

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

2008 HALF YEAR REPORT



CALTEX

CALTEX AUSTRALIA LIMITED
2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

Results for Announcement to the Market

Key Results (Millions of dollars)	Half year ended 30 June		
	2008	2007	
Revenues from ordinary activities	↑ 34%	12,145	9,082
Profit from ordinary activities after tax/net profit for the period attributable to members:			
Replacement cost basis ^{1, 2}	↓ 33%	196	294
Historical cost basis	↓ 4%	354	368

Dividend	2008	2007
Dividends declared:		
Interim dividend:		
- Amount per security (fully franked)	36¢	47¢
Final dividend		
- Amount per security (fully franked)	N/A	33¢
Record date for determining entitlement to 2008 interim dividend		5 September 2008
Date 2008 interim dividend is payable		26 September 2008

Comments

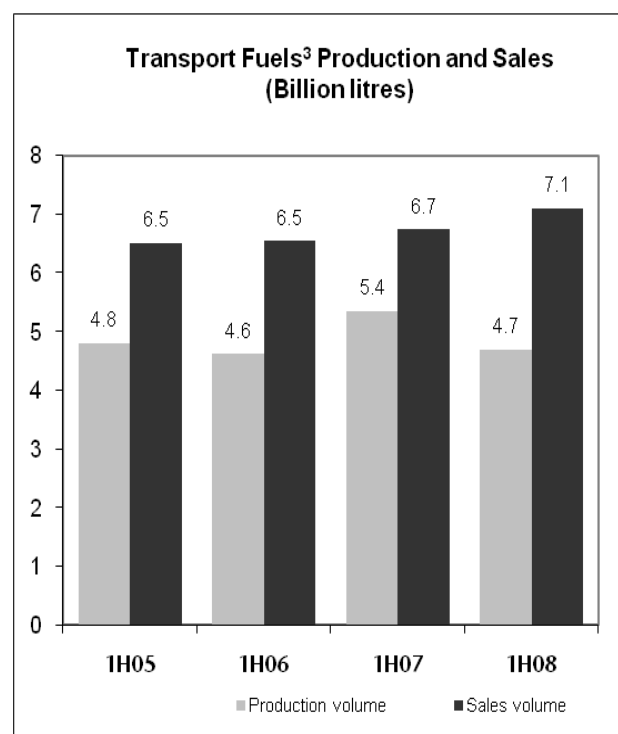
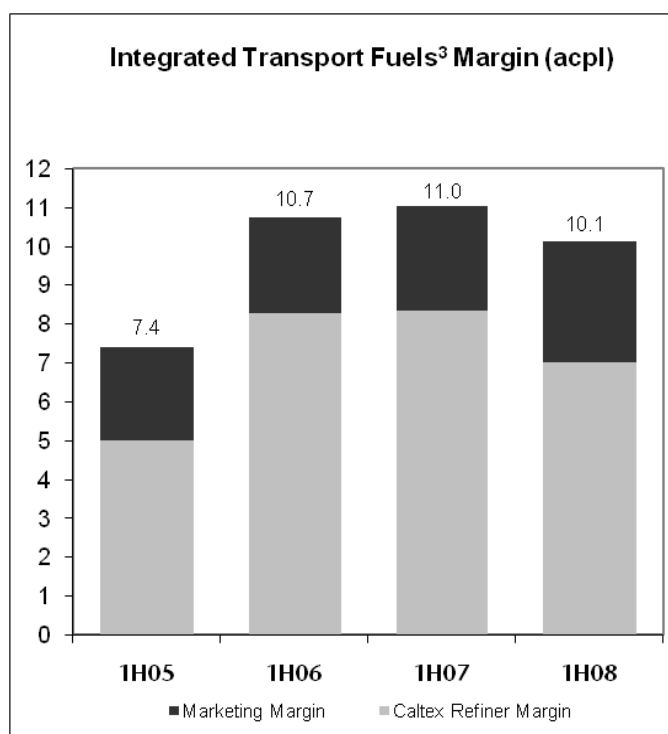
- Profit after tax on a replacement cost of sales operating profit (RCOP)¹ basis was \$196 million for the first half of 2008.
- The first half result was 33% lower than the \$294 million RCOP achieved in the first half 2007.
- Caltex benefited from its strategy of growing its Marketing business and its long-term focus on debt management and cost control. This helped offset lower refinery production as a result of both planned and unplanned maintenance and the impact of the stronger Australian dollar and higher crude oil price on refiner margins.
- On an historical cost basis (including inventory gains), Caltex recorded an after tax profit of \$354 million for the first half of 2008 compared with \$368 million for the first half of 2007. This included inventory gains of \$158 million after tax, compared with inventory gains of \$74 million after tax in the first half of 2007.
- Net debt at 30 June 2008 was \$645 million, up from \$582 million at 31 December 2007.
- The Board declared an interim fully franked dividend of \$97.2 million, or 36 cents a share compared with 47 cents per share declared for the first half 2007. The dividend is in line with Caltex's stated policy to maintain a payout ratio of 40 – 60% of RCOP after tax.

¹ The replacement cost of sales operating profit (RCOP) excludes the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

² In 2H07, Caltex changed its RCOP accounting methodology to include the impact of exchange rate movements on the crude oil price. The reported RCOP result at 30 June 2007, which excluded the impact of exchange rate movements, was \$255 million. The RCOP EBIT was \$389 million.

