



CALTEX

Caltex Australia

FULL FINANCIAL REPORT 2000



Annual General Meeting

The 2001 Annual General Meeting of Caltex Australia Limited will be held on Thursday 26 April 2001 at 10 am at the Westin Hotel, Ballroom, Basement Level, 1 Martin Place, Sydney NSW 2000.

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Full Financial Report

This publication includes Caltex Australia Limited's Directors' Report, the Full Financial Report, and Auditors' Report for the year ended 31 December 2000.

It should be read in conjunction with the Caltex Australia Limited Annual Review which provides an overview of our key activities for the year ended 31 December 2000. The Annual Review includes the Report by Chairman and Managing Director, Marketing Review, Manufacturing and Supply Review, Corporate Review, Directors, Directors' Report, and Concise Financial Report, Shareholder Information and Statistical Information.

The Full Financial Report together with the Caltex Australia Limited Annual Review comprise the full Annual Report of Caltex Australia Limited for the year ended 31 December 2000, in accordance with the corporations law.

The Annual Review is available from Caltex Australia Limited's Investor Relations function on request on Telephone 02 9250 5732. Both the Annual Review and this report can be accessed on the company's web site at www.caltex.com.au.

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Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2000

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their report together with the financial report of the consolidated entity being Caltex Australia Limited (company) and its controlled entities, for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity 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 the consolidated entity's activities during the year.

CONSOLIDATED RESULTS

The consolidated operating profit after income tax attributable to members of the company for the financial year amounted to \$36,062,000 (1999: \$102,628,000).

REVIEW OF OPERATIONS

For a detailed review of operations during the year, members are referred to the Report by the Chairman and the Managing

Director (pages 3 to 5), Marketing Review (pages 12 to 15), Manufacturing and Supply Review (pages 16 to 17), Corporate Review (pages 18 to 19), and Corporate Governance (pages 28 to 29), which are included in the Annual Review and form part of the Directors' Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

DIVIDENDS PAID AND RECOMMENDED

The following dividends have been paid or declared by the company since the end of the previous financial year:

As proposed and provided for in last year's annual report:

Final dividend (fully franked at 36%) of 14 cents per share paid on 22 March 2000	<u>\$37,800,000</u>
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In respect of the current financial year:

Interim dividend (fully franked at 34%) of 10 cents per share paid on 15 September 2000	<u>\$27,000,000</u>
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Final dividend (fully franked at 34%) of 6 cents per share declared on 23 February 2001 to be paid on 21 March 2001	<u>\$16,200,000</u>
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FOR THE YEAR ENDED 31 DECEMBER 2000

LIKELY DEVELOPMENTS

The consolidated entity will continue to purchase, refine, distribute, and market petroleum products and operate convenience stores throughout Australia. The Directors make no further reference to other likely developments in the operations of the consolidated entity (or expected results of those operations) other than disclosed elsewhere in the Annual Review as such inclusions would, in the opinion of the Directors, unreasonably prejudice the interests of the consolidated entity.

ENVIRONMENTAL REGULATIONS

EHS and risk management

The consolidated entity has business-focused environment, health, safety (EHS) and risk management systems in place that allow compliance with Australian laws, regulations and standards.

EHS targets are set and regular reports (generally monthly) are prepared that allow the Directors to gauge the consolidated entity's performance against these targets. In addition to the Directors' review, regular meetings (generally monthly) are held involving the Managing Director, general managers and business unit managers to critically review the consolidated entity's EHS and risk performance.

During 2000, EHS audits were carried out by the business units to ensure compliance with relevant legislation and the standards imposed by the consolidated entity. These audits found no major non-compliance issues but did identify areas where opportunity for improvement existed. Plans were developed by business units, in conjunction with the audit teams, to address all findings. These plans are reviewed regularly by the lead auditor and the manager at interest to ensure close out

of all action items is achieved. Results of all EHS management system audits along with resultant action items are reported to the Audit and Risk Committee of the Board.

Compliance

Fourteen (14) pollution control licences were held by the consolidated entity in 2000 and they covered three (3) refineries, eight (8) terminals and three (3) depots. There were nine (9) occasions where breaches of licence conditions required a report to be forwarded to the relevant government environmental agency. These breaches resulted in no financial penalty. The nine (9) licence breaches in 2000 are a significant reduction from the fifteen (15) reported in 1999 and the consolidated entity's management team remain committed to 100% compliance.

Infringements and Prosecutions

During 2000, the consolidated entity was prosecuted by the Victorian Environment Protection Authority for an incident in 1999 when a service station's tanks were overfilled and the resultant spillage was flushed down stormwater drains to minimise the risk of fire. The consolidated entity pleaded guilty and was fined \$10,000 plus \$3,000 costs. The EHS management system has been reviewed to ensure as far as possible that no repeat incidents occur.

Further information regarding the consolidated entity's EHS systems and performance can be found in the Corporate Review on pages 18 to 19 of the Annual Review.

DIRECTORS

The Directors of the company at any time during or since the end of the financial year are:

MG Irving
JL Banner
JW Bernitt
ID Blackburne (resigned 31 March 2000)
TC Blevins (appointed 20 April 2000)
RJ Bothwell
GJ Camarata (resigned 24 February 2000)
JS de Bruyn*
DC Mackney
RFE Warburton
KT Watson
SS Yosufzai (appointed 24 February 2000)

Particulars of the qualifications and experience of Directors in office at the date of this report are detailed on pages 26 and 27 of the Annual Review which forms part of this Directors' Report.

Particulars of alternate Director in office at the date of this report are as follows:
JS (Steve) De Bruyn, Non-executive Director (Alternate). Age 49. Appointed to the Board in December 1999. Steve is the Vice President for the Supply Division of Caltex based in Singapore. He is responsible for fuel supply to Caltex markets in South-East Asia, New Zealand and South Africa. His previous Caltex positions include General Manager, Business Support Group – IT and Executive Director of Caltex Oil South Africa Board (Planning, Supply and IT) in Cape Town.

* Alternate Director for GJ Camarata, JL Banner and JW Bernitt.

MEETINGS OF DIRECTORS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the company during the financial year are as follows:

DIRECTOR	BOARD MEETINGS		AUDIT & RISK COMMITTEE MEETINGS		HUMAN RESOURCES COMMITTEE MEETINGS		SPECIAL PURPOSE COMMITTEE MEETINGS	
	A	B	A	B	A	B	A	B
MG Irving	11	11	4	2	6	5	5	5
JL Banner	11	10			6	6		
JW Bernitt	11	10						
ID Blackburne	4	3					1	1
TC Blevins	7	7					3	3
RJ Bothwell	11	10					1	1
GJ Camarata	4	4			2	2		
JS de Bruyn*	11	0						
DC Mackney	11	11	4	4			1	1
RFE Warburton	11	8	4	4	6	4	4	2
KT Watson	11	10	4	4			3	3
SS Yosufzai	8	8						

A - Number of meetings held during the time the Director held office during the year.
B - Number of meetings attended.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the Australian Stock Exchange in accordance with s205G(1) of the Corporations Law, at the date of this report, is as follows:

DIRECTOR	CALTEX AUSTRALIA LIMITED ORDINARY SHARES
MG Irving	25,000
JL Banner	—
JW Bernitt	—
TC Blevins	5,000
RJ Bothwell	10,000
JS de Bruyn*	—
DC Mackney	5,000
RFE Warburton	10,000
KT Watson	7,500
SS Yosufzai	—

* Alternate Director for GJ Camarata, JL Banner and JW Bernitt.

FOR THE YEAR ENDED 31 DECEMBER 2000

INDEMNITY AND INSURANCE OF OFFICERS

During the financial year the company indemnified JL Banner, JW Bernitt, ID Blackburne, TC Blevins, RJ Bothwell, JS de Bruyn* GJ Camarata, MG Irving, DC Mackney, RFE Warburton, KT Watson, SS Yosufzai and HM Conway, Directors and officers of the company, against all liabilities to another person (other than the company or a subsidiary) that may arise from their position as Directors or officers of the company or a subsidiary and legal costs to the extent permitted by the law. The indemnity does not cover liability arising out of conduct involving a lack of good faith. A claim under the indemnity is limited to the total net assets of the company.

Since the end of the previous financial year, the company paid insurance premiums of \$455,000 in respect of Directors' and Officers' Liability insurance, for all current directors and officers, including executive officers, of the company and directors, executive officers and secretaries of its controlled entities. The premiums also cover previous Directors or officers of the company after their service, for liabilities arising from the period in which they were a Director or officer. The insurance relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

* Alternate Director for GJ Camarata, JL Banner and JW Bernitt.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Non-executive Directors' fees are determined by the Board within the aggregate amount of \$650,000 which was approved by shareholders at the 1998 Annual General Meeting. From 1 September 2000, the Chairman is paid at the annual rate of \$150,000, inclusive of committee fees. Non-executive Directors are paid at the annual rate of \$50,000, plus superannuation guarantee charge, where applicable, with \$5,000 for each committee membership, increased to \$10,000 for the chairman of each committee.

In addition, Australian resident non-executive Directors are entitled to a maximum of the last three years' emoluments on retirement after nine years' service. The benefit accrues on a pro-rata basis between years three and nine.

The Board Human Resources Committee is responsible for decisions on remuneration policies and packages applicable to the senior executives of the company. The remuneration policy is to ensure that remuneration for senior executives is commensurate with the executive's duties, responsibilities and accountabilities and that remuneration is market-competitive and, therefore, enables the company to attract, retain and motivate exceptional performers. Remuneration, particularly incentive-based remuneration, reflects closely the company's financial and operational performance.

