CALTEX
Caltex Australia Limited ACN 004 201 307

2002 Full Financial Report

Empowering Caltex people to put customers in front

Contents

Cover picture: Gaida Rodgers and her son Nathanial with Alex Pieris, Customer Service Attendant from Beacon Hill Star Mart in Sydney's northern suburbs. Ms Rodgers wrote to Caltex to acknowledge the exceptional service she received from Alex who changed her punctured tyre as she was rushing to a business meeting. "That evening I was telling my 11-year-old son about the event – his comment was, 'They are keeping their promise, just like the ad – trying to make your life a little easier'," Ms Rodgers wrote.

Advice to Shareholders

The ***2002 Full Financial Report*** sets out detailed financial information for the Caltex Australia Group for the year ended 31 December 2002.

The ***2002 Annual Review***, which provides an overview of Caltex Australia's main operating activities for the year ended 31 December 2002, is also available free of charge. To request a copy of the *2002 Annual Review*, please write to the Company Secretary, Caltex Australia Limited at Level 12 MLC Centre 19-29 Martin Place Sydney NSW 2000 Australia.

Please note that financial information for Caltex Australia, including the *2002 Annual Review* and the *2002 Full Financial Report*, can be found at our web site, *www.caltex.com.au*.

The Caltex Australia Group

The Caltex Australia Group consists of:

- **Caltex Australia Limited**, which is the parent company of the Caltex Australia Group;
- **our major operating companies**, including Caltex Australia Petroleum Pty Ltd, Caltex Refineries (NSW) Pty Ltd, Caltex Refineries (Qld) Limited, Calstores Pty Ltd, Caltex Petroleum Distributors Pty Ltd and Caltex Lubricating Oil Refinery Pty Ltd; and
- a number of wholly owned entities and other companies that are controlled by the group.

Please note that terms such as **Caltex** and **Caltex Australia** have the same meaning in the *2002 Full Financial Report* as the **Caltex Australia Group**, unless the context requires otherwise.

Directors' Report

Introduction

The Board of Caltex Australia Limited presents this report for the Caltex Australia Group to the shareholders of Caltex Australia Limited for the year ended 31 December 2002.

Board of Directors

The Board of Caltex Australia Limited comprises Dick Warburton (Chairman), Jeet Bindra (Managing Director and Chief Executive Officer), Elizabeth Bryan, Leo Lonergan, Ken Watson and Michael Wirth.

Directors' Profiles

Dick Warburton

Chairman (Non executive)

Date of birth: 14 December 1940
(Age: 62 years)

Dick has served as a director of Caltex Australia Limited since 29 July 1999 and as Chairman of the Board from 26 April 2001. Dick is the Chairman of the Human Resources Committee and attends meetings of the Audit and Risk Committee in an ex officio capacity.

Dick is one of Australia's most prominent company directors. Prior to becoming a professional director, Dick was the Chairman and Chief Executive Officer of DuPont Australia and New Zealand.

External directorships

- Chairman of David Jones Limited and The Board of Taxation
- Director of Note Printing Australia Limited, Nufarm Limited, Southcorp Limited and Tabcorp Holdings Limited

Previous directorships

- Chairman of AurionGold Limited (until 30 October 2002)
- Member of the Reserve Bank Board (Australia) (until 21 December 2002)

Jeet Bindra

Managing Director and Chief Executive Officer

Bachelor of Chemical Engineering (Indian Institute of Technology, Kanpur, India), Master of Chemical Engineering (University of Washington, USA) and Master of Business Administration (St Mary's College, California, USA)

Date of birth: 18 September 1947
(Age: 55 years)

Jeet was appointed as Managing Director and Chief Executive Officer on 2 May 2002.

In his previous role as President of the ChevronTexaco Pipeline Company in Houston Texas, USA, Jeet was responsible for ChevronTexaco's worldwide oil and gas upstream and downstream pipeline and natural gas processing operations. Since joining Chevron in the USA in 1977, Jeet has held a number of senior roles in refinery operations, refinery engineering, strategic planning, capital projects, international upstream and engineering technology.

External directorship

- Australian Institute of Petroleum

Directors' Profiles (continued)

Elizabeth Bryan
Director (Non executive)

Bachelor of Arts (Australian National University, Australia) and Master of Economics (University of Hawaii, USA)

Date of birth: 19 October 1946
(Age: 56 years)

Elizabeth was appointed as a director of Caltex Australia Limited on 18 July 2002 and is a member of the Audit and Risk Committee.

In her most recent corporate role before joining the Board, Elizabeth served as the Chief Executive Officer of Deutsche Asset Management (Australia) Limited.

External directorships
- Chair of the Institute for Health Research
- Director of Ridley Corporation Limited, UniSuper Limited, Australia Pacific Airports Corporation Limited and Guild Insurance and Financial Services Holdings Limited

Previous directorships
- Chair of MediHerb Holdings Limited (until 31 January 2003) and National Foundation for Australian Women Limited (until 17 November 2002)
- Director of Western Metals Limited (until 2 November 2002)

Leo Lonergan
Director (Non executive)

Bachelor of Science (Victoria University, New Zealand)

Date of birth: 18 July 1953
(Age: 49 years)

Leo has served as a director of Caltex Australia Limited since 1 July 2001 and is a member of the Audit and Risk Committee. Leo previously served on the Board from 30 April 1998 to 29 July 1999 (after serving as an alternate director from 29 January 1998 to 30 April 1998).

Leo is President, Joint Ventures and New Business Development at ChevronTexaco in Singapore. He has held a number of senior management positions with companies in the ChevronTexaco Group.

Ken Watson
Director (Non executive)

Bachelor of Laws (The University of Sydney, Australia) and Master of Laws (University of Virginia, USA)

Date of birth: 6 July 1943
(Age: 59 years)

Ken has been a director of Caltex Australia Limited since 9 February 1996 and is currently the longest serving member of the Board. Ken is the Chairman of the Audit and Risk Committee.

Ken is a partner of the law firm Minter Ellison and works in the firm's Sydney office. He is admitted to practise as a solicitor in New South Wales, Victoria and Queensland.

Memberships
- Australian Mining and Petroleum Law Association
- Australian and New Zealand Institute of Insurance and Finance

Michael Wirth
Director (Non executive)

Bachelor of Science (Chemical Engineering) (University of Colorado, USA)

Date of birth: 5 October 1960
(Age: 42 years)

Michael has served as a director of Caltex Australia Limited since 1 July 2001 and is a member of the Human Resources Committee.

Michael is President, Marketing – Asia, Middle East, Africa at ChevronTexaco in Singapore. He has held a variety of refining and marketing positions with companies in the ChevronTexaco Group.

Alternate Director
Johannes (Steve) de Bruyn serves as an alternate director for Leo Lonergan and Michael Wirth.

Meetings of Directors

The Board of Caltex Australia Limited formally met on nine occasions during the year ended 31 December 2002. Board papers were circulated to the directors on two additional occasions and a separate strategy session was held over two days during the year (which was attended by all the directors).

The Audit and Risk Committee met on three occasions during the year and the Human Resources Committee met twice during the year. Special purpose committees were convened on four occasions during the year.

The number of Board and committee meetings attended by each director during the year is set out in the following table:

Director	Board of Directors		Audit and Risk Committee		Human Resources Committee		Special purpose committees		Total	
Current directors										
Dick Warburton	8	(9)	3	(3)	2	(2)	3	(4)	16	(18)
Jeet Bindra	7	(8)	2	(2)	1	(1)	3	(3)	13	(14)
Elizabeth Bryan	5	(5)	2	(2)					7	(7)
Leo Lonergan	8	(9)	2	(3)	1	(1)	2	(2)	13	(15)
Ken Watson	9	(9)	3	(3)			3	(3)	15	(15)
Michael Wirth	8	(9)			1	(1)			9	(10)
Former directors										
Tony Blevins	2	(2)	1	(1)	1	(1)	1	(1)	5	(5)
Malcolm Irving	2	(2)	1	(1)	1	(1)			4	(4)

(i) This table shows the number of meetings attended by each director in the year ended 31 December 2002. The number of meetings held during each director's time in office for the year is shown in brackets.

(ii) Steve de Bruyn, who served as an alternate director for Leo Lonergan and Michael Wirth, did not attend any directors' meetings during the year.

(iii) Dick Warburton attended meetings of the Audit and Risk Committee in an ex-officio capacity. He attended two dividend committee meetings as a member of the committee and attended one of two meetings of the US private placement committee in an ex-officio capacity.

(iv) Jeet Bindra and Tony Blevins attended meetings of the Audit and Risk Committee and the Human Resources Committee as representatives of management.

Appointments and Resignations

During the year ended 31 December 2002:

- Steve de Bruyn was appointed as an alternate director for each of Leo Lonergan and Michael Wirth on 21 February 2002;
- Jeet Bindra (Managing Director and Chief Executive Officer) was appointed as a director with effect from the close of the Annual General Meeting held on 2 May 2002, with Tony Blevins (the former Managing Director and Chief Executive Officer) resigning as a director at that time;
- Malcolm Irving, having reached the age of 72 years, retired as a director at the end of the Annual General Meeting; and
- Elizabeth Bryan was appointed as a director on 18 July 2002.

Principal Activities

The principal activities of the Caltex Australia Group 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 Caltex Australia Group's activities during the year.

Consolidated Result

The consolidated net profit after tax attributable to members of Caltex Australia Limited for the financial year amounted to $215,170,000 (2001: net loss after tax $186,169,000).

Review of Results and Operations

General overview

2002 was a positive year for Caltex Australia. The foundations were laid to achieve strong and sustained financial performance in the future and enable the group to position itself to better withstand the impact of external factors beyond its control.

Caltex Australia Limited's consolidated net profit after tax attributable to members of $215.2 million was a significant improvement compared to last year's net loss after tax of $186.1 million. Rising crude oil prices, improved refiner margins, consistent refinery reliability, higher sales, stable marketing margins along with a concerted effort across the business to manage costs, reduce debt and enhance profits all contributed to the increased profit.

The full year profit recognises that a payment of $12 million will be made to Hanson Australia (formerly Pioneer International) relating to the purchase of its 50% interest in Caltex Australia Petroleum Pty Limited in 1997. This payment was subject to performance targets for the full year and becomes payable due to the profit result. This is the final year that a payment will be made.

Included in the result are $172.9 million (before tax) of gains on crude oil inventory purchased (2001: loss of $186.1 million). If the impact of the rise in crude oil prices is excluded, the replacement cost of sales profit after tax (excluding significant items) in 2002 was $106.1 million, up from $83.7 million in 2001. Improved refiner margins were offset by the need to pay large premiums for crude oil in a market which tightened due to increased regional demand.

The focus on debt reduction has enabled the group to successfully reduce its net debt to $954.2 million, 47.9% gearing (net debt, to net debt plus equity) at 31 December 2002, well below the stated year end target of $1,075.0 million. A successful US$200.0 million US private placement has enabled the group to reduce its reliance on short term funding, providing a solid platform to continue meeting the stated debt targets.

Refining and supply

The refineries produce petrol, diesel, jet fuel, a range of lubricants and various specialty products including petrochemical feedstocks, LPG, wax and bitumen. Many of these products are distributed via ship, road or pipeline to the group's finished product terminals, then on to retail, commercial and wholesale customers.

Regional crude oil prices rose strongly throughout the year (US$18.64 per barrel in December 2001 to a peak of US$32.34 per barrel on 31 December 2002), resulting in a $172.9 million (before tax) net inventory gain (2001: loss of $186.1 million).

Refining and supply's operating profit also improved due to refiner margins recovering to average US$2.27 per barrel during 2002 (2001: average US$1.61 per barrel).

Operational excellence is one of the group's key strategic intents. To this end, both Kurnell and Lytton refineries achieved significant improvements in the areas of reliability and operational performance with combined availability running at 95.6% for 2002 (up 3% from 2001). Safety performance will be of highest priority during 2003 with the ongoing rollout of the process safety management system at both refineries.

Federal government regulations governing reductions of benzene in petrol and sulfur in diesel are due to come into effect on 1 January 2006. To meet these requirements, Caltex estimates an investment of $250.0 million to build new facilities and upgrade existing plant at both refineries will be required. Significant steps have already been taken during 2002, with the project team selecting preferred options in early 2003.