Key Performance Indicators

	Half year ended 30 June				
	2008	2007 ¹	2006	2005	2004
Profit before interest and tax (\$m)					
- Replacement cost basis (excluding individually material tax item) ²	302	445	270	226	275
- Historical cost basis (including individually material tax item) ²	528	550	416	344	342
Profit after interest and tax (\$m)					
- Replacement cost basis (excluding individually material tax item) ²	196	294	175	155	176
- Historical cost basis (including individually material tax item) ²	354	368	277	258	336
Inventory gains before tax (\$m)	226	105	146	117	67
Basic earnings per share (cents)					
- Replacement cost basis (excluding individually material tax item) ²	72.7	108.9	64.7	57.5	65.2
- Historical cost basis (including individually material tax item) ²	131.3	136.2	102.5	95.7	124.6
Return on equity attributable to members of the parent entity after tax, annualised (%)					
- Replacement cost basis (excluding individually material tax item) ²	13	22	15	17	25
- Historical cost basis (including individually material tax item) ²	23	28	24	29	47
Net tangible asset backing per share (\$)	11.05	9.68	8.45	6.60	5.22
Net debt (\$m)	645	490	721	533	536
Gearing (net debt to net debt plus equity) (%)	17	15	24	23	27



¹ In 2H07, Caltex changed its RCOP accounting methodology to include the impact of exchange rate movements on the crude oil price. The reported RCOP result at 30 June 2007, which excluded the impact of exchange rate movements, was \$255 million. The RCOP EBIT was \$389 million.


² Includes an individually material tax item of \$20.9 million in 2005 and \$113.5 million in 2004, relating to an income tax benefit upon entry into the new tax consolidation regime.


³ Transport fuels comprise petrol, diesel and jet.

Income statement for the half year ended 30 June 2008

Millions of dollars	2008	2007
1 Total revenue ¹	12,145	9,082
2 Total expenses ²	(11,843)	(8,637)
3 Replacement cost EBIT	302	445
4 Net borrowing costs	(20)	(25)
Income tax expense	(86)	(126)
Replacement cost profit (RCOP) ³	196	294
5 Inventory gain – after tax	158	74
Historical cost net profit	354	368
6 Interim dividend per share	36c	47c
Final dividend per share	N/A	33c
Basic earnings per share		
- Replacement cost	72.7c	108.9c
- Historical cost	131.3c	136.2c
RCOP earnings per litre	1.9c	2.6c

Discussion and Analysis

<p>1 Total revenue</p> <p> 34%</p>	<p>Total revenue increased primarily due to:</p> <ul style="list-style-type: none"> Higher crude price (increasing from US\$68.93/bbl in 1H07 to US\$113.31/bbl in 1H08) and sales volumes than prior year. <p>This was partly offset by:</p> <ul style="list-style-type: none"> The impact of the stronger Australian dollar on domestic wholesale prices.
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<p>2 Total expenses – replacement cost basis</p> <p> 37%</p>	<p>Total expenses increased primarily due to:</p> <ul style="list-style-type: none"> Increased cost of sales, reflecting increased crude oil price, and Higher operating expenses including increased employee costs and increased shutdown expenses due to the planned and unplanned shutdowns in 1H08. However, operating expenses were lower than 1H07 on a cents per litre basis due to increased sales volumes. <p>This was partly offset by:</p> <ul style="list-style-type: none"> The impact of the stronger Australian dollar on US dollar-denominated crude and product imports.
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¹ Excludes interest revenue.

² Excludes interest expense, inventory gains/(losses).

³ The replacement cost of sales operating profit (RCOP) excludes the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract-based revenue lags.

Discussion and Analysis cont'd



<p>3 Replacement cost EBIT</p> <p>↓ 33%</p>	<p>Decrease in Caltex's underlying performance primarily resulted from:</p> <ul style="list-style-type: none"> Planned and unplanned refinery shutdowns, increasing crude oil price, the stronger AUD and weaker gasoline margins; <p>This is partly offset by:</p> <ul style="list-style-type: none"> Higher marketing sales volumes and margins. <p>Breakdown of replacement cost EBIT is detailed below ¹:</p>
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RCOP EBIT breakdown

<p>Caltex refiner margin (CRM)</p> <p style="text-align: right;">\$339m</p>	<p>CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount / (premium) + product freight – crude freight – yield loss.</p> <p>CRM remained flat in US dollar per barrel terms in the first half of 2008 (averaging US\$10.40 a barrel vs first half 2007: US\$10.74 a barrel), it dropped 16% in Australian dollar terms. This translated into a Caltex refiner margin of A7.02 cents a litre for the first half of 2008, down from A8.32 cents a litre in the same period in 2007. Refinery production in the first half of 2008 was lower due to a major planned maintenance shutdown at the Kurnell refinery and unplanned shutdowns at both the Lytton and Kurnell refineries. Production of petrol, diesel and jet was 4.7 billion litres (first half 2007: 5.4 billion litres).</p>
<p>Transport fuels marketing margin</p> <p style="text-align: right;">\$220m</p>	<p>Transport fuels comprise petrol, diesel and jet. The transport fuels marketing margin is based on the average net margin over Import Parity Price in Australia.</p> <p>The average transport fuels marketing margin, on an acpl basis, was 21% higher than 1H07 as a result of higher petrol and diesel margins. Additionally, transport fuels sales volume increased by 5% driven by increased demand for diesel in the mining industry, increased sales due to gas pipeline interruptions, increased activity in the agricultural sector, and increased jet sales due to new customers. This is partly offset by declined petrol sales due to the increase in the pump price on the back of the increasing cost of crude oil which negatively impacted the market.</p>
<p>Lubricants and specialties margin</p> <p style="text-align: right;">\$67m</p>	<p>Lubricants and specialties products include finished lubricants, base oils, liquified petroleum gas, petrochemicals, bitumen, wax and marine fuels.</p> <p>Lubricants and specialties margins, on an acpl basis, increased 26% in 1H08 compared to 1H07 primarily due to targeting lubricant sales to more profitable segments in the industry and high fuel oil and bitumen margins.</p>
<p>Non fuel income</p> <p style="text-align: right;">\$71m</p>	<p>Non fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from non controlled equity distributors.</p> <p>The underlying growth in non-fuel income was around 5%, before adjusting for a one-off cost of \$5 million arising from the introduction of a Centralised Logistics Program.</p>
<p>Operating expenses</p> <p style="text-align: right;">(\$390m)</p>	<p>Operating expenses in this caption include refining and supply, marketing, corporate and other operating expenditure.</p> <p>First half 2008 operating costs increased by \$18 million compared with the first half 2007 driven primarily by increased employee costs, increased shutdown expenses due to the planned and unplanned shutdowns in 1H08 and increased depreciation.</p>
<p>Other</p> <p style="text-align: right;">(\$5m)</p>	<p>Other includes foreign exchange impacts, clean fuels grant, pipeline and charter revenue.</p>
<p>Total RCOP EBIT</p> <p style="text-align: right;">\$302m</p>	

¹ The breakdown of RCOP shown here represents a management reporting view of the breakdown and as such individual components may not reconcile to statutory accounts.

