

THE 2005 FINANCIAL REPORT FOR CALTEX AUSTRALIA LIMITED INCLUDES:

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FOR THE YEAR ENDED 31 DECEMBER 2005

CALTEX AUSTRALIA GROUP

For the purposes of this report, 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) 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 this report as the Caltex Australia Group, unless the context requires otherwise.

CALTEX AUSTRALIA LIMITED

ACN 004 201 307



Financial report

Directors'

report



DICK WARBURTON AO
CHAIRMAN
(NON-EXECUTIVE/
INDEPENDENT)

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 a member of the Human Resources and Nomination Committee, having been Chairman of the Human Resources and Nomination Committee to 30 April 2005. He attends meetings of the Audit 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, where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand.

Dick is a Fellow (and a former National President) of the Australian Institute of Company Directors.

Current directorships of listed companies

- Tandou Limited (Chairman) (appointed 6 April 2004)
- Nufarm Limited (appointed 22 October 1993)
- Tabcorp Holdings Limited (appointed 28 June 2000)

Previous directorships of listed companies in last three years

- David Jones Limited (former Chairman) (6 October 1995 – 17 July 2003)
- Southcorp Limited (11 June 1993 – 14 October 2003)



DAVE REEVES
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

Bachelor of Civil Engineering
(University of Washington, USA)

Dave was appointed as Managing Director and Chief Executive Officer with effect from 11 August 2003.

Before joining Caltex Australia, Dave was the President of North America Products at Chevron Corporation (Chevron) with responsibility for refining and product marketing activities, pipeline transportation operations and energy management solutions within North America, and Chevron's global aviation fuels marketing.

Dave has previously held a number of senior marketing and retail roles with companies in the Chevron Group.



ELIZABETH BRYAN
DIRECTOR
(NON-EXECUTIVE/
INDEPENDENT)

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

Elizabeth was appointed as a director of Caltex Australia Limited on 18 July 2002. She was appointed a member of the Human Resources and Nomination Committee on 28 August 2003 and as the Chair of the Human Resources and Nomination Committee on 1 May 2005. Elizabeth also served on the Audit Committee from 18 July 2002 to 22 July 2004.

Elizabeth has over 30 years experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. Prior to becoming a professional director she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Current directorships of listed companies

- Ridley Corporation Limited (appointed 7 September 2001)

The Board of Caltex Australia Limited presents this Directors' Report and the 2005 Financial Report for the Caltex Australia Group for the year ended 31 December 2005 to shareholders. An Independent Audit Report from KPMG, Caltex's external auditor, is also provided.

Board of directors

The Board of Caltex Australia Limited comprises Richard (Dick) Warburton (Chairman), Dave Reeves (Managing Director and Chief Executive Officer), Elizabeth Bryan, William (Bill) Hauschildt, John Thorn, Ken Watson and Peter Wissel.



BILL HAUSCHILDT
DIRECTOR
(NON-EXECUTIVE)

Bachelor of Science (Chemical Engineering) (Ohio State University, USA) and Master of Science (Chemical Engineering) (Illinois Institute of Technology, USA)

Bill has been a director of Caltex Australia Limited since 21 September 2004 and has served as a member of the Human Resources and Nomination Committee since 1 January 2005.

Bill has recently been appointed to a special assignment until June 2006 consulting on technology selection for major capital projects within Chevron. Bill previously served as Vice President – Refining Operations (Global Refining) with Chevron. In this role, Bill was responsible for the overall financial and operating performance of Chevron's refineries in Salt Lake City (Utah, USA), Honolulu (Hawaii, USA), Burnaby (British Columbia, Canada) and Cape Town (South Africa). He is based in San Ramon, California (USA).

Bill has served in senior management roles with Amoco and BP in research and development, refining, health, safety, security and environment, and upstream. He has previously served as the General Manager and Chief Executive Officer of the Singapore Refining Company (at the time a joint venture between Chevron, BP and the Singapore Petroleum Company).



JOHN THORN
DIRECTOR
(NON-EXECUTIVE/
INDEPENDENT)

Fellow of The Institute of Chartered Accountants in Australia

John was appointed as a director of Caltex Australia Limited with effect from 2 June 2004 and has been a member of the Audit Committee since 22 July 2004.

John had over 37 years professional experience with PricewaterhouseCoopers, where he was a partner from 1982 to 2003 undertaking work for major international and local companies. During this period, he served as Managing Partner of PricewaterhouseCooper's Assurance and Business Advisory Service practice (from 1998 to 2001) and as the National Managing Partner (from 2001 to 2003). After leaving professional practice, John has embarked on a career as a company director:

Current directorships of listed companies

- Salmat Limited (appointed 1 September 2003)
- National Australia Bank Limited (appointed 16 October 2003)
- Amcor Limited (appointed 8 December 2004)



KEN WATSON
DIRECTOR
(NON-EXECUTIVE/
INDEPENDENT)

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

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 Committee.

Ken is a consultant to the law firm Minter Ellison and works in the firm's Sydney office. Ken has over 30 years of commercial law knowledge and experience and advises large and medium size corporates in commercial law matters. He is admitted to practise as a solicitor in New South Wales, Victoria and Queensland.

Ken is a member of the Australian Mining & Petroleum Law Association and the Australian & New Zealand Institute of Insurance & Finance.



PETER WISSEL
DIRECTOR
(NON-EXECUTIVE)

Bachelor of Arts in Economics (Denison University, USA), and Master of Business Administration – Finance (New York University Graduate School of Business Administration, USA)

Peter was appointed a director of Caltex Australia Limited with effect from 23 August 2005 and as a member of the Audit Committee on 1 September 2005.

Peter is the Regional Finance Officer, Asia Pacific and Africa Pakistan for Chevron's downstream business. In this role, he is responsible for financial and management reporting, credit approval, local cash management, local tax matters and risk management in the 33 countries of Asia, Africa and the Middle East where Chevron conducts refining and marketing operations. Peter is based in Singapore.

ALTERNATE DIRECTOR

BRANT FISH

ALTERNATE DIRECTOR

Bachelor of Science
(Mechanical Engineering)
(University of Florida, USA)

Brant was appointed an alternate director for Bill Hauschildt on 26 May 2005 and as an alternate director for Peter Wissel on 21 September 2005. Brant previously served as an alternate director for Mitch Rubinstein from 27 April 2005 to 23 August 2005.

Brant serves as General Manager of Supply and Optimization, Asia Pacific for Chevron, based in Singapore. In this role, he has accountability for overall earnings and optimisation across the Asia Pacific downstream supply chain – from refinery crude supply to marketing sales.

PREVIOUS DIRECTORS

LEO LONERGAN

DIRECTOR

(NON-EXECUTIVE)

Bachelor of Science (Victoria
University, New Zealand)

Leo was appointed a director on 1 July 2001, having 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). While a director, Leo also served as a member of the Audit Committee and the Human Resources and Nomination Committee.

Leo resigned as a director with effect from 23 February 2005.

MITCH RUBINSTEIN

DIRECTOR

(NON-EXECUTIVE)

Bachelor of Arts in Political
Science/Asian Studies
(University of Michigan, USA),
Master of Arts in International
Relations (Columbia University,
USA) and Master of Business
Administration – Finance
(New York University, USA)

Mitch was appointed as a director on 24 February 2005, having previously served as an alternate director from 25 February 2004 to 23 February 2005 for Leo Lonergan, from 25 February 2004 to 1 July 2004 for Martin Southern and from 21 September 2004 to 23 February 2005 for Bill Hauschildt. While a director, Mitch also served as a member of the Audit Committee.

Mitch resigned as a director with effect from 23 August 2005.

Review of operations

GENERAL OVERVIEW

Caltex Australia continued to achieve record earnings in 2005, with profit after tax (excluding significant items) on a replacement cost of sales operating profit (RCOP) basis up 18% on 2004. This result reflected a strong operating performance by the company's refining and marketing business combined with global market drivers.

Net profit after tax on a RCOP basis was \$414 million for the year ended 31 December 2005, compared with \$350 million for 2004. The RCOP basis excludes the impact of international oil price movements and therefore provides a clearer picture of the company's underlying business performance.

The continued strong demand for fuels in the Asia Pacific region resulted in higher refiner margins with the Caltex Refiner Margin¹ averaging US\$8.40 a barrel in 2005 compared with US\$6.60 a barrel in 2004. The company was able to capture the benefit of these refiner margins because of improved throughput rates and near-record production at Caltex refineries. Despite the tight regional supply environment and record imports, Caltex maintained a secure and reliable supply of fuels to customers.

Caltex's marketing business made a strong contribution to earnings with new records in transport fuels sales, higher margins and volumes across all marketing channels and increased shop sales in its convenience store network.

On an historical cost profit basis (including inventory gains and excluding significant items), Caltex recorded an after tax profit of \$574 million for the year ended 31 December 2005, compared with \$457 million for 2004. This historical cost profit includes crude oil and petroleum product inventory gains of \$160 million (after tax) compared with inventory gains of \$106 million (after tax) for 2004.

The historical cost and RCOP results exclude a significant after tax one-off gain of \$21 million which arose as a consequence of tax consolidation legislation passed in 2005. The initial legislation passed in 2004 resulted in an after tax one-off gain of \$114 million in 2004.

¹ The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

STRONG PERFORMANCE FROM REFINING AND MARKETING

Performance improvement projects at the company's refineries at Kurnell in Sydney and Lytton in Brisbane produced significant benefits in 2005 primarily by lifting utilisation and improving yields. Total production of 11.6 billion litres of petroleum products was the second highest on record (2004: 11.8 billion litres). Production of high value transport fuel products (petrol, diesel and jet fuel) was 10.1 billion litres (2004: 10.5 billion litres). This production was achieved despite an extensive program of planned shutdowns for routine maintenance and preparation for clean fuels production.

In marketing, Caltex strengthened its leadership in transport fuels sales, increasing sales volume by a further 4% to 13.2 billion litres in a market that grew just over 1%. Petrol sales volumes were 3% higher supported by the venture with Woolworths. There are now over 470 jointly branded Caltex Woolworths service stations across Australia. They account for around 50% of our petrol sales.

Diesel sales volumes were 5% higher and jet fuel volumes increased by 6%. New marketing strategies also produced growth in key markets for lubricants, premium fuels and StarCash cards. The company also made gains in consumer preference for the Caltex brand during 2005.

Non-fuel income rose 11%, with a 5% growth in store sales consolidating Caltex's position as Australia's leading convenience store retailer with almost 30% of market share.