Marketing

The marketing department promotes and sells Caltex fuels, lubricants, specialty products and convenience store products through a national network of 1,776 retail service stations and 69 distributors as well as selling directly to a large number of commercial end users.

Sales of transport fuels grew by 6.6%, with Caltex retaining market leadership by increasing its market share to 28.9%, up from 27.5% the previous year. Commercial diesel sales volumes jumped 13% from 2001 due to strong demand from the mining sector and the distributor channel recorded a 7.6% increase in sales despite the drop in rural demand. The lubricants sector also had a successful year with the Havoline branded motor oils and Delo engine oils each attaining a 23% increase in sales volume.

Store sales continued to rise, with Star Mart sales up by 6.3% on the previous year and smaller Star Shop sales by 14.3%.

Operational excellence has been driven by the national All Stars performance management program that has yielded significant improvements to retail execution in areas such as customer service, merchandising, brand and site presentation, food safety, environment, health and safety, and security.

Caltex further consolidated its distribution business with the purchase in 2002 of one joint venture and three independent distributors. The formation of Access Fuel and Lubricants from the merger of four wholly owned Caltex businesses, in March 2002, also provided significant synergies.

Dividends Declared and Paid

No dividends have been declared or paid in respect of the current financial year or during the year.

Significant Changes in State of Affairs

It is the opinion of the directors that there were no significant changes in the state of affairs of the Caltex Australia Group 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 Caltex Australia Limited, to affect significantly the operations of the Caltex Australia Group, the results of those operations or the state of affairs of the group in subsequent financial years.

Likely Developments

The Caltex Australia Group will continue to purchase, refine, distribute and market petroleum products and operate convenience stores throughout Australia. The directors of Caltex Australia Limited make no further reference to other likely developments in the operations of the group (or expected results of those operations) as such inclusions would, in the opinion of the directors, unreasonably prejudice the interests of the Caltex Australia Group.

Environmental Regulations

EHS and risk management

The Caltex Australia Group 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 are prepared that allow the directors of Caltex Australia Limited to gauge the group's performance against these targets. In addition to the directors' review, the Managing Director and Chief Executive Officer, General Managers and Business Unit Managers meet regularly to critically review EHS and risk performance and ensure that issues are adequately addressed.

During 2002, EHS audits, and post audit reviews, were carried out by the business units to ensure compliance with relevant legislation and the standards imposed by the Caltex Australia Group. These audits found no major non compliance issues but did identify areas where opportunity for improvement existed. Results of all EHS management system audits along with resultant action items are reported to the Audit and Risk Committee.

Compliance

14 pollution control licences were held by the Caltex Australia Group in 2002 and they covered the three refineries, eight terminals and three depots.

Licence conditions were exceeded on seven occasions in 2002 which required notification and reporting to the relevant government environmental agency. Breaches have been investigated and the management team remains committed to achieving 100% compliance.

Infringements and prosecutions

In 2002, companies in the Caltex Australia Group were in breach of environmental regulations on the following occasions:

- Caltex Refineries (NSW) Pty Ltd was fined $70,000, plus court and prosecution costs, for a 10 litre spill of heavy lube oil into Botany Bay, Sydney. The product leaked from a rusted knuckle on the Kurnell Wharf;
- Caltex Australia Petroleum Pty Ltd was directed to pay $53,000 to the City of Boroondara for a revegetation project after pleading guilty to a charge relating to a fuel spill at a Hawthorn service station site in Melbourne. The orders made by the magistrate are subject to appeal;
- Caltex Refineries (NSW) Pty Ltd received two penalty infringement notices ($1,500 each) from the NSW EPA for poor performance in meeting licence obligations in regards to effluent sampling and stack sampling in the 2001-2002 licence year;
- Caltex Australia Petroleum Pty Ltd was fined $1,500 for an environmental pollution incident at Concord West, Sydney. Rain caused the oily water separator to overflow from the service station site;
- Caltex Refineries (NSW) Pty Ltd was issued a $1,500 penalty notice by the Sydney Ports Corporation following a release of two litres of light crude into Botany Bay, Sydney; and
- Caltex Australia Petroleum Pty Ltd incurred a $600 on the spot fine for pollution at Coomera on the Gold Coast. The incident was a result of diesel spillages from a service station vehicle filling area, which migrated from the site to an adjacent property causing minor soil contamination. A plan has been prepared for the local council to address the matter.

Caltex has investigated all incidents and remains committed to achieving compliance.

Caltex has received correspondence from the NSW Environmental Protection Authority concerning environmental issues which are currently being investigated and worked through with the authority.

Directors' Report cont'd

Directors' Interests

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2002:

Director	Number of shares	Nature of interest
Dick Warburton	10,000	Indirect (beneficial interest through Teampass Pty Ltd)
Jeet Bindra	5,000	Direct (held jointly with Mrs Jan Bindra)
Elizabeth Bryan	5,000	Direct
Leo Lonergan	2,000	Direct (held jointly with Mrs Robyn Lonergan)
Ken Watson	7,500	Direct
Michael Wirth	2,000	Indirect (beneficial interest through the Wirth 2000 Revocable Trust)
Total	31,500	

The directors have not acquired or disposed of any shares since 31 December 2002.

Emoluments of Directors and Senior Executives

Directors' fees

At the Annual General Meeting of Caltex Australia Limited held in March 1998, shareholders approved an annual aggregate amount of $650,000 for non executive directors' fees. In 2002:

- the Chairman of the Board received a fee of $150,000 (plus superannuation), inclusive of committee fees;
- directors' fees to non executive directors were paid at the annual rate of $50,000 (plus superannuation where applicable); and
- non executive directors who served on the Audit and Risk Committee or the Human Resources Committee were paid at the annual rate of $5,000 for each committee membership, which increased to $10,000 for a non executive director who served as the Chairman.

Retirement payments to directors

Australian resident non executive directors are entitled to a retirement payment equal to:

- one year's total emoluments, after three years of service; and
- three years' total emoluments, after nine years of service.

The retirement benefit accrues on a pro rata basis between years three and nine.

During the year ended 31 December 2002, Malcolm Irving, who retired as a director after more than 11 years of service, received a retirement payment of $350,512.

Role of the Human Resources Committee

The Human Resources Committee is responsible for decisions on remuneration issues for senior executives of the Caltex Australia Group. Remuneration policy is designed 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 Caltex Australia Group to attract, motivate and retain exceptional performers. Remuneration, particularly incentive based remuneration, reflects closely the group's financial and operational performance. Specifically, senior executives may receive short term cash bonuses and longer term share based incentives, provided predetermined goals and objectives, related to their own performance and the performance of the Caltex Australia Group, are achieved.

Directors' emoluments

Details of the classification and amount of each element of the emoluments of each director of Caltex Australia Limited are set out below (on the basis of the cost to the Caltex Australia Group):

Director	Base emolument $	Super contributions $	Retirement plan benefits $	Total $
Current directors				
Dick Warburton	150,000	12,750	–	162,750
Jeet Bindra (i)	723,288	–	–	723,288
Elizabeth Bryan (i)	24,909	2,242	–	27,151
Leo Lonergan	57,500	–	–	57,500
Ken Watson	57,264	5,150	–	62,414
Michael Wirth	52,500	–	–	52,500
Former directors				
Tony Blevins (i)	275,837	–	–	275,837
Malcolm Irving (i)	22,138	–	350,512	372,650

(i) These emoluments are calculated on a pro rata basis for partial year.

Officers' emoluments

Details of the classification and amount of each element of the emoluments of the most senior executive officers of the Caltex Australia Group are set out below (on the basis of the cost to the Caltex Australia Group):

Executive Officer	Salary $	Bonus $	Super contributions $	Non cash benefits $	Payment on cessation of employment $	Total $
John Banner	408,000	–	–	–	–	408,000
Ken Bania	228,000	–	15,366	10,628	288,893	542,887
Alex Strang	342,458	186,720	23,815	14,495	–	567,488
Simon Hepworth	342,369	186,359	23,803	14,495	–	567,026
Helen Conway	255,005	139,429	17,723	1,933	–	414,090
Eion Turnbull	235,417	126,436	16,124	1,933	–	379,910

During the financial year, Jeet Bindra (Managing Director and Chief Executive Officer with effect from 2 May 2002), Tony Blevins (former Managing Director and Chief Executive Officer for the period from 1 January to 2 May 2002) and John Banner (General Manager – Marketing) were seconded from the ChevronTexaco Group to Caltex Australia (the ChevronTexaco Global Energy Inc. holds 50% of the shares of Caltex Australia Limited). Under the terms of these arrangements, Caltex Australia paid service fees to the ChevronTexaco Group representing a partial reimbursement of the salaries and other benefits paid or payable by the ChevronTexaco Group. The terms of these arrangements are considered by Caltex Australia to be no less favourable to Caltex Australia than arm's length terms.

Note 26 to the full financial report discloses remuneration paid or payable, or otherwise made available, to directors and executives by the Caltex Australia Group or any related party, which includes the amounts paid or payable by the ChevronTexaco Group.

Executive share plan

Senior executives may receive shares under Caltex Australia Limited's executive share plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group (including return on capital employed and total shareholder returns). Shares earned by executives are bought on market and vest over a three year period, although dividend and voting entitlements vest immediately. Shares are included as a part of bonuses in the calculation of emoluments upon vesting. The terms and conditions of this plan were approved by shareholders at the Annual General Meeting held in April 1999.

In relation to financial years prior to 2002, there were 12 executives eligible to receive a total of 71,703 shares under the executive share plan as at 31 December 2002. Four of the senior executive officers of the Caltex Australia Group listed above are among those eligible to participate in the plan. These people were entitled to a total of 35,617 Caltex shares at 31 December 2002.

Directors' Report cont'd

Emoluments of Directors and Senior Executives (continued)

In relation to the 2002 financial year, 14 Caltex Australia Group executives will become eligible to receive another $1.6 million of Caltex Australia Limited shares, given certain return on capital employed and total shareholder return targets have been attained. These will vest over a period of three years. At the date of this report, the four eligible senior executive officers of the Caltex Australia Group could receive the following amounts as shares:

Value of shares	$
Alex Strang	217,866
Simon Hepworth	217,810
Helen Conway	168,652
Eion Turnbull	156,333

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 Caltex Australia Group.

Indemnity Insurance

Deeds of indemnity and insurance

During the year ended 31 December 2002, Caltex Australia Limited entered into deeds of indemnity and insurance with Jeet Bindra and Elizabeth Bryan, who were appointed as directors during the year.

Under the deeds, Caltex Australia Limited has agreed to indemnify each of Jeet Bindra and Elizabeth Bryan (to the extent permitted by law) against:

- liabilities incurred as a director of Caltex Australia Limited or a company in the Caltex Australia Group, except for those incurred in relation to the matters set out in section 199A(2) of the Corporations Act 2001 (Cth); and
- reasonable legal costs incurred in defending an action for a liability or alleged liability as a director of Caltex Australia Limited or a company in the Caltex Australia Group, except for costs incurred in relation to the matters set out in section 199A(3) of the Corporations Act 2001 (Cth).

The total liability of Caltex Australia Limited for any single claim is limited to the company's total net assets, as disclosed in the company's most recently audited accounts prior to the claim.

Caltex Australia Limited has also agreed to effect and maintain and pay the premium on a directors' and officers' insurance policy on terms that are no less favourable than:

- the policies of the directors of Caltex Australia Limited and other companies in the Caltex Australia Group; or
- if there is no policy for the directors of Caltex Australia Limited and other companies in the Caltex Australia Group, policies typically maintained by other groups of companies that are similar to Caltex Australia Limited and the Caltex Australia Group.

This policy must not seek to insure against liabilities (other than for legal costs) arising out of:

- conduct involving a wilful breach of duty in relation to Caltex Australia Limited or a company in the Caltex Australia Group; or
- a contravention of sections 182 or 183 of the Corporations Act 2001 (Cth).

The obligation to effect and maintain and pay the premium on a policy continues for a period of seven years after the director has left office.

Deeds of indemnity and insurance have previously been entered into by Caltex Australia Limited with other current directors and officers, and with former directors and officers, under which similar indemnity provisions and insurance obligations apply.

Contract of insurance

Caltex Australia Limited has paid or agreed to pay a premium in respect of a contract insuring the directors and officers of Caltex Australia Limited against a liability.