Discussion and Analysis cont'd

<p>4 Net borrowing costs</p> <p> 19%</p>	<p>Net borrowing costs were lower in 1H08 versus 1H07. In accordance with accounting standards, Caltex capitalises interest associated with large capital projects. During 1H08, approximately \$8m was capitalised to projects such as the new Lytton Diesel Hydrotreater Unit. 1H07 did not include any individually material projects and minimal interest was capitalised.</p>
<p>5 Inventory gain after tax</p> <p> 114%</p>	<p>Regional crude oil prices rose significantly in 2008, (averaging US\$131.30/bbl in June 2008 compared with US\$96.76/bbl in January 2008). This increase resulted in net inventory gains of \$226 million (\$158 million after tax) compared with net inventory gains of \$105 million (\$74 million after tax) in 1H07.</p>
<p>6 Interim dividend</p>	<p>The Board declared an interim fully franked dividend of \$97.2 million or 36 cents per share. The dividends have a franking credit of 100%. The record date is 5 September 2008, with the dividend payable on 26 September 2008.</p>

Balance Sheet

as at 30 June 2008

Millions of dollars	June 2008	December 2007	change
1 Working capital	1,165	937	228
2 Property, plant and equipment (PP&E)	2,585	2,477	108
3 Net debt	(645)	(582)	(63)
4 Other non-current assets and liabilities	(35)	(3)	(32)
Total equity	3,070	2,829	241

Discussion and Analysis

1 Working capital

 **\$228m**

The increase in working capital is primarily due to:

- Higher crude and product prices (crude average June 08 US\$131.30/bbl vs. December 07 US\$100.85/bbl), partially offset by the higher Australian dollar;
- Higher inventory volumes (+91ML) driven by an increase in imports as a result of higher planned and unplanned shutdown activity; and
- Higher receivables due to increased sales volumes and prices.

Partly offset by:

- Increase in provision for income tax payable due to higher taxable income.

2 PP&E

 **\$108m**


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

- Capital expenditure and accruals, including major cyclical maintenance, of \$211 million;

Partly offset by:

- Depreciation of \$81 million; and
- Net disposals of \$22 million.

3 Net debt

 **\$63m**

Net debt increased to \$645 million at 30 June 2008, an increase of \$63 million from 31 December 2007. As a result, Caltex's gearing (net debt to net debt plus equity) was 17.4%, increasing from 17.1% at 31 December 2007. On a lease-adjusted basis, gearing at 30 June 2008 was 22.6% compared with 24.6% at 31 December 2007.

4 Other non-current assets and liabilities

 **\$32m**




Other non-current assets and liabilities have increased primarily due to increase in superannuation liabilities and increased non-current remediation provisions.

Cash Flows

for the half year ended 30 June 2008

Millions of dollars		2008	2007	change
	Receipts from customers	13,637	10,143	3,494
	Payments to suppliers and employees	(10,892)	(7,530)	(3,362)
	Payments for excise	(2,359)	(2,244)	(115)
1	Borrowing costs paid	(29)	(27)	(2)
2	Other net operating activities	(130)	(34)	(96)
	Net operating cash inflows	227	308	(81)
3	Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(204)	(120)	(84)
	Other investing cash flows	4	(9)	13
	Net investing cash outflows	(200)	(129)	(71)
4	Net financing cash (outflows)/inflows	(5)	(181)	176
	Net increase/(decrease) in cash held	22	(2)	24

Discussion and Analysis

<p>1 Borrowing costs</p> <p> \$2m</p>	<p>Net debt increased to \$645 million at 30 June 2008 (compared with \$582 million at 31 December 2007). Average net debt throughout 1H08 was 20% higher than throughout 1H07, resulting in increased gross borrowing costs (\$2 million).</p>
<p>2 Other operating activities</p> <p> \$96m</p>	<p>The increase in cash outflows from other net operating activities is largely due to higher tax payments in 1H08. The finalisation of the 2007 Income Tax position led to a tax payment in 1H08 whereas the finalisation of the 2006 Income Tax position resulted in a tax refund in 1H07.</p>
<p>3 Purchases of PP&E and major cyclical maintenance</p> <p> \$84m</p>	<p>The capital expenditure in 1H08 is due to increased Refining capital projects in 1H08, including the new Lytton Diesel Hydrotreater Unit.</p>

**4 Net financing cash
outflows**



\$176m

Net financing cash outflows decreased due to increase in net borrowings reflecting increased working capital and capital expenditure and a decrease in dividends paid in 1H08.

2008 HALF YEAR FINANCIAL REPORT

FOR

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2008 Half Year Financial Report for Caltex Australia Limited includes the:

- Directors' Report
- Directors' Declaration
- Independent Review Report (KPMG)
- Condensed Half Year Financial Statements

for the half year ended 30 June 2008

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 Services Pty Ltd, and Caltex Lubricating Oil Refinery Pty Ltd
- a number of wholly owned entities and other companies that are controlled by the Group

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

*THE 2008 HALF YEAR FINANCIAL REPORT SHOULD BE READ IN
CONJUNCTION WITH THE 2007 FINANCIAL REPORT*

Directors' Report

Introduction

The Board of Caltex Australia Limited presents this Directors' Report and the 2008 Half Year Financial Report for Caltex Australia Limited (and the Caltex Australia Group) for the half year ended 30 June 2008. An Independent Review Report from KPMG, Caltex's external auditor, is also provided.