PROFITS ENABLE CAPITAL INVESTMENT IN CLEAN FUELS, REFINERY EFFICIENCY PROJECTS, STORAGE TERMINALS AND RETAILING

In 2005, Caltex more than doubled its capital expenditure to \$529 million investing in projects at the refineries and in other areas including terminal loading, storage facilities and retailing to meet customer and community expectations. This exceeded 2005 RCOP profit and represents 86% of operating cash flow.

The fuels market is changing as increasing global demand outstrips growth in refining capacity. Australia is now importing more than 20% of its transport fuels to supply domestic demand. As Australia's largest refiner and marketer of transport fuels, Caltex is focused on increasing production of diesel and high octane petrol and strengthening its supply chain to meet the changing needs of its customers.

By the end of 2005, a refining performance improvement program launched in 2004 had delivered significant benefits which are reflected in the increased profit. The program involves wide ranging improvement projects across both refineries that are expected to substantially add to annual profit and lift fuels production.

The most significant current project, the approximately \$500 million Clean Fuels Project, is reducing air pollution from vehicle emissions through cleaner petrol and diesel. Expenditure on the project in 2005 was \$302 million, including substantial additional costs to expedite the project when delays became apparent.

BUSINESS CLIMATE OUTLOOK FOR OIL INDUSTRY REMAINS STRONG AND WILL SUPPORT CALTEX STRATEGIES DESPITE 1H2006 IMPACT OF CLEAN FUELS PROJECT DELAY

Caltex remains confident the increased quantity and quality of production from the Clean Fuels Project and refinery improvement projects will create substantial benefits in the tight supply/demand market environment for petroleum products expected over the next few years. Growth in demand is not expected to be offset by new refining capacity additions in the region in the near to medium term.

There has been a disappointing start-up delay and significant overrun of our original planned investment in the Clean Fuels Project primarily due to late delivery of materials and equipment and a shortage of skilled labour. The lessons learned from the review of this project will be applied in our future capital development activities.

Lower refinery production and increased imports of 2006-standard products and exports of non-2006-standard products due to the Clean Fuels Project delay will negatively affect 1H2006 earnings.

The Australian Government granted Caltex a short-term variation of the fuel standards that have applied since 1 January 2006 to allow the company to ensure certainty of supply to its customers while the plant construction and commissioning are completed. The company has committed every possible effort to minimising the delays. The benzene reduction plant at the Lytton refinery has been making 2006-standard product since the end of January. The Kurnell benzene plant is expected to be on stream in early March as is the Lytton diesel sulfur reduction plant. The Kurnell diesel plant is expected to be on stream around mid April. As a result of delays beyond those recognised in the original variation application, Caltex has applied to the Government for an extension of the current variation to ensure reliability of supply to customers.

The company's performance is benefiting from our focus on the fundamentals, including its safety performance, which in 2005 was the best on record, and improving the capabilities of employees through training programs. In 2006, there will be ongoing benefits from strategies to increase the productivity of the refineries, reinforce the reliability of our supply chain and achieve sustainable growth in expanding markets.

DIVIDENDS DECLARED AND PAID

The Board declared a final dividend of \$84 million or 31 cents per share, adding to the interim dividend of 15 cents per share to give a total dividend of 46 cents per share fully franked (2004 total dividends: 39 cents per share).

This is in line with the company's stated dividend policy of declaring ordinary dividends of 20% to 30% of the RCOP result (after tax excluding significant items) in 2005 while the company met the high capital commitments of the Clean Fuels Project.

From 2006, the company intends to increase the dividend pay out ratio to a range of 40% to 60% of the RCOP result after tax excluding significant items.

However, the declaration and the amount of any dividends are at the sole discretion of the Board and are dependent on the company's earnings, cash flow requirements, financial conditions at that time and available franking credits.

PRINCIPAL ACTIVITIES

The principal activities of Caltex during the year were the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores throughout Australia. There were no significant changes in the nature of Caltex's activities or in the state of affairs during the financial year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group in subsequent financial years, have arisen in the period from 31 December 2005 to the date of this report.

LIKELY DEVELOPMENTS

Business operations

Caltex will continue to purchase, refine, distribute and market petroleum products and operate convenience stores throughout Australia. Caltex's investment in clean fuels at Kurnell and Lytton will further enable it to successfully compete in the marketplace.

ENVIRONMENTAL REGULATIONS

EHS and risk management

The Caltex Australia Group has business focused environment, health, safety (EHS), security 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 2005, EHS audits and post-audit reviews were carried out to ensure compliance with relevant legislation and the standards imposed by the Caltex Australia Group. As would be expected of a rigorous audit process, the audits were successful in identifying areas for continued improvement in the Group's environmental control processes. Results of all EHS management system audits along with resultant action items are reported to the Board.

Caltex supports a refining industry policy based on cleaner fuels for reduced air pollution and greenhouse gas emissions. Caltex continued work towards clean fuels manufacturing capability to meet mandatory standards for reduction of benzene in petrol and sulfur in diesel that came into effect on 1 January 2006.

Caltex continues to be a participant in the Greenhouse Challenge Program and also discloses data on its air emissions through the National Pollutant Inventory (NPI). This data is available at the NPI web site at www.npi.gov.au.

In 2005, Caltex participated in the Corporate Responsibility Index survey for the first time (reporting on the 2004 calendar year). The results of the independently audited survey are published in Fairfax newspapers.

Compliance with environmental obligations

A total of 13 pollution control licences were held by companies in the Caltex Australia Group in 2005 for two refineries and 11 terminals.

Licence conditions were exceeded on 13 occasions in 2005, which required notification and reporting to government environmental authorities.

Two penalty infringement notices for breaches of significant environmental regulation totalling \$3,000 were received by Caltex in 2005. Caltex was prosecuted in the NSW Land and Environment Court in relation to another breach of significant environmental regulation and fined \$45,000. Caltex also paid the NSW Environment Protection Authority costs of \$36,400.

Caltex is committed to achieving 100% compliance and all breaches of environmental regulations have been investigated thoroughly by management and mitigation actions completed to prevent recurrence.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 79 and forms part of the directors' report for the financial year 2005.

Remuneration report

INTRODUCTION

To realise its vision to be the Australian oil refining and marketing company most admired for its people, partnership and performance, Caltex needs to attract, motivate and retain the right people for our business. Our people make the real difference – they create the company's future as well as their own. Caltex rewards its people through transparent performance management and reward systems which closely link employee rewards to company performance and the interests of shareholders.

Our performance-based reward system focuses on company, department and individual elements, with individual performance having a significant impact on employee remuneration. For all employees, including senior executives, individual performance is measured and assessed regularly with assessment outcomes driving reward levels.

CALTEX'S REWARD POLICY

High performance at individual and team levels is required to deliver the Total Shareholder Return (TSR) expectations established by the Caltex Business Plan and as translated into individual performance agreements. The Reward Policy at Caltex is structured to appropriately reward performance from motivated, highly skilled and results-orientated people.

The key principles of the Reward Policy of Caltex (which includes senior executives) are:

- financial and non-financial performance criteria are applied to deliver long-term creation of value to shareholders, consistent with Caltex's strategic objectives and values;

- company, department and individual performance determines reward outcomes;
- market competitive rewards are delivered commensurate with employee duties, responsibilities, accountabilities, competencies and behaviours; and
- attract, motivate and retain highly skilled people who are aligned to Caltex's vision and values.

The application of these principles results in a clear link being demonstrated between employee reward and performance that delivers Total Shareholder Return.

GOVERNANCE OF THE CALTEX REWARD POLICY AND SYSTEM

Governance of the Caltex Reward Policy and System is undertaken by the Human Resources and Nomination Committee. It reviews our systems and approves outcomes, ensuring the Reward Policy achieves its stated objectives of contributing to Total Shareholder Return. It has this role because it is independent of management and it can use independent external advisors as necessary.

The Committee has delegated authority from the Board to act on its behalf and approve:

- the annual Caltex employee reward program;
- remuneration of the members of the Caltex Leadership Team;
- the annual Performance Incentive Plan and the long-term incentive plan; and
- the Caltex Australia Limited employee tax exempt and tax deferred share plans.

The Committee also advises the Board on:

- the remuneration of non-executive directors, including remuneration for Board Committee memberships;
- the remuneration of the Managing Director and Chief Executive Officer; and
- general remuneration matters including superannuation.

The Committee is comprised of two independent directors, Elizabeth Bryan (Chair) and Dick Warburton, and one non-executive director, Bill Hauschildt. Mr Hauschildt is not considered an independent director because he is a senior executive of Chevron, a 50% shareholder in Caltex Australia Limited. The Committee meets a minimum of four times each year to undertake its governance functions and member attendance at Committee meetings is set out at page 75.

DELIVERING TOTAL SHAREHOLDER RETURN THROUGH PERFORMANCE AND REWARD

The Caltex Reward System applies to all employees including senior executives but excludes employees covered by enterprise bargaining agreements and Australian Workplace Agreements.

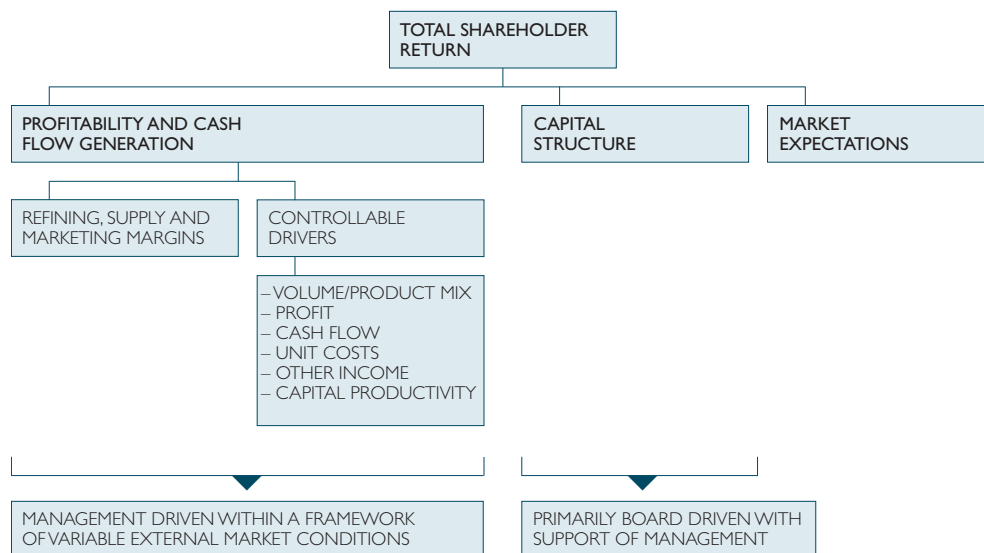
The key drivers of Total Shareholder Return for Caltex are identified as profitability, capital structure and market expectations. The major drivers that are within senior executive control and provide the inputs for managing and rewarding performance are:

- volume/product mix;
- profit;
- cash flow;
- unit costs;
- other income; and
- capital productivity.