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

Rounding of Amounts

Caltex Australia Limited is an entity to which Australian Securities and Investments Commission (ASIC) Class Order CO 98/100 applies and, in accordance with the relief afforded by the class order, amounts have been rounded off to the nearest thousand dollars (unless otherwise stated).

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

RFE (Dick) Warburton
Chairman

JS (Jeet) Bindra
Managing Director and Chief Executive Officer

Sydney, 28 February 2003

Directors' Declaration

The Board of Caltex Australia Limited has declared that:

- the financial statements, and the notes required by the Accounting Standards, for the year ended 31 December 2002 comply with the Accounting Standards in Australia;
- the financial statements and notes for the year ended 31 December 2002 give a true and fair view of the financial position and performance of the Caltex Australia Group for the year;
- in the directors' opinion, there are reasonable grounds to believe that Caltex Australia Limited will be able to pay its debts as and when they become due and payable;
- in the directors' opinion, the financial statements and notes for the year ended 31 December 2002 are in accordance with the Corporations Act 2001 (Cth); and
- at the date of this report, there are reasonable grounds to believe that all companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee with Caltex Australia Limited will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

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

RFE (Dick) Warburton
Chairman

JS (Jeet) Bindra
Managing Director and
Chief Executive Officer

Sydney, 28 February 2003

Audit Report

Independent audit report to the members of Caltex Australia Limited

Scope

We have audited the financial report of Caltex Australia Limited (the company) for the financial year ended 31 December 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 32, and the directors' declaration set out on pages 9 to 43. The financial report includes the consolidated financial statements of the consolidated entity, comprising the company and the controlled entities 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 in Australia and statutory requirements 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 is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2002 and of their performance for the financial year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

SA Gatt
Partner

Sydney, 28 February 2003

Statements of Financial Performance

for the year ended 31 December 2002

Thousands of dollars	Note	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Gross sales revenue		**9,133,366**	7,932,222	**–**	–
Product duties and taxes		**(3,447,378)**	(3,236,598)	**–**	–
Net sales revenue		**5,685,988**	4,695,624	**–**	–
Cost of goods sold – replacement cost		**(5,216,668)**	(4,175,486)	**–**	–
Inventory gains/(losses)		**172,948**	(186,100)	**–**	–
Cost of goods sold – historic cost		**(5,043,720)**	(4,361,586)	**–**	–
Gross profit		**642,268**	334,038	**–**	–
Other revenue from ordinary activities	2	**215,260**	200,779	**84,577**	100,991
Refining and supply expenses		**(14,356)**	(31,230)	**–**	–
Marketing expenses		**(415,176)**	(449,690)	**–**	–
Borrowing costs	3	**(76,067)**	(91,105)	**(66,190)**	(78,655)
Other expenses	3	**(52,965)**	(181,864)	**(13,034)**	(957)
Share of net profit of associated entities accounted for using the equity method	28	**2,181**	912	**–**	–
Profit/(loss) from ordinary activities before income tax expense		**301,145**	(218,160)	**5,353**	21,379
Income tax (expense)/benefit relating to ordinary activities	5	**(85,429)**	32,638	**819**	(8,451)
Net profit/(loss)		**215,716**	(185,522)	**6,172**	12,928
Net profit attributable to outside equity interests	19	**(546)**	(647)	**–**	–
Net profit/(loss) attributable to members of the parent entity		**215,170**	(186,169)	**6,172**	12,928
Basic earnings/(loss) per share (cents per share)	7	**79.7**	(69.0)		
Diluted earnings/(loss) per share (cents per share)	7	**79.7**	(69.0)		

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

Statements of Financial Position

as at 31 December 2002

Thousands of dollars	Note	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Current assets					
Cash at bank and on hand		**17,969**	–	**–**	–
Receivables	8	**585,462**	523,146	**258,307**	348,046
Inventories	9	**525,546**	492,736	**–**	–
Tax assets		**–**	5,738	**–**	–
Other	10	**28,816**	24,923	**3,696**	3,148
Total current assets		**1,157,793**	1,046,543	**262,003**	351,194
Non current assets					
Receivables	8	**31,875**	23,443	**704,422**	1,025,000
Investments accounted for using the equity method	28	**8,093**	12,577	**–**	–
Property, plant and equipment	12	**1,625,327**	1,664,534	**–**	–
Intangibles	11	**14,049**	–	**–**	–
Deferred tax assets		**–**	–	**97**	172
Other	10	**15**	15	**928,734**	928,734
Total non current assets		**1,679,359**	1,700,569	**1,633,253**	1,953,906
Total assets		**2,837,152**	2,747,112	**1,895,256**	2,305,100
Current liabilities					
Payables	13	**546,233**	466,801	**25,439**	9,172
Interest bearing liabilities	14	**257,553**	228,848	**255,460**	365,466
Tax liabilities		**59,292**	–	**854**	2,386
Provisions	15	**45,849**	36,891	**–**	–
Total current liabilities		**908,927**	732,540	**281,753**	377,024
Non current liabilities					
Payables	13	**3,463**	–	**–**	–
Interest bearing liabilities	14	**714,649**	1,035,852	**704,422**	1,025,000
Deferred tax liabilities		**139,354**	130,561	**–**	–
Provisions	15	**34,433**	26,949	**400**	567
Total non current liabilities		**891,899**	1,193,362	**704,822**	1,025,567
Total liabilities		**1,800,826**	1,925,902	**986,575**	1,402,591
Net assets		**1,036,326**	821,210	**908,681**	902,509
Equity					
Contributed equity	16	**543,415**	543,415	**543,415**	543,415
Retained profits	18	**485,187**	270,017	**365,266**	359,094
Parent entity interest		**1,028,602**	813,432	**908,681**	902,509
Outside equity interests	19	**7,724**	7,778	**–**	–
Total equity	20	**1,036,326**	821,210	**908,681**	902,509

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

Statements of Cash Flows

for the year ended 31 December 2002

Thousands of dollars	Note	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Cash flows from operating activities					
Receipts from customers		**10,043,485**	9,541,226	**–**	–
Payments to suppliers, employees and governments		**(9,573,773)**	(9,374,411)	**(7,598)**	(1,393)
Dividends received		**1,541**	1,080	**–**	12,923
Interest received		**506**	842	**83,977**	87,468
Interest and other borrowing costs paid		**(64,494)**	(87,542)	**(55,930)**	(75,417)
Income taxes (paid)/refunded		**(12,434)**	7,719	**(3,492)**	(300)
Net operating cash flows	29(b)	**394,831**	88,914	**16,957**	23,281
Cash flows from investing activities					
Purchases of controlled entities, net of cash acquired	29(c)	**2,027**	–	**–**	–
Proceeds from sale of controlled entities	29(e)	**–**	655	**–**	–
Purchases of businesses	29(d)	**(10,338)**	(3,953)	**–**	–
Purchases of property, plant and equipment		**(78,919)**	(86,247)	**–**	–
Maintenance and shutdown expenditure capitalised		**(20,992)**	(43,854)	**–**	–
Proceeds from sale of property, plant and equipment		**26,477**	24,649	**–**	–
Proceeds from sale of intangibles		**–**	17,000	**–**	–
Purchases of operating licences and goodwill		**–**	(2,003)	**–**	–
Loans repaid by/ (made to) controlled entities		**–**	–	**413,681**	(323,770)
Net investing cash flows		**(81,745)**	(93,753)	**413,681**	(323,770)
Cash flows from financing activities					
Proceeds from borrowings		**5,377,352**	6,195,000	**5,371,422**	6,195,000
Repayments of borrowings		**(5,661,423)**	(6,221,000)	**(5,656,000)**	(6,010,000)
Repayments of finance lease principal		**(2,822)**	(2,896)	**(54)**	(25)
Dividends paid		**–**	(16,200)	**–**	(16,200)
Net financing cash flows		**(286,893)**	(45,096)	**(284,632)**	168,775
Net increase/(decrease) in cash held		**26,193**	(49,935)	**146,006**	(131,714)
Cash at the beginning of the year		**(8,224)**	41,711	**(146,466)**	(14,752)
Cash at the end of the year	29(a)	**17,969**	(8,224)	**(460)**	(146,466)

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 2002

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 Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 (Cth).

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 Caltex Australia Group and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Changes in accounting policy

Earnings per share

The Caltex Australia Group has applied the revised AASB 1027 "Earnings per share" (issued in June 2001) for the first time from 1 January 2002.

The change in accounting policy has not affected the earnings/ (loss) per share in the current or prior financial years.

Segment reporting

The Caltex Australia Group has applied the revised AASB 1005 "Segment reporting" (issued in August 2000) for the first time from 1 January 2002.

The change in accounting policy has not affected segment disclosures in the current or prior financial years.

Foreign currency translation

The Caltex Australia Group has applied the revised AASB 1012 "Foreign currency translation" (issued in November 2000) for the first time from 1 January 2002. This has had no financial effect in the current or prior financial years.

(c) Reclassification of financial information

The Caltex Australia Group has changed the format for presentation of expenses in the statements of financial performance from the "by nature" basis (ie what type of expense it is) to the "by function" basis (ie how the activity is used in the business).

The classification by function is believed to be superior as it:

- provides insight into the constituent parts of refining and supply and marketing; and
- offers the flexibility to report cost of sales by reference to those factors which are, and are not, controllable. Comparative information has been restated for the change in basis of presentation.

(d) Principles of consolidation

The consolidated financial report of the Caltex Australia Group includes the financial report of Caltex Australia Limited 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 Caltex Australia Group are shown as a separate item in the consolidated financial statements.

(e) Revenue recognition

Sales revenue

Net sales revenue comprises revenue earned (net of rebates, discounts and allowances) from the provision of products and ancillary services to entities outside the Caltex Australia Group. 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. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues. Exchanges of goods or services of the same nature and value with cash consideration are recognised as revenues.

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 settled.

1 Statement of significant accounting policies (continued)

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

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

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

(g) Goods and services tax

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

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

(h) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, and amortisation of ancillary costs incurred in connection with the arrangement of borrowing, including lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

(i) 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(t), exchange gains and losses are brought to account in the statements of financial performance.

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(t), any exchange differences on the hedge transaction after that date are included in the statements of financial performance.

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 statements of financial performance 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 statements of financial performance. Costs or gains at the time of entering into the hedge are deferred and amortised over the life of the hedge.

(j) Income tax

The Caltex Australia Group adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on net profit or loss 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 statements of financial position as a future income tax benefit or a deferred tax liability.

Future income tax benefits relating to timing differences 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.

(k) Receivables

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

(l) Inventories

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

(m) Investments

Controlled entities

Investments in controlled entities are carried in Caltex Australia Limited's financial statements at the lower of cost or recoverable amount. Dividends are brought to account in the statements of financial performance when they are declared by the controlled entities.

Associated entities

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

In the consolidated financial statements, investments in associated entities are accounted for using equity accounting principles and are carried at the lower of the equity accounted amount and the recoverable amount. The Caltex Australia Group's equity accounted share of the associated entities' net profit or loss after tax is recognised in the consolidated statements of financial performance from the date significant influence commences until the date significant influence ceases. The net profit and loss after tax recognised is adjusted 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 associated entity and any entity in the Caltex Australia Group or another associated entity of the group.

Other entities

Investments in other entities are carried in Caltex Australia Limited's financial statements at the lower of cost or recoverable amount. Dividends are brought to account in the statements of financial performance when they are declared by the other entities.

(n) Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost and depreciated or amortised 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 and amortisation rates used, in the current and prior year, for each class of asset are as follows:

Freehold buildings	2%	
Leasehold property	2%	or the lease period
Plant and equipment	3% – 20%	
Leased plant and equipment	3% – 20%	or the lease period.

1 Statement of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

Assets are depreciated or amortised 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 Caltex Australia Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Assets of the Caltex Australia Group 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 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 group 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 net profit or loss.

Payments made under operating leases are charged against net profit or loss in equal instalments over the period covered by the lease term, except where an alternative basis is more representative of the benefits to be derived from the leased property.

(o) Recoverable amount of non current assets valued on cost basis

The carrying amounts of all non current assets valued on a cost basis 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 been discounted to their present value.

(p) 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 controlled entities and businesses, 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 statements of financial performance.

(q) 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.

(r) Payables

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

(s) Borrowings

Bank loans

Bank loans are carried on the statements of financial position 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".