Board of Directors

The Board of Caltex Australia Limited comprises Ms Elizabeth Bryan (Chairman), Mr Desmond King (Managing Director & CEO), Mr Trevor Bourne, Mr Brant Fish, Mr Greig Gailey, Ms Colleen Jones-Cervantes and Mr John Thorn.

All directors have been in office since 1 January 2008, except Ms Jones-Cervantes. The following changes to the composition of the Board have occurred since 1 January 2008:

- Mr Richard (Dick) Warburton retired as a director at the close of the Annual General Meeting held on 24 April 2008. Mr Warburton had served as a director since 29 July 1999.
- Ms Jones-Cervantes was appointed as a director (to fill a casual vacancy) from 1 June 2008. She previously served as an alternate director for each of Mr Fish and Mr Peter Wissel until 31 May 2008.
- Mr Wissel resigned as a director with effect from 31 May 2008. He was appointed as an alternate director for each of Mr Fish and Ms Jones-Cervantes from 1 June 2008.

Board Profiles

Elizabeth Bryan	Chairman (Non-executive / Independent)
Date of Appointment - Director:	18 July 2002
Date of Appointment - Chairman:	1 October 2007
Board Committees:	Nomination Committee (Chairman); attends meetings of the Audit Committee, Human Resources Committee and OHS & Environmental Risk Committee in an ex-officio capacity

Elizabeth is a professional director and brings management, strategic and financial expertise to Caltex. She 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.

Elizabeth is the Chairman of Unisuper and is also on the National Board of the Australian Institute of Company Directors. She is a director of Westpac Banking Corporation (appointed 6 November 2006) and was previously a director of Ridley Corporation Limited (from 7 September 2001 to 31 October 2007).

Elizabeth holds a Bachelor of Arts from the Australian National University (Australia) and a Master of Economics from the University of Hawaii (USA).

Directors' Report cont'd

Desmond King	Managing Director & CEO
Date of Appointment:	1 May 2006
Board Committees:	Nomination Committee

Des is responsible for overseeing the day-to-day operations of the Caltex Australia Group. He has served as the Managing Director & CEO since 1 May 2006.

Prior to this appointment, Des was the General Manager of the Chevron Corporation Pembroke Refinery in Wales, a director of Texaco UK and a director of Nerefco (a Chevron/BP joint venture refinery in Holland). Prior to this, Des held senior roles for Chevron, including General Manager of Strategy & Planning, where he was responsible for developing the corporate strategy for both oil and gas exploration and production, and refining and marketing. Other previous roles have included the Managing Director for Chevron Worldwide Technology Marketing. He has worked in the oil industry with Chevron for over 25 years.

Des is a member of the Board of the Australian Institute of Petroleum.

Des holds a Bachelor of Chemical Engineering from Imperial College London (UK) and a Doctor of Philosophy in Chemical Engineering from the University of Cambridge (UK).

Trevor Bourne	Director (Non-executive / Independent)
Date of Appointment:	2 March 2006
Board Committees:	OHS & Environmental Risk Committee (Chairman), Audit Committee and Nomination Committee

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

Trevor is Chairman of Hastie Group Limited (where he has served as a director since 14 February 2005) and a director of Origin Energy Limited (appointed 18 February 2000). He was previously a director of Coates Hire Limited (from 26 February 2004 to 9 January 2008) and Lighting Corporation Limited (from 12 February 2004 to 18 January 2008).

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

Brant Fish	Director (Non-executive)
Date of Appointment:	27 July 2006
Board Committees:	Human Resources Committee and Nomination Committee

Brant brings significant downstream oil industry experience to Caltex, particularly in the areas of supply chain, refining and marketing. He currently serves as the Global Vice President of Joint Ventures & Affiliates for Chevron Global Manufacturing and Chevron's Downstream Regional Leader for Asia Pacific. He was previously the General Manager of Supply Chain Optimization – Asia Pacific for Chevron U.S.A. Inc. Brant is based in Singapore and has accountability for overall Chevron Downstream earnings in Asia Pacific – from refinery crude supply to a consumer or export sale.

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

Brant previously served as an alternate director of Caltex Australia Limited (from 27 April 2005 to 27 July 2006).

Directors' Report cont'd

Greig Gailey	Director (Non-executive / Independent)
Date of Appointment:	11 December 2007
Board Committees:	Human Resources Committee (Chairman), Audit Committee, Nomination Committee and OHS & Environmental Risk Committee

Greig brings extensive Australian and international oil industry experience, and broad management expertise acquired in industrial and capital intensive industries, to the Board. From 1964 to 1998, he worked at British Petroleum Company (BP) where he held various positions throughout Australia and offshore, including management of refining, supply and distribution in Australia and Europe.

Greig was subsequently appointed Chief Executive Officer of Fletcher Challenge Energy (New Zealand), a position he held from 1998 to 2001. In August 2001, Greig joined Pasmenco Limited as Chief Executive Officer. Pasmenco Limited was subsequently transformed and relisted as Zinifex Limited on the Australia Stock Exchange in April 2004. He became Chief Executive Officer and Managing Director of Zinifex Limited from that date until standing down in June 2007. He is currently President of the Business Council of Australia and a director of the Australian Davos Connection.

Greig holds a Bachelor of Economics from the University of Queensland (Australia).

Colleen Jones-Cervantes	Director (Non-executive)
Date of Appointment:	1 June 2008
Board Committees:	Nomination Committee and OHS & Environmental Risk Committee

Colleen brings important downstream oil industry knowledge and experience, especially in the area of Marketing, to the Board. She currently serves as Chevron's Vice President of Global Marketing, Asia Pacific Region. In this role, she is responsible for retail sales for the Caltex brand (as operated by Chevron), commercial and industrial sales, asphalt and LPG sales, and company operated stores in eleven countries.

Colleen holds a Bachelor of Mechanical Engineering from Michigan Technological University (USA). She is based in Singapore.

Colleen previously served as an alternate director of Caltex Australia Limited (from 27 July 2006 to 31 May 2008).

