 and Vortex Diesel) and jet fuel continued to grow. The growth of premium fuels (including Vortex Diesel) and commercial diesel more than offset the decline in base grade petrol (unleaded and E10) sales. The increased penetration of premium fuels was underpinned by ongoing growth initiatives, including new and upgraded Caltex service stations and new diesel stops.

Customer relationships are important to Caltex and these continued to strengthen in 2013. Our comprehensive supply chain enabled Caltex to serve a diverse number of customer segments, including retail, mining, agriculture, aviation, transport, small to medium enterprises, marine, automotive and government. Caltex is also the supply partner for Woolworths' owned retail sites.

Retail

Caltex's retail division contributed over half of the total Marketing and Distribution EBIT. With over 630 sites, Caltex has one of the largest fuel and convenience networks in Australia and is also one of the largest franchisors in Australia with over 85% of Caltex's retail sites operated by franchisees.

Retail fuel sales exceeded 7.7 billion litres, with Vortex 95 and Vortex 98 premium petrol growing at 3% and Vortex Diesel growing at 24% over the prior year. This result reflects the continuing shift in customer trends towards more efficient vehicles that require premium fuels.

Continued investment in our retail network saw the completion of 13 new sites, 11 major upgrades, and the rollout of over 190 multi product fuel pumps/dispensers. In total, Caltex now has 177 new format Star Marts across its retail network providing a more consistent high quality offer to our customers. This includes our first Caltex Star Mart site in Yarrowonga, Darwin in the Northern Territory.

Despite an overall flat convenience market, like for like retail shop sales grew by 1.4% year-on-year and exceeded \$1.2 billion in total revenue. Significant progress was also

Caltex is one of the largest franchisors in Australia with over 85% of Caltex's retail sites operated by franchisees.



Growth

\$764
million

Marketing and Distribution
earnings before interest and tax,
up 4% on a record 2012

Our comprehensive supply chain enabled Caltex to serve a diverse number of customer segments, including retail, mining, agriculture, aviation, transport, small to medium enterprises, marine, automotive and government.



A Caltex fuel tanker in Indigenous livery by Balarinji travels through the Northern Territory

made in 2013 on initiatives such as Pay@Pump, live at 285 sites, the new StarBos back office system, live at 272 sites, and our partnership with the MYER one loyalty card, which now averages 17,000 transactions a day at Caltex sites.

Commercial

Caltex once again kept Australian industry moving through its direct sales to commercial customers in the mining, marine, transport, aviation, automotive, government and agricultural industries.

Caltex enjoyed strong growth in the marine segment in 2013 due to the expanding oil and gas exploration industry in the north west of Australia. This is in addition to the growth within Bailey's Marine, a Caltex subsidiary. Caltex has supported the increase in shipping activities in the north west of Australia through its bunker tankers which are anchored three kilometres from the Dampier Wharf. The bunker tankers, leased from Danish shipping company Maersk, strengthen Caltex's supply chain in Western Australia and enable customers to avoid the

congestion at the main cargo wharves. In addition, Caltex has a bunker tanker servicing Port Botany and Port Jackson in New South Wales, and another operating out of Port Brisbane in Queensland.

A broad range of customers are also serviced through Caltex-branded independent resellers and company-owned resellers across every state and territory. In addition, these customers are also serviced through Caltex's expanding network of unmanned diesel stops. In 2013, 11 diesel stops were added to the Caltex network across Australia, bringing the total number of diesel stops to 33.

Future focus

The competitive landscape within our industry is undergoing profound structural change. As a result, the market is becoming more competitive than ever.

We remain committed to our growth strategy, which is to leverage our strong supply chain to target high growth products, geographies and channels, including expanding both the breadth and quality of our retail and reseller networks.



In 2013, Crokers Fuel & Oils in Mackay, Queensland, celebrated 90 years as a valued Caltex reseller.

Left to right - Kevin Powell, Managing Director, and David Hindle, General Manager, Crokers Fuel & Oils

Distribution

We pride ourselves on investing alongside our customers and providing them with the most efficient, reliable and effective means of supply.

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In 2013, Distribution managed 154,000 deliveries, and facilitated terminal gate pickups by customers totalling nine billion litres.

”

Effective and efficient distribution infrastructure has underpinned Caltex's success over many years. Caltex's national distribution network of refineries, terminals, pipelines and depots across Australia is essential to keep the nation moving.

Throughout 2013, Caltex continued to invest in upgrades to our fuel depots, our distribution truck fleet, manned and unmanned diesel stops, truck stops, marine fuelling facilities and bolt-on acquisitions.

Caltex prides itself on investing alongside our customers and providing them with the most efficient, reliable and effective means of supply. A tangible example of this was the construction of a rail line between Kalgoorlie, Western Australia, and a customer's mine site in the goldfields 220 kilometres further north east. This solution was implemented as rail was deemed the most efficient and cost-effective means of transport to the remote site.

Caltex is also investing in fuel terminals around Australia. During the second quarter of 2014, Caltex will commence supplying fuel from a new 85 million litre fuel terminal in Adelaide. The Pelican Point facility represents a near-doubling of the state's fuel storage capacity and demonstrates Caltex's ongoing commitment to the South Australian market.

In addition, Caltex is continuing the conversion of the Kurnell refinery into Australia's largest fuel import terminal. The project includes work inside the refinery such as tank conversions, new piping and infrastructure modifications, as well as dredging and upgrades at the Caltex Kurnell wharf. The work is progressing to plan and the refinery remains on track to cease final operations in the fourth quarter of 2014.

In total, Caltex operates 12 storage terminals and has access to product supply at an additional seven terminals at key locations across Australia.



Rail line for fuel transportation between Kalgoorlie, Western Australia and a customer's mine site in the goldfields 220 kilometres further north east

During 2013, new filtration systems were introduced at a number of Caltex's terminals to support the introduction of the Caltex TecDiesel Advantage program. The program includes the products Active TecD and Clean TecD – fuels filtered to exceed cleanliness levels recommended by the Worldwide Fuel Charter. These new diesel products and services have been shown to deliver increased power output and potential fuel economy savings through improvements to injector cleanliness during independent tests designed to replicate Australian conditions.

Caltex also distributes products to customers via a company-owned truck fleet and the fleets of approved and accredited third party contractors. The safety of fuel transportation is of the utmost importance to Caltex and we strive for continuous improvement in this area. Caltex manages its fleet so as to operate safely and in compliance with the national standards. We are fully committed to working with regulatory bodies across Australia to ensure Caltex and its carriers adhere to all the stringent standards as they apply.

Future focus

One of the key strengths of Caltex's business remains our critical distribution infrastructure, such as port terminals, inland terminals, airport terminals and pipelines, all of which enable us to deliver safely and reliably. It is our sustained, forward-thinking investment in infrastructure that has enabled Caltex to secure the outright leadership in transport fuels (by volume sold) across Australia.

Caltex has a strong reputation for partnering with customers and delivering safe and reliable supply to customers throughout Australia, wherever and whenever they need it.

We remain committed to ongoing investment to broaden and enhance our supply chain. This will ensure we have the right infrastructure to meet the growing needs of our customers in order to continue to provide them with long term, secure, safe and reliable supply.

Refining and Supply

Caltex's refineries at Lytton in Brisbane and Kurnell in Sydney refine crude oil into petrol, diesel, jet fuel and a range of specialty products.

Crude oil is sourced by our supply business from a number of Australian and international producers. Delivering this crude oil to our refineries requires Caltex to effectively and efficiently manage large shipments from ports in Africa, the Middle East, Asia and, more locally, from Australia, Papua New Guinea and New Zealand.

In 2013, over 74 million barrels of crude oil were sourced by Caltex, compared with 75 million barrels of crude oil in 2012.

From this crude oil, Caltex's refineries produced 10.6 billion litres of high value products (petrol, diesel and jet fuel) in 2013, compared with 10.7 billion litres in 2012 and 9.8 billion litres in 2011.

Work continues at the Lytton refinery to make further operational improvements and targeted investments. One key project now underway is the upgrade of the isomerisation unit, which will enable the increased production of high-octane petrol blend stock, and, in turn, improve the refinery's overall profitability.

The Kurnell refinery continues to operate safely and reliably, while executing the complex project to convert the facility into a fuel import terminal.

In 2013, the Kurnell refinery achieved its best ever safety outcomes, had no environmental licence exceedances, achieved above target mechanical availability and met its production plan. This outcome is a testament to the entire refinery workforce – employees and contractors alike, particularly during a significant change event.

The products produced at the Lytton and Kurnell refineries support approximately 60% of total Caltex transport fuel sales. This is supplemented by fuel products sourced by our Supply business both from other Australian refiners and from overseas. In 2013, a net 6.3 billion litres of fuel products were sourced to supplement Caltex's refinery production. This compares with a net 5.5 billion litres in 2012.

The closure of the Kurnell refinery will see the amount of crude oil imported for Caltex refining reduce while imports of refined fuels will increase. To strengthen the fuel product supply chain once the closure of the Kurnell refinery is complete, in 2013 Caltex established an Ampol-branded office in Singapore. The role of Ampol Singapore (Ampol), a wholly owned subsidiary of Caltex Australia, is to source refined fuels and related shipping to Australia. On behalf of Caltex, Ampol has entered into a long term arrangement with Chevron to assist with the procurement and supply of imported refined fuels, with associated shipping services.

Caltex has also invested in a system to integrate supply chain information from multiple systems into one. This new system provides a holistic view of the Caltex supply chain

Our focus at Kurnell is on successfully transitioning the refinery to become Australia's largest transport fuel import terminal, underpinning our industry-leading supply chain.

Louise Sinclair, Production Superintendent and Michael Niessen, Shift Team Leader at Kurnell refinery

While the competitive landscape within our industry is undergoing profound change, Caltex remains committed to adapting and improving our supply chain to ensure we remain the outright leader in providing transport fuels to Australia.

Olivia Rosario and Belinda Page at Lytton refinery



and is enabling better decision-making for crude oil and product purchases as well as optimised ship scheduling and inventory management.

The negative impact of key externalities resulted in Caltex's overall Refining and Supply business recording an EBIT loss of \$171 million for 2013. These externalities include the significant deterioration in the Caltex Refiner Margin (CRM) during the second half and a continuing fall in the Australian dollar. In 2013, the Caltex Refiner Margin (CRM) averaged US\$9.34 per barrel including a second half average of US\$7.15 per barrel. This compares unfavourably to the average in 2012 of US\$11.83 per barrel. The fall in the Australian dollar during the year resulted in a net loss (after hedging) on US dollar payables of approximately \$78 million. This loss was mitigated by the company's policy of hedging 50% of the outstanding US dollar payables. In addition, the crude price fluctuations resulted in an unfavourable timing lag of approximately \$33 million.

Future focus

Our focus at Kurnell is to successfully transition the refinery to become Australia's largest transport fuel import terminal, underpinning our industry-leading supply chain. This work is progressing to plan and the refinery remains on track to cease final operations in the fourth quarter of 2014.

From the fourth quarter of 2014, the Lytton refinery will remain as Caltex's sole refinery and will play an important part in the company's supply chain. Caltex will continue to pursue identified gross margin and cost efficiency initiatives at Lytton, including reducing operating costs, while improving yield, energy efficiency and reliability.

While the competitive landscape within our industry is undergoing profound change, Caltex remains committed to adapting and improving our supply chain to ensure we remain the outright leader in providing transport fuels to Australia.



Fuelling a brighter future

Maintaining safe, reliable and sustainable operations is the core of our business.

We are committed to delivering sustainable growth and shareholder value, while contributing to the communities in which we operate, minimising our impact on the environment and remaining an employer of choice.

Caltex's enterprise-wide risk management framework and operational excellence systems provide a foundation, which is brought to life through the Caltex culture. This foundation ensures risks are identified, prioritised and appropriately managed in order to protect our employees, our community, our environment and our shareholders.



We understand the advantages of an inclusive workplace in which individuals of varied backgrounds are welcomed, encouraged and given the opportunity to contribute to their full potential.

Capability

People and culture

At Caltex, we believe that true competitive advantage lies in the culture of an organisation. We acknowledge that to remain the outright leader in transport fuels across Australia we require a highly capable organisation. This capability must span our entire workforce, which is diverse in occupation and dispersed throughout metropolitan and regional Australia.

Caltex's values of care, own, move, serve, win and trailblaze underpin everything we do. We want to be known not only for our endurance and strong results, but also for the exemplary way we realise those results. For the people of Caltex, how we achieve is just as important as what we achieve.

Developing leadership capability

In 2013, Caltex embarked on a fresh approach to leadership with the formation of a Leadership Council and the launch of Leading@Caltex. This was in response to employee engagement survey feedback in the face of a new business strategy and a changing competitive environment.

The main premise behind Leading@Caltex is that every person at Caltex deserves a good leader.

The launch of Leading@Caltex in July 2013 to more than 300 Caltex leaders was the first step in Caltex's cultural transformation around leadership and growth.

Employee recognition

Caltex actively recognises and rewards great performance. Celebrating both individual and team success is an integral part of our culture. Through our company-wide recognition program, Recognising Results, Caltex acknowledges and rewards outcomes and behaviours that embody the Caltex values.

A cornerstone of our Recognising Results program is the annual Stellar Awards. This event is specifically designed to celebrate the Caltex values in action. At the 2013 Stellar Awards, over 100 Caltex people were recognised and, throughout the year, more than 500 employees were recognised and rewarded for their stellar efforts.

Diversity and inclusion

At Caltex, we understand the advantages of an inclusive workplace in which individuals of varied backgrounds are welcomed, encouraged and given the opportunity to contribute to their full potential.

Caltex's values of care, own, move, serve, win and trailblaze underpin everything we do. We want to be known not only for our endurance and strong results, but also for the exemplary way we realise those results.

Jacob Keed, Caltex driver based in Sydney, New South Wales

Our Diversity and Inclusion program is stewarded by the Caltex Diversity and Inclusion Council, led by our Managing Director & CEO and consisting of executive leaders and employee representatives. In 2013, our program focused on gender diversity and indigenous employment.

Development of leadership skills for our female professionals was a focus during the year and Caltex partnered with Women & Leadership Australia to deliver a workshop series in which more than 100 female employees participated. In addition, there were numerous networking events held at our Lytton and Kurnell refineries throughout the year, providing female employees with a forum to connect with each other.

We continue to lead the way in supporting new families through our generous BabyCare package for primary caregivers. This package is already providing Caltex with an avenue to deliver an appreciable shift in workforce diversity and make genuine progress in female participation in senior roles. Pleasingly, 97% of our people who took parental leave since the BabyCare package was introduced in late 2012 have returned to work.

At Caltex, we are committed to the recruitment and retention of indigenous Australians in our workforce. During the year, 50 indigenous Australians were employed in a wide variety of roles and locations via our formal indigenous employment program. This is more than double the number employed in 2012.

Flexibility

Caltex recognises that a culture of workforce flexibility is an important enabler for our people, particularly those with caring responsibilities.

Our commitment to flexibility is met through developing our people leaders' skills and confidence in delivering flexible work solutions and also through the provision of technology that facilitates more effective work practices from non-office based locations.

In 2013, our annual flexible work survey results revealed that 70% of respondents said that they participated in some sort of working from home arrangement and 86% have flexible start and finish times. Importantly, the percentage of respondents who felt comfortable talking to their manager about flexible work increased to 72% in 2013 from 67% in 2012.

Safety

Personal safety

Ensuring our people go home every day is of paramount concern to Caltex. Personal and process safety remains our highest priority.

2013 was Caltex’s safest year to date with regard to personal safety. This is a testament to Caltex’s systems and processes, but most importantly its people. The value of care, which is one of Caltex’s six core values, was evident throughout the year with safety and integrity held as core personal commitments.

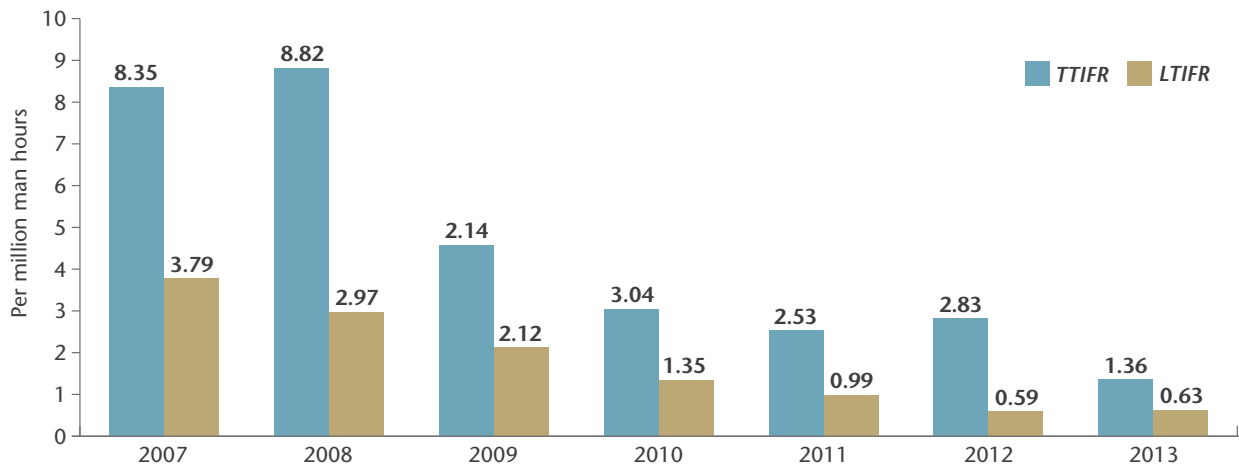
Overall, the total treated injury frequency rate (TTIFR) reduced from 2.83 per million hours worked in 2012 to a record 1.36 per million hours worked in 2013. This is a reduction of over 50%, which is a significant

achievement. The lost time injury frequency rate (LTIFR) was broadly in line with 2012 at 0.63 per million hours worked. According to the *Safety Spotlight: ASX 100 Companies & More FY05 to Sept FY13* report compiled by investment bank Citi, this would place Caltex in the top tier of the ASX 100 companies.

The number of significant motor vehicle accidents reduced from two in 2012 to one in 2013.

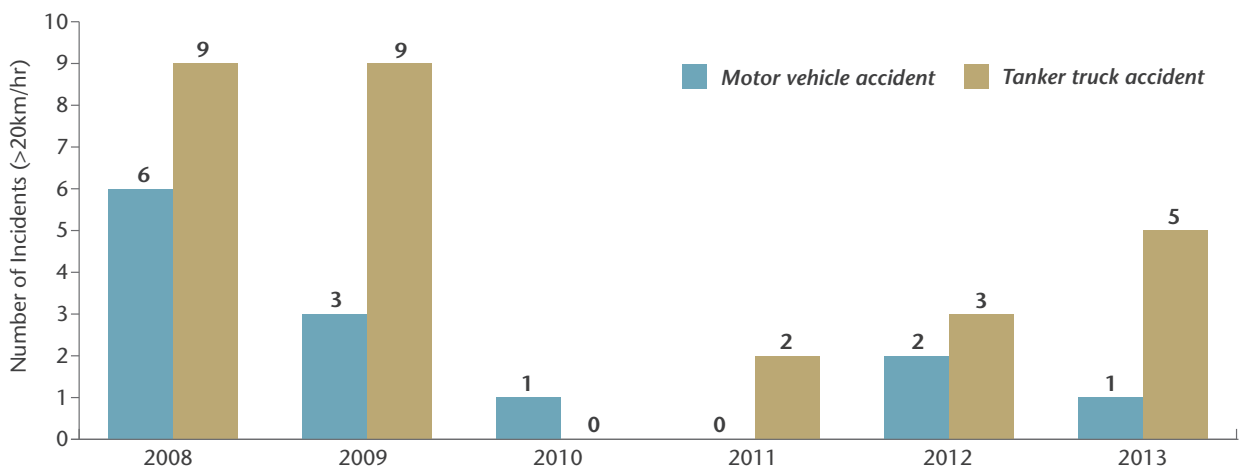
There were five tanker truck accidents in 2013, compared with three in 2012. Caltex is striving for continuous improvement in this area, so any accident is unacceptable. The safety of fuel transportation is of the utmost importance to our business.

Injury frequency rates



* Note: From 2010 frequency rates have included contractors.

Motor vehicle and tanker truck accidents



Process safety

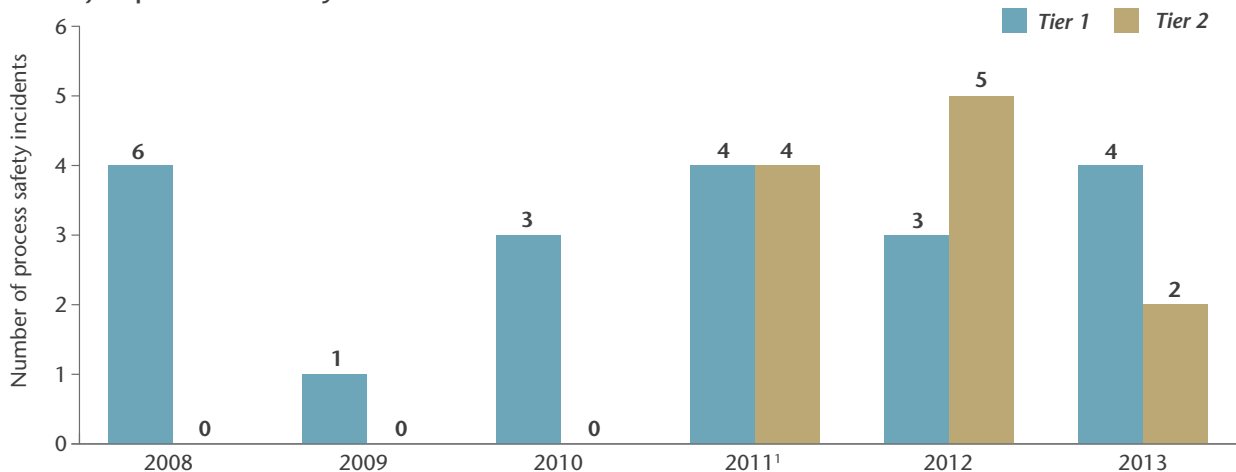
Caltex recognises that competing successfully in the transport fuels market requires us to be prudent about the way we approach and manage risk. Identifying and managing risk is essential in the safe manufacture, distribution and transportation of Caltex products and the safe operation of all Caltex facilities.

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

Caltex applies leading metrics to measure and monitor the performance and effectiveness of process safety across Caltex. This includes the American Petroleum Institute Recommended Practice 754 (API 754 RP).

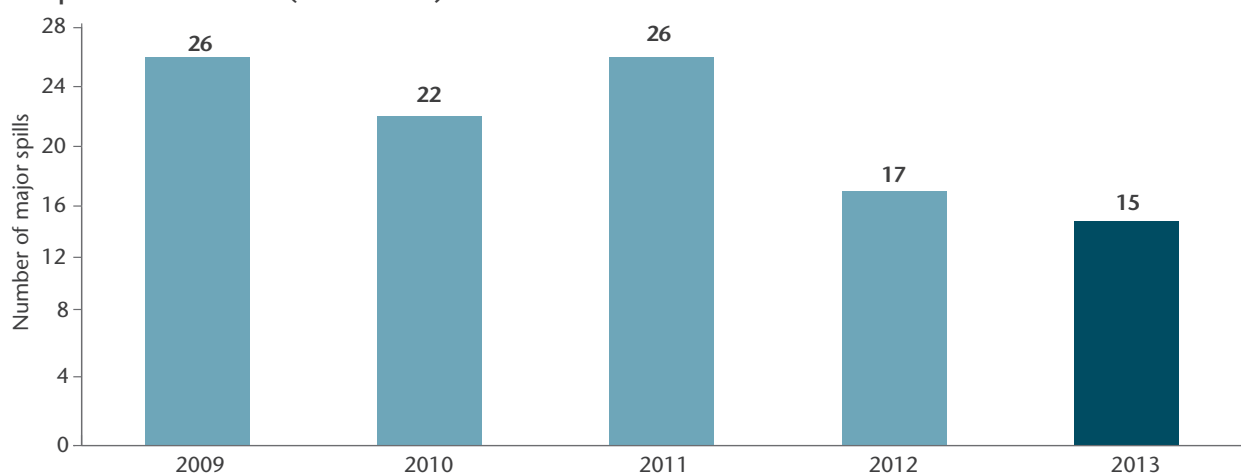
In 2013 Caltex recorded four Tier 1 process safety incidents and two Tier 2 process safety incidents. This compares with three Tier 1 safety incidents and six Tier 2 safety incidents in 2012.

Major process safety incidents



1. Metric modified to adopt American Petroleum Institute Recommended Practice 754 (API RP-754). 2011 and 2012 performance is number of Tier 1 and Tier 2 process safety incidents. Performance prior to 2011 reflects Centre for Chemical Process Safety (CCPS) definition of a process safety incident which is a Tier 1 equivalent.

Spills > 1 barrel (160 litres)



In 2013, Caltex recorded 15 spills greater than one barrel, which is 160 litres, or any marine spill. Caltex uses this metric as a process safety leading indicator. This is our best result to date and compares favourably with 17 spills in 2012.

While this is an improvement year on year, the number of spills also includes the major spill at the Banksmeadow terminal in July 2013, which was a Tier 1 process incident.

Safety (continued)

Health and wellbeing

Through the implementation of appropriately targeted health and wellbeing programs and the effective utilisation of the Caltex Employee Assistance Program, Caltex aims to help employees and their immediate families reach an optimal balance of physical, emotional and social health that will improve their wellbeing and morale.

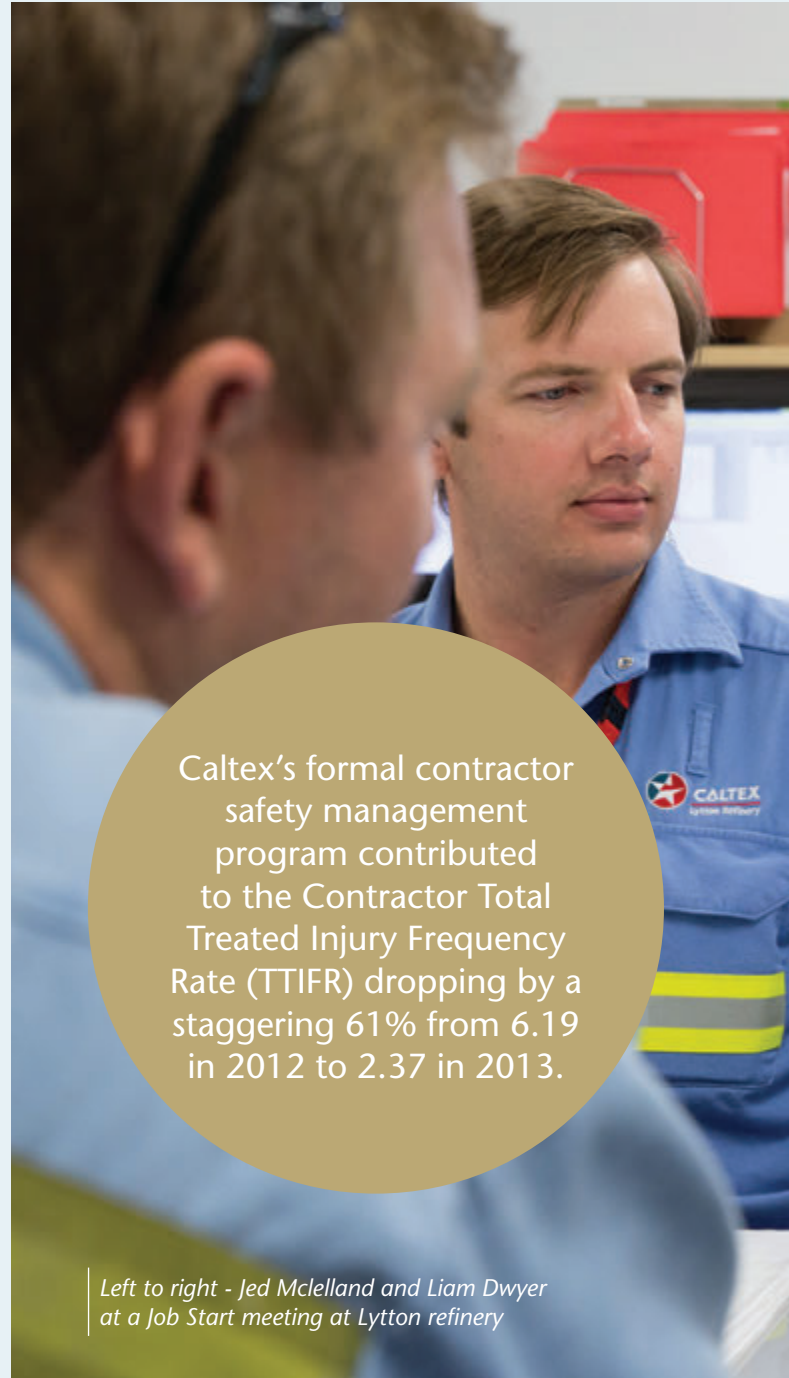
In 2013, Caltex offered skin screening, heart health checks and influenza vaccinations to its employees. These programs were well received with over 490 skin screening tests, 700 flu vaccinations and 230 heart health checks conducted across Caltex's refining and terminal operations and at the corporate head office in Sydney.

In 2013, Caltex also funded 187 employees to participate in the Global Corporate Challenge, a team based, 16 week program aimed at promoting and increasing employee physical activity levels through walking, cycling and swimming.

Through the provision of a comprehensive Employee Assistance Program, Caltex provides all employees and their eligible family members access to a wide range of resources and professional counsellors. In 2013, over 100 Caltex employees and family members utilised the Caltex Employee Assistance Program.

Caltex also attempts to mitigate occupational risks associated with certain lifestyle factors through the Caltex Drug and Alcohol Program.

In 2013, over 1,900 drug and alcohol tests were conducted across the business on both employees and contractors at safety critical sites as part of the Caltex Drug and Alcohol testing program.



Caltex's formal contractor safety management program contributed to the Contractor Total Treated Injury Frequency Rate (TTIFR) dropping by a staggering 61% from 6.19 in 2012 to 2.37 in 2013.

Left to right - Jed McLelland and Liam Dwyer at a Job Start meeting at Lytton refinery

Occupational health

Caltex is committed to mitigating the health risks associated with physical exposures to hazards within the workplace by controlling exposures at their source.

Caltex is committed to managing all asbestos containing materials across all assets within the business in a safe and effective manner so that the incidence of asbestos related diseases are minimised. In keeping with this commitment, Caltex undertook over 120 detailed site asbestos material surveys of service stations, depots and terminal facilities across New South Wales, South Australia, Tasmania and Victoria in 2013.

Significant work has also been undertaken at the Kurnell refinery to ensure any asbestos soil contamination is managed safely and effectively during all civil works associated with the terminal conversion. This included over 1,000 soil samples being collected and analysed for the presence of asbestos.

Over 30,000 location specific air monitoring samples and 400 operator breathing zone samples were collected and reviewed across refining in 2013 to assess the effectiveness of key chemical hazard controls. A comprehensive site-wide noise survey was also completed at the Lytton refinery.



In 2013, Caltex offered skin screening, heart health checks and influenza vaccinations to our employees. These programs were well received with over 490 skin screening tests, 700 flu vaccinations and 230 heart health checks conducted across Caltex.

Contractor safety

Contractor safety management principles and practices are well embedded in Caltex's strong safety culture. Caltex has established clear ownership for safety management of every contractor, with each assigned a Caltex contractor owner, a procurement owner and an Operational Excellence and Risk owner from the relevant business area. Each contractor is categorised according to risk and must have the appropriate insurance and safety program qualifications to operate safely on-site. Each contractor is systematically reviewed on their safety performance, with the frequency of review based on their risk category and tenure at Caltex.

In 2013, formal safety reviews were introduced for Caltex contractors and in the second half of the year, 114 reviews were conducted. Contractor subscription to Caltex's external safety verification and validation service, ISN, increased from 75% in January 2013 to 95% in December 2013. We consider this improved performance to be a major contributing factor in seeing the Contractor Total Treated Injury Frequency Rate (TTIFR) drop by a staggering 61% from 6.19 in 2012 to 2.37 in 2013. This improvement in contractor safety performance has not only assisted Caltex in exceeding its 2013 personal safety target, but has helped Caltex achieve its best ever personal safety performance.

Environment

Caltex continually strives to reduce the impact of its operations and is deeply committed to undertaking activities across Australia in full compliance with all regulations and standards.

Our key environmental risks are associated with spills of our products, contamination of land, non-compliance with operating permits and the impact our refineries have on air quality.

Key risks are managed using the Caltex Operational Excellence Management System (OEMS), ensuring a consistent and comprehensive set of controls are deployed across the company. These controls are monitored by local management through an overarching governance framework and, ultimately, performance is reported to the Caltex Leadership Team and the Board.

Caltex formally identifies and assesses these risks through the Caltex Risk Management Framework, which highlights the key controls required and how they are monitored. Key metrics associated with these risks are reported annually to senior management and the Board. Improvement opportunities are identified and tracked through to completion.

In addition, our refineries are accredited with the ISO-14001 Environment Management System to ensure additional validation of our management processes through external auditing and assessment.

In 2013, Caltex's Kurnell refinery received one penalty infringement notice of \$1,500 from the NSW Environment Protection Authority relating to an incident where approximately 100 litres of oily water entered Botany Bay following localised flooding of the refinery's wastewater treatment plant during heavy rainfall.

Caltex continually strives to reduce the impact of its operations.

Caltex is proud to be associated with the Fish River project, where carbon units were generated by the management of savanna burning, reducing greenhouse gas emissions using controlled, traditional mosaic burning, a technique that is appropriate both environmentally and culturally.

Jackie Fahy, Caltex's CSR Manager, on site at Fish River, Northern Territory



Caltex Operational Excellence Management System

Operational excellence is the systematic management of process safety, personal safety and health, environment, reliability and efficiency to achieve world-class performance. At Caltex, OEMS has three parts: Leadership Accountability, Management System Process and our Operational Excellence Expectations.

Leadership Accountability is the single most important factor for success. Leaders set objectives to achieve world-class performance and visibly demonstrate their commitment through personal engagement with the workforce.

The Management System Process is a systematic approach to achieve our objectives and drive management of the standards and processes to perform consistently. Continual improvement is a core component of the Management System Process.

Our Operational Excellence Expectations are organised under 13 elements and spell out clear and specific requirements that become the foundation for our standards and procedures. These ensure Caltex operates to the highest standards across our organisation.

In 2013, over 100 people were recognised at the Stellar Awards, which are designed to celebrate the Caltex values in action.