Short term notes

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

Medium term notes

Medium term notes are recognised when issued at par value. Interest expense is accrued at the contracted rate and included in "Other creditors and accrued expenses".

US notes

US notes are recognised when issued at par value. Interest expense is accrued at the contracted rate and included in "Other creditors and accrued expenses".

(t) Derivatives

The Caltex Australia Group is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The group uses interest rate instruments, forward foreign exchange contracts, crude 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 adjustments to interest expense during the period.

Foreign exchange hedging
The accounting for foreign exchange hedges is set out in note 1(i).

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

(u) Employee entitlements

Wages and salaries
The provision for employee entitlements to wages and salaries represents the amount which the Caltex Australia Group has a present obligation to pay resulting from employees' services provided up to the balance date.

Annual leave, long service leave and retirement benefits
The provisions for employee 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 12 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, related on-costs have been included. Also, in calculating the provision for long service leave, consideration has been given to future increases in wage and salary rates, and the Caltex Australia Group's experience with staff departures.

Superannuation
The Caltex Australia Group contributes to several defined benefit and defined contribution superannuation plans. Contributions are charged against net profit or loss as they are made. Further information relating to the Caltex Australia Group's superannuation funds is included in note 22(c).

Executive share plan
The full amount of share bonuses attributable under the Caltex Australia's executive share plan have been expensed in the statements of financial performance during the financial year. A corresponding provision has been taken up as a liability in the statements of financial position at year end.

(v) 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.

(w) 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 probable.

Thousands of dollars	Note	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
2 Other revenue					
From operating activities					
Dividends received or due and receivable from:					
Controlled entities		**–**	–	**–**	12,923
Interest received or due and receivable from:					
Controlled entities		**–**	–	**83,944**	87,467
Other corporations		**506**	842	**33**	1
Rental income		**35,777**	38,501	**–**	–
Royalties and franchise income		**73,609**	54,642	**–**	–
Net foreign exchange gains		**19,579**	–	**–**	
Other income		**52,453**	64,490	**600**	600
From outside operating activities					
Proceeds from sale of property, plant and equipment		**33,336**	24,649	**–**	–
Proceeds from sale of intangibles (i)	4	**–**	17,000	**–**	–
Proceeds from sale of controlled entities		**–**	655	**–**	–
		215,260	200,779	**84,577**	100,991

(i) In 2001, the Caltex Australia Group agreed to be released from its obligations with respect to a vessel chartered by the group. The proceeds on this transaction were $17.0 million, and the net profit after tax was $15.8 million.

Thousands of dollars	Note	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
3 Costs and expenses					
Borrowing costs:					
Interest paid or due and payable to:					
Other corporations		**74,108**	89,036	**66,136**	78,630
Finance charges on capitalised leases		**1,959**	2,069	**54**	25
		76,067	91,105	**66,190**	78,655
Depreciation of:					
Freehold buildings		**8,444**	8,276	**–**	–
Plant and equipment		**114,023**	99,474	**–**	–
		122,467	107,750	**–**	–
Amortisation of:					
Leasehold property		**4,964**	5,632	**–**	–
Leased plant and equipment		**786**	743	**–**	–
Intangibles		**829**	158,376	**–**	–
		6,579	164,751	**–**	–
Total depreciation and amortisation		**129,046**	272,501	**–**	–
Operating leases rental expense		**76,794**	78,332	**–**	–
Finance lease contingent rentals		**229**	401	**–**	–
Net expense from movement in provision for:					
Bad and doubtful debts		**(727)**	15,580	**–**	–
Employee entitlements		**18,877**	8,416	**183**	190
Net foreign exchange losses		**–**	23,928	**–**	–
(Gain)/loss on disposal of non current assets		**(7,561)**	473	**–**	–
Reconciliation of other expenses in the statements of financial performance:					
Goodwill write off	4	**–**	147,500	**–**	–
Hanson Australia contingent consideration	4	**12,000**	–	**12,000**	–
Other		**40,965**	34,364	**1,034**	957
		52,965	181,864	**13,034**	957

4 Individually significant items

There was one significant item that affected the full year profit, a payment of $12.0 million will be made to Hanson Australia (formerly Pioneer International) relating to the purchase of its 50% interest in Caltex Australia Petroleum Pty Limited in 1997. This payment was subject to performance targets for the full year and becomes payable due to the profit result. This is the final year that a payment will be made.

There were three significant items which affected the Caltex Australia Group's result in 2001. These were:

(i) the directors wrote off $147.5 million of goodwill relating to the purchase of Pioneer International's 50% interest in Caltex Australia Petroleum Pty Ltd (acquired in 1997) due to a deterioration in the economic conditions when compared to the assumptions upon which the acquisition was based (nil tax effect);

(ii) a net profit before tax of $15.5 million arose from the release of obligations with respect to a vessel chartered by the Caltex Australia Group ($15.8 million after tax); and

(iii) full provision was made against the $11.4 million debt owed by Ansett Airlines ($8.0 million after tax).

	Consolidated		Parent entity	
Thousands of dollars	2002	2001	2002	2001

5 Income tax

(a) Income tax expense

The income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Profit/(loss) from ordinary activities before income tax expense	**301,145**	(218,160)	**5,353**	21,379
Prima facie tax thereon at 30%	**90,344**	(65,448)	**1,606**	6,414
Tax effect of differences due to:				
Rebate on dividend income	**(530)**	–	**–**	(4,813)
Non allowable depreciation and leasehold amortisation	**884**	1,642	**–**	–
Amortisation of goodwill	**151**	3,263	**–**	–
Goodwill write off	**–**	44,251	**–**	–
Share of net profit of associated entities	**(654)**	(274)	**–**	–
Research and development allowances	**(38)**	(38)	**–**	–
Capital income on sale of intangibles	**–**	(5,100)	**–**	–
Non assessable profit on disposal of property, plant and equipment	**(2,761)**	–	**–**	–
Non deductible contingent consideration	**3,600**	–	**3,600**	–
Other non allowable and non assessable items	**2,672**	(191)	**258**	583
	93,668	(21,895)	**5,464**	2,184
Income tax (over)/under provided in prior years	**(8,239)**	(10,743)	**(6,283)**	6,267
Income tax expense/(benefit) attributable to net profit/(loss)	**85,429**	(32,638)	**(819)**	8,451

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
5 Income tax (continued)				
(b) Deferred tax assets				
(i) Future income tax benefit				
The future income tax benefit in controlled entities, arising from tax losses that have been recognised as an asset:	**–**	7,552	**–**	–
(ii) Future income tax benefit not taken to account				
The potential future income tax benefit in controlled entities, arising from tax losses that have not been recognised as an asset because recovery is not virtually certain:	**1,421**	1,421	**–**	–

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

- 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 Caltex Australia Group in accordance with Division 170 of the Income Tax Assessment Act 1997;
- the relevant company and/or the group continue(s) to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company and/or the group in realising the benefit.

(c) Tax consolidation

As a result of the substantive enactment of the tax consolidation legislation and since the consolidated tax group within the Caltex Australia Group had not notified the ATO at the date of signing this report of the implementation date, if any, for tax consolidation, the group has applied UIG 39 “Effect of proposed tax consolidation on deferred tax balances”. Year end tax balances have not been adjusted for the possible effects, if any, of implementing tax consolidation.

6 Dividends

(a) Dividends declared or paid

No dividends have been declared or paid in respect of the current financial year (2001: nil).

(b) Dividend franking account

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Balance of franking account at year end adjusted for franking credits arising from the payment of the amount of the provision for income tax:			**1,881**	–

(i) The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.
(ii) The new simplified imputation system took effect from 1 July 2002. Under the new regime, entries in the franking account are recorded on a tax paid basis rather than on a grossed up basis. The changes also meant that the existing franking account balances were converted to a tax paid basis.

	Consolidated		Parent entity	
	2002	2001	2002	2001
7 Earnings per share				
Basic earnings/(loss) per share (cents per share)	**79.7**	(69.0)		
Diluted earnings/(loss) per share (cents per share)	**79.7**	(69.0)		

Weighted average number of ordinary shares used in the calculation of earnings per share was 270 million (2001: 270 million shares).

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
8 Receivables				
Current				
Trade debtors	**491,242**	417,383	**–**	–
Provision for doubtful debts	**(1,945)**	(14,229)	**–**	–
	489,297	403,154	**–**	–
Associated entities	**39,733**	45,966	**–**	–
Controlled entities	**–**	–	**258,307**	348,046
Other related entities	**9,585**	32,742	**–**	–
Other debtors	**46,847**	41,284	**–**	–
	585,462	523,146	**258,307**	348,046
Non current				
Loans to associated entities	**25,219**	27,219	**–**	–
Provision for non recovery	**(8,456)**	(10,456)	**–**	–
	16,763	16,763	**–**	–
Loans to controlled entities	**–**	–	**704,422**	1,025,000
Other loans	**15,112**	6,680	**–**	–
	31,875	23,443	**704,422**	1,025,000
9 Inventories				
Crude oil and raw materials, at cost	**203,332**	190,432	**–**	–
Inventories in process, at cost	**58,946**	53,970	**–**	–
Finished goods, at cost	**232,619**	218,628	**–**	–
Materials and supplies, at cost	**30,649**	29,706	**–**	–
	525,546	492,736	**–**	–
10 Other assets				
Current				
Prepaid and deferred expenditure	**28,816**	24,923	**3,696**	3,148
Non current				
Investment in other entities – unlisted shares at cost	**15**	15	**–**	–
Investment in controlled entities – unlisted shares at cost	**–**	–	**928,734**	928,734

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
11 Intangibles				
Goodwill, at cost	**17,783**	191,224	**–**	–
Accumulated amortisation	**(3,734)**	(191,224)	**–**	–
	14,049	–	**–**	–

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
12 Property, plant and equipment				
Freehold land				
At cost	**408,128**	416,917	**–**	–
Buildings				
At cost	**288,241**	288,321	**–**	–
Accumulated depreciation	**(88,006)**	(82,389)	**–**	–
	200,235	205,932	**–**	–
Leasehold property				
At cost	**80,126**	80,728	**–**	–
Accumulated amortisation	**(48,178)**	(46,761)	**–**	–
	31,948	33,967	**–**	–
Plant and equipment				
At cost	**2,023,938**	1,942,186	**–**	–
Accumulated depreciation	**(1,108,744)**	(1,012,293)	**–**	–
	915,194	929,893	**–**	–
Leased plant and equipment				
At capitalised cost	**14,531**	14,512	**–**	–
Accumulated amortisation	**(7,353)**	(6,600)	**–**	–
	7,178	7,912	**–**	–
Capital projects in progress				
At cost	**62,644**	69,913	**–**	–
	1,625,327	1,664,534	**–**	–

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning of the year	**416,917**	423,635	**–**	–
Additions	**302**	1,676	**–**	–
Acquisition through business acquired	**360**	–	**–**	–
Disposals	**(11,472)**	(9,885)	**–**	–
Transfers from capital projects in progress	**2,021**	1,491	**–**	–
Carrying amount at the end of the year	**408,128**	416,917	**–**	–
Buildings				
Carrying amount at the beginning of the year	**205,932**	206,148	**–**	–
Additions	**1,029**	2,071	**–**	–
Acquisition through business acquired	**723**	–	**–**	–
Disposals	**(5,618)**	(5,474)	**–**	–
Transfers from capital projects in progress	**6,613**	11,463	**–**	–
Depreciation	**(8,444)**	(8,276)	**–**	–
Carrying amount at the end of the year	**200,235**	205,932	**–**	–
Leasehold property				
Carrying amount at the beginning of the year	**33,967**	35,571	**–**	–
Additions	**23**	–	**–**	–
Acquisition through business acquired	**1,424**	–	**–**	–
Disposals	**(1,700)**	(870)	**–**	–
Transfers from capital projects in progress	**3,198**	4,898	**–**	–
Amortisation	**(4,964)**	(5,632)	**–**	–
Carrying amount at the end of the year	**31,948**	33,967	**–**	–
Plant and equipment				
Carrying amount at the beginning of the year	**929,893**	921,580	**–**	–
Additions	**25,385**	53,329	**–**	–
Acquisition through business acquired	**5,596**	–	**–**	–
Disposals	**(213)**	(15,147)	**–**	–
Transfers from capital projects in progress	**68,556**	69,605	**–**	–
Depreciation	**(114,023)**	(99,474)	**–**	–
Carrying amount at the end of the year	**915,194**	929,893	**–**	–
Leased plant and equipment				
Carrying amount at the beginning of the year	**7,912**	8,651	**–**	–
Additions	**52**	4	**–**	–
Amortisation	**(786)**	(743)	**–**	–
Carrying amount at the end of the year	**7,178**	7,912	**–**	–
Capital projects in progress				
Carrying amount at the beginning of the year	**69,913**	66,873	**–**	–
Additions	**73,119**	90,497	**–**	–
Transfers to property, plant and equipment	**(80,388)**	(87,457)	**–**	–
Carrying amount at the end of the year	**62,644**	69,913	**–**	–

12 Property, plant and equipment (continued)

Valuations

A directors' valuation as at 30 June 2000 determined that valuation of the Caltex Australia Group's land and buildings was consistent with their book value as at that date of $634.0 million.