John Thorn	Director (Non-executive / Independent)
Date of Appointment:	2 June 2004
Board Committees:	Audit Committee (Chairman), Human Resources Committee and Nomination Committee

John is a professional director and brings expertise to the Board in the areas of audit and accounting practice, business advisory services and risk management. He had over 37 years' professional experience with PricewaterhouseCoopers, where he was a partner from 1982 to 2003, and undertook work for major international and local companies. During this period he served as the Managing Partner of PricewaterhouseCoopers' Assurance and Business Advisory Service practice from 1998 to 2001 and as the National Managing Partner until 2003.

John is a director of National Australia Bank Limited (appointed 16 October 2003), Salmat Limited (appointed 1 September 2003) and Amcor Limited (appointed 8 December 2004).

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

Directors' Report cont'd

Peter Wissel	Alternate Director* (Non-executive)
	(* for each of Brant Fish and Colleen Jones-Cervantes)
Date of Appointment:	1 June 2008

Peter is the Regional Finance Officer, Asia-Pacific 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 fourteen countries in the Asia-Pacific region where Chevron conducts refining and marketing operations.

Peter holds a Bachelor of Arts in Economics from the Denison University (USA) and a Master of Business Administration – Finance from the New York University Graduate School of Business Administration (USA). He is based in Singapore.

Peter previously served as a director of Caltex Australia Limited (from 23 August 2005 to 31 May 2008).

Directors' Report cont'd

Review of Results and Operations

General Overview

Caltex Australia recorded a profit after tax on a replacement cost of sales operating profit (RCOP) basis of \$196 million for the first half of 2008 compared with \$294 million for the first half of 2007.

The first half result was 33% lower than the \$294 million RCOP achieved in the first half 2007.

Caltex benefited from its strategy of growing its Marketing business and its long-term focus on debt management and cost control. This helped offset lower refinery production as a result of both planned and unplanned maintenance and the impact of the stronger Australian dollar and higher crude oil price on refiner margins.

Marketing continued to expand its contribution to the business, with growth in transport fuels sales volumes, margins and market share.

Growth in Marketing earnings was underpinned by higher transport fuels sales volumes of 7.1 billion litres in the first half of 2008 (first half 2007: 6.7 billion). Sales of regular petrol eased in line with the overall market, but Caltex outstripped the market in growth of diesel, jet fuel and higher margin premium petrol sales.

Refiner margins saw exceptionally strong diesel and jet margins due to demand in Asia, and this offset the weaker margins for petrol driven by the US economic slowdown.

The stronger Australian dollar meant that while the Caltex refiner margin remained flat in US dollar per barrel terms in the first half of 2008 (averaging US\$10.40 a barrel vs first half 2007: US\$10.74 a barrel), it dropped 16% in Australian dollar terms. This translated into a Caltex refiner margin of A7.02 cents a litre for the first half of 2008, down from A8.32 cents a litre in the same period in 2007.

On an historical cost basis (including inventory gains), Caltex recorded an after tax profit of \$354 million for the first half of 2008 compared with \$368 million for the first half of 2007. This included inventory gains of \$158 million after tax, compared with inventory gains of \$74 million after tax in the first half of 2007.

Net debt at 30 June 2008 was \$645 million, up from \$582 million at 31 December 2007, with gearing remaining steady at 17%.

Marketing

The Marketing department promotes and sells Caltex fuels, lubricants, specialties and convenience store goods through a national network of approximately 2,000 Caltex, Caltex Woolworths, Ampol branded service stations and branded resellers. Marketing also sells directly to a large number of commercial customers.

Caltex benefited from its strategy of a strong focus on its Marketing business which had continued to expand its contribution to the business, with growth in transport fuels sales volumes, margins and market share.

Growth in Marketing earnings was underpinned by higher transport fuels sales volumes of 7.1 billion litres in the first half of 2008 (first half 2007: 6.7 billion). Sales of regular petrol eased in line with the overall market, but Caltex outstripped the market in growth of diesel, jet fuel and higher margin premium petrol sales. Diesel sales volumes were 12.8% higher than for the first six months of last year, well above industry growth. Premium petrol sales volumes increased 6.0% and jet fuel sales were up 10.2%.

Lubricants sales volumes and margins increased as did margins for specialties.

Growth in non-fuel income continued with shop sales 3.9% higher in the first half of 2008 than in the same period in 2007.

Caltex also continued its leadership in offering biofuels to customers. Caltex now has 320 sites in Queensland, NSW and the ACT selling Bio E10 Unleaded petrol which is blended with 10% ethanol and/or New Generation Diesel with 2% biodiesel.

Directors' Report cont'd

Refining and Supply

Caltex's Refining and Supply functions purchase crude oil, arrange its transportation to the Company's refineries, refine the crude into petrol, diesel, jet and specialty products, distribute the products to a network of terminals around Australia and buy and sell products and schedule product movements to meet marketing sales.

Refiner margins saw exceptionally strong diesel and jet margins due to demand in Asia, and this offset the weaker margins for petrol driven by the US economic slowdown.

The stronger Australian dollar meant that while the Caltex refiner margin remained flat in US dollar per barrel terms in the first half of 2008 (averaging US\$10.40 a barrel vs first half 2007: US\$10.74 a barrel), it dropped 16% in Australian dollar terms. This translated into a Caltex refiner margin of A7.02 cents a litre for the first half of 2008, down from A8.32 cents a litre in the same period in 2007.

Caltex refinery production and average utilisation in the first half of 2008 was lower due to a major planned maintenance shutdown at the Kurnell refinery and unplanned shutdowns at both the Lytton and Kurnell refineries.

Production of petrol, diesel and jet was 4.7 billion litres (first half 2007: 5.4 billion litres) and average utilisation for the six months was 73% (first half 2007: 85%).

Outlook

The Australian market for transport fuels and convenience retailing will continue to grow and Caltex is well positioned to capture future market opportunities.