Specifically, senior executives may receive short-term cash bonuses and longer-term share-based incentives provided that predetermined goals and objectives related to their own performance and the performance of the company are achieved.

Details of the nature and amount of each major element of the emoluments of each Director of the company and each of the five most highly paid executive officers of the company and of the consolidated entity are:

	DIRECTORS' FEES \$	SALARY \$	BONUS \$	SUPER CONTRIBUTIONS \$	NON-CASH BENEFITS \$	PAYMENTS ON CESSATION OF EMPLOYMENT \$	RETIREMENT PLAN PAYMENTS \$	TOTAL \$
DIRECTOR								
MG Irving	140,000	–	–	–	–	–	–	140,000
JL Banner	51,667	–	–	–	–	–	–	51,667
JW Bernitt	46,666	–	–	–	–	–	–	46,666
ID Blackburne	–	160,361	–	10,263	532	1,248,301	1,372,207	2,791,664
TC Blevins	–	165,688	–	79,751	158,009	–	–	403,448
RJ Bothwell	46,666	–	–	3,641	–	–	–	50,307
GJ Camarata	7,555	–	–	–	–	–	–	7,555
JS de Bruyn*	–	–	–	–	–	–	–	–
DC Mackney	51,667	–	–	3,883	–	–	–	55,550
RFE Warburton	63,940	–	–	4,940	–	–	–	68,880
KT Watson	51,667	–	–	–	–	–	–	51,667
SS Yosufzai	39,991	–	–	–	–	–	–	39,991
OFFICER								
K Bania	–	342,000	20,520	21,441	–	–	–	383,961
WL Klahs	–	376,500	15,060	–	–	–	–	391,560
BC Smith	–	185,282	16,469	11,359	1,354	439,606	–	654,070
BM Woods	–	61,483	13,600	4,055	707	527,279	624,512	1,231,636
TJ Wziontek	–	149,454	9,429	9,174	8,413	306,299	–	482,769

* Alternate Director for GJ Camarata, JL Banner and JW Bernitt.

In addition to the emoluments disclosed above, Directors and officers are eligible to receive a discount on private fuel purchases in line with that available to all employees of the consolidated entity.

ROUNDING OF ACCOUNTS

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

Signed in accordance with a resolution of the Board of Directors:



MG IRVING Director

Sydney
23 February 2001



TC BLEVINS Director

Audit Report

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CALTEX AUSTRALIA LIMITED

Scope

We have audited the financial report of Caltex Australia Limited (company) and its controlled entities for the financial year ended 31 December 2000, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes 1 to 31, and the Directors' declaration [set out on pages 7 to 40]. The financial report includes the consolidated financial statements of the consolidated entity, comprising the company and the entities it controlled at the end of the year or from time to time during the financial year. The company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Caltex Australia Limited and its controlled entities is in accordance with:

- a) the Corporations Law, including:
 - i. giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2000 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations; and
- b) other mandatory professional reporting requirements.

KPMG

SA GATT Partner

Sydney
23 February 2001

Directors' Declaration

The Directors of Caltex Australia Limited (company), having so resolved, state that in their opinion:

1. (a) The accompanying financial statements and notes set out on pages 8 to 40 are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the company and consolidated entity as at 31 December 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the company and the subsidiaries identified in note 26 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 between the company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the Board of Directors:



MG IRVING Director



TC BLEVINS Director
Sydney
23 February 2001

Profit and Loss Statements

FOR THE YEAR ENDED 31 DECEMBER	Note	Consolidated		The Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
Gross sales revenue		8,344,416	6,591,405	–	–
Product duties and taxes		(3,441,071)	(3,601,344)	–	–
Net sales revenue		4,903,345	2,990,061	–	–
Other revenue from operating activities	2	109,739	109,738	88,388	73,704
Other revenue from outside operating activities	2	25,371	53,137	11	–
Net revenue		5,038,455	3,152,936	88,399	73,704
Costs and expenses		(4,977,930)	(3,006,876)	(57,363)	(27,174)
Operating profit before abnormal items and income tax		60,525	146,060	31,036	46,530
Abnormal items before income tax	3	–	(21,543)	–	–
Operating profit after abnormal items before income tax		60,525	124,517	31,036	46,530
Income tax (expense)/benefit attributable to operating profit before abnormal items	4	(23,302)	(59,019)	(3,052)	1,755
Abnormal items income tax (expense)/benefit	4	–	37,892	–	(18)
Income tax (expense)/benefit attributable to operating profit after abnormal items	4	(23,302)	(21,127)	(3,052)	1,737
Operating profit after income tax and abnormal items		37,223	103,390	27,984	48,267
Outside equity interests in operating profit		(1,161)	(762)	–	–
Operating profit after income tax attributable to members of the company		36,062	102,628	27,984	48,267
Retained earnings at the beginning of the financial year		143,459	97,383	41,517	52,650
Adjustment to retained earnings at the beginning of the financial year on adoption of UIG 26 - "Major Cyclical Maintenance"		–	2,848	–	–
Dividends provided for or paid	5	(43,200)	(59,400)	(43,200)	(59,400)
Retained earnings at the end of the financial year		136,321	143,459	26,301	41,517

The profit and loss statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets

AS AT 31 DECEMBER	Note	Consolidated		The Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
Current assets					
Cash		41,711	11,628	–	–
Receivables	7	673,066	549,745	35,398	207,716
Inventories	8	562,671	462,851	–	–
Other	9	26,366	56,728	2,556	3,264
Total current assets		1,303,814	1,080,952	37,954	210,980
Non-current assets					
Receivables	7	31,788	9,959	1,025,000	250,000
Investments	10	11,360	10,688	928,734	928,734
Property, plant and equipment	12	1,662,458	1,703,633	–	12
Intangibles	11	158,011	168,916	–	–
Total non-current assets		1,863,617	1,893,196	1,953,734	1,178,746
Total assets		3,167,431	2,974,148	1,991,688	1,389,726
Current liabilities					
Accounts payable	13	632,839	530,049	5,361	922
Borrowings	14	246,616	371,040	48,752	407,905
Provisions	15	56,879	126,844	16,200	37,800
Total current liabilities		936,334	1,027,933	70,313	446,627
Non-current liabilities					
Borrowings	14	1,036,286	747,529	1,025,000	38,000
Provisions	15	185,677	182,461	6,794	302
Total non-current liabilities		1,221,963	929,990	1,031,794	38,302
Total liabilities		2,158,297	1,957,923	1,102,107	484,929
Net assets		1,009,134	1,016,225	889,581	904,797
Shareholders' equity					
Share capital	16	543,415	543,415	543,415	543,415
Reserves	17	319,865	319,865	319,865	319,865
Retained earnings		136,321	143,459	26,301	41,517
Shareholders' equity attributable to members of the company		999,601	1,006,739	889,581	904,797
Outside equity interests in controlled entities	18	9,533	9,486	–	–
Total shareholders' equity		1,009,134	1,016,225	889,581	904,797

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

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER	Note	Consolidated		The Company	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
Cash flows related to operating activities					
Receipts from customers		9,047,513	6,612,453	–	–
Payments to suppliers, employees and governments		(8,896,306)	(6,388,013)	(335)	(2,581)
Dividends received		1,777	1,585	49,166	36,758
Interest received		1,254	1,362	61,135	27,918
Interest and other borrowing costs paid		(100,942)	(86,868)	(51,689)	(26,398)
Income taxes refunded/(paid)		(56,654)	5,765	98	(746)
Net cash (used in)/provided by operating activities	28(b)	(3,358)	146,284	58,375	34,951
Cash flows related to investing activities					
Purchase of controlled entities, net of cash acquired	28(c)	622	(615)	–	–
Proceeds from sale of controlled entities	28(d), 2	2,250	–	–	–
Purchases of property, plant and equipment		(80,557)	(97,290)	–	–
Proceeds from sale of property, plant and equipment	2	23,001	53,137	11	–
Proceeds from sale of investments	2	120	–	–	–
Purchases of operating licences and goodwill		(1,295)	–	–	–
Loans to controlled entities		–	–	(621,433)	(69,110)
Loans to associated company		(7,100)	–	–	–
Net cash (used in) investing activities		(62,959)	(44,768)	(621,422)	(69,110)
Cash flows related to financing activities					
Proceeds from borrowings		8,127,000	3,770,000	5,509,000	2,851,000
Repayments of borrowings		(7,963,300)	(3,819,062)	(4,858,000)	(2,766,297)
Finance Lease payments		(2,500)	(2,435)	–	–
Dividends paid		(64,800)	(54,000)	(64,800)	(54,000)
Net cash provided by/(used in) financing activities		96,400	(105,497)	586,200	30,703
Net increase/(decrease) in cash held		30,083	(3,981)	23,153	(3,456)
Cash at the beginning of the financial year		11,628	15,609	(37,905)	(34,449)
Cash at the end of the financial year	28(a)	41,711	11,628	(14,752)	(37,905)

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of consolidation

The consolidated financial report of the consolidated entity includes the financial report of the company, being the parent entity, and its controlled entities.

Where an entity began or ceased to be controlled during the year the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions between controlled entities included in the consolidated financial report have been eliminated. Outside interests in the equity and results of the entities that are controlled by the consolidated entity are shown as a separate item in the consolidated financial statements.