The directors' valuation was determined with reference to a valuation of a representative sample of the Caltex Australia Group's real estate portfolio completed by independent valuation company Edward Rushton Australia Pty Ltd. 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 freehold land and buildings, the directors have not taken into account the potential impact of capital gains tax.

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
13 Payables				
Current				
Trade creditors – unsecured				
Related entities	**37,556**	165,973	**–**	–
Other corporations and persons	**280,110**	177,384	**–**	–
Other creditors and accrued expenses	**228,567**	123,444	**25,439**	9,172
	546,233	466,801	**25,439**	9,172
Non current				
Other creditors and accrued expenses	**3,463**	**–**	**–**	–
14 Interest bearing liabilities				
Current – unsecured				
Bank overdraft (i)	**–**	8,224	**460**	146,466
Short term notes (ii)	**–**	219,000	**–**	219,000
Medium term notes (ii)	**200,000**	–	**200,000**	–
Bank loans (ii) and (iii)	**55,000**	1,100	**55,000**	–
Other loans	**2,038**	–	**–**	–
	257,038	228,324	**255,460**	365,466
Current – secured				
Lease liabilities (iv)	**515**	524	**–**	–
	257,553	228,848	**255,460**	365,466
Non current – unsecured				
Medium term notes (ii)	**–**	200,000	**–**	200,000
US notes (ii)	**354,422**	–	**354,422**	–
Bank loans (ii) and (iii)	**350,000**	825,000	**350,000**	825,000
	704,422	1,025,000	**704,422**	1,025,000
Non current – secured				
Lease liabilities (iv)	**10,227**	10,852	**–**	–
	714,649	1,035,852	**704,422**	1,025,000

(i) Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2001 was 7.5% p.a.

(ii) The bank loans, and the medium and US notes are provided by a number of banks and the capital markets. The majority of interest rates on these loans and notes are on a floating rate basis. Maturity dates of the loans and notes vary from January 2003 to July 2012. Under the loan and notes agreements, the Caltex Australia Group is required to comply with certain financial covenants.

(iii) In the current year, $300.0 million bank loans were classified as non current as they were supported by undrawn long term committed facilities.

(iv) The implicit rate of interest on finance leases is 14.0% (2001: 14.0%) p.a. Refer to note 23 for details on the timing and amount of future lease payments.

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
15 Provisions				
Current				
Employee and director entitlements	**40,286**	30,134	**–**	–
Other	**5,563**	6,757	**–**	–
	45,849	36,891	**–**	–
Non current				
Employee and director entitlements	**34,433**	26,949	**400**	567
16 Contributed equity				
Issued capital				
270 million (2001: 270 million) ordinary shares, fully paid	**543,415**	543,415	**543,415**	543,415

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of Caltex Australia Limited, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
17 Reserves				
Capital profits reserve at the beginning of the year	**–**	319,865	**–**	319,865
Transfer of capital profits reserve to retained profits	**–**	(319,865)	**–**	(319,865)
Capital profits reserve at the end of the year	**–**	–	**–**	–
18 Retained profits				
Retained profits at the beginning of the year	**270,017**	136,321	**359,094**	26,301
Net profit/(loss) attributable to members of Caltex Australia Limited	**215,170**	(186,169)	**6,172**	12,928
Transfer from capital profits reserve	**–**	319,865	**–**	319,865
Retained profits at the end of the year	**485,187**	270,017	**365,266**	359,094
19 Outside equity interests				
Outside equity interests in controlled entities comprises:				
Interest in retained profits at the beginning of the year	**2,545**	4,300	**–**	–
Interest in net profit after tax	**546**	647	**–**	–
Interest in dividends provided for or paid	**(600)**	(2,402)	**–**	–
Interest in retained profits at the end of the year	**2,491**	2,545	**–**	–
Interest in issued capital	**1,864**	1,864	**–**	–
Interest in reserves	**3,369**	3,369	**–**	–
Outside equity interests at the end of the year	**7,724**	7,778	**–**	–

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
20 Total equity reconciliation				
Total equity at the beginning of the year	**821,210**	1,009,134	**902,509**	889,581
Total changes in Caltex Australia Limited's interest recognised in the statements of financial performance	**215,170**	(186,169)	**6,172**	12,928
Total changes in outside equity interests	**(54)**	(1,755)	**–**	–
Total equity at the end of the year	**1,036,326**	821,210	**908,681**	902,509

21 Financial instruments

(a) Interest rate risk

Interest rate instruments

The Caltex Australia Group enters into fixed interest rate instruments to manage cash flow risks associated with the interest rates on borrowings that are floating. Interest rate instruments allow the group to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between one to three years.

Each contract involves half yearly payment or receipt of the net amount of interest. At 31 December 2002, the fixed rates varied from 4.7% to 6.6% (2001: 4.7% to 6.6%) p.a., with a weighted average rate of 5.8% (2001: 6.0%) p.a. The floating rates were at bank bill rates.

The Caltex Australia Group has entered into cross currency swap contracts with maturities of five and seven years to manage interest rate and currency risks on the US dollar denominated borrowings.

Interest rate risk exposure

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

31 December 2002	Note	Floating interest rate	Fixed interest maturing in: One year or less	Fixed interest maturing in: Over one to five years	Fixed interest maturing in: More than five years	Non interest bearing	Total	Weighted average interest rate p.a.
Financial assets								
Cash at bank and on hand		17,969	–	–	–	–	17,969	–
Receivables	8	–	–	–	–	617,337	617,337	–
Shares in other corporations	10	–	–	–	–	15	15	–
		17,969	–	–	–	617,352	635,321	
Financial liabilities								
Payables	13	–	–	–	–	549,696	549,696	–
Bank and other loans	14	407,038	–	–	–	–	407,038	5.1%
Short and medium term notes	14	200,000	–	–	–	–	200,000	5.8%
US notes	14	–	–	99,238	255,184	–	354,422	7.1%
Lease liabilities	14	–	515	3,323	6,904	–	10,742	14.0%
Employee and director entitlements	15	–	40,286	18,700	15,733	–	74,719	5.4% (i)
		607,038	40,801	121,261	277,821	549,696	1,596,617	
Interest rate swaps notional amount		(450,000)	175,000	275,000	–	–	–	5.8%
Cross currency swaps		–	–	99,238	141,769	–	241,007	7.0%

(i) This represents the discount rate.

Thousands of dollars

31 December 2001	Note	Floating interest rate	Fixed interest maturing in: One year or less	Over one to five years	More than five years	Non interest bearing	Total	Weighted average interest rate p.a.
Financial assets								
Receivables	8	–	–	–	–	546,589	546,589	–
Shares in other corporations	10	–	–	–	–	15	15	–
		–	–	–	–	546,604	546,604	
Financial liabilities								
Bank overdraft	14	8,224	–	–	–	–	8,224	7.5%
Payables	13	–	–	–	–	466,801	466,801	–
Bank and other loans	14	826,100	–	–	–	–	826,100	4.8%
Short and medium term notes	14	419,000	–	–	–		419,000	4.9%
Lease liabilities	14	–	524	2,998	7,854	–	11,376	14.0%
Employee and director entitlements	15	–	30,134	12,630	14,319	–	57,083	5.8% (i)
		1,253,324	30,658	15,628	22,173	466,801	1,788,584	
Interest rate swaps notional amount		(500,000)	250,000	250,000	–	–	–	6.0%

(i) This represents the discount rate.

(b) Foreign exchange risk

The Caltex Australia Group is exposed to the effect of changes in exchange rates on the margin derived by the group. In particular, at least in the short term, the refiner margin is determined principally with reference to the US dollar denominated Singapore spot product price. The Caltex Australia Group does not currently use financial instruments to hedge the foreign exchange exposure on the refiner margins, other than as discussed in note 21(c). All trade transactions which require the sale or purchase of US dollars are covered on a spot basis. As at 31 December 2002, the total of all outstanding spot contracts amounted to $2.7 million (2001: $49.0 million).

US dollar denominated borrowings are swapped into Australian dollar exposure; as a result, there were no net foreign currency gains or losses arising from translation of these borrowings.

In addition, the Caltex Australia Group, in the normal course of business, enters into transactions denominated in other currencies. To manage its foreign currency exchange exposure, the group 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 Caltex Australia Group uses refiner margin hedges from time to time as a hedge against movements in refiner margins. During 2002, the group hedged approximately 1.7% (2001: 1.7%) of its finished product production. The terms of these contracts are never more than 12 months. The total of outstanding refiner margin hedges at 31 December 2002 is 3.0 million barrels (2001: 1.2 million barrels).

21 Financial instruments (continued)

(d) Credit risk

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

Recognised financial instruments

The credit risk on financial assets of the Caltex Australia Group which have been recognised on the statements of financial position, is the carrying amount of trade debtors, net of provisions for doubtful debts.

The Caltex Australia Group minimises concentrations of credit risk by undertaking transactions with a large number of customers.

Unrecognised financial instruments

Credit risk on unrecognised 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. Credit risk on refiner margin hedges are minimised as counterparties are principally the ChevronTexaco Group or large banks.

The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Caltex Australia Group pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the group. The full amount of the exposure is disclosed at note 21(b).

The credit risk on interest rate swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the Caltex Australia Group. As at 31 December 2002, there was no expected credit risk on any unrecognised financial instruments (2001: nil).

(e) Net fair values of financial assets and liabilities

Net fair values of recognised financial assets and liabilities approximate their carrying value.

The valuation of unrecognised financial instruments detailed below reflects the estimated amounts which the Caltex Australia Group 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 the reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The net fair value of unrecognised financial instruments held as at the reporting date are:

	Consolidated asset/(liability)	
Thousands of dollars	2002	2001
Cross currency swaps	**12,729**	–
Interest rate swaps	**(6,262)**	(9,149)
Forward foreign exchange contracts	**(14)**	(259)
Refiner margin swaps	**2,429**	2,511
	8,882	(6,897)

Thousands of dollars	Consolidated 2002	2001	Parent entity 2002	2001
22 Employee and director entitlements				
(a) Provision for employee and director entitlements				
Current (note 15)	**40,286**	30,134	**–**	–
Non current (note 15)	**34,433**	26,949	**400**	567
	74,719	57,083	**400**	567
(b) Number of employees				
Number of employees at year end	**2,638**	2,934		

(c) Superannuation commitments

The Caltex Australia Group contributes to superannuation plans to provide benefits to employees and directors and their dependants upon retirement, disability or death. Employer contributions (where applicable) are based on a percentage of salary or 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 Caltex Australia Group.

The last actuarial review of the defined benefits plan was made as at 31 December 2000 by Peter R Hughes FIA, FIAA, Actuary, Mercer Human Resources Consulting Pty Ltd (Mercer). 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.

At the latest actuarial review as at 31 December 2000, the defined benefit superannuation plan details were as follows:

	Consolidated			
	Net market value of plan assets	Accrued benefits	Excess of plan assets over accrued benefits	Vested benefits
Caltex Australia Superannuation Plan – CSP Division	154,259	135,363	18,896	130,835

Due to a fall in Australian and international equity markets over 2002, the Caltex Australia Group has received preliminary advice from Mercer that there is a likely funding deficiency in the plan. While Mercer is currently performing a full valuation to quantify the exact deficiency (to be completed during 2003), the Caltex Australia Group has taken up a provision as set out below.

The Caltex Australia Group has continued contributions in respect of the retirement account. The group is currently taking a contributions holiday in respect of pay linked benefits; however, these contributions will resume in 2003.