Nina Younes, Procurement Sourcing Specialist with her Caltex Stellar Award

Energy efficiency and greenhouse gas emissions

Caltex continued to drive improvements in energy efficiency across its refineries and service station network in 2013.

With retail service station sites across Australia typically operating 24 hours a day, 365 days a year, energy savings from lighting upgrades and building energy management systems deliver both operational cost savings and reduced greenhouse gas emissions across our network.

In 2013, Caltex commenced the second cycle of the Federal Government's Energy Efficiency Opportunities program. During the year, an international panel of

energy experts in conjunction with Caltex engineers undertook an energy assessment on the Lytton refinery and identified a large number of opportunities. These will be analysed and, if viable, implemented to further improve energy efficiency at Lytton.

Reporting continued under the National Greenhouse and Energy Reporting Scheme in 2013. Reported Scope 1 and Scope 2 emissions are broadly consistent with the previous year. Scope 1 emissions are from energy sources owned or controlled by Caltex, and Scope 2 is purchased energy from electricity, heat or steam.

FINANCIAL YEAR	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Scope 1, Metric tonnes of CO ₂ -equivalent	1,849,610	1,849,424	1,869,326	1,817,628	1,887,665
Scope 2, Metric tonnes of CO ₂ -equivalent	288,640	303,099	315,115	312,073	326,605

Environment (continued)

Climate change

Caltex completed its first year of compliance reporting under the Clean Energy Future legislation's Carbon Price Mechanism (CPM), accounting for the direct greenhouse gas emissions from our refineries in Kurnell and Lytton as liable facilities under the scheme. As an emissions-intensive trade-exposed industry, petroleum refining receives the highest rate of assistance under the Australian Government's Jobs and Competitiveness Program, representing 94.5% of industry average emissions for the first year and reducing thereafter. Caltex received 2,180,766 freely granted carbon permits for the 2012/13 financial year.

Caltex acted on greenhouse gas emissions related opportunities across our business, supporting both our customer base and broader community programs with a variety of initiatives.

In 2013, Caltex expanded its customer focused greenhouse gas reporting, including customised reports for bulk fuel customers and an expanded range of online reports for StarCard customers. These reports assist our customer base by estimating the greenhouse gas emissions related with the use of transport and other fuels/products used in their businesses, including biofuels and LPG.

Caltex also supported community and internal initiatives that related either directly or indirectly to greenhouse gas reduction.

Caltex purchased the first allocation of Australian Carbon Credit Units (ACCUs) from the Indigenous Land Corporation's Fish River Fire Project, surrendering these as part of our 2012/13 carbon liability. The Fish River project generated carbon units through the management of savanna burning, which reduces greenhouse gas emissions using controlled, traditional mosaic burning, a technique that is appropriate both environmentally and culturally. Caltex is pleased that all revenue generated from these credits will be allocated by the Indigenous Land Corporation to ongoing management of the Fish River property and supporting indigenous jobs and training. Other benefits of the project include facilitation of access to the property by Traditional Owners, protection of important cultural sites and protection of rare and threatened animal and plant species found on the property.

Our sponsorship of OzHarvest also delivers indirect greenhouse gas savings through avoided greenhouse gas emissions by diverting surplus food waste from landfill. In 2013, OzHarvest rescued 1.8 metric tonnes of food from landfill, saving an estimated 3.6 metric tonnes equivalent carbon dioxide (CO_{2-e}) of carbon emissions from being released. Caltex supports OzHarvest by fuelling their delivery vans in Sydney, Melbourne, Newcastle, Adelaide and Brisbane, allowing OzHarvest to focus their efforts on delivering meals to charitable organisations and welfare agencies nationally.



Annie Kim, Retail Operations Analyst volunteers on behalf of Caltex for OzHarvest

Infrastructure, integrity and product responsibility

Underground tank replacement and monitoring

The comprehensive risk management and risk reduction of Underground Petroleum Storage Systems (UPSS) at all Caltex service stations and depot sites is critical to ensuring the integrity and safety of all our tanks.

Throughout 2013, Caltex continued its underground tank replacement and monitoring program for the identification and management of environmental risks and prevention of environmental contamination.

As part of the program, sites are prioritised for tank replacement and monitoring with the consideration of a wide range of variables. The program was implemented after a risk assessment was undertaken in 2007.

In 2013, Caltex replaced 26 underground tanks as part of rebuilding works and ongoing risk management. There have now been 86 UPSS tank replacements since the program began.

Inventory reconciliation

Statistical Inventory Reconciliation Analysis (SIRA) is a leak monitoring system, used to reduce UPSS risk through the monitoring of underground storage tank levels and detection of liquid product losses. Monitored and managed by a third party, SIRA is able to detect losses above a specified threshold per product circuit with a 95% probability of detection. All high priority sites are monitored on a weekly basis and all other sites are monitored monthly.

In 2013, 97% of Caltex's tank systems received "pass" results. If tests produce "fail" or "inconclusive" results, a multi-stage management process is activated to determine if there is a leak, the source of the leak and necessary further action.

SIRA enables Caltex to identify, measure, document and report on our environmental impact and performance with respect to underground fuel storage. This in turn enables Caltex to maintain UPSS systems, identify and manage risk to the environment and neighbouring communities and comply with environmental laws.



Infrastructure, integrity and product responsibility (continued)

Emergency preparedness

Crisis management

Caltex's crisis management and incident response process is well established and focused on ensuring Caltex's safe and reliable supply, protection of people and the environment in which we operate. The process is led by a Crisis Management Team (CMT) comprising relevant senior management from across Caltex. The CMT has three key roles. The first is to provide strategic input and direction to ensure all necessary support is available for the regional emergency management teams including resources, funds, technical input and specialist advice. The second is to handle high level communications with key stakeholders including media and government, and the third is to ensure protection of the company's image and reputation.

Caltex has a schedule of monthly exercises testing the CMT, with scenarios consisting of both identified risks and other disruptive events that may impact Caltex operations, people and business. The scenarios are not divulged to the CMT until the exercise commences, giving an element of surprise and reality and helping drive good decision-making under pressure and time constraints. As each disruptive event will be different, the judgement and experience of senior managers will always be required. By following the simple, clear checklists, guidelines and reminders about the main elements of the process, the exercises are a way for Caltex to achieve a fast and effective response.

Reliable infrastructure and supply

Reliable supply, coupled with strong infrastructure, is the cornerstone of our ability to meet Australia's transport fuels needs. Our supply chain plays a critical role in keeping Australia moving, so keeping our supply chain optimised and reliable is a priority. We achieve this through investment in infrastructure including our refineries, as well as port, inland and airport terminals, pipelines and retail sites.

Our refineries' reliability performance in 2013 was consistent year on year across a range of measures. Mechanical availability was 96% in 2013, compared with 95% in 2012, and average utilisation was also consistent year on year at 76%.

In 2013, we completed a range of key infrastructure projects such as the Pelican Point terminal and also made improvements to the Newport, Kalgoorlie and Mackay terminals. Four pipeline safety and environment plans were also completed during the year at Pelican Point and Port Lincoln in South Australia, Newport in Victoria and Cairns in Queensland.

Response to a major incident

In July 2013, a Tier 1 process incident occurred when there was a release from a storage tank at the Banksmeadow terminal in New South Wales. Caltex and NSW Fire & Rescue quickly responded to the leak and the petrol was fully contained within the controlled bunded area and foam was applied to minimise any risk of fire. Thorough investigations by Caltex and the relevant regulators have been conducted to establish the sequence of events and to assess the performance of Caltex's management systems in relation to the incident. The investigations identified that there were a number of factors that contributed to the incident. These factors included but were not limited to a substantial human error by an experienced long term maintenance contractor and circumstances where Caltex's safety protocols were not adhered to.

Caltex is committed to maintaining safe and reliable operations and we are focused on continuous improvement to reduce personal and process safety risk. Any incident, under any circumstances, is unacceptable and we are determined to learn from the investigation findings. We will further refine our processes to mitigate the risk of such an incident occurring in future.

Product stewardship

At Caltex, we recognise the need to manage products and waste throughout their lifecycles, meeting legal and regulatory requirements and performance expectations and effectively communicating the necessary information to consumers. Product stewardship also forms an integral part of our licence to operate.

Caltex engages in product stewardship across the organisation to ensure fuel quality and the integrity of our fuel storage and delivery systems.

Caltex is a signatory to the Australian Packaging Covenant with 100% compliance among Caltex product suppliers and 40% of current packing reviewed using the Sustainable Packaging Guidelines (SPG).

This covenant provides an opportunity for companies to contribute to reducing the environmental impacts of their packaging materials. In 2013, Caltex introduced new mandatory biodegradable bags across all Calstores for secondary packaging of consumer purchases.

Through a five year action plan, Caltex has committed to improving product stewardship and waste management, including better recycling at our service stations as well as implementing sustainable packaging guidelines into our procurement process.

Reliable supply, coupled with strong infrastructure, is the cornerstone of our ability to meet Australia's transport fuels needs.

Caltex is committed to maintaining safe and reliable operations and we are focused on continuous improvement to reduce personal and process safety risk.

Caltex engages in product stewardship across the organisation to ensure fuel quality and the integrity of our fuel storage and delivery systems.



Product tanks at Kurnell refinery. Photograph by Karl Braasch, Quality Assurance Chemist at Kurnell refinery

Caltex in the community

Corporate social investment

Caltex is committed to Australia and we proudly give back to the communities in which we work and live. We understand that our licence to operate comes not only as a result of how we operate, but also how we interact with the communities that surround us.

Nationally in 2013, Caltex proudly partnered with Australian organisations that share our values and provided financial support and leveraged our networks to make a real difference in the community. Our people also contribute directly to the work of our not-for-profit partners by providing regular team volunteering opportunities around Australia.

As a major partner, Caltex is helping Clontarf Foundation improve the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men and, by doing so, equip them to participate more meaningfully in society through its 53 academies around Australia.

The partnership with Conservation Volunteers Australia continued in 2013 with investment in Wild Futures, the organisation's national conservation program. In addition to monetary support, many Caltex volunteers also participated in various weeding and planting programs throughout the year.

Caltex also partners with OzHarvest to provide fuel to feed their vans in five Australian cities. OzHarvest rescues quality, excess food and delivers to charities supporting people in need in Sydney, Newcastle, Adelaide, Brisbane and Melbourne. In Sydney, OzHarvest delivers over 320,000 meals per month using a fleet of 11 vehicles.

In 2013, Caltex raised over \$155,000 as an official partner of Pink Ribbon Day for Cancer Council Australia. This money was raised through participating retail sites and employee sales of Pink Ribbon merchandise.

Caltex employees also have the option to contribute through our employee giving scheme, Fuelling Change. These contributions are matched dollar for dollar by the company. In 2013, 6% of Caltex employees donated close to \$160,000 to our Fuelling Change partners, Cancer Council Australia, RSPCA, Starlight Children's Foundation, The Smith Family, Heart Foundation and Oz Green.

In its 28th year in 2013, the Caltex Best All Rounder Award was presented in 2,013 schools across Australia. This prestigious award is presented to final year students who excel in a number of areas, including academic, attitude, personal conduct, leadership, service and sport.

The national social investment program is underpinned by our commitment at a local level to our communities.



Students from the Fitzroy Crossing Clontarf Academy, Western Australia, at a morning training session with local primary school children

Our refineries and service stations support a variety of organisations, events and programs in their local area.

From schools to sporting clubs, environmental projects to emergency services and surf lifesaving, Caltex supports these organisations through monetary support, in-kind support and through a number of volunteering activities.



Caltex is proud to assist Clontarf Foundation fuel a brighter future for young Aboriginal boys and men.

Community engagement

Being a good community neighbour is a priority for Caltex and to this end we have developed strong relationships with our neighbours at both our refineries at Lytton and Kurnell.

In addition to various community sponsorships, both facilities have comprehensive communication plans to ensure that neighbours and other community stakeholders are kept informed of our activities and have the opportunity to ask questions and raise concerns. Each refinery encourages feedback from stakeholders and has a formal process for reporting and addressing community concerns. Community members can contact Caltex 24 hours a day through our 1800 numbers. In addition, we continue to reach out to our communities to provide information about our operations through regular meetings, newsletters and activity advice letters.

ACCC petrol price monitoring

The Australian Competition and Consumer Commission (ACCC) released its annual report into the prices, costs and profits of unleaded petrol in Australia in December 2013. The ACCC concluded in its report that "international prices and domestic fuel taxes are the key drivers of petrol prices" in Australia. In 2012/13, the ACCC found that the average retail petrol price was 141 cents per litre (cpl), with the international market price of refined petrol and excise and GST contributing around 125 cpl or 89 per cent. The ACCC also found that net profits on petrol for retailers averaged only 2.4 cpl, and Australian retail petrol prices are among the lowest for Organisation for Economic Cooperation and Development (OECD) countries.

Promoting integrity

Caltex has a Code of Conduct that articulates our commitment to successfully conduct business in accordance with all applicable laws while demonstrating and promoting our values.

Adherence to the code ensures that our business has a framework for decision-making and business behaviour which builds and sustains our corporate integrity, reputation and success.

Specific policies and programs work in parallel with the Code of Conduct; for example, the Fraud and Corruption Control Policy, the Ethical Business Practices Policy, Workplace Bullying and Harassment Policy and the Competition and Consumer Act Compliance Policy.

An externally managed hotline is also available for all employees, providing a confidential avenue for them to express concerns relating to the workplace.

Caltex and public policy

Caltex's involvement in public policy includes the development of evidence based policy positions and advocacy of those positions with politicians, government, industry groups, and other stakeholders.

During 2013, Caltex was engaged in a range of federal and state based issues including energy policy, carbon pricing, taxation, biofuels, price boards, coastal trading and petrol prices.

Directors

Elizabeth Bryan AM 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 the Board. She has over 32 years of experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. She is a director of Westpac Banking Corporation, a member of the Federal Government's Takeovers Panel and a trustee of the Museum of Applied Arts and Sciences. She was previously the Chairman of UniSuper Limited.

Bruce Morgan Director (Non-executive/Independent)

Bruce joined the Caltex Board in June 2013. He is the Chairman of the Board's Audit Committee.

Bruce brings to the Board expertise in accounting, business advisory services, risk and general management. He is the Chairman of Sydney Water and a director of Origin Energy Limited, the University of NSW Foundation, and Redkite.

Julian Segal Managing Director & CEO

Julian was appointed as Managing Director & CEO of Caltex in July 2009.

Julian is responsible for overseeing the Group's day-to-day operations and brings extensive commercial and management experience to Caltex. He 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.

Barbara Burger Director (Non-executive)

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 President of Chevron Technology Ventures (CTV), based in Houston, Texas (US). CTV champions innovation, commercialisation and integration of emerging technologies and related new business models. She is a director of the Houston Technology Center (US) and a member of the External Advisory Council of the National Renewable Energy Laboratory, US Department of Energy.

Greig Gailey Director (Non-executive/Independent)

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

Greig brings to the Board extensive Australian and international oil industry experience, and a management background from industrial and capital-intensive industries as well as involvement in public policy. He is the Chairman of ConnectEast and of the Board of Trustees of the Energy and Minerals Institute at the University of Western Australia, Deputy Chairman of the Victorian Opera Company, and a member of the advisory board of CSL Australia. He is a past President of the Business Council of Australia.

Trevor Bourne Director (Non-executive/Independent)

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

Trevor brings to the Board broad management experience in industrial and capital-intensive industries, and a background in engineering and supply chain. Trevor is a director of Sydney Water (from February 2014) and was previously a director of Origin Energy Limited (until November 2012) and the Chairman of Hastie Group Limited (until February 2012).

Ryan Krogmeier Director (Non-executive)

Ryan joined the Caltex Board in March 2012.

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. Ryan is based in Singapore and has over 20 years of experience working for Chevron. He is a director of GS Caltex Corporation (in Korea), Star Petroleum Refining Co Ltd (in Thailand) and Singapore Refining Company Pte Ltd (in Singapore).

Richard Brown Director (Non-executive)

Richard joined the Caltex Board in June 2012.

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 is a director of Chevron Lubricants Lanka Plc (in Sri Lanka).



Left to right

Bruce Morgan, Richard Brown, Greig Gailey, Elizabeth Bryan, Julian Segal, Ryan Krogmeier, Barbara Burger and Trevor Bourne

Leadership Team

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.

Mike McMenamin

General Manager, Strategy, Planning and 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.

Bruce Rosengarten

General Manager, Marketing

Bruce joined Caltex in December 2013 with over 30 years of executive experience. Bruce spent 10 years at Shell, holding senior executive roles in Australia and across Asia Pacific and the Middle East. He also held senior roles at Coles Myer Ltd, Weight Watchers International Ltd, Crown Ltd and International Harvester Australia Ltd. Bruce holds a Bachelor of Economics from Monash University and Graduate Diploma in Physical Distribution Management from Chisholm Institute.

Simon Willshire

General Manager, Human Resources

Simon joined Caltex in 2006. He has more than 30 years of experience in Human Resources management with Shell, BHP, Levi Strauss and United Technologies Corporation. 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. In 2013, Simon was made a Fellow of the Centre for Ethical Leadership in the Melbourne Business School.

Peter Lim

Company Secretary and 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. He has a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales.

Gary Smith

General Manager, Refining and Supply

Gary joined Caltex in 2009 with over 30 years of experience 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.



Left to right

Simon Hepworth, Mike McMenamin, Bruce Rosengarten, Julian Segal, Simon Willshire, Peter Lim and Gary Smith

Five year summary

The additional information on pages 30 to 31 is provided for the information of shareholders. The information is based on, but does not form part of, the 2013 Financial Report.

CALTEX AUSTRALIA LIMITED CONSOLIDATED RESULTS	2013	2012	2011	2010	2009
Profit and loss (\$ million)					
Historical cost operating profit before significant items, interest and income tax expense	798	624	640	522	648
Interest income	9	2	1	2	2
Borrowing costs	(98)	(99)	(69)	(59)	(30)
Historical cost income tax expense before significant items	(205)	(161)	(170)	(131)	(185)
Historical cost operating profit after tax and before significant items	504	366	402	333	435
Significant items (net of tax)	26 ⁽ⁱ⁾	(309) ⁽ⁱⁱ⁾	(1,116)	(16)	(121)
Historical cost operating profit/(loss) after income tax	530	57	(714)	317	314
Dividends					
Amount paid and payable (\$/share)	0.34	0.40	0.45	0.60	0.25
Times covered (excl. significant items)	5.49	3.39	3.31	2.06	6.45
Dividend payout ratio – replacement cost of sales operating basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	28%	24%	46%	51%	21%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	24,676	23,565	22,400	18,931	17,984
Earnings per share – historical cost (cents per share)	196	21	(264)	117	116
Earnings per share – replacement cost of sales operating basis (cents per share) (excl. significant items)	123	170	98	118	120
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	798	624	640	522	648
Earnings before interest and tax – replacement cost of sales operating basis (\$m) (excl. significant items)	551	756	442	500	489
Operating cash flow per share (\$/share)	2.3	1.5	1.7	1.6	2.5
Interest cover – historical cost basis	9.3	1.9	(14.0)	8.7	17.0
Interest cover – replacement cost basis (excl. significant items)	6.2	7.8	6.5	8.7	17.4
Return on capital employed – historical cost basis (%) ^(iv)	15.8	2.0	(25.2)	8.7	9.2
Return on capital employed – replacement cost of sales operating basis (excl. significant items) (%) ^(iv)	9.9	15.8	9.3	8.8	9.5
Equity attributable to members of the company (\$m)	2,588	2,148	2,206	3,071	2,915
Total equity (\$m)	2,597	2,160	2,218	3,083	2,925
Return on equity attributable to members of the parent entity after tax – historical cost basis (%)	20	3	(32)	10	11
Total assets (\$m)	6,021	5,386	4,861	5,291	4,952
Net tangible asset backing (\$/share)	9.05	7.55	7.82	11.08	10.48
Debt (\$m)	942	950	619	563	509
Net debt (\$m)	742	740	617	544	487
Net debt to net debt plus equity (%)	22	26	22	15	14

i. Includes significant items totalling a gain of \$27,763,000, that have been recognised in the income statement. These items relate to a gain on the sale of the bitumen business, net of costs relating to acquisitions and disposals (\$38,766,000) and the net adjustment to provisions (\$11,003,000) relating to the closure of the Kurnell refinery.

ii. 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.

iii. Dividend payout ratio – replacement cost of sales operating profit basis calculated as follows:

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

Net Profit After Tax

Net Debt + Equity

iv. Return on capital employed is calculated as follows:

Replacement cost of sales basis of accounting

- To assist in understanding the Group's operating performance, the directors have provided additional disclosure of the Group's results for the year on a replacement cost of sales 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 \$332 million, compared to a profit of \$458 million in 2012.
- 2013 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$551 million, a decrease of \$205 million over 2012.

\$ MILLION	FIVE YEARS*	2013	2012	2011	2010	2009
Historical cost net profit before interest, income tax and significant items	3,232	798	624	640	522	648
(Deduct)/add inventory (gains)/losses ⁽ⁱⁱ⁾	(490)	(246)	132	(197)	(21)	(158)
Replacement cost net profit before interest, income tax and significant items	2,742	551	756	442	500	489
Net borrowing costs	(339)	(89)	(97)	(68)	(57)	(28)
Historical cost income tax expense before significant items	(852)	(205)	(161)	(170)	(131)	(185)
Add/(deduct) tax effect of inventory (losses)/gains	147	74	(40)	59	6	48
Replacement cost of sales operating profit after income tax ⁽ⁱⁱⁱ⁾	1,697	332	458	264	318	324

* 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 2013, the historical cost result includes \$246 million inventory gain (2012: \$132 million inventory loss). 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: 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); 2013: \$28 million gain before tax (\$26 million after tax).

Statistical information

YEAR ENDED 31 DECEMBER	2013	2012	2011	2010
People				
Employees ⁽ⁱ⁾	3,638	3,610	3,550	3,546
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery ⁽ⁱⁱ⁾	-	-	1	1
Road tankers ⁽ⁱⁱⁱ⁾	216	168	168	170
Rail cars (operational)	66	66	66	66
Storage terminals operated by Caltex ^(iv)	12	12	13	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	491	480	476	472
Service stations (owned or leased)	765	738	746	743
Depots	76	76	79	79
Operations				
Nameplate refining capacity (barrels per day)				
Caltex Refineries (NSW) Pty Ltd	135,000	135,000	135,000	135,000
Caltex Refineries (Qld) Pty Ltd	109,000	109,000	109,000	109,000
Caltex Lubricating Oil Refinery Pty Ltd ⁽ⁱⁱ⁾	-	-	3,750	3,750
Fuel production (ML)	11,398	11,648	10,686	10,607
Lubricants production (ML) ⁽ⁱⁱ⁾	-	-	15	78
Total sales volume (ML)	16,957	16,628	16,619	16,047
Lost time injury frequency rate (LTIFR) ^(v)	0.63	0.59	0.99	1.35

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 seven 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. 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, John Remedios

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

INFORMATION PROVIDED UNDER ASX LISTING RULE 4.10.

The information in this document is as at 28 February 2014.

- Substantial shareholders:
Chevron Global Energy Inc holding 135,000,000 ordinary shares.
- There is only one class of equity securities (namely ordinary shares) and the number of holders is 22,307.
- The shareholding is distributed as follows:

CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
1 - 1,000	16,416	7,204,800	2.67%
1,001 - 5,000	5,120	11,619,769	4.30%
5,001 - 10,000	469	3,476,932	1.29%
10,001 - 100,000	264	6,415,007	2.38%
100,001 and over	38	241,283,492	89.36%
Total	22,307	270,000,000	100.00%
Holders of less than a marketable parcel	301		

- The 20 largest shareholders held 88.05% of the ordinary shares in the company.
- The 20 largest holders of ordinary shares and the number of ordinary shares and the percentage of capital held by each are as follows:

HOLDER	NUMBER OF SHARES	PERCENTAGE
1. Chevron Global Energy Inc	135,000,000	50.00
2. HSBC Custody Nominees (Australia) Limited	26,849,329	9.94
3. J P Morgan Nominees Australia Limited	24,019,433	8.90
4. National Nominees Limited	20,188,206	7.48
5. Citicorp Nominees Pty Limited	8,044,214	2.98
6. JP Morgan Nominees Australia Limited <Cash Income A/C>	5,577,831	2.07
7. HSBC Custody Nominees (Australia) Limited <Nt-Comnwith Super Corp A/C>	3,041,613	1.13
8. BNP Paribas Noms Pty Ltd <DRP>	2,951,018	1.09
9. RBC Investor Services Australia Nominees Pty Limited <Pi Pooled A/C>	2,717,001	1.01
10. RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,429,128	0.90
11. AMP Life Limited	1,284,224	0.48
12. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,038,381	0.38
13. RBC Investor Services Australia Nominees Pty Limited <Gsam A/C>	926,473	0.34
14. Share Direct Nominees Pty Ltd <10026 A/C>	770,900	0.29
15. National Nominees Limited <N A/C>	588,400	0.22
16. AET SFS Pty Ltd <Caltex Equity Incentive Pl>	488,152	0.18
17. Invia Custodian Pty Limited <GSJBW Managed A/C>	461,252	0.17
18. Australian Foundation Investment Company Limited	455,000	0.17
19. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	428,805	0.16
20. RBC Investor Services Australia Nominees Pty Limited <PIIC A/C>	422,434	0.16
Total	237,681,794	88.05

CORPORATE OFFICES

Caltex Australia Limited
ACN 004 201 307

**Caltex Australia
Petroleum Pty Ltd**
ACN 000 032 128
Level 24
2 Market Street
Sydney NSW
2000 Australia
Mail: GPO Box 3916
Sydney NSW
2001 Australia
T: +61 2 9250 5000
F: +61 2 9250 5742
www.caltex.com.au

SHARE REGISTRY

**Computershare Investor
Services Pty Limited**
GPO Box 2975
Melbourne VIC
3001 Australia
Tollfree: 1300 850 505
(enquiries within Australia)
T: +61 3 9415 4000
(enquiries outside Australia)
F: +61 3 9473 2500
www.computershare.com.au

REFINERIES

**Caltex Refineries
(NSW) Pty Ltd**
ACN 000 108 725
2 Solander Street
Kurnell NSW 2231
T: +61 2 9668 1111
F: +61 2 9668 1188

Community hotline:
1800 802 385

**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



CALTEX
Caltex Australia



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2013 ANNUAL REPORT



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Financial calendar

YEAR ENDED 31 DECEMBER 2013

8 MAY 2014

Annual General Meeting

YEAR ENDING 31 DECEMBER 2014*

25 AUGUST 2014

Half year results and interim dividend announcement

09 SEPTEMBER 2014

Record date for interim dividend entitlement

01 OCTOBER 2014

Interim dividend payable if declared

23 FEBRUARY 2015

Full year results and final dividend announcement

10 MARCH 2015

Record date for final dividend entitlement

02 APRIL 2015

Final dividend payable if declared

* These dates are subject to change.

Report from our Chairman and Managing Director & CEO

Changing landscape

Caltex's commitment to Australia extends back to 1900 when RW Cameron first began marketing Texaco products. Caltex has continued to transform and adapt its strategy and business model over the past 113 years to meet the ever-evolving needs of its customers. This is in addition to modifying and improving organisational capabilities to ensure we continue to be a highly competitive and sustainable business.

2013 was no different. Caltex, like the competitive landscape around us, is undergoing profound transformation. This transformation, such as the conversion of the Kurnell refinery into Australia's largest fuel terminal, is not just a temporary shift in the landscape, it is structural and long term.

In 2013, Caltex continued to focus on the key pillars of its strategy related to its superior supply chain and comprehensive offer to customers across products, channels and geographies. These pillars underpin our clear, ongoing vision to remain the outright leader in transport fuels across Australia.

Safety

2013 was Caltex's safest year to date with regard to personal safety. This is a testament to Caltex's systems and processes, but most importantly its people. The value of care, which is one of Caltex's six core values, was evident throughout the year, with safety and integrity held as core personal commitments.

Overall, the total treated injury frequency rate (TTIFR) reduced from 2.83 per million hours worked in 2012 to a record 1.36 per million hours worked in 2013. This is a reduction of over 50%, which is a significant achievement. The lost time injury frequency rate (LTIFR) was broadly in line with 2012 at 0.63 per million hours worked. According to the *Safety Spotlight: ASX 100 Companies & More FY05 to Sept FY13* report compiled by investment bank Citi, this would place Caltex in the top tier of the ASX 100 companies.

Financial results

On a statutory, or historic, cost of profit measure, Caltex recorded an after tax profit (including inventory gains) of \$530 million for the 2013 full year. This includes significant gains of approximately \$26 million (after tax), dominated by profit on the sale of the Sydney bitumen business. This compares to the 2012 full year profit of \$57 million, which included significant items of \$309 million (after tax) in respect of future costs relating to the closure of the Kurnell refinery. The 2013 result includes a product and crude oil inventory gain of \$172 million after tax, compared with an inventory loss of \$92 million after tax in 2012.

On a replacement cost of sales operating profit basis (RCOP), which is our preferred measure as it excludes net inventory gains and losses, Caltex recorded an after tax profit for the 2013 full year of \$332 million, excluding significant items. This compares with \$458 million for the 2012 full year, excluding significant items.

Dividend

The Board declared a final dividend of 17 cents per share (fully franked) for the second half of 2013. Combined with the interim dividend of 17 cents per share for the first half, paid in October 2013, this equates to a total dividend of 34 cents per share for 2013, fully franked (28% payout ratio). This compares with a total dividend payout of 40 cents per share (fully franked) for 2012 (24% payout ratio), and reflects the reduction in the target payout ratio (to 20% to 40%) during the Kurnell closure period.

Continued growth

Marketing and Distribution achieved another record year with earnings before interest and tax (EBIT) of \$764 million. This is 4% higher than 2012, which was also a record year. The result includes the adverse \$10 million impact of the Sydney premium petrol supply interruption and the sudden and significant fall in the Australian dollar during May and June.

2013 ANNUAL REPORT

This 2013 Annual Report for Caltex Australia Limited has been prepared as at 24 February 2014.

The 2013 Annual Report provides information about Caltex's main operating activities and performance for the year ended 31 December 2013. The 2013 Financial Report, which forms part of the 2013 Annual Report, provides detailed financial information for the Caltex Australia Group for the year ended 31 December 2013. These and other reports are available from our website (www.caltex.com.au).

When we refer to the Caltex Australia Group in this 2013 Annual Report, we are referring to:

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

Please note that terms such as Caltex and Caltex Australia have the same meaning in the 2013 Annual Report as the Caltex Australia Group, unless the context requires otherwise.

Shareholders can request a printed copy of the 2013 Annual Report (and 2013 Financial Report) and/or the 2013 Annual Review, free of charge, by writing to the Company Secretary, Caltex Australia Limited, Level 24, 2 Market Street, Sydney NSW 2000 Australia.

Report from our Chairman and Managing Director & CEO (continued)

Marketing continues to focus on driving sales of premium fuels (including Vortex Diesel) and commercial diesel with record volumes achieved. The impact of declining regular unleaded petrol sales was largely offset by continued growth in premium fuels sales. The increased penetration of our premium products has been underpinned by ongoing growth initiatives, including Caltex service stations and diesel stops in new areas, and service station refurbishments.

In 2013, Caltex acquired the Queensland Fuel Group and associated entities. Operating in Central Queensland and the Sunshine Coast, the Caltex branded reseller business incorporates nine retail sites, eight unmanned sites and a marina site in Gladstone. Purchased for \$40 million, this acquisition was completed in October 2013 and has been integrated into Caltex's existing Retail and Reseller channels.

Following the 2013 year end, Caltex entered into an agreement to acquire the Scott's Fuel Divisions for a total outlay of approximately \$95 million, including working capital and related acquisition costs. This includes the businesses known as Scott's Agencies and Sabadin Petroleum. It is anticipated that this deal will be completed in the third quarter of 2014.

Both these acquisitions were funded via existing facilities and are a strategic fit for Caltex.

Refining impacted by externalities

For the full year, Refining and Supply incurred an EBIT loss of \$171 million, compared with an \$88 million profit in 2012. Disappointingly, the 2013 result has been materially impacted by externalities. These externalities included the fall in the Australian dollar during the year, which resulted in a net loss (after hedging) on US dollar payables of approximately \$78 million. The gross loss was mitigated by the company's policy of hedging 50% of the outstanding US dollar payables. In addition, crude price fluctuations resulted in an unfavourable timing lag of \$33 million.

The realised Caltex Refiner Margin (CRM) averaged US\$9.34 per barrel for the year, including a second half average of US\$7.15 per barrel. This compares unfavourably to the first half average of US\$11.76 per barrel and the 2012 average of US\$11.83 per barrel. Reflecting the finite life of the Kurnell refinery, the Refining and Supply loss also includes a higher depreciation charge and costs related to the closure of the Kurnell refinery.

Operationally, improved refinery reliability during the second half resulted in near record production of petrol, diesel and jet fuel for the full year, which is in line with the prior year.

Balance sheet remains strong

Caltex's balance sheet remains strong and we are committed to maintaining a BBB+/stable credit rating. Net debt at 31 December 2013 was \$742 million, compared with \$740 million at 31 December 2012.

Transformation on track

The focus at our Kurnell site is on successfully transitioning the refinery to become Australia's largest transport fuel import terminal. This is a complex project, particularly as it is being undertaken while the refinery is still operating. Significant planning has ensured that the refinery continues to operate safely and reliably while executing this conversion. In 2013, the Kurnell refinery achieved record safety outcomes, had no environmental licence exceedances, achieved above target mechanical availability and met its production plan. This

outcome is a testament to the entire refinery workforce – employees and contractors alike.

To date, the work is progressing to plan and the refinery remains on track to cease final operations in the fourth quarter of 2014.

In 2013, in order to strengthen the fuel product supply chain post the pending closure of the Kurnell refinery, Caltex established an Ampol-branded office in Singapore. As a wholly owned subsidiary of Caltex Australia, the role of Ampol Singapore (Ampol) is to source fuel product imports and related shipping to Australia. Ampol has entered into a long term arrangement with Chevron, on behalf of Caltex, to assist with the procurement and supply of transport fuels, including associated shipping services.

People

The Board and management believe that every person at Caltex deserves a good leader and as a result Leading@Caltex was launched in 2013. This is the next evolution in Caltex's culture to enable the company to continue to adapt and grow its people and its business.

Through the skill and dedication of our people and their living of our values, there have been many tangible and sustainable successes which contributed to the company's overall result. The year also had its challenges, which were responded to by the people of Caltex with commitment, tenacity and an unwavering focus on care and safety.

To this end, the Board and management would like to acknowledge the contribution and commitment of all Caltex employees, contractors, franchisees and resellers during 2013.