In addition, there are a range of variable external market conditions that vary with global market dynamics including margins in refining and marketing. As demonstrated in Figure 1 below, senior executives must deliver profitability and generate cash flow in the context of these conditions.

The Reward System recognises performance that delivers against the profitability expectations of Total Shareholder Return in our volatile, cyclical industry.

FIGURE 1: KEY DRIVERS OF TOTAL SHAREHOLDER RETURN

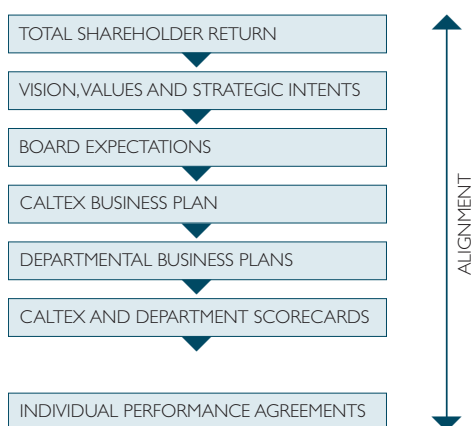


To ensure focus on Total Shareholder Return, each year the Board establishes a clear framework and approves the Caltex Business Plan. Progress against this plan is regularly reviewed and monitored by the Board.

The approved Caltex Business Plan is then translated into Department and Business Unit Plans and scorecards that incorporate the Total Shareholder Return drivers.

Within departments, specific performance agreements are developed for individual employees, thus completing the link between themselves and delivery of Total Shareholder Return as shown in Figure 2.

FIGURE 2: ALIGNING INDIVIDUAL PERFORMANCE AGREEMENTS TO TOTAL SHAREHOLDER RETURN

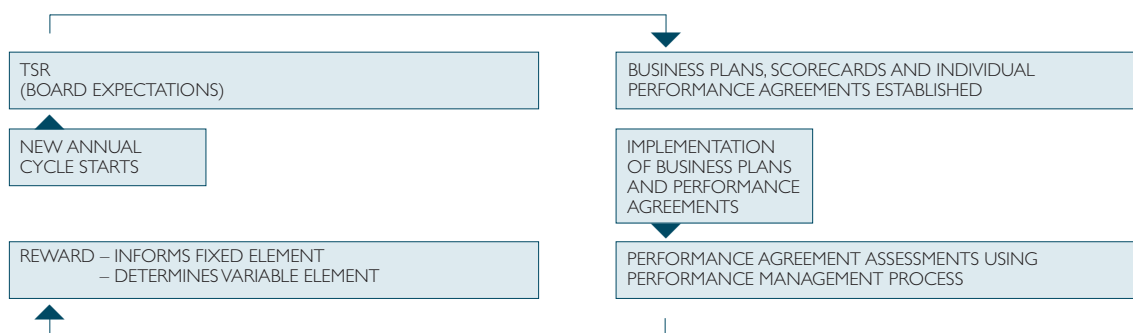


PERFORMANCE MANAGEMENT

The integrity of the Reward System is contingent on the integrity of the performance management process.

The Caltex performance management process ensures employees know what is expected of them, how they are performing and how that will impact on their reward outcomes. As shown in Figure 3, this also provides employees with an understanding of how they are personally contributing to the delivery of Total Shareholder Return because their performance expectations are aligned to the delivery of the Caltex Business Plan.

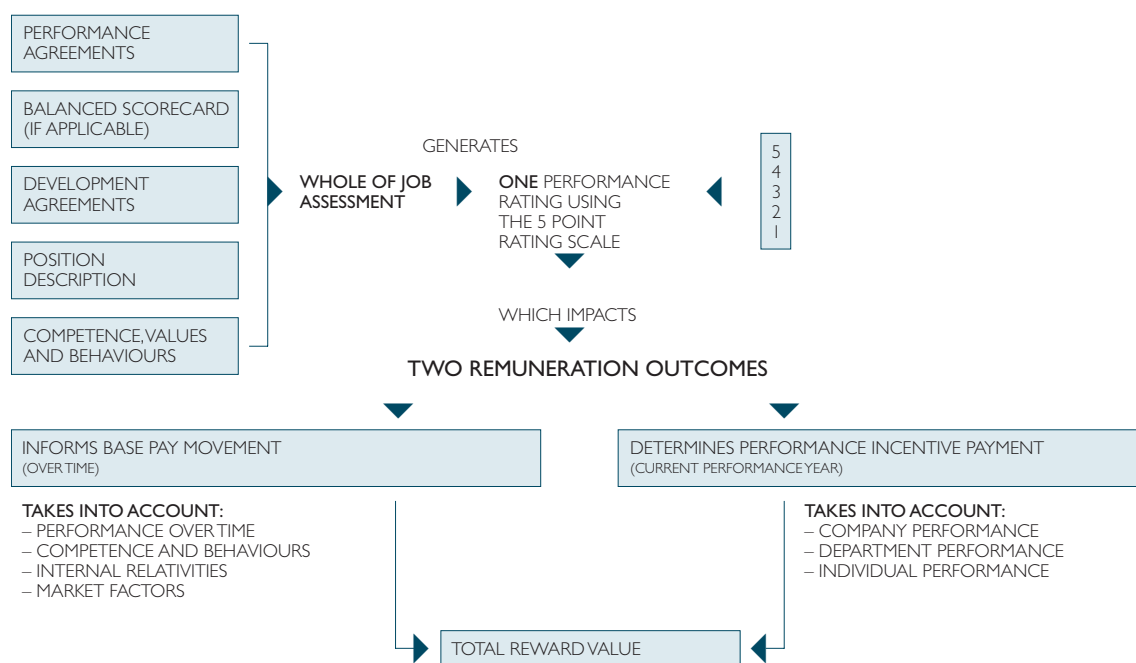
FIGURE 3: RELATIONSHIP BETWEEN TOTAL SHAREHOLDER RETURN, PERFORMANCE AND REWARD



The assessment of individual performance covers specific performance agreements, relevant department and individual scorecards, development agreements and demonstration of Caltex values and appropriate behaviours, as well as overall performance against the individual job descriptions – that is, assessment is against the whole of job expectations. Regular whole of job assessment occurs during the course of the year resulting in a ranking at year end.

Figure 4 demonstrates how an employee's whole of job performance assessment ultimately informs their base pay (fixed remuneration) movement over time and determines their variable remuneration through the Performance Incentive Plan for the current performance year.

FIGURE 4: WHOLE OF JOB ASSESSMENT AND OUTCOMES



DETERMINING REWARD

Total Reward Value

Caltex uses a Total Reward Value approach for award free employees. The core elements of the Total Reward Value are fixed remuneration including any allowances individuals are eligible to receive (base pay), variable remuneration and superannuation contributions. Variable remuneration comprises the cash based Performance Incentive Plan (short-term incentive plan) and the long-term incentive plan (LTI) (for eligible senior executives). The Total Reward Value is designed to ensure an appropriate mix of fixed and variable remuneration. The relative weighting of fixed and variable components for target performance varies with role level and complexity.

The Total Reward Value approach enables comparison and accurate monitoring of the market competitiveness of each employee's Total Reward Value package. Market comparisons of Total Reward Value are undertaken regularly to ensure that Caltex is in line with market median when rewarding its people.

While annual reviews are conducted, there are no guaranteed increases in either fixed or variable remuneration and any increases are determined by individual performance, company performance, economic indicators, and market data and the company's ability to pay.

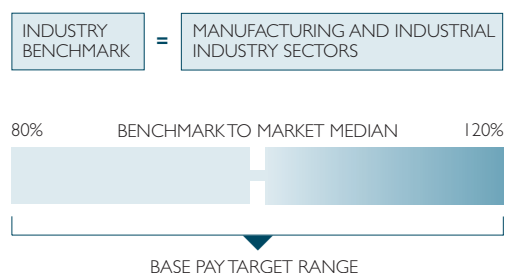
Employees have some flexibility in packaging the delivery of their fixed and variable remuneration in accordance with Australian Taxation Office guidelines.

Fixed remuneration

The fixed remuneration is the component of Total Reward Value received for applying skills and competencies and demonstrating the appropriate behaviours to meet performance objectives as outlined in position descriptions.

Caltex aims to reward competitively with roles being benchmarked to the market median (refer to Figure 5). An individual's fixed remuneration is targeted at 80 – 120% of the market median with their position in this range determined by assessment of sustained performance over time and internal relativities.

FIGURE 5: BENCHMARKING AND FIXED REMUNERATION

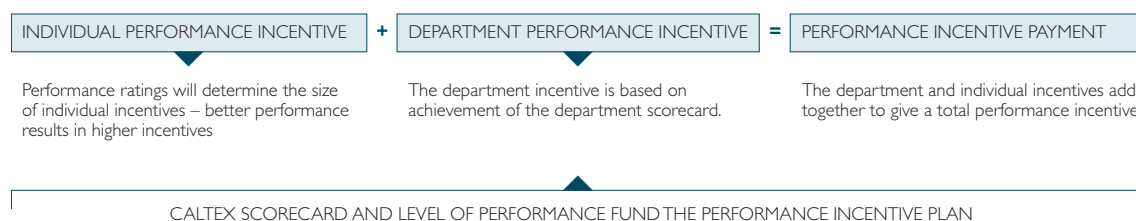


Variable remuneration – annual Performance Incentive Plan

Remuneration that is variable and directly dependent upon performance is delivered through the Performance Incentive Plan and the long-term incentive plan.

The annual Performance Incentive Plan is structured so that incentive payments reward employees based on individual, department and company performance (refer to Figure 6). Incentive opportunities increase as performance targets are exceeded at each level across the company. The greatest emphasis and weight are on individual performance, so that individuals have more control over their incentive outcome, with high performance resulting in higher incentives. The whole of job performance assessment includes consideration of behaviours that reinforce the values of Caltex and the importance of teamwork.

FIGURE 6: PERFORMANCE INCENTIVE PLAN AND TOTAL PERFORMANCE INCENTIVE



The incentive potential within the Performance Incentive Plan ranges from 0% of base salary when performance expectations are not met, to a maximum of 40% of base salary for exceptional performance. The maximum is determined by the employee's level in the company, with senior executives qualifying for a maximum of 40% subject to achieving excellence against individual and department performance targets.