	Consolidated 2002	2001	Parent entity 2002	2001
Employer contributions to the plan during the year	**959**	673	**–**	–
Employer contributions accrued at year end	**5,195**	–	**–**	–

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.

	Consolidated 2002	2001	Parent entity 2002	2001
Employer contributions to the plan during the year	**5,622**	4,703	**–**	–
Employer contributions accrued at year end	**–**	–	**–**	–

22 Employee and director entitlements (continued)

(d) Other benefits

The Caltex Australia Limited employee share plan is open to all full and permanent part time employees of the main group companies (refer note 27(viii)). 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 Caltex Australia Group during the year were $11,000 (2001: $3,700).

All employees and directors of the Caltex Australia Group are entitled to receive a discount on private fuel purchases.

Retirement payments to directors

Australian resident non executive directors are entitled to receive a retirement payment equal to:

- one year's total emoluments, after three years of service; and
- three years' total emoluments, after nine years of service.

The retirement benefits accrue on a pro rata basis between years three and nine.

23 Commitments

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Capital expenditure				
Capital expenditure contracted but not provided for in the financial report and payable:				
Within one year	**10,375**	6,103	**–**	–
Leases				
Finance leases				
Finance lease rentals payable:				
Within one year	**2,049**	2,200	**–**	–
Between one to five years	**8,122**	8,147	**–**	–
After five years	**9,904**	11,893	**–**	–
	20,075	22,240	**–**	–
Future finance charges	**(9,333)**	(10,864)	**–**	–
	10,742	11,376	**–**	–
Classified as:				
Current (note 14)	**515**	524	**–**	–
Non current (note 14)	**10,227**	10,852	**–**	–
	10,742	11,376	**–**	–

The Caltex Australia Group leases production plant under finance leases expiring from one to 12 years. At the end of the lease term, the group 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.

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Non cancellable operating leases and other financial commitments				
Future gross payments, prior to sub lease receipts, not provided for in the financial report and payable:				
Within one year	**95,747**	88,029	**–**	–
Between one to five years	**323,080**	299,417	**–**	–
After five years	**99,536**	177,801	**–**	–
	518,363	565,247	**–**	–

The Caltex Australia Group leases property under operating leases expiring from one to 35 years. Leases generally provide the group 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, they include a base amount and incremental contingent rental. Contingent rentals are based on operating performance criteria. No contingent rentals were paid during the year (2001: nil).

24 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.

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
(a) Legal and other claims	**2,000**	2,000	**–**	–

(b) Bank guarantees

Caltex Australia Limited has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of $5,880,000 (2001: $8,460,000). At 31 December 2002, the total outstanding was $2,223,000 (2001: $2,506,000).

(c) Class order relief

Pursuant to ASIC Class Order CO 98/1418, relief has been granted to certain of Caltex Australia Limited's wholly owned controlled entities as listed in note 27 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 Caltex Australia Group's accounting policy, the group may be subject to contingent liabilities as a result of environmental laws that at some time in the future may require the Caltex Australia Group to take action to correct the environmental effect of past disposal or release of petroleum substances by the group or by others. The amount of future cost is indeterminable due to such factors as the unknown nature of new laws, the magnitude of possible contamination, the unknown timing and extent of corrective factors that may be required, the determination of the Caltex Australia Group's possible liability in proportion to other possible responsible parties and the extent to which such costs are recoverable from insurers.

The Caltex Australia Group 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 group has not provided for and there is no indication of or 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, Caltex Australia Limited 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 Hanson Australia, Caltex Australia Limited 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.

Hanson Australia entered into a deed with Caltex Australia Limited on 31 December 1997 under which Hanson Australia undertook to be liable for one half of any tax, environmental and third party liability of any entity in the Caltex Australia Petroleum Pty Ltd group 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. Hanson Australia's obligation applies for seven years for tax liabilities and eight years for environmental liabilities as from 31 December 1997. Hanson Australia's maximum potential liability under this deed is one half of the net assets of the Caltex Australia Petroleum Pty Ltd group as at 31 December 1997.

Dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
25 Auditors' remuneration				
Payment for audit services to KPMG	**545,000**	590,116	**23,800**	25,750
Payment for other services to KPMG:				
Transaction services	**151,200**	44,000	**–**	–
Other assurance services	**30,500**	37,898	**–**	–
Taxation services	**66,892**	79,660	**–**	–
	248,592	161,558	**–**	–
Other services – KPMG related practices	**–**	27,500	**–**	–

26 Remuneration and retirement benefits

(a) Directors' remuneration

	Parent entity 2002 number	Parent entity 2001 number
The number of directors of Caltex Australia Limited whose remuneration from Caltex Australia Limited falls within the following bands is (remuneration from any related party is disclosed in note 26(a)(i) and 26(d)(ii)):		
\$20,000 – \$29,999	**1**	5
\$50,000 – \$59,999	**2**	1
\$60,000 – \$69,999	**1**	–
\$80,000 – \$89,999	**–**	1
\$90,000 – \$99,999	**–**	1
\$130,000 – \$139,999	**–**	2
\$160,000 – \$169,999	**1**	–
\$270,000 – \$279,999	**1**	–
\$370,000 – \$379,999	**1**	–
\$670,000 – \$679,999	**–**	1
\$720,000 – \$729,999	**1**	–

	Parent entity 2002 \$	Parent entity 2001 \$
Total income paid or payable, or otherwise made available, to directors of each entity in the Caltex Australia Group from Caltex Australia Limited (remuneration from any related party is disclosed in note 26(a)(i) and 26(d)(ii):	**1,734,090**	1,312,733

(i) Malcolm Irving, who retired as a director during the year, received a payment of \$79,225 from the ChevronTexaco Group (which holds 50% of the shares in Caltex Australia Limited) in recognition of his service as a director and Chairman of Caltex Australia limited. There was no cost to Caltex Australia for this additional payment.

(ii) During the financial year, consultancy services fees of \$250,000 were paid or payable to Blackburne Consulting Pty Ltd, a company related to former director, Ian Blackburne, in accordance with the terms of a consultancy services agreement.

(b) Directors

The Board of Caltex Australia Limited is currently comprised of Dick Warburton (Chairman), Jeet Bindra (Managing Director and Chief Executive Officer), Elizabeth Bryan, Leo Lonergan, Ken Watson and Michael Wirth.

During the year ended 31 December 2002:

- Steve de Bruyn was appointed as an alternate director for each of Leo Lonergan and Michael Wirth on 21 February 2002;
- Jeet Bindra (Managing Director and Chief Executive Officer) was appointed as a director with effect from the close of the Annual General Meeting held on 2 May 2002, with Tony Blevins (the former Managing Director and Chief Executive Officer) resigning as a director at that time;
- Malcolm Irving, having reached the age of 72 years, retired as a director at the close of the Annual General Meeting held on 2 May 2002; and
- Elizabeth Bryan was appointed to fill a casual vacancy to the Board on 18 July 2002.

(c) Executive share plan

Senior executives may receive shares under Caltex Australia Limited's executive share plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group (including return on capital employed and total shareholder returns). Shares earned by executives are bought on market and vest over a three year period, and have been included as a part of bonuses on vesting. The terms and conditions of this plan were approved by shareholders at the Annual General Meeting held in April 1999.

(d) Executives' remuneration

	Consolidated 2002 number	Consolidated 2001 number	Parent Entity 2002 number	Parent Entity 2001 number
The number of executive officers whose remuneration from the Caltex Australia Group falls within the following bands is (remuneration from any related party is disclosed in note 26(d)(ii)):				
$120,000 – $129,999	**–**	1	**–**	–
$140,000 – $149,999	**1**	1	**–**	–
$150,000 – $159,999	**–**	1	**–**	–
$160,000 – $169,999	**1**	3	**–**	–
$170,000 – $179,999	**–**	2	**–**	–
$180,000 – $189,999	**2**	5	**–**	–
$190,000 – $199,999	**6**	3	**–**	–
$200,000 – $209,999	**2**	2	**–**	–
$210,000 – $219,999	**4**	1	**–**	–
$220,000 – $229,999	**1**	1	**–**	–
$230,000 – $239,999	**2**	–	**–**	–
$240,000 – $249,999	**2**	1	**–**	–
$250,000 – $259,999	**1**	2	**–**	–
$260,000 – $269,999	**–**	2	**–**	–
$270,000 – $279,999	**1**	–	**1**	–
$280,000 – $289,999	**–**	2	**–**	1
$290,000 – $299,999	**–**	2	**–**	1
$300,000 – $309,999	**2**	–	**–**	–
$310,000 – $319,999	**1**	–	**–**	–
$320,000 – $329,999	**2**	–	**–**	–
$330,000 – $339,999	**1**	–	**–**	–
$340,000 – $349,999	**1**	–	**–**	–
$370,000 – $379,999	**1**	–	**1**	–
$400,000 – $409,999	**1**	–	**1**	
$410,000 – $419,999	**1**	1	**1**	1
$420,000 – $429,999	**–**	1	**–**	1
$440,000 – $449,999	**–**	1	**–**	1
$540,000 – $549,999	**1**	–	**1**	–
$560,000 – $569,999	**2**	–	**2**	–
$670,000 – $679,999	**–**	1	**–**	1
$720,000 – $729,999	**1**	–	**1**	–
Total	**37**	33	**8**	6

	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
Total remuneration received, or due and receivable, from the Caltex Australia Group by executive officers of the group whose income is $100,000 p.a. or more (remuneration from any related party is disclosed in note 26(d)(ii)):	**10,681,068**	9,478,486	**3,878,526**	2,539,857

(i) Included within the above salary bands are the value of shares vesting as bonuses to certain senior executives under Caltex Australia Limited's executive share plan.

(ii) During the financial year, Jeet Bindra (Managing Director and Chief Executive Officer with effect from 2 May 2002), Tony Blevins (former Managing Director and Chief Executive Officer for the period from 1 January to 2 May 2002) and John Banner (General Manager – Marketing) were seconded from the ChevronTexaco Group to Caltex Australia (ChevronTexaco Global Energy Inc. holds 50% of the shares of Caltex Australia Limited). Under the terms of these arrangements, Caltex Australia paid service fees to the ChevronTexaco Group representing a partial reimbursement of the salaries and other benefits paid or payable by the ChevronTexaco Group. The terms of these arrangements are considered by Caltex Australia to be no less favourable to Caltex Australia than arm's length terms.

The additional payments or benefits received from the ChevronTexaco Group for each of the executives concerned are:

- Jeet Bindra (Managing Director and Chief Executive Officer) who received $104,403;
- Tony Blevins (former Managing Director and Chief Executive Officer) who received $174,915; and
- John Banner (General Manager – Marketing) who received $402,502.

In addition these executives were also entitled to receive equity based remuneration.