Future growth

Caltex will continue to leverage and expand its strong supply chain in order to target high growth products, geographies and channels. This is in addition to expanding both the breadth and quality of our retail and reseller network.

A short term focus is to ensure the successful transition of Kurnell from a refinery into an fuel import terminal. This transition will strengthen Caltex's already leading supply chain. Work will also continue to ensure further efficiency gains are captured at the Lytton refinery, which remains an integral part of the company's supply chain.

While we anticipate that the market will continue to become more competitive and more contestable, we firmly believe that Caltex is well placed for the future. We are committed to remaining the outright leader in transport fuels in Australia.



Elizabeth Bryan AM
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.

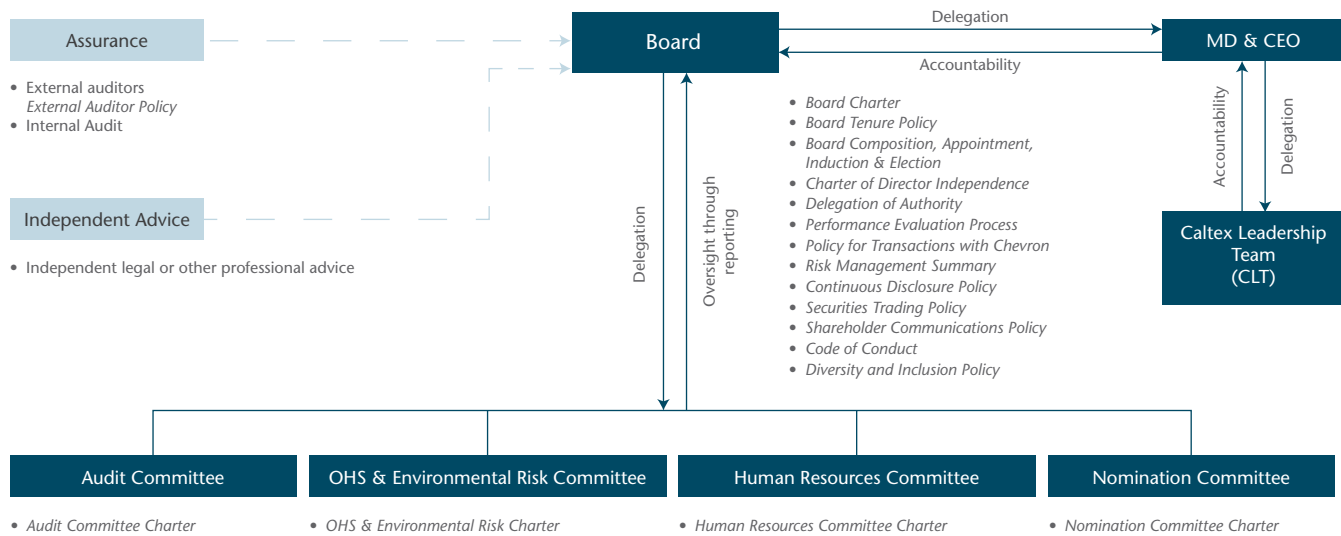
This Corporate Governance Statement provides information about our corporate governance practices for 2013, including compliance with the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations* for the year ended on 31 December 2013 and as at the date of this Annual Report.

The corporate governance framework is continually reviewed and updated in response to changes in Caltex's business, applicable regulations and standards and market practice.

The governance documents referred to in this statement are also available in the corporate governance section of our website at 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 Board oversees and directs 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 company's ordinary shares. Caltex operates independently of Chevron, and all decisions are made in Australia by the Caltex Board and management. Further details of the governance arrangements in relation to Caltex's relationship with Chevron are provided at section 6.6 of this statement.

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 of authority approved by the Board. The Managing Director & CEO has in turn approved sub-delegations of authority to the Caltex Leadership Team (CLT) who, along with the Managing Director & CEO, are accountable to the Board.

The *Board Charter and Delegations of Authority* balance giving 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 Board's key responsibilities 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 and the effectiveness of internal controls and risk management systems and policies
- establishing and promoting Caltex's culture, including high 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
- appointing, and reviewing the performance of, the Managing Director & CEO
- reviewing succession planning for the Board, the Managing Director & CEO and the CLT

Corporate Governance Statement (continued)

- approving remuneration of the Managing Director & CEO and the CLT, and
- reviewing Board performance and approving non-executive director fees.

1.2 Composition of the Board

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

DIRECTOR	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
Bruce Morgan	Independent non-executive director	29 June 2013
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. Ryan, Richard and Barbara each serve as alternate directors for each other.

Further details of the directors' skills, experience and expertise and special responsibilities are provided in their profiles at pages 15 to 17 of this Annual Report.

1.3 Independence

Independence on the Caltex Board

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. Elizabeth Bryan, Trevor Bourne, Greig Gailey and Bruce Morgan are independent non-executive directors.

Ryan Krogmeier, Barbara Burger and 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 independent 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 that directors who are Chevron executives leave the Board meeting during discussions or decisions that relate to Chevron and do not participate in these matters.

Julian Segal (Managing Director & CEO) is not independent because he is an executive director. Julian does not have any former or current association with Chevron.

The Board believes that the mix of independent directors, directors affiliated with Caltex's major shareholder and one executive director is appropriate for Caltex's business and circumstances and is in the best interests of shareholders as a whole.

Corporate Governance Statement (continued)

Assessing director 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

Process for appointment of new directors

When the Board decides to appoint a new non-executive director, the Nomination Committee prepares a set of selection criteria which reflect the Board's desired capabilities, Caltex's business and circumstances, 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 decision to appoint a new director is made by the Caltex Board. The *Board Composition, Appointment, Induction & Election* document provides further details on this process.

Corporate Governance Statement (continued)

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 by shareholders.

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 assessed with regard to 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* document
- 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 to 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 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 changes to Caltex's business and operations.

2. BOARD COMMITTEES

2.1 Overview of committees

The Board has established four standing committees to assist it in performing its role. These are the Audit Committee, the Human Resources Committee, the OHS & Environmental Risk Committee and the Nomination Committee.

The committees provide advice and recommendations to the Board in relation to their areas of expertise and make decisions on specific matters that have been delegated to them by the Board. The scope of the committees' advisory role and delegated authorities are set out in each of their charters.

The Audit Committee comprises three independent directors including an independent chairman, who is not the Board Chairman. The Human Resources, OHS & Environmental Risk and Nomination Committees all comprise a majority of independent directors. All of the Board's standing committees are made up only of non-executive directors.

The current members and role of each Committee are shown in the table on the following page.

Corporate Governance Statement (continued)

AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	OHS & ENVIRONMENTAL RISK COMMITTEE	NOMINATION COMMITTEE
Responsibilities			
<p>Assists the Board to:</p> <ul style="list-style-type: none"> review the integrity of financial reporting, including accounting policies and significant areas of judgement review dividend recommendations monitor the adequacy, integrity and effectiveness of financial risk management and internal controls review the findings, plans, independence and performance of the external auditors and Caltex's internal audit function and approve the scope of their work 	<p>Assists the Board to:</p> <ul style="list-style-type: none"> review the remuneration of non-executive directors review the incentive frameworks and remuneration levels for the Managing Director & CEO and the CLT review the remuneration frameworks for employees review the performance of the Managing Director & CEO and the CLT review the remuneration disclosures in the annual report to shareholders review termination payments review succession planning for the Managing Director & CEO and the CLT review the diversity and inclusion policy and gender diversity objectives and disclosures across Caltex 	<p>Assists the Board to:</p> <ul style="list-style-type: none"> monitor 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 review the appropriateness of Caltex's practices to manage material OHS and environmental risks monitor compliance with legal obligations in relation to OHS and environmental matters review investigations into significant OHS and/or environmental incidents review OHS and environmental policies and internal audit plans and findings in relation to OHS and environmental matters 	<p>Assists the Board to:</p> <ul style="list-style-type: none"> review the composition of the Board identify skills and desirable competencies for Board and Board committees review policies and processes for the selection and induction program for non-executive directors make recommendations on the election and re-election of non-executive directors review and oversee succession planning for non-executive directors oversee the process for evaluating the performance of the Board, its committees and individual directors
Members¹			
Bruce Morgan – Chairman Independent non-executive	Greig Gailey – Chairman Independent non-executive	Trevor Bourne – Chairman Independent non-executive	Elizabeth Bryan – Chairman Independent non-executive
Trevor Bourne Independent non-executive	Trevor Bourne Independent non-executive	Greig Gailey Independent non-executive	Trevor Bourne Independent non-executive
Greig Gailey Independent non-executive	Bruce Morgan Independent non-executive	Bruce Morgan Independent non-executive	Greig Gailey Independent non-executive
	Ryan Krogmeier ² Non-executive	Barbara Burger ² Non-executive	Bruce Morgan Independent non-executive
			Ryan Krogmeier ² Non-executive
			Richard Brown ² Non-executive
			Barbara Burger ² Non-executive

1. Elizabeth Bryan, as Chairman of the Board, is an ex-officio member of each of the Audit, Human Resources and OHS & Environmental Risk Committees.

2. Ryan, Richard and Barbara each serve as alternate directors for each other.

2.2 Directors' attendance at Board and committee meetings

The Board held 8 scheduled meetings during 2013. 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 57 of this Annual Report.

Corporate Governance Statement (continued)

3. PERFORMANCE EVALUATION AND REMUNERATION

3.1 Performance evaluation

Board

A formal Board evaluation process is carried out every two to three years. 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 on 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 discussed the report 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 and advice provided by the Human Resources Committee. The Chairman met with the Managing Director & CEO in February 2014 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 2014, the Board further discussed the Managing Director & CEO's performance and approved an annual performance assessment for 2013.

The Managing Director & CEO formally reviews the performance of his direct reports twice a year against agreed business objectives and their job descriptions. The 2013 full year performance reviews for the CLT were considered by the Human Resources Committee and the Board in February 2014.

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 set at competitive levels to attract and retain appropriately qualified and experienced executives. The Board and the Human Resources Committee consider performance, duties and responsibilities, market comparison and seek independent advice as part of the remuneration review process.

Remuneration for non-executive directors is fixed and is subject to a remuneration pool of \$2 million, which was approved by shareholders in 2010. 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. Superannuation is not paid for overseas directors. There is no retirement benefits scheme for non-executive directors.

Details of Caltex's remuneration arrangements for the Managing Director & CEO and the CLT are provided in the Remuneration Report at pages 30 to 56 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 key 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 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.

Management assesses risks on a regular basis, and reports on material risks 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 regular reports on material risks relevant to their responsibilities. The Board and the OHS & Environmental Risk Committee also receive quarterly risk updates throughout the year.

Caltex's policies for overseeing and managing material business risks are regularly reviewed and approved by the Board.

The *Risk Management Summary* is available on our website and outlines our practices to oversee and manage risks, including the risk management framework and the roles and responsibilities of the Board, its committees, senior executives and staff.

Corporate Governance Statement (continued)

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 our 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.

The head of internal audit has a direct reporting line to the Chairmen of the Audit and OHS & Environmental Risk Committees and meets with them regularly. The Audit and OHS & Environmental Risk Committees also meet privately with the head of internal audit as part of each scheduled meeting.

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 addresses 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 Audit 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 on our website and provides a summary of this process.

One of the Audit Committee's key responsibilities 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 for 2012 before KPMG was engaged for the 2013 full year audit and half year review.

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

5. CORPORATE SOCIAL RESPONSIBILITY

Caltex is focussed 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 2013, Caltex has 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*.

Corporate Governance Statement (continued)

6.2 Diversity and inclusion

Caltex embraces a strong belief in the advantages of an inclusive workplace in which individuals of varied backgrounds and perspectives are welcomed, encouraged and given the opportunity to contribute to their full potential.

During 2013, Caltex reviewed and updated its policy on diversity. The changes included expanding the policy to the *Diversity and Inclusion Policy* to reflect the evolution and broadening of Caltex's philosophy and approach. Caltex's *Diversity and Inclusion Policy* makes an explicit commitment that we believe diversity maximises opportunities 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 and Inclusion Policy* also sets out the overall aims of our diversity strategies and the responsibilities of the Board, its committees and Caltex staff.

With the assistance of the Human Resources Committee, the Board annually approves measurable gender and other objectives set in accordance with the Diversity and Inclusion Policy, assesses the progress against those objectives, and monitors the proportion of women and indigenous Australians at various levels across Caltex.

The Board approved a set of measurable objectives for 2013 to achieve gender diversity, which were disclosed in the Corporate Governance Statement included in Caltex's 2012 Annual Report. Also approved was a measurable objective in relation to Caltex's indigenous employment strategy. This supports Caltex's commitment as a signatory to the Australian Employment Covenant, a national industry-led initiative that aims to close the gap between indigenous and non-indigenous Australians in respect of employment.

In August and December 2013 and again in February 2014, the Board assessed Caltex's progress in achieving the 2013 diversity and inclusion objectives. The progress we have made in relation to each objective is set out in the following table:

OBJECTIVE	PROGRESS
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.	The 2013 voluntary turnover rate for graded female employees was 5.2% (2012: 4.5%) compared to 4.4% (2012: 6.95%) for 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.	Completed Each business unit developed action plans which were presented to the Diversity and Inclusion Council in March 2013. The business units have subsequently reported to the Council on the implementation of their plans.
3 During 2013, Caltex will introduce facilities for nursing mothers at its key workplaces.	Completed Caltex has introduced nursing room facilities at its Sydney head office and at the Lytton refinery, and in August 2013 opened the nursing room at the Kurnell refinery.
4 Before 31 December 2013, Caltex will develop and implement a new flexible leave policy.	Ongoing A review of company leave policies of similar companies was conducted to identify opportunities for greater flexibility. After analysis, a proposed purchased leave policy was developed, which was approved by the Diversity and Inclusion Council in November 2013. The policy will be implemented by the third quarter of 2014.
5 Caltex will establish new metrics for reporting on indigenous recruitment and voluntary turnover.	Completed The most relevant metrics for reporting on Caltex's indigenous employment strategy have been identified as: <ul style="list-style-type: none"> • indigenous headcount • number of indigenous new hires, and • indigenous voluntary turnover.

Corporate Governance Statement (continued)

The following objectives have been set by the Board for 2014:

2014 DIVERSITY AND INCLUSION OBJECTIVES

Gender diversity objectives

- 1 **Increase** the percentage of female senior leaders to 33% by 2017
- 2 **Increase** the percentage of external female new hires in Corporate and Marketing (respectively) at experienced professional level
- 3 **Increase** percentage of female headcount in Supply Chain
- 4 **Develop** a retention plan for key female Kurnell refinery talent
- 5 **Manage** female voluntary turnover ensuring it remains below 7%
- 6 **Maintain** minimal gender-based pay differentials
- 7 **Maintain** the percentage of females in the critical successor talent pool at the current level, ensuring no less than the percentage female headcount in the Grade 58 and above talent pool

Indigenous diversity objectives

- 8 **Increase** indigenous employee headcount (those formally hired and retained via indigenous employment programs)

Inclusion objectives

- 9 **Increase** score for the Engagement Survey question: *"The work environment is very open and accepting of individual difference"*
- 10 At least **maintain** the number of graded employees who answer 'yes' to *"Do you feel comfortable talking to your manager about flexible work"*

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

LEVEL	PERCENTAGE OF WOMEN IN		
	2013	2012	2011
Board	25	25	12.5
Senior executives (CLT)	0	0	0
Senior managers (salary grades 58 and above)	20	21	18
Middle managers (salary grades 56 & 57)	18	18	15
Caltex group	34	34	31

6.3 Trading in securities

Caltex's *Securities Trading Policy*, which is available on our website, sets out clear requirements for the Board, senior executives and staff to comply with insider trading laws when dealing in the securities of Caltex and other companies. The policy also contains trading restrictions which apply during black-out 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.

Corporate Governance Statement (continued)

6.5 Shareholder communications

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 monthly updates to the market on the Caltex Refiner Margin, which is 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 discussed at section 1.1, 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	✓

Corporate Governance Statement (continued)

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 <i>Corporations Act</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	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 ✓

2013 Financial Report for Caltex Australia Limited ACN 004 201 307

The 2013 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 2013.

CALTEX AUSTRALIA GROUP

For the purposes of this report, the Caltex Australia Group (the 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 2013 Directors' Report (including the Remuneration Report) and the 2013 Financial Report for Caltex Australia Limited and its controlled entities (the Group) for the year ended 31 December 2013 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 Bruce Morgan.

Mr Brown, Ms Burger and Mr Krogmeier each serve as alternate directors for each other.

The following changes to the composition of the Board have occurred since 1 January 2013:

Directors

- Mr John Thorn retired as a director from 9 May 2013.
- Mr Bruce Morgan was appointed as a director from 29 June 2013.

Alternate directors

- Ms Colleen Jones-Cervantes' appointment as alternate director for Mr Brown, Ms Burger and Mr Krogmeier ended on 25 July 2013.
- Mr Brown, Ms Burger and Mr Krogmeier were appointed as alternate directors for each other from 26 July 2013.

BOARD PROFILES

Ms Elizabeth Bryan AM

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 32 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), a member of the Federal Government's Takeovers Panel (from 8 March 2012) and a trustee of the Museum of Applied Arts and Sciences (from 1 January 2014). 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).

Directors' Report (continued)

Mr Trevor Bourne

Director (Non-executive/Independent)

Date of appointment: 2 March 2006

Board committees:

OHS & Environmental Risk Committee (Chairman), Audit Committee, Human Resources 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 until 15 February 2012).

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

Mr 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 is a director of Chevron Lubricants Lanka Plc (in Sri Lanka).

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 President of Chevron Technology Ventures (CTV), based in Houston, Texas (US). CTV champions innovation, commercialisation and integration of emerging technologies and related new business models within Chevron; its business units include advanced biofuels, emerging energy technology and venture capital. Barbara was appointed to this role from 1 June 2013 and, prior to that, was the Vice President – Lubricants Supply Chain and Base Oil for Chevron Lubricants.

Barbara is a director of the Houston Technology Center (US) (from 11 December 2013) and a member of the External Advisory Council of the National Renewable Energy Laboratory, US Department of Energy (from 13 November 2013).

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 management background from 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 Pasminco Limited as CEO. Pasminco was transformed and relisted as Zinifex Limited on the ASX in April 2004, and Greig became Managing Director & CEO of Zinifex Limited from that date until standing down in June 2007.

Greig is the Chairman of ConnectEast and of the Board of Trustees of the Energy and Minerals Institute at the University of Western Australia, Deputy Chairman of the Victorian Opera Company, and a member of the advisory board of CSL Australia. He was previously a director of the Australian Davos Connection Limited (from November 2007 to September 2012) and was the President of the Business Council of Australia (from 2007 to 2009).

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:

Human Resources Committee and Nomination 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, a role 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).

Directors' Report (continued)

Mr Bruce Morgan

Director (Non-executive/Independent)

Date of appointment: 29 June 2013

Board committees:

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

Bruce brings to the Board expertise in accounting, business advisory services, risk and general management.

He has served as a partner with professional services firm PricewaterhouseCoopers (PwC) for over 25 years. He was appointed Chairman of the PwC Board in 2005 and in 2009 was elected as a member of the PwC Global Board. Prior to that, he was managing partner of PwC's Sydney and Brisbane offices.

Bruce's practice as an audit partner focused on the energy and mining sectors. He retired as a partner of PwC in October 2012.

Bruce is the Chairman of Sydney Water (from 1 October 2013, appointed as a director from January 2012). He is also a director of Origin Energy Limited (appointed November 2012), the University of NSW Foundation, the European Australian Business Council and Redkite.

Bruce is a Fellow of the Institute of Chartered Accountants in Australia, and holds a Bachelor of Commerce (Accounting and Finance) from the University of NSW.

FORMER DIRECTORS

Mr John Thorn

Director (Non-executive/Independent)

John served as a director of Caltex Australia Limited from 2 June 2004 to 9 May 2013. He was also Chairman of the Audit Committee and a member of the Human Resources Committee and the Nomination Committee.

John has expertise in accounting and financial services, business advisory, risk and general management. He has over 37 years of professional experience with PwC, 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 PwC's Assurance and Business Advisory Service practice from 1998 to 2001. He was the National Managing Partner of PwC until 2003.

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

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

Ms Colleen Jones-Cervantes

Alternate Director

Colleen served as an alternate director for Mr Krogmeier (from 30 March 2012) and Mr Brown and Ms Burger (both from 28 June 2012) to 25 July 2013.

During her appointment, Colleen served as Chevron's Vice President – Product Supply & Trading and had 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. That division 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 (July 2006 to May 2008 and then from September 2010 onwards).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

The purpose of the operating and financial review (OFR) is to enhance the periodic financial reporting and provide shareholders with additional information regarding the Group's operations, financial position, business strategies and prospects. The review complements the financial report on pages 63 to 114.

The OFR may contain forward looking statements. These statements are based solely on the information available at the time of this report and there can be no certainty of outcome in relation to the matters to which the statements relate.

Company overview

Caltex, including predecessor companies, has operated in Australia for more than 100 years, focusing on providing ongoing, reliable, safe and efficient fuel supply to our customers.

Caltex is one of Australia's leading transport fuel suppliers and convenience retailers and is listed on the Australian Securities Exchange. Caltex has a major shareholder, Chevron, which holds 50% of the company's ordinary shares. Caltex operates independently of Chevron, and all decisions are made in Australia by the Caltex Board and management. The head office is based in Sydney, and Caltex has over 3,500 employees working across the country. Caltex operates its business as one integrated value chain and incorporates operational excellence principles throughout supply, refining, logistics and marketing.

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.

Caltex currently operates two oil refineries – Kurnell refinery in Sydney and Lytton refinery in Brisbane. These refineries produce petrol, diesel and jet fuel, along with small amounts of fuel oil and specialty products, liquid petroleum gas (LPG) and other gases. Caltex also buys refined products on the open market both overseas and locally, and along with the products that Caltex refines, Caltex markets these products across retail and commercial channels. These products are supplied to customers via a network of pipelines, terminals, depots and company-owned and contracted transport fleets.

Decision made to close Kurnell

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

The major components of the supply chain restructuring include:

- The continued investment in the development of Caltex's supply chain and Marketing operations to position Caltex as the outright leader in transport fuels across Australia,
- The proposed closure in the second half of 2014 of the Kurnell refinery in Sydney, New South Wales and its conversion to a major import terminal to enable the continued reliable supply of transport fuels to Caltex customers,
- Continued operation of the company's Lytton refinery in Brisbane, Queensland with a focus on necessary operational and financial performance improvements, and
- Caltex establishing an office in Singapore in 2013 to strengthen the fuel product supply chain following the closure of Kurnell refinery. The primary role of Ampol Singapore, a wholly owned subsidiary of Caltex Australia, is to source petroleum product imports and related shipping to Australia. Ampol has entered into a long term arrangement with Chevron to assist with the procurement and supply of transport fuels (petrol, diesel and jet) including associated shipping services.

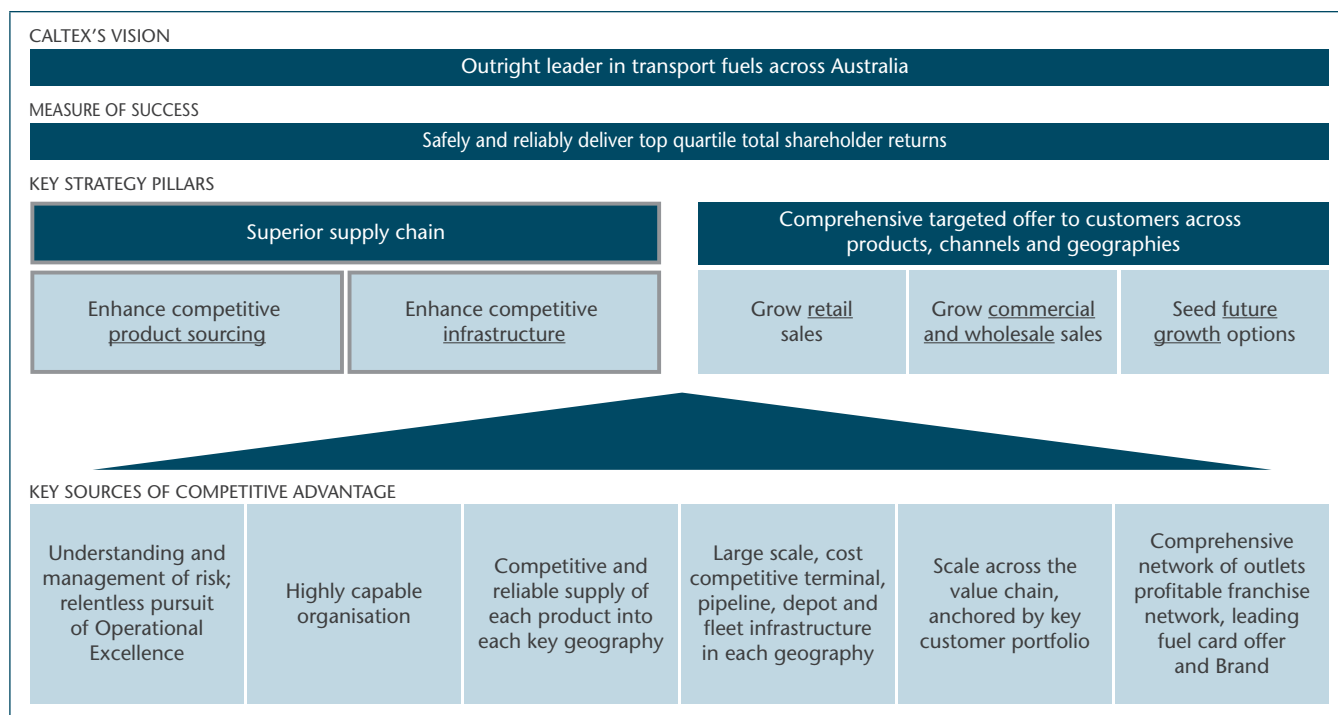
Directors' Report (continued)

Group strategy

Caltex's vision is to continue to be the outright leader in transport fuels in Australia.

To achieve this objective, Caltex's strategy consists of two key pillars:

1. Superior supply chain.
2. Comprehensive targeted offer to customers.



Caltex's strategy is based upon:

- having a competitive offer for customers,
- large-scale, cost competitive supply and distribution infrastructure in most key regions and a comprehensive network of outlets,
- leading positions (number 1 and 2) across most transport fuel products, channels and geographies, and
- strong skills in product procurement, storage and distribution, commercial sales, customer service, convenience retailing and franchise management.

With a strong track record of performance:

- improving operational reliability and safety performance,
- 10% p.a. RCOP¹ EBIT growth delivered on the marketing business over the last five years,
- consistent above-cost of capital returns for the marketing business, and
- a diversified portfolio of future growth opportunities.

Caltex's strategy reflects historical and current demand in Australia for diesel, jet fuel and petrol and is focused on ensuring that Caltex is well positioned to benefit from those markets that are growing.

Underpinning Caltex's offer to customers is a national distribution network of terminals, pipelines and depots.

Caltex remains committed to maintaining its cost and capital discipline, thereby maintaining its BBB+ credit rating.

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

1. Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory gains/(losses), as management believes this presents a clearer picture of the company's underlying business performance, as it is consistent with the basis of reporting commonly used within the global refineries industry. This is unaudited. RCOP excludes the impact of the fall or rise in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.

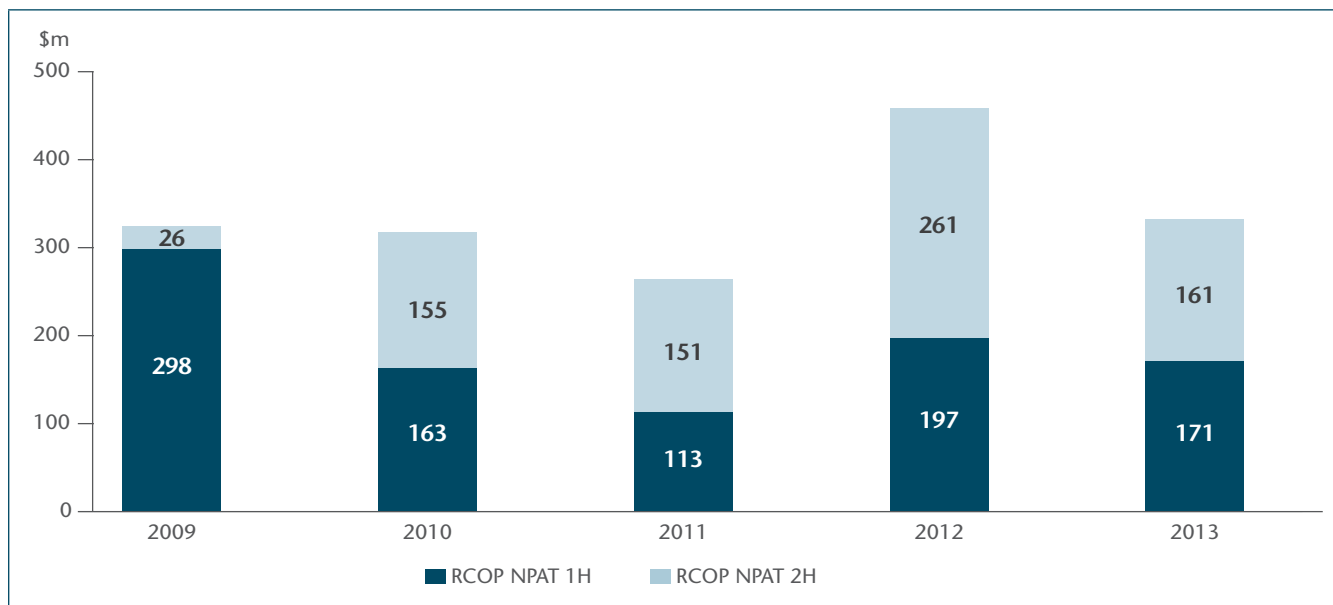
Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Caltex Group Results 31 December 2013

On a historic cost basis (including inventory gains), Caltex recorded an after tax profit of \$530 million for the 2013 full year. This includes significant gains of approximately \$26 million (after tax), dominated by profit on the previously announced sale of the Sydney bitumen business. This compares to the 2012 full year profit of \$57 million, which included significant items of \$309 million (after tax) in respect of future costs relating to the closure of the Kurnell refinery. The 2013 result includes a product and crude oil inventory gain of \$172 million after tax, compared with an inventory loss of \$92 million after tax in 2012.

Caltex RCOP NPAT



On an RCOP basis, Caltex recorded an after tax profit for the 2013 full year of \$332 million, excluding significant items. This compares with \$458 million for the 2012 full year, excluding significant items. Whilst Marketing has delivered another record result, Refining & Supply losses have been driven by the negative impact of key externalities, including the significant deterioration in the Caltex Refiner Margin (CRM) during the second half and a continuing fall in the Australian dollar. This has led to the lower full year result.

Improved refinery reliability during the second half has resulted in near record production of petrol, diesel and jet fuel which broadly offsets the cost of incidents recorded in the first half.

A reconciliation of the underlying result to statutory result is set out in the following table:

RECONCILIATION OF THE UNDERLYING RESULT TO STATUTORY RESULT	2013 \$M (AFTER TAX)	2012 \$M (AFTER TAX)
Net profit attributable to equity holders of the parent entity	530	57
Deduct/add: Significant items (gain)/loss	(26)	309
Deduct/add: (Inventory gain)/inventory loss	(172)	92
RCOP NPAT (excluding significant items)	332	458

DIVIDEND

The Board has decided to declare a final dividend of 17 cents per share (fully franked) for the second half of 2013. Combined with the interim dividend of 17 cents per share for the first half, paid in October 2013, this equates to a total dividend of 34 cents per share for 2013, fully franked. This compares with a total dividend payout of 40 cents per share (fully franked) for 2012, and reflects the reduction in the target payout ratio (to 20% to 40%) during the Kurnell closure period.

Directors' Report (continued)

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013	2013 \$m	2012 \$m
1. Total revenue ¹	24,682	23,565
2. Total expenses ²	(24,131)	(22,809)
Replacement cost earnings before interest and tax	551	756
Finance income	9	2
Finance expenses	(98)	(99)
3. Net finance costs	(89)	(97)
Income tax expense ³	(130)	(201)
Replacement cost of sales operating profit (RCOP)	332	458
4. Significant items gain/(loss) after tax	26	(309)
5. Inventory gain/(loss) after tax	172	(92)
Historical cost net profit after tax	530	57
Interim dividend per share	17c	17c
Final dividend per share	17c	23c
Basic earnings per share		
• Replacement cost (excluding significant items)	123c	170c
• Historical cost (including significant items)	196c	21c

1. Includes other income of \$45 million (2012: \$23 million) and excludes significant item gain of \$39 million (2012: \$nil).

2. Excludes significant item loss of \$11 million (2012: \$441 million).

3. Excludes tax expense on inventory gain of \$74 million (2012: \$40 million tax benefit) and excludes tax expense on significant items of \$2 million (2012: \$132 million tax benefit).

DISCUSSION AND ANALYSIS – INCOME STATEMENT

1. TOTAL REVENUE

▲ 5%

Total revenue increased primarily due to:

- higher fuel sales volumes than in the prior year (2013: 21.2 billion litres vs. 2012: 20.8 billion litres), and
- the decline in the Australian dollar in 2013 which results in higher Australian dollar sales revenue.

**2. TOTAL EXPENSES
– REPLACEMENT
COST BASIS**

▲ 6%

Total expenses increased as a result of:

- higher replacement cost of goods sold resulting from higher volume and higher prices paid,
- higher foreign exchange loss due to fall in the Australian dollar, and
- higher operating expenses.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

RCOP EBIT BREAKDOWN ¹	
CALTEX REFINER MARGIN (CRM) \$640m	<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 lower in 2013 at US\$9.34/bbl, compared with US\$11.83/bbl for 2012. In AUD terms, the CRM was 6.33 Australian cents per litre in 2013, compared with 7.22 Australian cents per litre in 2012.</p> <p>Total refinery production in 2013 of all products was 11.4 billion litres compared with 11.6 billion litres in 2012.</p>
TRANSPORT FUELS MARKETING MARGIN \$714m	<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, diesel sales and jet sales. Premium fuel sales were 3.4 billion litres in 2013, compared with 3.0 billion litres in 2012. Caltex's overall transport fuel sales volumes grew 2% compared to the prior year. 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 4%, underpinned by a strong and growing customer base. Diesel fuel volumes increased approximately 6%, driven by premium fuels growth. Overall petrol volumes decreased approximately 3%, in line with the market. However, premium petrol sales volumes continue to grow, with Vortex Premium Unleaded sales volumes increasing 3%.</p>
LUBRICANTS AND SPECIALTIES MARGIN \$136m	<p>Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, bitumen, wax and marine fuels.</p> <p>The finished lubricants and specialties business continued to grow in 2013, with margins earned increasing 7% compared to 2012.</p>
NON-FUEL INCOME \$175m	<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 been impacted by an increase in rental expenses as acquisitions and expansion have added more leased sites into the network, so that year on year net non-fuel income has fallen by 5%.</p>
OPERATING EXPENSES (\$1,053m)	<p>Operating expenses in this caption include Refining and Supply, Marketing and Corporate operating expenditure.</p> <p>The major drivers of the operating expenses increase of \$51 million are:</p> <ul style="list-style-type: none"> • Higher depreciation expense, • Higher salary and wages, • Higher operating expense due to higher underlying support costs as the network and infrastructure continues to expand, and • Higher product shipping costs.
OTHER (\$61m)	<p>Other includes a number of miscellaneous items that typically include: foreign exchange impacts, gain/loss on disposal of assets and subsidiary earnings. The most significant impact was the net foreign exchange loss of approximately \$78 million (after hedging). This was offset by the sale of carbon permits and pipelines and charter revenue.</p>
RCOP EBIT EXCLUDING SIGNIFICANT ITEMS \$551m	

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.