Overall performance against the total Caltex scorecard determines the size of the funding pool for the Performance Incentive Plan. If the Caltex scorecard does not meet the threshold, then there is no funding to support the department performance incentive component of the Performance Incentive Plan. The threshold for payment under the Performance Incentive Plan is the simultaneous achievement of 80% of the RCOP NPAT target and a Company scorecard result of greater than or equal to 50 points. Should the threshold not be met, a maximum budget of 6.08% is available to fund individual performance outcomes as determined by annual performance review ratings.

Performance against the department scorecards will determine the level of funding available for the department performance incentive component of the Performance Incentive Plan.

The total incentive opportunity increases or decreases relative to company and department scorecard results and individual performance outcomes.

The key Caltex scorecard measures for 2005 included:

Sustained and strong profitability (60% weighting)

- Replacement Cost Net Profit After Tax (RCOP NPAT) – annual performance against forecast (80% threshold to be achieved)
- free cash flow (after Clean Fuels investment)

Operational excellence (30% weighting)

- Total Treated Injury Frequency rate (per million work hours) score based on annual rate
- refinery utilisation (based on actual performance against forecast)

Cost management (10% weighting)

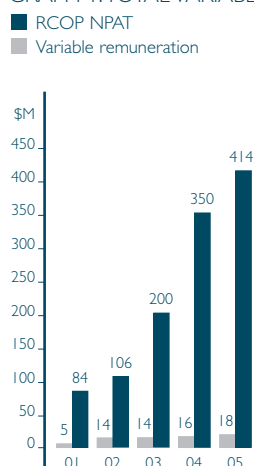
- unit operating expenditure cost per litre (total operating expenditure divided by total sales volume)

Actual scorecard performance is measured against the targets set and any payouts available under the Performance Incentive Plan are determined by the Human Resources & Nomination Committee. Each year the Human Resources & Nomination Committee reviews the ongoing appropriateness of the Performance Incentive Plan including the scorecards and their measures and weightings, and performance assessment and reward outcomes. Caltex's financial results are confirmed by the Board Audit Committee and approved by the Board at the end of the assessment period before incentive payments are awarded.

The Human Resources & Nomination Committee has the overriding discretion to review and adjust the Performance Incentive Plan outcomes where there are unforeseen impacts on the scorecard elements. This discretion can be exercised through review of the scorecards and the adjustment of the scorecards as appropriate from time to time.

Graph 1 below shows the relationship between RCOP NPAT for the last five years to the total variable remuneration pool for all Caltex employees. While RCOP NPAT has grown in excess of 390% over the period, the total variable remuneration pool has remained at less than 15% of RCOP NPAT over the same period.

GRAPH 1: TOTAL VARIABLE REMUNERATION POOL AND RCOP NPAT



Variable remuneration – long-term incentive plan for 2005

(refer to page 61 for revisions effective for the 2006 performance year)

The long-term incentive plan was approved by shareholders in 1999 and is only available to nominated senior executives as determined by the Human Resources and Nomination Committee. The long-term incentive plan delivers incentives via a restricted share plan, where any bonus received is paid to a trustee to purchase Caltex Australia Limited shares on market. The objectives of the plan are to:

- reward senior executives for the performance of the company arising from them delivering against objectives designed to enhance delivery of Total Shareholder Return;
- align senior executives reward with longer term shareholder gain through the vesting period of shares awarded; and
- facilitate retention of senior executive talent.

Participation is at two tiers:

- Tier 1 – includes senior executive direct reports to the Managing Director and Chief Executive Officer; and
- Tier 2 – includes direct reports to the Managing Director and Chief Executive Officer not qualifying for Tier 1 participation, and key managerial roles with a significant strategic impact.

Tier 2 participants qualify for an allocation of shares equivalent to 75% of the scale that applies to Tier 1 participants. The award quantum is calculated as a percentage of total pay, being base pay plus cash incentive.

Fourteen Caltex senior executives participated in the plan in 2005 – five in Tier 1 and nine in Tier 2.

The award is determined on Caltex's performance versus two measures, namely:

- Return on Capital Employed (ROCE) – a target approved by the Board for the relevant financial year equating to the ratio of total earnings before interest and tax to the total of borrowings and shareholders' equity of Caltex.

ROCE is an appropriate metric for the long-term incentive plan of Caltex. The refining and marketing industry is a volatile and cyclical industry whose margins are largely set by global and regional supply balances. It is a capital intensive industry whose asset base is constantly in a state of renewal and reinvestment. By rewarding senior executives for achieving ROCE targets, the long-term incentive plan reinforces sound capital investment strategies, conservation of working capital and excellence in operational execution to maximise earnings. The financial results are confirmed by the Board at the end of the assessment period, assuring independence from management in measuring results; and

– a one year Total Shareholder Return measure calculated as at 31 December of each year relative to the Total Shareholder Return of the members of a peer group of companies for the same period. Total Shareholder Return measures movements in a company's share price and dividend payments over the relevant period. The peer group of companies used in calculating shareholder return is based on the S&P/ASX 200 Accumulation Index ⁽¹⁾, excluding bancassurance and the telecommunication indices. The monitoring of the performance of Total Shareholder Return is undertaken by remuneration consultants retained by Caltex who ensure independence from management in measurement of the target.

The two measures above were chosen as they are key drivers of shareholder value and they closely reflect Caltex's financial and operational performance.

The interaction between these two measures and the award to executives is summarised in Table 1 below:

TABLE 1: STRUCTURE OF EXECUTIVE LONG-TERM INCENTIVE PROGRAM (2005) FOR TIER 1 PARTICIPANTS ^(a)

ROCE	SHAREHOLDER RETURN	BOTTOM QUINTILE	SECOND QUINTILE	MEDIAN QUINTILE	FOURTH QUINTILE	TOP QUINTILE
	0.80 – 0.89T	Nil	0 – 9	10 – 19	20 – 29	30 – 39
	0.90 – 0.99T	0 – 9	10 – 19	20 – 29	30 – 39	40 – 49
	T ^(b)	10	20	30	40	50
	1.01 – 1.10T	11 – 20	21 – 30	31 – 40	41 – 50	51 – 60
	1.11 – 1.20T	21 – 30	31 – 40	41 – 50	51 – 60	61 – 70

(a) The matrix above details the LTI grants for Tier 1 participants as a percentage of total cash for varying levels of ROCE and TSR performance. For example, if the Target ROCE was achieved and Shareholder Return was at the 50th percentile, a Tier 1 participant would receive an LTI payout equal to 30% of their total cash. A Tier 2 participant receives 75% of the payout to a Tier 1 participant.

(b) T is the target ROCE. The target is set annually by the Board, which reserves the right to adjust the target where justified.

(1) The list below contains the peer group of companies from the S&P/ASX 200 used in calculating shareholder return.

ABC Learning, Adel, Brighton, Adsteam Marine, Alesco, Alinta, Alumina, Amcor, Ansell, APN News & Media, Aquarius Platinum, ARC Energy, Austero Group, Australand Property Group, Australia Worldwide Exp, Australian Infrastructure Fund, Australian Pipeline Trust, Australian Stock Exchange, AWB, Baycorp Advantage, BHP Billiton, Billabong International, BlueScope Steel, Boral, Brambles Industries, Bunnings Warehouse, Burns Philp & Company, Capral Aluminium, Centennial Coal, Centro Props Group, CFS Gandel Retail, Challenger Financial Services Group, Chemeq, Coates Hire, Coca-Cola Amatil, Cochlear, Colarado Group, Coles Myer, Commonwealth PR OFFE FD, Computershare, Consolidated Minerals, Corporate Express Australia, Crane Group, Croesus Mining, CSL, CSR, David Jones, DB RREEF Trust, DCA Group, Fleetwood, Foodland Associated, Futuris, GasNet Australia Group, General Property Trust, GRD, Great Southern Plantations, GUD Holdings, Gunns, GWA International, Hardman Resources, Healthscope, HHG CDI, Hills Industries, Hills Motorway Group, Housewares International, Iluka Resources, ING Industrial Fund, ING Office Fund, Insurance Australia Group, Investor Property Group, Invocare, IOOF Holdings, Iress Market Tech, James Hardie Industries CDI, JB Hi-Fi, John Fairfax, Jubilee Mines, Kimberley Diamond, Kingsgate Consolidated, Leighton Holdings, Lend Lease, Lihir Gold, Lion Nathan, Lion Selection Group, Macquarie Airports, Macquarie Communications Infrastructure Group, Macquarie DDR Trust, Macquarie Goodman Group, Macquarie Infrastructure Group, Macquarie Office Trust, Macquarie ProLogis Trust, Mayne Group, McGuigan Simeon Wines, Metcash Trading, Miller's Retail, Minara Resources, News Corp CDI 'A', News Corp CDI 'B', Novogen, Nufarm, Oil Search, OneSteel, Orica, Origin Energy (Ex Boral), Oxiana, Pacific Hydro, Pacifica Group, PaperlinX, Patrick, Peptech, Perpetual Trustees Australia, PMP, Portman, Prime Infrastructure, Promina Group, Publishing & Broadcasting, Qantas Airways, Ramsay Health Care, Record Investments, Repco, Resmed CMI, Ridley, Rinker Group, Rio Tinto, ROC Oil Company, Santos, Seven Network, Sigma Company, Sims Group, Smorgon Steel Group, Sonic Healthcare, SPC Ardmona, Spotless Group, Stockland, STW Comms, Sydney Futures Exchange, Tabcorp Holdings, Tap Oil, Ten Network, Thakral Holdings Group, Timbercorp, Toll Holdings, Tower, Transfield Services, Ventracor, Village Roadshow 'A' Pref, Vision Systems, Watty, Wesfarmers, Western Australian Newspaper Holdings, Westfield Group, WMC Resources, Woodside Petroleum, Woolworths, Worley Parsons

At the end of the financial year, actual performance is measured against the preliminary targets set at the beginning of the year. Payouts, if any, are determined by the Human Resources & Nomination Committee.

The shares awarded vest to participants in three equal tranches:

- one third soon after the financial year for which the shares were acquired by the Trustee;
- one third on 1 January in the year following the date the Trustee acquires the shares; and
- one third on 1 January in the second year following the date the Trustee acquires the shares.

The growth in value of each grant over the three year vesting period is an important factor aligning shareholder and executive gain as senior executives have an incentive to maintain a high share price over time.

Where a participant ceases employment prior to the vesting of their shares, shares are not available to the participant unless cessation of employment is due to retirement or death.

Senior executives participating in the program are entitled to receive any declared dividend payments and capital returns that are made available to any Caltex shareholder on unvested shares.