27 Particulars in relation to controlled entities

(a) Name

	Note	% interest 2002	% interest 2001
Companies			
Caltex Australia Finance Pty Ltd	(iii)	**100**	100
Caltex Australia Investments Pty Ltd	(iii)	**100**	100
Caltex Coal Pty Ltd	(iii)	**100**	100
Caltex Australia Custodians Pty Ltd		**100**	100
Caltex Australia Petroleum Pty Ltd	(iii), (viii)	**100**	100
Ampol Lending Pty Ltd	(iii)	**100**	100
Ampol Metro Fuels Pty Ltd	(iii)	**100**	100
Ampol Property (Holdings) Limited	(iii)	**100**	100
Ampol Bendigo Pty Ltd	(iii)	**100**	100
Ampol Realty Pty Ltd	(iii)	**100**	100
Ampol Refineries (Matraville) Limited	(iii)	**100**	100
Ampol Road Pantry Pty Ltd	(iii)	**100**	100
Ampol Workshops Pty Ltd	(iii)	**100**	100
B&S Distributors Pty Ltd	(ii)	**50**	50
Big Country Oils Pty Ltd	(iii)	**100**	100
Brisbane Airport Fuel Services Pty Ltd	(ii)	**66.7**	66.7
Calstores Pty Ltd	(iii)	**100**	100
Caltex Australia Management Pty Ltd		**100**	100
Caltex Australia Nominees Pty Ltd		**100**	100
Caltex Lubricating Oil Refinery Pty Ltd	(iii), (viii)	**100**	100
Caltex Petroleum Pty Ltd	(iii)	**100**	100
Australian Petroleum Marine Pty Ltd	(iii)	**100**	100
Sydney Metropolitan Pipeline Pty Ltd	(ii)	**60**	60
Caltex Petroleum Distributors Pty Ltd	(iii)	**100**	100
Australian Petroleum Holdings Pty Ltd	(iii)	**100**	100
Bowen Petroleum Service Pty Ltd	(v)	**100**	50
Caltex Petroleum (Qld) Pty Ltd	(iii)	**100**	100
Caltex Petroleum (Victoria) Pty Ltd	(iii)	**100**	100
R&T Lubricants Limited	(iii)	**100**	100
Caltex Refineries (NSW) Pty Ltd	(iii), (viii)	**100**	100
Caltex Refineries (Qld) Limited	(iii), (viii)	**100**	100
Circle Petroleum (Q'land) Pty Ltd	(iii)	**100**	100
Hayport Pty Ltd	(iii)	**100**	100
Hunter Pipe Line Company Pty Ltd	(iii)	**100**	100
Jayvee Petroleum Pty Ltd	(vi)	**100**	50
Jet Fuels Petroleum Distributors Pty Ltd	(iii)	**100**	100
Northern Marketing Pty Ltd	(iii)	**100**	100
Hanietee Pty Ltd	(iii)	**100**	100
Newcastle Pipe Line Company Pty Ltd	(iii)	**100**	100
Security Computer Services Pty Ltd	(iii)	**100**	100
Solo Oil Investments Pty Ltd	(iii)	**100**	100
Devorant Pty Ltd	(iii)	**100**	100
Manworth Pty Ltd	(iii)	**100**	100
Metdale Pty Ltd	(iii)	**100**	100
Solo Oil Leasing Pty Ltd	(iii)	**100**	100
Southern Cross Petroleum Pty Ltd	(iii)	**100**	100

	Note	% interest 2002	2001
Solo Oil Limited	(iii)	**100**	100
Brooklyn Bagel (Systems) Pty Ltd	(iii)	**100**	100
Carmonott Constructions Pty Ltd	(iii)	**100**	100
Chapmore Pty Ltd	(iii)	**100**	100
Ditta (Service Station) Pty Ltd	(iii)	**100**	100
First Bildarama Pty Ltd	(iii)	**100**	100
Grosvenor Constructions Pty Ltd	(iii)	**100**	100
Kanegood Pty Ltd	(iii)	**100**	100
Leberg Holdings Pty Ltd	(iii)	**100**	100
Liglen Pty Ltd	(iii)	**100**	100
Matland Holdings Pty Ltd	(iii)	**100**	100
Pagold Holdings Pty Ltd	(iii)	**100**	100
Pruland Holdings Pty Ltd	(iii)	**100**	100
Ruzack Nominees Pty Ltd	(iii)	**100**	100
Solo Oil Australia Pty Ltd	(iii)	**100**	100
Solo Oil Corporation Pty Ltd	(iii)	**100**	100
Solo Petroleum Pty Ltd	(iii)	**100**	100
Solo Rent A Car Pty Ltd	(iii)	**100**	100
Sunrise Transport Pty Ltd	(iii)	**100**	100
Wildbank Pty Ltd	(iii)	**100**	100
South Coast Oils Pty Ltd	(iii)	**100**	100
Southern Cross Service Pty Ltd	(iii)	**100**	100
Teraco Pty Ltd	(ii)	**50**	50
Travelmate.com.au Pty Ltd	(iii)	**100**	100
Tulloch Petroleum Services Pty Ltd	(iii)	**100**	100
Western Fuel Distributors Pty Ltd	(ii)	**50**	50
Unit trusts			
Petroleum Leasing Unit Trust	(vii)	**100**	100
Petroleum Property Unit Trust	(vii)	**100**	100

(i) All companies were incorporated in Australia. The unit trusts were formed in Australia.

(ii) These entities have been included as controlled entities in accordance with AASB 1024 "Consolidated accounts". Control exists because a company within the Caltex Australia Group has the ability to dominate the composition of their board of directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of these entities.

(iii) These companies are parties to a Deed of Cross Guarantee with Caltex Australia Limited and each other. There are no other parties to the Deed of Cross Guarantee. As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies are relieved from complying with certain requirements of the Corporations Act 2001 (Cth). Under the Deed of Cross Guarantee each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed in accordance with the terms set out in the deed.

The consolidated statements of financial performance and the consolidated statements of financial position comprising of Caltex Australia Limited and the subsidiaries which are party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, is set out on the following page.

(iv) Link Energy Pty Ltd was removed as a party to the Deed of Cross Guarantee under the terms of a Revocation Deed that was accepted by the ASIC on 3 April 2002. No other companies have been removed from the Deed of Cross Guarantee, and no companies have been added to the Deed of Cross Guarantee, during the year ended 31 December 2002 or since 31 December 2002.

(v) Caltex Petroleum Distributors Pty Ltd acquired an additional 50% interest in Bowen Petroleum Services Pty Ltd with effect from 2 December 2002, making Bowen Petroleum Services Pty Ltd a wholly owned subsidiary of Caltex Petroleum Distributors Pty Ltd from that time.

(vi) Caltex Australia Petroleum Pty Ltd acquired an additional 50% interest in Jayvee Petroleum Pty Ltd with effect from 28 June 2002, making Jayvee Petroleum Pty Ltd a wholly owned subsidiary of Caltex Australia Petroleum Pty Ltd from that time.

(vii) Solo Oil Limited is the sole unit holder of these trusts.

(viii) Employees of these companies may be eligible to participate in the Caltex Australia Limited employee share plan (refer note 22(d)).

Thousands of dollars	2002	2001
27 Particulars in relation to controlled entities (continued)		
(b) Statements of financial performance		
Profit/(loss) from ordinary activities before income tax expense	**299,475**	(218,277)
Income tax (expense)/benefit relating to ordinary activities	**(84,816)**	32,954
Net profit/(loss)	**214,659**	(185,323)
Retained profits at the beginning of the year	**269,605**	131,463
Dividends received	**900**	3,600
Transfer from capital profits reserve	**–**	319,865
Retained profits at the end of the year	**485,164**	269,605
(c) Statements of financial position		
Current assets		
Cash at bank and on hand	**13,678**	–
Receivables	**569,824**	511,096
Inventories	**525,545**	492,736
Tax assets	**–**	20,277
Other	**23,934**	24,886
Total current assets	**1,132,981**	1,048,995
Non current assets		
Receivables	**31,407**	22,976
Investments accounted for using the equity method	**8,093**	12,577
Property, plant and equipment	**1,600,683**	1,644,368
Intangibles	**5,238**	–
Other	**36,845**	23,969
Total non current assets	**1,682,266**	1,703,890
Total assets	**2,815,247**	2,752,885
Current liabilities		
Payables	**533,266**	465,643
Interest bearing liabilities	**257,553**	229,824
Tax liabilities	**59,198**	–
Provisions	**45,268**	36,732
Total current liabilities	**895,285**	732,199
Non current liabilities		
Payables	**3,463**	–
Interest bearing liabilities	**714,649**	1,035,852
Deferred tax liabilities	**139,243**	145,265
Provisions	**34,028**	26,549
Total non current liabilities	**891,383**	1,207,666
Total liabilities	**1,786,668**	1,939,865
Net assets	**1,028,579**	813,020
Equity		
Contributed equity	**543,415**	543,415
Reserves	**–**	–
Retained profits	**485,164**	269,605
Total equity	**1,028,579**	813,020

The movement in companies participating in the class order is shown in note 27(iv).

Thousands of dollars	Note	% interest 2002	% interest 2001	Balance date	Investment carrying amount 2002	Investment carrying amount 2001
28 Investments accounted for using the equity method						
Airport Fuel Services Pty Ltd		**40**	40	31 December	**769**	769
Australasian Lubricants Manufacturing Company Pty Ltd		**50**	50	31 December	**(1,607)**	–
Bowen Petroleum Services Pty Ltd	27(v)	**100**	50	31 December	**–**	2,997
Cairns Airport Refuelling Service Pty Ltd		**25**	25	31 December	**–**	–
Cooper & Dysart Pty Ltd		**50**	50	31 December	**2,106**	1,976
Geraldton Fuel Company Pty Ltd		**50**	50	31 December	**1,072**	1,152
Jayvee Petroleum Pty Ltd	27(vi)	**100**	50	31 December	**–**	464
Link Energy Pty Ltd		**50**	50	31 December	**1,728**	1,589
Jenessa Holdings Pty Ltd		**50**	50	31 December	**–**	–
Northern Marketing Management Pty Ltd		**37.5**	37.5	30 June	**–**	–
Northern Marketing Partnership		**37.5**	37.5	30 June	**1,822**	2,038
R&JK Petroleum Pty Ltd		**50**	50	31 December	**748**	770
South Coast Fuels Pty Ltd		**50**	50	31 December	**450**	450
South East Queensland Fuels Pty Ltd		**50**	50	31 December	**1,005**	372
South East Queensland Fuels Unit Trust		**50**	50	31 December	**–**	–
Vitalgas Pty Ltd		**50**	50	31 December	**–**	–
					8,093	12,577

These entities are principally concerned with the sale, marketing and/or distribution of fuel products.

	Consolidated 2002	Consolidated 2001
Results of associated entities		
Share of associated entities' profit before income tax expense	**3,587**	1,892
Share of associated entities' income tax expense	**(1,234)**	(662)
Share of associated entities' net profit	**2,353**	1,230
Amortisation of goodwill	**(73)**	(114)
Goodwill write off	**–**	(204)
Unrealised profit in inventories	**(99)**	–
Share of associated entities' net profit – equity accounted	**2,181**	912
Share of post acquisition accumulated losses attributable to associated entities		
Share of associated entities' accumulated (losses)/profits at the beginning of the year	**(1,467)**	284
Share of associated entities' net profit	**2,181**	912
Dividends and disbursements from associated entities	**(1,541)**	(1,080)
Share of associated entities' accumulated (losses)/retained profits at the end of the year	**(827)**	116
Movement in the carrying amount of investments		
Investments in associated entities at the beginning of the year	**12,577**	11,345
Share of associated entities' net profit	**2,181**	912
Dividends and disbursements from associated entities	**(1,541)**	(1,080)
Investment in Link Energy Pty Ltd transferred from controlled entities	**–**	1,400
Investment in Bowen Petroleum Services Pty Ltd transferred to controlled entities	**(2,871)**	–
Investment in Jayvee Petroleum Pty Ltd transferred to controlled entities	**(670)**	–
Reclassification of equity investments unrealised profit in inventory	**(1,583)**	–
Investments in associated entities at the end of the year	**8,093**	12,577

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
28 Investments accounted for using the equity method (continued)				
Commitments				
Share of associated entities' capital expenditure contracted but not provided for in the financial report and payable:				
Within one year	**439**	55	**–**	–
Share of associated entities' operating lease commitments not provided for in the financial report and payable:				
Within one year	**521**	704	**–**	–
Between one to five years	**985**	1,971	**–**	–
After five years	**74**	–	**–**	–
	1,580	2,675	**–**	–
Share of associated entities' finance lease commitments not provided for in the financial report and payable:				
Within one year	**703**	603	**–**	–
Between one to five years	**1,339**	1,466	**–**	–
After five years	**–**	–	**–**	–
	2,042	2,069	**–**	–
Future finance charges	**(330)**	(162)	**–**	–
	1,712	1,907	**–**	–
Contingent liabilities				
Share of associated entities' contingent liabilities:				
Secured overdrafts	**825**	825	**–**	–