(c) Goodwill

Goodwill, being the excess of the purchase consideration plus incidental costs over the fair value of identifiable net assets acquired on the acquisition of a controlled entity, is amortised on a straight line basis over the period during which benefits are expected to arise, but not exceeding 20 years.

The unamortised balance of goodwill is reviewed annually and where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement.

(d) Revenue recognition

Sales revenue

Net sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products and ancillary services to entities outside the consolidated entity. Gross sales revenue includes excise and taxes collected on behalf of state and federal governments, other than goods and services tax. Sales revenue is recognised when the goods are provided, or when the fee in respect of ancillary services provided is receivable.

Other revenue

Dividend revenue is recognised at the date the dividend is declared. Rental, interest, royalties and franchise revenues are recognised as they accrue. The revenue and profit or loss on disposal of assets is brought to account at the date a contract of sale is signed.

(e) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Except as outlined in note 1(n) below, exchange gains and losses are brought to account in determining the profit and loss for the year.

FOR THE YEAR ENDED 31 DECEMBER 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Hedges**

Where hedge transactions are designed to hedge the purchase or sale of goods or services, exchange differences arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase or sale. Except as outlined under note 1(n) below, any exchange differences on the hedge transaction after that date are included in the profit or loss statement.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale value when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the foreign currency hedge prior to its termination are included in the profit and loss statement for the period.

Non-specific hedge transactions are initially recorded at the spot rate at the date of the transaction. Hedges outstanding at balance date are translated at the rates of exchange ruling on that date and any exchange differences are brought to account in the profit and loss statement. Costs or gains at the time of entering into the hedge are deferred and amortised over the life of the hedge.

(f) Income tax

The consolidated entity adopts the income statement method of tax effect accounting.

The income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(g) Receivables

Trade debtors are carried at amounts due. The collectibility of debts is assessed at balance date and provision is made for doubtful accounts.

(h) Investments**Controlled entities**

Investments in controlled entities are carried at cost or valuation. Dividends are brought to account in the profit and loss statement when they are declared by the controlled entities.

Associated companies and partnership

An associated company or partnership is one in which the consolidated entity exercises significant influence but not control and the investment in that entity has not been acquired with a view to disposal in the near future.

In the consolidated financial report investments in associates and the partnership are accounted for using equity accounting principles. Investments in associates and partnerships are carried at the lower of the equity accounted amount and the recoverable amount. The consolidated entity's share of the associates' and the partnership net profit or loss after tax is recognised in the consolidated profit and loss statement after adjustments for revisions in depreciation of depreciable assets and amortisation of goodwill arising from adjustments made as at the date of acquisition, dissimilar accounting policies and the elimination of unrealised profits and losses on transactions between the associate or partnership and any entity in the consolidated entity or another associate of the consolidated entity.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is based on the weighted average costing principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure.

(j) Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Depreciation and amortisation

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 for each class of asset are as follows:

Freehold buildings	2%
Leasehold property	2%
Plant and equipment	3% – 20%
Leased plant and equipment	3% – 20%
Hire purchase plant and equipment	4% – 7%

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.

Leased assets

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

Assets of the consolidated entity acquired under finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, over the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of lease payments are charged against operating profit.

Payments made under operating leases are charged against operating profit 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.

(k) Deferred expenditure

Material items of expenditure are deferred to the extent that it is probable that future economic benefits embodied in the expenditure will eventuate and can be measured reliably.

Deferred expenditure is amortised over the period in which the related benefits are expected to be realised.

(l) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company or the consolidated entity. Trade accounts payable are normally settled within 60 days.

(m) Borrowings

Bank loans

Bank loans are carried on the balance sheet at their principal amount. Interest expense is accrued at the contracted rate and included in "Other creditors and accrued expenses". Prepaid interest is included in "Prepaid and deferred expenditure".

Promissory notes

Promissory notes are recognised when issued at the face value, with the premium or discount on issuance amortised over the period to maturity.

(n) Derivatives

The consolidated entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The consolidated entity uses interest rate instruments, forward foreign exchange contracts, crude oil swap contracts and refiner margin swap contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

Interest rate instruments

Interest payments and receipts under interest rate instrument contracts are recognised on an accruals basis as an adjustment to interest expense during the period.

Forward foreign exchange contracts

The accounting for forward foreign exchange contracts is set out in note 1(e).

FOR THE YEAR ENDED 31 DECEMBER 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Crude oil swap contracts**

Crude oil swap contracts are used to hedge against adverse movements in the cost of term and spot purchase commitments of crude oil. There is no exchange of principal amounts involved with these contracts. These contracts are accounted for as specific hedges, consistent with note 1(e).

Refiner margin swap contracts

Tapis crude/product swap contracts are used to reduce exposure to falls in Singapore refining margins. There is no exchange of principal amounts involved in these contracts. These contracts are accounted for as specific hedges, consistent with note 1(e).

(o) Employee entitlements**Wages and salaries**

The provision for employee entitlements to wages and salaries represents the amount which the consolidated entity 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 entitlements to annual leave, long service leave and retirement benefits represent the present value 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 entitlements which are not expected to be settled within twelve months 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.

In determining the provisions for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation

The consolidated entity contributes to several defined benefit and defined contribution superannuation plans. Contributions are charged against income as they are made. Further information relating to the consolidated entity's superannuation funds is included in note 21.

(p) Non-current assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted.

(q) Major cyclical maintenance

Major maintenance expenditure is capitalised and depreciated where it will enhance the service potential of a particular asset, otherwise it is expensed as incurred.

(r) 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. Costs of future expenditures are not discounted to their present value.

Costs incurred to prevent future contamination or costs that are otherwise of a capital nature are capitalised. Costs to prepare a property for resale are capitalised where they can be recovered from expected sales proceeds. All other costs, including 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.

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an 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 balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
2. OTHER REVENUE				
From operating activities				
Dividends received or due and receivable from:				
– Controlled entities	–	–	27,105	45,717
Share of associates' net profit (note 27)	1,601	1,673	–	–
Interest received or due and receivable from:				
– Controlled entities	–	–	60,662	27,924
– Other corporations	1,254	1,362	5	42
Rental income	45,196	53,167	–	–
Royalties and franchise income	46,014	39,642	–	–
Other income	15,674	13,894	616	21
	109,739	109,738	88,388	73,704
From outside operating activities				
Proceeds from the sale of property, plant and equipment	23,001	53,137	11	–
Proceeds from sale of controlled entities	2,250	–	–	–
Proceeds from sale of investments	120	–	–	–
	25,371	53,137	11	–
3. COSTS AND EXPENSES				
Interest paid or due and payable to:				
– Other corporations and persons	95,761	70,774	56,128	25,956
Finance charges on capitalised leases	1,975	2,023	–	–
	97,736	72,797	56,128	25,956
Depreciation of:				
– Freehold buildings	8,308	8,651	–	–
– Plant and equipment	102,131	96,047	–	6
– Hire purchase plant and equipment	–	2,027	–	–
	110,439	106,725	–	6
Amortisation of:				
– Leasehold property	150	175	–	–
– Leased plant and equipment	722	771	–	–
– Intangibles	11,380	11,336	–	–
Operating leases rental expense	74,267	79,016	–	–
Finance lease contingent rentals	58	216	–	–
Net expense from movement in:				
– Doubtful trade receivables	3,953	1,298	–	–
– Employee entitlements	(2,483)	5,394	–	(234)
– Loans to associated companies	–	3,356	–	–
Loss on disposal of non-current assets, net of gains	533	4,004	1	–
Net foreign exchange (gains)/losses	43,592	(4,991)	–	–
Abnormal item in relation to the consolidated entity's restructuring program ('Project Nova')	–	21,543	–	–

FOR THE YEAR ENDED 31 DECEMBER	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
4. INCOME TAX				
(i) Income tax expense				
Prima facie income tax on operating profit before abnormal items at 34% (1999: 36%)	20,579	52,582	10,552	16,751
Increase/(decrease) in income tax due to:				
– Rebate on dividend income	–	–	(9,216)	(16,458)
– Non-allowable depreciation and amortisation	2,893	3,216	–	–
– Amortisation of goodwill	3,869	4,081	–	–
– Share of associates' net profit	(544)	(602)	–	–
– Research and development allowances	(43)	(45)	–	–
– Provision for loan to associated entity	–	1,208	–	–
– Other non allowable items	1,034	1,190	(100)	–
	27,788	61,630	1,236	293
Income tax (over)/under provided in prior years	(4,486)	(2,611)	1,816	(2,048)
Income tax expense/(benefit) attributable to operating profit before abnormal items	23,302	59,019	3,052	(1,755)
Abnormal item: tax effect of Project Nova	–	(7,755)	–	–
Abnormal item: effect of future tax rate changes (34%/30% in 2000/2001, respectively) on deferred tax balances	–	(30,137)	–	18
Abnormal items income tax expense/(benefit)	–	(37,892)	–	18
Income tax expense/(benefit) attributable to operating profit	23,302	21,127	3,052	(1,737)
Income tax is made up of:				
– Current income tax expense	20,030	29,727	(5,065)	311
– Deferred income tax expense/(benefit)	7,758	(5,989)	6,301	–
– Income tax (over)/under provided in prior years	(4,486)	(2,611)	1,816	(2,048)
Total income tax expense/(benefit)	23,302	21,127	3,052	(1,737)
(ii) Future income tax benefit not taken to account				
The potential future income tax benefit in a controlled entity, arising from tax losses has not been recognised as an asset because recovery is not virtually certain:	1,424	1,709	–	–

The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
5. DIVIDENDS				
(i) Dividends paid and proposed				
Dividends provided for or paid by the company are:				
A final dividend declared (fully franked at 34%) of 6 cents per share (1999: 14 cents per share, fully franked at 36%)	16,200	37,800	16,200	37,800
An interim dividend paid (fully franked at 34%) of 10 cents per share (1999: 8 cents per share, fully franked at 36%)	27,000	21,600	27,000	21,600
	43,200	59,400	43,200	59,400
(ii) Dividend franking account				
Balance of franking account at year end adjusted for franking credits arising from payment of income tax and payment of the above declared dividends Class C (34%) franking credits (1999: 36%)	69,205	36,125	26	151

The consolidated entity has a franking account balance of \$69,205,000 at 34 cents as at 31 December 2000. These franking credits are not currently available to the company. The extent to which future dividends will be franked is uncertain, as it depends on the company's taxable profit and its ability to utilise the other group companies' franking credits.