Caltex will continue to strengthen its Marketing business and further develop its supply chain to support this growth, including the completion of a new diesel production unit at its Lytton refinery and a number of upgrades to its fuels storage and distribution facilities around the country.

Refiner margins are expected to be volatile, but remain robust overall. Continued strength in diesel and jet fuel margins will likely compensate for the expected weakening in petrol demand.

Directors' Report cont'd

Dividends declared

The Board declared an interim fully franked dividend of \$97.2 million or 36 cents per share. The record date will be 5 September 2008 with the dividend payable on 26 September 2008.

This dividend is in line with our stated policy to maintain a payout ratio of 40 – 60% of RCOP after tax.

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.

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 30 June 2008 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.

Directors' Report cont'd

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 30 June 2008 there have been:

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



KPMG



Steven Gatt
Partner

Sydney

22 August 2008

Rounding of Amounts

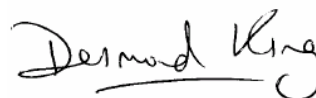
Caltex Australia Limited is an entity to which the Australian Securities and Investments Commission (ASIC) Class Order CO 98/100 applies and, in accordance with the relief afforded by the class order, amounts have been rounded off to the nearest thousand dollars (unless otherwise stated).

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



EB Bryan (Chairman)

Sydney, 22 August 2008



DF King (Managing Director & CEO)

Directors' Declaration

The Board of Caltex Australia Limited has declared that:

- (a) 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; and
- (b) in the directors' opinion, the financial statements for the half year ended 30 June 2008, and the notes to the financial statements, are in accordance with the Corporations Act 2001, including:
 - (i) section 304 (compliance with Accounting Standards); and
 - (ii) section 305 (true and fair view).

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



EB Bryan (Chairman)

DF King (Managing Director & CEO)

Sydney, 22 August 2008

Independent auditor's review report to the members of Caltex Australia Limited

We have reviewed the accompanying interim financial report of Caltex Australia Limited ("the Company"), which comprises the condensed consolidated balance sheet as at 30 June 2008, income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 15 and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2008 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Caltex Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Caltex Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2008 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Steven Gatt
Partner

Sydney

22 August 2008

Condensed Consolidated Income Statement

for the half year ended 30 June 2008

Thousands of dollars	Note	Consolidated	
		30 June 2008	30 June 2007
Revenue from sale of goods		11,959,299	8,954,217
Replacement cost of goods sold (excluding product duties and taxes and inventory gains)		(9,092,644)	(6,048,076)
Product duties and taxes		(2,358,576)	(2,244,833)
Inventory gains		226,169	105,444
Cost of goods sold - historical cost		(11,225,051)	(8,187,465)
Gross profit		734,248	766,752
Other income	2	186,837	128,975
Refining and supply expenses		(55,062)	(8,595)
Marketing expenses		(313,467)	(304,588)
Finance costs	3	(21,473)	(26,094)
Other expenses		(26,380)	(30,372)
Share of net profit of entities accounted for using the equity method		1,844	24
Profit before income tax expense		506,547	526,102
Income tax expense		(153,293)	(157,991)
Net profit		353,254	368,111
Net (loss)/profit attributable to minority interest		(1,236)	303
Net profit attributable to members of the parent entity		354,490	367,808
Basic and diluted earnings per share:			
Historical cost - cents per share	5	131.3	136.2

The consolidated income statement is to be read in conjunction with the 2007 Financial Report and the notes to the financial statements.

Condensed Consolidated Balance Sheet

as at 30 June 2008

Thousands of dollars	Note	Consolidated	
		30 June 2008	31 December 2007
Current assets			
Cash and cash equivalents		35,844	14,019
Receivables		1,242,920	1,146,974
Inventories		1,931,685	1,551,605
Other		29,437	23,155
Total current assets		3,239,886	2,735,753
Non-current assets			
Receivables		4,207	282
Investments accounted for using the equity method		26,195	25,008
Other investments		15	15
Intangibles		77,558	79,485
Property, plant and equipment		2,584,896	2,476,963
Other		3,837	12,430
Total non-current assets		2,696,708	2,594,183
Total assets		5,936,594	5,329,936
Current liabilities			
Payables		1,872,149	1,621,499
Interest bearing liabilities	6	91,729	31,871
Current tax liabilities		93,968	76,829
Provisions		73,069	86,487
Total current liabilities		2,130,915	1,816,686
Non-current liabilities			
Payables		6,473	8,478
Interest bearing liabilities	6	588,625	564,158
Deferred tax liabilities		23,869	31,410
Provisions		117,057	80,582
Total non-current liabilities		736,024	684,628
Total liabilities		2,866,939	2,501,314
Net assets		3,069,655	2,828,622
Equity			
Issued capital	7	543,415	543,415
Treasury stock	15	(2,110)	(2,919)
Reserves	15	2,768	3,092
Retained earnings	15	2,515,664	2,273,880
Total parent entity interest	15	3,059,737	2,817,468
Minority interest	15	9,918	11,154
Total equity		3,069,655	2,828,622

The consolidated balance sheet is to be read in conjunction with the 2007 Financial Report and the notes to the financial statements.

Condensed Consolidated Statement of Recognised Income and Expense

for the half year ended 30 June 2008

Thousands of dollars	Consolidated	
	30 June 2008	30 June 2007
Net profit	353,254	368,111
Actuarial (loss)/gain on defined benefit plans	(23,606)	7,479
Cash flow hedge fair value losses	(116)	(576)
Total recognised income and expense for the period	329,532	375,014
Attributable to:		
Equity holders of the parent entity	330,768	374,711
Minority interest	(1,236)	303
Total recognised income and expense for the period	329,532	375,014
Total equity at the beginning of the period	2,828,622	2,442,510
Total recognised income and expense for the period	329,532	375,014
Own shares acquired	(1,245)	(2,827)
Expense on equity settled transactions	1,846	734
Dividends to minority interest	-	(200)
Dividends to shareholders	(89,100)	(129,600)
Total equity at the end of the period	3,069,655	2,685,631

The consolidated statement of recognised income and expense is to be read in conjunction with the 2007 Financial Report and the notes to the financial statements.