Variable remuneration – long-term incentive plan improvements for 2006

In late 2005, Caltex completed an extensive review of its long-term incentive plan as it was determined that the existing plan while appropriate at its inception would not continue to meet changing market practice. As a result of the review, the Board has approved the following improved features of the long-term incentive plan which were implemented effective 1 January 2006:

- amend the performance condition to determine 50% of the award on Total Shareholder Return performance and 50% on ROCE performance (as opposed to the current matrix approach);
- amend the Total Shareholder Return component of the plan hurdle to ensure that no award is granted for less than median Total Shareholder Return performance. There will still be an award for the ROCE component of the plan if performance warrants and the ROCE hurdle has been met as per the proposed schedule (refer to Table 2 and Graph 2);
- amend the vesting period to release one third after one year, one third after two years and one third after three years. This is a move towards the three year vesting period reflecting current market practice;
- add a voluntary restriction on sale (post-vesting) to allow executives to defer tax. This is intended to encourage executives to retain the shares;
- determine the grant quantum based on base salary (fixed remuneration) as opposed to total pay (base pay plus bonus) reflecting current market practice; and
- amend the eligibility criteria to increase the rigour and transparency over which individuals are invited to participate.

The above changes do not affect the grants that were earned by participants in 2005 and paid in 2006.

TABLE 2: LONG-TERM INCENTIVE PLAN SCHEDULES

TSR

The TSR schedule reflects market practice where no award is made for below 51st percentile and the full award can be earned for ranking at the 75th percentile or above. Maximum TSR represents 50% of total reward available.

TSR RANKING	GRANT AS % OF BASE PAY	
	TIER 1	TIER 2
Below 51st percentile	0%	0%
At 51st percentile	18%	14%
Between 51st percentile and 75th percentile	18 – 45%	14 – 34%
Above 75th percentile	45%	34%

ROCE

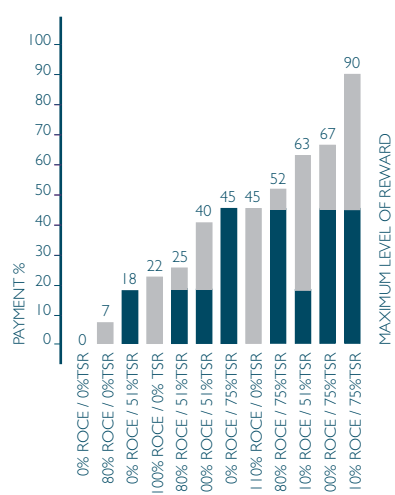
Grant percentages are expressed as a percentage of base salary. Maximum ROCE represents 50% of total reward available.

ROCE v TARGET	GRANT AS % OF BASE PAY	
	TIER 1	TIER 2
80% and below	0%	0%
80 – 90%	7 – 14%	5.25 – 10.5%
90 – 100%	14 – 22%	10.5 – 16.5%
100%	22%	16.5%
100 – 110%	22 – 45%	16.5 – 34%
>110%	45%	34%

The quantum of grants that are able to be earned by senior executives under the amended 2006 long term incentive plan are approximately the same as previously.

GRAPH 2: INTERRELATIONSHIP OF TSR/ROCE OUTCOMES GIVEN THE 2006 LONG-TERM INCENTIVE PLAN IMPROVEMENTS

■ RCOP NPAT
■ TSR



Employees covered by enterprise bargaining agreements and Australian Workplace Agreements

Employees covered by enterprise bargaining agreements and Australian Workplace Agreements do have some different arrangements across Caltex. However, most of our agreements have mechanisms in place which link team performance to reward outcomes in the form of incentives in addition to base remuneration.

Beyond total remuneration value

As highlighted earlier, remuneration is important, but there are other elements of employment which also play a key role in attracting, motivating and retaining the best people.

Caltex offers extensive professional development opportunities to its employees in order that they can succeed in their current roles and reach their full potential.

Caltex also offers employees the opportunity to participate even more fully in the company's business success through the Caltex Employee Share Plan (CALESP). CALESP provides eligible employees with a simple and tax-effective means of sharing in the future of Caltex Australia. Under this share plan, employees sacrifice part of their salary to purchase Caltex Australia Limited shares on market. To date, more than 65% of our employees are shareholders in the company through CALESP.

No senior executive participated in CALESP in the 2005 financial year. If shares are acquired by senior executives under CALESP they are not subject to performance conditions as the shares are acquired on a salary sacrifice basis.

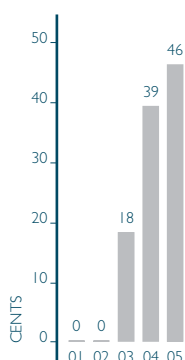
CALTEX PERFORMANCE

During the last five years, Caltex's share price has risen significantly reflecting improved performance and outlook. The Board has adopted a dividend policy in 2004, declaring ordinary dividends of 20% to 30% of the RCOP after tax excluding significant items in 2004 and 2005, and with the intention after 2005 to increase the payout ratio to a range of 40% to 60% of the RCOP after tax excluding significant items. If there is surplus cash flow above the target payout ratio, the Board will consider a further distribution in the form of a fully franked special dividend and/or other capital management initiatives.

However, the declaration and amount of dividends are at the sole discretion of the Board and are dependent on Caltex's earnings and cash flow requirements and financial conditions at that time.

Further information on the dividends declared or paid, and the share price, for the last five years are highlighted in Graphs 3 and 4 below.

GRAPH 3: DIVIDENDS PER SHARE



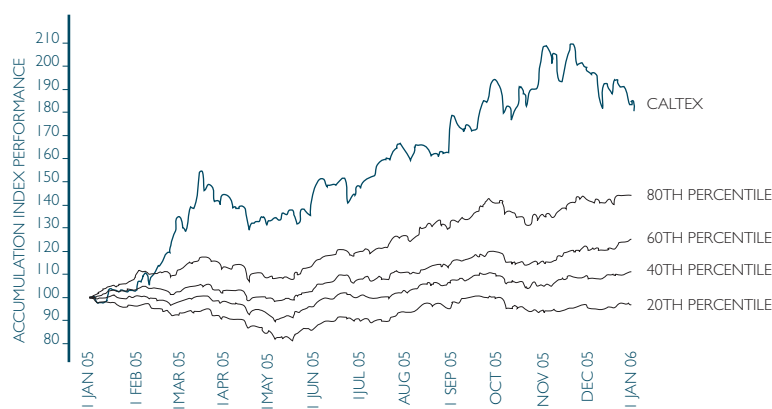
GRAPH 4: CALTEX AUSTRALIA LIMITED AND THE CONSTITUENTS OF THE S&P/ASX 200 INDEX ⁽¹⁾
(LESS CONSTITUENTS OF THE BANCASSURANCE AND TELECOMMUNICATIONS INDICES ⁽²⁾)

ACCUMULATION INDEX PERFORMANCE 1 JANUARY 2005 – 1 JANUARY 2006

*Indices based on a value of 100 at 01/01/2005

(1) Constituents based on the S&P/ASX 200 Index (Less the Constituents of the Bancassurance and Telecommunications Indices) as of 20 February 2006. There are 176 companies included.

(2) The Bancassurance and Telecommunications Indices are delisted and there have been no new additions since the introduction of GICS. Source: Thomson Financial Datastream



The steady increase in the Caltex share price in recent years has provided employees with an excellent opportunity to enhance their Total Reward Value beyond remuneration itself.

The relationship between the Reward Policy and the company's performance is also shown in Graphs 1 and 5.

CONCLUSION

The Caltex Reward Policy and System are designed to deliver the maximum return to shareholders while appropriately recognising the importance of the contributions of our people to the company's success.

Our Reward Policy and System are supported by a rigorous, transparent performance management process and are key elements in an integrated people management approach to delivering a high performance, motivated and engaged workforce.

REMUNERATION DETAILS FOR SENIOR EXECUTIVES AND DIRECTORS

The following sections of the remuneration report provide detailed information on the remuneration paid to and how that remuneration was calculated for senior executives and directors at Caltex.

SENIOR EXECUTIVE REMUNERATION STRUCTURE

The Caltex Reward Policy and System apply to senior executives as they do for all other award free employees, with the addition of one component – the long-term incentive plan for incumbents of eligible senior executive positions. Therefore, senior executives receive both fixed and variable components (Performance Incentive Plan and long-term incentive plan) expressed as Total Reward Value. As with all other award free employees, market comparisons of Total Reward Value are regularly undertaken to ensure Caltex is in line with the market median for target performance. Table 3 summarises the core senior executive reward components.

TABLE 3: THE SENIOR EXECUTIVE REWARD COMPONENTS AND RELATIONSHIP TO TOTAL SHAREHOLDER RETURN

COMPONENTS	INPUTS	APPROVALS
<p>Fixed remuneration (base pay)</p>	<ul style="list-style-type: none"> - Performance against performance agreement which includes: <ul style="list-style-type: none"> - performance targets - where applicable, individual scorecard (including the performance targets, success measures and weightings) - relevant department scorecard - leadership behaviours - relativity of performance against other Caltex senior executives - Assessment of sustained performance over time - Position against market median (range of 80 – 120%) established for position and in accordance with Caltex guidelines - Performance Agreements are agreed with the Managing Director and CEO prior to the commencement of each year with results measured and tracked regularly by the Managing Director and CEO and approved by the Human Resources and Nomination Committee 	<ul style="list-style-type: none"> - Movements for senior executives recommended by Managing Director and CEO and approved by the Human Resources and Nominations Committee - Adjusted annually within Board approved limits
<p>Variable remuneration (Performance Incentive Plan) - all award free employees eligible to participate</p>	<ul style="list-style-type: none"> - Caltex scorecard performance versus goal (this determines funding for the plan) - Department scorecard performance versus goal - Individual performance against Performance Agreement (refer above) - Individual's role within the company (determines range of earning potential) 	<ul style="list-style-type: none"> - Incentives for senior executives recommended by Managing Director and CEO and approved by the Human Resources and Nominations Committee - Calculated and paid annually within Board approved limits
<p>Variable remuneration (2005 long-term incentive plan) - key senior management roles identified for participation - note the improvements to the long-term incentive plan for 2006 at page 61</p>	<ul style="list-style-type: none"> - Total Shareholder Return performance versus ASX 200 peer group subset (as assessed by independent remuneration consultants to ensure impartiality and objectivity) - Return on Capital Employed (ROCE) versus Plan 	<ul style="list-style-type: none"> - TSR and ROCE targets approved by the Human Resources and Nominations Committee at commencement of performance year - Awarded annually based on achievement of TSR and ROCE targets - Key senior management roles recommended for participation by Managing Director and CEO and approved by the Human Resources and Nominations Committee annually - Awards to incumbents of key senior management roles by invitation of the Human Resources and Nominations Committee annually

Senior executive reward is aligned to the achievement of strategic objectives, the creation of shareholder value and delivery of the Vision, Values and Strategic Intent.