Directors' Report (continued)

DISCUSSION AND ANALYSIS – INCOME STATEMENT (continued)

3. NET FINANCE COSTS

▼ 8%

Net finance costs decreased by \$8 million compared with 2012. Decreased net financing costs reflect:

- higher finance income as a result of higher cash deposits held in the period; excess cash has resulted from the higher fixed borrowing position post the Subordinated Notes Issue compared to periodic working capital requirements,
- lower unwinding of discount due to changes in predicted spending pattern and an increase in the government bond rate, and
- higher capitalised finance costs relating to the Kurnell terminal conversion capital project.

This is partly offset by higher interest expenses despite a lower average net debt due to the higher cost of funding arising from the Subordinated Notes Issue.

4. SIGNIFICANT ITEMS AFTER TAX

▲ \$335m

During 2013, the Group incurred significant item gains of \$26 million after tax due to profit of \$34 million on the sale of the bitumen business, net of costs relating to acquisitions and disposals. This was offset by an \$8 million expense due to adjustments to provisions relating to the closure of Kurnell refinery.

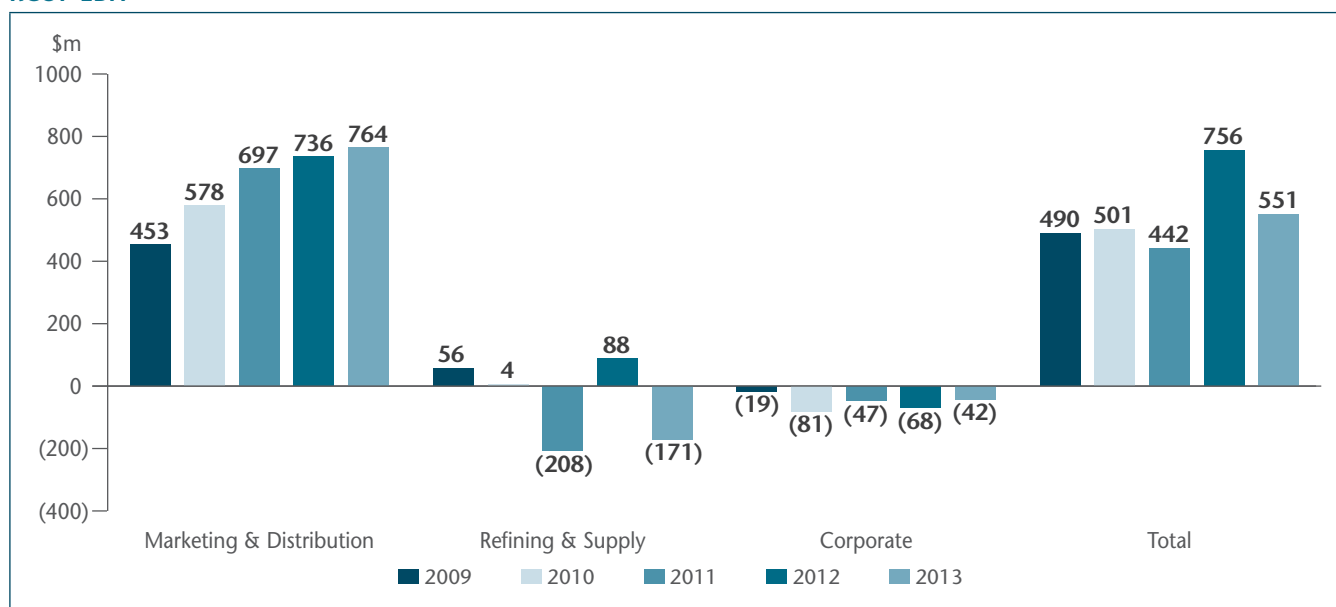
During 2012, the Group incurred significant items of \$309 million after tax due to \$301 million for employee benefits and remediation provisions arising from the announcement on 26 July 2012 of the planned 2014 closure of Kurnell refinery in New South Wales, and the proposed conversion to an import terminal, and \$8 million due to cancelled capital projects directly related to the decision to cease refinery operations at Kurnell.

5. INVENTORY GAINS AFTER TAX

▲ \$264m

Inventory gains in 2013 were driven by the significant decline in the Australian dollar exchange rate throughout the year. Crude inventory holdings are denominated in US dollars and as the AUD exchange rate weakens compared to the US dollar, the result is that Caltex's inventory values increase from an Australian dollar perspective. While crude prices were relatively stable in 2013, the Australian dollar decreased in December 2013 to an average of 89.8 US cents down from 104.6 US cents at December 2012.

By comparison, the 2012 inventory loss resulted from a rise in the Australian dollar through 2012.

BUSINESS UNIT PERFORMANCE**RCOP EBIT***

* RCOP EBIT excluding significant items.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Marketing & Distribution

Marketing earnings before interest and tax (EBIT) of \$764 million were 4% higher than in 2012 (which was also a record year). This includes the adverse \$10 million impact of the Sydney premium gasoline supply interruption and the sudden and significant fall in the Australian dollar during May and June.

Marketing continues to focus on its core strategy of driving sales of premium fuels (including Vortex diesel) and commercial diesel, with record volumes achieved. Continued growth in premium fuels sales largely offset the impact of declining unleaded petrol sales. The increased penetration of our premium products has been underpinned by on-going growth initiatives, including new Caltex service stations and diesel stops, and service station refurbishments. Marketing's commercial business remained resilient in a highly competitive and challenging market with mining showing minor overall growth and the industrial, transport and SME sectors performing consistently with prior year.

Refining & Supply

Refining & Supply incurred an EBIT loss of \$171 million for the full year (2012: \$88 million profit). The 2013 result has been materially impacted by externalities. The fall in the Australian dollar during the year resulted in a net loss on US dollar payables of approximately \$78 million. This realised loss has been mitigated by the company's policy of hedging 50% of the outstanding US dollar payables. Additionally, Australian dollar crude price fluctuations resulted in an unfavourable timing lag of \$33 million.

The realised CRM averaged US\$9.34/bbl (including a second half average of US\$7.15/bbl). This compares unfavourably to the first half (1H 2013 average: US\$11.76/bbl) and the prior year (2012: US\$11.83/bbl). The Refining & Supply loss also includes a higher depreciation charge (reflecting the now finite life of the Kurnell refinery) and costs related to the closure of Kurnell refinery.

Operationally, improved refinery reliability during the second half resulted in near record production of petrol, diesel and jet fuel for the full year, in line with prior year. The Kurnell conversion to a terminal is progressing to plan, and the refinery remains on track to cease final operations in the fourth quarter of 2014.

Safety

2013 was Caltex's safest year to date. This is a testament to Caltex's systems and processes, but most importantly its people. The value of CARE, which is one of Caltex's six core values, was evident throughout the year, with safety and integrity held as core personal commitments.

Overall, the total treated injury frequency rate (TTIFR) reduced from 2.83 per million hours worked in 2012 to a record 1.36 per million hours worked in 2013. This is a reduction of over 50%, which is a significant achievement. The lost time injury frequency rate (LTIFR) was broadly in line with 2012 at 0.63 per million hours worked. Based on the *Safety Spotlight: ASX 100 Companies & More FY05 to Sept FY13* report compiled by investment bank Citi, these results show Caltex in the top tier of ASX 100 companies.

Directors' Report (continued)

BALANCE SHEET

AS AT 31 DECEMBER 2013		2013 \$M	2012 \$M	CHANGE
1.	Working capital	1,051	1,108	(57)
2.	Property, plant and equipment (PP&E)	2,126	1,770	356
3.	Intangibles	144	108	36
4.	Net debt	(742)	(740)	(2)
5.	Other non-current assets and liabilities	18	(86)	104
Total equity		2,597	2,160	437

DISCUSSION AND ANALYSIS – BALANCE SHEET

1. WORKING CAPITAL

▼ \$57m

The decrease in working capital is primarily due to:

- higher payables due to higher lifted import volumes late in 2013,
- lower receivables due to a reduction in debtors' days outstanding,
- higher current tax payable amounts resulting from the higher historic cost operating profit, and
- increase in current provisions arising from the Kurnell redundancy provision becoming payable within 12 months as of the end of 2013.

This has been partly offset by price variances on inventories and receivables due to a combination of higher Brent prices and lower exchange rates.

2. PROPERTY, PLANT AND EQUIPMENT

▲ \$356m

The increase in property, plant and equipment is due to capital expenditure and accruals, including major cyclical maintenance, of \$528 million. This is partly offset by depreciation of \$154 million and disposals of \$18 million.

3. INTANGIBLES

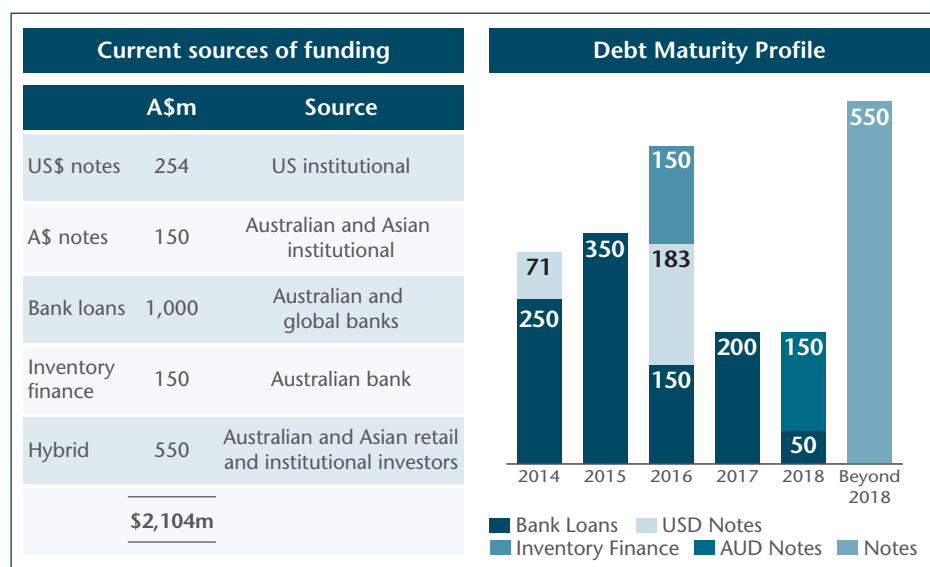
▲ \$36m

The increase in intangibles is largely due to the acquisition of Queensland Fuel Group resulting in goodwill of \$29 million and intangible assets of \$9 million relating to customer relationships and trade restraint (totalling \$38 million).

4. NET DEBT

▲ \$2m

Net debt increased by \$2 million to \$742 million at 31 December 2013. Caltex's gearing at 31 December 2013 (net debt to net debt plus equity) was 22.2%, decreasing from 25.5% at 31 December 2012. On a lease-adjusted basis, gearing at 31 December 2013 was 31.0% compared with 35.6% at 31 December 2012.



5. OTHER NON-CURRENT ASSETS AND LIABILITIES

▲ \$104m

Other non-current assets and liabilities have increased due to the re-classification of the liability for the next 12 month spend in relation to the Kurnell conversion provisions, resulting in these provisions moving to current liabilities.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013		2013 \$M	2012 \$M	CHANGE
1.	Net operating cash inflows	608	399	209
2.	Net investing cash outflows	(507)	(395)	(112)
3.	Net financing cash (outflows)/inflows	(111)	204	(315)
	Net (decrease)/increase in cash held	(10)	208	(218)

DISCUSSION AND ANALYSIS – CASH FLOWS

1. NET OPERATING CASH INFLOWS

▲ \$209m

The increase in net cash inflows from operating activities is primarily due to higher fuel sales volumes in the period.

2. NET INVESTING CASH OUTFLOWS

▲ \$112m

The increase in cash outflows is due to higher payments of property, plant and equipment and business combinations, offset by higher proceeds from sale of assets.

3. NET FINANCING CASH (OUTFLOWS)/INFLOWS

▼ \$315m

The net financing outflow in 2013 arose from the dividend payment. Net proceeds/repayment of borrowing was nil, as there were no drawdowns or repayment of fixed borrowings in the period.

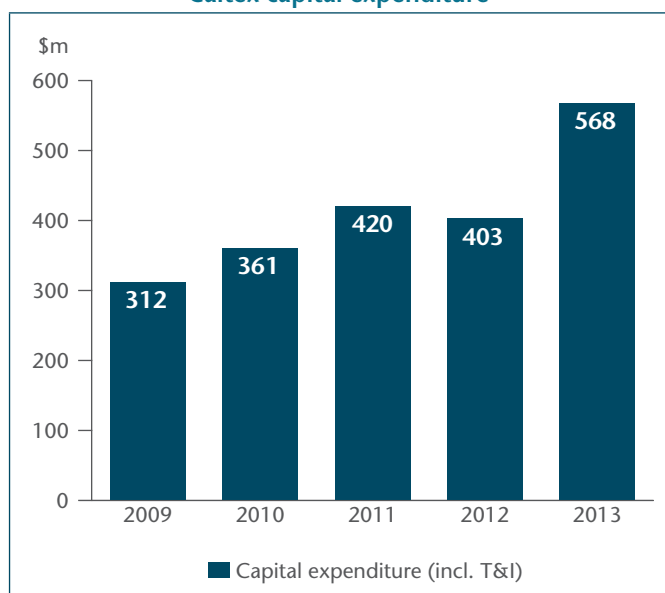
The 2012 net financing inflow was due to the Subordinated Notes Issue offset by repayment of bank loans and US Notes.

CAPITAL EXPENDITURE

Capital expenditure in 2013 totalled \$568 million. Excluding major turnaround and inspection (T&I) spend of \$36 million, total capital expenditure was \$532 million. Capital expenditure in 2014 is expected to range between \$580 million and \$670 million.

This includes \$100 million to \$120 million spent as part of the Kurnell transition, increased investment in Marketing & Distribution and some major planned refinery T&I maintenance scheduled at Lytton around mid-year.

Caltex capital expenditure



Directors' Report (continued)

BUSINESS OUTLOOK AND LIKELY DEVELOPMENTS

This section includes information on Caltex's prospects for future financial years. As Caltex's financial prospects are dependent to a significant extent on external factors, such as the exchange rate and refiner margins, it is difficult to provide an outlook on Caltex's financial prospects. Therefore, this section includes a general discussion of the key business drivers. To the extent that there are statements which contain forward-looking elements, they are based on Caltex's current expectations, estimates and projections. Such statements are not statements of fact, and there can be no certainty of outcome in relation to the matters to which the statements relate. Accordingly, Caltex does not make any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement.

Overview

Caltex's focus for the short term is to grow its marketing business and ensure the successful transition of Kurnell from a refinery into Australia's largest import terminal. This transition will strengthen leading supply chain. Work will also continue to ensure that further efficiency gains are captured at the Lytton refinery.

Whilst Caltex anticipates that the market will continue to become more competitive, the company believes that Caltex is well placed for the future. Caltex is committed to remaining the outright leader in transport fuels in Australia.

Marketing

The competitive landscape within its industry is undergoing profound change. As a result, the market is becoming more competitive than ever.

Caltex remains committed to its growth strategy of targeting high growth products, geographies and channels, including leveraging its strong supply chain and expanding both the breadth and quality of its site network.

Distribution

One of the key strengths of Caltex's business remains its distribution infrastructure, such as port terminals, inland terminals, airport terminals and pipelines, which enable Caltex to supply product to customers safely and reliably. It is this sustained investment in infrastructure that has enabled Caltex to attain the outright leadership in transport fuels across Australia.

Caltex has a strong reputation for partnering with customers and delivering safe and reliable supply to customers throughout Australia, where they need it, when they need it.

Caltex remains committed to ongoing investment to broaden and enhance its supply chain. This will ensure that Caltex has the right infrastructure to meet the growing needs of its customers in order to continue to provide them with long term secure, safe and reliable supply.

Refining and Supply

Caltex's focus at Kurnell is on successfully transitioning the refinery to become Australia's largest and most modern transport fuels import terminal underpinning its NSW supply chain. This work is progressing to plan, and the refinery remains on track to cease final operations in the fourth quarter of 2014.

Lytton refinery will remain as Caltex's sole refinery from the fourth quarter of 2014 and an important part of the company's supply chain. Caltex will continue to pursue identified gross margin and cost efficiency initiatives at Lytton, including reducing operating costs, while improving yield, energy efficiency and reliability.

The closure of Kurnell refinery will see the amount of crude oil imported for Caltex refining reduce, while imports of refined fuel products will increase. To strengthen the fuel product supply chain following the closure of Kurnell refinery, Caltex established an office in Singapore in 2013. The primary role of Ampol Singapore, a wholly owned subsidiary of Caltex Australia, is to source petroleum product imports and related shipping to Australia. Ampol has entered into a long term arrangement with Chevron to assist with the procurement and supply of transport fuels (petrol, diesel and jet) including associated shipping services.

While the competitive landscape within our industry is undergoing profound change, Caltex remains committed to adapting and improving its supply chain to ensure that Caltex remains the outright leader in providing transport fuels to Australia.

BUSINESS RISKS AND MANAGEMENT

The key business risks that could have an impact on Caltex achieving its financial prospects and business strategy are discussed below. In addition to the risk management procedures discussed below, Caltex has adopted a risk management framework to proactively and systematically identify, assess and address events that could potentially impact its 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.

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.

Caltex Refiner Margin

The Caltex Refiner Margin (CRM) is a key metric which drives the profitability of Caltex's refineries. The 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. A low CRM will adversely impact Caltex's refining earnings and cash flows.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

CRM is impacted by a range of factors:

- a decline in global and regional economic activity, leading to a surplus in refining capacity,
- increased regional refinery capacity ahead of demand growth,
- a decrease in product freight rates relative to crude freight rates,
- an increase in the premium paid for light/sweet (e.g. Brent) crudes used by Caltex compared with the heavy/sour crudes used by major refineries in the region (the light/heavy spread), and
- the AUD strengthening versus the USD (as the CRM components are USD based, strengthening of the AUD relative to the USD reduces the AUD revenue earned by Caltex).

Closure of the Kurnell refinery is expected to reduce Caltex's exposure to movements in the CRM.

The Kurnell closure

On 26 July 2012, Caltex announced the closure of the Kurnell refinery and conversion to an import terminal. This is a complex and costly project, and is expected to be completed by the end of 2014. Whilst this project is currently on schedule and on budget, there remain a number of major risks associated with the project, including the possibility of delays and cost overruns, unplanned shutdowns, regulatory approvals and changes in the quantum and timing of closure and conversion cash flows.

The combination of these operational and financial risks could have a negative impact on Caltex's financial metrics and credit profile.

Caltex's reliance on imported transport fuels will also increase following the Kurnell refinery closure.

Commodity price risk

Caltex is exposed to the risk of both crude and finished product price movements, as this impacts Caltex's refining earnings and cash flows. Caltex seeks, through policy, to neutralise adverse basis and timing risk brought about by purchase and sales transactions that are materially outside the normal operating conditions of Caltex. Caltex does not attempt to hedge refiner margins as a matter of policy. Caltex utilises both crude and finished product swap contracts from time to time, on specific cargoes, to manage the risk of price movements (basis and timing).

Foreign exchange

Caltex is exposed to the effect of changes in exchange rates on crude and product payables, refiner margin, capital expenditure and foreign borrowings. As Caltex purchases crude and products in US dollars, a decrease in the AUD:USD exchange rate between the time Caltex assumes liability for the crude and the time it subsequently pays for that crude will negatively impact Caltex's payables, earnings and cash flows.

Additionally, the CRM is determined principally with reference to the US dollar Singapore spot product price relative to the US dollar Brent crude price. An increase in the AUD:USD exchange rate will adversely impact Caltex's Australian dollar refiner margin and therefore refining earnings.

In June 2010, Caltex implemented a foreign exchange hedging policy of 50% of Caltex's US dollar denominated crude and product payables exposure (after applying natural hedges). The instruments used to manage foreign exchange risk expose Caltex to fair value foreign exchange rate risk and counterparty risks. Exposure limits are set on each counterparty to ensure that Caltex is not exposed to excess risks.

Liquidity risk

Due to the nature of the underlying business, Caltex must maintain sufficient cash and adequate committed credit facilities to meet the forecast requirements of the business. From time to time, Caltex will be required to refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided to Caltex in the future. Caltex seeks to prudently manage liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, with an extended facility maturity profile.

Operational risk

The nature of many of Caltex's operations is inherently risky. Major hazards may cause injury or damage to people and/or property. Major incidents may cause a suspension of certain operations and/or financial loss.

Caltex's operations are heavily reliant on information technology. While these systems are subject to regular review and maintenance, and business continuity plans are in place, if these systems are disrupted due to external threat or system error, this may have an adverse effect on Caltex's operations and profitability.

Competitive risk

Caltex operates in a highly competitive market space, and could be adversely impacted by new entrants to the market or increased competition from existing competitors, changes in contractual terms and conditions with existing customers, and/or the loss of a major customer.

Environmental risks

Caltex imports, refines, stores, transports and sells petroleum products. Therefore, it is exposed to the risk of environmental spills and incidents. It is also responsible for contaminated sites which it operates or has previously operated.

Demand for Caltex's products

Caltex's operating and financial performance is influenced by a variety of general economic and business conditions, including economic growth and development, the level of inflation and government fiscal, monetary and regulatory policies. In a global economic downturn, demand for Caltex's products and services may be reduced, which may negatively impact Caltex's financial performance.

Labour shortages and industrial disputes

There is a risk Caltex may not be able to acquire or retain the necessary labour for operations and development projects. This may disrupt operations or lead to financial loss.

The risk of industrial dispute is heightened following the announced conversion of Kurnell refinery to an import terminal.

Directors' Report (continued)

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Primary credit exposure relates to trade receivables.

Regulatory risk

Caltex operates in an extensively regulated industry and operates its facilities under various permits, licences, approvals and authorities from regulatory bodies. If those permits, licences, approvals and authorities are revoked or if Caltex breaches its permitted operating conditions, it may lose its right to operate those facilities, whether temporarily or permanently. This would adversely impact Caltex's operations and profitability.

Changes in laws and government policy in Australia or elsewhere, including regulations, licence conditions and fuel quality standards, could materially impact Caltex's operations, assets, contracts, profitability and prospects.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

On 24 February 2014, the Group announced its intention to acquire the assets of the Scott's Fuel Divisions for a total outlay of approximately \$95 million. Caltex is targeting a completion date of mid-2014.

Subsequent to year end, Mr Gary Smith (General Manager – Refining and Supply) resigned from Caltex on 6 February 2014.

There were no other 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 subsequent to 31 December 2013.

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.

Caltex has completed its first year of compliance reporting under the Clean Energy Future legislation's CPM, accounting for the direct greenhouse gas emissions from our refineries in Kurnell and Lytton, as liable facilities under the scheme. As an emissions-intensive trade-exposed industry, petroleum refining receives the highest rate of assistance under the Federal Government's Jobs and Competitiveness Program, representing 94.5% of industry average emissions for the first year and reducing thereafter. Caltex received 2,180,766 freely granted carbon permits for the 2012/2013 financial year.

Caltex continues to manage carbon compliance and reporting obligations across our business and is also engaged with the Federal Government on the CPM repeal and Direct Action policy. Caltex supports greenhouse gas reduction policies which maintain the international competitiveness of Australian industries such as oil refining.

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 addresses 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 and General 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 2013, Caltex made its fifth 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 first public report under the second round of the Federal Energy Efficiency Opportunities program, communicating energy savings achieved and also continued to disclose information on emissions under the National Pollutant Inventory. Caltex is a signatory to the Australian Packaging Covenant and is implementing a five year action plan in accordance with its requirements.

Compliance with environmental regulations

A total of 17 environmental protection licences were held by companies in the Caltex Australia Group in 2013 in respect of 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. All significant spills and environmental incidents were recorded and reported as required to government authorities.

In 2013, Caltex received one penalty infringement notice of \$1,500 from the NSW Environment Protection Agency relating to discharge of oily water from the Kurnell refinery during heavy rainfall on 3 April 2013.

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 to ensuring that all breaches have been investigated thoroughly, and corrective actions are taken to prevent recurrence.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 60 and forms part of the Directors' Report for the financial year ended 31 December 2013.

Directors' Report (continued)

REMUNERATION REPORT

The directors of Caltex Australia Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act* for the Caltex Australia Group for the year ended 31 December 2013.

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, and throughout the Remuneration Report the Human Resources Committee is referred to as the Committee.

1. Remuneration summary

Key remuneration outcomes in 2013 (unaudited)

Remuneration outcomes for 2013 were characterised by:

- Restraint in fixed pay levels for both executives and the Board,
- No payment of short term incentives (STI), and
- Significant rewards to executives from the 2010 long term incentive scheme.

At the commencement of 2013, the Board elected to keep their base pay and that of the executive team at 2012 levels. The only exception to this was an alignment adjustment for one Senior Executive. The leadership of the company recognised the significant disruption that the planned transformation of the Kurnell refinery to an import terminal would mean for many of the company's employees and thought maintaining base pay at 2012 levels to be an appropriate decision.

The short term incentive scheme is designed so it has a profitability target that acts as a payment gate. Although the management team has successfully achieved its non-financial targets it did not achieve the required profitability targets. It is the profitability target that links the short term results with shareholders' interests. As it was not achieved, there were no payments made from the short term incentive scheme for 2013.

On the other hand, the quantum of the 2010 long term incentive scheme grants that vested in 2013 reflects the share price performance in that period. Pleasingly, in the three year period to 31 December 2012, total shareholder returns were delivered at 98% and the management team was commensurately rewarded.

1a. Executive Director and Senior Executives¹

Julian Segal	Managing Director & CEO
Simon Hepworth	Chief Financial Officer
Peter Lim	Company Secretary and General Counsel
Mike McMenamin	General Manager – Strategy, Planning and Development
Bruce Rosengarten	General Manager – Marketing. Appointed effective from 1 November 2013
Gary Smith	General Manager – Refining and Supply. Resigned 6 February 2014
Simon Willshire	General Manager – Human Resources

Former

Andy Walz	General Manager – Marketing. Secondment with Caltex concluded 31 May 2013
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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)

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 2013 fixed remuneration review for Senior Executives (effective 1 April 2013) Caltex did not increase the fixed remuneration of any Senior Executive, aside from the Company Secretary and General Counsel, where a 10% increase in salary was awarded to closer align his salary to the market median.</p>	3b
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.</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 stretch 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> <p>As RCOP NPAT performance in 2013 was below threshold at 76% of target (i.e. below 80% of business plan target), average 2013 STI outcomes for Senior Executives, including the Managing Director & CEO, were 0% of base salary (71% in 2012). This outcome demonstrates the strong alignment between executive rewards and shareholders' interests, and how no STI is payable unless underlying profitability is delivered above a threshold level of performance.</p> <p>This is compared to 2012 when RCOP NPAT performance was above the target level (137%). A mandatory deferral of short term incentives currently applies to the Managing Director & CEO and members of the Caltex Leadership Team.</p> <p>Under the 2013 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. As no STI was awarded in 2013, no STI deferral will apply for this performance year.</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>For awards made in 2011 and 2012, 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). For the 2013 awards, in light of the decision to restructure Caltex's supply chain and convert the Kurnell refinery into an import terminal, the ASX 100 Accumulation Index relative TSR hurdle was retained with a 60% weighting and balanced with a Free Cash Flow (FCF) and strategic measure each with a 20% weighting.</p> <p>For the relative TSR hurdles, the level of performance required for 100% vesting is the 90th percentile (compared to typical market practice being the 75th percentile) and the level of performance for 50% vesting is the 62.5th percentile (compared to typical market practice being the 50th percentile). At the 50th percentile level of performance only 33.33% of rights would vest. The vesting schedules for the FCF and strategic hurdles have been designed with similar levels of performance expectation.</p> <p>The performance period for grants made under the CEIP in 2011 ended on 31 December 2013 for each of the two comparator groups. Caltex performance for the 2011 to 2013 performance period was at the 63.4th percentile against the ASX 100 Accumulation Index group and at the 50th percentile of the selected group of international refining and marketing companies. As a result, 42.3% of the 2011 grant will vest in April 2014 and the remaining 57.7% will lapse.</p>	3e

Directors' Report (continued)

REMUNERATION REPORT (continued)

ELEMENT OF REMUNERATION	SUMMARY	SECTIONS
Share retention	New share retention arrangements have been implemented to require executives to build up and maintain more sizeable shareholdings in Caltex for longer. For any CEIP award made from 2013, potentially vesting after 2015, all CEIP participants are required to hold 25% of the shares awarded when the Performance Rights vest for an additional four years (effectively extending the "life" of the LTI from three to seven years for these awards).	3e
Clawback	In 2013, the Clawback Policy was broadened considerably. The new Policy allows the clawback of unvested and vested payments under both the STI and LTI programs and has extended the clawback period (where a material misstatement or omission in the financial statements might lead to a clawback) to three years (from two). No clawback event occurred during the 2013 financial year.	3g
Post-employment	In addition to any statutory entitlement, executives may be entitled to post-employment benefits depending on the circumstances in which their employment is terminated. An example of such benefits is the continuation of pre-existing long term incentive grants until the expiry of the original three year performance period in circumstances other than resignation or dismissal.	3i

1b. Non-executive directors**Current directors**

- Ms Elizabeth Bryan (Chairman)
- Mr Trevor Bourne
- Mr Richard Brown*
- Ms Barbara Burger*
- Mr Greig Gailey
- Mr Ryan Krogmeier*
- Mr Bruce Morgan (appointed 29 June 2013)

* Mr Brown, Ms Burger and Mr Krogmeier each serve as alternate directors for each other, with effect from 26 July 2013.

Former director

- Mr John Thorn (resigned 9 May 2013)

Former alternate director

- Ms Colleen Jones-Cervantes (resigned 25 July 2013)*

* Ms Jones-Cervantes was previously the alternate director for Mr Ryan Krogmeier (from 30 March 2012) and Mr Brown and Ms Burger (from 28 June 2012).

Directors' Report (continued)

ELEMENT OF REMUNERATION	SUMMARY	SECTIONS
Fees	Remuneration for non-executive directors is fixed, and does not have any variable components.	4a
	The non-executive directors do not participate in any Caltex incentive or bonus schemes.	
	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
	The base fees for the Chairman of the Board and for other non-executive Board members have been unchanged since 2012 and will continue to apply for 2014.	
	From 1 January 2014, the fees for serving on each of the Board's standing committees (including Committee Chairman fees) have been set at common levels. These changes align all Committee fees to those paid for the Audit Committee, recognising the equivalent complexity and workload requirements of the Human Resources Committee and the Audit Committee and the critical importance and role of the OHS & Environmental Risk Committee given the industry in which Caltex operates. The changes to Committee fees equate to a year on year fee increase of 2.3% overall.	
Superannuation and retirement benefits	Superannuation contributions are made at a rate of 9.25% (from 1 July 2013). 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 2010 Annual General Meeting. No change to the pool will be sought at Caltex's 2014 Annual General Meeting.	4b

2. Oversight and external advice

2a. Board and Human Resources Committee

The Board takes an active role in the governance and oversight of Caltex's remuneration policies and practices. Approval of certain key human resources and remuneration matters is reserved to the Board, including setting remuneration for directors and Senior Executives and any discretion applied in relation to the targets or funding pool for Caltex's incentive schemes.

The Human Resources Committee assists the Board by providing advice and recommendations in relation to Caltex's remuneration framework. The Committee seeks to put in place appropriate remuneration arrangements and practices that are clear and understandable, in the best interests of Caltex and support superior performance and long term growth in shareholder value.

The Committee has also been delegated specific functions by the Board, including approving Caltex's annual remuneration program and aspects of its incentive schemes.

Further details on the Board and Committee's role and responsibilities are set out in their charters, which are available from our website (www.caltex.com.au).

2b. External advice

The Committee is independent of management and is authorised by the Board to obtain external professional advice 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 2013, Caltex received "remuneration recommendations" (as defined in the *Corporations Act*) from the Godfrey Remuneration Group (GRG) in relation to the remuneration of the Managing Director & CEO, non-executive directors and Senior Executives.

GRG has 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 KMP were involved in the selection and appointment of GRG or in the development of any advice or recommendations in relation to their own roles.

The fees paid to GRG for the above remuneration advice and recommendations were \$38,500 (excluding GST). GRG did not provide any other services (as defined in the *Corporations Act*) to Caltex in 2013.

Directors' Report (continued)

REMUNERATION REPORT (continued)

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

ORGANISATION	PURPOSE	ROLE
Ernst & Young	Valuation of performance rights and the equity holdings issued by the former employer of a senior executive to whom the organisation wished to make an employment offer. Taxation information relating to long term incentives and deferral of short term incentive into Caltex shares.	Information
Egan Associates	Assessment of Caltex's relative TSR performance relating to vesting of performance rights.	Information
Herbert Smith Freehills	Legal advice in relation to the rules and operation of the Caltex Equity Incentive Plan, Remuneration Clawback policies and Executive Service Agreements.	Information and advice
Pegala Consulting	Report to Human Resources Committee on pay mix and total reward positioning of employees, excluding Senior Executives.	Information and advice

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. Share retention arrangements require all executives to build up and maintain shareholdings to encourage alignment with Caltex shareholders.
- **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 9.25% of base salary plus any cash incentive payments and is included in the calculation of Total Reward Value for comparison purposes.

Where an employee's quarterly earnings result in superannuation contributions above the superannuation contributions limit, the employee may elect to receive the excess amount as cash in lieu of superannuation.

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.