Condensed Consolidated Cash Flow Statement

for the half year ended 30 June 2008

Thousands of dollars	Consolidated	
	30 June 2008	30 June 2007
Cash flows from operating activities		
Receipts from customers	13,636,700	10,143,181
Payments to suppliers, employees and governments	(13,250,186)	(9,774,624)
Dividends and disbursements received	656	2,569
Interest received	1,851	1,868
Interest and other finance costs paid	(29,301)	(27,024)
Income taxes paid	(132,831)	(38,025)
Net operating cash inflows	226,889	307,945
Cash flows from investing activities		
Purchases of property, plant and equipment	(182,505)	(99,758)
Major cyclical maintenance	(21,056)	(20,719)
Purchases of intangibles	(1,542)	(9,927)
Net proceeds from sale of property, plant and equipment	5,389	1,155
Net investing cash outflows	(199,714)	(129,249)
Cash flows from financing activities		
Proceeds from borrowings	5,267,215	4,720,000
Repayments of borrowings	(5,181,640)	(4,770,288)
Repayment of finance lease principal	(1,825)	(617)
Dividends paid to minority interest	-	(200)
Dividends paid	(89,100)	(129,600)
Net financing cash outflows	(5,350)	(180,705)
Net increase/(decrease) in cash and cash equivalents	21,825	(2,009)
Cash and cash equivalents at the beginning of the period	14,019	55,599
Cash and cash equivalents at the end of the period	35,844	53,590

The consolidated cash flow statement is to be read in conjunction with the 2007 Financial Report and the notes to the financial statements.

Notes to the financial statements

for the half year ended 30 June 2008

1. Statement of significant accounting policies

Caltex Australia Limited ("Company") is a company domiciled in Australia. The 2008 Half Year Financial Report for the six months ended 30 June 2008 comprises the Company and its controlled entities (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The 2008 Half Year Financial Report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Accounting Standard AASB 134 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. This Half Year Financial Report is to be read in conjunction with the 2007 Financial Report and any public announcements by Caltex Australia Limited during the half year in accordance with continuous disclosure obligations under the Corporations Act 2001 (Cth) and the Australian Stock Exchange (ASX) listing rules. The 2008 Half Year Financial Report was authorised for issue by the directors on 22 August 2008.

As announced in November 2007, the company revised its RCOP methodology to include the impact of exchange rate movements on the calculation of the inventory gain or loss. This resulted in a more accurate calculation of replacement costs. The inclusion of the impact of exchange rate movements on the calculation of the inventory gain or loss does not change the company's historical cost of goods sold or historical profit after tax. Further, there is no impact on the company's cashflows as a result of the change. The inventory gain in the first half 2007 comparatives has been restated from \$161,306,000 to \$105,444,000 to reflect the change in methodology, with the variance being reflected in replacement cost of goods sold.

The 2008 Half Year Financial Report has been prepared on an historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments held for trading.

On 1 January 2008 the accounting policy for inventories changed. Inventories are still valued at the lower of cost and net realisable value, however the cost is based on the First In First Out (FIFO) principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure incurred in acquiring the inventories and bringing them into the existing location and condition. In prior periods the Weighted Average cost principle was used. Had this principle been applied in the prior year the cost of goods sold, for the period 1 January 2007 to 30 June 2007, would have decreased by \$15 million and the inventory amount as at 31 December 2007 would have been \$24 million higher. This change has no impact on the Replacement Cost Operating Profit (RCOP) result.

All other accounting policies have been consistently applied by each entity in the Caltex Australia Group. These are consistent with those applied as part of the 31 December 2007 Annual Financial Report. The Half Year Financial Report does not include full note disclosures of the type required in an annual financial report.

Thousands of dollars	Consolidated	
	30 June 2008	30 June 2007
2. Other income		
Rental income	18,230	16,093
Royalties and franchise income	54,498	50,710
Net foreign exchange gains	69,248	28,575
Other income	43,304	32,122
	185,280	127,500
Borrowing income		
Other corporations	1,557	1,475
	186,837	128,975

Notes to the financial statements

for the half year ended 30 June 2008 (continued)

Thousands of dollars	Consolidated	
	30 June 2008	30 June 2007
3. Costs and expenses		
Finance costs:		
Interest expense	28,303	25,963
Finance charges on capitalised leases	762	954
Loss/(gain) on fair value derivative	288	(144)
Less:		
Capitalised finance costs	(7,880)	(679)
Finance costs	21,473	26,094
Depreciation and amortisation:		
Amortisation of intangibles	3,469	3,610
Depreciation and amortisation (excluding intangibles)	81,254	77,179
Total amortisation and depreciation expense	84,723	80,789
Selected expenses:		
Operating leases rental expense	44,854	41,538
Net loss on disposal of non current assets	26,598	14,670

4. Dividends

Dividends declared or paid

Dividends recognised in the current year by Caltex Australia Limited are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount \$'000
2008				
Final 2007	28 March 2008	Franked	33	89,100
Total amount				89,100
2007				
Interim 2007	28 September 2007	Franked	47	126,900
Final 2006	30 March 2007	Franked	48	129,600
Total amount				256,500

Franked dividends paid during the year were franked at the tax rate of 30%.

Subsequent events

Since 30 June 2008, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group.

Interim 2008	26 September 2008	Franked	36	97,200
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	Consolidated	
	30 June 2008	30 June 2007
5. Basic and diluted earnings per share		
Historical cost - cents per share	131.3	136.2
Replacement cost - cents per share	72.7	108.9

The calculation of historical cost basic earnings per share for the period ended 30 June 2008 was based on the net profit attributable to ordinary shareholders of the parent entity of \$354,490,000 (2007: \$367,808,000) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2008 of 270 million shares (2007: 270 million shares).

The calculation of replacement cost basic earnings per share for the period ended 30 June 2008 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity of \$196,173,000 (2007: \$293,997,000) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2008 of 270 million shares (2007: 270 million shares).