Fixed remuneration

For senior executives fixed remuneration is calculated on the cost to Caltex of base salary, superannuation contributions, fringe benefits tax and gross-up in relation to costs that do not qualify as company income tax deductions.

Fixed remuneration for executives is compared with the median of a subset of companies from the S&P/ASX 200 index. The subset excludes the financials sector from the index. The comparators are selected annually based on the scale of business and the executive's role and accountabilities.

Variable remuneration – Performance Incentive Plan

In relation to the Performance Incentive Plan, 100% of the bonus vested at the end of 2005, and will be paid in 2006.

Variable remuneration – long-term incentive plan

Table 4 details the unvested senior executive share benefits for 2005. One third of the long-term incentive was paid to the above executives in 2006. No amount was forfeited.

TABLE 4: UNVESTED SHAREHOLDINGS OF SENIOR EXECUTIVES FOR YEAR ENDED 31 DECEMBER 2005

SENIOR EXECUTIVES	POSITION	SHARES UNVESTED AT 1 JAN 2005 FOR 2002 AND 2003 PERFORMANCE YEARS AND CALESP	SHARES GRANTED AS REMUNERATION IN 2005 FOR THE 2004 PERFORMANCE YEAR ⁽ⁱ⁾	SHARES VESTED FROM THE 2002, 2003 AND 2004 PERFORMANCE YEARS AND CALESP	OTHER CHANGES (CALESP)	UNVESTED SHARES AT 31 DEC 2005 FROM THE 2003 AND 2004 PERFORMANCE YEARS ⁽ⁱⁱ⁾
Richard Beattie	Group Manager – Corporate Affairs	33,570	11,913	(29,378)	–	16,105
Mark Burrowes	General Manager – Marketing	17,007	24,402	(16,563)	–	24,846
Helen Conway	Company Secretary and General Counsel	53,252	19,653	(46,805)	–	26,100
Simon Hepworth	Chief Financial Officer	63,815	23,070	(57,302)	–	29,583
Lisbeth Long	Group Manager – Human Resources	8,339	10,407	(7,564)	–	11,182
Mike McMenamin	Group Manager – Strategy and Planning	24	–	–	50	74
Alex Strang	General Manager – Supply and Corporate Services	65,798	23,166	(58,272)	–	30,692
Eion Turnbull	General Manager – Refining	49,370	19,941	(43,953)	–	25,358
Peter Wilkinson	Group Manager – Operational Excellence and Risk	–	–	–	–	–

Notes:

(i) Grant date was 4 March 2005.

(ii) If the executive meets the service conditions, amounts will vest in 2006 and 2007 in accordance with the vesting conditions of the long-term incentive plan.

In relation to the long-term incentive plan for each senior executive, Table 5 below shows the percentage paid and forfeited in relation to each grant, the years in which the grant is still to vest and the total value of the grant for each financial year after 2005. It shows the future cost to Caltex that will be incurred as a result of the shares awarded in 2003, 2004 and 2005. The cost to Caltex of the shares is recorded as at 31 December of each year; however the shares vest in the senior executive in January of the following year.

TABLE 5: LONG-TERM INCENTIVE GRANTS TO SENIOR EXECUTIVES

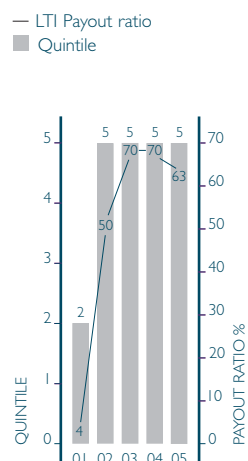
SENIOR EXECUTIVES	LTI YEAR	VESTED (% OF AWARD PAID)	FORFEITED	FUTURE YEARS WHEN SHARES WILL VEST	FUTURE COST TO CALTEX OF UNVESTED SHARES* (\$)
Richard Beattie	2003	100%	—	—	—
	2004	66%	—	2006	18,849
	2005	33%	—	2006, 2007	57,923
	Total				76,772
Mark Burrowes	2003	100%	—	—	—
	2004	66%	—	2006	38,611
	2005	33%	—	2006, 2007	142,039
	Total				180,650
Helen Conway	2003	100%	—	—	—
	2004	66%	—	2006	31,096
	2005	33%	—	2006, 2007	98,594
	Total				129,690
Simon Hepworth	2003	100%	—	—	—
	2004	66%	—	2006	36,506
	2005	33%	—	2006, 2007	124,750
	Total				161,256
Lisbeth Long	2003	100%	—	—	—
	2004	66%	—	2006	16,466
	2005	33%	—	2006, 2007	65,944
	Total				82,410
Mike McMenamin	2003	N/A	—	—	—
	2004	N/A	—	—	—
	2005	33%	—	2006, 2007	46,431
	Total				46,431
Alex Strang	2003	100%	—	—	—
	2004	66%	—	2006	36,657
	2005	33%	—	2006, 2007	113,547
	Total				150,204
Eion Turnbull	2003	100%	—	—	—
	2004	66%	—	2006	31,555
	2005	33%	—	2006, 2007	102,812
	Total				134,367
Peter Wilkinson	2003	N/A	—	—	—
	2004	N/A	—	—	—
	2005	33%	—	2006, 2007	21,006
	Total				21,006

* The maximum and minimum total value of the grants is the same for the financial years after 2005 because such amounts are subject only to service conditions.

Note: Mike McMenamin and Peter Wilkinson were not eligible to participate in 2003 and 2004 grant periods.

Graph 5 below shows the relationship between the long-term incentive (LTI) payout ratio paid to senior executives during the year, compared to the Total Shareholder Return performance quintile achieved over the past five years. It clearly demonstrates that the long-term incentive plan awards have been strongly correlated with shareholder value creation.

GRAPH 5: SHAREHOLDER VALUE CREATION AND LTI PLAN OUTCOMES



SUMMARY OF TOTAL REMUNERATION VALUE OF SENIOR EXECUTIVES IN 2005

The proportion of each senior executive's remuneration for 2005 that was fixed, and the proportion that was subject to a performance condition, is shown in Table 6 below.

TABLE 6: DISTRIBUTION OF FIXED AND VARIABLE ELEMENTS OF SENIOR EXECUTIVE REMUNERATION FOR 2005

SENIOR EXECUTIVES	POSITION	FIXED	VARIABLE (INCLUDING SHORT AND LONG-TERM INCENTIVE PAYMENTS, CALCULATED AS COST TO CALTEX)
Richard Beattie	Group Manager – Corporate Affairs	59%	41%
Mark Burrows	General Manager – Marketing	53%	47%
Helen Conway	Company Secretary and General Counsel	53%	47%
Simon Hepworth	Chief Financial Officer	54%	46%
Lisbeth Long	Group Manager – Human Resources	54%	46%
Mike McMenamin	Group Manager – Strategy and Planning	73%	27%
Alex Strang	General Manager – Supply and Corporate Services	54%	46%
Eion Turnbull	General Manager – Refining	56%	44%
Peter Wilkinson	Group Manager – Operational Excellence and Risk	71%	29%

Details of the classification and amount of each element of the remuneration of senior executives (excluding the Managing Director and Chief Executive Officer) who received the highest total remuneration for 2005 are set out below (on the basis of the cost to Caltex) in Table 7. The nine senior executives below, all of whom are members of the Caltex Leadership Team, along with the directors of Caltex Australia Limited are considered the key senior executives for whom details of their remuneration must be disclosed in accordance with accounting standards.

TABLE 7: TOTAL REMUNERATION FOR SENIOR EXECUTIVES FOR 2005

DOLLARS		PRIMARY			POST EMPLOYMENT	EQUITY	TOTAL
SENIOR EXECUTIVES ⁽ⁱ⁾		SALARY AND FEES ⁽ⁱⁱ⁾	BONUS (SHORT-TERM INCENTIVE)	NON- MONETARY BENEFITS	SUPER- ANNUATION	SHARE BENEFITS (LONG-TERM INCENTIVE)	
Richard Beattie							
Group Manager – Corporate Affairs	2005 2004	252,383 272,449	47,707 57,885	9,258 –	28,362 18,671	156,042 160,405	493,752 509,410
Mark Burrowes							
General Manager – Marketing	2005 2004	460,623 454,964	125,580 127,372	14,944 14,811	52,163 29,830	340,108 263,392	993,418 890,369
Helen Conway							
Company Secretary and General Counsel	2005 2004	322,917 332,165	88,754 80,184	28,979 14,811	36,208 23,222	262,246 263,797	739,104 714,179
Simon Hepworth							
Chief Financial Officer	2005 2004	445,234 418,962	111,386 110,039	14,944 14,811	45,814 27,001	321,111 309,636	938,489 880,449
Lisbeth Long							
Group Manager – Human Resources ⁽ⁱⁱⁱ⁾	2005 2004	225,556 245,484	59,044 59,250	– –	24,218 17,464	154,683 115,346	463,501 437,544
Mike McMenamin							
Group Manager – Strategy and Planning ^(iv)	2005 2004	240,034 124,790	24,221 24,615	– 42,998	22,735 8,862	72,929 –	359,919 201,265
Alex Strang							
General Manager – Supply and Corporate Services	2005 2004	402,807 400,367	105,796 79,076	47,707 13,340	39,000 18,000	305,085 313,457	900,395 824,240
Eion Turnbull							
General Manager – Refining	2005 2004	359,945 341,018	83,283 71,020	54,056 39,288	37,757 23,687	267,771 259,320	802,812 734,333
Peter Wilkinson							
Group Manager – Operational Excellence and Risk ^(v)	2005 2004	118,901 –	21,156 –	5,130 –	10,286 –	32,994 –	188,467 –
Total remuneration: senior executives	2005 2004	2,828,400 2,590,199	666,927 609,441	175,018 140,059	296,543 166,737	1,912,969 1,685,353	5,879,857 5,191,789

Notes:

- (i) All of the senior executives have been in the position stated above for the whole year, with the exception of those noted.
- (ii) Salary and fees includes base pay, annual leave, and long service leave.
- (iii) Lisbeth Long was on unpaid maternity leave from 26 July 2005 to 11 October 2005.
- (iv) Mike McMenamin commenced on 3 May 2004 and was appointed to a senior executive position on 1 December 2004.
- (v) Peter Wilkinson was appointed on 11 July 2005.

OTHER INFORMATION REQUIRED BY THE CORPORATIONS ACT 2001 (CTH)

Options

Options do not form a part of the remuneration package of directors or senior executives and as a result, no options were granted to or exercised by directors or senior executives during the 2005 financial year and no options lapsed during the 2005 financial year.