In 2013, the Board rebalanced aspects of the Caltex remuneration framework in the light of the significant decision to restructure Caltex's supply chain. Recognising the company transforming nature of the supply chain strategy, the measures in the 2013 LTI awards were broadened to include a strategic measure relating to the supply chain realignment and an absolute financial measure focusing on the delivery of free cash flow during the period of the Kurnell conversion project. This blend of measures provides a more complete picture of long term company performance during the critical transformation period.

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.

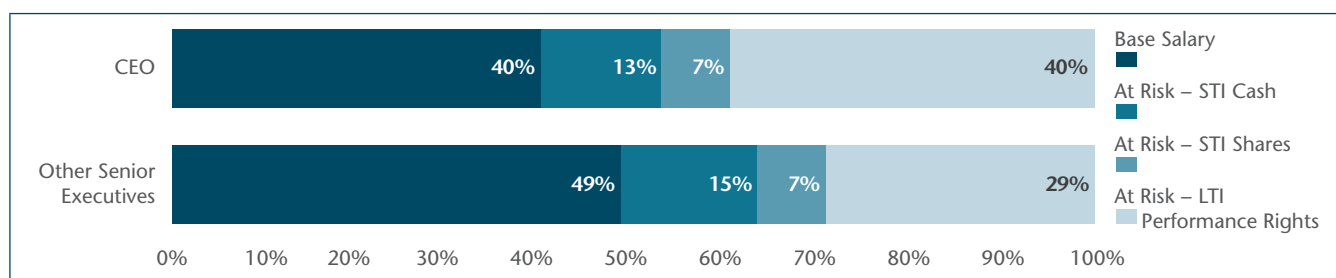
Directors' Report (continued)

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 (currently delivered through both cash payments and restricted shares) are managed via the Rewarding Results Plan and long term equity based incentives via the Caltex Equity Incentive Plan (CEIP). The "at target" pay mix for the Managing Director & CEO and Senior Executive group is detailed in the diagram titled 2013 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. Recent research undertaken by Caltex has also confirmed that Caltex has tougher relative total shareholder return (TSR) vesting conditions than most ASX 100 companies and that Caltex long term incentive vests more gradually as relative performance improves.

2013 Remuneration mix "at target"



Notes:

1. STI cash and STI shares comprise the incentive provided through the Rewarding Results Plan. For "at target" performance, two thirds is payable as cash and one third is deferred into shares.
2. "At target" performance in the remuneration mix for "Other Senior Executives" is representative of a STI target of 46% of base salary. Some of the "Other Senior Executives" have a STI target of 50% of base salary.
3. LTI comprises performance rights granted under the CEIP.
4. The 2013 remuneration mix represents the value of LTI at 75th percentile TSR performance, the delivery of free cash flow at target, and on-schedule and on-budget performance of the supply chain realignment projects. 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 grant received depends on performance. For example, for the 2013 awards, executives will only receive 100% of the grant if the relative TSR performance measure is at or above the 90th percentile for both comparator groups and the stretch free cash flow and Kurnell conversion targets are achieved.

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 Godfrey Remuneration Group (GRG), an independent remuneration consultant, 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 2014 review of the Managing Director & CEO and Senior Executive remuneration, the Board utilised a comparator group comprising 24 ASX listed companies with 10 larger and 14 smaller than Caltex's market capitalisation. This group has been chosen by the Board, with advice from GRG, as it comprises a mixture of Energy, Industrials, Materials and Consumer Staples companies of similar market capitalisation and complexity to Caltex's business, and these companies are also key competitors for executive talent.

3c. Setting and evaluating the performance of executives in 2013

Performance measures for 2013 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2013 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 2013, 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 2013.

Directors' Report (continued)

REMUNERATION REPORT (continued)

2013 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 (FCF) – 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,
- Sales Volumes, and
- High Value Product Production – the production of high value transport fuels.

Non-financial

- Operational Excellence – continuous improvement of our health, safety and environmental performance. In 2013, 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 2013 projects include:
 - implementing a transformation of the Caltex supply chain – including deliverables linked to the conversion of Kurnell refinery to a fuel import terminal; putting new product supply agreements into operation; and delivering performance improvements at the Lytton refinery, and
 - the delivery of a number of key initiatives to profitably grow the Marketing business, and
- Leadership – progress towards achievement of strategic objectives in the areas of leadership development, diversity and inclusion.

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 costing reflects 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 exceptional 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.

Directors' Report (continued)

3d. Performance-based "at risk" remuneration – 2013 Rewarding Results STI Plan

Performance period	Annual payment based on assessed performance during the 12 month period ended 31 December 2013 but paid in April 2014.
2013 target and maximum opportunity levels	Managing Director & CEO – between 50% of base salary "at target" and 100% at Maximum Stretch. Other Senior Executives – between 46% and 50% of base salary "at target" and 92% and 100% at Maximum Stretch depending upon role.
Scheme rationale	The Board believes that the Rewarding Results Plan is in the best interests of shareholders because it: <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	MEASURE					COMMENTARY
	Below Threshold	Threshold to Target	Target	Target to Stretch	Stretch	
RCOP NPAT	✓					
Free Cash Flow before growth capital expenditure and dividends				✓		
EBIT Marketing		✓				Growth compared to 2012 with performance falling just below target
Cost Efficiency				✓		Procurement savings exceeded target, particularly from large projects
Personal Safety				✓		Caltex reported TTIFR of 1.36 per million man hours (0.27/200,000) and an LTIFR of 0.63 per million man hours – including employees and contractors. These figures confirm 2013 was Caltex's safest year to date
Process Safety	✓					Caltex recorded 15 reportable (> 1bbl and marine) spills in 2013 – just improving the target of 16. Four of these spills were Tier 1 process safety incidents including the major gasoline spill that occurred at Banksmeadow Terminal in July 2013
High Value Product production (HVP)				✓		Production of high value transport fuels was ahead of 2012
Sales (ML)		✓				Total petrol and diesel volumes improved compared to 2012 with petrol market share remaining stable and diesel market share increasing
Project delivery associated with the transformation of the Caltex supply chain					✓	91% of project milestones met compared to a target of 80%
Project delivery associated with the delivery of profitable growth in the marketing business				✓		85% of project milestones met compared to a target of 80%
Leadership					✓	In 2013, a fresh new approach to leadership was developed. The successful launch of "Leading@Caltex" in July was the first step in a cultural transformation around leadership and growth
Diversity and Inclusion		✓				Areas of progress include proportion of females promoted, up from 41% to 47%, and senior female promotions up from 28% to 46%, continued progress in flexibility, and indigenous hiring jumped from 14 in 2012 to 50 in 2013

Directors' Report (continued)

REMUNERATION REPORT (continued)

How reward outcomes are funded

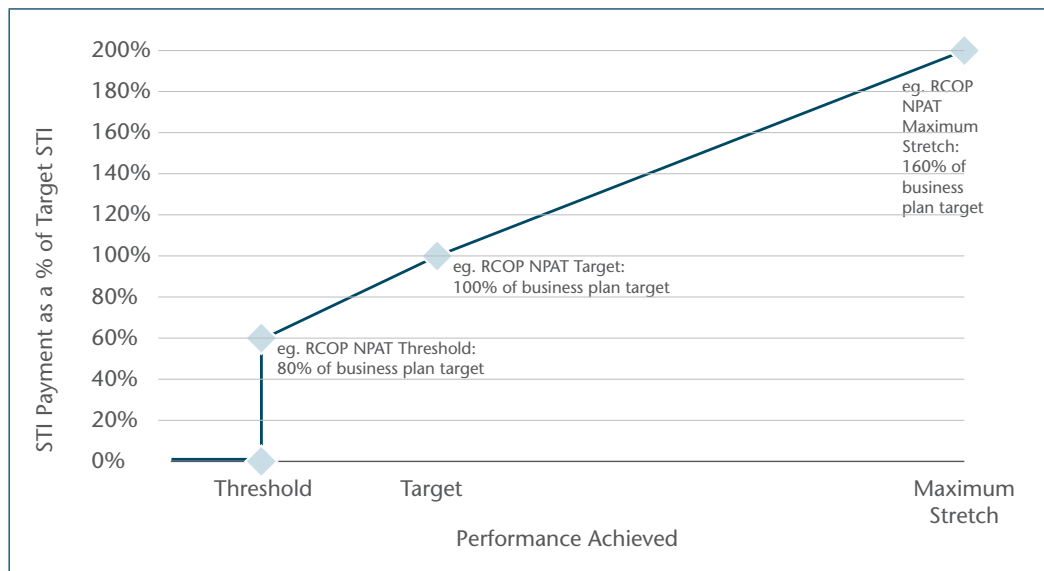
Caltex and department performance in terms of the above measures determines the funding of the incentive pool. RCOP NPAT performance, including the cost of incentives, must be 80% of the business plan before any incentive opportunity is payable.

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.

In 2013, RCOP NPAT did not meet the required threshold and no incentive is payable under the STI Plan to Senior Executives, notwithstanding that many of the non-financial objectives were either at target or exceeded target in 2013 (such as strong production results, excellent personal safety performance relative to prior years, and the achievement of stretch performance targets on key strategic goals such as the conversion of the Kurnell terminal). This outcome demonstrates the strong alignment between executive rewards and shareholders' interests, and how no STI is payable unless underlying profitability is delivered above a threshold level of performance.

How reward outcomes are funded



Use of discretion

The Committee, in its advisory role, reviews proposed adjustments to Rewarding Results outcomes where there are exceptional unforeseen and uncontrollable impacts on the agreed performance measures and makes recommendations for any changes to performance measures, which may only be approved by the Board. In previous years, KPMG has assisted the Committee with the review of financial results by performing agreed upon procedures over the calculated metrics. This process was not required in 2013 as the RCOP NPAT financial results were below the threshold level of performance and no incentives were paid.

Payment vehicle

For the Managing Director & CEO and the Senior Executives, one third of the award is deferred into equity if the cash value of the 2013 award exceeds \$105,000. These shares are subject to a six month service related forfeiture risk and a two year dealing restriction. As part of the remuneration framework changes implemented in 2013, the deferral of STI will cease in 2015 and has been replaced by share retention arrangements that are designed to require executives to build up and maintain more sizeable shareholdings in Caltex for longer. There was no deferral of STI in 2013 as no incentives were paid.

Clawback Policy

No clawback event occurred during the 2013 financial year.

Directors' Report (continued)

3e. Performance-based "at risk" remuneration – Caltex Equity Incentive Plan (CEIP)

Performance period	Performance periods under the CEIP are three years commencing on 1 January in the year the awards are made. For the 2013 awards this is the three year period commenced January 2013 and ending 31 December 2015.														
Performance measures (2011 awards)	<p>For the 2011 awards, Relative TSR is assessed against two comparator groups: 50% of the performance rights are tied to relative performance against members of the ASX 100 Accumulation Index and 50% against a selection of 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 2011 performance year 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 50 th	0%	2. 50 th	33.33%	3. Between 51 st and 75 th	Pro-rate between 2 and 4	4. Target 75 th	66.67%	5. Between 75 th and 90 th	Pro-rate between 4 and 6	6. Maximum 90 th or higher	100%
Percentile ranking	% of award vesting														
1. Less than 50 th	0%														
2. 50 th	33.33%														
3. Between 51 st and 75 th	Pro-rate between 2 and 4														
4. Target 75 th	66.67%														
5. Between 75 th and 90 th	Pro-rate between 4 and 6														
6. Maximum 90 th or higher	100%														
Performance measures (2012 awards)	For the 2012 awards, the weightings between the two comparator groups were updated in August 2012 to 75% of the performance rights being tied to relative TSR performance against members of the ASX 100 Accumulation Index and 25% against a selection of six international refining and marketing companies (outlined above for the 2011 awards). 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. The vesting scale is consistent with the 2011 performance measure outlined above. Kurnell refinery is expected to cease operations by the end of 2014.														
Performance measures (2013 awards)	<p>For the 2013 awards, a blend of measures linked to the Caltex strategy was introduced to provide a more complete picture of long term company performance. Although relative TSR against members of the ASX 100 Accumulation Index remains the primary measure of long term performance (with a 60% weighting), the introduction of the Free Cash Flow and strategic measure recognises the restructure of Caltex's supply chain as a company changing event that will reduce Caltex's exposure to refining earnings volatility and asset concentration risk. Successful execution of the strategy will give Caltex the financial flexibility to enable accelerated investment across marketing and supply chain operations. Recognising the ongoing transformational focus for Caltex, the Board intends to maintain a similar mix of performance measures for 2014.</p> <p>Total Shareholder Return (TSR) – 60% of 2013 award</p> <p>Relative TSR is the performance measure for these rights, assessed against members of the ASX 100 Accumulation Index. The vesting scale is consistent with the 2011 and 2012 TSR performance measure outlined above.</p> <p>Free Cash Flow (FCF) – 20% of 2013 award</p> <p>Free Cash Flow measures performance against the cumulative FCF targets set by the Board for the three-year period ending 31 December 2015 based on the three-year business plan. FCF performance is measured before Dividends and Growth Investment Capital to ensure management is not discouraged from considering growth opportunities for the Caltex business. The Board may modify the performance outcome to take into account material changes to the external environment and potentially those controllable items that may change to reflect appropriate Board decisions over the three year period. At the end of the 2013-2015 performance period, the Board will set out Caltex's performance against the cumulative FCF target in the 2015 Remuneration Report, including how, if at all, the Board has modified the performance outcome noted above.</p>														

Directors' Report (continued)

REMUNERATION REPORT (continued)

**Performance measures
(2013 awards)
(continued)**

The Board has set a challenging cumulative FCF target to be delivered over the three year period ending 31 December 2015. The targets are achievable only if growth expectations in the marketing business are achieved and there are no delays in the conversion of the Kurnell refinery into an import terminal. Threshold performance is unlikely to be achieved if there are delays in the conversion of the Kurnell refinery into an import terminal.

Strategic measures – 20% of 2013 award

This portion of the award is based on performance against the Board approved project cost and schedule milestones for the Kurnell conversion project. The cost schedules and milestones for the projects to be included under this measure are those that are to be delivered before 31 December 2015 and which were approved by the Board during 2013.

The Board intends to only reward performance that is consistent with shareholder expectations and the Board may modify the proportion of performance rights that will vest if it considers that vesting would be inappropriate in the light of the targets set.

Half of the Board's assessment (10% weighting) will be measured based on the delivery of the Kurnell conversion project to budget. The remaining half (10% weighting) will be measured based on the Board's qualitative assessment of performance during the three year period against a range of parameters including: delivery of project milestones to time; safety and environment performance; and continuity of supply to customers. At the end of the 2013-2015 performance period, the Board will set out in the 2015 Remuneration Report how Caltex performed against these hurdles, including the Board's rationale for the relevant vesting percentage.

**2013 target and maximum
opportunity levels**

In 2013, the Managing Director & CEO received a grant of performance rights based on an LTI value of 150% maximum of base salary. 2013 grants to other Senior Executives were based on an LTI value of 90% maximum of base salary. The General Manager Marketing joined Caltex on 1 November 2013 and was not eligible for a 2013 award.

The executives will only receive all of the performance rights granted if the performance measures as described below are achieved. Each measure operates independently with separate vesting scales for each grant portion.

MEASURE AND WEIGHTING	THRESHOLD 33.3% VESTING 66.7% LAPSING	TARGET 66.7% VESTING 33.3% LAPSING	STRETCH 100% VESTING
Total Shareholder Return (TSR) compared to the ASX 100 comparator group 60% of 2013 award	50 th percentile of the ASX 100 comparator group Typical market practice grants 50% vesting at the 50 th /51 st percentile	75 th percentile of the ASX 100 comparator group Typical market practice grants 100% vesting at the 75 th percentile	90 th percentile of the ASX 100 comparator group
Free Cash Flow (FCF) performance over the three year period ending 31 December 2015 20% of 2013 award	The Board has set threshold, target and stretch FCF measures based on the Caltex 2013-2015 business plan. The Board will determine the level of vesting that will apply depending on the applicable level of FCF performance achieved relative to these performance measures.		
Strategic measures 20% of 2013 award	Half of the Board's assessment (10% weighting) will be measured based on the delivery of the Kurnell conversion project to budget, with specific cost targets set at threshold, target and stretch. The remaining half (10% weighting) will be measured based on the Board's qualitative assessment of performance during the three year period against defined parameters including factors such as delivery of project milestones to time, safety and environmental performance, continuing of supply to customers and stakeholder management. The Board will determine the appropriate level of vesting to apply overall having regard to the actual performance achieved, the parameters outlined and vesting proportions of approximately 33% at threshold, 66% at target and 100% at stretch.		

Directors' Report (continued)

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> <p>For the 2013 awards, the Board may determine to pay executives the cash value of a share in satisfaction of a vested performance right, instead of providing a share or restricted share. It is expected such discretion will only be exercised in limited cases.</p>
Share retention arrangements	<p>For the 2013 CEIP awards and future awards, where performance rights vest, new share retention arrangements will apply to all participants. The share retention arrangements are designed to encourage all executives to build up and maintain more sizeable shareholdings in Caltex for longer and further align the interests of Caltex executives and shareholders.</p> <p>The share retention arrangements mean 25% of the vested portion of performance rights will be converted into restricted shares and dealing with the restricted shares will not be permitted for a period of seven years (until 1 April 2020 for the 2013 CEIP awards), effectively extending the life of the LTI for this period.</p> <p>Based on this new policy, if it is assumed the CEIP awards vest at the target levels over a period of four years, then the Managing Director & CEO and the Senior Executives would have theoretical shareholdings of 100% and 60% of their base salary respectively.</p> <p>Executives can also elect additional voluntary restrictions on dealing with the remaining 75% of vested performance rights, resulting in a greater percentage of vested performance rights becoming restricted shares. On ceasing employment, all dealing restrictions on the restricted shares cease to apply, subject to the application of the Clawback Policy.</p> <p>Until the share retention arrangements were put in place, a STI deferral mechanism was the primary method of encouraging Senior Executive shareholding. As noted in the 2012 Remuneration Report, the STI deferral mechanism will be phased out for the 2015 performance year after a transition period.</p>
Clawback Policy	No clawback event occurred during the 2013 financial year.
Why have the LTI hurdles been chosen?	<p>Relative TSR</p> <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> <p>Free cash flow</p> <p>Free cash flow has been chosen as an additional measure as it funds opportunities for growth and cash dividend payments and supports the Caltex strategy which has the overarching objective of creating shareholder value. As a key objective of Caltex's strategy is to deliver a stronger balance sheet, with lower debt post the closure of the Kurnell refinery, the demonstrated ability to deliver stronger free cash flow generation capability is key to this strategy. Having free cash flow as a metric in the LTI measure assists in maintaining the focus of Senior Executives, and other senior managers at Caltex, on the importance of this key business metric.</p> <p>Strategic supply chain realignment</p> <p>One of the key decisions arising out of the Caltex strategy was the decision to close the Kurnell refinery and convert this facility into a major import terminal. Given the large costs and execution risks associated with this project, and the importance to the Caltex supply chain that this project is completed on time and on budget, the Board determined that having this major strategic initiative as a LTI measure in 2013 would ensure Senior Executives maintain their focus on the conversion over the 2013-2015 performance period. When successfully completed, this project will have been integral to the realignment of the Caltex supply chain and should drive the continued strong performance of the company and enhance shareholder value.</p>

Directors' Report (continued)

REMUNERATION REPORT (continued)

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. Once the performance rights vest, dividends are payable on the restricted shares which the Senior Executives are required to retain under the new share retention arrangements (for an additional four years after vesting).

3f. 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 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 appropriate measures are in place to ensure adherence to the policy. Each year, directors and Senior Executives are required to provide a certificate to the Company Secretary confirming their compliance with the policy. Any breach of the 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.

3g. Clawback Policy

In 2013, Caltex implemented a new Clawback Policy which allows the company to recoup incentives which may have been awarded and/or vested to Senior Executives in certain circumstances. The specific triggers which allow Caltex to recoup the incentives include Senior Executives acting fraudulently or dishonestly, acting in a manner which has brought a Group company into disrepute; where there has been a material misstatement or omission in the financial statements in relation to a Group company in any of the previous three financial years; or any other circumstances occur which the Board determines in good faith to have resulted in an "unfair benefit" to the Senior Executive.

Upon the occurrence of any of the triggers, the Board may then take such actions it deems necessary or appropriate to address the events that gave rise to an "unfair benefit". Such actions may include:

1. requiring the Senior Executive to repay some or all of any cash or equity incentive remuneration paid in any of the previous three financial years;
2. requiring the Senior Executive to repay any gains realised in any of the previous three financial years through the Caltex Equity Incentive Plan or on the open-market sale of vested shares;
3. cancelling or requiring the forfeiture of some or all of the Senior Executive's unvested performance rights, restricted shares or shares;
4. reissuing any number of performance rights or restricted shares to the participant subject to new vesting conditions in place of the forfeited performance rights, restricted shares or shares;
5. adjusting the Senior Executive's future incentive remuneration; and/or
6. initiating legal action against the Senior Executive.

There was no clawback of any incentive in 2013 under this Policy.

3h. 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". As noted above, for grants in 2013 the LTI awards require the achievement of TSR performance relative to the separate members of the ASX 100 Accumulation Index, a free cash flow hurdle and a strategic hurdle based on milestones associated with qualitative and quantitative supply chain realignment targets.

Directors' Report (continued)

For 2013, the Managing Director & CEO's total remuneration was split into fixed and "at risk" components as follows:

Fixed remuneration incl. superannuation	% of Total Target Remuneration (annualised)	
	STI*	LTI**
	"At target"	"At target" – when TSR is at the 75 th percentile of peer companies (TSR hurdle), 100% of the free cash flow target is met, and all of the Board's qualitative and quantitative supply chain realignment targets are met.
\$2,022,000***	\$961,000 (50% of Base Salary)	\$1,922,000 (100% of Base Salary)
	"Stretch"	"Stretch" – when TSR is at the 90 th percentile of peer companies, the free cash flow target is met, at stretch performance and all of the Board's qualitative and quantitative supply chain realignment targets are exceeded.
	\$1,922,000 (100% of Base Salary)	\$2,883,000 (150% of Base Salary)

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

** New share retention arrangements have been implemented to encourage share retention by Caltex Senior Executives and other senior managers and promote alignment with shareholders over the longer term. For the 2013 CEIP award, all CEIP participants, including the Managing Director & CEO, are required to hold 25% of the shares awarded when the performance rights vest, for an additional four years.

*** The Managing Director & CEO contract provides for superannuation of \$100,000. Additional superannuation is not earned on incentive payments.

There were no changes to fixed remuneration arrangements of the Managing Director & CEO in 2013. STI and LTI targets and maximums as a percentage of base salary will 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

3i. 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 was 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. It is Caltex's intention going forward to reset the termination notice for all newly appointed Senior Executives to at least three months.

Directors' Report (continued)

REMUNERATION REPORT (continued)

The details of the contracts of the current Senior Executives of Caltex 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 ON NOTICE (BY THE COMPANY)	RESIGNATION (BY THE SENIOR EXECUTIVE)
Simon Hepworth	Open ended	3 months	3 months
Peter Lim	Open ended	6 months	6 months
Mike McMenamain	Open ended	1 month	1 month
Bruce Rosengarten	Open ended	6 months	6 months
Gary Smith	Open ended	6 months	3 months
Simon Willshire	Open ended	6 months	6 months

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.

End of secondment for Andy Walz, General Manager – Marketing

Mr Walz was seconded from Chevron to Caltex for the period 1 April 2008 to 31 May 2013. Chevron Global Energy Inc. holds 50% of the shares in Caltex Australia Limited.

Under the terms of the secondment arrangements, Caltex paid the full cost to Chevron of providing Mr Walz, representing a reimbursement of the salary and other benefits incurred by Chevron in relation to Mr Walz's services to Caltex including the cost of Chevron's Long Term Incentive Plan. Mr Walz did not receive any termination payments as a result of the cessation of his secondment.

Appointment of General Manager – Marketing

Mr Bruce Rosengarten was appointed on 1 November 2013. Mr Rosengarten's contract included relocation support to assist him to relocate from Melbourne, where he was previously employed. This included a cash lump sum to cover accommodation, commuting and costs associated with home purchase (such as stamp duty and agent fees) and assistance with physical moving costs. On leaving his prior employer, Mr Rosengarten forfeited his right to his 2013 short term incentive payment. Accordingly, he received a pro-rated payment in lieu of his forgone STI on commencing with Caltex and an award of restricted shares in lieu of the unvested LTI which lapsed on his resignation with his prior employer. No additional Caltex STI or LTI award is payable to Mr Rosengarten for 2013.

An independent valuation by Ernst & Young was obtained to assess the likely values of the LTI held by Mr Rosengarten with his prior employer at the various vesting dates. The valuations received were used to determine the quantum of the restricted shares to be awarded to Mr Rosengarten for his forgone LTI.

Fifty percent of the restricted shares granted to Mr Rosengarten vest on his second anniversary of commencement, and the remaining 50% on his third anniversary. Each tranche lapses if Mr Rosengarten's employment ceases due to resignation, serious and wilful misconduct, negligent behaviour or unsatisfactory performance prior to each respective date.

The relocation assistance provided to Mr Rosengarten must be repaid in full if he resigns within 12 months of commencing employment with Caltex, and the STI repaid if Mr Rosengarten's employment ceases due to resignation, serious and wilful misconduct, negligent behaviour or unsatisfactory performance within 24 months of commencement.

The payments and award of restricted shares are reported in tables 4a, 4b and 5.

Retention of the General Manager – Refining and Supply

During 2012, a cash based retention arrangement was implemented for Mr Gary Smith, General Manager – Refining and Supply. The Board initiated the arrangement because Mr Smith'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 Mr Smith'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 Mr Smith 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 4a and 4b.

Subsequent to year end, Mr Gary Smith resigned from Caltex on 6 February 2014.

Directors' Report (continued)

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 and illustrates Caltex's performance against the measures used to determine short term incentive payments and vest long term incentive payments in 2013.

Table 3 below demonstrates Caltex TSR, dividend, share price, earnings per share and RCOP NPAT performance each year from 2009 to 2013 together with the linkage to Senior Executive remuneration.

Table 3. Link between company performance and executive remuneration

SUMMARY OF PERFORMANCE 2009 TO 2013	2013	2012	2011	2010	2009
12 month TSR % ⁽ⁱ⁾	6.1	66.6	(15.0)	61.0	32.8
Dividends (cents per share)	34c	40c	45c	60c	25c
Share price ⁽ⁱⁱ⁾	\$20.05	\$19.21	\$11.77	\$14.37	\$9.30
RCOP excluding significant items earnings per share	\$1.23	\$1.70	\$0.98	\$1.18	\$1.20
RCOP NPAT excluding significant items (million) ⁽ⁱⁱⁱ⁾	\$332	\$458	\$264	\$318	\$324
Caltex Safety – TTIFR ^(iv)	1.36	2.86	2.53	2.95	4.57
Caltex Safety – LTIFR ^(v)	0.63	0.59	0.99	1.23	2.12

LINK TO REMUNERATION					
Rewarding Results (STI) percentage of business plan RCOP NPAT target achieved	76%	137%	82.5%	130%	N/A
Long term incentive percentage vesting three years after grant date					
• Year of grant	2011	2010	2009	2008	2007
• Percentage of grant vesting	42.3%	77.8%	82.2%	50%	37.5%

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).

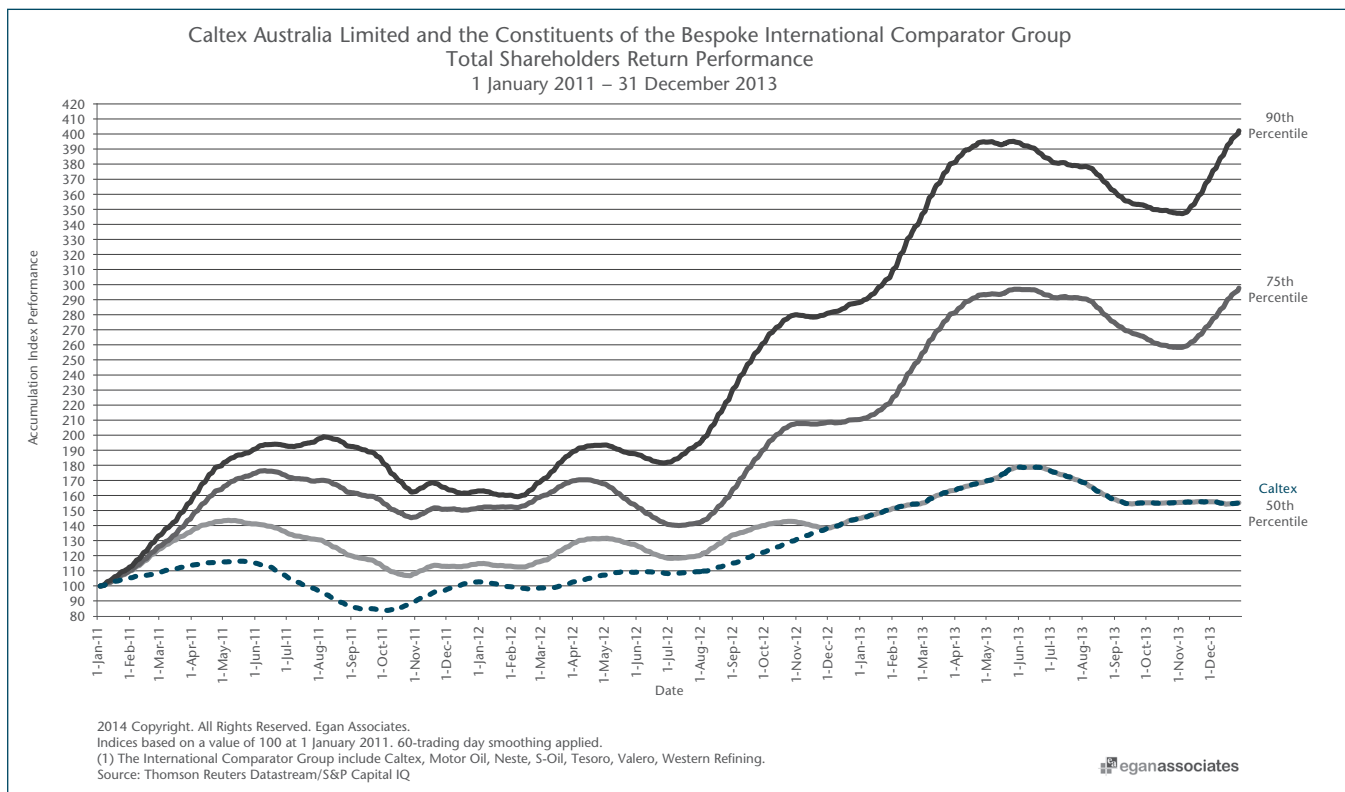
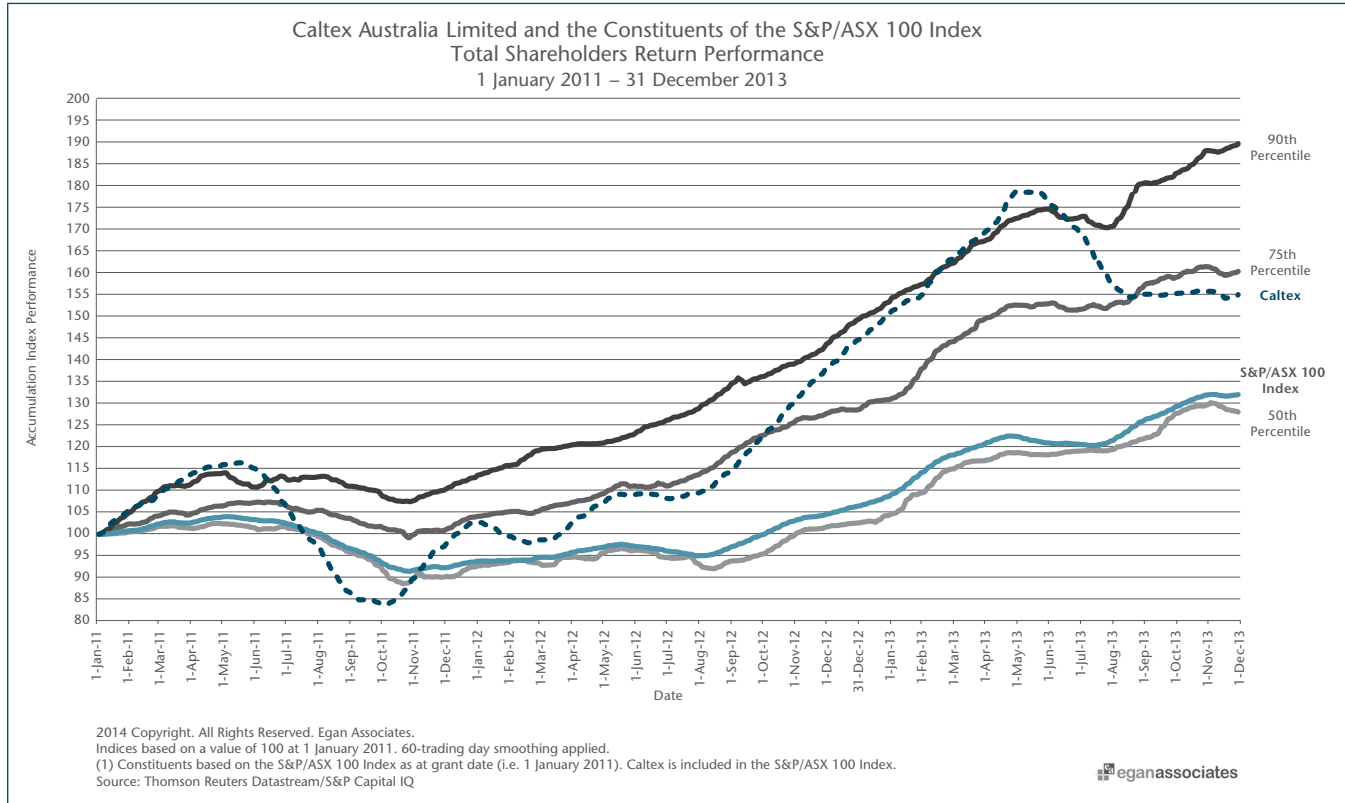
The actual executive remuneration outcomes for 2013 are detailed in the appropriate tables which provide both unaudited non-statutory disclosures (a view of the remuneration either received "in cash" or in the form of equity granted in prior years which has vested in 2013) in table 4a as well as the audited statutory disclosures in table 4b.

Directors' Report (continued)

REMUNERATION REPORT (continued)

The charts below provide a comparison of the Caltex TSR performance to the companies in the S&P/ASX 100 Accumulation Index and to the six international marketing and refining companies over the three year period ended 31 December 2013.