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
29 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	**17,969**	(8,224)	**(460)**	(146,466)
(b) Reconciliation of net profit/(loss) after income tax to net operating cash flows				
Net profit/(loss) after income tax	**215,716**	(185,522)	**6,172**	12,928
Add/(less) items classified as investing/financing activities:				
(Profit) on sale of non-current assets and intangibles	**(7,561)**	(15,328)	**–**	–
Finance charges and contingent rentals on capitalised leases	**2,188**	2,470	**54**	25
Add/(less) non-cash items:				
Depreciation	**125,902**	107,750	**–**	–
Amortisation	**1,292**	164,751	**–**	–
Amounts set aside to provisions	**18,150**	17,190	**–**	–
Unrealised exchange (gain)/loss	**(4,551)**	9,172	**–**	–
Share of associated entities' net (profit)/loss net of dividends received	**(54)**	168	**–**	–
(Decrease)/increase in deferred tax liability	**(8,793)**	(28,636)	**75**	(6,473)
Net cash from operating activities before changes in assets and liabilities	**342,289**	72,015	**6,301**	6,480
Changes in assets and liabilities net of the effects of the purchase of controlled entities:				
(Increase)/decrease in trade and other debtors	**(64,060)**	69,935	**(3,364)**	5,688
(Increase)/decrease in inventories	**(25,653)**	119,855	**–**	–
(Increase)/decrease in prepaid and deferred expenditure	**(3,893)**	1,443	**(548)**	(592)
Increase/(decrease) in trade and other creditors	**64,284**	(173,246)	**16,267**	3,811
Increase/(decrease) in income tax payable	**64,643**	4,594	**(1,532)**	7,820
Increase/(decrease) in provisions	**17,221**	(5,682)	**(167)**	74
Net operating cash flows	**394,831**	88,914	**16,957**	23,281

Thousands of dollars	Consolidated 2002	2001	Parent entity 2002	2001

29 Notes to the statements of cash flows (continued)

(c) Purchases of controlled entities

On 28 June 2002, the Caltex Australia Group's ownership interest in Jayvee Petroleum Pty Ltd increased from 50% to 100%. On 2 December 2002, the group increased its ownership interest in Bowen Petroleum Services Pty Ltd from 50% to 100%. The operating results of these entities have been included in the consolidated operating profit from their respective acquisition dates. There were no acquisitions of controlled entities in the year ended 31 December 2001. Details of the acquisitions are as follows:

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Consideration paid	**(9,352)**	–	**–**	–
Cash balance included in net assets acquired	**4,045**	–	**–**	–
Deferred cash settlement	**7,334**	–	**–**	–
Inflow of cash	**2,027**	–	**–**	–
Fair value of net assets acquired				
Cash at bank and on hand	**4,045**	–	**–**	–
Receivables	**5,638**	–	**–**	–
Inventories	**5,575**	–	**–**	–
Other current assets	**232**	–	**–**	–
Property, plant and equipment	**5,327**	–	**–**	–
Intangibles	**1,795**	–	**–**	–
Deferred tax assets	**78**	–	–	–
Payables	**(15,739)**	–	**–**	–
Interest bearing liabilities	**(137)**	–	**–**	–
Tax liabilities	**(387)**	–	**–**	–
Provisions	**(709)**	–	**–**	–
Other liabilities	**(294)**	–	**–**	–
Fair value of net assets acquired	**5,424**	–	**–**	–
Net assets acquired – 50%	**2,712**	–	**–**	–
Goodwill on acquisition	**6,640**	–	**–**	–
Consideration	**9,352**	–	**–**	–

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001

(d) Purchases of businesses

The Caltex Australia Group acquired the business operations of three wholesale fuel distributor companies during 2002. The business operations were acquired from:

- AR & LA Dibben Pty Ltd – 1 February 2002;
- Tonkin Petroleum Pty Ltd – 1 July 2002; and
- Barry Petroleum Pty Ltd – 1 November 2002.

(2001: Cairns Oil Distributors was acquired on 30 June 2001).

Details of the business acquisitions are as follows:

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Consideration	**10,338**	3,953	**–**	–
Fair value of net assets acquired				
Inventories	**2,178**	761	**–**	–
Property, plant and equipment	**2,776**	3,192	**–**	–
Payables	**(156)**	–	**–**	–
Fair value of net assets acquired	**4,798**	3,953	**–**	–
Goodwill on acquisition	**5,540**	–	**–**	–
Consideration	**10,338**	3,953	**–**	–

(e) Disposals of controlled entities

There were no disposals of controlled entities in the year ended 31 December 2002. (In 2001, the Caltex Australia Group disposed of 50% of its interest in Link Energy Pty Ltd, leaving a 50% ownership). Details of the disposal are as follows:

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
Consideration	**–**	655	**–**	–
Fair value of net assets disposed				
Property, plant and equipment	**–**	1,860	**–**	–
Other assets	**–**	195	**–**	–
Fair value of net assets disposed	**–**	2,055	**–**	–
Investment in associated entity acquired	**–**	(1,400)	**–**	–
Consideration	**–**	655	**–**	–

Thousands of dollars	Consolidated 2002	Consolidated 2001	Parent entity 2002	Parent entity 2001
30 Financing arrangements				
The Caltex Australia Group has access to the following lines of credit:				
Total facilities available:				
Bank overdrafts	**30,000**	30,000	**30,000**	30,000
Bank loans and capital markets	**1,529,400**	1,438,000	**1,529,400**	1,425,000
	1,559,400	1,468,000	**1,559,400**	1,455,000
Facilities utilised at balance date:				
Bank overdrafts	**–**	8,224	**460**	30,000
Bank loans and capital markets	**904,422**	1,256,476	**904,422**	1,244,000
	904,422	1,264,700	**904,882**	1,274,000
Facilities not utilised at balance date:				
Bank overdrafts	**30,000**	21,776	**29,540**	–
Bank loans and capital markets	**624,978**	181,524	**624,978**	181,000
	654,978	203,300	**654,518**	181,000

These facilities are unsecured and have an average maturity of 2.7 years (2001: 1.8 years).

31 Related party information

(a) Directors

The Board of Caltex Australia Limited comprises Dick Warburton (Chairman), Jeet Bindra (Managing Director and Chief Executive Officer), Elizabeth Bryan, Leo Lonergan, Ken Watson and Michael Wirth. Steve de Bruyn serves as an alternate director for Leo Lonergan and Michael Wirth.

Tony Blevins resigned as a director on 2 May 2002 and Malcolm Irving retired as a director on 2 May 2002.

(b) Directors' holdings of shares

At 31 December 2002, the directors of Caltex Australia Limited had relevant interests in 31,500 (2001: 49,500) fully paid ordinary shares in Caltex Australia Limited (in total). The directors have not acquired or disposed of any shares since 31 December 2002.

Jeet Bindra and Elizabeth Bryan, who were appointed as directors during the year ended 31 December 2002, did not hold any shares in Caltex Australia Limited at their respective appointment dates. Tony Blevins, who resigned as a director on 2 May 2002, and Malcolm Irving, who retired as a director on 2 May 2002, held 5,000 and 25,000 shares respectively, when they left office. Michael Wirth acquired 2000 shares during the year.

(c) Other director transactions

No director had entered into a material contract or loan with any entity in the Caltex Australia Group during the year ended 31 December 2002.

Minter Ellison, of which Ken Watson is a partner, provides legal advice and services to the Caltex Australia Group. For the year ended 31 December 2002, Minter Ellison received, or was due to receive, fees totalling $384,000 (13.3% of total legal expenditure). Minter Ellison received fees of $294,000 (7.5% of total legal expenditure) in respect of the year ended 31 December 2001.

Malcolm Irving entered into a consultancy service agreement with Caltex Australia Limited after leaving office. He received service fees of $12,498 (exclusive of GST) for the period from 23 May 2002 to 22 November 2002 and a further payment of $2,083 (exclusive of GST) is due for services provided in December 2002.

Willis Australia Limited, a company associated with Malcolm Irving, received fees and premiums of $3,195,000.

All services have been provided on arm's length terms.

(d) Controlled entities

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

The amounts receivable by Caltex Australia Limited from controlled entities are included in note 8. Details of controlled entities are set out in note 27.

(e) Other related entities

ChevronTexaco Global Energy Inc. holds a 50% interest in Caltex Australia Limited. Transactions with the ChevronTexaco Group during the year ended 31 December 2002 are summarised below.

The Caltex Australia Group paid $474,000 (2001: $888,000) to the ChevronTexaco Group for technical service fees. The Group received $935,000 (2001: $4,360,000) for technical service fees. The Caltex Australia Group received $935, 000 (2001: $4,360,000) for technical service fees. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group paid $445,600 (2001: $4,734,000) to the ChevronTexaco Group, including Traders Insurance Limited for insurance coverage. The group received payment of an insurance claim of $34,115,000 (2001: $15,012,000) from Traders Insurance Limited. There are no amounts included in current receivables from other related entities relating to insurance claims from Traders Insurance Limited (2001: $27,251,000). Dealings with Traders Insurance Limited are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group purchased crude, other refinery feedstocks and petroleum products from the ChevronTexaco Group of $1,789,298,000 (2001: $2,143,213,000). The Caltex Australia Group sold crude, other refinery feedstocks and petroleum products to these entities of $122,155,000 (2001: $194,018,000). These purchases and sales are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group entered into refiner margin hedges with the ChevronTexaco Group during the year. The fair value of open hedges at 31 December 2002 were $2,429,000 (2001: $2,469,000). Dealings with the ChevronTexaco Group are in the ordinary course of business and on normal commercial terms and conditions.

Certain payments are made to the ChevronTexaco Group in respect of the secondment of executives. Details of these payments are shown in note 26.

Amounts receivable from and payable to other related entities are set out in notes 8 and 13 respectively.

(f) Associated entities

During the year ended 31 December 2002, the Caltex Australia Group had a provision of $8,456,000 (2001: $10,456,000) against trade receivables from Vitalgas Pty Ltd. Transactions with associated entities are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group sold petroleum products to associated entities totalling $610,483,000 (2001: $618,693,000). The Caltex Australia Group purchased petroleum products from associated entities of $87,820,000 (2001: $80,476,000). The Caltex Australia Group received income from associated entities for rental income, service fees, site fees, operating leases and licence fees of $6,170,000 (2001: $11,688,000). The Caltex Australia Group paid service fee income to associated entities of $3,134,000 (2001: $3,393,000).

Details of associated entities are set out in note 28. Amounts receivable from associated entities are set out in note 8. Dividends and disbursements income from associated entities is shown in note 28.

32 Segment reporting

The Caltex Australia Group operates as a vertically integrated refiner and marketer of petroleum products.

The Caltex Australia Group operates within the one geographic region – Australia.

Directory

Corporate Offices

Caltex Australia Limited
ABN 40 004 201 307
Level 12, MLC Centre
19-29 Martin Place
Sydney NSW 2000
Australia

Mail GPO Box 3916
Sydney NSW 2001
Australia

Telephone:	02 9250 5000
Facsimile:	02 9250 5742
Web site:	*www.caltex.com.au*

Share Registry

Computershare Investor Services Pty Ltd
GPO Box 7045
Sydney NSW 1115
Australia

Tollfree: (enquiries within Australia)	1300 855 080
Telephone: (enquiries outside Australia)	61 3 9615 5970
Facsimile:	02 8234 5050
Web site:	*www.computershare.com*

Refineries

Caltex Refineries (NSW) Pty Ltd
ABN 19 000 108 725
Solander Street
Kurnell NSW 2231

Telephone:	02 9668 1111
Facsimile:	02 9668 1188
Community hotline:	02 9668 1244

Caltex Lubricating Oil Refinery Pty Ltd
ABN 44 000 352 205
Sir Joseph Banks Drive
Kurnell NSW 2231

Telephone:	02 9668 1111
Facsimile:	02 9668 1188

Caltex Refineries (Qld) Limited
ABN 46 008 425 581
South Street
Lytton Qld 4178

Telephone:	07 3362 7555
Facsimile:	07 3362 7111
Environmental hotline:	1800 675 487

Marketing Offices

New South Wales
Caltex Banksmeadow Terminal
Penrhyn Road
Banksmeadow NSW 2019

Telephone:	02 9695 3600
Facsimile:	02 9666 5737

Queensland/Northern Territory
Caltex Lytton Terminal
Tanker Street, off Port Drive
Lytton Qld 4178

Telephone:	07 3877 7333
Facsimile:	07 3877 7464

Victoria/South Australia/Tasmania
Caltex Newport Terminal
Douglas Parade
Newport Vic 3015

Telephone:	03 9287 9555
Facsimile:	03 9287 9572

Western Australia
Caltex Fremantle Terminal
85 Bracks Street
North Fremantle WA 6159

Telephone:	08 9430 2888
Facsimile:	08 9335 3062

Customer Support

Feedback Line (complaints, compliments and suggestions) Mon-Fri 8.30 am to 5.00 pm (EST)	1800 240 398
Card Support Centre Card enquiries 24 hours/seven days	1300 365 096
Lubelink Mon-Fri 8.00 am to 6.00 pm (EST)	1300 364 169