Proposed legislation relating to the consolidation of corporate groups for income tax purposes may make these franking credits more readily available to the company.

6. EARNINGS PER SHARE

Basic earnings per share (cents per share)

	2000	1999
Basic earnings per share (cents per share)	13.4	38.0

Ordinary shares used in the calculation of earnings per share were 270 million (1999: 270 million). Basic earnings per share based on operating profit after abnormal items and income tax attributable to members of the company is 13.4 cents per share (1999: 38.0 cents per share). Earnings per share before the effect of abnormal items, is 13.4 cents per share (1999: 32.0 cents per share). The diluted earnings per share has not been disclosed as in both this financial year and the previous financial year it is the same as basic earnings per share.

FOR THE YEAR ENDED 31 DECEMBER	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
7. RECEIVABLES				
Current				
Trade debtors	535,887	452,977	–	–
Provision for doubtful debts	(8,152)	(4,902)	–	–
	527,735	448,075	–	–
Controlled entities	–	–	29,964	183,530
Other related entities	51,847	14,239	–	–
Associated companies	44,055	40,977	–	–
Dividends receivable from controlled entity	–	–	–	22,062
Interest receivable from controlled entity	–	–	–	46
Income tax recoverable	10,332	–	5,434	2,078
Other debtors	39,097	46,454	–	–
	673,066	549,745	35,398	207,716
Non-current				
Loans to associated companies	27,219	3,356	–	–
Provision for non-recovery	(3,356)	(3,356)	–	–
	23,863	–	–	–
Loans to controlled entities	–	–	1,025,000	250,000
Other loans	7,925	9,959	–	–
	31,788	9,959	1,025,000	250,000
8. INVENTORIES – AT COST				
Crude oil and raw materials	181,487	145,448	–	–
Inventory in process	66,035	53,432	–	–
Finished goods	285,222	230,155	–	–
Materials and supplies	29,927	33,816	–	–
	562,671	462,851	–	–

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
9. OTHER ASSETS				
Current				
Prepaid and deferred expenditure	26,366	56,728	2,556	3,264
10. INVESTMENTS				
Shares in controlled entities at Directors' valuation 1997	–	–	928,734	928,734
Shares in associated companies:				
– Equity accounted (note 27)	11,345	10,553	–	–
Shares in other corporations, at cost	15	135	–	–
	11,360	10,688	928,734	928,734
11. INTANGIBLES				
Goodwill, at cost	190,053	190,120	–	–
Accumulated amortisation	(32,042)	(21,204)	–	–
	158,011	168,916	–	–

FOR THE YEAR ENDED 31 DECEMBER	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
12. PROPERTY, PLANT AND EQUIPMENT				
Freehold land and buildings				
At cost	693,053	706,894	–	–
Accumulated depreciation	(63,351)	(57,870)	–	–
	629,702	649,024	–	–
Leasehold property				
At cost	78,283	80,797	–	–
Accumulated amortisation	(42,631)	(42,323)	–	–
	35,652	38,474	–	–
Plant and equipment				
At cost	1,845,268	1,755,871	–	32
Accumulated depreciation	(923,688)	(837,432)	–	(20)
	921,580	918,439	–	12
Leased plant and equipment				
At capitalised cost	14,493	14,588	–	–
Accumulated amortisation	(5,842)	(5,145)	–	–
	8,651	9,443	–	–
Hire-purchase plant and equipment				
At cost	–	41,693	–	–
Accumulated depreciation	–	(15,138)	–	–
	–	26,555	–	–
Capital projects in progress				
At cost	66,873	61,698	–	–
	1,662,458	1,703,633	–	12

A Directors' valuation as at 30 June, 2000 determined that valuation of the consolidated entity's land and buildings was consistent with their book value as at that date of \$634 million.

The Directors' valuation was determined with reference to a valuation of a representative sample of the consolidated entity's real estate portfolio completed by independent valuation firm Edward Rushton Australia Pty Limited. The independent valuation was based upon the market value for existing use or the market value of the assets, whichever was the more appropriate.

In determining the valuation of the freehold land and buildings the Directors have not taken into account the potential impact of capital gains tax.

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
13. ACCOUNTS PAYABLE				
Current				
Trade creditors				
– Related entities	117,166	169,871	–	–
– Other corporations and persons	350,573	185,275	–	–
Other creditors and accrued expenses	165,100	174,903	5,361	922
	632,839	530,049	5,361	922

14. BORROWINGS

Current – unsecured

– Bank overdraft	–	–	14,752	37,905
– Promissory notes (i&ii)	195,000	370,000	–	370,000
– Bank loans (i)	51,100	–	34,000	–
– Other loans	–	600	–	–
	246,100	370,600	48,752	407,905

Current – secured

– Lease liabilities (iii)	516	440	–	–
	246,616	371,040	48,752	407,905

Non-current – unsecured

– Promissory notes (i&ii)	200,000	199,000	200,000	38,000
– Bank loans (i)	825,000	536,700	825,000	–
	1,025,000	735,700	1,025,000	38,000

Non-current – secured

– Lease liabilities (iii)	11,286	11,829	–	–
	1,036,286	747,529	1,025,000	38,000

(i) The bank loans and promissory notes are provided by a syndicate of banks and the capital market. The majority of interest rates on these loans are on a floating rate basis. Repayment dates of the loans vary from January 2001 to May 2005. All bank loans are denominated in Australian dollars. Under the loan agreements, the consolidated entity is required to comply with certain financial covenants which place a limitation on its borrowing level and require the consolidated entity to maintain its tangible net worth above a minimum level.

(ii) Promissory notes which are supported by long term committed standby facilities are classified as non-current liabilities.

(iii) The implicit rate of interest on finance leases is 13.96% (1999: 13.96%). Refer to note 22 for details on the timing and amount of future lease payments.

FOR THE YEAR ENDED 31 DECEMBER	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

15. PROVISIONS**Current**

Income tax	–	28,665	–	–
Employee and Director entitlements	37,809	46,650	–	–
Dividends declared	16,200	37,800	16,200	37,800
Other	2,870	13,729	–	–
	56,879	126,844	16,200	37,800

Non-current

Employee and Director entitlements	26,480	31,022	493	302
Deferred income tax	159,197	151,439	6,301	–
	185,677	182,461	6,794	302

16. SHARE CAPITAL**Issued capital**

270 million (1999: 270 million) ordinary shares, fully paid	543,415	543,415	543,415	543,415
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17. RESERVES

Capital profits reserve	319,865	319,865	319,865	319,865
	319,865	319,865	319,865	319,865

18. OUTSIDE EQUITY INTERESTS

Outside equity interests in controlled entities comprises:

Interest in share capital	1,864	1,872	–	–
Interest in reserves	3,369	3,167	–	–
Interest in retained profits	4,300	4,447	–	–
	9,533	9,486	–	–

19. FINANCIAL INSTRUMENTS**(a) Interest rate risk**Interest rate instruments

The consolidated entity 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 consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between 2 and 3 years.

Each contract involves half yearly payment or receipt of the net amount of interest. At 31 December 2000 the fixed rates varied from 5.8% to 6.6% (1999: 6.1% to 8.3%), a weighted average rate of 6.3% (1999: 7.6%). The floating rates were at bank bill rates plus the consolidated entity's credit margin. As outlined in note 19(e), a number of interest rate swaps were revalued to their net market value in the financial statements of the consolidated entity at 31 December 1997, as a result of the company's acquisition of the remaining 50% interest in Caltex Australia Petroleum Pty Ltd.

Interest rate risk exposure

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

31 DECEMBER 2000	Note	Fixed Interest Maturing in:					Total	Weighted Average Interest Rate
		Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non-Interest Bearing		
Financial assets								
Cash		41,711	—	—	—	—	41,711	6.40%
Receivables	7	—	—	—	—	704,854	704,854	—
		41,711	—	—	—	704,854	746,565	
Financial liabilities								
Accounts payable	13	—	—	—	—	632,839	632,839	—
Dividends payable	15	—	—	—	—	16,200	16,200	—
Employee and Director entitlements	15	—	39,928	7,679	16,682	—	64,289	5.50%*
Bank loans	14	876,100	—	—	—	—	876,100	6.70%
Promissory notes	14	334,000	61,000	—	—	—	395,000	6.75%
Lease liabilities	14	—	516	2,561	8,725	—	11,802	13.96%
		1,210,100	101,444	10,240	25,407	649,039	1,996,230	
Interest rate swaps notional amount		(425,000)	—	425,000	—	—	—	
31 DECEMBER 1999								
Financial assets								
Cash		11,628	—	—	—	—	11,628	5.20%
Receivables	7	—	—	—	—	559,704	559,704	—
		11,628	—	—	—	559,704	571,332	
Financial liabilities								
Accounts payable	13	—	—	—	—	530,049	530,049	—
Dividends payable	15	—	—	—	—	37,800	37,800	—
Employee and Director entitlements	15	—	49,132	8,996	19,544	—	77,672	7.20%*
Bank loans	14	536,700	—	—	—	—	536,700	5.59%
Other loans	14	—	—	—	—	600	600	—
Promissory Notes	14	508,000	—	61,000	—	—	569,000	5.80%
Lease liabilities	14	—	440	4,424	7,405	—	12,269	13.96%
		1,044,700	49,572	74,420	26,949	568,449	1,764,090	
Interest rate swaps notional amount		(350,000)	150,000	200,000	—	—	—	

* This represents the discount rate.