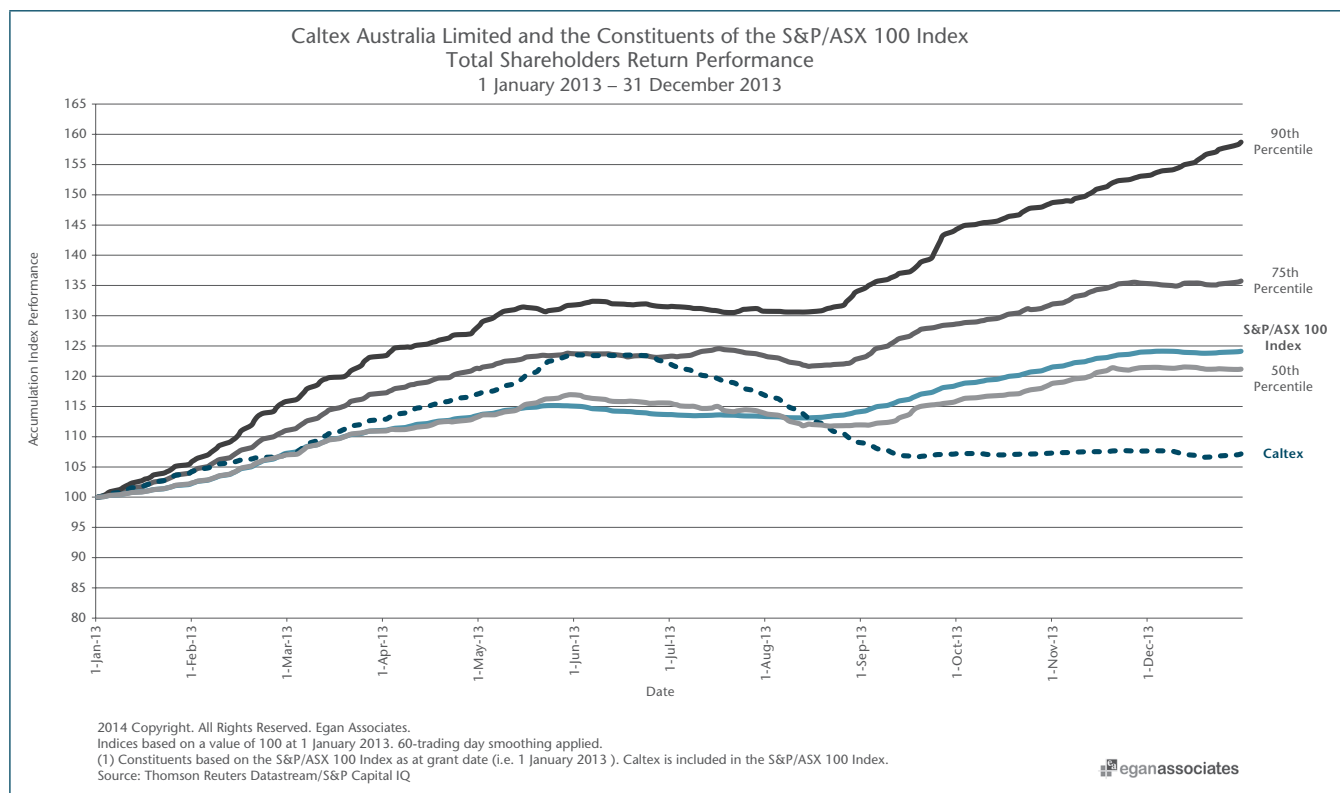
3 year TSR performance 1 January 2011 to 31 December 2013



Directors' Report (continued)

The chart below provides a comparison of the Caltex TSR performance to the companies in the S&P/ASX 100 Accumulation Index over the one year period ended 31 December 2013 (as the international marketing and refining company comparator group was not included in the 2013 LTI award TSR hurdle).

1 year TSR performance 1 January 2013 to 31 December 2013



Directors' Report (continued)

REMUNERATION REPORT (continued)

3k. Remuneration tables

Table 4a. Total remuneration for Executive Director and Senior Executives for 2013 (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 2013, from an individual perspective. The value of remuneration includes the equity grants where the executive received control of the shares in 2013.

The purpose of this table 4a is to provide a summary of the “past” and “present” remuneration outcomes received in either cash or in the form of equity granted in prior years which has vested in 2013. As a result, the values in this table 4a will not reconcile with those provided in the statutory disclosures in table 4b. For example, table 4b discloses the value of grants in the CEIP which may or may not vest in future years, whereas this table 4a discloses the value of grants from previous years which vested in 2013.

	SALARY AND FEES ⁽ⁱ⁾	FIXED OTHER REMUNERATION ⁽ⁱⁱⁱ⁾	BONUS (SHORT TERM INCENTIVE) ^(iv)	DEFERRED STI VESTED IN THE YEAR ^(v)	LTI VESTED DURING THE YEAR ^(vi)	REMUNERATION “EARNED” FOR 2013 ^(vii)
Executive Director						
Julian Segal (Managing Director & CEO) ⁽ⁱⁱ⁾						
2013	1,997,000	144,971	–	382,234	5,525,231	8,049,436
Senior Executives						
Simon Hepworth (Chief Financial Officer)						
2013	684,951	146,231	–	145,438	1,102,535	2,079,155
Peter Lim (Company Secretary and General Counsel) ⁽ⁱⁱ⁾						
2013	479,506	62,249	–	87,118	310,472	939,345
Mike McMenamain (General Manager – Strategy, Planning and Development) ⁽ⁱⁱ⁾						
2013	542,369	40,453	–	103,693	811,876	1,498,391
Bruce Rosengarten (General Manager – Marketing) ^{(ii)(viii)}						
2013	429,049	20,640	241,958	–	–	691,647
Gary Smith (General Manager – Refining and Supply) ⁽ⁱⁱ⁾						
2013	910,886	45,831	–	176,477	1,256,298	2,389,492
Andy Walz (General Manager – Marketing)						
2013	397,716	772,854	208,051	–	–	1,378,621
Simon Willshire (General Manager – Human Resources)						
2013	509,664	27,252	–	95,508	796,889	1,429,313
Total remuneration: Senior Executives						
2013	3,954,141	1,115,510	450,009	608,234	4,278,070	10,405,964

Notes:

- (i) Salary and fees include base salary, cash payments in lieu of employer superannuation (on base salary and/or on STI payments made in respect of the 2012 performance year), and the retention payment made to Mr Gary Smith. Aside from Mr Lim, no Senior Executives received a base salary increase during 2013.
- (ii) These executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.
- (iii) 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.
- (iv) No STI was awarded to Senior Executives for the 2013 year due to the company failing to meet the required profit thresholds under the Rewarding Results Plan. The STI awarded to Mr Rosengarten represents the payment received on commencement with Caltex in lieu of the STI forgone with his previous employer (refer to section 3i for more detail). Mr Rosengarten is ineligible for the 2013 Rewarding Results Plan. The STI paid to Mr Walz was awarded for performance in 2012 under the Chevron short term incentive plan for that period.
- (v) The deferred unrestricted component of the 2012 STI that vested in 2013, but are still subject to clawback and a mandatory two-year dealing restriction from grant date.
- (vi) Equity based programs from prior years that have vested in 2013. The value is calculated using the closing share price of Caltex shares on the vesting date of the 2010 LTI awards (of \$21.35). Note, these figures reflect the strong TSR performance for the 2010 awards and share price appreciation over the performance period (with a 98% percentile ranking), which resulted in 77.8% of these performance rights vesting during 2013.
- (vii) Total value of remuneration received during 2013. This is the total of the previous columns.
- (viii) The Salary and fees amount paid to Mr Rosengarten includes one-off payments of relocation assistance totalling \$248,357 (which includes associated taxation). The Bonus (short term incentive) amount relates to the pro-rated STI paid in lieu of the STI forgone with his prior employer.

Directors' Report (continued)

Table 4b. Total remuneration for Senior Executives for 2013 (in dollars) – statutory disclosures

The following table sets out the audited total remuneration for Senior Executives in 2013 and 2012 calculated in accordance with statutory accounting requirements:

	PRIMARY		POST-EMPLOYMENT	OTHER LONG TERM	EQUITY		TOTAL	
	SALARY AND FEES ⁽ⁱ⁾	BONUS (SHORT TERM INCENTIVE) ⁽ⁱⁱⁱ⁾	NON-MONETARY BENEFITS ^(iv)	SUPER-ANNUATION	OTHER ^(v)	SHARE BENEFITS (LONG TERM INCENTIVE)		RIGHTS BENEFITS (LONG TERM INCENTIVE) ^(vi)
Current Senior Executives								
Simon Hepworth (Chief Financial Officer)								
2013	704,067	–	14,403	95,097	17,615	74,595	399,720	1,305,497
2012	702,365	328,208	17,742	85,816	39,290	149,184	377,624	1,700,229
Peter Lim (Company Secretary and General Counsel) ⁽ⁱⁱ⁾								
2013	488,889	–	15,396	24,001	13,469	44,683	202,670	789,108
2012	450,446	196,619	25,400	24,000	15,937	79,220	142,329	933,951
Mike McMenamin (General Manager – Strategy, Planning and Development) ⁽ⁱⁱ⁾								
2013	530,955	–	15,154	24,235	12,478	53,184	283,395	919,401
2012	502,317	234,023	17,713	56,172	21,442	94,889	271,463	1,198,019
Bruce Rosengarten (General Manager – Marketing) ^{(ii)(vii)}								
2013	438,023	241,958	5,128	5,100	1,438	31,522	–	723,169
2012	–	–	–	–	–	–	–	–
Gary Smith (General Manager – Refining and Supply) ⁽ⁱⁱ⁾								
2013	885,160	–	13,428	17,122	266,727	122,853	428,893	1,734,183
2012	852,650	372,862	14,762	34,235	235,432	145,850	415,848	2,071,639
Simon Willshire (General Manager – Human Resources)								
2013	495,477	–	12,712	17,122	11,605	48,986	268,111	854,013
2012	510,111	215,523	16,343	16,123	14,230	90,295	262,061	1,124,686
Former Senior Executives								
Kenneth James (General Manager – Supply and Distribution)								
2013	–	–	–	–	–	–	–	–
2012	166,210	42,331	18,187	48,051	31,233	–	(66,713)	239,299
Andy Walz (General Manager – Marketing)								
2013	397,716	208,051	425,595	34,001	313,258	–	–	1,378,621
2012	648,278	252,915	932,467	54,157	217,992	–	–	2,105,809
Total remuneration: Senior Executives								
2013	3,940,287	450,009	501,816	216,678	636,590	375,823	1,582,789	7,703,992
2012	3,832,377	1,642,481	1,042,614	318,554	575,556	559,438	1,402,612	9,373,632

Notes:

- (i) Salary and fees include base salary, cash payments in lieu of employer superannuation (on base salary and/or on STI payments made in respect of the 2012 performance year), and the retention payment made to Mr Gary Smith. Aside from Mr Lim, no Senior Executives received a base salary increase during 2013. Year on year increases for Senior Executives in this column reflect cash payments received in lieu of employer superannuation and prior year base salary increases effective 1 April 2012 (nine months in 2012).
- (ii) These executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.
- (iii) No STI was awarded to Senior Executives for the 2013 year due to the company failing to meet the required profit thresholds under the Rewarding Results Plan. The STI awarded to Mr Rosengarten represents the payment received on commencement with Caltex in lieu of the STI forgone with his previous employer (refer to section 3i for more detail). Mr Rosengarten is ineligible for the 2013 Rewarding Results Plan. The STI paid to Mr Walz is awarded under the Chevron short term incentive plan.
- (iv) The non-monetary benefits received by Senior Executives include car parking benefits, employee StarCard benefits, the payment of the default premiums for death and total and permanent disability insurance cover and related FBT payments made by Caltex. In addition, under his Chevron employment contract, Mr Walz also received expatriate benefits.
- (v) Other long term remuneration represents the Chevron Long Term Incentive Plan for Mr Walz, the accrual of retention payments for Mr Smith and long service leave for all other executives.
- (vi) 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.
- (vii) The Salary and fees amount paid to Mr Rosengarten includes one-off payments of relocation assistance totalling \$248,357 (which includes associated taxation). The Bonus (short term incentive) amount relates to the pro-rated STI paid in lieu of the STI forgone with his prior employer.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Table 5. Unvested shareholdings of Executive Director and Senior Executives during 2013

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 2013 FROM 2013 PERFORMANCE YEAR ^(iv)
Julian Segal	20,639	–	(20,639)	–	–
Simon Hepworth	7,853	–	(7,853)	–	–
Peter Lim	4,704	–	(4,704)	–	–
Mike McMenamain	5,599	–	(5,599)	–	–
Bruce Rosengarten	–	33,864	–	–	33,864
Gary Smith	9,529	–	(9,529)	–	–
Simon Willshire	5,157	–	(5,157)	–	–

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) The restricted shares awarded to Mr Rosengarten represent the grant received on commencement with Caltex in lieu of the LTI forgone with his previous employer (refer to section 3i for more detail).
- (iii) Shares vested in October 2013 (fair value per share \$18.52). These shares are still subject to a further mandatory two-year dealing restriction from the date they were awarded.
- (iv) If Mr Rosengarten meets the service conditions, the shares will vest in November 2015 (50%) and November 2016 (50%).

Table 6a. Restricted share grants to Executive Director and Senior Executives in 2013 – STI Deferral awards

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. No Deferred STI is to be awarded for the 2013 performance year as the RCOP NPAT threshold for the STI was not met.

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	2013	0%	N/A	N/A
Simon Hepworth	2013	0%	N/A	N/A
Peter Lim	2013	0%	N/A	N/A
Mike McMenamain	2013	0%	N/A	N/A
Gary Smith	2013	0%	N/A	N/A
Simon Willshire	2013	0%	N/A	N/A

Note:

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

Table 6b. Restricted share grants to Senior Executives in 2013 – other awards

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, where the shares were not awarded under the STI Deferral program. Only one such award was made during 2013. This was made to the General Manager Marketing on commencement of employment in lieu of the unvested long-term incentive which lapsed on his resignation with his prior employer. As no shares have vested the estimated future cost has been provided.

SENIOR EXECUTIVE	TYPE OF AWARD	YEAR OF AWARD	VESTED (% OF SHARES VESTED)	FUTURE YEARS WHEN SHARES WILL VEST	FUTURE COST TO CALTEX OF UNVESTED SHARES (\$)
Bruce Rosengarten	Sign-on	2013	0%	2015, 2016	598,446

Directors' Report (continued)

Table 7. 2013 Executive Director and Senior Executive performance rights

Since 2007, long term incentives for Senior Executives have been awarded as performance rights under the CEIP as explained in section 3e. Table 7 sets out details of movements in performance rights held by Senior Executives during the year, including details of the performance rights that vested.

SENIOR EXECUTIVES ⁽ⁱ⁾	PERFORMANCE RIGHTS AT 1 JAN 2013 ⁽ⁱⁱ⁾	GRANTED IN 2013 ⁽ⁱⁱⁱ⁾	VESTED IN 2013	LAPSED IN 2013 ^(iv)	BALANCE AT 31 DEC 2013
Julian Segal	813,846	161,060	(258,793)	(73,953)	642,160
Simon Hepworth	170,502	35,425	(51,641)	(14,757)	139,529
Peter Lim	66,988	22,875	(14,542)	(4,156)	71,165
Mike McMenamin	122,136	25,095	(38,027)	(10,867)	98,337
Bruce Rosengarten	–	–	–	–	–
Gary Smith	186,774	37,595	(58,843)	(16,815)	148,711
Simon Willshire	117,568	23,340	(37,325)	(10,667)	92,916

Notes:

- (i) Mr Walz was not eligible to participate for any of the grant periods under the terms of his secondment arrangement with Chevron.
- (ii) For 2011 and 2012 performance rights, if all future performance conditions are met, these performance rights will vest in 2014 and 2015.
- (iii) If all future performance conditions are met, these performance rights will vest in 2016.
- (iv) Relates to 2010 performance rights of which 22.2% lapsed in the year and 77.8% vested.

Table 8. Valuation assumptions of performance rights granted

The fair value of performance rights granted under the CEIP is determined independently by Ernst & Young using an appropriate numerical pricing model. The model takes into account a range of assumptions and the fair values for each year of grant have been calculated incorporating the assumptions below.

COMPARATOR GROUP	2013 GRANT		2012 GRANT		2011 GRANT	
	ASX 100 ACCUMULATION INDEX	FCF AND STRATEGIC HURDLE	ASX 100 ACCUMULATION INDEX	INTERNATIONAL REFINING AND MARKETING COMPANIES	ASX 100 ACCUMULATION INDEX	INTERNATIONAL REFINING AND MARKETING COMPANIES
Grant date	22 April 2013	22 April 2013	2 April 2012	2 April 2012	29 April 2011	29 April 2011
Vesting date	1 April 2016	1 April 2016	1 April 2015	1 April 2015	1 April 2014	1 April 2014
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	40%	40%	45%	45%	35%	35%
Risk free interest rate	2.7%	2.7%	3.49%	3.49%	5.0%	5.0%
Dividend yield	2.0%	2.0%	4.7%	4.7%	4.0%	4.0%
Expected life (years)	2.9	2.9	3.0	3.0	2.9	2.9
Share price at grant date	\$20.60	\$20.60	\$14.03	\$14.03	\$14.03	\$11.87
Valuation per right	\$10.98	\$19.42	\$7.69	\$7.52	\$6.61	\$4.91

Note:

Market performance measures, such as TSR measures, must be incorporated into the option-pricing model valuation used for the CEIP performance rights, which is reflected in the valuation per right. Non-market vesting conditions such as free cash flow and strategic hurdles are not taken into account when determining the value of the right. This explains the higher valuation for these rights. However, the value of the free cash flow and strategic hurdles may be discounted during the performance period to reflect the Board's assessment of the probability that the hurdle will be met and the associated performance rights vesting. These values will be reflected in the values set out in table 4b.

Directors' Report (continued)

REMUNERATION REPORT (continued)**Table 9. Distribution of 2013 fixed and variable remuneration elements of remuneration**

The proportion of each Senior Executive's remuneration for 2013 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	51%	49%
Simon Hepworth	64%	36%
Peter Lim	69%	31%
Mike McMenamin	63%	37%
Bruce Rosengarten	62%	38%
Gary Smith	51%	49%
Andy Walz	85%	15%
Simon Willshire	63%	37%

Table 10. FY13 STI Plan payment results

The following table sets out the Caltex STI payments for FY13, compared to FY12, as a percentage of the Senior Executive's maximum Caltex STI opportunity.

EXECUTIVE DIRECTOR AND SENIOR EXECUTIVES ¹	2013	2012
Julian Segal	0%	45%
Simon Hepworth	0%	70%
Peter Lim	0%	78%
Mike McMenamin	0%	76%
Gary Smith	0%	75%
Simon Willshire	0%	76%
Average	0%	70%

Note:

- Mr Rosengarten and Mr Walz are not included in this table as they were not entitled to an award under the Caltex STI program in 2013. Mr Rosengarten did not commence in his role until 1 November 2013 so was not entitled to a Caltex STI award in 2013. He did receive a payment of \$241,958 as payment in lieu of the pro-rated value of the STI forgone from his prior employer when he commenced with Caltex. This payment is disclosed in tables 4a and 4b. As a Chevron secondee, Mr Walz is not entitled to a Caltex STI award.

Directors' Report (continued)

4. Non-executive director remuneration

4a. Our approach to non-executive director remuneration

At Caltex, our business and corporate operations are managed under the direction of the Board on behalf of shareholders. The Board oversees the performance of Caltex management in seeking to deliver superior business and operational performance and long term growth in shareholder value. The Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Under the Caltex Constitution and the ASX Listing Rules, the total remuneration pool for non-executive directors is determined by shareholders. Within this overall pool amount, remuneration for non-executive directors is reviewed by the Committee, taking into account recommendations from an external expert, and set by the Board.

Fees for non-executive directors are set at a level to attract and retain directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for Caltex's business. The Board seeks to attract directors with different skills, experience and abilities to enable it to effectively oversee and challenge the performance of management. Additionally, when setting fee rates, the Board takes into account factors such as external market data on fees and the size and complexity of Caltex's operations.

The remuneration of non-executive directors is fixed. The non-executive directors do not participate in any Caltex incentive or bonus schemes. Caltex does not have a retirement scheme for non-executive directors.

4b. Board and Committee fee rates for 2013

Shareholders approved the current maximum annual remuneration pool for non-executive directors of \$2,000,000, including statutory entitlements, at the 2010 Annual General Meeting. Caltex does not intend to seek any increase to this pool at the 2014 Annual General Meeting.

The Committee engaged the Godfrey Remuneration Group (GRG) to review non-executive director remuneration and make recommendations for 2014 remuneration levels. In its report, GRG outlined the results of benchmarking Caltex's remuneration practices for non-executive directors to a comparator group of companies listed on the ASX. The comparator group consisted of 24 companies – 10 companies with a larger market capitalisation than Caltex and 14 with a smaller market capitalisation than Caltex. (This was the same comparator group used by GRG in relation to its review of base salaries for the Managing Director & CEO and other Senior Executives.) GRG's report was considered by the Committee, and the Committee's recommendations were considered and approved by the Board in December 2013.

The Board approved the Committee's recommendation to maintain the base Board and Chairman fees for 2014 at their current levels. These fees have now been unchanged since 2012. The Board also approved an increase to the Committee fees for the members and Chairmen of the Human Resources Committee and the OHS & Environmental Risk Committee. These changes align the fees for these two committees to the fees paid to the members and the Chairman of the Audit Committee. The increase in these fees recognises the equivalent complexity and workload requirements of the Human Resources Committee and the Audit Committee and the critical importance and role of the OHS & Environmental Risk Committee given the industry in which Caltex operates. These changes to Committee fees equate to a year on year fee increase of 2.3% overall.

Table 11. 2013 non-executive directors' fees

The following table shows the fee rates for 2013 which were unchanged from 2012:

ROLE	2013 BASE FEES (UNCHANGED)	2013 FEES INCLUDING SUPERANNUATION*
Board		
Chairman	\$465,000 (inclusive of all committee fees)	\$508,013
Director	\$155,000	\$169,338
Board Committee Chairman		
Audit Committee	\$36,000	\$39,330
Human Resources Committee	\$31,000	\$33,868
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$26,000	\$28,405
Board Committee Member		
Audit Committee	\$18,000	\$19,665
Human Resources Committee	\$15,500	\$16,934
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$13,000	\$14,203

* Caltex pays superannuation at 9.25% for non-executive directors (from 1 July 2013). Superannuation is not paid for overseas directors.

Directors' Report (continued)

	PRIMARY		POST-EMPLOYMENT	OTHER LONG TERM	EQUITY		TOTAL	
	SALARY AND FEES	BONUS (SHORT TERM INCENTIVE) ⁽ⁱ⁾	NON-MONETARY BENEFITS	SUPER-ANNUATION ^{(ii) (iii)}	OTHER	SHARE BENEFITS (LONG TERM INCENTIVE)		RIGHTS BENEFITS (LONG TERM INCENTIVE)
Tim Leveille								
2013	-	-	-	-	-	-	-	-
2012	76,014	-	-	-	-	-	-	76,014
Walter Szopiak								
2013	-	-	-	-	-	-	-	-
2012	82,389	-	-	-	-	-	-	82,389
John Thorn								
2013	86,310	-	479	6,808	-	-	-	93,597
2012	208,674	-	1,384	16,411	-	-	-	226,469
Total: non-executive directors								
2013	1,614,099	-	2,956	73,704	-	-	-	1,690,759
2012	1,603,755	-	3,111	76,472	-	-	-	1,683,338
Total remuneration: Directors								
2013	3,626,283	-	16,613	98,704	91,130	196,723	1,853,110	5,882,563
2012	3,616,844	865,518	20,580	111,889	51,675	549,418	1,814,509	7,030,433

Notes:

- (i) No STI was awarded to the Managing Director & CEO for the 2013 year due to the company failing to meet the required profit thresholds under the Rewarding Results Plan.
- (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.

5. Shareholdings of key management personnel

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

	HELD AT 31 DECEMBER 2012	HELD AT 31 DEC 2012	PURCHASED	VESTED	SOLD	HELD AT 31 DEC 2013
Directors						
Elizabeth Bryan	14,946	-	-	-	-	14,946
Julian Segal	166,563	-	-	279,432	(325,412)	120,583
Trevor Bourne	5,395	-	-	-	-	5,395
Richard Brown	-	-	-	-	-	-
Barbara Burger	-	-	-	-	-	-
Greig Gailey	5,000	-	-	-	-	5,000
Colleen Jones-Cervantes	-	-	-	-	-	-
Ryan Krogmeier	-	-	-	-	-	-
Bruce Morgan	-	10,500	-	-	-	10,500
John Thorn	1,510	-	-	-	(1,510)	-
Senior Executives						
Simon Hepworth	65,358	-	-	59,494	(103,500)	21,352
Peter Lim	7,272	-	-	19,246	(15,849)	10,669
Mike McMenamin	12,827	-	-	43,626	(45,831)	10,622
Bruce Rosengarten	-	-	-	-	-	-
Gary Smith	21,123	-	-	68,372	(72,979)	16,516
Andy Walz	-	-	-	-	-	-
Simon Willshire	13,055	-	-	42,482	(45,394)	10,143

Directors' Report (continued)

REMUNERATION REPORT (continued)

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

6. 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 2013 (2012: nil).

During 2013, 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 2013, Mr Morgan was a director of Origin Energy Limited and Sydney Water. Transactions with these companies and their subsidiaries 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.

Directors' Report (continued)

DIRECTORS' INTERESTS

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2013:

DIRECTOR	SHAREHOLDING	NATURE OF INTEREST
Ms Elizabeth Bryan	14,946	Direct interest
Mr Julian Segal	120,583	Direct interest in 73,979 shares; indirect interest in 46,604 shares. Mr Segal also has a direct interest in 642,160 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 Bruce Morgan	10,500	Indirect interest

Note:

The directors have not acquired or disposed of any relevant interests in the company's shares in the period from 1 January 2014 to the date of this report.

BOARD AND COMMITTEE MEETINGS

The Board of Caltex Australia Limited met 8 times during the year ended 31 December 2013. In addition, a Board strategy session was held during the year.

In 2013, the Board operated the following standing committees:

- Audit Committee, which met 4 times,
- Human Resources Committee, which met 4 times,
- Nomination Committee, which met 3 times, and
- OHS & Environmental Risk Committee, which met 4 times.

Special purpose committees were convened on 2 occasions in 2013.

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	8	8	4	4	4	4	3	3	4	4	3	3
Mr Julian Segal	8	8									3	3
Mr Trevor Bourne	8	8	4	4	3	3	3	3	4	4	2	2
Mr Richard Brown	8	8					3	3			1	1
Ms Barbara Burger	8	8					3	3	4	4	1	1
Mr Greig Gailey	8	8	4	4	4	4	3	3	4	4	1	1
Mr Ryan Krogmeier	8	8			4	4	3	3				1
Mr Bruce Morgan ²	4	4	2	2	2	2			2	2	2	2
Former director												
Mr John Thorn ³	2	2	1	1	1	1	1	1				
Former alternate director												
Ms Colleen Jones-Cervantes ⁴												

Notes:

A: Number of meetings eligible to attend.

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 Bruce Morgan was appointed from 29 June 2013.

3 Mr John Thorn resigned from 9 May 2013.

4 Ms Colleen Jones-Cervantes was not eligible to attend any meetings in her capacity as alternate director for Mr Richard Brown, Ms Barbara Burger and Mr Ryan Krogmeier prior to her resignation as an alternate director from 25 July 2013.

Directors' Report (continued)

SHARES AND INTERESTS

The total number of ordinary shares on issue at the date of this report and during 2013 is 270 million shares (2012: 270 million shares). The total number of performance rights on issue at the date of this report is 2,437,647 (2012: 2,907,314). 667,640 performance rights were issued during 2013 (2012: 1,150,552). 1,137,307 performance rights were distributed or lapsed during the year (2012: 423,416). 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 2013, 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 2013:

- for non-audit services – total fees of \$151,400 (2012: \$389,600); these services included taxation services (\$70,000) and other assurance services (\$81,400), and
- for audit services – total fees of \$919,400 (2012: \$1,144,000).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2013. 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 2013 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 2013 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
 - the provision of non-audit services in 2013 was consistent with the Board's policy on the provision of services by the external auditor,
 - the non-audit services provided in 2013 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 2013 that would impair the impartial and objective judgement of KPMG as external auditor.

COMPANY SECRETARIES

Mr Peter Lim

Mr Peter Lim is Caltex's Company Secretary and General Counsel. In this role, he serves as Company Secretary to the Board, as Committee Secretary for the Nomination Committee, and as a company secretary for various companies in the Caltex Australia Group.

Mr Lim was appointed as Company Secretary of Caltex Australia Limited from 21 April 2011 and was appointed as Company Secretary and General Counsel from 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 is Caltex's Assistant Company Secretary and was appointed as a company secretary of Caltex Australia Limited from 27 October 2011. She is also the Committee Secretary for the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee, and a company secretary of various companies in the Caltex Australia Group.

Ms King holds a Bachelor of Commerce from the University of New South Wales, and is a member of the Governance Institute of Australia and 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 2013, Caltex Australia Limited entered into a deed of access, insurance and indemnity with Mr Bruce Morgan on his appointment as 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

Directors' Report (continued)

- 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

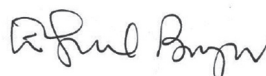
Caltex Australia Limited has paid a premium in respect of a contract insuring the directors and officers of Caltex Australia Limited against liabilities.

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 2013 Directors' Report and the 2013 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 AM
Chairman



J Segal
Managing Director & CEO

Sydney, 24 February 2014

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 2013 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, 24 February 2014



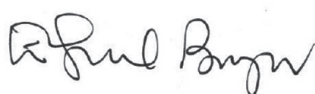
Greg Boydell
Partner

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 2013,
- (b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2013, 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 2013 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 AM
Chairman



J Segal
Managing Director & CEO

Sydney, 24 February 2014

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 2013, 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 32 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 2013 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 30 to 56 of the directors' report for the year ended 31 December 2013. 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 2013 that are described as audited comply with Section 300A of the *Corporations Act 2001*.



KPMG

Sydney, 24 February 2014



Greg Boydell
Partner

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

THOUSANDS OF DOLLARS	NOTE	2013	2012
Revenue	2	24,676,383	23,541,779
Replacement cost of goods sold (excluding product duties and taxes and inventory gains/(losses))		(17,912,406)	(16,800,492)
Product duties and taxes		(5,126,439)	(5,027,201)
Inventory gains/(losses)		246,445	(131,805)
Cost of goods sold – historical cost		(22,792,400)	(21,959,498)
Gross profit		1,883,983	1,582,281
Net foreign exchange losses		(77,876)	(8,439)
Other income	2	44,881	22,883
Refining and Supply expenses		(242,632)	(667,598)
Marketing expenses		(731,302)	(665,758)
Other expenses		(52,880)	(80,876)
Results from operating activities		824,174	182,493
Finance costs	3	(97,675)	(99,459)
Finance income	3	8,884	2,196
Net finance costs		(88,791)	(97,263)
Share of net profit of entities accounted for using the equity method	23(d)	158	1,634
Profit before income tax expense		735,541	86,864
Income tax expense	4	(206,784)	(29,263)
Net profit		528,757	57,601
Profit/(loss) attributable to:			
Equity holders of the parent entity		530,028	56,777
Non-controlling interest		(1,271)	824
Net profit		528,757	57,601
Basic and diluted earnings per share:			
Historical cost – cents per share	6	196.3	21.0

The consolidated income statement for the year ended 31 December 2013 includes significant gains of \$27,763,000 (2012: \$441,355,000 loss). 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 2013

THOUSANDS OF DOLLARS	NOTE	2013	2012
Profit for the period		528,757	57,601
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit plans	18(b)	30,470	6,887
Tax on items that will not be reclassified to profit or loss		(9,141)	(1,616)
Total items that will not be reclassified to profit or loss		21,329	5,271
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		88,206	(29,731)
Net change in fair value of cash flow hedges reclassified to profit or loss		(73,549)	25,330
Tax on items that may be reclassified subsequently to profit or loss		(4,397)	1,320
Total items that may be reclassified subsequently to profit or loss		10,260	(3,081)
Other comprehensive income for the period, net of income tax		31,589	2,190
Total comprehensive income for the period		560,346	59,791
Attributable to:			
Equity holders of the parent entity		561,617	58,967
Non-controlling interest		(1,271)	824
Total comprehensive income for the period		560,346	59,791

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 2013

THOUSANDS OF DOLLARS	NOTE	2013	2012
Current assets			
Cash and cash equivalents		199,922	209,929
Receivables	7	988,533	1,047,434
Inventories	8	2,027,857	1,651,509
Other	9	35,416	39,802
Total current assets		3,251,728	2,948,674
Non-current assets			
Receivables	7	3,048	2,207
Investments accounted for using the equity method	23	23,863	24,157
Other investments	10	3	3
Intangibles	11	144,247	108,064
Property, plant and equipment	12	2,125,617	1,769,915
Deferred tax assets	4	469,890	528,136
Other	9	2,474	4,480
Total non-current assets		2,769,142	2,436,962
Total assets		6,020,870	5,385,636
Current liabilities			
Payables	13	1,716,399	1,497,147
Interest bearing liabilities	14	71,404	1,188
Current tax liabilities		55,361	9,862
Provisions	15	228,993	124,200
Total current liabilities		2,072,157	1,632,397
Non-current liabilities			
Payables	13	5,657	6,595
Interest bearing liabilities	14	870,921	948,744
Provisions	15	475,103	638,321
Total non-current liabilities		1,351,681	1,593,660
Total liabilities		3,423,838	3,226,057
Net assets		2,597,032	2,159,579
Equity			
Issued capital	16	543,415	543,415
Treasury stock		(610)	20
Reserves		(10,258)	(7,655)
Retained earnings		2,055,262	1,611,905
Total parent entity interest		2,587,809	2,147,685
Non-controlling interest		9,223	11,894
Total equity		2,597,032	2,159,579

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 2013

THOUSANDS OF DOLLARS	ISSUED CAPITAL	TREASURY STOCK	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGING RESERVE	EQUITY COMPENSATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
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
Balance at 1 January 2013	543,415	20	–	(19,525)	11,870	1,611,905	2,147,685	11,894	2,159,579
Total comprehensive income for the year									
Profit/(loss) for the period	–	–	–	–	–	530,028	530,028	(1,271)	528,757
Total other comprehensive income	–	–	–	10,260	–	21,329	31,589	–	31,589
Total comprehensive income/(expense) for the year	–	–	–	10,260	–	551,357	561,617	(1,271)	560,346
Foreign currency translation differences for foreign operations	–	–	(240)	–	–	–	(240)	–	(240)
Own shares acquired	–	(21,434)	–	–	–	–	(21,434)	–	(21,434)
Shares vested to employees	–	20,804	–	–	(20,804)	–	–	–	–
Expense on equity settled transactions	–	–	–	–	8,181	–	8,181	–	8,181
Dividends to shareholders	–	–	–	–	–	(108,000)	(108,000)	(1,400)	(109,400)
Balance at 31 December 2013	543,415	(610)	(240)	(9,265)	(753)	2,055,262	2,587,809	9,223	2,597,032

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 2013

THOUSANDS OF DOLLARS	NOTE	2013	2012
Cash flows from operating activities			
Receipts from customers		28,354,086	27,015,253
Payments to suppliers, employees and governments		(27,552,535)	(26,396,190)
Dividends and disbursements received		2,550	1,600
Interest received		7,807	2,829
Interest and other finance costs paid		(87,391)	(108,778)
Income taxes paid		(116,577)	(114,976)
Net operating cash inflows	25(b)	607,940	399,738
Cash flows from investing activities			
Purchase of assets and liabilities through business combination	26	(42,967)	(11,446)
Purchases of property, plant and equipment		(481,582)	(342,683)
Major cyclical maintenance		(36,173)	(34,430)
Purchases of intangibles		(8,992)	(13,389)
Net proceeds from sale of property, plant and equipment		62,545	6,768
Net investing cash outflows		(507,169)	(395,180)
Cash flows from financing activities			
Proceeds from borrowings		4,237,000	12,895,678
Repayments of borrowings		(4,237,000)	(12,566,845)
Repayment of finance lease principal		(1,378)	(2,780)
Dividends paid to non-controlling interest		(1,400)	(1,000)
Dividends paid		(108,000)	(121,500)
Net financing cash (outflows)/inflows		(110,778)	203,553
Net (decrease)/increase in cash and cash equivalents		(10,007)	208,111
Cash and cash equivalents at the beginning of the year		209,929	1,818
Cash and cash equivalents at the end of the year	25(a)	199,922	209,929

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 2013

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 2013 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 Group is a for-profit entity and is primarily involved in the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores. The consolidated financial statements were approved by the Board and authorised for issue on 24 February 2014.