Contracts of employment

The senior executives of Caltex (other than Dave Reeves, the Managing Director and Chief Executive Officer) are appointed as permanent Caltex employees. Their employment contracts require both the company and the senior executive to give a notice period within a range of one to three months as stipulated by their individual contracts should they resign or have their service terminated by Caltex. The terms and conditions of the executives reflect market conditions at the time of their contract negotiation and appointment.

If a senior executive were to resign, entitlement to unvested shares payable through the long-term incentive plan would be forfeited and if resignation was on or before 31 December of the year, payment from the Performance Incentive Plan would also be forfeited.

The details of the contracts of the senior executives of Caltex (other than Dave Reeves, which are provided later in this report) are set out below:

TABLE 8: SUMMARY OF CONTRACTS OF EMPLOYMENT FOR SENIOR EXECUTIVES

SENIOR EXECUTIVES	POSITION	APPOINTED TO CURRENT ROLE	CONTRACT	TERMINATION NOTICE
Richard Beattie	Group Manager – Corporate Affairs	8 August 1995	Open ended	One month
Mark Burrowes	General Manager – Marketing	1 May 2003	Open ended	One month
Helen Conway	Company Secretary and General Counsel	13 September 1999	Open ended	Three months
Simon Hepworth	Chief Financial Officer	1 January 2001	Open ended	Three months
Lisbeth Long	Group Manager – Human Resources	18 March 2003	Open ended	One month
Mike McMenamin	Group Manager – Strategy and Planning	1 December 2004	Open ended	One month
Alex Strang	General Manager – Supply and Corporate Services	1 August 2002	Open ended	One month
Eion Turnbull	General Manager – Refining	19 December 2003	Open ended	Three months
Peter Wilkinson	Group Manager – Operational Excellence and Risk	11 July 2005	Open ended	One month

No termination benefits are payable under the contracts of employment however; a benefit may be required to be paid in accordance with the legislative requirements at the time of the senior executive's termination.

DIRECTORS' REMUNERATION STRUCTURE

Determination of non-executive directors' fees

Non-executive directors' fees are determined annually by the Board, based on a recommendation from the Human Resources and Nomination Committee. The fees are set within the aggregate remuneration pool approved by shareholders. No directors' fees are paid to executive directors.

The level of non-executive directors' fees is based on the scope of director responsibility and the size and complexity of Caltex. In making recommendations to the Board, the Human Resources and Nomination Committee takes into account survey data on the level of directors' fees being paid to directors of companies of comparative size and complexity. The Human Resources & Nomination Committee also obtains external professional advice as necessary.

Non-executive directors do not receive any bonus payment or participate in any incentive plan. Accordingly, 100% of the remuneration of non-executive directors is fixed.

The Board does not operate a directors' retirement scheme but non-executive directors resident in Australia are entitled to statutory superannuation. Prior to 1 January 2004, Dick Warburton and Ken Watson did participate in a directors' retirement scheme and amounts that had accrued under the scheme for them have been frozen and paid into a separate interest bearing account pending their retirement.

Non-executive directors' fees

In 2005, fees paid to non-executive directors were subject to a maximum Board remuneration pool of \$900,000 per annum, exclusive of statutory entitlements. The remuneration pool for non-executive directors applicable to 2005 was approved by shareholders of Caltex Australia Limited at the Annual General Meeting held in April 2004. This amount was increased to \$1,150,000 per annum, inclusive of statutory entitlements, at the 2005 Annual General Meeting with effect from 1 January 2006. This increase was sought to allow fee increases in line with the market and to accommodate director succession plans.

Table 9 outlines the fees payable to the directors effective 1 January 2005 and 1 January 2006.

TABLE 9: FEES PAYABLE TO DIRECTORS

	EFFECTIVE 1 JANUARY 2005	EFFECTIVE 1 JANUARY 2006
Chairman's fees (Inclusive of all Committee fees)	\$275,000	\$310,000
Non-executive directors' fees	\$100,000	\$115,000
Audit Committee fees		
– Chairman	\$20,000	\$30,000
– Member	\$10,000	\$15,000
Human Resources & Nomination Committee Fees		
– Chairman	\$15,000	\$20,000
– Member	\$10,000	\$10,000

As Elizabeth Bryan has elected not to receive any superannuation guarantee contributions, the fees which are paid to her are increased by 9%, being the current rate of the superannuation guarantee contribution.

From 2005, non-executive directors could elect to forgo part of their fees, with the amount foregone to be contributed to fund the acquisition, on market, of Caltex Australia Limited shares via a non-executive directors share acquisition plan. Participation in the share acquisition plan is not open to directors who are employed in the Chevron Corporation Group. The acquisition of shares under this plan is not subject to any performance conditions as they are acquired on a fee sacrifice basis.

Remuneration for Managing Director & Chief Executive Officer

Dave Reeves, the Managing Director & Chief Executive Officer, is seconded from Chevron to Caltex. Chevron Global Energy Inc. holds 50% of the shares in Caltex Australia Limited.

Under the terms of the secondment arrangements, Caltex pays a maximum of \$1,200,000 per annum to Chevron. Caltex has no obligation to pay any additional amounts to Chevron beyond \$1,200,000 per annum or to pay any amount to Dave. The terms of these arrangements are considered to be no less favourable to Caltex than arm's length terms.

Chevron incurred additional costs being \$1,238,806 (2004: \$1,530,166), in relation to Dave. These costs may include performance-based short-term and long-term incentives, housing allowances, and other non-monetary items. In determining the additional amounts paid to Dave, Chevron considers Caltex's performance and Dave's contribution to that performance as assessed by Caltex's Chairman.

Contract of employment for Managing Director and Chief Executive Officer

The secondment is for a period of three years ending on 28 July 2006 and Caltex and Chevron may agree to vary the contract term by early termination or extension. The secondment arrangement may also be terminated by Caltex if Dave:

- commits a wilful breach or wilfully neglects to perform or observe any of his statutory or contractual duties;
- fails to perform or observe any of his statutory or contractual duties and does not correct or rectify the failure within seven days of being requested to do so; or
- ceases to hold the office of director of Caltex Australia Limited.

On termination Dave has no rights against Caltex for payment of any amounts or claims.

The terms of these arrangements are considered by Caltex to be no less favourable to Caltex than arm's length terms.

Summary of remuneration for directors in 2005

Details of the remuneration of directors of Caltex Australia Limited for 2005 are set out below at Table 10 (on the basis of total cost to the Caltex Australia Group):

TABLE 10: TOTAL REMUNERATION FOR DIRECTORS FOR 2005

DOLLARS		PRIMARY			POST	EQUITY	TOTAL
		SALARY AND FEES	BONUS	NON-MONETARY BENEFITS	EMPLOYMENT SUPER-ANNUATION	SHARE BENEFITS	
DIRECTORS							
Executive							
	Dave Reeves						
	Managing Director and	2005	1,200,000	–	–	–	1,200,000
	Chief Executive Officer	2004	1,200,000	–	–	–	1,200,000
Non-executive							
	Dick Warburton	2005	275,000	–	–	24,750	299,750
	Chairman	2004	232,000	–	–	20,880	252,880
	Elizabeth Bryan	2005	133,284	–	–	–	133,284
		2004	90,337	–	–	–	90,337
	Bill Hauschildt	2005	110,000	–	–	–	110,000
		2004	22,636	–	–	–	22,636
	John Thorn	2005	110,000	–	–	9,900	119,900
		2004	49,948	–	–	4,495	54,443
	Ken Watson	2005	120,000	–	–	10,800	130,800
		2004	93,000	–	–	8,370	101,370
	Peter Wissel	2005	39,086	–	–	–	39,086
		2004	–	–	–	–	–
Former non-executive							
	Leo Lonergan	2005	16,274	–	–	–	16,274
		2004	93,000	–	–	–	93,000
	Mitch Rubinstein	2005	52,497	–	–	–	52,497
		2004	–	–	–	–	–
	Total remuneration:	2005	2,056,141	–	–	45,450	2,101,591
	directors	2004	1,780,921	–	–	33,745	1,814,666

Notes:

- Dave Reeves served as the Managing Director and Chief Executive Officer for the whole of 2005.
- Dick Warburton served as the Chairman for the whole of 2005. He was the Chair of the Human Resources and Nomination Committee until 30 April 2005, after which time he was a member of the Human Resources and Nomination Committee. He attends Audit Committee meetings in an ex-officio capacity.
- Elizabeth Bryan served as a director throughout 2005 and was appointed as Chair of the Human Resources and Nomination Committee from 1 May 2005. Accordingly, Elizabeth received Committee fees at the rate applying to the Chair of that Committee from that date. Prior to 1 May 2005, Elizabeth served as a member of the Human Resources and Nomination Committee. Elizabeth is also paid an additional 9% in director fees, following her election not to receive superannuation guarantee contributions. The payment of these additional fees was backdated to the date that Caltex ceased making superannuation guarantee contributions to her.
- Bill Hauschildt served as a director and a member of the Human Resources and Nomination Committee throughout 2005.
- John Thorn served as a director and a member of the Audit Committee throughout 2005.
- Ken Watson served as a director and Chair of the Audit Committee throughout 2005.
- Peter Wissel was appointed as a director on 23 August 2005 and as a member of the Audit Committee on 1 September 2005. His director's fee in 2005 is a pro-rata amount.
- Leo Lonergan resigned as a director on 23 February 2005. Until that date, he also served as a member of the Audit Committee.
- Mitch Rubinstein served a director between 24 February 2005 and 23 August 2005 and as a member of the Audit Committee from 1 May 2005 to 23 August 2005. His director's fee in 2005 is a pro rata amount. Mitch Rubinstein also served as an alternate director in 2005 until 23 February 2005, but did not receive any remuneration for acting as an alternate director.
- Brant Fish, who served as an alternate director in 2005, did not receive any remuneration from Caltex in 2005.