FOR THE YEAR ENDED 31 DECEMBER 2000

19. FINANCIAL INSTRUMENTS (continued)**(b) Foreign exchange risk**

The consolidated entity is exposed to the effect of changes in exchange rates on the margin derived by the entity. In particular, at least in the short term, the petroleum refiners' margin is determined principally with reference to the US dollar denominated Singapore spot product price. The consolidated entity does not currently use financial instruments to hedge this exposure, other than as discussed in note 19(c). All trade transactions which require the sale or purchase of US dollars are covered on a spot basis. As at 31 December 2000, the total of all outstanding spot contracts amounted to \$81,689,000 Australian dollars (1999:\$61,338,000).

In addition, the consolidated entity, in the normal course of business, enters into transactions denominated in other currencies. To manage its foreign currency exchange exposure the consolidated entity may enter into forward foreign exchange contracts to purchase or sell foreign currency at an exchange rate specified at the contract date, with delivery and settlement in the future.

(c) Commodity price risk

The consolidated entity uses crude oil swap contracts and refiners' margin hedges from time to time as a hedge against adverse movements in the cost of term and spot crude purchases and deterioration in refiners' margin. During 2000 the consolidated entity hedged approximately 0.6% of its total crude purchases. The terms of these contracts are rarely more than 12 months. The total of outstanding crude oil swap contracts at 31 December 2000 is 400,000 bbls (1999: 3,000,000bbls).

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the measurement of the underlying purchase commitment.

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of provisions for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.

Off-balance sheet financial instruments

Credit risk on off-balance sheet derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the consolidated entity. The full amount of the exposure is disclosed at note 19(b) above.

The credit risk on swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the consolidated entity. As at 31 December 2000 there is no expected credit risk on any off-balance sheet contract.

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

(e) Net fair values of financial assets and liabilities

Net fair values of on-balance sheet financial assets and liabilities approximate the carrying value on the balance sheet.

Except for interest rate swaps, the valuation of off-balance sheet financial instruments detailed below reflects the estimated amounts which the consolidated entity would expect to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The net market value difference on interest rate swaps at 31 December 1997 was recognised as an adjustment to the fair value of the net assets of Caltex Australia Petroleum Pty Ltd and its controlled entities, acquired on 31 December 1997. Consequently the net fair value of interest rate swaps after interest accruals at 31 December 2000, as presented in the table below, is \$5,268,000 (1999: \$1,149,000) offset by the remaining fair value provision of \$nil (1999: \$4,407,000). As a consequence, interest expense for the year has been partially offset by the utilisation of this fair value provision.

The net fair value of off-balance sheet financial instruments held at the reporting date are:

	Asset/(Liability)	
Interest rate swaps	(5,268)	3,251
Forward foreign exchange contracts	305	(352)
Refiner margin swaps	311	967
	<u>(4,652)</u>	<u>3,866</u>

20. AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCIES

The Australian dollar equivalents of amounts payable or receivable in foreign currencies, not specifically hedged through the use of foreign exchange contracts, and calculated at the period-end exchange rates, are as follows:

United States dollars

Amounts payable – current	316,753	294,008	–	–
Amounts receivable – current	54,869	65,274	–	–

FOR THE YEAR ENDED 31 DECEMBER	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

21. EMPLOYEE AND DIRECTOR ENTITLEMENTS

(a) Provision for employee and Director entitlements

– Current (note 15)	37,809	46,650	–	–
– Non-current (note 15)	26,480	31,022	493	302
	64,289	77,672	493	302

(b) Superannuation commitments

The consolidated entity contributes to superannuation plans to provide benefits to employees and Directors and their dependents upon retirement, disability or death. Employer contributions (where applicable) are based on a percentage of salary/Directors' fees. The employer is committed to contribute to the plans as prescribed by the relevant trust deeds and relevant legislation. Details of the plans are outlined below.

Caltex Australia Superannuation Plan – CSP Division

The Caltex Australia Superannuation Plan – CSP Division, is predominantly a defined benefits plan but it also includes the Retirement Account which is a defined contribution payable by the consolidated entity.

The last actuarial review was made as at 31 December 2000 by Peter R Hughes FIA, FIAA, Actuary, William M. Mercer Pty Ltd. The review concluded that the assets of the plan were sufficient to meet all benefits payable in the event of termination of the plan or the voluntary or compulsory termination of employment of each employee in the plan. The consolidated entity is currently taking a contributions holiday in respect of pay-linked benefits, and has continued contributions in respect of the Retirement Account. To provide for the funding of the benefits of the former non-contributory retirement plan members for service up to 31 March 1991, the financial report of the consolidated entity includes a provision at 31 December 2000 of \$6,942,000 (1999: \$9,977,000).

Employer contributions to the plan	713	828	–	–
Employer contributions payable to the plan	–	–	–	–

Caltex Australia Superannuation Plan – APF Division

This is a defined contribution plan. As such there have not been any actuarial reviews of the plan. The plan benefits to members are as laid down in the trust deed. Funds are available to satisfy all vested benefits in the event of termination of the fund or the voluntary or compulsory termination of employment of each employee of the participating employers.

Employer contributions to the plan	3,796	4,114	–	–
Employer contributions payable to the plan	–	–	–	–

31 DECEMBER 2000	Consolidated			
	Net market value of plan assets	Accrued benefits	Excess of plan assets over accrued benefits	Vested benefits

Defined benefit superannuation plans

Caltex Australia Superannuation Plan – CSP Division

– Per Superannuation Plan's last actuarial review	154,259	135,363	18,896	130,835
– Liability recognised by the consolidated entity	6,942	–	6,942	–
	161,201	135,363	25,838	130,835

31 DECEMBER 1999

Defined benefit superannuation plans

Caltex Australia Superannuation Plan – CSP Division

– Per Superannuation Plan's last actuarial review (as at 1 January 1998)	147,787	134,287	13,500	125,025
– Liability recognised by the consolidated entity	9,977	–	9,977	–
	157,764	134,287	23,477	125,025

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

(c) Other benefits

The Employee Share Plan is open to all full and permanent part time employees of the main group companies (refer note 26(v)). The plan takes advantage of the concessions available under the tax provisions and uses a salary sacrifice arrangement to acquire the shares on behalf of the employees. The administration and incidental costs of the purchases met by the consolidated entity during the year were \$11,000 (1999: nil). All employees of the consolidated entity are entitled to receive a discount on private fuel purchases.

22. COMMITMENTS

Capital expenditure

Capital expenditure contracted but not provided for in the financial report and payable:

Within 1 year	4,497	4,490	–	–
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Lease commitments

Finance lease

Finance lease rentals payable are as follows:

Within 1 year	2,133	2,129	–	–
Between 1-5 years	8,219	8,350	–	–
After 5 years	13,930	15,955	–	–
	24,282	26,434	–	–
Future finance charges	(12,480)	(14,165)	–	–
	11,802	12,269	–	–
Classified as:				
– Current (note 14)	516	440	–	–
– Non-current (note 14)	11,286	11,829	–	–
	11,802	12,269	–	–

The consolidated entity leases production plant under finance leases expiring from one to twelve years. At the end of the lease term the consolidated entity has the option to purchase the equipment at a price deemed to be a bargain purchase option.

Some leases involve lease payments comprising a base amount plus an incremental rental. Contingent rentals are based on operating performance criteria. The amount of contingent rentals paid during the year is disclosed in note 3.

Operating leases and other financial commitments

Future gross payments, prior to sub-lease receipts, not provided for in the financial reports and payable:

Within 1 year	87,567	88,843	–	–
Between 1-5 years	283,626	281,106	–	–
After 5 years	225,844	274,379	–	–
	597,037	644,328	–	–

The consolidated entity leases property under operating leases expiring from one to thirty-five years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise mainly of a base amount, however in a few cases, include a base amount and incremental contingent rental. Contingent rentals are based on operating performance criteria. No contingent rentals were paid during the year (1999: nil).

FOR THE YEAR ENDED 31 DECEMBER	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

23. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent 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 liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

(a) Legal and other claims

2,000	2,000	–	–
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(b) The company has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of \$7,518,000 (1999: \$3,397,000). At 31 December 2000 the total outstanding was \$3,429,000. (1999: \$2,807,000).

(c) Pursuant to ASIC Class Order 98/1418, relief has been granted to certain of the company's wholly owned controlled entities as listed in note 26 from specific accounting and financial reporting requirements.