(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) 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, and
- the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost less the present value of the defined benefit obligation.

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

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

The preparation of a consolidated financial report in conformity with 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.

Changes in accounting policies

The Group has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. Of the Accounting Standards that were amended, the following had an impact upon Caltex's financial statements:

- AASB 119 Employee Benefits – the Group has changed its accounting policy with respect to accounting for defined benefit plans as follows:
 - changes in the net defined benefit liability, including actuarial gains and losses, are recognised in comprehensive income when they occur, and
 - previously, the Group determined interest income on plan assets based on their long-term rate of expected return. The revised AASB 119 replaces the interest cost and expected return on plan assets with a net interest amount.
- AASB 13 Fair Value – the Group has complied with the standard's establishment of a single framework for measuring fair value and making disclosures about fair value measurements. In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value guidance prospectively and has not provided any comparative information. Refer to note 17 for further detail.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns from its involvement with the entity and through its power over the entity.

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

Interests in associates and jointly controlled entities

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.

In the consolidated financial statements, investments in joint ventures are accounted for using equity accounting principles. Investments in joint ventures are carried at the lower of the equity accounted amount and recoverable amount.

The Group's share of the joint venture's net profit or loss is recognised in the consolidated income statement from the date joint control commences until the date joint control

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Joint operations

The interests of the Group in unincorporated joint operations 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 operation.

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

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies include:

- 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,
- in note 1(j), explanation is given of the foreign exchange, interest rate and commodity price exposures of the Group and the risk in relation to foreign exchange, interest rate and commodity price movements. Refer to note 17 for further detail,
- 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, and
- note 18(b) contains information about the principal actuarial assumptions used in determining pension obligations for the Group's defined benefit plan.

(d) Revenue

Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of consideration received or receivable, net of rebates, discounts and allowances.

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, which is the date products are delivered to the customer.

Other revenue

Dividend income is recognised at the date the right to receive payment is established.

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.

Other income

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.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

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

(h) Net finance costs

Net finance costs include:

- Interest income that is recognised on a time proportionate basis taking into account the effective yield on the financial asset,
- 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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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

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.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at the foreign exchange rates applicable at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at a rate that approximates the exchange rates at the dates of the transactions. Equity items are translated at historical rates.

Foreign currency differences arising on translation are recognised directly in the foreign currency translation reserve (FCTR), a separate component of equity.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to, a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in the FCTR.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(j) Derivative financial instruments

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

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

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

Interest rate instruments

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

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

The fair value of crude and product swap contracts is calculated by reference to market prices for contracts with similar maturity profiles at reporting date.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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 hedges for the 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 2013

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 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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%
Rights and Licences	6 – 10%

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 hedged US notes 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 the beginning of the annual reporting period 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.

Changes in the net defined benefit liability, including all actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan, are recognised in other comprehensive income when they occur. All other expenses relating to the defined benefit plans are recognised as an expense in the consolidated income statement. The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

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 (an external third party acts as the Group's agent). Accordingly, shares held by the

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

third party 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.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These measurement bases exclude the impact of the rise or fall in oil prices (a key external factor) and present 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 excluding significant items 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 each period. If the Group's carbon emissions are under/(over) the carbon permits received, other revenue/(other expenses) is recognised at fair value.

(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 2014, 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 and liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

2. REVENUE AND OTHER INCOME

THOUSANDS OF DOLLARS	2013	2012
Revenue		
Sale of goods	24,352,188	23,261,885
Other revenue		
– Rental income	64,232	58,829
– Royalties and franchise income	108,000	115,061
– Transaction and merchant fees	86,351	85,444
– Other	65,612	20,560
Total other revenue	324,195	279,894
Total revenue	24,676,383	23,541,779
Other income		
– Net gain on sale of property, plant and equipment	44,881	22,883

3. COSTS AND EXPENSES

THOUSANDS OF DOLLARS	2013	2012
Interest expense	96,924	88,094
Finance charges on capitalised leases	43	1,472
Unwinding of discount	7,946	11,151
Less: capitalised finance costs	(7,238)	(1,258)
Finance costs	97,675	99,459
Finance income	(8,884)	(2,196)
Net finance costs	88,791	97,263
Depreciation and amortisation		
Depreciation of:		
– Buildings	10,200	9,742
– Plant and equipment	136,437	99,579
	146,637	109,321
Amortisation of:		
– Leasehold property	8,052	6,459
– Leased plant and equipment	390	650
– Intangibles	10,538	9,269
	18,980	16,378
Total depreciation and amortisation	165,617	125,699
Selected expenses		
Total personnel expenses	425,148	390,640

Significant items

During 2013, the Group incurred significant items totalling a gain of \$27,763,000, that have been recognised in the income statement. These items relate to a gain on the sale of the bitumen business, net of costs relating to acquisitions and disposals (\$38,766,000) and the net adjustment to provisions (\$11,003,000) relating to the closure of the Kurnell refinery.

During 2012, the Group incurred significant items totalling a loss of \$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.

Of this total \$27,763,000 significant items (2012: \$441,355,000), \$42,611,000 is included in Other income (2012: \$nil), \$11,003,000 is included in Refining and Supply expenses (2012: \$441,355,000), and \$3,845,000 in Other expenses (2012: \$nil).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

4. INCOME TAX EXPENSE**(a) Recognised in the income statement**

THOUSANDS OF DOLLARS	2013	2012
Current tax expense:		
Current year	164,726	107,261
Adjustments for prior years	(2,650)	3,676
	162,076	110,937
Deferred tax benefit:		
Origination and reversal of temporary differences	44,708	(81,674)
Total income tax expense in the income statement	206,784	29,263

(b) Reconciliation between income tax expense and profit before income tax expense

Profit before income tax expense	735,541	86,864
Income tax using the domestic corporate tax rate of 30% (2012: 30%)	220,662	26,059
Effect of tax rates in foreign jurisdictions	(319)	–
Increase/(decrease) in income tax expense due to:		
– Imputation gross-up on dividends received	193	257
– Share of net profit of associated entities	(47)	(490)
– Capital gains tax	355	1,363
– Capital tax losses utilised for which no deferred tax asset was recognised	(8,286)	(3,015)
– Research and development allowances	(500)	(500)
– Franking credits on dividends received	(193)	(257)
– Share based payments	(4,041)	981
– Other	1,610	1,189
Income tax (over)/under provided in prior years	(2,650)	3,676
Total income tax expense in the income statement	206,784	29,263

(c) Deferred tax recognised directly in equity

Related to actuarial gains	(9,141)	(1,616)
Related to cash flow hedges	(3,208)	(402)
Related to interest rate swaps	(1,189)	1,722
	(13,538)	(296)

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

THOUSANDS OF DOLLARS	ASSETS		LIABILITIES		NET	
	2013	2012	2013	2012	2013	2012
Receivables	1,558	1,584	–	–	1,558	1,584
Inventories	–	–	(4,818)	(1,814)	(4,818)	(1,814)
Property, plant and equipment and intangibles	252,025	286,192	–	–	252,025	286,192
Payables	9,660	3,821	–	–	9,660	3,821
Interest bearing liabilities	3,973	8,746	–	–	3,973	8,746
Provisions	211,229	231,156	–	–	211,229	231,156
Other	–	–	(3,737)	(1,549)	(3,737)	(1,549)
Net tax assets/(liabilities)	478,445	531,499	(8,555)	(3,363)	469,890	528,136

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

(e) Unrecognised deferred tax assets

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

THOUSANDS OF DOLLARS	2013	2012
Capital tax losses	150,203	175,382

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 13	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE AT 31 DEC 13
Receivables	1,584	(26)	–	1,558
Inventories	(1,814)	(3,004)	–	(4,818)
Property, plant and equipment and intangibles	286,192	(34,167)	–	252,025
Payables	3,821	5,839	–	9,660
Interest bearing liabilities	8,746	(376)	(4,397)	3,973
Provisions	231,156	(10,786)	(9,141)	211,229
Other	(1,549)	(2,188)	–	(3,737)
	528,136	(44,708)	(13,538)	469,890

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 and intangibles	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 2013

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
2013				
Interim 2013	2 October 2013	Franked	17	45,900
Final 2012	4 April 2013	Franked	23	62,100
Total amount			40	108,000
2012				
Interim 2012	3 October 2012	Franked	17	45,900
Final 2011	3 April 2012	Franked	28	75,600
Total amount			45	121,500

The dividends paid during 2013 were fully franked at the rate of 30%.

Subsequent events

Since 31 December 2013, 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 2013.

Final 2013	3 April 2014	Franked	17	45,900
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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 2013 and will be recognised in subsequent financial reports.

(b) Dividend franking account

THOUSANDS OF DOLLARS	2013	2012
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	1,187,013	1,071,780

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 \$19,671,429 (2012: \$26,614,286).

In accordance with the tax consolidation legislation, Caltex Australia Limited as the head entity in the tax-consolidated group has also assumed the benefit of \$1,187,013,000 (2012: \$1,071,780,000) in franking credits.

6. BASIC AND DILUTED EARNINGS PER SHARE

	2013	2012
Historical cost – cents per share	196	21
Replacement cost of sales operating profit (RCOP) excluding significant items – cents per share	123	170

The calculation of historical cost basic earnings per share for the year ended 31 December 2013 was based on the net profit attributable to ordinary shareholders of the parent entity of \$530,028,000 (2012: \$56,777,000) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2013 of 270 million shares (2012: 270 million shares).

The calculation of RCOP excluding significant items basic earnings per share for the year ended 31 December 2013 was based on the net RCOP 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 2013 of 270 million shares (2012: 270 million shares). RCOP is calculated by adjusting the statutory profit for significant items and inventory gains and losses as follows:

THOUSANDS OF DOLLARS	2013	2012
Net profit attributable to equity holders of the parent entity	530,028	56,777
Adjust: Significant items (gains)/losses after tax	(25,904)	308,949
Adjust: Inventory (gains)/losses after tax	(172,512)	92,264
Replacement cost of sales operating profit (RCOP) excluding significant items after tax	331,612	457,990

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

7. RECEIVABLES

THOUSANDS OF DOLLARS	2013	2012
Current		
Trade debtors	901,494	926,582
Allowance for impairment	(4,809)	(4,736)
	896,685	921,846
Associated entities	35,217	55,559
Other related entities	1,966	4,665
Other debtors	54,665	65,364
	988,533	1,047,434
Non-current		
Other loans	3,048	2,207

(a) Impaired receivables

As at 31 December 2013, current trade receivables of the Group with a nominal value of \$4,809,000 (2012: \$4,736,000) 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 2013, trade receivables of \$35,776,000 (2012: \$22,098,000) 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	2013	2012
Past due 0 – 30 days	29,871	19,788
Past due 31 – 60 days	2,849	1,112
Past due greater than 60 days	3,056	1,198
	35,776	22,098

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

THOUSANDS OF DOLLARS	2013	2012
At 1 January	4,736	6,472
Provision for impairment recognised during the year	2,216	1,301
Receivables written off during the year as uncollectible	(2,143)	(3,037)
At 31 December	4,809	4,736

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

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

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

8. INVENTORIES

THOUSANDS OF DOLLARS	2013	2012
Crude oil and raw materials	882,270	703,767
Inventory in process	128,496	181,396
Finished goods	1,000,990	750,951
Materials and supplies	16,101	15,395
	2,027,857	1,651,509

9. OTHER ASSETS

Current		
Prepayments	35,416	39,802
Non-current		
Other	2,474	4,480

10. OTHER INVESTMENTS

Investment in other entities	3	3
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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

11. INTANGIBLES

THOUSANDS OF DOLLARS	NOTE	GOODWILL	RIGHTS AND LICENCES	SOFTWARE	TOTAL
Cost					
At 1 January 2013		84,615	16,791	78,741	180,147
Acquisitions through business combinations	26	28,938	8,797	–	37,735
Additions		–	262	8,730	8,992
Disposals		–	(6)	–	(6)
Balance at 31 December 2013		113,553	25,844	87,471	226,868
Cost					
At 1 January 2012		84,552	5,986	67,990	158,528
Acquisitions through business combinations	26	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
Amortisation					
At 1 January 2013		(16,391)	(6,098)	(49,594)	(72,083)
Amortisation for the year		–	(2,229)	(8,309)	(10,538)
Balance at 31 December 2013		(16,391)	(8,327)	(57,903)	(82,621)
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)
Carrying amount					
At 1 January 2013		68,224	10,693	29,147	108,064
At 31 December 2013		97,162	17,517	29,568	144,247
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

Amortisation

The amortisation charge of \$10,538,000 (2012: \$9,269,000) 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	2013	2012
Distributor businesses	97,162	68,224

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 2013 (2012: nil).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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	2013	2012
Freehold land		
At cost	365,664	365,469
Accumulated impairment losses	(37,284)	(37,284)
Net carrying amount	328,380	328,185
Buildings		
At cost	478,768	437,419
Accumulated depreciation and impairment losses	(227,086)	(223,745)
Net carrying amount	251,682	213,674
Leasehold property		
At cost	140,408	124,384
Accumulated amortisation	(77,953)	(72,870)
Net carrying amount	62,455	51,514
Plant and equipment		
At cost	4,588,469	4,329,525
Accumulated depreciation and impairment losses	(3,606,357)	(3,481,205)
Net carrying amount	982,112	848,320
Leased plant and equipment		
At capitalised cost	25,012	24,051
Accumulated amortisation	(24,769)	(23,729)
Net carrying amount	243	322
Capital projects in progress		
At cost	539,210	379,113
Accumulated impairment losses	(38,465)	(51,213)
Net carrying amount	500,745	327,900
Total net carrying amount	2,125,617	1,769,915

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

Reconciliations

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

THOUSANDS OF DOLLARS	2013	2012
Freehold land		
Carrying amount at the beginning of the year	328,185	335,686
Additions	3,085	11
Disposals	(2,890)	(7,512)
Carrying amount at the end of the year	328,380	328,185
Buildings		
Carrying amount at the beginning of the year	213,674	181,692
Additions	247	744
Disposals	(1,102)	(462)
Transfers from capital projects in progress	49,063	41,442
Depreciation	(10,200)	(9,742)
Carrying amount at the end of the year	251,682	213,674
Leasehold property		
Carrying amount at the beginning of the year	51,514	42,757
Additions	52	305
Disposals	(156)	(238)
Transfers from capital projects in progress	19,097	15,149
Amortisation	(8,052)	(6,459)
Carrying amount at the end of the year	62,455	51,514
Plant and equipment		
Carrying amount at the beginning of the year	848,320	686,535
Additions	40,248	30,834
Acquisition through business combination	2,265	1,022
Disposals	(13,516)	(26,348)
Transfers to leased plant and equipment	(311)	–
Transfers from capital projects in progress	241,543	255,856
Depreciation	(136,437)	(99,579)
Carrying amount at the end of the year	982,112	848,320
Leased plant and equipment		
Carrying amount at the beginning of the year	322	972
Transfers from plant and equipment	311	–
Amortisation	(390)	(650)
Carrying amount at the end of the year	243	322
Capital projects in progress		
Carrying amount at the beginning of the year	327,900	287,806
Additions	475,310	351,283
Borrowing costs capitalised	7,238	1,258
Transfers to buildings, leased property, plant and equipment	(309,703)	(312,447)
Carrying amount at the end of the year	500,745	327,900

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

13. PAYABLES

THOUSANDS OF DOLLARS	2013	2012
Current		
Trade creditors – unsecured*		
– Related entities	524,831	328,997
– Other corporations and persons	670,660	608,257
Other creditors and accrued expenses	520,908	559,893
	1,716,399	1,497,147
Non-current		
Other creditors and accrued expenses	5,657	6,595

* Trade creditors are non-interest bearing and are normally settled on 30 day terms.

14. INTEREST BEARING LIABILITIES

THOUSANDS OF DOLLARS	2013	2012
Current – unsecured		
US notes ⁽ⁱ⁾	56,216	–
Hedge payable ^{(i),(ii)}	15,041	–
Lease liabilities ⁽ⁱⁱⁱ⁾	147	1,188
	71,404	1,188
Non-current – unsecured		
Domestic medium term notes ⁽ⁱ⁾	149,583	149,500
Subordinated note ⁽ⁱ⁾	538,345	535,183
US notes ⁽ⁱ⁾	147,341	177,714
Hedge payable ^{(i),(ii)}	35,652	86,053
Lease liabilities ⁽ⁱⁱⁱ⁾	–	294
	870,921	948,744

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 domestic medium term notes, subordinated note and the US notes are provided by a number of capital markets. The domestic medium term notes and subordinated note are denominated in Australian dollars, and US notes are denominated in US dollars. Under the note agreements, the Group is required to comply with certain financial covenants. There is no security or demand placed on the notes. The US notes and hedge payable will mature in: April 2014, totalling \$71,257,000, and April 2016, totalling \$182,993,000. The domestic medium term note will mature in November 2018, totalling \$149,583,000. The subordinated note has a maturity date of September 2037, with the option for redemption in September 2017, totalling \$538,345,000.
- (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 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 2013 (USD exchange rate 0.8903) 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 REMEDICATION & DISMANTLING	OTHER	TOTAL
Balance at 1 January 2013	315,196	429,910	17,415	762,521
Provisions made during the year	45,530	53,569	9,579	108,678
Provisions used during the year	(125,503)	(38,129)	(8,963)	(172,595)
Discounting movement	1,873	3,619	–	5,492
Balance at 31 December 2013	237,096	448,969	18,031	704,096
Current	146,210	68,074	14,709	228,993
Non-current	90,886	380,895	3,322	475,103
	237,096	448,969	18,031	704,096

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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.

Site remediation & dismantling

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	2013	2012
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 15 to 60 for further detail).

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

17. FINANCIAL INSTRUMENTS

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

The Group enters into derivative transactions, principally interest rate swaps, cross currency swaps, forward foreign 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 shall be undertaken. The Group's accounting policies in relation to derivatives are set out in note 1.

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, monitor and report 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 note, 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 magnitude of each type of financial risk that has arisen over the year is discussed below.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

17. FINANCIAL INSTRUMENTS (continued)

(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 2013, the fixed rates varied from 3.4% p.a. to 5.3% p.a. (2012: 3.2% p.a. to 5.3% p.a.), a weighted average rate of 4.3% p.a. (2012: 4.2% p.a.). The floating rates were at bank bill rates.

The net fair value of interest rate swap contracts at 31 December 2013 was \$6,595,000 loss (2012: \$10,621,000 loss). The Group classifies qualifying interest rate swap contracts as cash flow hedges.

The Group has entered into combined cross currency swap and interest rate swap contracts maturing on 30 April 2014 and cross currency swap contracts maturing on 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 2013 was \$50,693,000 loss (2012: \$86,053,000 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 2013, 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	2013		2012	
	NET PROFIT	EQUITY	NET PROFIT	EQUITY
Interest rates decrease 1%	2,000,000	(4,100,000)	1,800,000	(6,300,000)
Interest rates increase 1%	(2,000,000)	3,900,000	(1,600,000)	6,000,000

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 2013								
Financial assets								
Cash at bank and on hand		199,922	–	–	–	–	199,922	3.1%
		199,922	–	–	–	–	199,922	
Financial liabilities								
US notes	14	147,341	56,216	–	–	–	203,557	9.9%
Domestic medium term note	14	–	–	149,583	–	–	149,583	7.3%
Subordinated note	14	538,345	–	–	–	–	538,345	7.1%
Hedge payable	14	35,652	15,041	–	–	–	50,693	9.9%
Lease liabilities	14	–	147	–	–	–	147	14.0%
		721,338	71,404	149,583	–	–	942,325	

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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	129,530	–	48,184	–	–	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	60,394	–	25,659	–	–	86,053	10.3%
Lease liabilities	14	–	1,188	294	–	–	1,482	14.0%
		725,107	1,188	74,137	149,500	–	949,932	

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

(b) Foreign exchange risk

The Group is exposed to the effect of changes in exchange rates on its operations.

The Group's foreign exchange policy hedges 50% of its US dollar denominated crude and product exposure. The Group also enters into forward foreign exchange contracts to cover major capital expenditure items. As at 31 December 2013, the total fair value of all outstanding forward foreign exchange contracts amounted to \$3,350,000 gain (2012: \$2,842,000 gain). 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 2013, 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 change by:

DOLLARS	2013		2012	
	NET PROFIT	EQUITY	NET PROFIT	EQUITY
AUD strengthens against USD 10%	29,100,000	(2,700,000)	17,300,000	(4,000,000)
AUD weakens against USD 10%	(30,300,000)	3,300,000	(21,600,000)	5,000,000

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 amount)	2013			2012		
	US DOLLAR	AUSTRALIAN DOLLAR	TOTAL	US DOLLAR	AUSTRALIAN DOLLAR	TOTAL
Cash/(bank overdraft)	11,871	188,051	199,922	(3,325)	213,254	209,929
Trade receivables	86,283	905,298	991,581	130,552	919,089	1,049,641
Trade payables	(1,107,933)	(617,473)	(1,725,406)	(830,398)	(676,186)	(1,506,584)
Forward exchange contracts	3,350	–	3,350	2,842	–	2,842
US notes	(203,557)	–	(203,557)	(177,714)	–	(177,714)
Hedge payable	(50,693)	–	(50,693)	(86,053)	–	(86,053)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

17. FINANCIAL INSTRUMENTS (continued)

(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 price timing risks brought about by purchase and sales transactions that are outside the normal operating conditions of the Group. During the year, the Group utilised hedge instruments to correct price timing exposures.

(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 foreign currency that Caltex pays when settlement occurs, should the counterparty fail to pay the amount which it is committed under the contract 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 mark to market amount to be received from counterparties over the life of contracts that are favourable to the Group. As at 31 December 2013, there is no expected credit risk on any financial instruments (2012: nil).

The liquidity risk policy requires 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 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

(e) Liquidity risk management

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 2013	%	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities						
US notes	9.9	203,557	229,142	70,544	158,598	–
Domestic medium term notes	7.3	149,583	204,432	10,886	193,546	–
Subordinated note*	7.1	538,345	712,978	39,272	673,706	–
Hedge payable	9.9	50,693	63,617	19,992	43,625	–
Lease liabilities	14.0	147	152	152	–	–
Payables						
Interest rate swaps	4.3	6,595	6,858	4,148	2,710	–
Forward FX contracts						
– inflow	–	(3,350)	(610,804)	(610,636)	(168)	–
– outflow	–	–	608,223	608,073	150	–
Payables	–	1,718,811	1,719,769	1,716,804	2,965	–

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

	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	–

(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 2013, 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, Tax, 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 2013

17. FINANCIAL INSTRUMENTS (continued)

The gearing ratios at 31 December 2013 and 31 December 2012 were as follows:

THOUSANDS OF DOLLARS	2013	2012
Total interest bearing liabilities	942,325	949,932
Less: cash and cash equivalents	(199,922)	(209,929)
Net debt	742,403	740,003
Total equity	2,597,032	2,159,579
Total capital	3,339,435	2,899,582
Gearing ratio	22.2%	25.5%

(g) Fair values of financial assets and liabilities

The Group's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities. The Group has an established framework for fair value measurement. When measuring the fair value of an asset or a liability, the Group uses market observable data where available.

Fair values are categorised into different levels in a fair value hierarchy based on the following valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability can be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values of recognised financial assets and liabilities with their carrying amounts shown in the balance sheet are as follows:

THOUSANDS OF DOLLARS	CARRYING AMOUNT	ASSET/(LIABILITY)			
		FAIR VALUE TOTAL	QUOTED MARKET PRICE (LEVEL 1)	OBSERVABLE INPUTS (LEVEL 2)	NON-MARKET OBSERVABLE INPUTS (LEVEL 3)
31 December 2013					
Cash and cash equivalents	199,922	199,922	199,922	–	–
Receivables ⁽ⁱ⁾	991,581	991,581	–	991,581	–
Interest bearing liabilities					
US notes ⁽ⁱⁱ⁾	(203,557)	(204,317)	–	(204,317)	–
Domestic medium term notes ⁽ⁱⁱⁱ⁾	(149,583)	(161,053)	–	(161,053)	–
Subordinated note	(538,345)	(593,483)	(593,483)	–	–
Cross currency swaps ^(iv)	(50,693)	(50,693)	–	(50,693)	–
Lease liabilities ^(v)	(147)	(152)	–	(152)	–
Payables					
Interest rate swaps ^(iv)	(6,595)	(6,595)	–	(6,595)	–
Forward foreign exchange contracts ^(iv)	3,350	3,350	–	3,350	–
Payables ⁽ⁱ⁾	(1,718,811)	(1,718,811)	–	(1,718,811)	–
Total	(1,472,878)	(1,540,250)	(393,561)	(1,146,689)	–

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

THOUSANDS OF DOLLARS	CARRYING AMOUNT	ASSET/(LIABILITY)			
		FAIR VALUE TOTAL	QUOTED MARKET PRICE (LEVEL 1)	OBSERVABLE INPUTS (LEVEL 2)	NON-MARKET OBSERVABLE INPUTS (LEVEL 3)
31 December 2012					
Cash and cash equivalents	209,929	209,929	209,929	–	–
Receivables ⁽ⁱ⁾	1,049,641	1,049,641	–	1,049,641	–
Interest bearing liabilities					
US notes ⁽ⁱⁱ⁾	(177,714)	(179,618)	–	(179,618)	–
Domestic medium term notes ⁽ⁱⁱⁱ⁾	(149,500)	(166,164)	–	(166,164)	–
Subordinated note	(535,183)	(576,510)	(576,510)	–	–
Cross currency swaps ^(iv)	(86,053)	(86,053)	–	(86,053)	–
Lease liabilities ^(v)	(1,482)	(1,558)	–	(1,558)	–
Payables					
Interest rate swaps ^(iv)	(10,621)	(10,621)	–	(10,621)	–
Forward foreign exchange contracts ^(iv)	2,842	2,842	–	2,842	–
Payables ⁽ⁱ⁾	(1,495,963)	(1,495,963)	–	(1,495,963)	–
Total	(1,194,104)	(1,254,075)	(366,581)	(887,494)	–

Estimation of fair values

Due to the introduction of AASB 13 in 2013, the framework for measuring fair value has changed. The Group has applied the new fair value guidance for 2013 and has restated the fair valuation techniques in 2012 for comparative information.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

(i) 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.

(ii) US notes

The fair value of US notes is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at applicable market yield, having regard to the timing of cash flows.

(iii) Domestic medium term notes

The fair value of domestic medium term notes is determined by using an independent broker quotation.

(iv) Derivatives

The fair value of cross currency swaps, interest rate swaps and forward foreign exchange contracts is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows.

(v) Lease liabilities

The fair value is estimated as the present value of future cash flows using the government bond rate.

(h) Interest rates

Caltex used the government bond rate as of 31 December 2013 plus an adequate constant credit spread to discount financial instruments. The annual interest rates used are as follows:

	2013	2012
Lease liabilities	3%	3%
Receivables	4%	4%
Payables	2 – 5%	2 – 5%

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

18. EMPLOYEE BENEFITS**(a) Liability for employee benefits**

THOUSANDS OF DOLLARS	NOTE	2013	2012
Current			
Liability for annual leave		42,630	36,680
Liability for long service leave		22,167	2,962
Liability for termination benefits		73,072	7,314
Bonus accrued		8,341	47,426
		146,210	94,382
Non-current			
Liability for long service leave		46,283	61,342
Liability for termination benefits		24,286	101,100
Defined benefit superannuation obligation		20,317	58,372
		90,886	220,814
Total liability for employee benefits	15	237,096	315,196

(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 2013

Information from the most recent actuarial valuation for the defined benefit plan at 31 December 2013 follows:

THOUSANDS OF DOLLARS	2013	2012
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	58,372	72,421
Current service cost	8,263	9,174
Net interest	1,149	(3,441)
Actual return on plan assets less interest income	(11,055)	(10,072)
Actuarial (gains)/losses arising from changes in financial assumptions	(18,620)	5,522
Actuarial (gains)/losses arising from liability experience	(795)	(2,337)
Employer contributions	(15,982)	(10,055)
Benefits paid	(1,015)	(2,840)
Net liability for defined benefit obligation at the end of the year	20,317	58,372
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	204,108	226,805
Current service cost	8,263	9,174
Interest cost	4,844	1,364
Contributions by plan participants	1,941	1,997
Actuarial (gains)/losses arising from changes in financial assumptions	(18,620)	5,522
Actuarial (gains)/losses arising from liability experience	(795)	(2,337)
Benefits paid	(17,219)	(38,417)
Present value of defined benefit obligation at the end of the year	182,522	204,108
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the year	145,736	154,384
Actual return on plan assets less interest income	11,055	10,072
Interest income	3,695	4,805
Employer contributions	15,982	10,055
Contributions by plan participants	1,941	1,997
Benefits paid	(16,204)	(35,577)
Fair value of plan assets at the end of the year	162,205	145,736
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	182,522	204,108
Fair value of plan assets	(162,205)	(145,736)
Net liability	20,317	58,372
Actuarial gains and losses recognised in other comprehensive income		
Actuarial (gains)/losses recognised in other comprehensive income	(19,415)	3,185
Actual return on plan assets less interest income	(11,055)	(10,072)
	(30,470)	(6,887)

Comparative amounts have been restated to reflect the adoption of AASB 119 Employee Benefits. Refer note 1(a) for further details on the change in accounting policy.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

18. EMPLOYEE BENEFITS (continued)

Plan assets

The defined benefit plan assets are invested in the Future Direction Moderately Conservative and Future Direction Conservative investment funds within the AMP Superannuation Savings Trust.

	2013	2012
The percentage invested in each asset class at the balance sheet date was:		
Australian equity	15%	15%
International equity	17%	16%
Fixed income	31%	31%
Alternatives/Other	15%	15%
Property	5%	5%
Cash	17%	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.

PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE BALANCE SHEET DATE (% P.A.)	2013	2012
Discount rate	3.0%	2.7%
Expected salary increase rate	2 – 3%	5 – 7%

Expected employer contributions for the reporting year to 31 December 2014 is \$18,355,000.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

THOUSANDS OF DOLLARS	DEFINED BENEFIT OBLIGATION	
	INCREASE	DECREASE
Discount rate (0.5% movement)	(2,266)	2,433
Expected salary rate (0.5% movement)	2,259	(2,086)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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	2013	2012
Employer contributions to the accumulation division plan during the year	19,264	16,064

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

19. COMMITMENTS

(a) Capital expenditure

THOUSANDS OF DOLLARS	2013	2012
Capital expenditure contracted but not provided for in the financial report and payable	62,162	46,813

(b) Leases

Finance leases

THOUSANDS OF DOLLARS	31 DECEMBER 2013			31 DECEMBER 2012		
	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL
Within one year	152	5	147	1,248	60	1,188
Between one and five years	–	–	–	310	16	294
	152	5	147	1,558	76	1,482

The Group leases production plant and equipment under finance leases expiring from one to five years. At the end of the lease term, the Group has the option of extending the leases for a further five year period. Some leases involve lease payments comprising a base amount plus an incremental rental. Contingent rentals are based on operating performance criteria. No contingent rentals were paid during the year (2012: \$292,900).

Operating leases

THOUSANDS OF DOLLARS	2013	2012
Non-cancellable operating leases – Group as lessee		
Future minimum rentals payable:		
Within one year	129,979	135,212
Between one and five years	382,605	378,734
After five years	177,347	190,216
	689,931	704,162

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. Contingent rentals of \$87,594 were paid during the year (2012: \$nil).

The expense recognised in the income statement during the year in respect of operating leases is \$136,643,000 (2012: \$113,168,000).

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.

THOUSANDS OF DOLLARS	2013	2012
Non-cancellable operating leases – Group as lessor		
Future minimum rentals receivable:		
Within one year	78,923	73,544
Between one and five years	149,042	130,834
After five years	19,119	20,513
	247,084	224,891

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 2014 and 2029.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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	2013	2012
(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	–	–
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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 \$2,192,587 (2012: \$2,003,724).

(d) Deed of Cross Guarantee and class order relief

Note 22(a) lists the companies in the Group that are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited and each other (these companies are notated with (iii)).

As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies are relieved from complying with certain requirements of the *Corporations Act*. Under the Deed of Cross Guarantee, each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

Graham Bailey Pty Ltd was added to the Deed of Cross Guarantee on 23 December 2013. No other companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2013 or from 1 January 2014 to the date of signing this financial report.