DIRECTORS' INTERESTS

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2005:

DIRECTORS	NUMBER OF SHARES	NATURE OF INTEREST
Current directors		
Dick Warburton	10,633	10,000 shares held indirectly (beneficial interest through Teampass Pty Ltd) and 633 shares held directly (acquired via the Non-Executive Directors' Share Acquisition Plan)
Dave Reeves	5,000	Direct (held jointly with Becky Reeves)
Elizabeth Bryan	5,000	Direct
Bill Hauschildt	—	
John Thorn	211	Direct (acquired via the Non-Executive Directors' Share Acquisition Plan)
Ken Watson	7,500	Direct
Peter Wissel	1,000	Direct (held jointly with Susan Philbrick)
Former directors		
Leo Lonergan	—	
Mitch Rubinstein	—	
Total	29,344	

Notes:

- Since 31 December 2005 Dick Warburton has acquired 266 shares via the Non-Executive Directors' Share Acquisition Plan, and John Thorn has acquired 88 shares via the Non-Executive Directors' Share Acquisition Plan. The directors have not disposed of any shares since 31 December 2005.
- Leo Lonergan was a director until 23 February 2005. He held 2,000 shares (jointly with Robyn Lonergan) at the time of his resignation but has since disposed of those shares.
- Mitch Rubinstein was an alternate director for Leo Lonergan and Bill Hauschildt until 23 February 2005. He then served as a director from 24 February 2005 to 23 August 2005. He did not hold any shares during the term of his appointments.
- Brant Fish serves as an alternate director for Bill Hauschildt and Peter Wissel. He previously served as an alternate director for Mitch Rubinstein. He does not hold any shares in Caltex Australia Limited.

MEETINGS OF DIRECTORS

The Board of Caltex Australia Limited formally met on 11 occasions during the year ended 31 December 2005. Board papers were circulated to the directors on one other occasion and a separate strategy session was held over two days during the year. The strategy session was attended by the directors appointed at that time, and by Brant Fish.

The Audit Committee met on four occasions and the Human Resources and Nomination Committee met on seven occasions during 2005. Special purpose committees were convened on three 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:

DIRECTORS	BOARD OF DIRECTORS	AUDIT COMMITTEE	HUMAN RESOURCES & NOMINATION COMMITTEE	SPECIAL PURPOSE	TOTAL
Current directors					
Dick Warburton	11 (11)	4	6 (7)	2 (2)	23 (20)
Dave Reeves	11 (11)	4	7	3 (3)	25 (14)
Elizabeth Bryan	11 (11)	1	7 (7)		19 (18)
Bill Hauschildt	11 (11)	1	7 (7)		19 (18)
John Thorn	11 (11)	4 (4)			15 (15)
Ken Watson	11 (11)	4 (4)	1	3 (3)	19 (18)
Peter Wissel	4 (4)	1 (1)			5 (5)
Former directors					
Leo Lonergan	2 (2)	1 (1)	1		4 (3)
Mitch Rubinstein	7 (7)	2 (2)			9 (9)

Notes:

- (i) The table shows the number of Board and Committee meetings attended by each director during the year ended 31 December 2005, with the number of meetings held during the time in office as a Board or Committee member shown in brackets.
- (ii) Dick Warburton was not a member of the Audit Committee in 2005 but attended four Committee meetings during the year in an ex-officio capacity.
- (iii) Dave Reeves was not a member of the Audit Committee or the Human Resources and Nomination Committee in 2005, but attended four meetings of the Audit Committee and seven meetings of the Human Resources and Nomination Committee.
- (iv) Elizabeth Bryan and Bill Hauschildt each attended one Audit Committee meeting in 2005 in an ex-officio capacity.
- (v) Ken Watson attended one Human Resources and Nomination Committee in 2005 in an ex-officio capacity.
- (vi) Two meetings of a sub-committee of the Audit Committee were also held in 2005, each attended by Ken Watson and John Thorn.
- (vii) Brant Fish, an alternate director, attended one meeting in 2005 as an observer and attended the two day strategy session.

NON-AUDIT SERVICES

Details of the amount paid or payable to the auditor of Caltex Australia Limited, KPMG, in relation to the provision of non-audit services in 2005 to Caltex Australia Group are set out below.

KPMG NON-AUDIT FEES	\$'000
Other assurance services	
– Audit of conversion to IFRS	191
– Transaction services – due diligence on business acquisitions	60
– Caltex Australia Superannuation Plan	17
– Share registry review	6
– AGM assistance	5
– Reporting on US private placement covenants	4
– Franchisees Act reporting	4
– Reporting on bank covenants	3
– Statement of gross assets	1
Taxation services	
– Research and Development	73
– International executive services	38
Total	402

The provision of these services was consistent with Caltex Australia's Board approved policy on the provision of non-audit services by the external auditor; and the nature of non-audit services and the amount of fees are reviewed on a regular basis by the Audit Committee.

The directors are satisfied that the provision of non-audit services during the year ended 31 December 2005 by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

The directors are also satisfied that the provision of those non-audit services during the year ended 31 December 2005 by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 (Cth), for the following reasons:

- services provided during the year are not considered to be materially in conflict with the role of the auditor;
- the ratio of audit fees to non-audit service fees is 1.6:1; and
- after enquiring, the directors are unaware of any matter relating to the provision of non-audit services which would impair the impartial and objective judgement of the external auditor.

The directors' statements in relation to the independence of the auditor are made in accordance with written advice provided by the Audit Committee and signed by the Chairman of the Audit Committee pursuant to a resolution of that Committee.

COMPANY SECRETARIES

Helen Conway is Company Secretary and General Counsel of Caltex and was appointed a company secretary of Caltex Australia Limited on 13 September 1999. Prior to joining Caltex, Helen was the General Counsel for Airservices Australia and, prior to that, Group Secretary and General Counsel and General Manager, Corporate Advisory Division at NRMA. Before joining corporate life, Helen worked as a lawyer in private practice.

Helen is a director of the Caltex Australia Superannuation Plan and Catholic Health Care Services Limited.

Helen has a Bachelor of Arts and a Bachelor of Laws from The University of Sydney (Australia). She is a Fellow of Chartered Secretaries Australia.

Diane Brown is Assistant Company Secretary of Caltex and was appointed a company secretary of Caltex Australia Limited on 2 December 2004. Prior to joining Caltex, Diane was an Associate Director in the Company Secretarial Division of Macquarie Bank Limited. Before joining the company secretarial profession, Diane worked in politics, as a lawyer in private practice and as a senior analyst at the Reserve Bank of Australia.

Diane has a Bachelor of Economics (Honours) and a Bachelor of Laws (Honours) from The University of Sydney (Australia) and a Master of Commerce (Honours in Economics) from The University of New South Wales (Australia). Diane also has a Graduate Diploma in Company Secretarial Practices from Chartered Secretaries Australia.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE

The constitution of Caltex Australia Limited provides that, to the extent permitted by law and subject to the restrictions in section 199A and 199B of the Corporations Act 2001 (Cth), Caltex Australia Limited indemnifies every person who is or has been an officer of Caltex Australia Limited or a subsidiary against:

- any liability (other than a liability for legal costs) incurred by that person as such an officer of Caltex Australia Limited or a subsidiary; and
- reasonable legal costs incurred in defending an action for a liability or alleged liability incurred by that person as such an officer of Caltex Australia Limited or a subsidiary.

During the year ended 31 December 2005, Caltex Australia Limited entered into a deed of indemnity and insurance with Bill Hauschildt, Mitch Rubinstein and Brant Fish, with effect from the date of their appointment as a director or an alternate director:

Similar 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 the deeds, Caltex Australia Limited has agreed to indemnify the officers (to the extent permitted by law) against:

- liabilities incurred as an officer 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 an officer 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 also effects, maintains and pays the premium on an insurance policy covering directors and officers of Caltex Australia Limited and other companies in 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).

Under the terms of the deed of indemnity and insurance, Caltex Australia has an obligation to effect and maintain and pay the premium on a policy for a period of seven years after the officer leaves office.

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

ROUNDING OF AMOUNTS

Caltex Australia Limited is an entity to which Australian Securities & 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 AO
CHAIRMAN



Dave Reeves
MANAGING DIRECTOR AND CEO

Sydney, 24 February 2006

Directors report disclosure

EVENTS SUBSEQUENT TO THE SIGNING OF THE 2005 ANNUAL REPORT

The 2005 Financial Report was signed on 24 February 2006. Subsequent to that date, Trevor Bourne was appointed to the Board of Caltex Australia Limited. Information on Trevor is provided below.

TREVOR BOURNE DIRECTOR (NON-EXECUTIVE/INDEPENDENT)

Bachelor of Mechanical Engineering (University of New South Wales, Australia) and Master of Business Administration (University of Newcastle, Australia)

Trevor was appointed as a director with effect from 2 March 2006.

Trevor brings to the Board broad management experience acquired in industrial and capital intensive industries and engineering and supply chain skills and experience. From 1999 to 2003, Trevor served as CEO of Tenix Industries. Prior to Tenix Industries, he spent 15 years at Brambles Industries Limited, six as Managing Director of Brambles Australasia. Before that he worked for Incitec Ltd and BHP Limited.

Current directorships of listed companies

- Hastie Group Limited (Chairman)
- Origin Energy Limited
- Coates Hire Limited
- Lighting Corporation Limited

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 (Cth) to the directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 31 December 2005 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 (Cth) in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The KPMG logo is written in a stylized, cursive script.

KPMG

A handwritten signature in black ink, appearing to read 'Trent van Veen'.

Trent van Veen
PARTNER

Sydney, 24 February 2006

Directors' Declaration

The Board of Caltex Australia Limited has declared that:

- all of the directors have received from Dave Reeves, Managing Director and Chief Executive Officer, and Simon Hepworth, Chief Financial Officer, a declaration dated 22 February 2006 stating that in their opinion:
 - the financial records for the year ended 31 December 2005 for Caltex Australia Limited have been properly maintained in accordance with the Corporations Act 2001 (Cth);
 - the financial statements for the year ended 31 December 2005 and the notes required by the Accounting Standards in Australia comply with the Accounting Standards; and
 - the financial statements for the year ended 31 December 2005 and notes give a true and fair view of the financial position of the Caltex Australia Group at 31 December 2005 and its performance for the year;
- the financial statements for the year ended 31 December 2005 and the notes required by the Accounting Standards in Australia comply with the Accounting Standards;
- the financial statements for the year ended 31 December 2005 and notes give a true and fair view of the financial position of the Caltex Australia Group at 31 December 2005 and its performance 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 for the year ended 31 December 2005 and notes are in accordance with the Corporations Act 2001 (Cth); and
- as at the date of this declaration, 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 AO
CHAIRMAN



DC (Dave) Reeves
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Sydney, 24 February 2006

Independent 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 2005, consisting of the income statements, statements of recognised income and expense, balance sheets, cash flow statements, accompanying notes 1 to 33, and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year end or from time to time during the financial year. The Company's directors are responsible for the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under Australian Accounting Standard AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards. We have conducted an independent audit of the 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 Australian 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 financial position, and performance as represented by the results of its operations and its 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 (Cth), including:
 - i. giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2005 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



Trent van Veen
PARTNER

Sydney, 24 February 2006