(d) Environmental matters

In addition to the environmental exposures already provided for in the financial statements in accordance with the consolidated entity's accounting policy, the consolidated entity may be subject to contingent liabilities as a result of environmental laws that at some time in the future may require the consolidated entity to take action to correct the environmental effect of past disposal or release of petroleum substances by the consolidated entity or by others. The amount of future cost is indeterminable due to such factors as the unknown nature of new laws, the unknown magnitude of possible contamination, the unknown timing and extent of corrective factors that may be required, the determination of the consolidated entity's possible liability in proportion to other possible responsible parties and to the extent to which such costs are recoverable from insurers.

The consolidated entity is a member of the Cristal Fund and the International Oil Pollution Compensation Fund and as such may be called upon to meet a share of the cost of future claims made to the two funds. There are no calls outstanding which the consolidated entity has not provided for and there is no indication of when future claims will occur or the amount of future claims.

(e) Merger warranties

In connection with the merger of its former petroleum and marketing business with that of Ampol Limited in 1995, the company gave certain warranties regarding the financial position of its refining and marketing subsidiaries and entered into a tax indemnity deed and an environmental indemnity deed. The Tax Indemnity Deed between Pioneer International Limited (Pioneer), the company and Caltex Australia Petroleum Pty Ltd entered into at the time of the merger continues in force and other merger agreements have been either terminated or varied as appropriate.

There are no existing claims under these warranties and the Directors are not aware of any potential claims likely to emerge in the future.

Pioneer entered into a deed with the company on 31 December 1997 under which Pioneer undertakes to be liable for one-half of any tax, environmental and third party liability of any company in the Caltex Australia Petroleum Pty Ltd consolidated entity arising out of the conduct of its business in the period from 1 January 1995 to the date of completion (31 December 1997) which has not been paid or adequately provided for in the Caltex Australia Petroleum Pty Ltd accounts to the extent that the amount of such liabilities (after recoveries) exceeds \$2.5 million. Pioneer's obligation will apply for 7 years for tax liabilities, 8 years for environmental liabilities and 2 years for third party liabilities as from 31 December 1997. Pioneer's maximum potential liability under this deed is one-half of the net assets of the Caltex Australia Petroleum Pty Ltd consolidated entity as at 31 December 1997.

(f) Contingent consideration amounts

Part of the consideration for the acquisition by the company of the remaining 50% interest in Caltex Australia Petroleum Pty Ltd at 31 December 1997 comprised a contingent consideration amount in respect of each of the 5 years ending 31 December 1998 to 2002. This amount is calculated on the following basis:

- a maximum payment in each of the 5 years of \$12 million will be payable if the Caltex Australia Petroleum Pty Ltd consolidated earnings before interest and tax after certain adjustments (EBIT) equals or exceeds the high benchmark set for that relevant year;
- no payment will be made in any year if EBIT equals or is below the relevant low benchmark in that year;
- if the EBIT in any of the 5 years is between the relevant high and low benchmarks, the contingent consideration amount will be calculated on a straight line pro-rata basis.

No amount has been provided for future years in respect of this contingent consideration in these financial statements.

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

24. AUDITORS' REMUNERATION

Audit services:

– Auditors of the company

407,500	388,101	25,000	25,000
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Other services:

– Auditors of the company

227,662	19,775	–	–
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The Company	
2000 Number	1999 Number

25. REMUNERATION AND RETIREMENT BENEFITS

(a) Directors' remuneration

The number of Directors of the company whose remuneration from the company or any related party falls within the following bands is:

\$0 – \$9,999	2	–
\$10,000 – \$19,999	–	2
\$20,000 – \$29,999	–	3
\$30,000 – \$39,999	1	–
\$40,000 – \$49,999	1	1
\$50,000 – \$59,999	4	3
\$60,000 – \$69,999	1	–
\$140,000 – \$149,999	1	1
\$400,000 – \$409,999	1	–
\$700,000 – \$709,999	–	1
\$850,000 – \$859,999	–	1
\$2,790,000 – \$2,799,999	1	–

Total income paid or payable, or otherwise made available, to Directors in the consolidated entity from the company or any related party

\$	\$
3,707,395	2,026,785

Total income paid or payable, or otherwise made available, to all Directors of each entity in the consolidated entity from the company or any related party

\$	\$
3,707,395	2,026,785

	Consolidated		The Company	
FOR THE YEAR ENDED 31 DECEMBER	2000	1999	2000	1999

25. REMUNERATION AND RETIREMENT BENEFITS (continued)

(b) Directors

The names of the Directors who have held office during the past financial year are as follows:

MG Irving

JL Banner

JW Bernitt

ID Blackburne (resigned 31 March 2000)

TC Blevins (appointed 20 April 2000)

RJ Bothwell

GJ Camarata (resigned 24 February 2000)

JS de Bruyn*

DC Mackney

RFE Warburton

KT Watson

SS Yosufzai (appointed 24 February 2000)

* Alternate Director for GJ Camarata, JL Banner and JW Bernitt.

(c) Loans to Directors

\$ \$ \$ \$

– 106,000 – –

During the year Dr ID Blackburne repaid the full balance of his loan (1999: \$6,000).
Interest charged and received by the company on the loan totalled \$1,900 (1999: \$5,500).
Interest was payable at 7% pa.

	Consolidated		The Company	
	2000 Number	1999 Number	2000 Number	1999 Number
(d) Executives' remuneration				
The number of executive officers whose remuneration from the company or any related party falls within the following bands:				
\$110,000 – \$119,999	3	–	3	–
\$120,000 – \$129,999	–	1	–	1
\$130,000 – \$139,999	–	2	–	2
\$140,000 – \$149,999	1	5	1	5
\$150,000 – \$159,999	3	3	3	3
\$160,000 – \$169,999	5	2	5	2
\$170,000 – \$179,999	3	8	3	8
\$180,000 – \$189,999	3	–	3	–
\$190,000 – \$199,999	3	3	3	3
\$200,000 – \$209,999	1	–	1	–
\$210,000 – \$219,999	2	2	2	2
\$220,000 – \$229,999	–	1	–	1
\$230,000 – \$239,999	–	1	–	1
\$240,000 – \$249,999	2	1	2	1
\$250,000 – \$259,999	2	–	2	–
\$260,000 – \$269,999	–	1	–	1
\$270,000 – \$279,999	–	1	–	1
\$290,000 – \$299,999	–	1	–	1
\$320,000 – \$329,999	–	1	–	1
\$340,000 – \$349,999	1	–	1	–
\$350,000 – \$359,999	1	–	1	–
\$360,000 – \$369,999	–	1	–	1
\$370,000 – \$379,999	–	2	–	2
\$380,000 – \$389,999	1	–	1	–
\$390,000 – \$399,999	1	–	1	–
\$430,000 – \$439,999	1	–	1	–
\$480,000 – \$489,999	1	–	1	–
\$650,000 – \$659,999	1	–	1	–
\$700,000 – \$709,999	–	1	–	1
\$850,000 – \$859,999	–	1	–	1
\$1,230,000 – \$1,239,999	1	–	1	–
\$2,790,000 – \$2,799,999	1	–	1	–

Total remuneration received, or due and receivable, from the company or any related party by executive officers of the consolidated entity whose income is \$100,000 pa or more

\$	\$	\$	\$
12,155,148	7,330,443	12,155,148	7,330,443

		% of shares held	
FOR THE YEAR ENDED 31 DECEMBER	Note	2000	1999
26. PARTICULARS IN RELATION TO CONTROLLED ENTITIES			
Name			
Caltex Australia Finance Pty Limited	(iii), (iv), (v)	100	100
Caltex Australia Investments Pty Limited	(iii), (iv)	100	100
Caltex Coal Pty Limited	(iii), (iv)	100	100
Caltex Australia Custodians Pty Ltd		100	100
Caltex Australia Petroleum Pty Limited	(iii), (v)	100	100
Ampol Lending Pty Limited	(iii)	100	100
Ampol Metro Fuels Pty Limited	(iii)	100	100
Ampol Petroleum Distributors Pty Ltd	(iii)	100	100
Ampol Property (Holdings) Limited	(iii)	100	100
Ampol Bendigo Pty Ltd	(iii)	100	100
Australian Petroleum (Holdings) Pty Limited	(iii)	100	100
Ampol Realty Pty Limited	(iii)	100	100
Ampol Refineries (Matrville) Limited	(iii)	100	100
Ampol Road Pantry Pty Limited	(iii)	100	100
Ampol Workshops Pty Limited	(iii)	100	100
B & S Distributors Pty Limited		100	100
Big Country Oils Pty Limited	(iii)	100	100
Brisbane Airport Fuel Services Pty Limited	note 28(c)	67	40
Calstores Pty Limited	(iii)	100	100
Caltex Australia Management Pty Limited		100	100
Caltex Australia Nominees Pty Limited		100	100
Caltex Lubricating Oil Refinery Pty Ltd	(iii), (v)	100	100
Caltex Petroleum Pty Limited	(iii), (v)	100	100
Australian Petroleum Marine Pty Limited	(iii)	100	100
Sydney Metropolitan Pipeline Pty Limited		60	60
Caltex Petroleum (Qld) Pty Limited	(iii), (v)	100	100
Caltex Petroleum (Victoria) Pty Limited	(iii), (v)	100	100
R&T Lubricants Limited	(iii)	100	100
Caltex Refineries (NSW) Pty Limited	(iii), (v)	100	100
Caltex Refineries (Qld) Limited	(iii), (v)	100	100
Circle Petroleum (Q'land) Pty Limited	(iii)	100	100
Hayport Pty Limited	(iii)	100	100
Hunter Pipe Line Company Pty Limited	(iii)	100	100
Hyworth Pty Limited	note 27, 28(d)	50	100
Jet Fuels Petroleum Distributors Pty Limited	(iii)	100	100
Mopal Pty Limited	(iii)	100	100
Northern Marketing Pty Limited	(iii)	100	100
Hanietee Pty Limited	(iii)	100	100
Newcastle Pipe Line Company Pty Limited	(iii)	100	100
Security Computer Services Pty Limited	(iii)	100	100
Solo Oil Investments Pty Limited	(iii)	100	100
Devorant Pty Limited	(iii)	100	100