21. AUDITOR'S REMUNERATION

DOLLARS	2013	2012
Audit services – KPMG Australia	919,400	1,144,000
Non-audit services – KPMG Australia:		
Transaction services	–	165,000
Other assurance services	81,400	202,200
Taxation services	70,000	22,400
	151,400	389,600

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

(a) NAME	NOTE	% INTEREST	
		2013	2012
Companies			
Ampol Bendigo Pty Ltd	(iii)	100	100
Ampol International Holdings Pte Ltd	(ii),(viii)	100	100
Ampol Management Services Pte Ltd	(ii),(x)	100	–
Ampol Property (Holdings) Pty Ltd	(iii)	100	100
Ampol Refineries (Matraville) Pty Ltd		100	100
Ampol Singapore Trading Pte Ltd	(ii),(xi)	100	100
Ampol Road Pantry Pty Ltd		100	100
Australian Petroleum Marine Pty Ltd	(iii)	100	100
B & S Distributors Pty Ltd	(iv)	50	50
Bowen Petroleum Services Pty Ltd		100	100
Brisbane Airport Fuel Services Pty Ltd		100	100
Calgas Pty Ltd		100	100
Calstores Pty Ltd	(iii),(vi)	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	(iii)	100	100
Caltex Fuel Services Pty Ltd	(iii)	100	100
Caltex Lubricating Oil Refinery Pty Ltd	(iii)	100	100
Caltex Petroleum (Qld) Pty Ltd	(iii)	100	100
Caltex Petroleum (Victoria) Pty Ltd	(iii)	100	100
Caltex Petroleum Pty Ltd	(iii)	100	100
Caltex Petroleum Services Pty Ltd	(iii)	100	100
Caltex Refineries (NSW) Pty Ltd	(iii)	100	100
Caltex Refineries (Qld) Pty Ltd	(iii)	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	(iii)	100	100
Hanietee Pty Ltd	(iii)	100	100
Hunter Pipe Line Company Pty Ltd	(iii)	100	100
Jayvee Petroleum Pty Ltd		100	100
Jet Fuels Petroleum Distributors Pty Ltd	(iii)	100	100
Link Energy Pty Ltd		100	100
Manworth Pty Ltd		100	100
Newcastle Pipe Line Company Pty Ltd	(iii)	100	100
Northern Marketing Management Pty Ltd		100	100
Northern Marketing Pty Ltd	(iii)	100	100
Octane Insurance Pte Ltd	(ix),(ii)	100	100
Pilbara Fuels Pty Ltd		100	100
R & T Lubricants Pty Ltd	(iii)	100	100
Ruzack Nominees Pty Ltd		100	100
Solo Oil Australia Pty Ltd		100	100
Solo Oil Corporation Pty Ltd		100	100

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

22. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)

(a) NAME (continued)	NOTE	% INTEREST	
		2013	2012
Solo Oil Investments Pty Ltd	(iii)	100	100
Solo Oil Pty Ltd	(iii)	100	100
South Coast Oils Pty Ltd		100	100
South East Queensland Fuels Pty Ltd		100	100
Sydney Metropolitan Pipeline Pty Ltd	(iv)	60	60
Teraco Pty Ltd	(iv)	50	50
Tulloch Petroleum Services Pty Ltd	(iii)	100	100
Western Fuel Distributors Pty Ltd	(iv)	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 except those companies noted in (ii). The unit trusts were formed in Australia.

(ii) These companies were incorporated in Singapore.

(iii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited and each other. As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies are relieved from certain requirements of the *Corporations Act*. Under the Deed of Cross Guarantee, each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed. Graham Bailey Pty Ltd was added to the Deed of Cross Guarantee on 23 December 2013. No other companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2013 or from 1 January 2014 to the date of signing this financial report.

(iv) 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.

(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) Octane Insurance Pte Ltd was incorporated in Singapore on 4 September 2012.

(x) Ampol Management Services Pte Ltd was incorporated in Singapore on 28 May 2013.

(xi) Ampol Singapore Trading Pte Ltd was formerly called Ampol Singapore Holdings Pte Ltd and changed its name on 14 March 2013.

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

THOUSANDS OF DOLLARS	2013	2012
Revenue	24,652,221	23,327,883
Cost of goods sold – historical cost	(22,782,130)	(21,769,519)
Gross profit	1,870,091	1,558,364
Other income	44,881	22,883
Operating expenses	(1,089,172)	(1,404,041)
Finance costs	(88,791)	(99,459)
Share of profit of equity-accounted investees	158	1,634
Profit before income tax expense	737,167	79,381
Income tax expense	(204,785)	(27,241)
Net profit	532,382	52,140
Retained earnings at the beginning of the year	1,591,287	1,655,376
Movement in reserves	21,329	5,271
Dividends provided for or paid	(108,000)	(121,500)
Retained earnings at the end of the year	2,036,998	1,591,287

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

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

THOUSANDS OF DOLLARS	2013	2012
Current assets		
Cash and cash equivalents	189,960	203,305
Receivables	1,014,367	963,414
Inventories	2,027,857	1,648,024
Other	34,902	11,102
Total current assets	3,267,086	2,825,845
Non-current assets		
Receivables	3,048	2,207
Investments accounted for using the equity method	23,863	37,115
Other investments	3	3
Property, plant and equipment	2,084,695	1,726,394
Intangibles	119,094	99,960
Deferred tax assets	471,036	528,035
Other	2,474	86,187
Total non-current assets	2,704,213	2,479,901
Total assets	5,971,299	5,305,746
Current liabilities		
Payables	1,700,183	1,460,588
Interest bearing liabilities	71,407	1,188
Current tax liabilities	55,361	7,499
Provisions	228,770	123,971
Total current liabilities	2,055,721	1,593,246
Non-current liabilities		
Interest bearing liabilities	870,921	948,744
Provisions	474,872	638,146
Total non-current liabilities	1,345,793	1,586,890
Total liabilities	3,401,514	3,180,136
Net assets	2,569,785	2,125,610
Equity		
Issued capital	543,415	543,415
Treasury stock	(610)	20
Reserves	(10,018)	(9,112)
Retained earnings	2,036,998	1,591,287
Total equity	2,569,785	2,125,610

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

23. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**(a) Investments in associates and joint ventures**

	% INTEREST		
	2013	2012	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
2013	159,412	4,003	1,138	26,651	12,682	13,969	6,923
2012	168,555	4,130	1,451	25,889	13,345	12,544	6,236

THOUSANDS OF DOLLARS	2013	2012
Results of associates		
Share of associates' profit before income tax expense	1,610	2,066
Share of associates' income tax expense	(482)	(620)
Share of associates' net profit	1,128	1,446
Unrealised profit in inventories	10	5
Share of associates' net profit – equity accounted	1,138	1,451
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	190	136
Between one and five years	951	681
	1,141	817
Share of associates' finance lease commitments not provided for in the financial report and payable:		
Within one year	854	774
Between one and five years	1,797	1,487
	2,651	2,261
Future finance charges	(290)	(268)
	2,361	1,993

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

(c) Investments in joint ventures

THOUSANDS OF DOLLARS	REVENUE (100%)	(LOSS)/ PROFIT (100%)	SHARE OF JOINT VENTURES' NET (LOSS)/ PROFIT RECOGNISED	TOTAL ASSETS (100%)	TOTAL LIABILITIES (100%)	NET ASSETS AS REPORTED BY JOINT VENTURE (100%)	SHARE OF JOINT VENTURES' NET ASSETS EQUITY ACCOUNTED
2013	468,084	(415)	(980)	342,579	339,579	3,000	16,940
2012	495,062	58	183	352,867	349,899	2,968	17,921

THOUSANDS OF DOLLARS	2013	2012
Results of joint ventures		
Share of joint ventures' (loss)/profit before income tax expense	(291)	4
Share of joint ventures' income tax benefit/(expense)	88	(1)
Share of joint ventures' net (loss)/profit	(203)	3
Unrealised (loss)/profit in inventories	(777)	180
Share of joint ventures' net (loss)/profit – equity accounted	(980)	183
Joint ventures' assets and liabilities		
Current assets	341,776	351,948
Non-current assets	803	919
Total assets	342,579	352,867
Current liabilities	324,165	334,375
Non-current liabilities	15,414	15,524
Total liabilities	339,579	349,899
Commitments		
Share of joint ventures' capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	–	–
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:		
Within one year	1,233	1,125
Between one and five years	4,040	5,078
After five years	–	521
	5,273	6,724
(d) Reconciliation to income statement		
Share of net profit of associates accounted for using the equity method	1,138	1,451
Share of net (loss)/profit of joint ventures accounted for using the equity method	(980)	183
	158	1,634

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

24. INTEREST IN JOINT VENTURE OPERATIONS

The Group has joint interests in multiple Joint User Hydrant Installations (JUHLs), which are based at airports across Australia. The principal activity of the JUHLs is refuelling aircraft at the airports. For the year ended 31 December 2013, the contribution of the JUHLs to the operating profit of the Group was nil (2012: 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	2013	2012
Non-current assets		
Plant and equipment expenditure	55,008	48,393
Less: accumulated amortisation	(32,720)	(29,634)
Total non-current assets	22,288	18,759
Total assets	22,288	18,759

25. NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of cash and cash equivalents

THOUSANDS OF DOLLARS	2013	2012
For the purposes of the cash flow statements, cash and cash equivalents includes:		
Cash at bank	199,922	209,929
Total cash and cash equivalents	199,922	209,929

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

THOUSANDS OF DOLLARS	2013	2012
Net profit	528,757	57,601
Adjustments for:		
– Net gain on sale of property, plant and equipment	(44,881)	(22,883)
– Interest paid capitalised	(7,238)	(1,258)
– Amortisation of finance costs	4,359	4,027
– Depreciation/amortisation of property, plant and equipment	155,079	116,430
– Amortisation of intangibles	10,538	9,269
– Treasury stock movements net of expense	(13,253)	4,213
– Share of associates' and joint ventures' net profit	292	(1,634)
Movements in assets and liabilities:		
– Decrease/(increase) in receivables	58,340	(46,585)
– (Increase)/decrease in inventories	(373,433)	67,021
– Decrease/(increase) in other assets	6,392	(6,619)
– Increase/(decrease) in payables	220,925	(184,538)
– Increase/(decrease) in current tax liabilities	45,499	(3,936)
– Increase/(decrease) in deferred tax assets	44,708	(82,317)
– (Decrease)/increase in provisions	(28,144)	490,947
Net operating cash inflows	607,940	399,738

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

26. BUSINESS COMBINATIONS

2013

Queensland Fuel Group (QFG)

On 1 October 2013, the Group terminated the franchise and acquired the assets and liabilities of Queensland Fuel Group Pty Ltd (QFG) for a consideration of \$40,000,000 plus \$2,967,000 for inventory, GST and provisions, and incidental acquisition costs.

QFG was a Caltex Franchise Reseller for over 15 years which operated retail sites and supplied commercial customers and primary producers. QFG's prime marketing area was centred in the cities of Gladstone and Rockhampton, with a smaller network on the Sunshine Coast.

In the three months up to 31 December 2013, QFG contributed a gross sales revenue of \$52,433,701 and a net profit of \$3,264,375 to the consolidated gross sales revenue and net profit for the year. If the acquisition had occurred on 1 January 2013, the Group estimates that gross sales revenue would have been \$210,723,852 greater and net profit would have been \$14,065,658 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	–	8,797	8,797
Property, plant and equipment	2,600	(335)	2,265
Inventories	2,915	–	2,915
Receivables	280	–	280
Provisions	(228)	–	(228)
Net identifiable assets and liabilities	5,567	8,462	14,029
Goodwill on acquisition			28,938
Consideration paid, satisfied in cash			42,967
Net cash outflow			(42,967)

The recognised values represent the fair value of assets recorded on acquisition.

Intangible assets acquired of \$8,797,000 represents the amount paid to QFG for customer relationships and trade restraint, which meets the criteria for recognition as a separately identifiable intangible asset at the date of acquisition. These intangible assets are to be amortised over the remainder of the agreement term.

There were no other material business combinations during the year ended 31 December 2013.

2012

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
Consideration paid, satisfied in cash			11,383
Net cash outflow			(11,383)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

26. BUSINESS COMBINATIONS (continued)

The recognised values 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.

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

2013

On 28 May 2013, Ampol Management Services Pte Ltd was incorporated in Singapore. Ampol Management Services Pte Ltd is a wholly owned subsidiary of Caltex Australia Limited.

2012

On 24 May 2012, Ampol International Holdings Pte Ltd was incorporated in Singapore. Ampol International Holdings Pte Ltd is a wholly owned subsidiary of Caltex Australia Limited.

On 4 September 2012, Octane Insurance Pte Ltd was incorporated in Singapore. Octane Insurance Pte Ltd is a wholly owned subsidiary of Caltex Australia Limited.

There were no other entities over which control was gained or lost during the period.

27. FINANCING ARRANGEMENTS

THOUSANDS OF DOLLARS	2013	2012
The Group has access to the following lines of credit:		
Total facilities available:		
Bank overdrafts	41,232	39,640
Bank loans and capital markets	2,092,178	2,098,450
	2,133,410	2,138,090
Facilities utilised at balance date:		
Bank overdrafts	839	38,085
Bank loans and capital markets	942,178	948,450
	943,017	986,535
Facilities not utilised at balance date:		
Bank overdrafts	40,393	1,555
Bank loans and capital markets	1,150,000	1,150,000
	1,190,393	1,151,555

These facilities are unsecured and have an average maturity of 2.6 years (2012: 3.4 years) assuming the subordinated note is repaid on the first call date (15 September 2017).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

28. RELATED PARTY INFORMATION

(a) Key management personnel

The key management personnel of the Group during 2013 and 2012 were:

(i) Directors of Caltex Australia Limited during 2013 and 2012:

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 Bruce Morgan (from 29 June 2013)

* Mr Brown, Ms Burger and Mr Krogmeier serve as alternate directors for each other (from 26 July 2013)

Former directors

Mr John Thorn, Non-Executive Director (to 9 May 2013)
 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)

Former alternate director

Ms Colleen Jones-Cervantes* (to 25 July 2013)

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

(ii) Senior executives

Current senior executives

Mr Simon Hepworth, Chief Financial Officer
 Mr Peter Lim, Company Secretary and General Counsel
 Mr Mike McMenamain, General Manager – Strategy, Planning and Development
 Mr Bruce Rosengarten, General Manager – Marketing (from 1 November 2013)
 Mr Gary Smith, General Manager – Refining and Supply (resigned 6 February 2014)
 Mr Simon Willshire, General Manager – Human Resources

Former senior executives

Mr Andy Walz, General Manager – Marketing (to 31 March 2013)
 Mr Ken James, General Manager – Supply and Distribution (to 30 April 2012)

(b) Key management personnel compensation

DOLLARS	2013	2012
Short term benefits	8,535,008	11,020,414
Other long term benefits	727,720	627,231
Post-employment benefits	315,382	430,443
Share based payments	4,008,445	4,325,977
	13,586,555	16,404,065

Information regarding directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 30 to 56.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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 or indirectly by each key management personnel, including their personally related entities, is as follows:

31 DECEMBER 2013	HELD AT 31 DEC 2012	PURCHASED	VESTED	SOLD	HELD AT 31 DEC 2013
Directors					
Elizabeth Bryan	14,946	–	–	–	14,946
Julian Segal	166,563	–	279,432	(325,412)	120,583
Trevor Bourne	5,395	–	–	–	5,395
Richard Brown	–	–	–	–	–
Barbara Burger	–	–	–	–	–
Greig Gailey	5,000	–	–	–	5,000
Colleen Jones-Cervantes	–	–	–	–	–
Ryan Krogmeier	–	–	–	–	–
Bruce Morgan	–	10,500	–	–	10,500
John Thorn	1,510	–	–	(1,510)	–
Senior executives					
Simon Hepworth	65,358	–	59,494	(103,500)	21,352
Peter Lim	7,272	–	19,246	(15,849)	10,669
Mike McMenamin	12,827	–	43,626	(45,831)	10,622
Bruce Rosengarten	–	–	–	–	–
Gary Smith	21,123	–	68,372	(72,979)	16,516
Andy Walz	–	–	–	–	–
Simon Willshire	13,055	–	42,482	(45,394)	10,143

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

(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 Group during the year ended 31 December 2013 (2012: nil).

During 2013, 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 2013, Mr Morgan was a director of Origin Energy Limited and Sydney Water. Transactions with these companies and their subsidiaries 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. This agreement is on arm's length terms and at market based prices.

The Group paid \$6,135,000 (2012: \$2,776,000) to the Chevron Group for technical service fees. The Group received \$3,558,000 (2012: \$3,911,000) for technical service fees from the Chevron Group. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The Group paid \$1,469,000 (2012: \$2,097,000) 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 Group purchased crude, other refinery feedstocks and petroleum products from the Chevron Group of \$6,004,682,000 (2012: \$7,040,111,000). The Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of \$466,993,000 (2012: \$583,886,000). 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 30 to 56.

The Chevron Group seconded one employee (2012: one employee) primarily to provide specialist expertise at Lytton refinery. The total cost borne by Caltex Australia in respect of this secondee was \$448,809 for a 12 month period (2012: \$452,318 for one secondee for a 12 month period). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex Australia seconded seven employees to various roles within the Chevron Group during 2013 (2012: six employees). Caltex paid the salary and bonuses, allowances including relocation, and indirect payroll related expenses for three 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 Group sold petroleum products to associates totalling \$135,910,000 (2012: \$150,803,000). The Group received income from associates for rental income of \$145,457 (2012: \$159,893).

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 \$450,000 (2012: \$600,000).

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.

(g) Joint ventures

Caltex has interests in joint ventures primarily for the marketing, sale and distribution of fuel products. There were no related party transactions with Caltex's joint venture entities during 2013 (2012: nil). Details of Caltex's interests are set out in notes 23 and 24.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

28. RELATED PARTY INFORMATION (continued)**(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.

No STI was awarded to senior executives for the 2013 year due to Caltex failing to meet the required profit thresholds under the Rewarding Results Plan.

The 2012 STI was approved in February 2013 for a total value of \$2,425,000 which equated to 115,993 shares at a grant date fair value of \$20.90 per share (formalised in April 2013). The service related forfeiture condition was met in October 2013 and the shares will be held under restriction until April 2015.

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.

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 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 (\$)
2013											
1,456,331	22 Apr 13	400,584	10.98	2 Apr 13	(825,373)	22.54	2 Apr 13	(262,081)	-	1,561,834	12,955,560
1,450,983	22 Apr 13	267,056	19.42	8 Mar 13	(8,667)	22.38	8 Mar 13	(6,047)	-	611,151	3,723,317
				15 Apr 13	(10,537)	21.93	15 Apr 13	(18,617)	-	264,662	5,139,736
							23 Aug 13	(5,985)	-		
2,907,314		667,640			(844,577)			(292,730)		2,437,647	21,818,613
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 12	(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)	-		
2,180,178		1,150,552			(221,516)			(201,900)		2,907,314	21,061,809

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

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

	2013 GRANT		2012 GRANT	
	ASX 100 ACCUMULATION INDEX	FREE CASH FLOW AND STRATEGIC HURDLE	ASX 100 ACCUMULATION INDEX	INTERNATIONAL REFINING AND MARKETING COMPANIES
Grant date	22 April 2013	22 April 2013	2 April 2012	2 April 2012
Vesting date	1 April 2016	1 April 2016	1 April 2015	1 April 2015
Fair value at grant date	\$10.98	\$19.42	\$7.69	\$7.52
Share price at grant date	\$20.60	\$20.60	\$14.03	\$14.03
Volatility	40%	40%	45%	45%
Dividend yield	2.0%	2.0%	4.7%	4.7%
Risk free interest rate	2.7%	2.7%	3.5%	3.5%

THOUSANDS OF DOLLARS	2013	2012
Executive share plan expense	8,181	8,566

29. NET TANGIBLE ASSETS PER SHARE

	2013	2012
Net tangible assets per share (dollars)	9.05	7.55

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 (2012: 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, along with small amounts of fuel oil and specialty products, liquid gas petroleum, bitumen and other gases. 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 2013

30. SEGMENTED REPORTING (continued)**(b) Information about reportable segments**

THOUSANDS OF DOLLARS	MARKETING		REFINING AND SUPPLY		TOTAL OPERATING SEGMENTS	
	2013	2012	2013	2012	2013	2012
Gross segment revenue	20,144,017	19,377,252	3,580,978	3,328,757	23,724,995	22,706,009
Product duties and taxes	(5,151,283)	(5,043,828)	–	–	(5,151,283)	(5,043,828)
External segment revenue	14,992,734	14,333,424	3,580,978	3,328,757	18,573,712	17,662,181
Inter-segment revenue	–	–	13,850,421	13,107,564	13,850,421	13,107,564
Total segment revenue	14,992,734	14,333,424	17,431,399	16,436,321	32,424,133	30,769,745
Share of profit of associates and joint ventures	158	1,634	–	–	158	1,634
Depreciation and amortisation	(69,880)	(62,918)	(87,524)	(55,916)	(157,404)	(118,834)
Replacement Cost of Sales Operating Profit before interest and income tax	764,151	736,171	(170,655)	88,459	593,496	824,630
Other material items:						
Inventory (losses)/gains	(20,681)	(1,273)	267,126	(130,532)	246,445	(131,805)
Capital expenditure (including acquisitions)	(240,085)	(171,680)	(320,853)	(228,501)	(560,938)	(400,181)

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

THOUSANDS OF DOLLARS	2013	2012
Revenues		
Total revenue for reportable segments	32,424,133	30,769,745
Product duties and taxes	5,151,283	5,043,828
Elimination of inter-segment revenue	(13,850,421)	(13,107,564)
Total reportable segments gross revenue	23,724,995	22,706,009
Non-fuel income and rebates	627,193	555,876
Other revenue	324,195	279,894
Consolidated revenue	24,676,383	23,541,779
Profit or loss		
Segment Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	593,496	824,630
Other expenses	(42,101)	(68,167)
Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	551,395	756,463
<i>Significant items excluded from profit and loss reported to the chief operating decision maker:</i>		
Gain on sale of bitumen business, net of costs relating to acquisitions and disposals	38,766	–
Provisions relating to closure of the Kurnell refinery	(11,003)	(430,000)
Cancelled recycled water reticulation project	–	(5,200)
Cancelled BenzAlk project	–	(6,155)
Replacement Cost of Sales Operating Profit before interest and income tax	579,158	315,108
Inventory gains/(losses)	246,445	(131,805)
Consolidated historical cost profit before interest and income tax	825,603	183,303
Net financing costs	(88,791)	(97,263)
Net (loss)/profit attributable to non-controlling interest	(1,271)	824
Consolidated profit before income tax	735,541	86,864

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

THOUSANDS OF DOLLARS	REPORTABLE SEGMENT TOTALS	OTHER	CONSOLIDATED TOTALS
Other material items 2013			
Depreciation and amortisation	(157,404)	(8,213)	(165,617)
Inventory gains	246,445	–	246,445
Capital expenditure	(560,938)	(6,998)	(567,936)
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)

(d) Geographical segments

The Group operates in Australia and Singapore. Revenue is predominantly generated in 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 \$4,800,000,000 (2012: \$4,600,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

(f) Revenue from products and services

THOUSANDS OF DOLLARS	2013	2012
Petrol	7,343,355	7,165,151
Diesel	7,856,634	7,191,887
Jet	2,248,123	2,072,347
Lubricants	279,891	300,917
Specialty and other products	845,709	931,879
Non-fuel income and rebates	627,193	555,876
Product duties and taxes	5,151,283	5,043,828
Other revenue	324,195	279,894
	24,676,383	23,541,779

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2013, the parent entity of the Group was Caltex Australia Limited.

THOUSANDS OF DOLLARS	2013	2012
Result of the parent entity		
Profit for the period	6,317	85,083
Other comprehensive income/(expense)	9,227	(3,498)
Total comprehensive income for the period	15,544	81,585
Financial position of parent entity at year end		
Current assets	133,664	229,513
Total assets	2,240,726	2,418,164
Current liabilities	126,286	9,688
Total liabilities	1,667,865	1,739,594
Total equity of the parent entity comprising:		
Issued capital	543,415	543,415
Treasury stock	(610)	20
Reserves	(10,840)	(7,444)
Retained earnings	40,896	142,579
Total equity	572,861	678,570

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. EVENTS SUBSEQUENT TO THE END OF THE YEAR

On 24 February 2014, the Group announced its intention to acquire the assets of the Scott's Fuel Divisions for a total outlay of approximately \$95 million. Caltex is targeting a completion date of mid-2014.

Subsequent to year end, Mr Gary Smith (General Manager – Refining and Supply) resigned from Caltex on 6 February 2014.

There were no other 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 subsequent to 31 December 2013.

Comparative Financial Information

The additional information on pages 115 to 116 is provided for the information of shareholders.

The information is based on, but does not form part of, the 2013 Financial Report.

CALTEX AUSTRALIA LIMITED CONSOLIDATED RESULTS	2013	2012	2011	2010	2009
Profit and loss (\$million)					
Historical cost operating profit before significant items, interest and income tax expense	798	624	640	522	648
Interest income	9	2	1	2	2
Borrowing costs	(98)	(99)	(69)	(59)	(30)
Historical cost income tax expense before significant items	(205)	(161)	(170)	(131)	(185)
Historical cost operating profit after tax and before significant items	504	366	402	333	435
Significant items (net of tax)	26 ⁽ⁱ⁾	(309) ⁽ⁱⁱ⁾	(1,116)	(16)	(121)
Historical cost operating profit/(loss) after income tax	530	57	(714)	317	314
Dividends					
Amount paid and payable (\$/share)	0.34	0.40	0.45	0.60	0.25
Times covered (excl. significant items)	5.49	3.39	3.31	2.06	6.45
Dividend payout ratio – replacement cost basis ⁽ⁱⁱⁱ⁾ (excl. significant items)	28%	24%	46%	51%	21%
Dividend franking percentage	100%	100%	100%	100%	100%
Other data					
Total revenue (\$m)	24,676	23,542	22,400	18,931	17,984
Earnings per share – historical cost (cents per share)	196	21	(264)	117	116
Earnings per share – replacement cost (cents per share) (excl. significant items)	123	170	98	118	120
Earnings before interest and tax – historical cost basis (\$m) (excl. significant items)	798	624	640	522	648
Earnings before interest and tax – replacement cost of sales operating profit basis (\$m) (excl. significant items)	551	756	442	500	489
Operating cash flow per share (\$/share)	2.3	1.5	1.7	1.6	2.5
Interest cover – historical cost basis	9.3	1.9	(14.0)	8.7	17.0
Interest cover – replacement cost of sales operating profit basis (excl. significant items)	6.2	7.8	6.5	8.7	17.4
Return on capital employed – historical cost basis (%) ^(iv)	15.8	2.0	(25.2)	8.7	9.2
Return on capital employed – replacement cost of sales operating profit basis (excl. significant items) (%) ^(iv)	9.9	15.8	9.3	8.8	9.5
Equity attributable to members of the company (\$m)	2,588	2,148	2,206	3,071	2,915
Total equity (\$m)	2,597	2,160	2,218	3,083	2,925
Return on equity attributable to members of the parent entity after tax and before significant items – historical cost basis (%)	20	3	(32)	10	11
Total assets (\$m)	6,021	5,386	4,861	5,291	4,952
Net tangible asset backing (\$/share)	9.05	7.55	7.82	11.08	10.48
Debt (\$m)	942	950	619	563	509
Net debt (\$m)	742	740	617	544	487
Net debt to net debt plus equity (%)	22	26	22	15	14

(i) Includes significant items totalling a gain of \$27,763,000, that have been recognised in the income statement. These items relate to a gain on the sale of the bitumen business, net of costs relating to acquisitions and disposals (\$38,766,000) and the net adjustment to provisions (\$11,003,000) relating to the closure of the Kurnell refinery.

(ii) 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.

(iii) Dividend payout ratio - replacement cost of sales operating profit basis calculated as follows:

$$\frac{\text{Dividends paid and payable in respect of financial year}}{\text{Replacement cost of sales operating profit after income tax (excl. significant items)}}$$

(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 \$332 million, compared to a profit of \$458 million in 2012.
- 2013 net profit before interest, income tax and significant items on a replacement cost of sales operating profit basis was \$551 million, a decrease of \$205 million over 2012.

\$ MILLION	FIVE YEARS*	2013	2012	2011	2010	2009
Historical cost net profit before interest, income tax and significant items	3,232	798	624	640	522	648
(Deduct)/add inventory (gains)/losses ⁽ⁱⁱ⁾	(490)	(246)	132	(197)	(21)	(158)
Replacement cost of sales operating net profit before interest, income tax and significant items	2,742	551	756	442	500	489
Net borrowing costs	(339)	(89)	(97)	(68)	(57)	(28)
Historical cost income tax expense before significant items	(852)	(205)	(161)	(170)	(131)	(185)
Add/(deduct) tax effect of inventory gains/losses	147	74	(40)	59	6	48
Replacement cost of sales operating profit after income tax ⁽ⁱⁱⁱ⁾	1,697	332	458	264	318	324

* 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 2013, the historical cost result includes \$246 million inventory gain (2012: \$132 million inventory loss). Net inventory gain is adjusted to reflect impact of revenue lags.

(iii) Replacement cost of sales operating 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:

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)

2013: \$28 million gain before tax (\$26 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, John Remedios

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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

Shareholder Information (continued)

INFORMATION PROVIDED UNDER ASX LISTING RULE 4.10.

The information in this document is as at 28 February 2014.

- Substantial shareholders:
Chevron Global Energy Inc holding 135,000,000 ordinary shares.
- There is only one class of equity securities (namely ordinary shares) and the number of holders is 22,307.
- The shareholding is distributed as follows:

CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF ISSUED CAPITAL
1 - 1,000	16,416	7,204,800	2.67%
1,001 - 5,000	5,120	11,619,769	4.30%
5,001 - 10,000	469	3,476,932	1.29%
10,001 - 100,000	264	6,415,007	2.38%
100,001 and over	38	241,283,492	89.36%
Total	22,307	270,000,000	100.00%
Holders of less than a marketable parcel	301		

- The 20 largest shareholders held 88.05% of the ordinary shares in the company.
- The 20 largest holders of ordinary shares and the number of ordinary shares and the percentage of capital held by each are as follows:

HOLDER	NUMBER OF SHARES	PERCENTAGE
1. Chevron Global Energy Inc	135,000,000	50.00
2. HSBC Custody Nominees (Australia) Limited	26,849,329	9.94
3. J P Morgan Nominees Australia Limited	24,019,433	8.90
4. National Nominees Limited	20,188,206	7.48
5. Citicorp Nominees Pty Limited	8,044,214	2.98
6. JP Morgan Nominees Australia Limited <Cash Income A/C>	5,577,831	2.07
7. HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	3,041,613	1.13
8. BNP Paribas Noms Pty Ltd <DRP>	2,951,018	1.09
9. RBC Investor Services Australia Nominees Pty Limited <Pi Pooled A/C>	2,717,001	1.01
10. RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,429,128	0.90
11. AMP Life Limited	1,284,224	0.48
12. Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,038,381	0.38
13. RBC Investor Services Australia Nominees Pty Limited <Gsam A/C>	926,473	0.34
14. Share Direct Nominees Pty Ltd <10026 A/C>	770,900	0.29
15. National Nominees Limited <N A/C>	588,400	0.22
16. AET SFS Pty Ltd <Caltex Equity Incentive Pl>	488,152	0.18
17. Invia Custodian Pty Limited <GSJBW Managed A/C>	461,252	0.17
18. Australian Foundation Investment Company Limited	455,000	0.17
19. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	428,805	0.16
20. RBC Investor Services Australia Nominees Pty Limited <PIIC A/C>	422,434	0.16
Total	237,681,794	88.05

Statistical Information

YEAR ENDED 31 DECEMBER	2013	2012	2011	2010
People				
Employees ⁽ⁱ⁾	3,638	3,610	3,550	3,546
Assets				
Fuel refineries	2	2	2	2
Lube oil refinery ⁽ⁱⁱ⁾	–	–	1	1
Road tankers ⁽ⁱⁱⁱ⁾	216	168	168	170
Rail cars (operational)	66	66	66	66
Storage terminals operated by Caltex ^(iv)	12	12	13	12
Star convenience stores (Star Mart, Star Supermarket and Star Shop)	491	480	476	472
Service stations (owned or leased)	765	738	746	743
Depots	76	76	79	79
Operations				
Nameplate refining capacity (barrels per day)				
– Caltex Refineries (NSW) Pty Ltd	135,000	135,000	135,000	135,000
– Caltex Refineries (Qld) Pty Ltd	109,000	109,000	109,000	109,000
– Caltex Lubricating Oil Refinery Pty Ltd ⁽ⁱⁱ⁾	–	–	3,750	3,750
Fuel production (ML)	11,398	11,648	10,686	10,607
Lubricants production (ML) ⁽ⁱ⁾	–	–	15	78
Total sales volume (ML)	16,957	16,628	16,619	16,047
Lost time injury frequency rate (LTIFR) ^(v)	0.63	0.59	0.99	1.35

(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.

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 for petroleum 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.

EBIT Earnings Before Interest and Tax.

EBITDA Earnings Before Interest, Tax, Depreciation and Amortisation.

EITE Emissions-intensive trade-exposed – refers to industries that are either exporters or compete against imports and produce significant emissions in their production of goods, measured as the weighted average emissions per million dollars of revenue or per million dollars of value added.

EPA Environment Protection Authority or equivalent state authority.

FIFO First in first out inventory costing process.

Hedge Buyers and sellers of the commodity may enter into long or short term contracts at an agreed price to manage the risk created by price volatility for a commodity (such as crude oil) on a spot market.

IFRS International Financial Reporting Standards.

LPG Liquid Petroleum Gas.

LTI Lost Time Injury.

LTIFR Lost Time Injury Frequency Rate – the number of injuries causing lost time per million hours worked.

Marketing The operating businesses of Caltex responsible for a range of activities including company-owned and franchised retail service station operations, company-owned and independent branded resellers and direct sales to commercial customers.

MHF Major Hazard Facility.

ML Million Litres.

NGERS National Greenhouse and Energy Reporting Scheme.

NPAT Net Profit After Tax.

PP&E Property, Plant and Equipment.

RCOP Caltex reports its results for statutory purposes on 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.

Refining and Supply The operating businesses of Caltex responsible for refining crude oil into petrol, diesel, jet fuel, and base oil for lubricants and producing many specialty products such as liquid petroleum gas (LPG) and bitumen. Also responsible for the purchasing, sale and distribution of crude and refined product.

TRV Total Reward Value.

TSR Total Shareholder Return.

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**(complaints, compliments
and suggestions)**
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T: 1800 240 398

Card Support Centre
Card enquiries
24 hours/seven days
T: 1300 365 096

Lubelink
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