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

Notes to the financial statements

for the half year ended 30 June 2008 (continued)

Thousands of dollars	Consolidated	
	30 June 2008	31 December 2007
6. Interest bearing liabilities		
Current - unsecured		
Bank loans (i)	90,000	30,000
Lease liabilities (iii)	1,729	1,871
	91,729	31,871
Non-current - unsecured		
US notes (i)	197,925	205,315
Bank loans (i)	325,000	300,000
Hedge payable (ii)	58,404	50,727
Lease liabilities (iii)	7,296	8,116
	588,625	564,158

- (i) The bank loans and the US notes are provided by a number of banks and the capital markets. The majority of interest rates on these loans and notes are on a floating rate basis. The hedge payable and a portion of the US notes, totalling \$142,917,000, mature in July 2009. The remainder of the US notes mature in July 2012. Under the loan and note agreements, the Group is required to comply with certain financial covenants. There is no security or demand placed on the bank loans and US notes. The bank loans are denominated in Australian dollars, and US notes are denominated in Australian and US dollars.
- (ii) The hedge payable is disclosed within interest bearing liabilities as the hedge was entered into solely as a result of the US dollar borrowings and is inextricably linked to the debt. The amount mainly represents the impact of the movement in the exchange rate from the date of inception (30 July 2002, USD exchange rate 0.5643) to 30 June 2008 (USD exchange rate 0.9621), on the amount hedged (USD80 million).
- (iii) The implicit rate of interest on finance leases is 14.0% p.a. (2007: 14.0% p.a.).

Thousands of dollars	Consolidated	
	30 June 2008	31 December 2007
7. Issued capital		
Ordinary shares		
270 million ordinary shares, fully paid	543,415	543,415

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of Caltex Australia Limited, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

8. Contingent liabilities

The details and estimated maximum amounts of contingent liabilities (for which no provisions are included in the financial report) are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

Thousands of dollars	Consolidated	
	30 June 2008	31 December 2007
a Contingent liabilities - legal and other claims	200	-

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

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

Notes to the financial statements

for the half year ended 30 June 2008 (continued)

8. Contingent liabilities (continued)

a Contingent liabilities - legal and other claims (continued)

Taxation

The Australian Taxation Office had originally served a statutory demand on Caltex to pay an amount of \$48.7 million in excise duty, which is to be reduced to some \$30m. This sum would be tax deductible to Caltex. The ATO has formed the view that the excise duty should be paid in relation to certain liquid fuel by-products used in the refining process and that Caltex should have paid the excise duty on such fuel usage going back four years. Caltex is of the strong view that the excise duty legislation does not apply to the refineries' own use of such fuels in the refining process and has instituted legal proceedings in the Federal Court against the ATO in this regard. No liability has been recognised as at 30 June 2008, as Caltex is of the view that this legislation is not applicable to this type of fuel usage. A three day hearing is scheduled for 1 September 2008. Due to a change in the excise legislation any future purported excise duty on this type of fuel usage ceased from 1 July 2006.

b All other contingent liabilities are consistent with the 2007 financial report.

	Consolidated	
	30 June 2008	31 December 2007
9. Investments accounted for using the equity method		% interest
Airport Fuel Services Pty Ltd	40	40
Australasian Lubricants Manufacturing Company Pty Ltd	50	50
Cairns Airport Refuelling Services Pty Ltd	25	25
Geraldton Fuel Company Pty Ltd	50	50
Link Energy Pty Ltd	50	50
Jenessa Holdings Pty Ltd	50	50
South Coast Fuels Pty Ltd	50	50
Vitalgas Pty Ltd	50	50

All above companies are incorporated in Australia.

Thousands of dollars	Consolidated	
	30 June 2008	31 December 2007
10. Net tangible assets per share		
Net tangible assets per share (dollars)	11.05	10.14

Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 270 million (2007: 270 million).

11. Segment reporting

The Caltex Australia Group operates as a vertically integrated refiner and marketer of petroleum products. The Caltex Australia Group operates within one geographic region - Australia.

12. Related Party Information

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 2007 Financial Report.

13. Details of entities over which control has been gained or lost during the period

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

14. Commitments

Thousands of dollars	Consolidated	
	30 June 2008	31 December 2007
Capital expenditure		
Capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	99,474	38,906

Notes to the financial statements

for the half year ended 30 June 2008 (continued)

Thousands of dollars

15. Reconciliation of equity

Consolidated	Issued capital	Treasury stock	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2007	543,415	(2,092)	322	3,024	1,887,156	2,431,825	10,685	2,442,510
Total recognised income for the year	-	-	311	-	643,224	643,535	2,466	646,001
Own shares acquired	-	(2,851)	-	-	-	(2,851)	-	(2,851)
Shares vested to employees	-	2,024	-	(2,024)	-	-	-	-
Expense on equity settled transactions	-	-	-	1,459	-	1,459	-	1,459
Dividends to shareholders	-	-	-	-	(256,500)	(256,500)	(1,997)	(258,497)
Balance at 31 December 2007	543,415	(2,919)	633	2,459	2,273,880	2,817,468	11,154	2,828,622
Balance at 1 January 2008	543,415	(2,919)	633	2,459	2,273,880	2,817,468	11,154	2,828,622
Total recognised income for the year	-	-	(116)	-	330,884	330,768	(1,236)	329,532
Own shares acquired	-	(1,245)	-	-	-	(1,245)	-	(1,245)
Shares vested to employees	-	1,887	-	(1,887)	-	-	-	-
Disposal of unvested shares	-	167	-	-	-	167	-	167
Expense on equity settled transactions	-	-	-	1,679	-	1,679	-	1,679
Dividends to shareholders	-	-	-	-	(89,100)	(89,100)	-	(89,100)
Balance at 30 June 2008	543,415	(2,110)	517	2,251	2,515,664	3,059,737	9,918	3,069,655

Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Equity compensation reserve

The equity compensation reserve represents the fair value of services received relating to share based payment plans for which shares have not yet vested.