Name	Note	% of shares held	
		2000	1999
Manworth Pty Limited	(iii)	100	100
Metdale Pty Limited	(iii)	100	100
Solo Oil Leasing Pty Limited	(iii)	100	100
Southern Cross Petroleum Pty Limited	(iii)	100	100
Solo Oil Limited	(iii)	100	100
Brooklyn Bagel (Systems) Pty Limited	(iii)	100	100
Carmonott Constructions Pty Limited	(iii)	100	100
Chapmore Pty Limited	(iii)	100	100
Ditta (Service Station) Pty Limited	(iii)	100	100
First Bildarama Pty Limited	(iii)	100	100
Grosvenor Constructions Pty Ltd	(iii)	100	100
Kanegood Pty Limited	(iii)	100	100
Leberg Holdings Pty Limited	(iii)	100	100
Liglen Pty Limited	(iii)	100	100
Matland Holdings Pty Limited	(iii)	100	100
Pagold Holdings Pty Limited	(iii)	100	100
Petroleum Leasing Unit Trust		100	100
Petroleum Properties Unit Trust		100	100
Pruland Holdings Pty Limited	(iii)	100	100
Ruzack Nominees Pty Limited	(iii)	100	100
Solo Oil Australia Pty Limited	(iii)	100	100
Solo Oil Corporation Pty Limited	(iii)	100	100
Solo Petroleum Pty Limited	(iii)	100	100
Solo Rent A Car Pty Limited	(iii)	100	100
Sunrise Transport Pty Limited	(iii)	100	100
Wildbank Pty Limited	(iii)	100	100
South Coast Oils Pty Limited	(iii)	100	100
Southern Cross Services Pty Limited	(iii)	100	100
Talcor Pty Limited	note 28(d)	0	57
Teraco Pty Limited	(ii)	50	50
Travelmate.com.au Pty Limited	(iii)	100	100
Tulloch Petroleum Services Pty Limited	(iii)	100	100
Western Fuels Distributors Pty Limited	(ii)	50	50

(i) All controlled entities are incorporated in Australia.

(ii) These entities have been included as controlled entities in accordance with Australian Accounting Standard AASB 1024. Control exists because the company has the ability to dominate the composition of their Boards of Directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of these entities.

(iii) These controlled entities have entered into a Deed of Cross Guarantee with the company in respect of relief granted from specific accounting and financial reporting requirements in accordance with an ASIC Class Order. It is a condition of the class order that the company and each of the subsidiaries entered into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of the winding up of any subsidiaries under certain provisions of Corporations Law. The subsidiaries have also given similar guarantees in the event that the company is wound up. A consolidated profit and loss account and consolidated balance sheet, comprising the company and consolidated entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out on the following page. This deed came into effect on 22 December, 1992, and was amended on 5 July, 2000.

(iv) These controlled entities were parties to the Deed of Cross Guarantee with the company at 31 December 1999.

(v) Employees of these companies may be eligible to participate in the employee share plan (refer note 21(c)).

FOR THE YEAR ENDED 31 DECEMBER	Consolidated	
	2000 \$000	1999 \$000
26. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)		
Profit and loss statement		
Operating profit before income tax	56,828	43,039
Income tax expense attributable to operating profit	(22,456)	1,151
Operating profit after income tax	34,372	44,190
Retained earnings at the beginning of the financial year	140,291	50,705
Dividends provided for or paid	(43,200)	(59,400)
Retained earnings at the end of the financial year	131,463	35,495
Balance sheet		
Current assets		
– Cash	39,346	–
– Receivables	659,508	199,673
– Inventories	562,662	–
– Other	26,347	3,677
	1,287,863	203,350
Non-current assets		
– Receivables	29,222	250,000
– Investments	35,314	1,213,735
– Property, plant and equipment	1,641,667	18
– Intangibles	155,904	–
	1,862,107	1,463,753
Total assets	3,149,970	1,667,103
Current liabilities		
– Accounts payable	631,900	4,050
– Borrowings	245,516	445,905
– Provisions	56,455	32,071
	933,871	482,026
Non-current liabilities		
– Borrowings	1,036,286	286,000
– Provisions	185,070	302
	1,221,356	286,302
Total liabilities	2,155,227	768,328
Net assets	994,743	898,775
Shareholders' equity		
– Share capital	543,415	543,415
– Reserves	319,865	319,865
– Retained earnings	131,463	35,495
Total shareholders' equity	994,743	898,775

The movement in entities participating in the class order is shown in note 26(iii) and (iv).

	Ownership Interest %			Investment Carrying Amount	
	2000	1999	Balance date	2000 \$000	1999 \$000
27. INVESTMENTS IN ASSOCIATED COMPANIES					
Australian International Manufacturing Company Pty Limited	–	25	30 June	–	5
Australasian Lubricants Manufacturing Company Pty Limited	50	50	31 December	–	–
Airport Fuel Services Pty Limited	40	40	31 December	769	769
Brisbane Airport Fuel Services Pty Limited	67	40	31 December	–	–
Bowen Petroleum Services Pty Limited	50	50	31 December	3,111	3,120
Cairns Airport Refuelling Services Pty Limited	25	25	31 December	–	–
Cooper & Dysart Pty Ltd	50	50	31 December	1,859	2,101
Hyworth Pty Ltd	50	100	31 December	1,057	–
Jayvee Petroleum Pty Limited	50	50	31 December	354	664
Northern Marketing Partnership	37.5	37.5	30 June	2,364	2,203
Northern Marketing Management Pty Limited	37.5	37.5	30 June	–	–
R&JK Petroleum Pty Limited	50	50	31 December	803	802
South Coast Fuels Pty Limited	50	50	31 December	669	689
South East Queensland Fuels Pty Ltd	50	50	30 June	359	200
Vitalgas Pty Limited	50	50	31 December	–	–
				11,345	10,553

The principal activity of all the associated companies is the sale, marketing or distribution of petroleum products.

FOR THE YEAR ENDED 31 DECEMBER	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
27. INVESTMENTS IN ASSOCIATED COMPANIES (continued)				
Results of associates				
Share of associates' operating profit before income tax	2,773	2,804		
Share of associates' income tax expense	(1,079)	(986)		
Share of associates' net profit	1,694	1,818		
Amortisation of goodwill	(93)	(145)		
Share of associates' net profit – equity accounted	1,601	1,673		
Share of post acquisition retained profits attributable to associates				
Share of associates' retained profits at the beginning of the financial year	460	370		
Share of associates' net profit	1,601	1,673		
Dividends from associates	(1,777)	(1,583)		
Share of associates' retained profits at the end of the financial year	284	460		
Movement in the carrying amount of investments				
Investments in associates at the beginning of the financial year	10,553	9,849		
Share of associates' net profits	1,601	1,673		
Dividends from associates	(1,777)	(1,583)		
Investment in Hyworth Pty Limited transferred from controlled entities	973	–		
Disposal of investment in Australian International Manufacturing Company Pty Limited	(5)	–		
Investment in Northern Marketing Partnership acquired	–	2,203		
Transfer of investment in Northern Marketing Pty Limited to controlled entities (note 26)	–	(1,589)		
Investments in associates at the end of the financial year	11,345	10,553		
Share of associated entities' capital expenditure contracted but not provided for in the financial report and payable:				
Within 1 year	143	–	–	–
Share of associated entities' operating lease commitments not provided for in the financial report and payable:				
Within 1 year	124	–	–	–
Between 1-5 years	474	–	–	–
After 5 years	3	–	–	–
	601	–	–	–

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000
28. NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of cash				
For the purposes of the statements of cash flows, cash includes:				
Cash at bank and on hand, net of bank overdrafts offset	41,711	11,628	(14,752)	(37,905)
(b) Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	37,223	103,390	27,984	48,267
Add/(less) items classified as investing/financing activities				
– Loss on sale of non-current assets	533	4,004	1	–
– Finance charges and contingent rentals on capitalised leases	2,033	2,239	–	–
Add/(less) non-cash items				
– Depreciation and amortisation	122,691	119,007	–	6
– Amounts set aside to provisions	1,470	10,048	–	–
– Share of associates' net profit net of dividend received	176	(88)	–	–
– Increase/(decrease) in deferred tax payable	7,984	(5,989)	6,301	–
Net cash provided by operating activities before changes in assets and liabilities	172,110	232,611	34,286	48,273
Changes in assets and liabilities net of the effects of the purchase of controlled entities:				
– (Increase)/decrease in inventories	(100,664)	(195,409)	–	–
– (Increase)/decrease in trade and other debtors	(142,946)	(117,135)	(159)	(6)
– Decrease/(increase) in prepaid and deferred expenditure	30,094	(4,519)	708	(979)
– (Decrease)/increase in trade and other creditors	102,820	234,425	4,439	(442)
– Increase/(decrease) in income tax payable	(38,997)	32,881	(3,151)	(2,483)
– (Increase)/decrease in dividends receivable	–	–	22,061	(8,959)
– (Decrease)/increase in provisions	(25,775)	(36,570)	191	(453)
Net cash (used in)/provided by operating activities	(3,358)	146,284	58,375	34,951

	Consolidated		The Company	
FOR THE YEAR ENDED 31 DECEMBER	2000 \$000	1999 \$000	2000 \$000	1999 \$000

28. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(c) Acquisitions of controlled entities

On 4 September 2000 the consolidated entity's ownership of Brisbane Airport Fuel Services Pty Limited increased by 27% to 67% after that entity was restructured. The operating results of the entity from that date have been included in the consolidated operating profit. (In 1999 the consolidated entity purchased 70% of the ordinary shares of Northern Marketing Pty Limited taking its ownership interest from 30% to 100%). Details of the acquisition are as follows:

Consideration	–	5,740	–	–
Cash balance included in net assets acquired	(622)	–	–	–
Intercompany loan	–	(5,125)	–	–
Cash (received)/paid for purchase of controlled entity	(622)	615	–	–
Fair value of net assets acquired:				
Trade debtors	422	3,588	–	–
Property, plant and equipment	867	–	–	–
Other assets	376	–	–	–
Bank loan	(1,100)	–	–	–
Other creditors and accruals	(717)	–	–	–
Provisions	(486)	–	–	–
Outside equity interest	16	–	–	–
Investment in Northern Marketing Partnership	–	2,152	–	–
Fair value of net assets acquired	(622)	5,740	–	–
Intercompany loan	–	(5,125)	–	–
Total cash consideration (received)/paid	(622)	615	–	–

(d) Disposals of controlled entities

On 25 May 2000 the consolidated entity disposed of its share of Talcor Pty Limited, and on 30 June 2000, 50% of its interest in Hyworth Pty Limited (leaving a 50% ownership of Hyworth Pty Limited). The operating results of these entities have been included to these dates in the consolidated operating profit. Details of the disposals are as follows (in aggregate):

Consideration (cash)	2,250	–	–	–
Fair value of net assets disposed:				
Trade debtors	724	–	–	–
Inventory	844	–	–	–
Property, plant and equipment	1,766	–	–	–
Other assets	1,273	–	–	–
Other creditors and accruals	(196)	–	–	–
Provisions	(153)	–	–	–
Outside equity interest	(1,035)	–	–	–
Investment in Associate acquired	(973)	–	–	–
	2,250	–	–	–

	Consolidated		The Company	
	2000 \$000	1999 \$000	2000 \$000	1999 \$000

29. FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit:

Total facilities available:

– Bank overdrafts	30,000	30,000	30,000	30,000
– Bank loans & capital markets	1,637,100	1,359,000	1,475,000	408,000
	1,667,100	1,389,000	1,505,000	438,000

Facilities utilised at balance date:

– Bank overdrafts	–	–	14,752	30,000
– Bank loans & capital markets	1,271,100	1,105,700	1,059,000	408,000
	1,271,100	1,105,700	1,073,752	438,000

Facilities not utilised at balance date:

– Bank overdrafts	30,000	30,000	15,248	–
– Bank loans & capital markets	366,000	253,300	416,000	–
	396,000	283,300	431,248	–

These facilities are unsecured and have an average maturity of 2.3 years (1999: 1.9 years).

30. RELATED PARTY INFORMATION

(a) Directors

The names of persons who were Directors of the company are set out in note 25, together with information on their remuneration and loans.

No Director has entered into a material contract or loan with the company or consolidated entity during the financial year and there were no material contracts or loans involving Directors' interests existing at the end of the financial year other than those disclosed in notes 25 and 30(c).

(b) Directors' Holdings of Shares

The interests of Directors' of the company and their Director – related entities in shares of entities within the consolidated entity at year end are set out below:

	Number Held	
	2000	1999
Caltex Australia Limited		
Ordinary Shares	62,500	75,000

During the year Directors purchased 27,500 shares. Departing Directors held 40,000 shares.

FOR THE YEAR ENDED 31 DECEMBER 2000

30. RELATED PARTY INFORMATION (continued)**(c) Other Director transactions**

Minter Ellison, of which KT Watson is a partner, provides legal advice and services to the company and its related entities in the ordinary course of business. During the year the firm received or was due to receive fees totalling \$805,000. In 1999 KT Watson was a partner of Middletons Moore and Bevins until 18 November 1999 and was subsequently made a partner of Minter Ellison, effective 6 December 1999. During 1999, Middletons Moore and Bevins received, or were due to receive, fees totalling \$720,000 from the consolidated entity, and Minter Ellison received, or were due to receive, fees totalling \$70,000.

Purchases were made by Caltex Australia Petroleum Pty Ltd from Sandra Blackburne Designs, a director related entity of ID Blackburne, under arms length commercial terms and conditions, aggregating \$32,000 (1999:\$80,000) during the time that ID Blackburne was a Director.

(d) Ultimate parent entity

Caltex Corporation, holds a 50% interest in Caltex Australia Limited and is the ultimate parent entity.

Transactions with Caltex Corporation are summarised at note 30(f).

(e) Controlled entities

Details of dividends, interest received or receivable and service fees from controlled entities are set out in note 2.

The amounts receivable and payable to or by Caltex Australia Petroleum Pty Ltd and its controlled entities are included in notes 7 and 13. Details of controlled entities are set out in note 26.

(f) Other related entities

The consolidated entity paid \$349,000 (1999: \$1,306,000) to Caltex Corporation and its related entities for technical service fees. The consolidated entity received \$1,898,000 (1999: \$1,318,000) for technical service fees. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The consolidated entity paid \$2,457,000 (1999: \$3,325,000) to Caltex Corporation and its related entities including Traders Insurance Limited for insurance coverage. Current receivables from other related entities include an interim insurance claim receivable of \$37,500,000 (1999: nil) from Traders Insurance Limited. Dealings with Traders Insurance Limited are under normal commercial terms and conditions.

The consolidated entity purchased crude oil, other refinery feedstocks and petroleum products from Caltex Corporation, its shareholders Texaco Overseas Holdings Inc. and Transocean Chevron Company and related entities of those corporations of \$2,313,799,000 (1999: \$1,015,895,000). The consolidated entity sold crude oil, other refinery feedstocks and petroleum products to these entities of \$368,794,000 (1999: \$119,136,000). These purchases and sales are in the ordinary course of business and on arms length commercial terms and conditions.

On 25 May 2000, the consolidated entity disposed of the controlled entity, Talcor Pty Limited (refer note 28 (d)) to Caltex Trading and Transport Corporation, a related entity of Caltex Corporation, for consideration of \$1,277,000. The sale was in the ordinary course of business and on arms length commercial terms and conditions.

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

(g) Associated companies

During the year the consolidated entity provided \$3,556,000 against trade receivables from Vitalgas Pty Limited (1999:\$3,356,000 against a non-current receivable). Transactions with associated companies are in the ordinary course of business and on normal commercial terms and conditions.

The consolidated entity sold petroleum products to associates totalling \$619,567,000 (1999: \$377,971,000). The consolidated entity purchased petroleum products from associates of \$72,698,000 (1999: nil). The consolidated entity received income from associates for rental income, service fees, site fees, operating leases and licence fees of \$9,142,000 (1999: \$10,421,000).

The consolidated entity paid service fee income to associates of \$5,112,000 (1999: \$5,537,000).

Details of associated entities are set out in note 27. Amounts receivable from associates are set out in note 7. Dividend income from associates is shown in note 27.

31. SEGMENT REPORT

The consolidated entity operates within one geographic region – Australia. The consolidated entity's activity is in the oil industry through the purchase, refining, distribution and sale of petroleum products and the operation of convenience stores.

CORPORATE OFFICES
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Facsimile 02 9250 5742
Web site www.caltex.com.au

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Facsimile 07 3362 7111
Caltex Refineries (NSW) Pty Ltd
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Solander Street
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(community hotline)
02 9668 1244
Facsimile 02 9668 1188
Caltex Lubricating Oil
Refinery Pty Ltd
ABN 44 000 352 205
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Facsimile 02 9668 1188

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Facsimile 07 3362 7682

**Victoria/South Australia/
Tasmania**
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Douglas Parade
Newport Vic 3015
Telephone 03 9287 9604
Facsimile 03 9287 9605

Western Australia
Caltex Fremantle Terminal
85 Bracks Street
North Fremantle WA 6159
Telephone 08 9430 2839
Facsimile 08 9335 3062

Customer Support
Feedback Line (complaints,
compliments and suggestions)
1800 240 398
Card Support Centre
1800 226 021
Lubelink
1800 815 823
Mon-Fri 8.00 am to 6.00 pm (EST)

DESIGN Ross Barr & Associates Pty Limited PRODUCTION Caltex Corporate Affairs

Corporate Ownership

PUBLIC SHAREHOLDERS
(around 30,645)

CALTEX CORPORATION
(jointly owned by Texaco Inc and Chevron Corporation)



CALTEX AUSTRALIA PETROLEUM PTY LTD

Principal Operating Subsidiaries:
Caltex Petroleum Pty Ltd
Caltex Refineries (NSW) Pty Ltd
Caltex Refineries (Qld) Ltd
Caltex Lubricating Oil Refinery Pty Ltd
Caltex Petroleum (Qld) Pty Ltd
Caltex Petroleum (Victoria) Pty Ltd

